

Total No. of Questions : 6

Total No. of Printed Pages : 16

Time allowed : 3 Hours

Maximum Marks : 100

Answer 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.

Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having/using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

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1. (a) State with reasons, whether the following statements are True or False:

$6 \times 2 = 12$

- (i) Money spent to reduce working expenses is Revenue Expenditure.
- (ii) Transactions regarding the purchase of fixed assets on credit are recorded in the purchase book.

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(iii) A present financial obligation of an uncertain amount, which can be measured reliably by using a substantial degree of estimation, is termed as liability.

(iv) Nominal Accounts are kept under Single Entry System.

(v) Winding up of a LLP may be initiated by Tribunal if the LLP has failed to submit the Statements of Accounts and Solvency or the LLP Annual Returns for more than three consecutive financial years with the Registrar.

(vi) As per Section 52 of the Companies Act, 2013, a company may utilise the Securities Premium Account to write off its preliminary expenses.

(b) What are Accounting Standards? Briefly explain the main advantage of setting Accounting Standards and their limitations. 4

(c) Mr. Vijay has entered into the following transactions during the month of December, 2025. You are required to journalise the same in his books of account.

- (i) Purchased goods from Ramsons for ₹ 20,000/- at a trade discount of 10% plus CGST and SGST @ 9 % each. ₹ 10,000/- was paid immediately and the balance is payable after 2 months.
- (ii) Goods costing ₹ 10,000/- were withdrawn for personal use. Such goods were purchased by paying CGST and SGST @ 9 % each.
- (iii) Purchased Machinery for ₹ 52,500/- including IGST @ 5% by issuing a cheque to the supplier.
- (iv) Goods costing ₹ 3,000/- (before trade discount of 10%) were returned to Vinod. Such goods were purchased by paying CGST and SGST @ 9 % each. 4

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2. (a) Mr. A's Trial Balance as on 31st March, 2025 did not agree and he wrote off the difference to the Profit and Loss Account for that year. Next year, he engaged the services of an accountant, who after a close scrutiny of the books of account for the previous year, observed the following errors:

- (i) Goods worth ₹ 5,000/- were dispatched to a customer before the close of the year but no invoice was made out.
- (ii) ₹ 3,000/- due to Mr. X was omitted to be taken to the Trial Balance.
- (iii) Wages of ₹ 5,000/- paid for erection of Machinery were debited to Wages Account.
- (iv) Purchase of goods from Mr. R for ₹ 20,000/- was omitted to be recorded.
- (v) Cash Payment of ₹ 5,000/- to Mr. C was posted to the credit of his account.
- (vi) Purchase of ₹ 15,390/- was wrongly posted as ₹ 15,930/-.
- (vii) Goods worth ₹ 16,000/- were sent on sale or return basis to a customer and entered in the Sales Book. At the close of the year, the customer still had the option to return the goods. Gross Profit Margin was 25% on sales.
- (viii) A return to a creditor, ₹ 550/- was entered in Returns Inward Book. However, the creditor's account was correctly posted.

Mr. A charges depreciation @ 10 % on Machinery.

You are required to pass the necessary rectification entries in the books of Mr A.

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(b) Mehta and Company had the following balance appearing in its books of account as on 1st April, 2024 :

Particulars	Amount (₹)
Plant and Machinery A/c	1,42,50,000

Its accounts are made up to 31st March every year and depreciation is charged @ 10 % per annum under the Written Down Value Method.

On 1st September, 2024 a new machine was acquired at a cost of ₹ 21,20,000/- and a sum of ₹ 46,900/- was incurred on the same day towards installation charges for erecting the said machine. On the same date a machine which had cost ₹ 32,80,500/- on 1st April, 2022 was auctioned for ₹ 5,62,500/. Another machine which had cost ₹ 32,77,500/- on 1st April, 2023 having become obsolete, was scrapped on 1st September, 2024 and it realized nothing.

You are required to prepare the Plant and Machinery Account in the books of Mehta and Company for the year ended 31st March, 2025. Also show the working for profit/loss on sale and scrapping of the machines. Round off the figures to the nearest multiple of a rupee.

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3. (a) The Income and Expenditure Account of Global Sports Club for the year ended on 31st March, 2025 is given as under :

Expenditure	₹	Income	₹
To Upkeep of grounds	24,000	By Subscription	1,80,000
To Salary	1,14,000	By Entrance Fees	6,000
To Books and Magazines	12,000	By Income from Annual Meet :	
To Annual Dinner Expenses :		Receipts	35,450
Expenses	36,000	Less: Expenses	18,000
Less:- Contribution	24,000		17,450
		By Interest on investment @ 11% (Cost of Investment ₹ 2,05,000 Purchased on 31 st March, 2024)	22,550
To Audit Fees	6,000		
To Electricity Expenses	10,800		
To Interest & Bank Charges	3,600		
To Depreciation on Sports Equipment	7,200		
To Surplus	36,400		
	2,26,000		2,26,000

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This account has been prepared after the following adjustments:

		<u>31st March, 2024</u>	<u>31st March, 2025</u>
(1)	Subscription Outstanding	14,400	18,000
(2)	Subscription received in advance	10,800	6,480
(3)	Outstanding Salary	9,600	10,800
(4)	Prepaid Electricity Expenses	Nil	1,440

The club owned a sports ground valued at ₹ 2,40,000/- . The club had sports equipment on 1st April, 2024 valued at ₹ 62,400/- . At the end of the year, after depreciation, the value of this equipment amounted to ₹ 64,800/- . Audit fees of ₹ 4,800/- for the year 2023-24 was paid during the current year. Audit fees for 2024-25 is as yet outstanding. During 2023-24, the club had raised a bank loan of ₹ 48,000/- . This loan was outstanding throughout the current year. On 1st April, 2024 Cash in hand amounted to ₹ 33,360/- .

You are required to prepare:-

- (i) Receipts and Payments Account for the year ended on 31st March, 2025
- (ii) Balance Sheet as at 31st March, 2025.

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(b) Ram and Shyam are partners sharing profits and losses in the ratio of 3:2. The Balance Sheet of the firm as at 31st March, 2025 stood as under :

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts:		Fixed Assets	6,00,000
Ram	2,40,000	Investments	1,00,000
Shyam	1,60,000	Inventories	3,25,000

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Liabilities	Amount ₹	Assets	Amount ₹
Long Term Loan	4,50,000	Trade Receivables	1,25,000
Current Liabilities	5,00,000	Loans and Advances	2,00,000
Total	13,50,000	Total	13,50,000

Due to financial difficulties, it was decided to admit Mohan as a Partner in the firm from 1st April 2025 on the following terms:

- (i) Mohan would be paid 40 % share in the profits. The new profit sharing ratio after the admission of Mohan would be 7:5:8.
- (ii) Mohan will bring ₹ 2,00,000 towards capital in cash.
- (iii) On the admission of Mohan, the goodwill of the firm will be valued at 2 years' purchase of 3 years' normal average profits of the firm. Mohan will bring his share of goodwill in cash. The partners will neither withdraw their share of goodwill nor will the goodwill appear in the books of account.

The profits of the previous three years were as follows:

2022-23	₹ 40,000/- (Profit)	(includes insurance claim of ₹ 80,000/-)
2023-24	₹ 20,000/- (Loss)	(includes Voluntary retirement compensation of ₹ 2,20,000/-)
2024-25	₹ 1,00,000/- (Profit)	(includes profit of ₹ 50,000/- on sale of fixed assets)

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It was decided to revalue the assets on 31st March 2025 as under:

Fixed Assets	₹ 8,00,000/-
Investments	Nil
Inventory	₹ 2,96,000/-

Of the Trade Receivables, ₹ 5,000/- are considered as irrecoverable and a further 5% is to be provided for bad and doubtful debts.

You are required to prepare the Revaluation Account, Partners' Capital Accounts and Balance Sheet as on 1st April 2025 after the admission of Mohan.

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4. (a) A, B and C are partners of M/s ABC LLP sharing profits and losses in the ratio of 3 : 2 : 1. The Balance Sheet of the firm as at 31st March, 2025 stood as under:

Liabilities	Amount ₹	Assets	Amount ₹
Capital Accounts			
A	4,80,000	Building	3,20,000
B	3,20,000	Plant and Machinery	3,20,000
C	1,60,000	Inventories	1,60,000
Trade Payables		Trade Receivables	3,20,000
	3,20,000	Cash at Bank	1,60,000
	12,80,000		12,80,000

On 1st April, 2025, A desired to retire from the firm and the remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities on that date on the following basis: -

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(i) Goodwill of the entire firm is valued at ₹ 2,88,000/- and A's share of the goodwill is adjusted in the accounts of B and C who would share the profits equally in future.

(ii) Building is to be appreciated by 30%. Plant and machinery is to be depreciated by 20%. Inventories are to be written down to 80% of their carrying value as on 31st March, 2025.

(iii) Trade receivables are considered good only up to 95% of the Balance Sheet figure and the balance is to be provided for as doubtful.

(iv) Old credit balances of Trade payables ₹ 16,000/- are to be written back.

(v) The Joint life policy of the partners is surrendered and a sum of ₹ 96,000/- is realized therefrom.

(vi) The total capital of the reconstituted firm shall be the same as before the retirement of A. Individual capital of B and C shall be in their profit-sharing ratio and the same shall be brought in by them.

(vii) 75% of the amount due to A on his retirement shall be settled in cash and the balance shall be settled after one year.

You are required to draw up the following accounts after giving effect to the above transactions :

- (1) Revaluation Account
- (2) Partners' Capital Account
- (3) Bank Account.

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(b) The following is the schedule of balances as on 31st March, 2025 extracted from the books of Mr. Radhey:

Particulars	Dr. (₹)	Cr. (₹)
Advertisement Expenses	13,400	—
Bad Debts	4,400	—
Bad Debts Recovered	—	1,800
Cash at Bank	12,500	—
Bank Overdraft	—	3,20,000
Capital Account	—	2,60,000
Carriage Inwards	4,500	—
Carriage Outwards	5,400	—
Cash in Hand	5,800	—
Drawings	46,000	—
Furniture and Fittings	41,000	—
Interest paid on loan	12,000	—
Administrative Expenses	40,640	—
Opening Stock	1,29,000	—
Plant & Machinery	80,000	—
Prepaid Rent	1,200	—
Printing & Stationery	5,000	—
Provision for discount on Trade Receivables	—	5,500
Provision for Doubtful debts	—	12,800
Purchases	6,08,800	—
Rent, Rates and Taxes	17,200	—
Salaries and Allowances	90,200	—

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Particulars	Dr. (₹)	Cr. (₹)
Salaries Payable	—	9,800
Sales	—	8,44,000
Trade Payables	—	1,90,000
Trade Receivables	4,80,000	—
Wages and Salary	46,860	—
Total	16,43,900	16,43,900

Additional information:

- (i) During the year Mr Radhey has distributed free samples costing ₹ 3,300/- for publicity.
- (ii) A fire took place in the warehouse on 20th March, 2025 and destroyed goods worth Rs 6,000/-. The Insurance company has admitted a claim of ₹ 4,500/- on 31st March, 2025.
- (iii) Create a provision for doubtful debts @ 5% and provision for discount on trade receivables @ 2.5%.
- (iv) Depreciation is to be provided on Plant and Machinery @ 15% per annum and on Furniture and fittings @ 10% per annum.
- (v) Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding on 31.03.2025 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2025 and a Balance Sheet as at that date.

5. (a) Attempt any ONE of the two sub-parts ie either (i) OR (ii)

(i) On 30th November 2025, the Bank Statement of M/s Rama & Sons showed a Debit balance of ₹ 39,700/- at bank. On comparing it with the Cash Book, the following discrepancies were observed:

- (1) A cheque of ₹ 10,000/- was issued to a supplier on 25th November but was not presented for payment till 3rd December.
- (2) A cheque of ₹ 3,000/- was received from a customer and deposited on 28th November but was credited by the bank on 2nd December.
- (3) The bank had directly collected interest of ₹ 2,400/- on behalf of the firm, which has not yet been recorded in the cash book.
- (4) Credit side of the Bank column of Cash book was overcast by ₹ 900/-.
- (5) A customer had directly deposited ₹ 8,000/- into the firm's bank account, but no entry was made in the cash book.
- (6) A cheque of ₹ 2,000/- deposited earlier was returned dishonoured and debited in the Bank Statement only.
- (7) As per standing instructions to bank, EMI of ₹ 20,000/- was paid by the bank. The same was omitted to be accounted for in the cash book.
- (8) An amount of ₹ 5,000/- was wrongly credited by bank to the firm's account for which details are not available.

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(9) The Cashier had wrongly recorded a bank payment of ₹ 12,500/- as ₹ 21,500/- in the Cash Book.

You are required to ascertain the balance appearing in the Cash Book of M/s Rama and Sons as on 30th November, 2025.

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(ii) T draws on J a bill of exchange for ₹ 1,80,000/- on 1st April, 2025 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for ₹ 1,72,800/-. T immediately remits ₹ 57,600/- to J. On the due date, T, being unable to remit the amount due, accepts a bill for ₹ 2,52,000/- for three months, which is discounted by J from his banker for ₹ 2,40,660/-. J sends ₹ 40,440/- to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paise in a rupee.

Pass the necessary journal entries in the books of T.

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(b) Sumitra is engaged in the business of trading in detergents. She does not maintain proper records of her business. From the following details furnished by her, you are required to compute the amount of Total Purchases and Sales for the year ended 31st March, 2025:

Particulars	Amount (₹)
Opening Balance (1 st April, 2024)	
Inventory	2,00,000
Sundry Creditors	1,23,000
Sundry Debtors	1,50,000
Closing Balance (31 st March, 2025)	

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Particulars	Amount (₹)
Inventory	1,50,000
Sundry Creditors	1,38,000
Sundry Debtors	2,56,000
Cash paid to Creditors	2,63,700
Cash received from Debtors	4,56,000
Cash Sales	83,400
Cash Purchases	30,000
Discount received during the year	11,300
Discount allowed during the year	18,700

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(c) Ajanta Limited issued 50,000 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 X, holding 1,000 shares who failed to pay the Allotment and Call money and Y, holding 2,000 shares, failed to pay the Call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.

Pass the necessary journal entries in the books of Ajanta Limited to record the forfeiture and re-issue of the shares. Also prepare the extracts of the Balance Sheet and Notes to accounts of the company.

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6. (a) The Balance Sheet of Dynamic Limited as at 31st March, 2024, inter-alia, includes the following information :

Particulars	Amount (₹)
10,00,000 Equity Shares of ₹ 10/- each fully paid up	100,00,000
1,00,000 9 % Preference Shares of ₹ 100/- each, ₹ 70/- paid up	70,00,000
Capital Redemption Reserve	40,00,000
Securities Premium Reserve	10,00,000
General Reserve	100,00,000
Balance with Banks	30,00,000

Under the terms of their issue, the Preference Shares are redeemable on 31st March, 2025 at a premium of 5%. Preference Shareholders having 4,000 shares fail to make the payment for the Final Call made under Section 55 of the Companies Act, 2013. Their shares are forfeited after giving proper notices.

In order to finance the redemption, the company makes a rights issue of 10,00,000 Equity Shares of ₹ 10/- each at ₹ 11/- per share, ₹ 2/- being payable on application, ₹ 4/- (including premium) on allotment and the balance on 1st June, 2025. The issue was fully subscribed and allotment made on 31st March, 2025. The money due on allotment was received on 31st March, 2025. 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 (with narrations) in the books of Dynamic Limited for the above.

(b) What do you mean by principal books of account? What are the rules of posting of Journal Entries into the Ledger?

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