

## PSR

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.

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.

- |  | Marks      |
|--|------------|
| 1. (a) State with reasons, whether the following statements are True or False :  | 6×2<br>=12 |
| (i) The materiality depends only upon the amount of the item and not upon the size of the business, nature and level of information, level of the person making the decision etc.            |            |
| (ii) While preparing the Income and Expenditure Account as per accrual concept, the income and expenditure is considered in the period in which actual receipts or actual payments are made. |            |

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- (iii) Profit sharing ratio and capital contribution ratio need not be same.
- (iv) Depreciation is not provided in the financial year when the entity incurs loss.
- (v) The concept that helps in keeping business affairs free from the influence of the personal affairs of the owner is known as the matching concept.
- (vi) A Company cannot issue equity shares at discount to general public.

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(b) Explain the generally accepted valuation principles. 4

(c) Record the following transactions in the purchase book: 4

- 2<sup>nd</sup> December, 2024 Purchased from Gupta & Co. on credit  
100 plates @ ₹ 150 per plate  
500 small bowls @ ₹ 50 per bowl  
Less: Trade discount @ 10%  
Packing charges @ ₹ 2 per plate and ₹ 1 per bowl
- 6<sup>th</sup> December, 2024 Purchased a furniture for shop from M/s Plywood Co. on credit for ₹ 15,000/-
- 8<sup>th</sup> December, 2024 Purchased on Credit from M/s Ajanta & Co.  
50 boxes of spoon @ ₹ 200 per box  
40 boxes of Fork @ ₹ 250 per box  
Less: Trade Discount @ 8%
- 15<sup>th</sup> December, 2024 Purchased for cash from Steel House  
40 big bowl @ ₹ 70/- per bowl
- 27<sup>th</sup> December, 2024 Purchased one dozen cookers @ ₹ 750 each from M/s Verma & Sons on credit

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2. (a) The following are the details of machineries held by a firm :

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Machine	Purchase Date	Purchase Value (₹)	Useful Life	Scrap Value (₹)
M1	01/04/2020	11,00,000	8 years	20,000
M2	01/04/2022	9,40,000	8 years	40,000
M3	01/04/2024	8,10,000	5 years	-

The firm uses 'sum of years digits' method for charging depreciation and maintains a separate account for it.

On 1<sup>st</sup> April, 2024, the M1 machine has become obsolete and has been sold for ₹ 1,34,000/-. On the same date the estimated useful remaining life of M2 machine is reassessed at 3 years with ₹ 10,000 as scrap value.

You are required to prepare the Machinery Account, Provision for Depreciation Account and Machinery Disposal Account for the year ending 31<sup>st</sup> March, 2024 and 31<sup>st</sup> March, 2025.

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(b) Pass the Journal entries to record/rectify the following transactions in the books of Mr. Dutt. Suspense account may be used, if required :

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(i) Sale of goods to Mahesh at the list price of ₹ 1,80,000/- less 10% trade discount. Out of the amount due 50% is received, out of which two-third is received by cheque and the balance amount is received in cash. CGST and SGST applicable is 6% each.

Bur → Dr 3000  
Cash → Dr 25000 PSR  
Mahesh

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- (ii) One of the debtors, Mr. X has agreed to pay his dues of ₹ 3,000/- to Mr. C who is a creditor of Mr. Dutt with the same amount being due to him.
- (iii) Employees have been given inventory having selling price of ₹ 1,00,000 (Cost price ₹ 75,000) on the eve of Deepawali as a gift. CGST and SGST applicable is 6% each.
- (iv) Sale of ₹ 2,500/- made to Mr. Kamal Kumar has been debited to Mrs. Kamla Rani.
- (v) A second hand machinery was purchased and its overhauling charges paid are ₹ 15,000/-. The accountant debited the overhaul charges to Repairs and Maintenance Account. Depreciation on machinery has been charged at 10%.
- (vi) A purchase of ₹ 151 from Mr. X was entered in Purchase Day Book as ₹ 15 and posted to Mr. X account as ₹ 51.
- (vii) R has been issued a credit note allowing rebate of ₹ 6,000/- as goods supplied to him was found defective. CGST and SGST charged @ 6% each.
- (viii) S was also given a credit note of ₹ 2,000/- for making prompt payment for outstanding against goods sold to him. CGST and SGST charged on sale was @ 6%.
- (ix) An accrual of telephone charges for ₹ 2,538 has been completely omitted.
- (x) A cheque of ₹ 25,390 issued to Mr. C. Dass (shown under trade payables) towards his dues has been wrongly debited to the purchases.

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3. (a) From the following particulars furnished by Mr. Wye, prepare his Trading and Profit & Loss Account for the year ended on 31<sup>st</sup> March, 2025. Also prepare his Balance Sheet as on 31<sup>st</sup> March, 2025 :

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	01.04.2024	31.03.2025
	(₹)	(₹)
Creditors	6,30,800	4,96,000
Expenses Outstanding	24,000	13,200
Fixed Assets (including machinery)	4,64,400	4,81,600
Stock in hand	3,21,600	4,44,800
Cash in hand	1,18,400	48,000
Cash at bank	1,60,000	2,75,200
Sundry Debtors	6,61,200	?

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Details of the year's transactions are as follows :

	(₹)
Cash and discount credited to debtors	25,60,000
Returns from debtors	58,000
Bad debts	16,800
Gross Sales (Both cash and credit)	28,72,400
Discount allowed by creditors	28,000

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Returns to creditors	16,000
Capital introduced by cheque	3,40,000
Collection from debtors deposited into bank after receiving cash	25,00,000
Cash purchases	41,200
Expenses paid by cash	3,82,800
Drawings by cheque	17,200
Machinery acquired by cheque	1,27,200
Cash deposited into bank	2,00,000
Cash withdrawn from bank	3,69,600
Cash sales	1,84,000
Payment to creditors by cheque	24,10,800

Note : No Fixed Asset has been sold during the year.

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- (b) Mr. P was carrying on a business. On 1<sup>st</sup> April, 2023, he admitted Q as a partner giving him one-fourth profit. It was agreed that the goodwill of the firm would be ₹ 24,000. On 1<sup>st</sup> July, 2023, R was admitted as a partner and it was agreed that the goodwill of the firm be determined at ₹ 40,000 and the new profit sharing ratio of P, Q and R will be 3:1:1. On 1<sup>st</sup> September, 2023, S was also admitted as a partner and at this time, goodwill was valued at ₹ 72,000/- and they agreed to share

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profits in the ratio of 3:1:1:1. On 1<sup>st</sup> April, 2024, R decided to retire and T was admitted as a partner. Goodwill was agreed at ₹ 96,000 and the profit sharing ratio amongst P, Q, S and T now agreed to be 5:4:3:4.

All these agreements about goodwill have not been taken into account. On 1<sup>st</sup> April, 2024, when R retires and T is admitted, the partners decided to account for the goodwill by making necessary entries in respect of goodwill in the books without keeping the goodwill account in books.

You are required to show working of the goodwill and to pass the required journal entry.

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- (a) P and Q have been carrying on the business in the name of Bharat Springs in partnership sharing profit and losses in the ratio of 2:3. Their Balance Sheet as on 31<sup>st</sup> March, 2024 has been as follows : 12

Liabilities	(₹)	Assets	(₹)
Capital Accounts :		Building	85,000
P	80,000	Plant	55,000
Q	1,60,000	Furniture	26,700
General Reserve	50,000	Debtors	48,000
Creditors	57,800	Bills Receivable	11,600
Bills Payable	16,500	Stock	54,800
		Bank	83,200
	3,64,300		3,64,300

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On 1<sup>st</sup> April, 2024, they have decided to admit R into the partnership giving him a 1/5<sup>th</sup> share in future profits on the following terms :

- (i) R will bring ₹ 80,000 as his share of capital but is unable to bring in cash for his share of goodwill. It was decided to calculate goodwill based on R's share in the profits and the capital contribution made by him to the firm.
- (ii) Partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.
- (iii) General Reserve will be transferred to the Partners' Capital Accounts.
- (iv) Provision for doubtful debts is to be made on debtors @ 2%.
- (v) A liability of creditors of ₹ 1,440 is to be written back as no longer payable.
- (vi) Stock shall be written down by 10%.
- (vii) Building is to be revalued at ₹ 1,00,000/-, Plant at ₹ 60,000/- and Furniture at ₹ 24,000/-.
- (viii) Partners agreed that the values of the assets and liabilities remain the same and, as such, there should not be any change in their book value because of above-mentioned adjustments. They also agreed that for the purpose of goodwill computation, any effect of revaluation shall be ignored.

You are required to make :

- (1) Revaluation Account
- (2) Capital Accounts of the partners
- (3) Balance Sheet of the New Firm

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- b) Following is the Receipts and Payments Account of Smart Club for the year ended on 31<sup>st</sup> March, 2025 :

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**Receipts and Payments Account for the year ended on 31<sup>st</sup> March, 2025**

Receipts	Amount (₹)	Payments	Amount (₹)
To Balance b/d	2,50,000	By Salaries and Wages	1,65,000
To Subscription	4,20,000	By Office Expenses	35,000
To Donation for Match Fund	55,000	By Telephone Charges	28,000
To Sale of Match tickets	20,000	By Match Expenses	1,10,000
To Entrance Fees	85,000	By Electricity Charges	32,000
		By Sports Equipment	2,50,000
		By Travelling and Conveyance	65,000
		By Balance c/d	1,45,000
	<b>8,30,000</b>		<b>8,30,000</b>

**Additional Information :**

- (i) The subscriptions include ₹ 40,000/- received for the year ended on 31<sup>st</sup> March, 2024. On 31<sup>st</sup> March, 2025 subscriptions due but not received were ₹ 25,000/-. Advance subscription received for

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the year ending on 31<sup>st</sup> March, 2025 but pertaining to year 2025-2026 amounted to ₹ 35,000/-. The subscriptions received in advance for the year ended 31<sup>st</sup> March, 2024 includes ₹ 14,000/- pertaining to the year 2024-25.

- (ii) Opening Balance of Match Fund on 1<sup>st</sup> April, 2024 is ₹ 30,000/-.
- (iii) Outstanding Salaries and Wages are ₹ 40,000/- for the year ended on 31<sup>st</sup> March, 2025.
- (iv) Depreciate Sports Equipment by 25% for the year ended on 31<sup>st</sup> March, 2025.
- (v) Capitalize 50% of the Entrance Fees.

Prepare Income and Expenditure Account of the Club from the above particulars for the year ended on 31<sup>st</sup> March, 2025 and Balance Sheet as on that date.

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5. (a) Attempt any ONE of the two sub-parts i.e. either (i) OR (ii)
- (i) From the following information supplied by Mr. D, prepare a Bank Reconciliation Statement as on 31<sup>st</sup> March, 2025 after amending the cash book on that date :

	(₹)
(1) Bank overdraft as per Bank statement	20,000
(2) Cheques issued but not presented for payment	11,000
(3) Cheques recorded in the bank column of the cash book but not sent to the Bank for collection	3,000

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|-----|--|-------|
| (4) | Payment received from customers directly by the bank   | 6,000 |
| (5) | Bank charges debited in the statement  | 40    |
| (6) | Cheques deposited with the Bank but not collected  | 9,000 |
| (7) | A bill for ₹ 5,000 (discounted with the Bank in February at ₹ 4,960) dishonoured on 31 <sup>st</sup> March and noting charges paid by the bank | 20    |
| (8) | Premium of life policy of D paid by the Bank on his standing advice  | 350   |
| (9) | Overdraft balance (Cr.) on 15 <sup>th</sup> March, 2025 of ₹ 14,000 was carried over as debit balance on the next day in cash book             |       |

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OR

- (ii) P owed ₹ 2,00,000 to Q. On 1<sup>st</sup> October, 2024, P accepted a bill drawn by Q for the due amount for 3 months. Q got the bill discounted with his bank for ₹ 1,98,000 on 3<sup>rd</sup> October, 2024. On 31<sup>st</sup> December, 2024, before the due date, P approached Q for renewal of the bill. Q agreed on the conditions that ₹ 1,00,000 alongwith interest at 12% per annum for 3 months on the amount of ₹ 1,00,000/- will be paid and P would accept a new bill for three months for the balance amount. These arrangements were carried out on 2<sup>nd</sup> January, 2025. However, on 2<sup>nd</sup> April,

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2025, before the due date, P became insolvent and only 40% of the amount of the bill could be recovered from his estate.

Pass the necessary journal entries (with narration) in the books of Q.

- (b) Mr. Sahil runs a factory which produces sugar. Following details are available in respect of his manufacturing activities for the year ended on 31<sup>st</sup> March, 2025 :

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	(₹)
Opening Work in Progress (15 tonnes)	4,50,000
Closing Work in Progress (12 tonnes)	3,60,000
Raw Materials consumed	32,00,000
Closing inventory of Raw Materials	7,60,000
Hire charges of machine @ ₹ 200 per ton produced	
Direct Wages - Contracted @ ₹ 400 per ton manufactured and @ ₹ 200 per ton of closing WIP	
Factory Rent	2,40,000
Repairs & Maintenance of plant	1,50,000
Sugar produced - 500 Tons	
Sale of Scrap	84,000

Prepare the Manufacturing Account of Mr. Sahil for the year ended on 31<sup>st</sup> March, 2025.

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- (c) Alpha Limited has an Authorized Equity Share Capital of ₹ 20 lakhs divided into equity shares of ₹ 100 each and 10% Redeemable Cumulative Preference Shares of ₹ 5.00 lakhs divided into ₹ 100/- per share. The paid-up equity capital is of ₹ 13,50,000/- and 10% Redeemable Cumulative Preference Shares of ₹ 100 each of ₹ 3,00,000/-. Balances in other accounts are : Securities Premium ₹ 35,000/-, Profit & Loss Account ₹ 80,000/- and General Reserve ₹ 4,00,000/-. The Company has investments of the face value of ₹ 40,000/- being carried in the books at a cost of ₹ 45,000/-.

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The Company has decided to redeem the Cumulative Preference Shares at 10% premium, partly by making an issue of equity shares of the face value of ₹ 1,50,000/- at a premium of 10%. Investments are sold at 110% of their face value. All preference shareholders have been paid off except 2 holders holding 500 shares.

You are required to pass the necessary Journal Entries for effecting the above transactions. Working should form part of your answer.

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6. (a) ABC Limited has issued 1,20,000 Equity shares of ₹ 10 each at premium of ₹ 2 per share for public subscription payable as follows :  
On application ₹ 2 per share; on allotment ₹ 5 per share (including premium); on first call ₹ 2 per share; on second and final call ₹ 3 per share.

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Application has been received for 1,80,000 shares. Allotment has been made pro rata to the applicants for 1,44,000 shares, the remaining applications being refused. T, to whom 4,800 shares has been allotted, failed to pay the allotment and first call money and his shares have

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been forfeited. After the second and final call has been made, N, to whom 6,000 shares have been allotted, has also failed to pay the two calls. His shares have also been forfeited. Subsequently, out of these forfeited shares, 7,800 shares (including all shares of T) were re-issued to P as fully paid-up at ₹ 8 per share.

Show the necessary Journal Entries and entries in Cash Book.

- (b) From the following particulars, ascertain the value of inventories as on 31<sup>st</sup> March, 2025 :

	(₹)
Inventory as on 1 <sup>st</sup> April, 2024	1,76,900
Purchases	9,64,000
Manufacturing Expenses	1,90,000
Selling Expenses	78,500
Administrative Expenses	25,000
Financial Expenses	24,900
Sales	15,37,000

- (i) At the time of valuing inventory as on 31<sup>st</sup> March, 2024, a sum of ₹ 7,500 was written off on a particular item remaining in the balance, which was originally purchased for ₹ 70,000 and was sold during the year for ₹ 65,000. Barring the transaction relating to this item, the gross profit earned during the year was 20% on sales.

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- (ii) On 15<sup>th</sup> March, 2025, the goods of the sale value of ₹ 20,000 (included in above sales) were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10<sup>th</sup> April, 2025, approving the rest.
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