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14/05/2026

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Roll No.

Total No. of Questions : 6

Total No. of Printed Pages : 20

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 × 2 = 12

- (i) Cost of inventories should comprise all cost of purchase.
- (ii) According to the decision in the case of Garner vs Murray, the loss due to insolvency of a partner has to be borne by the solvent partners in their profit sharing ratio.

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(iii) Amount spent on demolition of an old building which was necessary for the construction a new factory building on the same site is Revenue Expenditure.

(iv) As per Section 39 of the Companies Act, 2013, in case of issue of shares, the Application money must be atleast 25% of the issue price of shares.

(v) Adjustments in the form of additional information shall be adjusted in the final accounts of a Non- profit organization only in one place.

(vi) Cash book is a subsidiary book as well as a principal book.

(b) Define Accounting Policies in brief. Name the major characteristics which should be considered for the purpose of selection and application of accounting policies. Also state the conditions in which a change in accounting policies should be made. 4

(c) The following are some of the transactions of M/s Modern Stores during the month of March, 2026 as per their Waste Book. You are required to make out their Returns Outward Book. 4

Sl.No.	Date	Particulars
1	8 March, 2026	Returned items to Manoj Stationery Mart 12 Dozen Pencils @ ₹ 50 per Dozen 12 Dozen Pens @ ₹ 150 per Dozen Less: Trade Discount @ 4%
2	15 March, 2026	Returned items, which were bought on cash, to Raj Stationery : 8 Dozen Erasers @ ₹ 6 per Dozen
3	18 March, 2026	Returned Computer to Vidhi Computers, which was purchased for ₹ 28,000 for office use on credit.
4	21 March, 2026	Returned items to Rajat Copiers 8 Packets A 4 Paper @ ₹ 100 per Packet 6 Packets A 3 Paper @ ₹ 125 per Packet Less: Trade Discount @ 6%

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2. (a) On 1st April, 2023 Suman Limited purchased certain machinery for ₹ 60,00,000. On 1st October, 2025, a part of the said machinery purchased on 1st April, 2023 for ₹ 4,00,000 having become obsolete was auctioned for ₹ 2,25,000. On the same day a fresh machinery was acquired at a cost of ₹ 7,50,000 and installation charges of ₹ 40,000 were incurred in erecting it on the same date.
- The company has adopted the method of providing depreciation @ 10 % per annum on the Written Down Value of the machinery.
- You are required to prepare (i) Machinery Account, (ii) Provision for Depreciation Account and (iii) Machinery Disposal Account in the books of Suman Limited for the period 1st April, 2023 to 31st March, 2026 calculating depreciation to the nearest multiple of a rupee.
- (b) The accountant of Angad Traders was unable to agree the Trial Balance as on 31st March, 2026 and transferred the difference to Suspense Account. On examination of the books of account, you observe that the accountant had committed the following errors :
- (i) Goods of the value of ₹ 15,000 returned by Mr Arora were entered in the Sales Day Book and posted therefrom to the credit of his account.
 - (ii) An amount of ₹ 3,000 entered in the Sales Return Book has been posted to the debit of Mr Radhey, who returned the goods.
 - (iii) Wages of ₹ 4,600 paid to workmen for making furniture on 31st March, 2026 had been charged to Wages Account.

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- (iv) A cheque of ₹ 12,000 received from Janak Enterprises has been dishonored and was passed to the debit of Allowances Account.
- (v) Goods amounting to ₹ 1,600 had been returned by a customer, J V Corporation and were taken into inventory, but no entry in respect thereof was made into the books.
- (vi) A second-hand motor car purchased for ₹ 30,000 on 1st October, 2025 was debited to Car Maintenance Account. Angad Traders charges depreciation @ 15% p.a. on Written Down Value of vehicles.
- (vii) On 31st March, 2026, old furniture sold for ₹ 16,000 has been entered in the Sales book, the total of which had been posted to Sales account.
- (viii) An amount of ₹ 8,880 due from Hemal, which had been written off as a Bad Debt in a previous year, was unexpectedly recovered, and had been posted to the personal account of Hetal.
- (ix) The total of "Discount Allowed" column in the cash book for the month of March, 2026 amounting to ₹ 2,500 was not posted.
- (x) A sum of ₹ 3,500 paid towards Mediclaim Insurance of the proprietor had been charged off to Employees Benefits Expenses Account.

You are required to pass the necessary accounting entries in the books of Angad Traders to rectify the aforesaid errors.

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3. (a) X and Y are partners in a LLP namely Alpha LLP sharing profits and losses in the ratio of 2:1. The Balance Sheet of the LLP firm as at 31st March, 2026 was as follows: 10

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Land and Building	1,40,000
- X	1,00,000	Plant and Machinery	60,000
- Y	80,000	Inventories	28,000
Profit and Loss Account	24,000	Trade Receivables	44,000
Bank Overdraft	60,000	Cash at Bank	18,000
Trade Payables	24,200		
Outstanding Liability	1,800		
Total	2,90,000	Total	2,90,000

Additional Information:

- (i) On 1st April, 2026, they agreed to admit Z as a partner for 1/5th share in future profits and losses. Z would introduce ₹ 60,000 as his capital and would also bring in his share of goodwill of ₹ 18,000 in cash. It was agreed that the Goodwill Account would not appear in the books of the firm.
- (ii) The New profit-sharing ratio among the partners X, Y and Z would be 8 : 4 : 3.
- (iii) It was decided to revalue the assets and liabilities as under:
- | | |
|-----------------------|------------|
| – Land and Building | ₹ 1,75,000 |
| – Plant and Machinery | ₹ 50,000 |
| – Inventories | ₹ 25,000 |
- (iv) Trade payables amounting to ₹ 1,200 were considered as no longer payable.

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(v) Provision for doubtful debts is to be created @ 5% on Trade Receivables.

(vi) Y had settled the Outstanding Liability in full by paying ₹ 1,500 from his own bank account. The necessary entry for the same was not made in the books.

(vii) The Capital accounts of the partners would be re-adjusted on the basis of the new profit-sharing arrangement and any excess or deficiency would be transferred to their Current accounts.

You are required to prepare:

(1) Revaluation Account;

(2) Partners' Capital Accounts;

(3) Balance sheet of the firm after admission of Z.

(b) Kanchan runs a business of hosiery goods. She does not maintain proper books of accounts. She only maintains a record of her bank transactions. She is able to provide you with the following data of her assets and liabilities:

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Particulars	As at 31 st March, 2025 (₹)	As at 31 st March, 2026 (₹)
Furniture and Fittings	58,000	47,500
Trade Debtors	34,850	?
Trade Creditors	36,500	34,775
Inventories	58,000	68,000
Bank Account	28,850	?
Kanchan's Capital Account	1,43,200	?

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Details of her bank transactions during the year ended 31st March, 2026 were as under:

Sl.No	Particulars	Amount (₹)
1	Collection from Trade Debtors	4,34,500
2	One Life Insurance policy of Kanchan had matured during the year and the amount was retained in the business	15,000
3	Sale of Furniture and Fittings (Book value ₹ 20,000)	16,000
4	Paid to Trade Creditors for purchases	3,70,000
5	Expenses paid	69,250
6	Purchase of new Furniture and Fittings	18,000
7	Kanchan's personal drawings per month	2,000

Additional Information:

- (i) No cash transactions took place during the year.
- (ii) Goods are sold at 20% profit on sales. Cost of goods sold was ₹ 3,60,000.
- (iii) Expenses paid include annual fire insurance premium (for business stocks) of ₹ 7,500 which was paid on 1st January, 2026. The insurance policy is effective from the date of payment.
- (iv) Discount allowed to Trade Debtors and Discount received from Trade Creditors amounted to ₹ 2,350 and ₹ 1,725 respectively for the year ended 31st March, 2026.

You are required to prepare:

- (1) Trading and Profit and Loss Account of Kanchan for the year ended on 31st March, 2026;
- (2) Balance Sheet as at 31st March, 2026.

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4. (a) Donna, Jenny and Tony are partners of DJT Corporation sharing profit and losses in the ratio of 3:2:1. On 31st March, 2025, their Balance Sheet was as under: 10

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital Accounts:		Land and Building	2,60,000
- Donna	1,60,000	Plant and Machinery	1,15,000
- Jenny	1,88,000	Furniture and Fixture	80,000
- Tony	1,20,000	Joint Life Policy	60,000
General Reserve	1,44,000	Inventory	35,000
Trade Payables	38,000	Trade Receivables 48,000	
		Less: Provision for Doubtful Debts <u>4,500</u>	43,500
		Cash at Bank	56,500
Total	6,50,000	Total	6,50,000

Tony died on 31st May, 2025.

As per Partnership Deed the following arrangements were to be put into effect:

- (i) The remaining partners share profits and losses in the ratio of 3 : 2.
- (ii) The partners are allowed interest @ 10% p.a. on their capitals, but no interest be charged on drawings.

- (iii) Upon the death of a partner, the Goodwill of the firm be valued at three years' purchase of the average net profits (after charging interest on capital) for the 4 years to 31st March preceding the death of a partner.
- (iv) Goodwill to be credited to deceased partner's capital account with her share of goodwill, without using a goodwill account.
- (v) Profits till the date of death to be ascertained on the basis of average profit of previous four years.

Additional Information:

- (1) The profits/(loss) of the firm before charging interest on capital were as follows:

Year	Amount (₹)
2021-22	Profit 1,46,600
2022-23	Profit 1,88,000
2023-24	Loss 69,200
2024-25	Profit 1,52,200

- (2) Average capital during the preceding 4 years to 31st March preceding the death of the partner may be assumed at ₹ 3,50,000.
- (3) Upon the death of Tony, her capital account is to be credited with her share of profits, interest on capital etc. calculated till the date of death.
- (4) After the death of Tony, ₹ 2,00,000 was received from insurance company against Joint Life Policy.

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(5) The Firm's assets were revalued as under –

- Land and Building valued at ₹ 3,00,000;
- Plant and Machinery to be depreciated by 15% and Furniture & Fixtures to be depreciated by 10% ;
- Inventory was valued at ₹ 45,000;
- Trade receivables are all considered good and no provision is required.

(6) Amount payable to executor of Tony was paid immediately.

You are required to prepare:

- (i) Revaluation Account;
- (ii) Partners' Capital Accounts after giving effect to the above transactions.

(b) The following is the Trial Balance as on 31st March, 2026 of Mr. Suresh, a retail trader of books.

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Particulars	₹	Particulars	₹
Carriage Inward	18,000	Interest received	9,000
Stock on 1.4.2025	1,25,000	Sales	13,50,000
Carriage Outward	22,000	Returns Outward	48,000
Returns Inwards	55,000	Discount received	30,000
Purchases	8,60,000	Capital account as on 01.04.2025	6,29,000
Salaries	1,00,000	Term Loan from Bank	6,00,000
Rent	30,000	Sundry Creditors	1,80,000
Interest on Term Loan	51,000		
Printing and stationery	10,000		

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Particulars	₹	Particulars	₹
Sales Promotion	12,000		
General Expenses	20,000		
Discount allowed	22,000		
Audit fees (upto 30.9.2025)	15,000		
Electricity charges	14,000		
Delivery Van	4,50,000		
Furniture & Fixtures	1,50,000		
Computers	1,20,000		
Cash at bank	1,40,000		
Cash in hand	65,000		
Drawings	1,20,000		
Insurance Premium	7,000		
Sundry Debtors	3,50,000		
Investments	90,000		
	28,46,000		28,46,000

Additional information:

- (i) Value of Stock in trade at the close of the year was ₹ 1,55,000.
- (ii) A provision for doubtful debts is to be maintained @ 2.5% of Sundry Debtors.
- (iii) Depreciation to be provided on Furniture & Fixtures and Delivery Van @ 15% and Computers @ 40%.

(iv) Audit fees for the half year ended 31st March, 2026 amounting to ₹ 15,000 is outstanding.

(v) Term Loan from Bank was obtained on 1st May, 2025. Interest on the same is payable @ 10 % per annum.

(vi) A fire took place in the godown on 27th March, 2026 and destroyed stock worth ₹ 40,000. The Insurance company has admitted a claim of 50% for the said loss on 31st March, 2026.

You are required to prepare the Trading and Profit and Loss Account of Mr Suresh for the year ended 31st March, 2026 and Balance Sheet as at that date.

5. (a) Attempt any ONE of the two parts i.e. either (i) or (ii)

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(i) The Profit and Loss Account of Prabhat showed a net profit of ₹ 15,00,000, after considering the closing inventory of ₹ 9,37,500 on 31st March, 2026. On scrutiny of the books it was observed as under :

(1) Purchases for the year included ₹ 37,500 paid for new electrical fittings for the godown.

(2) Goods valued at ₹ 1,00,000 were given away as free samples for which no entry had been passed in the books of account.

(3) Invoices for goods amounting to ₹ 6,25,000 had been entered on 27th March, 2026 , but the goods were not included in stock.

- (4) In March, 2026 goods of ₹ 5,00,000 sold and delivered, were taken in the sales for April, 2026.
- (5) Goods costing ₹ 1,87,500 were sent on sale or return basis in March, 2026 at a margin of profit of 33.33 % on cost. Though approval was given in April, 2026, these were recorded in the sales for March, 2026.

You are required to ascertain the value of Inventory on 31st March, 2026 and the adjusted net profit for the year ended on that date.

OR

- (ii) On 31st March, 2026, the bank account of Sagar, according to the bank column of the Cash Book revealed a debit balance of ₹ 37,25,000. On examination of the cash book and bank statement you find that:

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- (1) Cheques amounting to ₹ 3,00,000 which were issued to trade payables and entered in the cash book before 31st March, 2026 were not presented for payment until that date.
- (2) Cheques amounting to ₹ 12,20,000 had been recorded in the cash book as having been paid into the bank on 31st March, 2026 out of which cheques amounting to ₹ 9,75,000 had only collected by the bank upto 31st March, 2026.
- (3) A Term Deposit matured on 13th March, 2026 and proceeds amounting to ₹ 2,82,500 were credited to bank and entered in the Bank Statement but not recorded in the cash book.

- (4) Inspection fee of ₹ 15,000 debited by the bank had not been accounted for in the books of account.
- (5) A payment of ₹ 33,000 made to a creditor had been wrongly entered as ₹ 30,000 in the cash book.
- (6) Trade Association subscription amounting to ₹ 5,000 was paid directly from the bank as per mandate is yet to be accounted for by Sagar.
- (7) A Bill payable of ₹ 2,50,000 had been paid by the bank but was not entered in the cash book. A Bill of Exchange for ₹ 1,40,000 had been discounted with the bank at a cost of ₹ 2,000 but no entry had been made in the books of Sagar.

You are required:

- (A) to make appropriate adjustments in the cash book to arrive at the correct balance on 31st March, 2026, and
- (B) to prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement.

- (b) Summary of Receipts and Payments of Urban Health Care Society for the year ended 31st March, 2026 is as follows :

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Receipts : Opening Cash at Bank ₹ 24,000, Subscription ₹ 1,50,000, Donation ₹ 45,000 (raised for meeting revenue expenditure), Interest on Investments @ 9 % p.a. ₹ 27,000/-, Health check - up Camp collections ₹ 37,500.

Payments : Payment for Medicine Supply ₹ 90,000, Honorarium to Doctors ₹ 30,000, Salaries ₹ 84,000, Miscellaneous Expenses ₹ 3,000, Equipment Purchased ₹ 45,000, Health check -up Camp Expenses ₹ 4,500.

Additional Information :

	1 st April, 2025 (₹)	31 st March, 2026 (₹)
Subscription due	4,500	6,600
Subscription received in advance	3,600	2,100
Stock of medicines	30,000	45,000
Amount due for medicine supply	27,000	39,000
Value of Equipment	63,000	90,000
Value of Building	1,50,000	1,44,000

You are required to prepare the Income and Expenditure Account for the year ended 31st March, 2026. All workings should form part of the answer.

- (c) The Balance Sheet of Star Limited (unlisted company other than AIFI, Banking company, NBFC and HFC) as at 31st March, 2026 is as under:

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Particulars	Note No.	₹
I. Equity and liabilities		
(1) Shareholders' Funds		
(a) Share Capital	1	3,00,000
(b) Reserves and Surplus	2	1,00,000
(2) Non-current liabilities		
(a) Long term borrowings	3	70,000

Particulars		Note No.	₹
(3) Current Liabilities			
(a)	Trade payables		50,000
Total			5,20,000
II. Assets			
(1) Non-current assets			
(a)	Property, Plant and Equipment	4	2,50,000
(b)	Non-current Investment: DRR Investment		10,500
(2) Current assets			
(a)	Inventories		1,50,000
(b)	Trade receivables		75,000
(c)	Cash and cash equivalents	5	34,500
Total			5,20,000

Notes to Accounts		₹	₹
1	Share Capital		
	Authorized share capital		
	60,000 Equity shares of ₹ 10 each fully paid		<u>6,00,000</u>
	Issued and subscribed share capital		
	30,000 Equity shares of ₹10 each fully paid		3,00,000
2	Reserve and Surplus		
	Statement of Profit & Loss	93,000	
	Debenture Redemption Reserve	<u>7,000</u>	1,00,000
3	Long term borrowings		
	10% Debentures		70,000

	Notes to Accounts	₹	₹
4	Property, Plant and Equipment		
	Freehold property		2,50,000
5	Cash and cash equivalents		
	Cash at bank	24,000	
	Cash in hand	<u>10,500</u>	34,500

At the Annual General Meeting on 1st April, 2026, it was resolved:

- To give existing shareholders the option to purchase two ₹ 10 shares @ ₹ 15 per share for every five shares (held prior to the bonus distribution). This option was exercised by all the shareholders.
- To issue one bonus share for every six shares held.
- To repay the debentures at a premium of 10%. The DRR Investments realized at par as per existing book value.

Give the necessary journal entries to record the above transactions in the books of Star Limited.

6. (a) Orange Limited issued a prospectus inviting applications for 2,50,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as under :

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- On application ₹ 2 per share
- On allotment ₹ 4 per share (including premium of ₹ 2)
- On first and final call ₹ 6 per share

- (i) Applications were received for 7,00,000 equity shares.
- (ii) Letters of regret were issued to the applicants for 30,000 equity shares and shares were allotted to the remaining applicants as under:

Category of Applicants	No of shares applied	No of shares allotted
A	70,000	70,000
B	2,00,000	1,00,000
C	4,00,000	80,000

- (iii) Excess money received with applications was adjusted towards sum due on allotment and the balance amount returned to the applicants.
- (iv) The First and Final call was made. The amount was duly received except from Mr. Mohan (belonging to Category-C) who had applied for 5,000 equity shares. His shares were forfeited.
- (v) The forfeited shares were re-issued at a discount of ₹ 1 per share as fully paid up.

You are required to -

- (i) Pass necessary journal entries (with narration) for the above transactions (including bank transactions) in the books of Orange Limited.
 - (ii) Show detailed working of amount received on application, amount adjusted / allocated to share allotment and amount refunded.
- (b) What is the Trial Balance? Even if the trial balance agrees, some errors may remain. Do you agree? Explain.

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