PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

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

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Question 1

(a) *State with reasons, whether the following statements are true or false:*

(i) *Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.*

(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) *In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.*

(iv) *In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.*

(v) *Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.*

(vi) *The relationship between sales and fixed assets is expressed as working capital ratio.*

(6 Statements x 2 Marks = 12 Marks)

(b) *Distinguish between Going Concern concept and Cost concept.* ***(4 Marks)***

(c) *Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance:*

(i) *An amount of ₹ 4,500 received on account of Interest was credited to Commission account.*

(ii) *A sale of ₹ 2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at ₹ 2,670*

(iii) *₹35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.*

(iv) *Goods returned by customer for ₹ 5,000. The same have been taken into stock but no entry passed in the books of accounts.* ***(4 Marks)***

Answer

(a) **(i)** **True:** Since the temporary huts were necessary for the construction, their cost should be added to the cost of the cinema hall and thus capitalised.

(ii) **False:** If an amount is posted in the wrong account or is written on the wrong side of the correct account, it is case of "errors of commission" and is not "error of principle".

(iii) **False:** In Consignment sale, ownership of the goods rests with the consignor till they are sold by the consignee. The consignee does not become the owner of the goods even though goods are in his possession. He acts only as agent of the consignor.

(iv) **True:** In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest.

(v) **False:** The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership. Limited Liability (LLPs) Act, 2008 is applicable for Limited Liability Partnerships.

(vi) **False:** The relationship between sales and fixed assets is expressed as fixed assets turnover ratio.

(b) **Going Concern concept:** The financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used is disclosed.

Cost concept: By this concept, the value of an asset is to be determined on the basis of historical cost, in other words, acquisition cost. Although there are various measurement bases, accountants traditionally prefer this concept in the interests of objectivity. It is highly objective and free from all bias.

(c)

S. No.			Debit (₹)	Credit (₹)
1	Commission A/c	Dr.	4,500	
	To Interest Received			4,500
	(Correcting wrong entry of interest received into commission account)			
2	M/s Sobhag Traders A/c	Dr.	90	
	To Suspense A/c			90

	(Being credit sale of ₹ 2,760 posted as ₹ 2,670 i.e. debiting M/s Sobhag Traders A/c less by 90, now rectified)		
3	Drawing A/c Dr.	35,000	
	To Machinery A/c		35,000
	(Correction of wrong debit to machinery account for purchase of air-conditioner for personal use)		
4	Return Inward A/c Dr.	5,000	
	To Debtors (Personal) A/c		5,000
	(Correction of omission to record return of goods by customers)		

Question 2

(a) *Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2018 from the particulars given below:*

(i) *The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2018.*

(ii) *A cheque worth ₹ 400 directly deposited into Bank by customer but no entry was made in the Cash Book.*

(iii) *Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2018.*

(iv) *A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank.*

(v) *Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.*

(1) *Cheques collected before 30th June, 2018, ₹ 14,000*

(2) *Cheques collected on 10th July, 2018, ₹ 4,000*

(3) *Cheques collected on 12th July, 2018, ₹ 2,000.*

(vi) *The Bank made a direct payment of ₹ 600 which was not recorded in the Cash Book.*

(vii) *Interest on Overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book.*

(viii) *Bank charges worth ₹ 80 have been entered twice in the cash book whereas Insurance charges for ₹ 70 directly paid by Bank was not at all entered in the Cash Book.*

(ix) *The credit side of bank column of Cash Book was under cast by ₹ 2,000.*

(b) *A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2015 and spent ₹ 3,000 on its overhauling. On 1st July 2016, another machine was purchased for ₹ 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for ₹ 2,000.*

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January, 2015. ***(10 + 10 = 20 Marks)***

Answer

(a) Bank Reconciliation Statement as on 30th June 2018

	Particulars	Amount	Amount
	Overdraft as per Pass Book (Dr. Balance)		25,000
Add:	Cheques issued but not presented ₹ (34,000-20,000)	14,000	
	Cheques deposited into the Bank by Customer but not entered in Cash Book	400	
	Bank charges written twice in Cash Book	80	14,480
			39,480
Less:	Cheques received, recorded in cash Book but not sent to the Bank	4,000	
	Cheques sent to the Bank but not collected	6,000	
	Direct payment made by the bank not recorded in the Cash book	600	
	Interest on Overdraft charged by Bank	1,600	
	Insurance charges not entered in Cash Book	70	
	Credit side of bank column of Cash Book was undercast	2,000	14,270
	Overdraft as per Cash Book		25,210

(b) In the books of Firm

Machinery Account

		₹			₹
1.1.2015	To Bank A/c	37,000	31.12.2015	By Depreciation A/c	4,000

	To Bank A/c (overhauling charges)	3,000	31.12.2015	By Balance c/d	36,000
		40,000			40,000
1.1.2016	To Balance b/d	36,000	31.12.2016	By Depreciation A/c (₹ 5,400 + ₹ 750)	6,150
1.7.2016	To Bank A/c	10,000	31.12.2016	By Balance c/d (₹ 30,600 + ₹ 9,250)	39,850
		46,000			46,000
1.1.2017	To Balance b/d	39,850	1.7.2017	By Bank A/c(sale)	28,000
1.7.2017	To Bank A/c	25,000	1.7.2017	By Profit and Loss A/c (Loss on Sale – W.N. 1)	305
			31.12.2017	By Depreciation A/c (₹ 2,295 + ₹ 1,388 + ₹ 1,875)	5,558
				By Balance c/d (₹ 7,862 + ₹ 23,125)	30,987
		64,850			64,850
1.1.2018	To Balance b/d	30,987	1.7.2018	By Bank A/c (sale)	2,000
			1.7.2018	By Profit and Loss A/c (Loss on Sale – W.N. 1)	5,272
			31.12.2018	By Depreciation A/c (₹ 590 + ₹ 3,469)	4,059
			31.12.2018	By Balance c/d	19,656
		30,987			30,987

Working Note:

Book Value of machines

	Machine I ₹	*Machine II* ₹	*Machine III* ₹
Cost of all machinery (Machinery cost for 2015)	40,000	10,000	25,000
Depreciation for 2015	4,000		

Written down value as on 31.12.2015	36,000		
Purchase 1.7.2016 (6 months)		10,000	
Depreciation for 2016	5,400	750	
Written down value as on 31.12.2016	30,600	9,250	
Depreciation for 6 months (2017)	2,295		
Written down value as on 1.7.2017	28,305		
Sale proceeds	28,000		
Loss on sale	**305**		
Purchase 1.7.2017			25,000
Depreciation for 2017 (6 months)		1,388	1,875
Written down value as on 31.12.2017		7,862	23,125
Depreciation for 6 months in 2018		590	
Written down value as on 1.7.2018		7,272	
Sale proceeds		2,000	
Loss on sale		**5,272**	
Depreciation for 2018			3,469
Written down value as on 31.12.2018			**19,656**

Question 3

(a) *R & S entered into a joint venture and opened a Joint Bank account with an amount of ₹ 1,50,00,000 towards which R contributed ₹ 1,00,00,000. They agreed to share profits and losses the ratio of 2 : 1. They purchased a big residential house measuring area of 5,000 sq. ft. @ ₹ 2,900 per sq. ft. Out of the total area, 200 sq. ft. was left over for general use as a community hall and remaining area was sub-divided in 6 equal flats. Out of those 6 flats, 4 front facing flats were sold by R for ₹ 1,28,00,000 and the remaining 2 flats were sold by S for ₹ 56,00,000.*

The following expenses were incurred in connection with above transaction -

Registration fees	*₹ 1,50,000*
Stamp duty	*₹ 1,00,000*
Renovation Exp.	*₹ 25,00,000*

R and S were entitled to brokerage @ 2% on flats sold by them.

Separate books were maintained for the joint venture. You are required to prepare the necessary ledger accounts.

(b) *On 1st January 2018, Akshay draws two bills of exchange for ₹ 16,000 and ₹ 25,000.*

The bill of exchange for ₹ 16,000 is for two months while the bill of exchange for ₹ 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for ₹ 25,000, the interest rebate i.e. discount being ₹ 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paisa in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Akshay.

(c) *Attempt any one of the following two sub-parts i.e. either (i) or (ii).*

(i) *Two Traders Yogesh and Yusuf buy goods from one another, each allowing the others, one month's credit. At the end of 3 months the accounts rendered are as follows:*

	Goods sold by Yogesh to Yusuf (₹)		Goods sold by Yusuf to Yogesh (₹)
April,18	12,000	April, 23	10,600
March, 15	14,000	May, 24	10,000
June, 16	16,000		

Calculate the date upon which the balance should be paid so that no interest is due either to Yogesh or Yusuf.

OR

(ii) *Exe Collieries Co. Ltd. took from M/s. Zed a lease of coal field for a period of 20 years from 1st April, 2013, on a royalty of ₹ 25 per tonne of coal extracted with a dead rent of ₹ 2,50,000 per annum with power to recoup short-working during the first five years of the lease. The company closes its books of account on 31st March every year.*

The output in the first five years of the lease was as follows:

Year ended	Tonnes
31st - March 2014	3,000
31st - March 2015	4,800
31st - March 2016	10,600
31st - March 2017	16,800
31st - March 2018	21,000

The output in the first five years of the lease was as follows:

You are required to compute the amount of royalty payable for the years ended 31st March, 2014, 2015, 2016, 2017 and 2018. ***(10 + 5 + 5 = 20 Marks)***

Answer

(a) **Ledgers Accounts**

Joint Bank Account

Particulars	Amount (₹)	Particulars		Amount (₹)
To R A/c	1,00,00,000	By Joint Venture A/c:		
To S A/c	50,00,000	Residential house	1,45,00,000	
		Other Expenses	27,50,000	1,72,50,000
To Joint Venture A/c	1,84,00,000	By Balance transferred:		
		R's A/c	1,07,77,333	
		S's A/c	53,72,667	1,61,50,000
	3,34,00,000			3,34,00,000

Joint Venture Account

Particulars		Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c:			By Joint Bank A/c (Sales)	1,84,00,000
Residential house	1,45,00,000			
Other Expenses	27,50,000	1,72,50,000		
To R A/c		2,56,000		
To S A/c (Brokerage)		1,12,000		
To Profit to:				
R A/c	5,21,333			
S A/c	2,60,667	7,82,000		
		1,84,00,000		1,84,00,000

R's Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c - Repayment	1,07,77,333	By Joint Bank A/c	1,00,00,000
		By Joint Venture A/c - Brokerage	2,56,000
		By Joint Venture A/c	5,21,333

		- Profit	
	1,07,77,333		1,0777,333

S's Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Joint Bank A/c		By Joint Bank A/c	50,00,000
- Repayment	53,72,667	By Joint Venture A/c -Brokerage	1,12,000
		By Joint venture A/c -Profit	2,60,667
	53,72,667		53,72,667

(b) Journal Entries in the books of Akshay

2018			Dr. (₹)	Cr. (₹)
Jan. 1	Bills receivable (No. 1) A/c	Dr.	16,000	
	Bills receivable (No. 2) A/c	Dr.	25,000	
	To Vishal A/c			41,000
	(Being drawing of bills receivable No. 1 due for maturity on 4.3.2018 and bills receivable No. 2 due for maturity on 4.4.2018)			
March 4	Vishal's A/c	Dr.	16,000	
	To Bills receivable (No.1) A/c			16,000
	(Being the reversal entry for bill No.1 on renewal)			
March 4	Bills receivable (No. 3) A/c	Dr.	16,400	
	To Interest A/c			400
	To Vishal 's A/c			16,000
	(Being the drawing of bill of exchange no. 3 due for maturity on 7.5.2018 together with interest at 15%p.a. in lieu of the original acceptance of Vishal)			
March 25	Bank A/c	Dr.	24,750	
	Discount A/c	Dr.	250	
	To Bills receivable (No. 2) A/c			25,000

	(Being the amount received on retirement of bills No.2 before the due date)			
May 7	Vishal's A/c	Dr.	16,400	
	To Bills receivable (No. 3) A/c			16,400
	(Being the amount due from Vishal on dishonour of his acceptance on presentation on the due date)			
May 7	Bank A/c	Dr.	8,200	
	To Vishal's A/c			8,200
	(Being the amount received from official assignee of Vishal at 50 paise per rupee against dishonoured bill)			
May 7	Bad debts A/c	Dr.	8,200	
	To Vishal's A/c			8,200
	(Being the balance 50% debt in Vishal's Account arising out of dishonoured bill written off as bad debts)			

(c) (i) Taking May 21 as the zero or base date

For Yusuf's payments:

Date of Transactions	*Due Date*	*Amount*	*No. of days from the base date*	*Products*
(1)	*(2)*	*(3)*	*(4)*	*(5)*
April 18	May 21	12,000	0	0
May 15	June 18	14,000	28	3,92,000
June 16	July 19	16,000	59	9,44,000
Amount Due to Yogesh		42,000	Sum of products	13,36,000

For Yogesh's payments

Taking same base date i.e. May 21

Date of Transactions	*Due Date*	*Amount*	*No. of days from the base date*	*Products*
(1)	*(2)*	*(3)*	*(4)*	*(5)*
April 23	May 26	10,600	5	53,000
May 24	June 27	10,000	37	3,70,000

Amount Due to Y		20,600	Sum of products	4,23,000

Excess of Yusuf's products over Yogesh's = ₹ 13,36,000 – ₹ 4,23,000

= ₹ 9,13,000

Excess amount due to Yogesh ₹ 42,000 –₹ 20,600 = ₹ 21,400

Number of days from the base date to the date of settlement is

9,13,000/ 21,400= 42.66 days i.e. 43 days

Hence the date of settlement of the balance amount is 43 days after May 21 i.e., on 3rd July. Yusuf has to pay Yogesh, ₹ 21,400 to clear the account.

Note: Due date is calculated after considering 3 day of grace period.

(ii) Statement showing amount of Royalty Payable

Date	Output (in tonnes)	Royalty @ ₹ 25 per tonne	Minimum Rent	Short workings	Short-workings being recouped	Amount payable
31-3-14	3,000	75,000	2,50,000	1,75,000		2,50,000
31-3-15	4,800	1,20,000	2,50,000	1,30,000		2,50,000
31-3-16	10,600	2,65,000	2,50,000		15,000	2,50,000
31-3-17	16,800	4,20,000	2,50,000		170,000	2,50,000
31-3-18	21,000	5,25,000	2,50,000		1,20,000	4,05,000

Question 4

(a) *Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally.*

Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 stood as

Liabilities	*Amount*	*Assets*		*Amount*
Creditors	*20,000*	*Land and Building*		*1,50,000*
General Reserve	*12,000*	*Investments*		*65,000*
Capital Accounts:		*Stock in trade*		*15,000*
Monika	*1,00,000*	*Trade receivables*	*35,000*	
Yedhant	*75,000*	*Less: Provision for doubtful debt*	*(2,000)*	*33,000*
Zoya	*75,000*	*Cash in hand*		*7,000*
		Cash at bank		*12,000*
	2,82,000			*2,82,000*

In order to arrive at the balance due to Zoya, it was mutually agreed that:

(i) Land and Building be valued at ₹ 1,75,000

(ii) Debtors were all good, no provision is required

(iii) Stock is valued at ₹ 13,500

(iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.

(v) Zoya's share of profit from 1st April 2018, to the date of death be calculated on the basis of average profit of preceding three years.

(vi) The profit of the preceding five years ended 1st March were:

2018	2017	2016	2015	2014
25,000	20,000	22,500	35,000	28,750

You are required to prepare:

(1) Revaluation account

(2) Capital accounts of the partners and

(3) Balance sheet of the Firm as at 1st July 2018.

(b) Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2018.

Particulars	Amount	Particulars	Amount
Debit Balances:	**₹**	**Credit Balances:**	**₹**
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Provision for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	35,000		35,000

Other information :

(i) Closing stock was valued at ₹ 4,500

(ii) Salary of ₹ 100 and Tax of ₹ 200 are outstanding whereas insurance ₹ 50 is prepaid.

(iii) Commission received in advance is ₹ 100.

(iv) Interest accrued on investment is ₹ 210

(v) Interest on overdraft is unpaid ₹ 300

(vi) Reserve for bad debts is to be kept at ₹ 1,000

(vii) Depreciation on furniture is to be charged @ 10%

You are required to prepare the final accounts after making above adjustments.

(10 + 10 = 20 Marks)

Answer

(a) Revaluation Account

Particulars	₹	Particulars	₹
To Stock	1,500	By Land & Building	25,000
To Partners:		By Provision for doubtful debt	2,000
(Revaluation Profit)			
Monika	8,500		
Yedhant	8,500		
Zoya	8,500		
	27,000		27,000

Partners' Capital Accounts

Particulars	Monika	Yedhant	Zoya	Particulars	Monika	Yedhant	Zoya
To Zoya	4,375	4,375	-	By Bal b/d.	1,00,000	75,000	75,000
To Zoya's Executor	-	-	98,125	By General reserve	4,000	4,000	4,000
				By Monika & Yedhant	-	-	8,750
To Bal. c/d	1,08,125	83,125		By Profit and Loss Adjustment* (suspense) A/c	-	-	1,875
				By Revaluation	8,500	8,500	8,500
	1,12,500	87,500	98,125		1,12,500	87,500	98,125

*Profit and Loss Adjustment = [(25,000 + 20,000 + 22,500)/3] x 3/12 x 1/3 = 1,875

Balance Sheet of Firm as on 1.7.2018

Particulars	₹	Particulars	₹
Monika	1,08,125	Land & Building	1,75,000
Yedhant	83,125	Investment	65,000
Zoya Executor	98,125	Stock	13,500
Creditors	20,000	Trade receivable	35,000
		Profit & Loss Adjustment	1,875
		Cash in hand	7,000
		Cash at bank	12,000
	3,09,375		3,09,375

Calculation of goodwill and Zoya's share

Average of last five year's profits and losses for the year ended on 31st March

31.3.2014	28,750
31.3.2015	35,000
31.3.2016	22,500
31.3.2017	20,000
31.3.2018	25,000
Total	1,31,250
Average profit	26,250

Goodwill at 1 year purchase = ₹ 26,250 x 1 = ₹ 26,250

Zoya's Share of Goodwill = ₹ 26,250X1/3

= ₹ 8,750

Which is contributed by Monika and Yedhant in their gaining Ratio

Monika = ₹ 8750X1/2 =₹ 4375

Yedhant =₹ 8750X1/2 = ₹ 4375

(b) **Trading & Profit and Loss Account of**

Mr. Sandeep for the year ended 31st December, 2018

	Particulars	₹	₹		Particulars	₹	₹
To	Opening Stock		1,400	By	Sales	9,000	
To	Purchase	12,000			*Less*: Sales return	(1,000)	8,000
	Less: Purchase return	(2,000)	10,000	By	Closing stock		4,500
To	Gross Profit		1,100				

		12,500				12,500
To	Salary	2,500		By	Gross Profit		1,100
	Add: Outstanding salary	100	2,600	By	Commission	500	
					Less: Advance	(100)	400
To	Tax & Insurance	500		By	Accrued interest		210
	Add: Outstanding	200		By	Net Loss		2,500
	Prepaid insurance	(50)	650				
To	Bad debt	500					
	Opening provision	(1,000)					
	Closing provision	1,000	500				
To	Interest on overdraft		300				
To	Depreciation on furniture		160				
			4,210				4,210

Balance Sheet of Mr. Sandeep as on 31.3.2018

Particulars	₹	₹	Particulars	₹	₹
Capital	16,000		By Furniture	1,600	
Less: drawing	(2,000)		*Less*: Depreciation	(160)	1,440
Net loss	(2,500)	11,500	Bill receivable		3,000
Bank overdraft	2,000		Investment	4,000	
Add: interest	300	2,300	Add: accrued interest	210	4,210
Creditors		2,000	Debtors	5,000	
Bills payable		2,500	*Less:* Provision on bad debts	(1,000)	4,000
Outstanding expenses:					
Salary	100		Closing stock		4,500
Tax	200	300	Cash in hand		1,500
Commission received in advance		100	Prepaid insurance		50
		18,700			18,700

Question 5

(a) What do you understand by Ratio Analysis? Find out the value of Current Assets of a company from the following information:

(i) Inventory Turnover Ratio: 4 Times.

(ii) Inventory at the end is ₹ 20,000 more than inventory in the beginning.

(iii) Revenue from Operations i.e., Net Sales ₹ 3,00,000.

(iv) Gross Profit Ratio 25%.

(v) Current Liabilities ₹ 40,000.

(vi) Quick Ratio 0.75.

(b) From the following information supplied by M.B.S. Club, prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March 2019.

	01.04.2018 ₹	31.03.2019 ₹
Outstanding subscription	1,40,000	2,00,000
Advance subscription	25,000	30,000
Outstanding salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports goods	15,000	25,000

Subscription for the year amount to ₹ 3,00,000/-. Salaries paid ₹ 60,000. Face value of the Investment was ₹ 1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received ₹ 14,000. Furniture was sold for ₹ 8000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹ 50,000

Rent: ₹ 24,000 out of which ₹ 2,000 outstanding

Misc. Expenses: ₹ 5,000 ***(10 + 10 = 20 Marks)***

Answer

(a) (i) Ratio Analysis: Ratio Analysis is a process of drawing meaningful interpretations from the calculated ratio and taking decisions based on the same. Ratio Analysis is an accounting tool utilized in analysis, interpreting the various items in financial statements and reporting in understandable terms to its users Myers explained it as, "Ratio Analysis is a study of relationship among various financial factors in a business".

(ii) Calculation of Current Assets

Quick ratio = 0.75

Quick ratio = Quick Assets/Current liability

Quick Assets	= 0.75 x 40,000 = 30,000
Cost of goods sold	= Sales-Gross profit
Cost of goods sold	= {3,00,000-(3,00,000 x 25%)}
	= ₹ 2,25,000
Inventory turnover ratio	= Cost of goods sold/ Average Inventory
Average Inventory	= ₹ 2,25,000/4
	= ₹ 56,250

Average Inventory = (Opening inventory + closing inventory)/2

₹ 56,250 x 2 = x + x + ₹ 20,000

₹ 1,12,500 =2 x + ₹ 20,000

₹ (1,12,500 - 20,000) =2x

₹ 92,500 =2x

X= ₹ 46,250 i.e. (Opening Inventory)

Closing Inventory = ₹ 46,250 + ₹ 20,000= ₹ 66,250

Current Assets = Quick Assets + Closing Inventory

= ₹ (30,000 + 66,250)

Current Assets = ₹ 96,250

(b) Receipts and Payments Account for the year ended 31-03-2019

Receipts	₹	Payments	₹
To balance b/d		By Salaries	60,000
Cash and bank	1,10,000	By Purchase of sports goods	10,000
To Subscription received (W.N.1)	2,45,000	₹ (25,000-15,000)	
To Sale of investments (W.N.2)	70,000	By Purchase of machinery	10,000
To Interest received on investment	14,000	₹ (20,000-10,000)	
To Sale of furniture	8,000	By Sports expenses	50,000
		By Rent paid	22,000
		₹ (24,000 -2,000)	
		By Miscellaneous expenses	5,000
		By Balance c/d	
		Cash and bank	2,90,000
	4,47,000		4,47,000

Income and Expenditure account for the year ended 31-03-2019

Expenditure	₹	₹	Income	₹	₹
To Salaries	60,000		By Subscription		3,00,000
Add: Outstanding for 2019	18,000		By Interest on Investment		
	78,000		Received	14,000	
Less: Outstanding for 2018	(15,000)	63,000	Accrued (W.N.5)	3,500	17,500
To Sports expenses		50,000			
To Rent		24,000			
To Miscellaneous exp.		5,000			
To Loss on sale of furniture (W.N.3)		6,000			
To Depreciation (W.N.4)					
Furniture	1,400				
Machinery	1,500				
Sports goods	2,250	5,150			
To Surplus		1,64,350			
		3,17,500			3,17,500

Working Notes:

1. **Calculation of Subscription received during the year 2018-19**

	₹
Subscription due for 2018-19	3,00,000
Add: Outstanding of 2018	1,40,000
Less: Outstanding of 2019	(2,00,000)
Add: Subscription of 2019 received in advance	30,000
Less: Subscription of 2018 received in advance	(25,000)
	2,45,000

2. **Calculation of Sale price and profit on sale of investment**

   Face value of investment sold: ₹ 1,75,000 × 50% = ₹ 87,500

   Sales price: ₹ 87,500 × 80% = ₹ 70,000

   Cost price of investment sold: ₹ 1,40,000 × 50% = ₹ 70,000

   Profit/loss on sale of investment: ₹ 70,000 - ₹ 70,000 = NIL

3. Loss on sale of furniture

	₹
Value of furniture as on 01-04-2018	28,000
Value of furniture as on 31-03-2019	14,000
Value of furniture sold at the beginning of the year	14,000
Less: Sales price of furniture	(8,000)
Loss on sale of furniture	6,000

4. Depreciation

Furniture - ₹14,000 × 10% =	1,400
Machinery - ₹10,000 × 15% =	1,500
Sports goods – ₹15,000 × 15% =	2,250

5. Interest accrued on investment

	₹
Face value of investment on 01-04-2018	1,75,000
Interest @ 10%	17,500
Less: Interest received during the year	(14,000)
Interest accrued during the year	3,500

Note: It is assumed that the sale of investment has taken place at the end of the year.

Question 6

(a) *Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each.*

The amounts were payable as follows:

On application - ₹ 3 per share

On allotment - ₹ 5 per share

On first and final call - ₹ 2 per share

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid-up @ ₹ 6 per share.

Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd.

(b) *On 1st January 2018 Ankit Ltd. issued 10% debentures of the face value of ₹ 20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on*

30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2018.

(c) Raj Ltd. prepared their accounts financial year ended on 31st March 2019. Due to unavoidable circumstances actual stock has been taken on 10th April 2019, when it was ascertained at ₹ 1,25,000. It has been found that;

(i) Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.

(ii) Purchases are entered in the Purchase Book on the day the Invoices are received.

(iii) Sales between 1st April 2019 to 9th April 2019 amounting to ₹ 20,000 as per Sales Day Book.

(iv) Free samples for business promotion issued during 1st April 2019 to 9th April 2019 amounting to ₹ 4,000 at cost.

(v) Purchases during 1st April 2019 to 9th April 2019 amounting to ₹ 10,000 but goods amounts to ₹ 2,000 not received till the date of stock taking.

(vi) Invoices for goods purchased amounting to ₹ 20,000 were entered on 28th March 2019 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost.

Ascertain the value of Stock as on 31st March 2019. ***(10 + 5+5 = 20 Marks)***

Answer

(a) In the books of Bhagwati Ltd.

Journal Entries

		Dr. ₹	Cr. ₹
Bank A/c	Dr.	9,00,000	
To Equity Share Application A/c			9,00,000
(Being the application money received for 3,00,000 shares at ₹ 3 per share)			
Equity Share Application A/c	Dr.	9,00,000	
To Equity Share Capital A/c (2,00,000 x ₹ 3)			6,00,000
To Share allotment A/c			3,00,000
(Being share allotment made for 2,00,000 shares and excess adjusted towards allotment)			

Equity Share Allotment A/c	Dr.	10,00,000	
To Equity Share Capital A/c			10,00,000
(Being allotment amount due on 2,00,000 equity shares at ₹ 5 per share as per Directors' resolution no... dated...)			
Bank A/c	Dr.	7,00,000	
To Equity Share Allotment A/c			7,00,000
(Being balance allotment money received for 2,00,000 shares at ₹ 5 per share.)			
Equity Share first and final call A/c	Dr.	4,00,000	
To Equity Share Capital A/c			4,00,000
(Being first and final call amount due on 2,00,000 equity shares at ₹ 2 per share as per Directors' resolution no... dated...)			
Bank A/c	Dr.	3,94,000	
Calls in arrears A/c		6,000	
To Equity Share first and final call A/c			4,00,000
(Being final call received on 1,97,000 shares)			
Share capital A/c (3,000 x ₹ 10)	Dr.	30,000	
To Forfeited share A/c (3,000 x ₹ 8)			24,000
To Calls in arrears A/c (3,000 x₹ 2)			6,000
(Being forfeiture of 3,000 shares of ₹ 10 each fully called-up for non payment of first and final call @ ₹ 2 as per Directors' resolution no... dated..)			
Bank A/c (2,500 x ₹6) .	Dr.	15,000	
Forfeited share A/c (2,500 x ₹4)		10,000	
To Equity Share Capital A/c (2,500 x ₹ 10)			25,000
(Being re-issue of 2,500 shares @6)			
Forfeited share A/c (2,500 x ₹ 4)		10,000	
To capital reserve A/c (2,500 x ₹ 4)			10,000
(Being profit on re-issue transferred to capital reserve)			

Working Note:

Calculation of amount to be transferred to Capital reserve A/c			**₹**
Forfeited amount per share	= 24,000/3,000	=	8
Loss on re issue (8-4)			4
Surplus per share			4
Transfer to capital reserve	4 x 2,500	₹ 10,000	

(b) **Journal Entries**

			Dr. (₹)	*Cr. (₹)*
1-1-2018	Bank A/c	Dr.	18,00,000	
	Discount/Loss on Issue of Debentures A/c	Dr.	3,00,000	
	To 10% Debentures A/c			20,00,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(For issue of debentures at discount redeemable at premium)			
30-6-2018	Debenture Interest A/c	Dr.	1,00,000	
	To Debenture holders A/c			90,000
	To Tax Deducted at Source A/c			10,000
	(For interest payable)			
	Debenture holders A/c	Dr.	90,000	
	Tax Deducted at Source A/c	Dr.	10,000	
	To Bank A/c			1,00,000
	(For payment of interest and TDS)			
31-12-2018	Debenture Interest A/c	Dr.	1,00,000	
	To Debenture holders A/c			90,000
	To Tax Deducted at Source A/c			10,000
	(For interest payable)			
	Debenture holders A/c	Dr.	90,000	
	Tax Deducted at Source A/c	Dr.	10,000	
	To Bank A/c			1,00,000
	(For payment of interest and tax)			
	Profit and Loss A/c	Dr.	2,00,000	
	To Debenture Interest A/c			2,00,000

	(For transfer of debenture interest to profit and loss account at the end of the year)			
	Profit and Loss A/c To Discount/Loss on issue of debenture A/c (For proportionate debenture discount and premium on redemption written off, i.e., 3,00,000 x 1/5)	Dr.	60,000	60,000

(c) **Statement of Valuation of Physical Stock as on 31st March,2019**

	₹	₹
Value of stock as on 10th April, 2019		1,25,000
Add: Cost of sales during the intervening period		
Sales made between 1.4.2019 and 9.4.2019	20,000	
Less: Gross profit @20% on sales	(4,000)	16,000
Free sample		4,000
		1,45,000
Less: Purchases actually received during the intervening period:		
Purchases from 1.4.2019 to 9.4.2019	10,000	
Less: Goods not received upto 9.4.2019	(2,000)	(8,000)
		1,37,000
Add: Purchases during March, 2019 but not recorded in stock		20,000
Value of physical stock as on 31.3.2019		1,57,000

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

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

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Question 1

(a) *State with reasons, whether the following statements are true or false:*

(i) *Overhauling expenses for the engine of motor car to get better fuel efficiency is revenue expenditure.*

(ii) *Depreciation is a non-cash expense and does not result in any cash outflow.*

(iii) *Fees received for Life Membership is a revenue receipt as it is of recurring nature.*

(iv) *If Closing Stock appears in the Trial Balance:*

The closing inventory in then not entered in Trading Account. It is shown only in the balance sheet.

(v) *Inventory Turnover Ratio is also known as Stock Turnover Ratio.*

(vi) *If del-creders commission is paid to consignee, the loss of bad debts is to be borne by the consignor.* ***(6 x 2 = 12 Marks)***

(b) *Discuss the limitations which must be kept in mind while evaluating the Financial Statements.* ***(4 Marks)***

(c) *A Plant & Machinery costing ₹ 10,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 40,000. The remaining useful life was reassessed at 8 year. Calculate Depreciation for the fifth year.* ***(4 Marks)***

Answer

(a) (i) **False:** Overhauling expenses for the engine of the motor car is incurred to get better fuel efficiency. These expenses will reduce the running cost in future and thus the benefit is in the form of a long-term advantage. So overhauling expenses should be capitalized.

(ii) **True:** Depreciation is a non-cash expense and unlike other normal expenditure (e.g. wages, rent, etc.) does not result in any cash outflow. Therefore depreciation is a non-cash expense and does not result in any cash outflow.

(iii) **False:** Life Membership Fee received for life membership is a capital receipt as it is of non-recurring nature. It is directly added to capital fund or general fund.

(iv) **True:** The closing stock appears in the trial balance only when it is adjusted against purchases by passing the entry (in which Closing Stock A/c is debited and Purchases A/c is credited). In this case, closing stock is not entered in Trading Account and is shown only in Balance sheet.

(v) **True:** Inventory Turnover Ratio is also known as Stock Turnover Ratio. It establishes the relationship between the cost of goods sold during the year and average inventory held during the year.

(vi) **False:** To increase the sale and to encourage the consignee to make credit sales, the consignor provides an additional commission generally known as del-credere commission. In case del-credere commission is provided to consignee, bad debts is no more the loss of the consignor and it is borne by the consignee.

(b) Limitations which must be kept in mind while evaluating the Financial Statements are as follows:

(i) The factors which may be relevant in assessing the worth of the enterprise don't find place in the accounts as they cannot be measured in terms of money

(ii) Balance sheet shows the position of the business on the day of its preparation and not on the future date while the users of the accounts are interested in knowing the position of the business in the near future and also in the long run and not for the past date.

(iii) Accounting ignores changes in some money factors like inflation etc.

(iv) There are occasions when accounting principles conflict with each other.

(v) Certain accounting estimates depend on the sheer personal judgment of the accountant.

(vi) Different accounting policies for the treatment of same item adds to the probability of manipulations.

(c) Calculation of depreciation for 5th year

(a) Depreciation per year charged for four years = ₹ 10,00,000 / 10 = ₹ 1,00,000

(b) WDV of the machine at the end of fourth year = ₹ 10,00,000 – ₹ 1,00,000 × 4 = ₹ 6,00,000.

(c) Depreciable amount after revaluation = ₹ 6,00,000 + ₹ 40,000 = ₹ 6,40,000

(d) Remaining useful life as per previous estimate = 6 years

(e) Remaining useful life as per revised estimate = 8 years

(f) Depreciation for the fifth year and onwards = ₹ 6,40,000 / 8 = ₹ 80,000.

Question 2

(a) The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:

(i) Sales Day Book was overcast by ₹ 1,000.

(ii) A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.

(iii) General expenses ₹ 180 was posted in the General Ledger as ₹ 810.

(iv) A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.

(v) Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.

(vi) Cash received from Ram was debited to Shyam ₹ 1,500.

(vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325.

Find out the nature and amount of the Suspense Account and Pass entries (including narration) for the rectification of the above errors in the subsequent year's books.

(10 Marks)

(b) Define the term "Royalty" and give any four examples for the same. ***(5 Marks)***

(c) Attempt any **one** *of the following two sub-parts i.e. Either (i) or (ii).*

(i) From the following particulars prepare an account current, as sent by Mr. AB to Mr. XY as on 31st October, 2018 by means of product method charging interest @ 5% p.a.

Date	*Particulars*	*(₹)*
1st July	*Balance due from XY*	*1,500*
20th August	*Sold goods to XY*	*2,500*
28th August	*Goods returned by XY*	*400*
25th September	XY paid by cheque	1,600
20th October	Received cash form XY	1,000

(ii) Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2018, the Trade Receivables balance stood at ₹ 75,000 which included ₹ 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to-

Mr. Adhitya ₹ 3,900 and Mr. Bakkiram ₹ 2,600.

Mr. Adhitya sent intimation of acceptance on 25th April, 2018 and Mr. Bakkiram returned the goods on 15th April, 2018.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March, 2018. Show also the entries to be made during April, 2018. Value of Closing Inventories as on 31st March, 2018 was ₹ 50,000. ***(5 Marks)***

Answer

(a)

(i)	P & L Adjustment A/c To Suspense A/c (Correction of error by which sales account was overcast last year)	Dr.	1,000	 1,000
(ii)	X To Y (Correction of error by which sale of ₹ 5,000 to X was wrongly debited to Y's account)	Dr.	5,000	 5,000
(iii)	Suspense A/c To P & L Adjustment A/c (Correct of error by which general expenses of ₹ 180 was wrongly posted as ₹ 810)	Dr.	630	 630
(iv)	Bills Receivable A/c Bills Payable A/c To P (Correction of error by which bill receivable of ₹ 1,550 was wrongly passed through BP book)	Dr. Dr.	1,550 1,550	 3,100
(v)	P & L Adjustment A/c To Mrs. Neetu (Correction of error by which legal expenses paid to Mrs. Neetu was wrongly debited to her personal account)	Dr.	1,190	 1,190
(vi)	Suspense A/c To Ram To Shyam (Removal of wrong debit to Shyam and giving credit to Ram from whom cash was received)	Dr.	3,000	 1,500 1,500
(vii)	Suspense A/c To P&L Adjustment A/c (Correction of error by which Purchase A/c was excess debited by ₹90/-, ie: ₹1,325 – ₹1,235)	Dr.	90	 90

Suspense A/c

	₹		₹
To P & L Adjustment A/c	630	By P & L Adjustment A/c	1,000
To Ram	1,500	By Difference in Trial Balance (Balancing figure)	2,720
To Shyam	1,500		
To P&L Adjustment A/c	90		
	3,720		3,720

(b) "Royalty" may be defined as Periodic payment made by one person (lessee) to another person (lessor) for using the right by the lessee vested in the lessor.

Examples:

1. For the extraction of oil, coal, and minerals.
2. To an author for sale of his books.
3. To a patentee for the use of patent.
4. For use of technical knowhow developed by a party

(c) (i) XY in Account Current with AB as on 31st Oct, 2018

		(₹)	*Days*	*Product (₹)*			*(₹)*	*Days*	*Product (₹)*
01.07.18	To Bal. b/d	1,500	123	1,84,500	28.08.18	By Sales Returns	400	64	25,600
20.8.18	To Sales	2,500	72	1,80,000	25.09.18	By Bank	1,600	36	57,600
31.10.18	To Interest	37			20.10.18	By Cash	1,000	11	11,000
					20.10.18	By Balance of Products			2,70,300
					31.10.18	By Bal. c/d	1,037		
		4,037		3,64,500			4,037		3,64,500

Note:

Interest $= ₹\ 2,70,300 \times \frac{5}{100} \times \frac{1}{365} = ₹\ 37$ (approx.)

(ii) In the Books of Mr. Ganesh

Journal Entries

Date	*Particulars*		*L.F.*	*Dr. ₹*	*Cr. ₹*
2018	Sales A/c	Dr.		6,500	

March 31	To Trade receivables A/c				6,500
	(Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)				
March 31	Inventories with Customers on Sale or Return A/c	Dr.		5,000	
	To Trading A/c (Note 1)				5,000
	(Being the adjustment for cost of goods lying with customers awaiting approval)				
April 25	Trade receivables A/c	Dr.		3,900	
	To Sales A/c				3,900
	(Being goods costing worth ₹ 3,900 sent to Mr. Aditya on sale or return basis has been accepted by him)				

Balance Sheet of Mr. Ganesh as on 31st March, 2018 (Extracts)

Liabilities	₹	***Assets***	₹	₹
		Trade receivables (₹ 75,000 - ₹ 6,500)		68,500
		Inventories-in-trade	50,000	
		Add: Inventories with customers on Sale or Return	5,000	55,000
				1,23,500

Notes:

(1) Cost of goods lying with customers = 100/130 x ₹ 6,500 = ₹ 5,000

(2) No entry is required on 15th April, 2018 for goods returned by Mr. Bakkiram. Goods should be included physically in the Inventories.

Question 3

(a) Dinesh, Ramesh and Naresh are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2018 is as below:

Liabilities	***(₹)***	***Assets***	***(₹)***
Trade payables	*22,500*	*Land & Buildings*	*37,000*
Outstanding Liabilities	*2,200*	*Furniture & Fixtures*	*7,200*
General Reserve	*7,800*	*Closing stock*	*12,600*
Capital Accounts:		*Trade Receivables*	*10,700*
Dinesh 15,000			

Ramesh	*15,000*			
Naresh	*10,000*	*40,000*		
			Cash in hand	*2,800*
			Cash at Bank	*2,200*
		72,500		***72,500***

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following items:

(i) Suresh shall bring ₹ 8,000 towards his capital.

(ii) The value of stock to be increased to ₹ 14,000 and Furniture & Fixtures to be depreciated by 10%.

(iii) Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.

(iv) The value of Land & Buildings to be increased by ₹ 5,600 and the value of the goodwill be fixed at ₹ 18,000.

(v) The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include ₹ 700 due to Ram which has been paid by Dinesh. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Suresh.

(b) Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P&L account is as follows:

Trading and P&L A/c for the year ended 31st March, 2018

Particulars	*(₹)*	*Particulars*	*(₹)*
To Cost of Goods sold	*22,00,000*	*By Sales*	*45,00,000*
To Gross Profit C/d	*?*		*45,00,000*
		By Gross Profit B/d	*?*
To Salaries paid	*12,00,000*	*By Other Income*	*45,000*
To General Expenses	*6,00,000*		
To Selling Expenses	*?*		
To Commission to Manager (On net profit before charging such commission)	*1,00,000*		
To Net Profit	*?*		
	?		*?*

Selling expenses amount to 1% of total Sales

You are required to compute the missing figures.

Answer

(a) **Revaluation Account**

2018			₹	2018		₹
April 1	To Provision for bad and doubtful debts		535	April 1	By Inventory in trade	1,400
	To Furniture and fittings		720		By Land and Building	5,600
	To Capital A/cs:					
	(Profit on revaluation transferred)					
	Dinesh	2,872.50				
	Ramesh	1,915.00				
	Naresh	957.50	5,745			
			7,000			7,000

Partners' Capital Accounts

Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹	Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹
To Dinesh & Ramesh			1,500	4,500	By Balance b/d	15,000	15,000	10,000	–
					By General Reserve	3,900	2,600	1,300	
To Balance c/d	26,972.50	21,015	10,757.50	3,500	By Cash	–	–	–	8,000
					By Naresh & Suresh	4,500	1,500	–	–
					By Outstanding Liabilities (Ram)	700	–	–	
					By Revaluation A/c	2,872.50	1,915	957.50	-
	26,972.5	21,015	12,257.50	8,000		26,972.50	21,015	12,257.50	8,000

Working Note:

Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
Dinesh	¼	3/6	6/24	
Ramesh	¼	2/6	2/24	
Naresh	¼	1/6		2/24
Suresh	¼			6/24

Entry for goodwill adjustment

Naresh (2/24 of ₹18,000)	Dr.		1,500	
Suresh (6/24 of ₹18,000)	Dr.		4,500	
To Dinesh (6/24 od ₹18,000)				4,500
To Ramesh (2/24 of ₹18,000)				1,500

Balance Sheet of M/s. Dinesh, Ramesh, Naresh and Suresh as on 1-4-2018

Liabilities	₹	₹	***Assets***	₹	₹
Trade payables		22,500	Land and Buildings		42,600
Outstanding Liabilities (2,200-700)		1,500	Furniture		6,480
Capital Accounts of Partners :			Inventory of goods		14,000
Mr. Dinesh	26,972.50		Trade receivables	10,700	
Mr. Ramesh	21,015.00		*Less:* Provisions	(535)	10,165
Mr. Naresh	10,757.50		Cash in hand		2,800
Mr. Suresh	3,500.00	62,245	Cash at Bank (2,200+8,000)		10,200
		86,245			86,245

(b) Trading and P&L A/c for the year ended 31st March 2018

Dr. *Cr.*

Particulars	₹	Particulars	₹
To Cost of Goods Sold	22,00,000	By Sales	45,00,000
To Gross Profit c/d	23,00,000		
	45,00,000		45,00,000
To Salaries A/c	12,00,000	By Gross Profit b/d	23,00,000

To General Expenses	6,00,000	By Other Income	45,000
To Selling Expenses (1% of 45,00,000)	45,000		
To Commission to Manager (on Net Profit before charging such commission)	1,00,000		
To Net Profit	4,00,000		
	23,45,000		23,45,000

Question 4

(a) *Raj of Gwalior consigned 15,000 kgs of Ghee at ₹ 30 per kg to his agent Siraj at Delhi. He spent ₹ 5 per kg as freight and insurance for sending the Ghee at Delhi. On the way 100 kgs. of Ghee was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of Ghee was destroyed in transit. ₹ 9,000 was paid to consignor directly by the Insurance company as Insurance claim.*

Siraj sold 7,500 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate:

(i) The amount of abnormal loss

(ii) Value of stock at the end and

(iii) Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.

(b) *Prepare a bank reconciliation statement from the following particulars as on 31st March, 2018.*

Particulars	***(₹)***
Debit balance as per bank column of the cash book	*18,60,000*
Cheque issued to creditors but not yet presented to the Bank for payment	*3,60,000*
Dividend received by the bank but not entered in the Cash book	*2,50,000*
Interest allowed by the Bank	*6,250*
Cheques deposited into bank for collection but not collected by bank up to this date	*7,70,000*
Bank charges not entered in Cash book	*1,000*
A cheque deposited into bank was dishonoured, but no intimation received	*1,60,000*
Bank paid house tax on our behalf, but no intimation received form bank in this connection	*1,75,000*

(10 Marks + 10 Marks = 20 Marks)

Answer

(a) **Consignment Account**

	₹			₹
To Goods sent on consignment A/c (15,000 kg x ₹ 30)	4,50,000	By Consignee's A/c-Sales (7,500 kg x ₹ 60)		4,50,000
To Cash A/c (Expenses 15,000 kg x ₹ 5)	75,000	By Abnormal Loss A/c (Insurance claim - WN)	9,000	
To Consignee's A/c:		Add: Abnormal Loss (WN)	5,000	14,000
Advertisement & Recurring expenses	33,000	(Profit and Loss Account)		
Commission @ 5% on ₹4,50,000	22,500	By Consignment Stock A/c		2,46,690
To Profit and loss A/c (Profit on Consignment)	1,30,190			
	7,10,690			7,10,690

Working Notes:

1. Abnormal Loss:

Cost of goods lost: 400 kg	
Total cost (400 x ₹ 30)	12,000
Add: expenses incurred by the consignor @ ₹5 per kg	2,000
Gross Amount of abnormal loss	14,000
Less: Insurance claim	(9,000)
Net abnormal loss	5,000

2. Valuation of Inventories

	Quantity (Kgs)	Amount (₹)
Total Cost (15,000 kg x ₹30)	15,000	4,50,000
Add: Expenses incurred by the consignor		75,000
Less: Value of Abnormal Loss – 400 kgs (WN 1)	(400)	(14,000)
	14,600	5,11,000
Less: Normal Loss	(100)	
	14,500	5,11,000
Less: Quantity of ghee sold	(7,500)	
Quantity of Closing Stock	7,000	
Value of 7,000 kgs – (5,11,000/14,500) x 7,000		**2,46,690**

(b) Bank Reconciliation Statement as on 31st March, 2018

Particulars	Details ₹	Amount ₹
Debit balance as per Cash Book		18,60,000
Add: Cheque issued but not yet presented to bank for payment	3,60,000	
Dividend received by bank not entered in cash book	2,50,000	
Interest credited by bank	6,250	6,16,250
		24,76,250
Less: Cheques deposited into bank but not yet collected	7,70,000	
Bank charges debited by Bank	1,000	
Cheque deposited into bank was dishonoured	1,60,000	
House tax paid by bank	1,75,000	(11,06,000)
Credit balance as per Pass Book		**13,70,250**

Question 5

(a) You are provided with the following:

Balance Sheet as on 31st March, 2017

Liabilities	*(₹)*	*Assets*	*(₹)*
Capital Fund	*1,06,200*	*Building*	*1,50,000*
Subscription received in Advance	*6,000*	*Outstanding Subscription*	*3,800*
Outstanding Expenses	*14,000*	*Outstanding Locker Rent*	*2,400*
Loan	*40,000*	*Cash in hand*	*20,000*
Sundry Creditors	*10,000*		
Total	***1,76,200***		***1,76,200***

The Receipts and Payment Account for the year ended on 31st March, 2018

Receipts		*(₹)*	*Payment*		*(₹)*
To Balance b/d			*By Expenses:*		
Cash in Hand		*20,000*	*For 2017*	*12,000*	
To Subscriptions:			*For 2018*	*20,000*	*32,000*
For 2017	*2000*		*By Land*		*40,000*

For 2018 21,000			*By Interest*	*4,000*
For 2019 1,000		*24,000*	*By Miscellaneous Expenses*	*4,700*
To Entrance Fees		*38,000*	*By Balance c/d*	
To Locker Rent		*7,000*	*Cash in Hand*	*18,300*
To Sale proceeds of old newspapers		*1,000*		
To Miscellaneous Income		*9,000*		
		99,000		*99,000*

You are required to prepare Income and Expenditure account for the year ended 31st March, 2018 and a Balance Sheet as at 31st March, 2018 (Workings should form part of your answer).

(b) With the following ratios and further information given below, you are required to prepare a Trading account and Profit & Loss account and a Balance Sheet of Sri Ganesh:

(i) Gross Profit Ratio = 25%

(ii) Net Profit/Sales = 20%

(iii) Stock Turnover Ratio = 10

(iv) Net Profit/Capital = 1/5

(v) Capital to Total other Liabilities = 1/2

(vi) Fixed Assets/Capital = 5/4

(vii) Fixed Assets/Total Current Assets = 5/7

(viii) Fixed Assets = ₹ 10,00,000

(ix) Closing Stock = ₹ 1,00,000 ***(10 Marks + 10 Marks = 20 Marks)***

Answer

(a) Income and Expenditure Account for the year ended 31st March, 2018

Expenditure	₹	Income	₹
To Expenses	20,000	By Subscriptions (21,000 + 6,000)	27,000
To Interest	4,000	By Locker rent (7,000 - 2,400)	4,600
To Misc. Expenses	4,700	By Sale proceeds of old newspapers	1,000
To Surplus	12,900	By Misc. income	9,000
	41,600		41,600

Balance Sheet as at 31st March, 2018

Liabilities		Amount (₹)	Assets	Amount (₹)
Capital fund			Land and Building	1,90,000
Bal. as on 1.4.2017	1,06,200		Subscription receivable (2017)	1,800
Add: Entrance fee	38,000		(3,800 – 2,000)	
Add: Surplus	12,900	1,57,100		
Loan		40,000	Cash in hand	18,300
Creditors		10,000		
Outstanding expenses (2017) (14,000-12,000)		2,000		
Subscription received in advance		1,000		
		2,10,100		2,10,100

Note: Entrance fees have been capitalized in the above solution.

(b) Trading and Profit and Loss Account for the year ended...............

	₹		₹
To Opening Stock	20,000	By Sales	8,00,000
To Purchases (Balancing figure)	6,80,000		
To Gross Profit c/d	2,00,000	By Closing stock	1,00,000
	9,00,000		9,00,000
To Expenses	40,000	By Gross Profit b/d	2,00,000
To Net Profit	1,60,000		
	2,00,000		2,00,000

Balance Sheet of Sri Ganesh as at.............

Liabilities	₹	Assets	₹
Capital		Fixed assets	10,00,000
Opening Balance	6,40,000		
Add: Net Profit	1,60,000	Closing stock	1,00,000
	8,00,000		
Current Liabilities	16,00,000	Other Current assets	13,00,000
	24,00,000		24,00,000

1. Fixed Asset is ₹10,00,000

   Fixed Assets / Capital = 5/4

   Therefore, Capital – ₹10,00,000 x 4/5 = ₹8,00,000
2. Capital is ½ of Total Liabilities

   Therefore Liabilities = ₹8,00,000 x 2 = ₹16,00,000
3. Net Profit is 1/5 of Capital

   Therefore Net Profit = ₹8,00,000 x 1/5 = ₹1,60,000
4. Net Profit is 20% of Sales

   Therefore Sales = ₹1,60,000 x 100/20 = ₹8,00,000
5. Gross Profit Ratio = 25% of Sales

   Therefore, Gross Profit = ₹8,00,000 x 25% = ₹2,00,000
6. Stock Turnover Ratio (i.e. Cost of Sales/Average Inventory) is 10

   Cost of Sales = Sales – Gross Profit

   = ₹8,00,000 – ₹2,00,000

   = ₹6,00,000

   Therefore Average Inventory = ₹6,00,000 / 10 = ₹60,000
7. Closing Stock is ₹1,00,000

   Average Inventory = ₹60,000

   Therefore, Opening Stock = (₹60, 000 x 2) - Rs1,00,000 = ₹20,000
8. Fixed Assets is ₹10,00,000

   Fixed Assets / Total Current Assets = 5/7

   Therefore, Total Current Assets is 10,00,000 x 7/5 = ₹14,00,000

   Closing Stock = ₹1,00,000

   Therefore other Current Assets = ₹13,00,000

Question 6

(a) Give necessary journal entries for the forfeiture and re-issue of shares:

(i) X Ltd. forfeited 300 shares of ₹ 10 each fully called up, held by Ramesh for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Suresh for ₹ 8 per share.

(ii) X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for ₹ 6 per share.

(iii) X Ltd. forfeited 100 shares of ₹ 10 each (₹ 6 called up) issued at a discount of 10% to Dimple on which she paid ₹ 2 per share. Out of these, 80 shares were re-issued to Simple at ₹ 8 per share and called up for ₹ 6 share.

(b) Pure Ltd. issues 1,00,000 12% Debentures of ₹ 10 each at ₹ 9.40 on 1st January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue.

Calculate the amount of discount to be written-off in each of the 5 years.

(c) Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.23018 and the total amount due is ₹ 1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a.

(i) On average due due

(ii) On 28th August, 2018

(iii) On 29th July, 2018 **(10 + 5 + 5 = 20 Marks)**

Answer

(a) (i) Journal Entries in the books of X Ltd.

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c	Dr.	3,000	
	To Equity Share Allotment money A/c (300 x ₹ 3)			900
	To Equity Share Final Call A/c (300 x ₹ 4)			1,200
	To Forfeited Shares A/c (300 x ₹ 3)			900
	(Being the forfeiture of 300 equity shares of ₹ 10 each for non-payment of allotment money and final call, held by Ramesh as per Board's resolution No…………….dated……………..)			
(b)	Bank Account (300 x 8)	Dr.	2,400	
	Forfeited Shares Account (300x 2)	Dr.	600	
	To Equity Share Capital Account			3,000
	(Being the re-issue of 300 forfeited shares @ ₹ 8 each as fully paid up to Suresh as per			

	Board's resolution No……….dated……………..)			
(c)	Forfeited Shares Account	Dr.	300	
	To Capital Reserve Account			300
	(Being the profit on re-issue, transferred to capital reserve)			

(ii)

Date			*Dr.* ₹	*Cr.* ₹
(a)	Equity Share Capital A/c (200 x ₹ 7)	Dr.	1,400	
	To Equity Share First Call A/c (200 x ₹ 2)			400
	To Forfeited Shares A/c (200 x ₹ 5)			1,000
	(Being the forfeiture of 200 equity shares of ₹ 10/- (₹7 called up) for non-payment of first call @ ₹ 2/- per share as per Board Resolution No………. dated………………)			
(b)	Bank Account	Dr.	900	
	Forfeited Shares Account	Dr.	600	
	To Equity Share Capital Account			1,500
	(Being the re-issue of 150 forfeited shares as fully paid up as per Board's resolution No……………. dated…………..)			
(c)	Forfeited Shares Account	Dr.	150	
	To Capital Reserve Account			150
	(Being the profit on re-issue, transferred to capital reserve)			

Working Note:

Balance in forfeited shares account on forfeiture of 150 shares (150 x 5)	₹750
Less: Forfeiture of 150 shares	(₹600)
Profit on re-issue of shares	₹150

(iii)

Date			*Dr.* ₹	*Cr.* ₹
(a)	Equity Share Capital A/c (100 x ₹ 6)	Dr.	600	

	To Equity Share Final Call A/c (100 x ₹ 3)			300
	To Discount on issue of shares (100 x ₹ 1)			100
	To Forfeited Shares A/c (100 x ₹ 2)			200
	(Being the forfeiture of 100 equity shares issued at a discount as per Board's resolution No…………dated…….)			
(b)	Bank Account (80 x ₹ 6)	Dr.	480	
	Discount on issue of shares (80 x ₹ 1)	Dr.	80	
	Forfeited Shares A/c (80 x ₹ 1)	Dr.	80	
	To Equity Share Capital Account (80 x ₹ 8)			640
	(Being the re-issue of 80 shares fully paid up as per Board's Resolution No………dated……….)			
(c)	Forfeited Shares Account		80	
	To Capital Reserve Account			80
	(Being the profit on re-issue, transferred to capital reserve)			

Working Note:

Balance in forfeited shares account on forfeiture of 100 shares (100 x 2)	₹ 200.00
Forfeited shares balance for 80 shares	₹ 160
Less: Forfeiture of 80 shares	(₹ 80.00)
Profit on re-issue of shares	₹ 80.00

Note: It may be noted that the facts given in the question are not in compliance with Companies Act, 2013. As per Section 53 of Companies Act, 2013 a company cannot issue shares at discount except for in case of sweat equity shares and therefore any issue on discount by the company is void. However, the above answer has been given strictly based on the information provided in the question.

(b) Total amount of discount comes to ₹ 60,000 (₹ 0.6 X 1, 00,000). The amount of discount to be written-off in each year is calculated as under:

Year end	Debentures Outstanding	Ratio in which discount to be written-off	Amount of discount to be written-off
1st	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
2nd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
3rd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000

4th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
5th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000

(c)

A	*B*	*C*	*D = B ± C*
	Principal Amount	*Interest from Average Due Date to Actual date of Payment*	*Total amount to be paid*
(i)	**Payment on average due date**		
	₹ 1,75,800	₹ 1,75,800 x 15/100 x 0/365 =0	₹ 1,75,800
(ii)	**Payment on 28th Aug. 2018**		
	₹ 1,75,800	₹ 1,75,800 x 15/100 x 18/365= 1,300 Interest to be charged for period of 18 days from 10th August 2018 to 28th Aug. 2018	₹ 1,77,100
(iii)	**Payment on 29th July, 2018**		
	₹ 1,75,800	₹ 1,75,800 x 15/100 x (12)/365= (867) Rebate has been allowed for unexpired credit period of 12 days from 29.7.2018 to 10.8.2018	₹ 1,74,933

PAPER – 1: PRINCIPLES AND PRACTICE OF ACCOUNTING

*Question No. **1** is compulsory.*

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

Wherever necessary, suitable assumptions should be made and disclosed by way of note forming part of the answer.

Working Notes should form part of the answer.

Question 1

(a) *State with reasons, whether the following statements are true or false:*

(i) *Expenses in connection with obtaining a license for running the Cinema Hall is Revenue Expenditure.*

(ii) *Re-issue of forfeited shares is allotment of shares but not a sale.*

(iii) *If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.*

(iv) *There are two ways of preparing an account current.*

(v) *When there is no partnership deed prevails, the interest on loan of a partner to be paid @ 6%.*

(vi) *Interest coverage ratio indicates the firm's ability to pay off current interest and installments.* ***(6 statements x 2 Marks = 12 Marks)***

(b) *Differentiate between provision and contingent liability,* ***(4 Marks)***

(c) *Give journal entries (narrations not required) to rectify the following:*

(i) *Purchase of Furniture on credit from Nigam for ₹ 3,000 posted to Subham account as ₹ 300.*

(ii) *A Sales Return of ₹ 5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.*

(iii) *Investments were sold for ₹ 75,000 at a profit of ₹ 15,000 and passed through Sales account.*

(iv) *An amount of ₹ 10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.* ***(4 Marks)***

Answer

(a) (i) **False:** The Cinema Hall could not be started without license. Expenditure incurred to obtain the license is pre-operative expense which is capitalized. Such expenses are not revenue and amortized over a period of time.

(ii) **False:** A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but only a sale as they have already been allotted earlier.

(iii) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will agree.

(iv) **False:** There are three ways of preparing an Account Current: (i)With help of interest table; (ii) By means of products and (iii) By means of products of balances.

(v) **True:** When there is no partnership deed then the provisions of the Indian Partnership Act are to be applied for settling the dispute. Interest on loan is payable @ 6% p.a. as per Indian Partnership Act.

(vi) **False:** Interest coverage ratio is computed as Earnings before interest and taxes divided by Interest. This indicates the firm's ability to meet only the interest and other fixed-charges obligations and not instalments.

(b) Difference between Provision and Contingent liability

	Provision	***Contingent liability***
(1)	Provision is a present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation.	A Contingent liability is a possible obligation that may or may not crystallise depending on the occurrence or non-occurrence of one or more uncertain future events.
(2)	A provision meets the recognition criteria.	A contingent liability fails to meet the same.
(3)	Provision is recognized when (a) an enterprise has a present obligation arising from past events; an outflow of resources embodying economic benefits is probable, and (b) a reliable estimate can be made of the amount of the obligation.	Contingent liability includes present obligations that do not meet the recognition criteria because either it is not probable that settlement of those obligations will require outflow of economic benefits, or the amount cannot be reliably estimated.
(4)	If the management estimates that it is probable that the settlement of an obligation will result in outflow of economic benefits, it recognises a provision in the balance sheet.	If the management estimates, that it is less likely that any economic benefit will outflow from the firm to settle the obligation, it discloses the obligation as a contingent liability.

(c) **Journal Entries**

	Particulars	*L.F.*	*Dr. (₹)*	*Cr. (₹)*
(i)	Subham A/c	Dr.	300	
	Furniture A/c	Dr.	2,700	
	To Nigam A/c			3,000
(ii)	Sales Returns A/c	Dr.	5,000	
	To Jyothy A/c			5,000
(iii)	Sales A/c	Dr.	75,000	
	To P & L A/c (Gain on sale of investments)			15,000
	To Investments A/c			60,000
(iv)	Drawings A/c	Dr.	10,000	
	To Trade Expenses A/c			10,000

Question 2

(a) Shri Ganpath of Nagpur consigns 500 cases of goods costing ₹ 1,500 each to Rawat of Jaipur. Shri Ganpath pays the following expenses in connection with the consignment:

Particulars	***₹***
Carriage	*15,000*
Freight	*45,000*
Loading Charges	*15,000*

Shri Rawat sells 350 cases at ₹ 2,100 per case and incurs the following expenses:

Clearing charges	*18,000*
Warehousing and Storage charges	*25,000*
Packing and selling expenses	*7,000*

It is found that 50 cases were lost in transit and another 50 cases were in transit. Shri Rawat is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Rawat's Account in the books of Shri Ganpath. ***(10 Marks)***

(b) Mr. Alok owes Mr. Chirag ₹ 650 on 1st January 2018. From January to March, the following further transactions took place between Alok and Chirag

January 15	*Alok buys goods*	*₹ 1,200*
February 10	*Alok buys goods*	*₹ 850*
March 7	*Alok received Cash loan*	*₹ 1,500*

Alok pays the whole amount on 31st March, 2018 together with interest @ 6% per annum. Calculate the interest by average due date method. ***(5 Marks)***

(c) *Attempt any one of the following two sub-parts i.e. either (i) or (ii)*

(i) *Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2017.*

December 2nd - Sent goods to customers on sale or return basis at cost plus 25% - ₹ 80,000

December 10th - Goods returned by customers ₹ 35,000

December 17th - Received letters from customers for approval ₹ 35,000

December 23rd - Goods with customers awaiting approval ₹ 15,000

Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Badhri assuming that the accounting year closes on 31st Dec. 2017.

OR

(ii) *From the following prepare an account current, as sent by Avinash to Bhuvanesh on 31st March, 2018 by means of products method charging interest @ 5% per annum:*

Date	Particulars	Amount (₹)
2018 January 1	Balance due from Bhuvanesh	1,800
January 10	Sold goods to Bhuvanesh	1,500
January 15	Bhuvanesh returned goods	650
February 12	Bhuvanesh paid by cheque	1,000
February 20	Bhuvanesh accepted a bill drawn by Avinash for one month	1,500
March 11	Sold goods to Bhuvanesh	720
March 14	Received cash from Bhuvanesh	800

(5 Marks)

Answer

(a) In the books of Shri Ganpath

Consignment to Rawat of Jaipur Account

Particulars	₹	Particulars	₹
To Goods sent on Consignment	7,50,000	By Rawat (Sales)	7,35,000
		By Goods lost in Transit 50 cases @ ₹ 1,650 each*	82,500

To	Bank (Expenses: 15,000+45,000+15,000)	75,000	By	Consignment Inventories:	
To	Rawat (Expenses: 18,000+25,000+7,000)	50,000		In hand 50 @ ₹ 1,695 each	84,750
To	Rawat (Commission)	73,500	By	Consignment Inventories:	
To	Profit on Consignment ts/f to Profit & Loss A/c	36,250		In transit 50 @ ₹ 1,650 each**	82,500
		9,84,750			9,84,750

**Considered as abnormal loss.*

*** The goods in transit (50 cases) have not yet been cleared. Hence the proportionate clearing charges on those goods have not been included in their value.*

Rawat's Account

Particulars	₹	Particulars	₹
To Consignment to Jaipur A/c	7,35,000	By Consignment A/c(Expenses)	50,000
		By Consignment A/c(Commission)	73,500
		By Balance c/d	6,11,500
	7,35,000		7,35,000

Working Notes:

(i) Consignor's expenses on 500 cases amounts to ₹ 75,000; it comes to ₹ 150 per case. The cost of cases lost will be computed at ₹ 1,650 per case.

(ii) Rawat has incurred ₹ 18,000 on clearing 400 cases, i.e., ₹ 45 per case; while valuing closing inventories with the agent ₹ 45 per case has been added to cases in hand with the agent.

(iii) It has been assumed that balance of ₹ 6,11,500 is not yet paid.

(b) Calculation of average due date

Alok pays the whole amount on 31st March, 2018 together with interest at 6% per annum.

Due Date	Amount	No. of days from Jan. 1	Product
2018	₹		
Jan. 1	650	0	0
Jan. 15	1,200	14	16,800
Feb. 10	850	40	34,000
March 7	1,500	65	97,500
	4,200		1,48,300

Average due date = Base date + days equal to $\frac{\text{Sum of Products}}{\text{Sum of the amounts}}$

= Jan. 1 + $\left[\frac{1,48,300}{4,200}\right]$

= Jan. 1 + 35.31*days

= Feb. 6

Interest therefore has been calculated on ₹ 4,200 from 6th Feb. to 31st March, i.e., for 54 days.

4,200 x 6% x 54/365= ₹ 37.28

(c) (i) In the books of Mr. Badhri

Journal Entries

Date	***Particulars***		***L.F.***	***Dr. (in ₹)***	***Cr. (in ₹)***
2017					
Dec. 2	Trade receivables A/c	Dr.		80,000	
	To Sales A/c				80,000
	(Being the goods sent to customers on sale or return basis)				
Dec. 10	Return Inward A/c (Note 1)	Dr.		35,000	
	To Trade receivables A/c				35,000
	(Being the goods returned by customers to whom goods were sent on sale or return basis)				
Dec. 23	Sales A/c	Dr.		15,000	
	To Trade receivables A/c				15,000
	(Being the cancellation of original entry of sale in respect of goods on sale or return basis)				
Dec. 31	Inventories with customers on Sale or Return A/c	Dr.		12,000	
	To Trading A/c (Note 3)				12,000
	(Being the adjustment for cost of goods lying with customers awaiting approval)				

Note:

(1) Alternatively, Sales account or Sales returns can be debited in place of Return Inwards account.

(2) No entry is required for receiving letter of approval from customer.

(3) Cost of goods with customers = ₹ 15,000 x 100/125 = ₹ 12,000

(4) It has been considered that the transaction values are at involve price (including profit margin).

(ii) Bhuvanesh

in Account Current with Avinash

for the period ending on 31st March 2018

Date	*Particulars*	*Amount*	*Days*	*Products*	*Date*	*Particulars*	*Amount*	*Days*	*Products*
2018		₹			*2018*		₹		
Jan.1	To Balance b/d	1,800	90*	1,62,000	Jan.15	By Sales Returns	650	75	48,750
Jan. 10	To Sales A/c	1,500	80	1,20,000	Feb. 12	By Bank A/c	1,000	47	47,000
March, 11	To Sales A/c	720	20	14,400	Feb. 20	By B/R A/c (due date: March 23)	1,500	8	12,000
March, 31	To Interest A/c	24							
					March, 14	By Cash A/c	800	17	13,600
					March, 31	By Balance of products			1,75,050
						By Balance c/d	94		
		4,044		2,96,400			4,044		2,96,400

Calculation of interest

Interest = (1,75,050 x 5%)/365= ₹ 24

**Opening day considered in calculation of no. of days.*

Question 3

The following are the balances extracted from the books of Shri Raghuram as on 31.03.2018, who carries on business under the name and style of M/s Raghuram and Associates at Chennai:

Particulars	***Debit (₹)***	***Credit (₹)***
Capital A/c		*14,11,400*

Purchases	*12,00,000*	
Purchase Returns		*18,000*
Sales		*15,00,000*
Sales Returns	*24,000*	
Freight Inwards	*62,000*	
Carriage Outwards	*8,500*	
Rent of Godown	*55,000*	
Rates and Taxes	*24,000*	
Salaries	*72,000*	
Discount allowed	*7,500*	
Discount received		*12,000*
Drawings	*20,000*	
Printing and Stationery	*6,000*	
Insurance premium	*48,000*	
Electricity charges	*14,000*	
General expenses	*11,000*	
Bank charges	*3,800*	
Bad debts	*12,200*	
Repairs the Motor vehicle	*13,000*	
Interest on loan	*4,400*	
Provision for Bad-debts		*10,000*
Loan from Mr. Rajan		*60,000*
Sundry creditors		*62,000*
Motor vehicles	*1,00,000*	
Land and Buildings	*5,00,000*	
Office equipment	*2,00,000*	
Furniture and Fixtures	*50,000*	
Stock as on 31.03.2017	*3,20,000*	
Sundry debtors	*2,80,000*	
Cash at Bank	*22,000*	
Cash in Hand	*16,000*	
Total	***30,73,400***	***30,73,400***

Prepare Trading and Profit and Loss Account for the year ended 31.03.2018 and the Balance Sheet as at that date after making provision for the following:

(a) Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.

(b) Value of stock at the close of the year was ₹ 4,10,000.

(c) One month rent for godown is outstanding.

(d) Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017

(e) Reserve for bad debts is to be maintained at 5% of Sundry debtors.

(f) Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.2018.

(20 Marks)

Answer

M/s Raghuram & Associates

Trading Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		₹			₹
To Opening Stock		3,20,000	By Sales	15,00,000	
To Purchases	12,00,000		*Less:* Sales Returns	(24,000)	14,76,000
Less: Purchase Returns	(18,000)	11,82,000	By Closing Stock		4,10,000
To Freight		62,000			
To Gross Profit c/d		3,22,000			
		18,86,000			18,86,000

M/s Raghuram & Associates

Profit and Loss Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		₹			₹
To Salaries		72,000	By Gross profit b/d		3,22,000
To Rent for Godown	55,000				
Add: Outstanding	5,000	60,000	By Discount received		12,000
To Provision for Doubtful Debts (W.N.4)		16,200			

To Rent and Taxes		24,000			
To Discount Allowed		7,500			
To Carriage outwards		8,500			
To Printing and stationery		6,000			
To Electricity charges		14,000			
To Insurance premium (W.N. 1)		4,800			
To Depreciation (W.N. 2)		80,000			
To General expenses		11,000			
To Bank Charges		3,800			
To Interest on loan	4,400				
Add: Outstanding (W.N. 3)	100	4,500			
To Motor car expenses (Repairs)		13,000			
To Net Profit transferred to Capital A/c		8,700			
		3,34,000			3,34,000

Balance Sheet of M/s Raghuram & Associates

as at 31st March 2018

Liabilities	***Details***	***Amount***	***Assets***	***Details***	***Amount***
		₹			₹
Capital	14,11,400		Land & Building	5,00,000	
Add: Net Profit	8,700		*Less:* Depreciation	(25,000)	4,75,000
Less: Drawings	(20,000)		Motor Vehicles	1,00,000	
Less: proprietor's Insurance Premium	(42,000)	13,58,100	*Less:* Depreciation	(20,000)	80,000
Loan from Rajan	60,000		Office equipment	2,00,000	
Add: Outstanding Interest	100	60,100	*Less:* Depreciation	(30,000)	1,70,000
Sundry Creditors		62,000	Furniture & Fixture	50,000	
Outstanding rent		5,000	*Less:* Depreciation	(5,000)	45,000
			Stock in Trade		4,10,000
			Sundry Debtors	2,80,000	
			Less: Provision for doubtful debts	(14,000)	2,66,000
			Cash at hand		22,000

			Cash in bank		16,000
			Prepaid insurance (W.N. 1)		1,200
		14,85,200			14,85,200

Working Notes:

(1) Insurance premium

	₹
Insurance premium as given in trial balance	48,000
Less: Personal premium	(42,000)
Less: Prepaid for 3 months	
$\left(\frac{6,000}{15}\times 3\right)$	(1,200)
Transfer to Profit and Loss A/c	4,800

(2) Depreciation

Building @ 5% on 5,00,000	25,000
Motor Vehicles @ 20% on 1,00,000	20,000
Furniture & Fittings @ 10% on 50,000	5,000
Office Equipment @ 15% on 2,00,000	30,000
Total	80,000

(3) Interest on Loan

Interest on Loan ₹ 60,000 X 10% X 9/12	=	4,500
Less: interest as per Trial Balance	=	(4,400)
Amount (Outstanding)		100

(4) Provision for bad debts A/c

Particulars	*Amount (₹)*	*Particulars*	*Amount (₹)*
To bad debts a/c	12,200	By balance b/d	10,000
To balance c/d (5% of 2,80,000)	14,000	By P&L A/c	16,200
	26,200		26,200

Question 4

(a) *Piyush Limited is a company with an authorized share capital of ₹ 2,00,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2017. The company proposed to make a further issue of 1,30,000 shares of ₹ 10 each at a price of ₹ 12 each, the arrangements for payment being:*

(i) ₹ 2 per share payable on application, to be received by 1st July, 2017;

(ii) Allotment to be made on 10th July, 2017 and a further ₹ 5 per share (including the premium) to be payable;

(iii) The final call for the balance to be made, and the money received by 30th April, 2018.

Applications were received for 4,20,000 shares and were dealt with as follows:

(1) Applicants for 20,000 shares received allotment in full;

(2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited. ***(10 Marks)***

(b) *A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2018 stood as:*

Liabilities		**₹**	***Assets***		**₹**
Capital Accounts			*Building*		*10,00,000*
A	*8,00,000*		*Furniture*		*2,40,000*
B	*4,20,000*		*Office equipments*		*2,80,000*
C	*4,00,000*	*16,20,000*	*Stock*		*2,50,000*
Sundry Creditors		*3,70,000*	*Sundry debtors*	*3,00,000*	
General Reserves		*3,60,000*	*Less: Provision for Doubtful debts*	*30,000*	*2,70,000*
			Joint life policy		*1,60,000*
			Cash at Bank		*1,50,000*
		23,50,000			*23,50,000*

B retired on 1st April, 2018 subject to the following conditions:

(i) Office Equipments revalued at ₹ 3,27,000.

(ii) Building revalued at ₹ 15,00,000. Furniture is written down by ₹ 40,000 and Stock is reduced to Rs,2,00,000 .

(iii) Provision for Doubtful Debts is to be created @ 5% on Debtors.

(iv) Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is ₹ 1,50,000

(v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	₹
2014	90,000
2015	1,40,000
2016	1,20,000
2017	1,30,000

(vi) Amount due to B is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement. ***(10 Marks)***

Answer

(a) **Journal of Piyush Limited**

Date 2017	Particulars		Dr. ₹	Cr. ₹
July 1	Bank A/c (Note 1 – Column 3)	Dr.	8,40,000	
	To Equity Share Application A/c			8,40,000
	(Being application money received on 4,20,000 shares @ ₹ 2 per share)			
July 10	Equity Share Application A/c	Dr.	8,40,000	
	To Equity Share Capital A/c			2,60,000
	To Equity Share Allotment A/c			
	(Note 1 - Column 5)			4,00,000
	To Bank A/c (Note 1–Column 6)			1,80,000
	(Being application money on 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with			

	allotment and on 90,000 shares refunded as per Board's Resolution No…..dated…)			
	Equity Share Allotment A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			3,90,000
	To Securities Premium a/c			2,60,000
	(Being allotment money due on 1,30,000 shares @ ₹ 5 each including premium at ₹ 2 each as per Board's Resolution No….dated….)			
	Bank A/c (Note 1 – Column 8)	Dr.	2,50,000	
	To Equity Share Allotment A/c			2,50,000
	(Being balance allotment money received)			
	Equity Share Final Call A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			6,50,000
	(Being final call money due on 1,30,000 shares @ ₹ 5 per share as per Board's Resolution No…..dated….)			
April 30	Bank A/c	Dr.	6,50,000	
	To Equity Share Final Call A/c			6,50,000
	(Being final call money on 1,30,000 shares @ ₹ 5 each received)			

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application (1x ₹ 2)	Amount Required on Application (2 x ₹ 2)	Amount adjusted on Allotment	Refund [3-4-5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	20,000	20,000	40,000	40,000	Nil	Nil	1,00,000	1,00,000
(ii)	1,00,000	50,000	2,00,000	1,00,000	1,00,000	Nil	2,50,000	1,50,000
(iii)	3,00,000	60,000	6,00,000	1,20,000	3,00,000	1,80,000	3,00,000	Nil
TOTAL	**4,20,000**	**1,30,000**	**8,40,000**	**2,60,000**	**4,00,000**	**1,80,000**	**6,50,000**	**2,50,000**

(b) **Revaluation Account**

	₹		₹
To Furniture A/c	40,000	By Office equipment A/c	47,000
To Stock A/c	50,000	By Building A/c	5,00,000
To Joint life policy	10,000	By Provision for doubtful debts	15,000
To Partners' capital A/cs:			
A 2,31,000			
B 1,54,000			
C 77,000	4,62,000		
	5,62,000		5,62,000

Partners' Capital Accounts

	A ₹	B ₹	C ₹		A ₹	B ₹	C ₹
To B's capital A/c	90,000	–	30,000	By Balance b/d	8,00,000	4,20,000	4,00,000
To B's loan A/c		8,14,000		By General Reserve	1,80,000	1,20,000	60,000
To Balance c/d	11,21,000		5,07,000	By revaluation reserve	2,31,000	1,54,000	77,000
				By A's capital A/c		90,000	
				By C's capital A/c		30,000	
	12,11,000	8,14,000	5,37,000		12,11,000	8,14,000	5,37,000

Balance Sheet as on 1.4.2018 (After B's retirement)

Liabilities	₹	₹	*Assets*	₹	₹
Capital accounts:			Building		15,00,000
A	11,21,000		Furniture		2,00,000
C	5,07,000	16,28,000	Office equipment		3,27,000
B's loan account		8,14,000	Stock		2,00,000
Sundry creditors		3,70,000	Sundry debtors	3,00,000	
			Less: Provision for doubtful debts	(15,000)	2,85,000

			JLP		1,50,000
			Cash at bank		1,50,000
		28,12,000			28,12,000

Working Notes:

Calculation of goodwill:

1. **Average of last 4 year's profit**

   = (90,000+1,40,000+1,20,000+1,30,000)/4

   = ₹ 1,20,000

2. **Goodwill at three years' purchase**

   ₹ 1,20,000 x 3 = ₹ 3,60,000

Goodwill adjustment

	Share of goodwill (Old ratio)	*Share of goodwill (New ratio)*	*Adjustment*
A	1,80,000	2,70,000	90,000 (Dr.)
B	1,20,000	-	1,20,000 (Cr.)
C	60,000	90,000	30,000 (Dr.)

Question 5

(a) You are provided with the following details:

Current ratio	*2.5*
Liquidity ratio	*1.5*
Net Working Capital	*₹ 3,00,000*
Stock Turnover Ratio	*6 times*
Ratio of Gross Profit on Sales	*20%*
Turnover to Fixed assets (net)	*2 times*
Average debt collection period	*2 months*
Fixed Assets to net worth	*0.8*
Reserve and Surplus to Capital	*0.5*

Draw up the Balance Sheet as at 31st March, 2018 of Zoom Ltd. with appropriate figures:

Zoom Ltd.

Balance Sheet as at 31st March, 2018

Liabilities	*₹*	*Assets*	*₹*
Share Capital	*?*	*Fixed Assets*	*?*
Reserves and Surplus	*?*	*Stock*	*?*
Long-Term Borrowings	*1,50,000*	*Debtors*	*?*
Current Liabilities	*?*	*Bank*	*50,000*
Total	*11,00,000*		*11,00,000*

(10 Marks)

(b) Calculate the Trade Receivables Turnover Ratio, the average collection period and Gross Profit Ratio from the following information:

Particulars	
Total revenue from operations	*6,00,000*
Cash revenue from operations	*25% if Total revenue from operations*
Trade Receivables as at 01.04.2017	*60,000*
Trade Receivables as at 31.03.2018	*1,40,000*
Cost of Revenue from Operations	*4,20,000*

(10 Marks)

Answer

(a) Balance Sheet of Zoom Ltd. as at 31.3.2018

Capital and Liabilities	**₹**	**Assets**	**₹**
Share Capital	5,00,000	Fixed assets	6,00,000
Reserves & Surplus	2,50,000	Stock	2,00,000
Long term borrowings	1,50,000	Debtors	2,50,000
Current liabilities	2,00,000	Bank	50,000
	11,00,000		11,00,000

Working Notes:

Assume Current Liabilities	1.0
Current Assets are	2.5
Therefore, Difference or working capital	1.5
Given, Working Capital	₹ 3,00,000

Current Assets = ₹ 3,00,000 x 2.5/1.5 =	₹ 5,00,000
Current Liabilities =	₹ 2,00,000
Given, Liquidity Ratio =	1.5
Liquid Assets ₹ 2,00,000 x 1.5 =	₹ 3,00,000
Therefore, Stock = (Current Assets – Liquid Assets) = ₹ 5,00,000 - ₹ 3,00,000	
Stock = ₹ 2,00,000	
Cost of Sales (as stock turnover is 6) = ₹ 2,00,000 x 6 =	₹ 12,00,000
Sales (G.P. ratio 20%) = ₹ 12,00,000 + [20/80) x 12,00,000]	
Sales = 15,00,000*	
Fixed Assets = ₹ 12,00,000 / 2 = ₹ 6,00,000	
Debtors = ₹ 15,00,000/6 = ₹ 2,50,000**	
Net worth = ₹ 6,00,000 x 1/ 0.8 = ₹ 7,50,000	
Reserve and Surplus, 1/3rd of net worth = ₹ 2,50,000	
Share Capital = ₹ 7,50,000 - ₹ 2,50,000 = ₹ 5,00,000	

**Alternatively, candidates may use fixed assets turnover ratio for computation of sales.*

***The balance of Debtors can be calculated as balancing figure in the balance sheet.*

(b) Trade Receivables Turnover Ratio = Net Credit Sales/ Average Trade receivables

Trade Receivables Turnover Ratio = ₹ 4,50,000/ ₹ 1,00,000

= 4.5 times.

Average collection period

$$= \frac{\text{Average accounts receivable}}{\text{Average daily credit sale}}$$

Average daily credit sales = 4,50,000/360*= 1,250

= 1,00,000/1,250

= 80 days

Therefore, on an average, debtors take 80 days to pay.

** 360 days considered.*

Gross Profit Ratio

= Gross Profit/Sales x 100

= (6, 00,000 – 4, 20,000) / 6, 00,000 x 100= 30%

Working notes:

1. **Credit sales= Total sales – Cash sales**

   Cash Sales = 25% of ₹ 6,00,000 = ₹1,50,000

   Credit Sales = ₹ 6,00,000 – ₹ 1,50,000 = ₹ 4,50,000

2. **Average Trade Receivables** = (Opening Trade Receivables + Closing Trade Receivables)/ 2

   = (₹ 60,000 + ₹ 1,40,000) / 2

   = ₹ 1,00,000

Question 6

(a) The Bank Pass Book of Account No.5678 of Mrs. Rani showed an overdraft of ₹ 33,575 on 31st March 2018. On going through the Pass Book, the accountant found the following:

(i) A Cheque of Rs,1,080 credited in the pass book on 28th March 2018 being dishonoured is debited again in the pass book on 1st April 2018. There was no entry in the cash book about the dishonour of the cheque until 15th April 2018.

(ii) Bankers had credited her account with ₹ 2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.

(iii) Out of ₹ 20,500 paid in by Mrs. Rani in cash and by cheques on 31st March 2018 cheques amounting to ₹ 7,500 were collected on 7th April, 2018.

(iv) Out of Cheques amounting to ₹ 7,800 drawn by her on 27th March, 2018 a cheque for ₹ 2,500 was encashed on 3rd April, 2018.

(v) Bankers seems to have given here wrong credit for ₹ 500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 300 against her account No.8765.

(vi) A cheque for ₹ 1,000 entered in Cash Book but omitted to be banked on 31st March, 2018.

(vii) A Bill Receivable for ₹ 5,200 previously dishonoured (Discount ₹ 200) with the Bank had been dishounoured but advice was received on 1st April, 2018.

(viii) A Bill for ₹ 10,000 was retired /paid by the bank under a rebate of ₹ 175 but the full amount of the bill was credited in the bank column of the Cash Book.

(ix) A Cheque for ₹ 2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.

Prepare Bank Reconciliation Statement as on 31st March, 2018. ***(10 Marks)*** *(b) Miss Daisy was unable to agree the Trial Balance last year and wrote off the difference to the profit and loss account of that year. On verifying the old books by a Chartered Accountant next year, the following mistakes were found.*

(i) Purchase account was undercast by ₹ 8,000.

(ii) Sale of goods to Mr. Rahim for ₹ 2,500 was omitted to be recorded.

(iii) Receipt of cash from Mr. Asok was posted to the account of Mr. Anbu ₹ 1,200.

(iv) Amount of ₹ 4,167 of sales was wrongly posted as ₹ 4,617.

(v) Repairs to Machinery was debited to Machinery Account ₹ 1,800.

(vi) A credit purchase of goods from Mr. Paul for ₹ 3,000 entered as sale.

Suggest the necessary rectification entries. ***(10 Marks)***

Answer

(a) Bank Reconciliation Statement

as on 31st March, 2018

Particulars	**₹**
Bank balance (Debit i.e. overdraft) as per Bank Pass book	33,575
(i) No adjustment required as there would be no difference on 31.3.18	
(ii) *Add:* No entry in Cash book for interest collection by Bank	2,800
(iii) *Less:* Amount debited in cash book for pending cheques in collection but not credited in Pass Book	(7,500)
(iv) *Add:* Cheque credited in cash book but not debited in pass book	2,500
(v) *Add:* Reversal of wrong Credit	500
Less: Reversal of wrong debit	(300)
(vi) *Less:* Cheque of ₹ 1,0000 entered in cash book but omitted to be banked	(1,000)
(vii) *Less:* Discounted dishonored but no entry in Cash book	(5,200)
(viii) *Add:* Rebate on bill retired not entered in cash book	175
(viii) *Add:* Cheques deposited in bank not yet recorded in cash book	2,400
Balance (Cr. i.e. overdraft) as per Cash book	27,950

Note: A cheque of ₹ 1,080 credited in Pass Book on 28th March, 2018 and later debited in Pass Book on 1st April, 2018 has no effect on Bank Reconciliation statement as at 31st March, 2018.

(b) Journal Entries in the books of Miss Daisy

Date	*Particulars*		*Dr. (₹)*	*Cr. (₹)*
(i)	Profit & Loss Adjustment A/c	Dr.	8,000	
	To Suspense*A/c			8,000
	(Purchase Account under cast in the previous year; error now rectified)			
(ii)	Rahim's Account	Dr.	2,500	
	To Profit & Loss Adjustment A/c			2,500
	(Sales to Rahim omitted last year; now adjusted)			
(iii)	Anbu's Account	Dr.	1,200	
	To Asok's Account			1,200
	(Amount received from Asok wrongly posted to the account of Anbu; now rectified)			
(iv)	Profit & Loss Adjustment A/c	Dr.	450	
	To Suspense* A/c			450
	(Excess posting to sales account last year, ₹ 4,617, instead of ₹ 4,167 now adjusted)			
(v)	Profit & Loss Adjustment A/c	Dr.	1,800	
	To Machinery A/c			1,800
	(Repairs to machinery was wrongly debited to machinery account, now rectified)			
(vi)	Profit & Loss Adjustment A/c	Dr.	6,000	
	To Mr. Paul Account			6,000
	Credit purchase of goods from Mr. Paul sale last year, now rectified)			
(vii)	Daisy's Capital A/c	Dr.	13,750	
	To Profit and Loss Adjustment Account			13,750
	(Being balance in P & L Adjustment Account transferred to Daisy's Capital A/c – Refer W.N. 1)			
(viii)	Suspense A/c	Dr.	8,450	
	To Daisy's Capital A/c			8,450
	(Being balance of Suspense A/c transferred to Capital A/c– Refer W.N. 2)			

**Considering that the difference was posted to Suspense account.*

Working Notes

1. Profit and Loss Adjustment Account

	₹		₹
To Suspense A/c	8,000	By Rahim's A/c	2,500
To Suspense A/c	450	By Daisy's Capital A/c (Bal. Transfer)	13,750
To Machinery A/c	1,800		
To Mr. Paul's A/c	6,000		
	16,250		16,250

2. Suspense Account

	₹		₹
To Daisy's Capital A/c (Balance Transfer)	8,450	By P & L Adj. A/c	8,000
		By P & L Adj. A/c	450
	8,450		8,450