

ACCOUNTING



Solution Handbook New Scheme



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Accounting Process

CLASSIFICATION OF ACCOUNTS

P.1.

SI. No.	Title of A/c	Nature of A/c	Classification of A/cs - Personal, Real or Nominal
(a)	Building	Asset	Real
(b)	Purchases	Expense	Nominal
(c)	Sales	Income	Nominal
(d)	Bank Fixed Deposit	Asset	Personal
(e)	Rent	Expense	Nominal (Expense)
(f)	Rent Outstanding	Liability	Personal
(g)	Cash	Asset	Real
(h)	Adjusted Purchases	Expense	Nominal (Expense)
(i)	Closing Inventory	Asset	Real
(j)	Investment	Asset	Real
(k)	Trade receivables	Asset	Personal
(1)	Sales Tax Payable	Liability	Personal
(m)	Discount Allowed	Expense	Nominal (Expense)
(n)	Bad Debts	Loss	Nominal (Expense)
(o)	Capital	Capital	Personal
(p)	Drawings	Drawings (Adjusted in Capital)	Personal
(q)	Interest receivable	Asset	Personal
(r)	Rent received in advance	Liability	Personal
(s)	Prepaid salary	Asset	Personal
(†)	Bad debts recovered	Gain	Nominal (Gain)
(u)	Depreciation	Expense	Nominal (Expense)
(v)	Personal Income Tax	Drawings (Adjusted in Capital)	Personal (Drawing)

JOURNAL

P.2.

2020	Explanation	A/cs	Nature of	Nature	How	Debit	Credit
April		Involved	A/cs		affected	(₹ in 000)	(₹ in 000)

1.	₹5,000 cash invested in	Cash	Asset	Real	Increased	5,000	
	business	R's Capital	Capital	Personal	Increased		5,000
2.	Purchased furniture for	Furniture	Asset	Real	Increased	1,200	
	₹ 1,200	Cash	Asset	Real	Decreased		1,200
3.	Paid ₹ 1,100 to employee for	Salary	Expense	Nominal	Increased	1,100	
	salary	Cash	Asset	Real	Decreased		1,100
4.	Paid Rent ₹ 1,150	Rent	Expense	Nominal	Increased	1,150	
		Cash	Asset	Real	Decreased		1,150
5.	Received interest	Cash	Asset	Real	Increased	2,000	
	₹ 2,000	Interest	Income	Nominal	Increased		2,000

P.3. Journal Entries

Date	Particulars		Nature of A/c	L.F.	Debit (₹)	Credit (₹)
Dec. 1	Bank A/c	Dr.	Personal A/c		4,00,000	
	To Capital A/c		Personal A/c			4,00,000
	(Being commencement					
	of business)					
Dec. 3	Cash A/c	Dr.	Real A/c		2,000	
	To Bank A/c		Personal A/c			2,000
	(Being cash withdrawn					
	from the Bank)					
Dec. 5	Purchases A/c	Dr.	Nominal A/c		15,000	
	To Bank A/c		Personal A/c			15,000
	(Being purchase of					
	goods for cash)					
Dec. 8	Bank A/c	Dr.	Personal A/c		16,000	
	To Sales A/c		Nominal A/c			16,000
	(Being goods sold for cash)					
Dec. 10	Furniture A/c	Dr.	Real A/c		2,500	
	To Bank A/c		Personal A/c			2,500
	(Being purchase of					
	furniture, paid by cheque)					
Dec. 12	Arvind	Dr.	Personal A/c		2,400	
	To Sales A/c		Nominal A/c			2,400
	(Being sale of goods)					
Dec. 14	Purchases A/c	Dr.	Nominal A/c		10,000	
	To Amrit		Personal A/c			10,000
	(Being purchase of					
	goods from Amrit)					
Dec. 15	Amrit	Dr.	Personal A/c		500	
	To Purchases Return A/c		Nominal A/c			500



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Dec. 16	Bank A/c	Dr.	Personal A/c	2,300	
	Discount A/c	Dr.	Nominal A/c	100	
	To Arvind		Personal A/c		2,400
	(Being cash received from				
	Arvind in full settlement				
	and allowed him ₹ 100				
	as discount)				
Dec. 18	Drawings A/c	Dr.	Personal A/c	1,000	
	To Purchases A/c		Nominal A/c		1,000
	(Being withdrawal of				
	goods for personal use)				
Dec. 20	Drawings A/c	Dr.	Personal A/c	2,000	
	To Cash A/c		Real A/c		2,000
	(Being cash withdrawal				
	from the business for				
	personal use)				
Dec. 24	Telephone Expenses	Dr.	Nominal A/c	110	
	To Bank A/c		Personal A/c		110
	(Being telephone				
	expenses paid)				
Dec 26	Amrit	Dr.	Personal A/c	9,500	
	To Bank A/c		Personal A/c		9,450
	To Discount A/c		Nominal A/c		50
	(Being cash paid to				
	Amrit and he allowed				
	₹ 50 as discount)				
Dec. 31	Stationery Expenses	Dr.	Nominal A/c	200	
	Rent A/c	Dr.	Nominal A/c	5,000	
	Salaries A/c	Dr.	Nominal A/c	2,000	
	To Bank A/c		Personal A/c		7,200
	(Being expenses paid)				
Dec. 31	Advertisement				
	Expenses A/c	Dr.	Nominal A/c	2,000	
	To PurchasesA/c		Nominal A/c		2,000

P.4. Journal Entries

Date 2020	Particulars	L.F.	Amount	Amount
April 1	Bank A/c Dr.		10,00,000	



P.5. Journal Entries

Date	Particulars	Debit (₹)	Credit (₹)
(i)	Salaries A/c Dr.	7,500	
	To Purchase A/c		7,500
	(Being entry made for stock taken by employees)		
(ii)	Machinery A/c Dr.	8,000	
	To Cash A/c		8,000
	(Being wages paid for erection of machinery)		
(iii)	Drawings A/c Dr.	1,700	
	To Petty Cash A/c		1,700



	(Being the income tax of proprietor paid out of business money)		
(iv)	Purchase A/c Dr.	1,800	
	To Cash A/c		1,750
	To Discount Received A/c		50
	(Being the goods purchased from Naveen for ₹		
	2,000 @ 10% trade discount and cash discount of ₹		
	50)		

P.6. Journal Entries

Date	Particulars	Debit (₹)	Credit (₹)
(i)	Cash A/c Dr.	2,000	
	Land A/c Dr.	4,000	
	Furniture A/c Dr.	1,000	
	Stock A/c Dr.	2,000	
	To Creditors		1,000
	To Bank overdraft		2,000
	To Capital A/c		6,000
	(Being commencement of business by mohan by		
	taking over a running business)		
(ii)	Advertisement Expenses A/c Dr.	1,000	
	To Purchases A/c		1,000
	(Being Goods distributed by way of free samples)		
(iii)	Cash A/c Dr.	300	
	Bad Debts A/c Dr.	300	600
	To Rahim A/c		
	(Being Rahim became insolvent and pay 50 paisa in a		
	rupee)		

SUBSIDIARY BOOKS

P.7. Purchase Returns Book

Date	Debit Note No.	Name of supplier	L.F.	Amount
2018				
Jan. 4	101	Goyal Mills, Surat		500
Jan. 16	102	Mittal Mills, Bangalore		1,300
Jan. 31		Purchases Returns Account (Cr.)		1,800



P.8. Sales Book

Date	Particulars	Amount	Amount
2020 Jan. 2	Ajanta Electricals 5 pieces of Ovens @ ₹ 6,000 each Less: 10% Discount	30,000 3,000	27,000
Jan. 8	Electronics Plaza 10 pieces of Tablets @ ₹ 8,000 each less 5% trade discount	80,000 4,000	76,000
Jan. 15	Haryana Traders 5 pieces of Juicers @ ₹ 3,500 each less 10% trade discount	17,500 1,750	15,750

CASH BOOK

P.9.

Dr.	Single Column Cash Book	Cr
Ur.	Single Column Cash Book	CIT.

•		Jg. J			. .
Date	Receipts	Amount ₹	Date	Payments	Amount ₹
2020			2020		30
Jan. 1	To Balance b/d	1,200	Jan. 07	By Rent A/c	
" 5	To Ram A/c	300	" 10	By Shyam A/c	700
" 8	To Sales A/c	300	" 27	By Furniture A/c	200
			" 31	By Salaries A/c	100
			" 31	By Balance c/d	770
		1,800			1,800
2020					
Feb. 1	To Balance b/d	770			

Note: One can see the following:

- In the simple cash book only the cash receipts and cash payments are recorded. (i)
- (ii) The total of debit side is always greater than the total of credit side since the payment cannot exceed the available cash.
- The simple cash book is like an ordinary account (iii)

P.10.

Dr. Double Column Cash Book											
Date	Receipts	L.F.	Discount ₹	Cash ₹	Date	Payments	L.F.	Discount ₹	Cash ₹		



To summarise:

- (i) the discount columns in the cash book are totalled;
- (ii) they are not balanced; and
- (iii) their totals are entered in the discount received/paid account in the ledger.

Note: The person who pays, is credited by both the cash paid by him and the discount allowed to him. Similarly, the person to whom payment is made, is debited with both the amount paid and the discount allowed by him,

P.11.

Dr.				Tr	iple Colu	ımn Cas	sh Book				Cr
Date	Receipts	L.F.	Discoun † ₹	Cash ₹	Bank ₹	Date	Payments	L.F.	Discount ₹	Cash ₹	Bank ₹
2020						2020					
Jan. 1	To Capital A/c			20,000		Jan. 3	By Bank A/c	С		19,000	
3	To Cash	С			19,000	7	By Bank A/c	С		600	
4	To Kirti & Co.			600		10	By Ratan & Co.		20		330
7	To Cash	С			600	25	By Bank A/c	С		1,000	
12	To Tripathi & Co.				475	27	By Purchases A/c			275	
15	To Warshi		35	450		30	By S. Exp. A/c			50	
20	To Sales A/c			175							
25	To Cash	С			1,000						
						31	By Balance c/d			300	20,745



CA ZUBAIR KHAN

		35	21,225	21,075
eb. 1	To Balance b/d		300	20,745

P.12.

Petty Cash Book

Receipts ₹	Date 2020	V. No.	Particulars	, Total ₹	Con- veyance ₹	Cartage ₹	Statio- nery ₹	Postage & Telegrams ₹	Wages ₹	Sundri es ₹
100	Jan.1		To Cash							
	2	1	By Conveyance	.50	.50					
		2	By Cartage	2.50		2.50				
	3	3	By Postage and Telegrams	5.00				5.00		
		4	By Wages	6.00					6.00	
	4	5	By Stationery	4.00			4.00			
		6	By Conveyance	2.00	2.00					
	5	7	By Repairs to	15.00						15.00
			Furniture	4.00	4.00					
		8	By Conveyance	1.00	1.00	4.00				
		9	By Cartage	4.00		4.00				
	6	10	By Postage and Telegrams	7.00				7.00		
	**	11	By Conveyance	3.00	3.00					
	"	12	By Cartage	3.00		3.00				
	u	13	By Stationery	2.00			2.00			
	"	14	By General	5.00						5.00
			Expenses							
				60.00	6.50	9.50	6.00	12.00	6.00	20.00
			By Balance c/d	40.00						
100				100.00						
40.00			To Balance b/d							
60.00	8		To Cash							

P.13.

Dr. Triple Column Cash Book Cr

Date	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹	Date	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹
2020						2020					
March 1	To Balance b/d			15,000		March 1	By Balance b/d				500
2	To Sales			3,000		3	By Sushil Bros.		100		3,400
5	To Sales				2,800	7	By Adit			6,200	
6	To Srijan			6,200		9	By Bank	С		6,800	
9	To Cash A/c	С			6,800	12	By Adit				6,200
10	To Aviral		50		3,600	24	By Cash A/c	С			1,800
12	To Srijan			6,200		28	By Sanchit				3,000



15	To Sales A/c				3,200	30	By Commission			60
24	To Bank A/c	С		1,800		31	By Balance c/d		19,200	1,440
			50	32,200	16,400			100	32,200	16,400

Note: If the received cheque is endorsed to the other party on the same day, then no entry is required. However, in the above case posting has been done through cash column as the endorsement is done on next day.

P.14.

Dr.				Tı	riple Co	lumn Ca	sh Book				Cr
Date	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹	Date	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹
2017						2017					
Nov. 1	To Balance b/d			3,000	12,000	Nov. 2	By Bank	С		1,000	
2	To Cash	С			1,000	5	By Furniture				1,500
12	To Mohan		20	980		8	By Purchase			500	
14	To Sales A/c			5,000		16	By Amar		50		1,450
19	To Cash	С			500	19	By Bank	С		500	
24	To Parul (Note 2)		20	1,430		23	By Drawings				600
26	To Cash	С			1,430	26	By Bank	С		1,430	
28	To Bank	С		2,000		28	By Cash	С			2,000
						30	By Rent A/c				800
						30	By Balance c/d			8,980	8,580
			40	12,410	14,930				50	12,410	14,930
Dec. 1	To Balance b/d			8,980	8,580						

Note:

- (1) Discount allowed and discount received \pm 40 and \pm 50 respectively should be posted in respective Accounts in the ledger.
- (2) When cheque is not promptly deposited into Bank, first it is entered in the Cash Column and subsequently at the time of deposit, Bank Account is debited and Cash Account is credited.

P.15.

Petty Cash Book

Receipts	Date	V.	D 11 1	Total	Stationery	Travelling	Misc.	Repairs
₹		No.	Particulars	₹	₹	₹	₹	₹
	2019							
134.90	Sep.		To Bal. B/d					
365.10	7		To Cash					
	1							
	7		By Stationery	49.80	49.80		20.90	
	8		By Misc. Exp	20.90				
	9		By Repairs	156.70				156.70
	10		By Travelling	68.50		68.50		
	11		By Stationery	71.40	71.40			



	12	By Misc. Exp	6.30			6.30	
		By Misc. Exp By Repairs	48.30				48.30
			421.90	121.20	68.50	27.20	205.00
		By Balance c/d	78.10				
500			500				
78.10		To Balance b/d					
421.90	13	To Cash					

P.16.

Petty Cash Book

Receipts	Date	٧.	Particulars	Total	Con- veyance	Cartage	Statio- nery	Postage & Telegrams	Wages	Sundries
₹	2019	No.		₹	₹	₹	₹	₹	₹	₹
20,000	April 1		To Cash							
	2		By Conveyance	500	500					
	3		By Cartage	2,500		2,500				
	4		By Postage and Telegrams	500				500	600	
	5		By Wages	600						
	5		By Stationery	400			400			
	6		By Repairs to machine	1,500						1,500
	6		By Conveyance	100	100					
	7		By Cartage	400		400				
	7		By Postage and Telegrams	700				700		
	8		By Cartage	3,000		3,000				
	9		By Stationery	2,000			2,000			
	10		By Sundry Expenses	5,000						5,000
				17,200	600	5,900	2,400	1,200	600	6,500
			By Balance c/d	2,800						
20,000				20,000						
2800			To Balance b/d							
17,200	11		To Cash							

LEDGER

P.17.

Journal Entries

Date	Particulars		L.F.	Amount	Amount
	Cash A/c	Dr.		20,000	



To Capital A/c			20,000
(Being the amount invested in the business as capital)			
Purchases A/c	Dr.	4,000	
To Y A/c (Being purchase of goods on credit)	_		4,000
Y A/c	Dr.	2,000	
To Cash A/c (Being payment of cash to Y)			2,000
Z A/c	Dr.	4,000	
To Sales A/c (Being goods sold to Z on credit)	_		4,000
Cash A/c	Dr.	6,000	
To Z A/c (Being cash received form Z)			6,000
Purchase A/c	Dr.	4,000	
To Y A/c (Being goods purchased from Y)	_		4,000
Y A/c	Dr.	2,000	
To Cash A/c			
(Being the amount paid for rent and salary)			2,000
Z A/c	Dr.	4,000	
To Sales A/c			4,000
(Being goods sold to Z)			
Cash A/c	Dr.	2,000	
To Z A/c			2,000
(Being cash received from Z)			

Dr. Cash A/c Cr.

.					
Date	Date Particulars		Date	Particulars	Amount ₹
	To Capital a/c	20,000		By Y A/c	2,000
	To Z A/c	6,000		Ву У А/с	2,000
	To Z A/c	2,000		By Balance c/d	24,000
		28,000			28,000
Feb.1	To Balance b/d	24,000			

Capital A/c Dr. Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
Jan.31	To Balance c/d	20,000		By Cash A/c	20,000



20,000			20,000
	Feb.1	B Balance b/d	20,000

Dr. Purchase A/c Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Y A/c	4,000			
	To Y A/c	4,000		By Balance c/d	8,000
		8,000			8,000
Feb.1	To Balance b/d	8,000			

Dr. Y A/c Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Cash A/c	2,000		By Purchase A/c	4,000
	To Cash A/c	2,000		By Purchase A/c	4,000
Jan.31	To Balance c/d	4,000			
		8,000			8,000
			Feb.1	By Balance b/d	4,000

Dr. Z A/c Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amoun† ₹
	To Sales A/c	4,000		By Cash A/c	4,000
	To Sales A/c	4,000		By Cash A/c	4,000
		8,000			8,000

Dr. Sales A/c Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
Jan.31	To Balance c/d	8,000		By Z A/c	4,000
				By Z A/c	4,000
		8,000			8,000
			Feb.1	By Balance b/d	8,000



TRIAL BALANCE

P.18. Corrected Trial Balance of Mr. Singhania as on 31st March, 2020

Particulars	Dr.	Cr.
	Amount	Amount
	₹	₹
Singhania's Capital		1,556
Singhania's Drawings	564	
Leasehold premises	750	
Sales		2,750
Due from customers	530	
Purchases	1,259	
Purchases returns		264
Loan from Bank		256
Creditor/Suppliers		528
Trade expenses	700	
Cash at Bank	226	
Bills payable		100
Salaries and Wages	600	
Inventory (1.4.2019)	264	
Rent and rates	463	
Sales return	98	
	5,454	5,454

P.19. Trial Balance as on 30th June,2020

Particulars	Dr.	Cr.
	Amount	Amount
	₹	₹
Provision for Doubtful Debts	-	200
Bank overdraft	-	1,654
Capital	-	4,591
Trade payables	-	1,637
Trade receivables	2,983	-
Discount Received	-	252
Discount allowed	733	-
Drawings	1,200	-
Office furniture	2,155	-
General Expenses	829	-
Purchases	10,923	-



Returns Inward	330	-
Rent & Rates	314	-
Salaries	2,520	-
Inventory	2,418	-
Provision for Depreciation on Furniture	-	364
Sales	-	16,882
Suspense Account (Balancing figure)	1,175	-
	25,580	25,580



2

Bills of Exchange & Promissory Notes

P.1. Books of Vijay Journal

2019	Doone of Vigay Coarna.		₹	₹
1-Sept.	Pritam To Sales Account	Dr.	1,06,000	1,06,000
	(Sales of goods to Pritam as per Invoice No)			
	Bills Receivable Account	Dr.	1,06,000	
	To Pritam			1,06,000
	(3 months acceptance received from Pritam for the			
	amount due from him)			
Dec. 4	Pritam	Dr.	1,06,000	
	To Bills Receivable Account			1,06,000
	(Pritam acceptance cancelled because of renewal)			
	Pritam	Dr.	1,590	
	To interest			1,590
	(Interest @ 9% on ₹1,06,000 due from Pritam for 2			
	months because of renewal)			
	Bills Receivable Account	Dr.	1,06,000	
	Cash Account	Dr.	1,590	
	To Pritam			1,07,590
	[New acceptance for 2 months for ₹106,000 and			
	Cash (for interest) received from Pritam]			
2020				
Feb. 7	Cash Account	Dr.	1,06,000	
	To Bills Receivable Account			1,06,000
	(Cash received against Pritam's second acceptance)			

Books of Pritam Journal

2019				
1-Sept.	Purchase	Dr.	1,06,000	
	Account To			1,06,000
	Vijay A/c			
	(Purchase of goods from Vijay as per Invoice No)			
	Vijay A/c	Dr.	1,06,000	
	To Bills Payables Account			1,06,000
	(3 months acceptance given to Vijay for the amount)			

Dec. 4	Bills Payable	Dr.	1,06,000	
	Account To			1,06,000
	Vijay A/c			
	(Cancellation of bill because of renewal)			
	Interest Account	Dr.	1,590	
	To Vijay			1,590
	(Interest @ 9% on ₹1,06,000 due to Vijay for 2			
	months because of renewal)			
	Vijay Account	Dr.	1,07,590	
	To Cash Account			1,590
	To Bills Payable Account			1,06,000
	[New acceptance for 2 months for ₹106,000 and			
	Cash (for interest) paid to Vijay]			
2020				
Feb. 7	Bills Payable	Dr.	1,06,000	
	Account To			1,06,000
	Bank Account			
	(Cash paid against second bill)			

P.2. Journal Entries in the books of Ankita

Date	Particulars		₹	₹
2020				
Jan. 1	Bhavika's account	Dr.	5,00,000	
	To Sales account			5,00,000
	(Being the goods sold to Bhavika on credit)			
	Bills receivable account	Dr.	5,00,000	
	To Bhavika's			5,00,000
	account			
	(Being the acceptance of bill received)			
1-Mar	Bank account	Dr.	4,95,000	
	Rebate on bills account	Dr.	5,000	
	To Bills receivable account			5,00,000
	(Being retirement of bill by Bhavika one month			
	before maturity, the rebate being given to her at			
	12% p.a.)			

Journal Entries in the books of Bhavika

Date	Particulars	₹	₹
2020			
Jan. 1	Purchases account Dr.	5,00,000	



	To Ankita account			5,00,000
	(Being the goods purchased from Ankita on credit)			
	Ankita Account	Dr.	5,00,000	
	To Bills Payable Account			5,00,000
	(Being the acceptance of bill)			
1-Mar	Bills Receivable Account	Dr.	5,00,000	
	To Rebate Income Account			5,000
	To Bills receivable account			4,95,000
	(Being retirement of bill one month before maturity,			
	the rebate being received at 12% p.a.)			

P.3. Journal entries in the books of Eknath

Date	Particulars		Debit ₹	Credit ₹
Jan. 1	Vilas A/c To Bills Payable A/c (Being the bill draws by him accepted)	Dr.	10,000	10,000
Mar. 4	Bills Payable A/c To Bank A/c To Interest A/c (Discount A/c) (Being retirement of acceptance 1 month before maturity, interest allowed at 12% p.a.)	Dr.	10,000	9,900 100

P.4. Journal entries in the books of Vilas

Date	Particulars		Debit ₹	Credit ₹
2020				
Jan. 1	Bills Receivable	Dr.	10,000	
	A/c To Eknath			10,000
	A/c			
	(Being bill of exchange no drawn on Eknath due			
	for payment on 4th April 2020)			
Mar. 4	Bank A/c	Dr.	9,900	
	Interest A/c (Discount) A/c	Dr.	100	
	To Bills Receivable A/c			10,000
	(Being retirement of bill of exchange due for			
	maturity on 4th April, 2020 by Eknath 1 month			
	before maturity, the rebate being given to him at			
	12% p.a.)			



P.5.

Journal Entries in the books of B

Date	Particulars		Debit ₹	Credit
2020				₹
Jan. 1	Purchase A/c	Dr.	10,000	
	To A's A/c			
	(Being the goods purchased from A on credit)			10,000
	A's A/c	Dr.	10,000	
	To Bills Payable A/c			10,000
	(Being the acceptance of bill given to A)			
Mar. 1	Bills Payable A/c	Dr.	10,000	
	To Bank A/c			9,900
	To Rebate on bills A/c (Discount A/c)			100
	(Being the bill discharged under rebate @ 12%			
	p.a.)			

Working Note:

Calculation of rebate:

 $10,000 \times 12/100 \times 1/12 = ₹100$

P.6.

Books of S. Samarth Journal Entries

			Dr.	Cr.
			₹	₹
(i)	Bills Payable Account	Dr.	1,250	
	Interest Account	Dr.	25	
	To Cash A/c			500
	To Bills Payable Account			775
	(Bills Payable to Aarav discharged by cash payment of ₹ 500 and a new bill for ₹1,250 including ₹ 25 as interest)			
(ii)	(a) G. Gupta To Sahni	Dr.	4,020	4,020
	(G. Gupta's acceptance for ₹ 4,000 endorsed to Sahni dishonoured, ₹ 20 paid by Sahni as noting charges)			
	(b) Sahni	Dr.	4,020	
	To Bank Account			4,020



	(Payment to Sahni on withdrawal of bill earlier received from Mr. G. Gupta)			
(iii)	Bank Account	Dr.	4,980	
	Discount Account	Dr.	20	
	To Bills Receivable Account			5,000
	(Payment received from Harshad against his acceptance for ₹ 5,000. Allowed			
	him a discount of ₹ 20)			
(iv)	Bills Payable Account	Dr.	19,000	
	To Bills Receivable Account			19,000
	(Bills Receivable from Patel endorsed to Sandeep in settlement of bills payable issued to him earlier)			

P.7. Journal Entries in the Books of Mr. A

Date	Particulars		Debit ₹	Credit ₹
2017				
August 1	Bills Receivable A/c	Dr.	10,000	
	То В			10,000
	(Being the acceptance received from B to settle his	S		
	account)			
August 1	Bank A/c	Dr.	9,800	
	Discount A/c	Dr.	200	
	To Bills Receivable			10,000
	(Being the bill discounted for ₹9,800 from bank)			
November 4	D	Ν.,	10.000	
November 4	B To Book Account	Dr.	10,000	10.000
	To Bank Account			10,000
	(Being the B's acceptance is to be renewed)			
November 4	В	Dr.	240	
	To Interest Account			240
	(Being the interest due from B for 3 months i.e.,			
	8000×3/12 ^[] 12%=240)			
November 4	Cash A/c	Dr.	2,240	
	Bills Receivable A/c	Dr.	8,000	
	То В			10,240
	(Being amount and acceptance of new bill received	from		
	B)			
December 31	B A/c	Dr.	8,000	
	To Bills Receivable A/c			8,000



	(Being B became inso	lvent)		
December 31	Cash A/c	Dr.	3,200	
	Bad debts A/c	Dr.	4,800	
	То В			8,000
	(Being the amount	received and written off on B's		
	insolvency)			

P.8. Journal Entries in the books of Akshay

2018	Particulars		Debit ₹	Credit ₹
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)			
	D:II		17, 400	
March 4	Bills receivable (No. 3) A/c	Dr.	16,400	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	
Mai ch 25	Discount A/c	Dr.	2 4 ,750 250	
	To Bills receivable (No. 2) A/c	<i>U</i> 1.	230	25,000
	(Being the amount received on retirement of bills			25,000
	No.2 before the due date)			
May 7	Vishal's A/c	Dr.	16,400	
May /	To Bills receivable (No. 3) A/c	01.	10,100	16,400
	(Being the amount due from Vishal on dishonour			20,100
	of his acceptance on			
	presentation on the due date)			
May 7	Bank A/c	Dr.	8,200	
	To Vishal's A/c		3,233	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)			

P.9. Journal of A

Particulars	Debit ₹	Credit ₹
Bills Receivable A/c Dr.	6,000	
To B A/c		6,000
(Three bills for ₹3,000, ₹2,000 and ₹1,000 drawn on B and		
duly accepted by him received)		
B A/c Dr.	3,000	
To Bills Receivable A/c		3,000
(Bill received from B cancelled for renewal.)		
Cash A/c	1,500	
Bill Receivable A/c	1,600	
То В		3,000
To Interest		100
(Amount received on cancellation of the first bill,50% along		
with a new bill for 50% of the amount plus interest ₹100)		
C A/c	1,600	
To Bills Receivable A/c		1,600
(A's acceptance endorsed in favour of C)		
Bank A/c	1,900	
Discount A/c	100	
To Bills Receivable A/c		2,000
(Second Bill for ₹ 2,000 discounted with the bank @ 5%)		
B A/c	2,030	
To Bank A/c		2,030
(Second Bill for ₹2,000 discounted with the Bank dishonoured,		
noting charges ₹30 paid by the Bank)		
Bank A/c	1,000	
To Bills Receivable A/c		1,000
(Amount received on maturity of the third bill)		

Note: It is assumed that the bill for ₹1,600 has not yet fallen due for payment



P.10.

In the books of Anil Journal Entries

Date	Particulars		Debit Amount	Credit Amount
2019			₹	₹
5-Apr	Bills receivable account To Sanjay's account (Being acceptance received from Sanjay for mutual	Dr.	9,000	9,000
0. 4	accommodation)	N	0.020	
8- <i>A</i> pr	Bank account Discount account	Dr.	8,820	
	To Bills receivable account	Dr.	180	0.000
	(Being bill discounted with bank)			9,000
8-Apr	Sanjay's account	Dr.	3,000	
О-Дрі	To Bank account	01.	3,000	2,940
				60
	To Discount account			
	(Being one-third proceeds of the bill sent to Sanjay)			
8-Jul	Sanjay's account	Dr.	12,600	
	To Bills payable account			12,600
8-Jul	(Being Acceptance given) Bank account	Dr.	2,220	
o-Jui			180	
	Discount account (270 × 2/3)	Dr.	160	2 400
	To Sanjay's account			2,400
	(Being proceeds of second bill received from Sanjay)			
Oct.11	Bills payable account	Dr.	12,600	
	To Sanjay's			12,600
	account			
0 . 45	(Being bill dishonoured due to insolvency)		0.400	
Oct.15	Sanjay's account (6,000+2,400)	Dr.	8,400	4.000
	To Bank account To Deficiency account			4,200
	, , , , , , , , , , , , , , , , , , ,			4,200
	(Being insolvent, only 50% amount paid to Sanjay)			



Journal Entries in the books of Mr. A

2020			(₹)	(₹)
May,12	B's A/c	Dr.	36,470	
	To Sales account			36,470
	(Being goods sold to B on credit)			
May,12	Bills receivable (No. 1) A/c	Dr.	16,470	
	Bills receivable (No. 2) A/c	Dr.	20,000	
	To B's A/c			36,470
	(Being drawing of bills receivable No. 1 due for maturity on 15.6.2020 and bills receivable No. 2 due for maturity on 14.8.2020)			
	OR			
	Bills receivable A/c	Dr.	36,470	
	To B's A/c			36,470
	(Being acceptances received from B, one for ₹ 16,470 at one month and other for ₹ 20,000 at 3 months)			
June,5	Bills for Collection A/c	Dr.	36,470	
	To Bills receivable (No.1)			16,470
	A/c To Bills receivable (No.2) A/c			20,000
	(Being both the bills sent to bank for collecti	ion)		
	Bills for Collection A/c	Dr.	36,470	.
	To Bills receivables A/c			36,470
	(Being B's acceptances sent for collection on due dates)			
June,15	Bank A/c	Dr.	16,470	
	To Bills for Collection A/c			16,470
	(Being amount received on retirement of Bills receivable No. 1)			



Aug 14	B's A/c	Dr.	20,020	
rag I i	To Bills for Collection a/c	01.		20,000
	To Noting Charges or Bank Charges			20
	(Being the amount due from Mr. B on			20
	dishonour			
	of his acceptance on presentation on the			
	due date)			
Aug 16	B's A/c	Dr.	480	
	To Interest a/c			480
	(Being interest due)			
Aug 16	Bank/Cash A/c	Dr.	8,020	
	To B's A/c			8,020
	(Being cash received)			
	Bills receivable (No. 3) A/c	Dr.	12,480	
	To B's A/c	0		12,480
	(Being Bills receivable (No. 3) drawn accepted by B)			
	OR			
	Alternatively combined entry may be			
	given for the above two entries:			
	Bank/Cash a/c	Dr.	8,020	
	Bills receivable a/c	Dr.	12,480	
	To B's A/c			20,500
	(Being cash and new acceptance at 3			
	months received from B)		40.400	
Aug 16	Bills for Collection A/c	Dr.	12,480	
	To Bills receivable (No.3) A/c			12,480
	(Being Bills receivable (No.3) sent to bank for collection)			
	OR			
	Bills for collection A/c	Dr.	12,480	
	To Bills receivable A/c	<i>5</i> 1.		12,480
	(Being new acceptance sent to bank for collection on due date)			



Oct, 1	Bank A/c	Dr.	12,240		
	Rebate A/c	Dr.	240		
	To Bills for Collection			12,480	
	(Being amount received on retirement of			12,100	
	Bills receivable (No.3))				

Alternately combined entry may be given for the first three entries of Aug,16:

Aug,16	Bank/ Cash A/c	Dr.	8,020	
	Bills Receivable (No. 3) A/c	Dr.	12,480	
	To B's A/c			20,020
	To interest A/c			480
	(Being the ₹ 8,020 paid in cash and new			
	bill (Bills receivable No. 3) accepted for 3			
	months)			



3

Rectification of Errors

P.1. Journal Entries

	Particulars		Dr. ₹	Cr. ₹
(1)	Furniture A/c	Dr.	500	500
	To Purchases A/c			300
	(Correction of wrong debit to Purchases A/c for furniture purchased)			
2)	Repairs A/c	Dr.	50	
	To Building A/c			50
(3)	(Correction of wrong debit to building A/c for repairs made) Drawings A/c. To Trade Expenses A/c	Dr.	100	100
	(Correction of wrong debit to Trade Expenses A/c for cash withdrawn by the proprietor for his personal use)			
(4)	Rent A/c	Dr.	100	
	To Landlord's Personal A/c			100
	(Correction of wrong debit to landlord's A/c for rent paid)			
(5)	Salaries A/c To Clerk's (Personal) A/c	Dr.	125	125
(6)	(Correction of wrong debit to Clerk's personal A/c for salaries paid) Shaw & Co. To Shah & Co.	Dr.	100	100
(7)	(Correction of wrong credit to Shaw & Co. Instead of Shah & Co.) Typewriter A/c To Office Expanses A/c	Dr.	700	700
	To Office Expenses A/c (Correction of wrong debit to Office Expenses A/c for purchase of typewriter)			

	Particulars		Dr. ₹	Cr. ₹
(1)	Purchases A/c	Dr.	150	•
	Sales A/c	Dr.	150	
	To Ram	•	100	300
	(Correction of wrong entry in the sales Book for a purchases of			
	goods from Ram)			
(2)	Ramesh	Dr.	240	
	To Purchases			120
	A/c To Sales			120
	A/c			120
	(Correction of wrong entry in the Purchases Book of a credit			
(3)	sale of goods to Ram)	Dr.	300	
	Returns Inwards A/c			300
	To Hari Saran			
	(Entry of goods returned by him and taken in inventory omitted			
(4)	from records)	Dr.	200	
	Mahesh Chand	O 1.	200	200
	To Bad Debts Recovered A/c			200
	(Correction of wrong credit to Personal A/c in respect of			
(5)	recovery of previously written off bad debts)	Dr.	100	
	Man Mohan	<i>O</i> 1.	100	100
	To Sales Return A/c			100
	(Correction of wrong debit to Sales Returns A/c for dishonour			
	of cheque received from Man Mohan)			

P.3. Journal Entries

	Particulars		Dr. ₹	Cr. ₹
(a)	Cash Account	Dr.	100	
	To D. Das			100
	(Being the amount received)			
(b)	Returns Inward Account			
	To Suspense Account	Dr.	100	
	(Being the mistake in totalling the Returns Inward Book corrected)			100
(c)	Furniture Account			
	To Purchases Account	Dr.	300	



	(Being the rectification of mistake by which purchase of			300
	furniture was entered in Purchases book and hence debited			
	to Purchases Account)			
(d)	Furniture Account			
	To Wages Account	Dr.	375	
	(Being the wages paid to workmen for making show-cases			375
	which should be capitalised and not to be charged to Wages			0,0
	Account)			
(e)	Suspense Account			
	To Creditors (personal) Account	Dr.	7	
	(Being the mistake in crediting the Trade payables Account			_
	less by ₹7, now corrected)			7
(f)	P.C. Joshi			
	To Allowances Account			
	(Being the cheque of P.C. Joshi dishonoured, previously	Dr.	200	
	debited to Allowances Account)			200
(g)	Drawings Account	Dr.	1,000	
	To Miscellaneous Expenses			1,000
	(Being the motor cycle purchased for Mr. Dutt debited to			,
	his Drawings Account instead of Miscellaneous Expenses			
	Account as previously done by mistake)			
(h)	Returns Inward Account	Dr.	100	
	To Debtors (Personal) Account			100
	(Correction of the omission to record return of goods by			100
	customers)			
(i)	Singh & Co.			
	To Suspense Account	Dr.	400	
	(Being the correction of mistake by which the account of			400
	Singh & Co. was credited by ₹ 200 instead of being debited)			

Suspense A/c

Dr. Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2020	To Difference in Trial	493	2020	By Returns Inwards A/c	100
Dec.31	Balance		Dec. 31		
w w	To Trade Payables A/c	7		By Singh & Co	400
		500			500



P.4. Journal Entries

	Particulars		L.F.	Dr. ₹	Cr. ₹
(1)	Sales Account	Dr.		10,000	
	Sales Returns Account	Dr.		10,000	
	To Suspense Account				20,000
	(The value of goods returned by Mr. Sharma				
	wrongly posted to Sales and omission of debit				
	to Sales Returns Account, now rectified)				
(2)	Suspense Account	Dr.		30,000	
	To Mr. Philip				30,000
	(Wrong debit to Mr. Philip for goods				
	returned by him, now rectified)				
(3)	Mr. Ghanshyam	Dr.		20,000	
	To Mr. Radheshyam				2,000
	To Suspense Account				18,000
	(Omission of debit to Mr. Ghanshyam and				
	wrong credit to Mr. Radhesham for sale of				
	₹20,000, now rectified)				
(4)	Bad Debts Account	Dr.		45,000	
	To Suspense Account				45,000
	(The amount of Bad Debts written off not				
	adjusted in General Ledger, now rectified)				
(5)	Discount Account	Dr.		25,000	
	To Suspense Account				25,000
	(The total of Discount allowed during				
	September, 2018 not posted from the Cash				
	Book; error now rectified)				

P.5. Journal Entries

	Particulars		L.F.	Dr.	Cr.
	i di ficuldi 3		٠	₹	₹
(1)	Sales Account	Dr.		5,000	
	Sales Returns Account	Dr.		5,000	
	To Suspense Account				10,000
	(The value of goods returned by Mr. Sharma				
	wrongly posted to Sales and omission of debit				
	to Sales Returns Account, now rectified)				
(2)	Suspense Account	Dr.		15,000	



	To Mr. Hari			15,000
	(Wrong debit to Mr. Hari for goods			
	returned by him, now rectified)			
(3)	Mr. Amit	Dr.	20,000	
	To Mr. Sumit			2,000
	To Suspense Account			18,000
	(Omission of debit to Mr. Amit and wrong credit			
	to Mr. Sumit for sale of ₹20,000, now rectified)			
(4)	Bad Debts Account	Dr.	15,000	
	To Suspense Account			15,000
	(The amount of Bad Debts written off not			
	adjusted in General Ledger, now rectified)			
(5)	Discount Account	Dr.	12,500	
	To Suspense Account			12,500
	(The total of Discount allowed during			
	September, 2020 not posted from the Cash			
	Book; error now rectified)			

P.6. Journal Entries

5. No.	Particulars		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 ₹ 2,6	570 i.e.		
	debiting M/s Sobhag Traders A/c less by 90, n	now		
	rectified)			
3	Drawing A/c Dr.		35,000	
	To Machinery A/c			35,000
	(Correction of wrong debit to machinery account t	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)			



Journal Entries

	Journal Entries				
	Particulars		L.F.	Dr. ₹	Cr. ₹
(1)	Sales Account	Dr.		100	
	Sales Returns Account	Dr.		100	
	To Suspense Account				200
	(The value of goods returned by Mr. Sharma				
	wrongly posted to Sales and omission of debit to				
	Sales Returns Account, now rectified)				
(2)	Suspense Account	Dr.		300	
	To Mr. Philip				300
	(Wrong debit to Mr. Philip for goods returned by				
	him, now rectified)				
(3)	Mr. Ghanshyam	Dr.		200	
	To Mr. Radheshyam				20
	To Suspense				180
	Account				
	(Omission of debit to Mr. Ghanshyam and wrong				
	credit to Mr. Radhesham for sale of ₹ 200, now				
	rectified)				
(4)	Bad Debts Account	Dr.		450	
	To Suspense Account				450
	(The amount of Bad Debts written off not				
	adjusted in General Ledger, now rectified)				
(5)	Discount Account	Dr.		250	
	To Suspense Account				
	(The total of Discount allowed during September,				250
	2020 not posted from the Cash Book; error now				
	rectified)				

P.8.

Journal Entries in the books of Mr. Roy

Date	Particulars		LF	Dr. ₹	Cr. ₹
(1)	Motor Vehicles Account	Dr.		2,700	
	To Profit and Loss Adjustment A/c				2,700
	(Purchase of scooter wrongly debited to conveyance account now rectified-capitalisation of ₹ 2,700, i.e.,				
	₹ 3,000 less 10% depreciation)				
(2)	Suspense Account	Dr.		10,000	



	To Profit & Loss Adjustment A/c (Purchase Account overcast in the previous year; error now rectified).			10,000
(3)	Profit & Loss Adjustment A/c To P's Account (Credit purchase from P ₹ 2,000, enteredas sales last	Dr.	4,000	4,000
	year; now rectified)			
(4)	B's Account To A's Account (Amount received from A wrongly posted to the	Dr.	1,000	1,000
(5)	account of B; now rectified) Suspense Account To C's Account (₹ 500 received from C wrongly debited to his	Dr.	1,000	1,000
	account; now rectified)			
(6)	Trade receivables To Suspense Account (₹ 500 due by Q not taken into trialbalance; now	Dr.	500	500
(7)	rectified) R's Account To Profit & Loss Adjustment A/c	Dr.	2,000	2,000
(8)	(Sales to R omitted last year; now adjusted) Suspense Account To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, ₹	Dr.	198	198
(9)	2,593, instead of ₹ 2,395, now adjusted) Profit & Loss Adjustment A/c To Roy's Capital Account (Balance of Profit & Loss Adjustment A/c	Dr.	10,898	10,898
	transferred to			
(10)	Capital Account) Roy's Capital Account To Suspense Account (Balance of Suspense Account transferred to the Capital Account)	Dr.	10,698	10,698

Profit and Loss Adjustment A/c (Prior Period Items)

	`		
Particulars	₹	Particulars	₹



То Р	4,000	By Motor Vehicles A/c	2,700
To Roy's Capital (transfer)	10,898	By Suspense A/c	10,000
		By R	2,000
		By Suspense Account	198
	14,898		14,898

Suspense A/c

Particulars	₹	Particulars	₹
To P&L Adjustment A/c	10,000	By Trade Receivables (Q)	500
То С	1,000	By Roy's Capital Account (Transfer)	10,698
To P & L Adjustment A/c	198		
	11,198		11,198

P.9. Journal Entries

	Particulars		Dr. ₹	Cr. ₹
(i)	P & L Adjustment A/c	Dr.	1,000	
	To Suspense A/c			1,000
	(Correction of error by which sales account was			
	overcast last year)			
(ii)	X	Dr.	5,000	
	То У			5,000
	(Correction of error by which sale of ₹ 5,000			
	to X was wrongly debited to Y's account)			
(iii)	Suspense A/c	Dr.	630	
	To P & L Adjustment A/c			630
	(Correct of error by which general expenses of ₹ 180			
	was wrongly posted as ₹ 810)			
(iv)	Bills Receivable A/c	Dr.	1,550	
	Bills Payable A/c	Dr.	1,550	
	To P			3,100
	(Correction of error by which bill receivable of ₹			
	1,550 was wrongly passed through BP book)			
(v)	P & L Adjustment A/c	Dr.	1,190	
	To Mrs. Neetu			1,190
	(Correction of error by which legal expenses paid to			
	Mrs. Neetu was wrongly debited to			
	her personal account)			
(vi)	Suspense A/c	Dr.	3,000	



	To Ram To Shyam			1,500 1,500
	(Removal of wrong debit to Shyam and giving credit			1,500
	to Ram from whom cash was			
	received)			
(vii)	Suspense A/c	Dr.	90	
	To P&L Adjustment A/c			90
	(Correction of error by which Purchase A/c was excess debited by ₹90/-, ie: ₹1,325 - ₹1,235)			

Suspense A/c

Dr. Cr.

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

P.10. Rectification entries in the books of M/s Applied Laboratories

	Particulars	L.F.	Dr. ₹	Cr. ₹
1.	Profit and Loss Adjustment Account Dr.		12,500	
	To Building Account			12,500
	(Repairs amounting ₹ 12,500 wrongly debited to			
	building account, now rectified)			
2.	Profit and Loss Adjustment Account Dr.		1,500	
	To Suspense Account			1,500
	(Addition of freight column in purchase journal was			
	under casted, now rectification entry made)			
3.	Suspense Account Dr.		2,100	
	To Rani & Co.			2,100
	(Goods returned by Rani & Co. had been posted			
	wrongly to the debit of her account, now rectified)			
4.	Profit and Loss Adjustment Account Dr.		30,000	
	To Furniture account			30,000
	(Being sale of furniture wrongly entered in sales			
	book, now rectified)			
5.	Raja & Co. Dr.		20,000	
	To Bills receivable account			20,000



(Bill receivable dishonoured debited to Bills receivable		
account instead of customer account, now rectified)		

P.11.

(i) This is one sided error. Trivedi & Co. account is credited instead of debit. Amount posted to the wrong side and therefore while rectifying the account, double the amount (₹ 800) will be taken.

Before Trial Balance	After Trial Balance	After Final Accounts
Debit Trivedi A/c with ₹800	Trivedi & Co. A/c Dr. 800	Trivedi & Co. A/c Dr. 800
	To Suspense A/c 800	To Suspense A/c 800

(ii) Purchase of ₹ 420 is wrongly recorded through sales day book as ₹ 240.

Correct Entry		Entry Made Wrongly	
Purchase A/c	Dr. 420	Mantri & Co. Dr. 240	
To Mantri & Co.	420	To Sales 240	

Rectification Entry

Before Trial Balance	After Trial Balance	After Final Accounts		
Sales A/c Dr. 240	Sales A/c Dr. 240	Profit & Loss Adj. A/c Dr.660		
Purchase A/c Dr. 420	Purchase A/c Dr. 420	To Mantri & Co. 660		
To Mantri & Co. 660	To Mantri & Co. 660			

P.12. Journal

	Particulars	L.F.	Dr. ₹	Cr. ₹
(1)	Building A/c	Dr.	20,000	
	To Wages A/c			20,000
	(Correction of wrong debit in the wages A/c of the construction of office building)			
(2)	Ramesh	Dr.	2,400	
	To Purchases A/c			1,200
	To Sales A/c			1,200
	(Correction of wrong entry in the Purchases Book of a credit sale of goods to Ramesh)			
(3)	Mahesh Chand	Dr.	2,000	
	To Bad Debts Recovered A/c			2,000



	(Correction of wrong credit to Personal A/c in respect of recovery of previously written off bad debts)			
(4)	Advertisement expenses or Sales Promotion or Free Samples A/c	Dr.	5,000	
	To Purchases A/c			5,000
	(Entry of the goods distributed as free samples omitted from records)			
(5)	Returns Inwards /Sales Return A/c	Dr.	1,500	
	To Green			1,500
	(Entry of goods returned by Green omitted from records)			

P.13. Journal

Date	Particulars		Dr. ₹	<i>C</i> r. ₹
(1)	Scooter Account	Dr.	27,000	27,000
	To Profit and Loss Adjustment A/c			27,000
	(Purchase of scooter wrongly debited to			
	conveyance account now rectified- capitalization of ₹27,000, i.e., ₹30,000 less 10% depreciation)			
(2)	Suspense Account	Dr.	1,00,000	
	To Profit & Loss Adjustment A/c			1,00,000
	(Purchase Account overcast in the previous year error now rectified).			
(3)	Profit & Loss Adjustment A/c	Dr.	40,000	
	To X's Account			40,000
	(Credit purchase from X₹20,000, entered as sales last year, now rectified)			
(4)	Bhaskar's Account	Dr.	10,000	
	To Anand's Account			10,000
	(Amount received from Mr. Anand wrongly posted to the account of Mr. Bhaskar; now rectified)			
(5)	Suspense Account	Dr.	10,000	
	To Chandu's Account			10,000
	(₹ 5,000 received from Chandu wrongly debited to his account; now rectified)			
(6)	Trade receivables (Ramesh) / Ramesh	Dr.	5,000	



	To Suspense Account			5,000
	(₹5,000 due by Mr. Ramesh not taken into trial balance now rectified)			
(7)	Ram's Account	Dr.	20,000	
	To Profit & Loss Adjustment A/c			20,000
	(Sales to Ram omitted last year; now adjusted)			
(8)	Suspense Account	Dr.	1,980	
	To Profit & Loss Adjustment A/c			1,980
	(Excess posting to purchase account last			
	year, ₹25,930, instead of ₹23,950, now adjusted)			
(9)	Profit & Loss Adjustment A/c	Dr.	1,08,980	
	To Ratan's Capital Account			1,08,980
	(Balance of Profit & Loss Adjustment A/c transferred to Capital Account)			
(10) Ratan's Capital Account	Dr.	1,06,980	
	To Suspense Account			1,06,980
	(Balance of Suspense Account transferred to Capital Account)			

P.14.

In the Books of Dime Ltd.

2021	Particulars	Dr. ₹	Cr. ₹
(i)	Suspense A/c Dr.	100	
	To Profit & Loss Adjustment A/c (Returns outward book was under cast now		100
	rectified).		
(ii)	Suspense A/c Dr.	1,500	
	To Profit & Loss Adjustment A/c		1,500
	(Discount received was not recorded, now rectified)		
(iii)	Office Furniture A/c Dr.	6000	
	To Profit & Loss Adjustment A/c		6000
	(Office furniture purchased wrongly debited		
	to		
	Purchase A/c. now rectified.)		
(iv)	Debtors A/c Dr.	90	
	To Suspense A/c		90
	(Debtors account was posted ₹ 670 in place of 760 now rectified.)		



(v)	Debtors A/c Dr.	10,000		
	To Profit & Loss Adjustment A/c		10,000	l
	(Sales of ₹10,000 omitted to be recorded,			
	now rectified)			





Bank Reconciliation Statement

P.1. Cash Book as on 31.3.2020

Date	Particulars	Amount	Date	Particulars	Amount
	To Balance b/d	32,50,000		By Bank charges	12,500
	To Dividend	1,25,000		By Insurance premium	15,900
				By Trade receivables(cheque dishonoured)	1,30,000
				By Cash A/c (wrongly recorded cash sales)	2,55,000
				By Balance c/d	29,61,600
		33,75,000			33,75,000

Bank Reconciliation Statement as on 31.3.2020

Particulars	Details	Amount
		₹
Bank balance as per the cash book		29,61,600
Add: Cheques issued but not yet presented for payment	35,62,000	
Wrong credit given by bank	1,50,000	37,12,000
		66,73,600
Less: Cheques deposited but not yet credited by bank		(44,75,000)
Balance as per the pass book		21,98,600

The bank balance of ₹ 29,61,600 will appear in the trial balance as on 31st March, 2020.

Note: Cash sales should have been recorded by passing the following entry: Cash A/cDr 2,55,000

To Sales A/c 2,55,000

But it has been wrongly debited to Bank A/c, so following rectification entry has been passed:

Cash A/c Dr. 2,55,000

To Bank A/c 2,55,000

P.2. Cash Book (Bank Column)

Date		Particulars	Amount	Date		Particulars	Amount
2018	То	Party A/c	18,000	2018	Ву	Balance b/d	8,062
Sept. 30	То	Customer A/c		Sept. 30	Ву	Bank charges	280
		(Direct deposit)	1,15,400		Ву	Customer A/c	
	То	B/R collected	59,000			(B/R dishonoured)	1,60,000
	То	Balance c/d	1,75,942		Ву	Bills payable	2,00,000
			3,68,342				3,68,342

Bank Reconciliation Statement as on 30th September, 2018

Particulars	Amount ₹
Overdraft as per Cash Book	1,75,942
Add: Cheque deposited but not collected up to 30th Sept., 2018	11,14,000
	12,89,942
Less: Cheques issued but not presented for payment up to 30th Sept., 2018	(13,46,000)
Credit by Bank erroneously on 6th Sept.	(30,000)
Balance as per bank statement	86,058

P.3. Bank Reconciliation Statement as on 31st March,2021

Particulars	Amount ₹
Balance as per Pass Book (Dr.)	3,500
Less: Cheques deposited but returned on 24th March,2021	(2,500)
Discounted bill from Mr. Balaji dishonoured	(5,000)
Wrong debit in passbook	(1,500)
Add: Bill discounted by bank (2,500+500)	3000
Balance as per Cash book (Dr.)	(2,500)

P.4. Adjusted Cash Book as on 31st December, 2020

Particulars	₹	Particulars	₹
To Balance b/d	1,98,000	By Bank charges	34,000
To Debtors	1,00,000	By Debtor (cheque dishonour)	5,000
		By Balance c/d	2,59,000
	2,98,000		2,98,000

Bank Reconciliation Statement as on 31st December, 2020



Particulars	₹	₹
Balance as per adjusted cash book		2,59,000
Add: Cheque issued but not presented	45,000	
Payment not effected by bank	4,000	49,000
		3,08,000
Less: Cheque deposited but not cleared	25,000	25,000
Balance as per Bank pass book		2,83,000

P.5. ...

Date	Particulars	Amount	Date	Particulars	Amount
2019		₹	2019		₹
Dec. 30 2020 Jan. 1	To Balance b/d To Dividend received To Balance b/d	4,610 3,80,000 3,84,610 2,97,410	Dec. 30	By Trade receivables- Cheque dishonoured By Bank interest and charges By Trade Subscription By Balance c/d	73,000 4,200 10,000 2,97,410 3,84,610

Bank Reconciliation Statement as at 30th December, 2019

Particulars	Amount ₹
Balance per cash book	2,97,410
Add: Cheques not yet presented	6,30,000
	9,27,410
Deduct: Lodgement not yet recorded by bank	(2,50,000)
	6,77,410
Deduct: Cheque wrongly charged	(27,000)
Balance as per the Passbook	6,50,410

P.6. Bank Reconciliation Statement on 31st March, 2017

Particulars	₹
Bank Balance as per Cash Book	27,570



CA ZUBAIR KHAN

Add:	(i)	Subsidy from government received directly by the bank not recorded in the Cash Book	10,250	
	(iii)	Debit balance of ₹2,156 brought forward as credit		
		balance on 20th March, 2017 in the Cash Book	4,312	
	(vi)	Cheque issued returned marked 'out of date'	1,725	16,287
				43,857
Less:	(ii)	Cash Book under cast on 15th March, 2017	350	
	(iv)	Discount allowed to a customer, however entry made at		
		gross amount in the Cash Book	100	
	(v)	Commission charged by bank on discounting of bill, not considered in Cash Book	200	
	(vii)	Insurance Premium paid directly by bank under standing		
		instructions	756	
	(viii)	Discounted B/R dishonoured; not entered in Cash Book	1,530	
	(ix)	Bank recorded short cash deposit	45	2,981
Balanc	e as p	er Bank Statement		40,876

P.7. Bank Reconciliation Statement as at 31.03.2018

Particulars	₹	₹
Balance as per Pass Book		10,000
Add: Cheque wrongly credited to another customer's A/c	500	
Error in carrying forward	3,000	
Cheque recorded twice	350	3,850
		13,850
Less: Excess credit for cash deposit	9	
Undercasting of withdrawal column	100	
Wrong credit	1,000	1,109
Balance as per Cash Book		12,741

P.8. Bank Reconciliation Statement as on 30th November, 2018

	Particulars			₹
Bank	Bank Overdraft as per Bank Statement			3,200
Add:	(i)	Debit side of the Cash Book was undercast	400	
	(ii)	Cheque issued but debited by the Bank to another customer's account by mistake	1,600	
	(vi)	Dividend directly collected by the Bank but not entered in the Cash Book	100	



	(vii)	Cheque issued but yet to be presented for payment	1,300	3,400
				6,600
Less	(iii)	Cheque issued for ₹172 posted in the Cash Book as		
:		₹ 127	45	
	(iv)	Cheque dishonoured but not recorded in the Cash	425	
		Book		
	(v)	Wrong debit by the Bank to Hari's A/c	150	
	(viii)	Cheque deposited but yet to be credited	1,200	
	(ix)	Interest debited by the Bank and yet to be entered		
		in the Cash Book	300	2,120
Bank	Bank overdraft as per the Cash Book (Cr.)			4,480

P.9. Bank Reconciliation Statement as on 31st March, 2021

Particulars				
Overdraft as per Pass Book	8,800			
Add: (i) Cheques issued but not presented till 31st March 5,800				
(ii) Transfer from fixed deposit 2,000				
(iii) Direct deposit by M/s Rajesh Trader 400	8,200			
	17,000			
Less: (i) Cheques deposited but not cleared (5,800 - 2,000) 3,800				
(ii) Dividend collected excess recorded in Cash Book (1,520-1,250) 2	270			
(iii) Interest on overdraft debited in Pass Book only 930				
(iv) Corporation tax paid appeared in Pass Book only 1200	6,200			
Overdraft as per Cash Book	10,800			

P.10. Bank Reconciliation Statement of Mr. Gadbadwala as on 31st Dec., 2019

Particulars Particulars		Details	Amount
Farticulars		₹	₹
Balance as per the Cash Book			8,36,400
Add : Mistake in bringing forward ₹15,260 debit balance as		30,520	
credit balance on 18th Dec., 2019			
Cheques issued but not presented :	₹		
Issued	11,514	2 (00	
	7,815	3,699	



Cashed		
Dividends directly collected by bank but not	25,000	
yet entered in the Cash Book	3,50,000	5,59,219
Cheque recorded twice in the Cash Book	1,50,000	
Deposit not recorded in the Bank column		
		13,95,619
Less: Wrong casting in the Cash Book on 15th Dec.	10,000	
Cheques issued but not entered in the Bank column	1,31,000	
Subscription paid by the bank directly not yet recorded		(1.42.000)
in the Cash Book	1,000	(1,42,000)
Balance as per the Pass Book		12,53,619

If the books are to be closed on 31st December, then adjusted cash book will be prepared as given below: ADJUSTED CASH BOOK

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/d	8,36,400	By wrong casting	10,000
To error for wrong posting	30,520	By cheques not entered	1,31,000
To dividends collected by bank	25,000	By subscription	1,000
To cheques recorded twice	3,50,000	By balance c/d	12,49,920
To deposit not recorded	1,50,000		
	13,91,920		13,91,920

Bank Reconciliation Statement

Particulars	₹
Balance as per the Cash Book (corrected)	12,49,920
Add: Cheques issued but not yet presented	3,699
Balance as per the Pass Book	12,53,619

P.11.

- 1. On scrutiny of the debit side of the Cash Book of March 2019 and receipt side of the Pass Book of April, 2019 reveals that two cheques deposited in Bank (Goyal ₹ 33,000 and Patel ₹ 65,000) in March were not credited by the Bank till 31/3/2019.
- 2. On scrutiny of the credit side of the cash book and payment side of the Pass Book reveals that a cheque issued to Ramesh for ₹1,50,000 in March 2019, had not been presented for payment in Bank till 31/3/2019. Therefore the Bank Reconciliation statement on 31/3/2019 will appear as follows:

Bank Reconciliation Statement as on 31/3/2019



Particulars	Amount ₹
Balance as per the Cash Book	3,13,000
Add : Cheque issued but not presented for payment	1,50,000
	4,63,000
Less : Cheque deposited but not credited by Bank	(98,000)
Balance as per the Pass Book	3,65,000



5

Depreciation

P.1. Machinery Account

		₹			₹
2018			2018		
July 1	To Bank A/c	14,00,000	Dec. 31	By Depreciation A/c	
July 1	To Bank A/c -			10% on ₹ 15,00,000 for	75,000
	Installation	1,00,000		6 months By	
	Expenses		Dec. 31	Balance c/d	14,25,000
		15,00,000			15,00,000
2019			2019		
Jan. 1	To Balance b/d	14,25,000	Dec. 31	By Depreciation A/c	
				10% on ₹ 15,00,000	1,50,000
			Dec. 31	By Balance c/d	12,75,000
		14,25,000			14,25,000

Depreciation Account

		₹			₹
2018	To Machinery A/c To		2018	By Profit & Loss A/c By	
Dec. 31	Machinery A/c	75,000	Dec. 31	Profit & Loss A/c	75,000
2019			2019		
Dec. 31		1,50,000	Dec. 31		1,50,000

P.2. Machinery Account

		₹			₹
2018			2018		
July 1	To Bank A/c	14,00,000	Dec. 31	By Depreciation A/c	75,000
July 1	To Bank A/c -	1,00,000		(₹ 15,00,000 × 10% × 6/12) for	
				6 months	
			Dec. 31	By Balance c/d	14,25,000
		15,00,000			15,00,000
2019			2019		
Jan. 1	To Balance b/d	14,25,000	Dec. 31	By Depreciation A/c	1,42,500
				(₹ 14,25,000 × 10%)	
			Dec. 31	By Balance c/d	12,82,500
		14,25,000			14,25,000

P.3. Motor Truck A/c

Date	Particulars	Amount	Date	Particulars	Amount
2016			2016		27,00,000
Jan-01	To balance b/d	2,92,50,000	Oct-01	By bank A/c	
Oct-01	To Profit & Loss A/c		Oct-01	By Depreciation on lost assets	
	(Profit on settlement of Truck)	4,50,000			6,75,000
Oct-01	To Bank A/c	50,00,000	Dec-31	By Depreciation A/c	83,50,000
			Dec-31	By balance c/d	2,29,75,000
		3,47,00,000			3,47,00,000
2017			2017		
Jan-01	To balance b/d	2,29,75,000	Dec-31	By Depreciation A/c	91,00,000
			Dec-31	By balance c/d	1,38,75,000
		2,29,75,000			2,29,75,000

Working Note:

1.	To find out loss on Profit on settlement of truck	₹
	Original cost as on 1.4.2014	45,00,000
	Less: Depreciation for 2014	6,75,000
		38,25,000
	Less: Depreciation for 2015	9,00,000
		29,25,000
	Less: Depreciation for 2016 (9 months)	6,75,000
		22,50,000
	Less: Amount received from Insurance company	27 00 000

P.4. Calculation of Gain/Loss on Bus damaged by Fire

Particulars	₹
Original cost as on 1.1.2019	8,00,000
Less: Depreciation for 2018-19 (3 months)	(40,000)
WDV as on 31st March,2019	7,60,000
Less: Depreciation for 2019-20	(1,52,000)
WDV as on 31st March,2020	6,08,000
Less: Depreciation for 2020-21 (3 months)	(30,400)
WDV as on 1st July,2020	5,77,600
Less: Amount received from Insurance company	(6,00,000)
Gain on Bus damaged by Fire	22,400



4,50,000

	Machine	Machine
	I damaged on 1st	II Purchased on 1st
	July,2020	July,2020
	(8,00,000)	(10,00,000)
	.₹	₹
Book value as on 1st April,2020	6,08,000	
Purchased on 1st July,2020		10,00,000
Depreciation @20% Machines	30,400 (for 3 months)	1,50,000 (for 9 months)

Total depreciation ₹ 1,80,400

P.5. Lease Account

Date	Particulars	Amount	Date	Particulars	Amount
2014-15			2014-15		
April. 1	To Bank A/c	2,00,000.00	Mar. 31	By Depreciation A/c	56,402.40
Mar. 31	To Interest A/c			By Balance c/d	1,53,597.60
	(5% on ₹ 2,00,000)	10,000.00			
		2,10,000.00			2,10,000.00
2015-16			2015-16		
April. 1	To Balance b/d	1,53,597.60	Mar.31	By Depreciation A/c	56,402.40
Mar. 31	To Interest A/c			By Balance c/d	1,04,875.08
	(5% on ₹ 1,53,597.60)	7,679.88			
		1,61,277.48			1,61,277.48
2016-17			2016-17		
		1,04,875.08			56,402.40
Mar. 31	To Interest A/c	5,243.75	Mar 31	By Balance c/d	53,716.43
		1,10,118.83			1,10,118.83
2017-18			2017-18		
April. 1	To Balance b/d	53,716.43	Mar. 31	By Depreciation A/c	56,402.25
Mar. 31	To Interest A/c	2,685.82			
		56,402.25			56,402.25

Profit and Loss Account

Date	Particulars	Amount	Date	Particulars	Amount
2014-15			2014-15		
Mar. 31	To Depreciation A/c	56,402.40	Mar. 31	By Interest A/c	10,000.00
2015-16			2015-16		
Mar. 31	To Depreciation A/c	56,402.40	Mar. 31	By Interest A/c	7.679.88



2016-17			2016-17		
Mar. 31	To Depreciation A/c	56,402.40	Mar. 31	By Interest A/c	5,243.75
2017-18			2017-18		
Mar. 31	To Depreciation A/c	56,402.25	Mar. 31	By Interest A/c	2,685.82

P.6.

Machinery Account

		₹			₹
2018			2018		₹
Jan. 1	To Bank A/c To	5,82,000	Dec. 31	By Depreciation A/c	70,000
Jan. 1	Bank A/c -				
	erection charges To	18,000		By Balance c/d	7,30,000
July 1	Bank A/c	2,00,000			
		8,00,000	1		
					8,00,000
	To Balance b/d To				
2019	Bank A/c		2019		
Jan. 1		7,30,000	July 1	By Depreciation on	
				sold machine	27,000
July 1		4,00,000		By Bank A/c	3,86,000
				By Profit and Loss A/c	1,27,000
			Dec. 31	By Depreciation A/c	39,000
				By Balance c/d	5,51,000
		11,30,000	:		
					11,30,000

Working Note:

Book Value of Machines

	Machine	Machine	Machine
	I	II	III
	₹	₹	₹
Cost	6,00,000	2,00,000	4,00,000
Depreciation for 2018	(60,000)	(10,000)	
Written down value	5,40,000	1,90,000	
Depreciation for 2019	(27,000)	(19,000)	(20,000)
Written down value	5,13,000	1,71,000	3,80,000
Sale Proceeds	(3,86,000)		
Loss on Sale	1,27,000		

P.7. In the books of Firm

Calculation of depreciation for 5th year

- (a) Depreciation per year charged for four years = $\frac{10,00,000}{10} = \frac{1,00,000}{10}$
- (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.

P.8.

In the books of Firm Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
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	39,850
				(₹ 30,600 + ₹ 9,250)	
		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	30,987
				(₹ 7,862 + ₹ 23,125)	
		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	40,000	10,000	25,000
(Machinery cost for 2015)			
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

P.9. In the books of M/s Roxy

Machinery A/c

Date	Account	(in ₹)	Date	Account	(in ₹)
01.01.2019	To Balance b/d	4,56,000	01.07.2019	By Bank A/c	2,50,000
				By P&L A/c - Loss on Sale	50,000
20.00.0040		40.000	24 42 2242	By Depreciation	37,500
30.09.2019	To Bank A/c	60,000	31.12.2019	By Balance c/d	1,78,500
01.01.2020	To Balance b/d	5,16,000	31.12.2020 31.12.2020	By Depreciation By Balance c/d	5,16,000
		1,78,500			1,51,725

Working Note: Calculation of Book Value of Machines under SLM

	Machine 1	Machine 2	Machine 3
	(in ₹)	(in ₹)	(in ₹)
Date of Purchase	01.01.2017	01.07.2017	30.09.2019
Original Cost	4,00,000	1,60,000	60,000
Depreciation for 2017 (SLM)	(40,000)	(8,000)	



WDV on 31.12.2017	3,60,000	1,52,000		
Depreciation for 2018 (SLM)	(40,000)	(16,000)		
WDV on 31.12.2018	3,20,000	1,36,000		
Depreciation for 2019 (SLM)	(20,000)	(16,000)	(1,500)	
WDV on 31.12.2019 (30th June for Machine1)	3,00,000	1,20,000	58,500	
Sale Proceeds	(2,50,000)			
Loss on Sale	50,000			
Depreciation for 2020 (WDV @ 15%)	-	(18,000)	(8,775)	
WDV on 31.12.2020	-	1,02,000	49,725	

P.10. Machinery Account

Machinery Account					
Date	Particulars	Amount	Date	Particulars	Amount
2017			2017		
Jan. 1	To Bank A/c	4,80,000	Dec. 31	By Depreciation A/c	60,000
Jan. 1	To Bank A/c –				
	erection charges	20,000		By Balance c/d	6,40,000
July 1	To Bank A/c	2,00,000			
		7,00,000			7,00,000
2018			2018		
Jan. 1	To Balance b/d	6,40,000	July 1	By Depreciation on	
				sold machine	22,500
July 1	To Bank A/c	5,00,000		By Bank A/c	2,90,000
				By Profit and Loss A/c	1,37,500
			Dec. 31	By Depreciation A/c	44,000
				By Balance c/d	6,46,000
		11,40,000			11,40,000

Working Notes:

Book Value of Machines

	Machine I ₹	Machine II ₹	Machine III ₹
Cost	5,00,000	2,00,000	5,00,000
Depreciation for 2017	50,000	10,000	
Written down value	4,50,000	1,90,000	
Depreciation for 2018	22,500	19,000	25,000
Written down value	4,27,500	1,71,000	4,75,000
Sale Proceeds	2,90,000		



Loss on Sale	1,37,500		l
			l

P.11. Calculation of depreciation for the year ended 31.3.21

	Machine	Machine	Machine	Depreciatio n on sold machine
	I (28,54,000 - 2,16,000)	II Purchased on 1st July	III Purchased on 1st Nov	IV
	₹	₹	₹	₹
Book value as on 1st April, 2020	26,38,000	4,80,000	5,60,000	2,16,000
Depreciation @15%	3,95,700 (for full year)	54,000 (for 9 months)	35,000 (for 5 months)	8,100 (for 3 months)

Total depreciation (I + II + III + IV)

₹ 4,92,800



Inventory Valuation

P.1. Inventories are to be valued at the lower of cost and Net Realisable Value (NRV). Inventories are usually written down to NRV on an item-by-item basis. The Value of Closing Stocks is determined as under:

Items	Historical Cost (in ₹ Lakhs)	Net Realisable Value (in ₹ Lakhs)	Valuation = Least of Cost or NRV
Р	38	42	38
Q	29	29	29
R	17	14	14
	Total		81

P.2. Oil Mill

Calculation of the value of Inventory as on 31-3-2021

		Receipts	ts Issues Balance			Issues			
Date	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
1-1-2021	Balance							Nil	
1-1-2021	10	300	3,000				10	300	3,000
15-1-2021				5	300	1,500	5	300	1,500
1-2-2021	20	400	8,000				25	380	9,500
15-2-2021				10	380	3,800	15	380	5,700
20-2-2021				10	380	3,800	5	380	1,900

Therefore, the value of Inventory as on 31-3-2021 = 5 units @ 380 = 1,900

P.3. Statement of Inventory in trade as on 31st March 2020

	₹	₹
Inventory as on 31st March, 2019	3,50,000	
Less: Book value of abnormal inventory		
(₹ 55,000 - ₹ 20,000)	35,000	3,15,000
Add: Purchases		12,00,000
Manufacturing Expenses		1,00,000
		16,15,000
Less: Cost of goods sold:		

Sales as per books	18,50,000	
Less: Sales of abnormal item	50,000	
	18,00,000	
Less: Gross Profit @ 20%	3,60,000	14,40,000
Inventory in trade as on 31st March, 2020		1,75,000
		i

P.4. Statement of valuation of Inventory on 31st March, 2020

 ₹
 ₹

 Value of Inventory as on 15th April, 2020
 5,00,000

 Add: Cost of goods sold during the period between 31st March, 2020 to
 15th April, 2020

 Sales (₹ 4,10,000 - ₹ 10,000)
 4,00,000

 Less: Gross Profit (20% of ₹ 4,00,000)
 80,000

 8,20,000

Less: Purchases during the period from 31st March, 2020 to 15th April, 2020 50,340 7,69,660

P.5. First-in-First out basis Sriram Mills Calculation of the value of Inventory as on 31-3-2020

		Receipts	3	Issues	3			Balance	
Date	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
1-1-2020	Balance							Nil	
1-1-2020	100	30	3,000				100	30	3,000
15-1-2020				50	30	1,500	50	30	1,500
1-2-2020	200	40	8,000				50	30	1,500
							200	40	8,000
15-2-2020				50	30	1,500			
				50	40	2,000	150	40	6,000
20-2-2020				100	40	4,000	50	40	2,000

Therefore, the value of Inventory as on 31-3-2020: 50 units @ ₹ 40 = ₹ 2,000

P.6. Statement of Valuation of Stock as on 31st March, 2020

Value of stock as on 1st April, 2019 7,00,000 Add: Purchases during the period from 1.4.2019 to 31.3.2020 34,60,000 Add: Manufacturing expenses during the above period 7,00,000 48,60,000 Less: Cost of sales during the period: 52,20,000 Sales Less: Gross profit 10,32,000 (41,88,000)Value of stock as on 31.3.2020 6,72,000



Calculation of gross profit:

Gross profit on normal sales $20/100 \times (52,20,000 -1,60,000)$ 10,12,000

Gross profit on the particular (abnormal) item 1,60,000 - (2,00,000 - 60,000) 20,000 10,32,000

P.7. Statement of Valuation of Stock on 31st March, 2018

		₹	₹
Value o	f stock as on 15th April, 2018		50,000
Add:	Cost of sales during the period from 31st March, 2018 to 15th April, 2018		
	Sales (₹ 41,000 - ₹ 1,000)	40,000	
	Less: Gross Profit (20% of ₹ 40,000)	8,000	32,000
	Cost of goods sent on approval basis (80% of ₹ 6,000)		
			4,800
			86,800
Less:	Purchases during the period from 31st March, 2018 to 15th April,		
	2018	5,034	
	Unsold stock out of goods received on consignment basis (30% of ₹		
	8,000)	2,400	7,434
			79,366

P.8. Statement showing the valuation of Inventory as on 31st March, 2020

Value of Inventory as on 10th April	16,75,000
Add: Cost of goods sold after 31st March till Inventory taking (₹ 68,750 - ₹ 17,190)	51,560
Less: Purchases for the next period (net)	(81,000)
Less: Cost of Sales Returns	(2,250)
Less: Loss on revaluation of slow moving inventories	(6,000)
Less: Reduction in value on account of default	(3,000)
Value of Inventory on 31st March	16,34,310

Note: Profit margin of 33.33 percent on cost means 25 percent on sales price

P.9. 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
Less: Purchases actually received during the intervening period:		1,45,000
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

P.10. Statement of Valuation of Stock on 30th June, 2020

Value (of stock as on 23rd June, 2020		48,00,000
Add:	Unsold stock out of the goods sent on consignment	2,40,000	
	Purchases during the period from 23rd June, 2020 to 30th June, 2020	2,40,000	
	Goods in transit on 30th June, 2020	1,60,000	
	Cost of goods sent on approval basis (80% of ₹1,60,000)	1,28,000	7,68,000
Less: C	ost of sales during the period from 23rd June, 2020 to 30th June, 2020		
S	Sales (₹ 13,60,000 - ₹ 1,60,000)	12,00,000	
	Less: Gross profit	96,000	(11,04,000)
Value o	of stock as on 30th June, 2020		44,64,000

Working Notes:

1. Calculation of normal sales:

Actual sales		13,60,000
Less: Abnormal sales	1,20,000	
Return of goods sent on approval	1,60,000	(2,80,000)
		10,80,000

2. Calculation of gross profit:

Gross profit or normal sales 20/100 x ₹ 10,80,000	2,16,000
Less: Loss on sale of particular (abnormal) goods (₹ 2,40,000-₹ 1,20,000)	1,20,000
Gross profit	96,000



CLASS QUESTION

C.10 Statement showing the valuation of stock as on 31st March, 2020

		₹
A	Value of Stock as on 10th April, 2020	5,02,500
В	Add: Cost of sales after 31st March, till stock	
	taking (₹ 20,625 – ₹ 5,156)	15,469
C	Less: Purchases for the next period (net)	(24,300)
D	Less: Cost of Sales Returns (900-675)	(675)
E	Less: Loss on revaluation of slow moving inventories	(1800)
F	Less: Reduction in value on account of default	(900)
G	Value of Stock on 31st March, 2020	4,90,294

Note: Profit margin of 33.33 percent on cost means 25 percent on sale price.



7 Final Account

P.1. Rectification Entries

	Particulars		Dr.	Cr.
(i)	Returns inward account	Dr.	2,575	
	Sales account	Dr.	1,725	
	To Purchases account			2,575
	To Returns outward account			1,725
	(Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified)			
(ii)	Drawings account	Dr.	3,500	
	To Purchases account			3,500
	(Being goods withdrawn for own consumption included in purchases, now rectified)			
(iii)	Plant and machinery account	Dr.	450	
	To Wages account			450
	(Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified)			
(iv)	Advertisement expenses account	Dr.	825	
	To Purchases account			825
	(Being free samples distributed for publicity out of			
	purchases, now rectified)			

Trading and Profit and Loss Account of Mr. XYZ For the year ended 31st March, 2019

Dr. Cr.

То	Opening stock		32,250	Ву	Sales		2,13,575	
То	Purchases	1,53,100			Less:	Sales return	2,575	2,11,000
	Less: Purchases return	1,725	1,51,375	Ву	Closing	stock		1,25,000
To To To	Carriage inward Wages Gross profit c/d	l	1,125 11,715 1,39,535		80,000 100/80	* 100/80 *		
			3,36,000					3,36,000
То	Salaries		22,550	Ву	Gross p	rofit b/d		1,39,535

To Rent	4,300	By Bad debts 450
·	4.475	recovered
To Advertisement expenses	4,175	
To Printing and	1,250	
stationery		
To Bad debts	1,100	
To Carriage outward	1,350	
To Provision for doubtful debts		
5% of ₹ 1,20,000 6,000		
Less: Existing provision 3,200	2,800	
To Provision for discount on		
debtors		
2.5% of ₹ 1,14,000 2,850		
Less: Existing provision 1,375	1,475	
To Depreciation:		
Plant and machinery 3,000		
Furniture and fittings 1,025	4,025	
To Office expenses	10,160	
To Interest on loan	3,000	
To Net profit		
(Transferred to capital		
account)	83,800	
	1,39,985	1,39,985

Balance Sheet of Mr. XYZ as on 31st March, 2019

		Amount			Amount
Liabilities	₹	₹	Assets	₹	₹
Capital account	65,000		Plant and machinery	20,000	
Add: Net profit	83,800		Less: Depreciation	3,000	17,000
	1,48,800		Furniture and fittings	10,250	
Less:	11,500	1,37,300	Less: Depreciation	1,025	9,225
Drawings					
Bank overdraft		80,000	Closing stock		1,25,000
Sundry creditors		47,500	Sundry debtors	1,20,000	
Payable salaries		2,450	Less: Provision for doubtful debts Provision for bad	6,000	
			debts	2,850	1,11,150
			Prepaid rent		300
			Cash in hand		1,450
			Cash at bank		3,125



İ	I	1
	2,67,250	2,67,250

P.2. Trading & Profit and Loss Account of Mr. Sandeep for the year ended 31st December, 2018

	Particular s	₹	₹		Particular s	₹	₹
То	Opening Stock		1,400	Ву	Sales	9,000	
То	Purchase	12,000			Less: Sales return	(1,000)	8,000
	Less: Purchase return	(2,000)	10,000	Ву	Closing stock		4,500
То	Gross Profit		1,100				
			12,500				12,500
То	Salary	2,500		Ву	Gross Profit		1,100
	Add: Outstanding	100	2,600	Ву	Commission	500	
	salary				Less: Advance	(100)	400
То	Tax & Insurance	500		Ву	Accrued interest		210
	Add: Outstanding	200		Ву	Net Loss		2,500
	Prepaid insurance	(50)	650				
То	Bad debt	500					
	Opening provision	(1,000)					
	Closing provision	1,000	500				
То	Interest on overdraft		300				
То	Depreciation on		160				
	furniture						
			4,210				4,210

Balance Sheet of Mr. Sandeep as on 31.3.2018

Particular s	₹	₹	Particular s	₹	₹
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



Trial Balance as on 31st March, 2019

Heads of Accounts	Dr.₹	Cr.₹
Provision for Doubtful Debts	-	250
Cash credit account (Bank overdraft)	-	1,654
Capital	-	4,591
Trade payables	-	1,637
Dues from customers	2,983	-
Discount Received	-	252
Discount allowed	733	-
Drawings	1,200	-
Office furniture	2,155	-
Carriage inward	829	-
Purchases	10,923	-
Returns Inward	330	-
Rent & Rates	314	-
Salaries	2,520	-
Inventory*	2,418	-
Provision for Depreciation on Furniture	-	364
Sales	-	16,882
Suspense Account (Balancing figure)	1,225	
Total	25,630	25,630

^{*} considered as opening inventory.

P.4. Trading and Profit and Loss Account for the year ending 31st March, 2020

Particulars	₹	Particulars	₹
To Opening Inventory	5,00,000	By Sales	17,00,000
To Purchases	12,50,000	By Closing Inventory	10,00,000
To Wages	3,00,000		
To Gross Profit	6,50,000		
	27,00,000		
			27,00,000
	50,000		
To Bad Debts		By Gross Profit	6,50,000
To Depreciation To	1,50,000		
Salaries	2,20,000		
To Net Profit transferred. to Capital A/c	2,30,000		
	6,50,000		6,50,000



	Balance Sh	neet as at 31st	March,2020		
Liabilities Trade	₹	₹	Assets	₹	₹
payables Capital:		9,00,000	Cash in Hand Trade	5,60,000	
Previous Balance			receivables Closing	3,50,000	
Add : Net Profit	25,00,000		Inventory	10,00,000	19,10,000
	2,30,000	27,30,000			
				1,50,000	
			Furniture & Fixtures	15,70,000	
			Plant & Machinery		17,20,000
		36,30,000			36,30,000

P.5. Trading and Profit and Loss Account of Shah for the Year ended on December 31, 2015

Particulars		Rs.	Particulars	Rs.
To Adjusted Purchases		6,99,200	By Sales	7,20,000
To Carriage on Purchases		400		
To Gross Profit c/d		20,400		
		7,20,000		7,20,000
To Salaries		4,500	By Gross Profit b/d	20,400
To Carriage on Sales		500	By Discount	500
To Rates & Insurance:				
	40			
Paid	0			
Less: Prepaid	175	225		
To Bad Debts written off		500		
To Provision for Doubtful Debts				
(5% of Rs. 7,500)		375		
To Depreciation:				
	54			
Buildings (2%)	0			
	60			
Furniture (10%)	0	1,140		
To Interest		1,800		
To Commission payable to manager				
(5% of Rs. 11,860*)		593		
To Net Profit		11,267		
		20,900		20,900

^{*}Rs. 20,900 less Rs. 9,040 (the total of all expenses so far), Manager is entitled to 5% of this figure.

⁽¹⁾ The trial balance gives "Adjusted Purchases". It means that the opening stock has already been transferred to the Purchases Account and thus been closed. Further, entry for closing stock has already been passed by debiting the Closing Stock Account and crediting Purchases Account. That is why closing stock appears inside the trial balance. It will now be shown in the Balance Sheet and not in the Trading Account since purchases already stand reduced.



(2) There is a Loan of Desai @ 9% taken in 2014 i.e. in last accounting year. As per mercantile system interest up to 31.12.14 must have been provided in the last years a/c itself. The trial balance makes no mention of any interest being paid to him. Hence, interest @ 9% must be provided for the whole of current year only.

Balance Sheet of Shah as at December 31, 2015

Liabilities		Amount	Assets		Amount
			Fixed Assets:		
Capital Account	50,000		Buildings	27,000	
			Less: Depreciation	540	26,460
Add : Net Profit	11,267		Furniture:	6,000	
Less: Drawings	1,500	59,767	Less: Depreciation	600	5,400
			Current Assets:		
Loan from Desai	20,000		Cash on hand		250
Add: Interest Due	1,800	21,800	Cash at Bank		1,500
			Sundry Debtors	7,500	
			Less: Provision for Doubtful debt	375	7,125
Sundry Creditors		20,000	Stock		61,250
Commission Payable		593	Prepaid Rates		175
		1,02,160			1,02,160

P.6. M/s Hari

Trading and Profit and Loss Account for the year ended on 31.3.2016

Particulars		Rs.	Particulars		Rs.
To Opening stock		50,000	By Sales	3,21,000	
To Purchases	1,50,000		(-) Return	10,000	3,11,000
(-) Return	5,100	1,45,000	By Goods used		6,000
To Wages		20,000	By Closing stock		60,000
To Gross profit c/d		1,62,000			
		3,77,000			3,77,000
To Salaries	30,000		By Gross Profit b/d		1,62,000
(+) Outstanding salary	3,000		By Interest		4,000
(-) Advance salary	2,000	31,000			
To Rent		15,000			
To Bad debts	7,000				
(+) Provisions	4,000	11,000			
To Printing and Stationery		8,000			
To Insurance	12,000				
(-) Prepaid	2,000	10,000			
To Office expenses	12,000				
(+) Outstanding	8,000	20,000			
To Depreciation		2,000			
To Net profit transferred to	Capital a/c	69,000			



Balance Sheet as on 31.3.2016

Liabilities		Rs.	Assets		Rs.
Capital	1,00,000		Furniture	20,000	
(+) Net profit	69,000		(-) Dep. Provision: Bal. B/f	2,000	
(-) Drawings	24,000		+ Current year de	p. 2,000	16,000
			4,000		
(-) Goods taken	6,000	1,39,000	Stock		60,000
Creditors		1,20,000	Debtors	2,00,000	
Salary payable		3,000	(-) Provision:	10,000	
Expense payable		8,000			1,90,000
			Advance salary		2,000
			Prepaid insurance		2,000
		2,70,000			2,70,000

P.7. M/S K. K. Katrak

Trading and Profit & loss Account for the year ended on 31.13.16

Particulars		Amount	Particulars		Amount
To Opening stock		20,000	By Sales	1,30,000	
To Purchase	80,000		(-) Return Inward	5,000	1,25,000
(-) Return outward	2,000	78,000	By Closing stock		21,000
To Gross profit		48,000			
		1,46,000			1,46,000
To Depreciation: Furniture	200		By Gross Profit		48000
Plants & Mach.	3,000	3,200	By Discount		600
To Sundry expenses		300			
To Travelling expenses		500			
To Trade expenses		200			
To Salary & wages	22,400				
+ Salary payable	800	23,200			
To Postage & Telegram		1,500			
To Rent, Rates & Taxes		3,600			
To Bad debts	400	0,000			
+ Addl Bad debts written of					
+ Provision for bad debts	1,000	1,800			
To Interest on loan from Mr. N	\ehta150				
+ Interest payable	150	300			
To Insurance	800	300			
(-) Prepared Insurance	100	700			
To Discount on debtor Provided		475			
To Net profit transferred to Po	&L app.	12,825			
		·			10 400
		48,600			48,600

Profit & loss Appropriation Account



Particulars	Amount	Particulars	Amount
To Interest on capital	3,600	By Net profit as per P&L account	12,825
To Balance profit transferred to capital	9,555	By Interest on drawings	330
a/c			
	13,155		13,155

Interest on capital, interest on drawing, salary/commission etc. to owners and transfer to reserves etc. is taken in P&L appropriation a/c.

Loan from Mr. Mehta has been taken 6 moth ago for which the interest accrued is Rs.300 out of which Rs.150 has already been paid and accounted balance Rs.150 is payable and is accounted now.

Balance sheet as on 31,13,16

Liabilities		Rs.	Assets		Rs.
Capital	60,000		Furniture & fixture	4,000	
(+) Interest on Capital	3,600		(-) Depreciation	200	3,800
(-) Drawing	12,000		Plant & Machinery	30,000	
(-) Interest on drawing	330		(-) Depreciation	3,000	27,000
(+) Profit transfer from P&	L a/c 9,555	60,825	Debtors	20,400	
			(-) Bad debt written off	400	
Loan		10,000		20,000	
Interest payable		150	(-) Provision for bad debt 5	% 1,000	
Creditors		12,000		19,000	
Outstanding salary		800	(-) Provision for discount 2.	5% 475	18,525
			Closing stock		21,000
			Prepaid Insurance		100
			Cash	3,050	
			+ Bank	10,300	13,350
		83,775			83,775

P.8. ,Redrafted Trial Balance of Mr. Bansal as on 31st March,2021

Particulars	Dr.	Cr.
Capital	-	16,000
Opening stock	17,500	-
Drawings	3,305	-
Returns inward	550	-
Carriage inward	1,240	-
Deposit with X	1,400	-
Returns outward	-	840
Carriage outward	725	-
Rent paid	800	-



Rent outstanding	-	150
Purchases	13,000	-
Sundry debtors	5,000	-
Sundry creditors	-	2,200
Furniture	1,500	-
Sales	-	29,000
Wages	850	-
Cash	1,370	-
Advertisement	950	
	48,190	48,190

Trading and Profit and Loss Account of Mr. Bansal for the year ended 31st March,2021

Particulars	₹	₹	Particulars	₹	₹
To Opening stock		17,500	By Sales	29,000	
To Purchases 13,000			Less: Returns inward	(550)	28,450
Less: Returns outward	(840)	12,160	By Stock destroyed by fire		2,000
To Wages		850	By Closing stock		18,790
To Carriage inward		1,240			
To Gross profit		17,490			
		49,240			49,240
To Carriage outward		725	By Gross profit		17,490
To Rent		800			
To Advertisement		950			
To Bad debts		600			
To Provision		220			
for doubtful					
debts (5% of					
₹ 4,400)		F00			
To Loss of stock by fire	(400) 6	500			
To Depreciation on furniture ₹1,500)	: (10% of	150			
To Net profit		13,545			
		17,490			
					17,490

Balance Sheet of Mr. Bansal as at 31st March, 2021

Liabilities	₹	Assets	₹
Capital 16,0	00		



Add: Net profit	13,545		Furniture	1,500	
	29,545		Less: Depreciation	150	1,350
Less: Drawings	3,305	26,240	Deposit with X		1,400
Sundry creditors		2,200	Closing Stock		18,790
Outstanding rent		150	Sundry debtors	5,000	
			Less: Bad debts	600	
				4,400	
			Less: Provision for Doubtful		4,180
			Debts		
			Insurance claim receivable		1,500
			Cash		1,370
		28,590			28,590

P.9.

A) Computation of Net Profit:

Commission Manager = Rate of Commission X Net Profit before charging such commission So, Commission to manager = 10/100 X Net Profit before charging such commission

₹ 2,00,000 = 10/100 X Net Profit before charging such commission

Net Profit before charging such commission = ₹ 20,00,000

Net Profit (A) = ₹ (20,00,000 - 2,00,000) = ₹18,00,000

B) Computation of Selling Expenses:

Total income appearing in P&L A/c = ₹ 60,00,000

Total expenses other than selling expenses = $\frac{3}{26,00,000} + \frac{13,00,000}{2,00,000}$

= ₹ 41,00,000

So, Selling Expenses + Remaining Expenses + Net Profit = Total Income

 \Rightarrow Selling Expenses = ₹ 60,00,000 -₹ 41,00,000 - ₹ 18,00,000

=> Selling Expenses = ₹ 1,00,000

C) Computation of Sales:

We have been given selling expenses amount to 1% of Sales

So, Sales = Selling Expenses/1 \times 100

 $= 1,00,000/1 \times 100 = 1,00,00,000$

D) Computation of Gross Profit

Trading A/c

Particulars	Rs.	Particulars	Rs.



To COGS	45,00,000	By Sales (from C above)	1,00,00,000
To Gross Profit (Balancing Figure)	55,00,000		
	1,00,00,000		1,00,00,000

So, Gross Profit (D) = 55,00,000

E) Miscellaneous Income = Total Income in P&L - Gross Profit

= ₹ (60,00,000 - 55,00,000)

= ₹ 5,00,000

F = 700,00,000 (As computed in D above)

G = 760,00,000 (Total of both sides of P&L is equal after balancing has been done)

P.10. Manufacturing A/c

Particulars	₹	Particulars	₹
To Raw Material Consumed	9,15,000	By Trading A/c (W.N. 4)	18,32,000
(Balancing Figure)			
To Wages (W.N. 2)	3,15,000		
To Depreciation (W.N. 1)	3,95,000		
To Direct Expenses (W.N. 3)	2,07,000		
	18,32,000		18,32,000

Raw Material A/c

Particulars	₹	Particular <i>s</i>	₹
To Opening Stock A/c To Creditors A/c (W.N. 5)	1,27,000 14,40,000	By Raw Material Consumed (from Manufacturing A/c above) By Closing Stock A/c (Balancing Figure)	9,15,000 6,52,000
	15,67,000		15,67,000

Working Notes:

(1) Since purchase of Machinery worth ₹ 12,00,000 has been omitted. So, depreciation omitted from being charged = 12,00,000 X 15%

= ₹ 1,80,000

Correct total depreciation expense = ₹ (2,15,000 + 1,80,000)



= 3,95,000

- (2) Wages worth ₹ 50,000 will be excluded from manufacturing account as they pertain to office and hence will be charged P&L A/c. So the revised wages amounting ₹ 3,15,000 will be shown in manufacturing account
- (3) Expenses to be excluded from direct expenses:

Office Electricity Charges (80,000 X 25%) 20,000 Delivery Charges to Customers 22,000 Total expenses not part of Direct Expenses 42,000

=> Revised Direct Expenses = ₹ (2,49,000 - 42,000)

= ₹ 2,07,000

Fuel charges are related to factory expenses and also freight inwards are incurred for bringing goods to factory/ godown so they are part of direct expenses.

(4) Revised Balance to be transferred to Trading A/c:

Particulars	₹
Current Balance transferred	17,44,000
Add: Depreciation charges not recorded earlier	1,80,000
Less: Wages related to Office	(50,000)
Less: Office Expenses	(42,000)
Revised balance to be transferred	18,32,000

(5) Creditors A/c

Particulars	₹	Particulars	₹
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d		By Raw Materials	
	6,60,000	A/c (Bal. figure)	14,40,000
	30,10,000		30,10,000

P.11. In the books of Mr. Black

Manufacturing Account for the year ended 31st March, 2021

Donticulana	₹	Panticulana	₹	l
Particulars	₹	Particulars	₹	l



12,93,000

Trading Account for the year ended 31st March, 2021

45,000

9,000

70,000 12,93,000

Particulars	₹	Particulars	₹
To Opening Stock of finished goods	1,55,000	By Sales	16,72,000
To Cost of goods transferred from Manufacturing A/c	11,90,000	By Closing Stock	1,81,000
To Gross Profit c/d	5,08,000		
	18,53,000		18,53,000

Profit and Loss Account for the year ended 31st March, 2021

Particulars		₹	Particulars	₹
To Salaries	1,00,000		By Gross Profit b/d	5,08,000
Add: Outstanding	9,000	1,09,000	By Commission	4,500
To Telephone & Postage		10,000		
To Repairs to Furniture		3,500		
To Depreciation of furniture		7,500		
To Rent (1/4)		15,000		
To Lighting (1/3)		4,500		
To General Expenses		15,000		



Raw material consumed:

To Opening Stock of Raw

Add: Purchases

Less: Closing Stock

To Opening Stock of WIP

Carriage

Outstanding

Materials

To Wages

Add:

Wages

To Rent (3/4)

To Lighting (2/3)

To Depreciation of Plant

Purchases
To Repairs to Plant

To Provision for doubtful Debts: Required (1% of ₹1,67,200)	16,720	
		220
vision	16,500	220
ofit		3,47,780
		5 12 500

CLASS QUESTION

C.15 M/s Raghuram & Associates

Trading Account for the year ended 31st March 2018

Particulars		Amount	Particulars		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	(18,000)	11,82,000	By Closing Stock		4,10,000
Returns					
To Freight		62,000			
To Gross Profit c/d		3,22,000			
		18,86,000			18,86,000

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

Particulars		Amount	Particulars	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	
To Provision for Doubtful Debts			received	12,000
(W.N.4)		4,000		12,000
To Bad Debt		12,200		
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

Balance Sheet of M/s Raghuram & Associates as at 31st March

Liabilities		Amount	Assets		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			Less: Depreciation	(20,000)	80,000
Insurance Premium	(42,000)	13,58,100			
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 $(6,000/15 \times 3)$ (1,200)

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 balance c/d (5% of 2,80,000)	14,000	By balance b/d By P&L A/c	10,000 4,000
	14,000		14,000



8

Financial Statements of Not-for-Profit Organizations

P.1.

Dr. Subscription a/c. Cr.

Particulars	₹	Particulars	₹
To Op. outstanding subscription a/c	3,500	By Op. advance subscription a/c	2,000
To I&E a/c (income bal. figure)	37,000	By I&E (irrecoverable amount)	500
To Closing advance subscription a/c	3,000	By Cash/Bank a/c for	
		2014-15 2,000	
		2015-16 30,000	
		2016-17 3,000	35,000
		By Closing o/s subscription a/c	6,000
	43,500		43,500

P.2.

Dr. Subscription a/c. Cr.

Particulars	₹	Particulars	₹
To Op. outstanding subscription a/c	5,000	By Op. advance subscription a/c	Nil
To I&E a/c (450 x 500)	2,25,000	By Cash/ Bank a/c	2,23,000
To Closing advance subscription a/c	7,500	By Closing outstanding subscription	
		a/c (balance figure)	14,500
	2,37,500		2,37,500

P.3.

Dr. Subscription Account Cr.

Particulars	₹	Particulars	₹
To balance b/d (Receivable)	Nil	By balance b/d	Nil
To Income and Expenditure A/c	5,00,000	- (Received in Advance)	
- Subscription Income for the year		By Cash/Bank	5,30,000
(500× Rs.1,000)		- Subscriptions Received during	
To balance c/d (Received in Advance)	70,000	the year (balancing figure)	
(70 × Rs.1,000)		By balance c/d (Receivable)	40,000

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	(40×Rs. 1,000)	
5,70,000		5,70,000

P.4.

Dr. Subscription a/c. year ended 31.03.2016

Cr.

Particulars	₹.	Particulars	₹.
To Opening outstanding(12000+15000)	27,000	By Opening advance subscription b/f	Nil
To I&E a/c (500 x 1,500) (Income)	7,50,000	By Cash/ Bank a/c (Received)	
For the year ended 31.03.2016		For year ended 31.3.15 12,000	
		For year ended 31.3.16 6,15,000	
		For year ended 31.3.17 18,000	6,45,000
To Closing advance subscription c/f	18,000	By Closing outstanding (bal. fig.)	
		For year ended 31.3.15 15,000	
		For year ended 31.3.16 1,35,000	1,50,000
	7,95,000		7,95,000

Income & Expenditure Account (An extract) of Sachin Cricket Club For the year ended $31^{\rm st}$ March, 2016

Particulars	₹.	Particulars	₹.
		By Subscription	7,50,000
		(500 members × Rs. 1,500 per member)	

Balance Sheet of Sachin Cricket Club as on 31st March 2015 (An extract)

Liabilities	Rs.	Assets	Rs.
		Subscription Receivable (15,000 + 12,000)	27,000

Balance Sheet of Sachin Cricket Club as on 31st March 2016 (An extract)

Liabilities	Rs.	Assets	Rs.	Rs.
Advance Subscription	18,000	Outstanding Subscription		
		of 2014-15	15,000	
		of 2015-16 (7,50,000 - 6,15,000)	1,35,000	1,50,000

P.5. In the books of Jaipur literary society

Dr Subscription A/c (for the year ended on 31st March 2020) Cr

Particulars	Amount	Particulars	Amount
	(₹.)		(₹.)
To outstanding subscriptions (2019)	20,000	By Advance subscriptions (2019) By	18,000
To Income from Subscriptions A/c	4,37,000		4,50,000
To Advance subscriptions (2021)	26,000	By Outstanding subscriptions (2020)	15,000
	4,83,000		4,83,000



P.6.

Balance sheet as at March 31st 2020 (extract)

Liabilities	Amt. (₹.)	Assets	Am† (₹.)
Match fund	30,000		
Add: Donation for match fund	55,000		
Add: Proceeds from sale of tickets	20,000		
Less: Match expenses (Note 1)	(1,05,000)		
	NIL		

Note: Since the expenses incurred are more than the Match fund available ₹. 105,000 we are limiting the expenses to ₹. 1,05,000. The remaining expenses of ₹. 5000 (1,10,000-1,05,000) will be debited to the Income and expenditure account.

P.7.

a) Computation of Income for the year 2019-20:

	₹.
Money received during the year related to 2019-20	7,50,000
Add: Money received in advance during previous years	2,25,000
Total income of the year 2019-20	9,75,000

b) Advance from Customers A/c

Date	Particulars	₹.	Date	Particulars	₹.
	To Sales A/c	2,25,000	1.4.2019	By Balance b/d	3,00,000
	(Advance related to current year				
	transferred to				
	sales)				
				By Bank A/c	1,80,000
31.3.20	To Balance c/d	2,55,000		(Balancing	
				Figure)	
		4,80,000			4,80,000

Cash Sales during the year7,50,000Add: Advance received during the year1,80,000Total money received during the year9,30,000



P.8. Subscription A/c (to compute Subscription Income for the year)

Particulars	₹.	Particulars	₹.
To Opening outstanding Balance b/d	5,000	By Opening advance Balance b/d	5,000
To Income & Expenditure A/c (bal. fig)		By Bank A/c [Subscription received]	29,000
[Subscriptions Income for the year]	28,000	By Closing outstanding Balance c/d	4,000
To Closing advance Balance c/d	5,000		
Total	38,000	Total	38,000

Income and Expenditure Account for year ended 31.03.2014 (Extract)

Expenditure	Rs.	Income	Rs.
		By Subscription Income	28,000

Balance Sheet as on 31.03.2014 (Extract)

Liabilities	Rs.	Assets	Rs.
Subscription received in advance	5,000	Subscription receivable	5,000

P.9. Income and Expenditure Account for the year ended 31st March, 2015

Expenditure	Rs.	Income	Rs.
To Salaries	2,52,000	By Subscription	4,92,800
To Rent	72,000	By Interest on 8% Government bonds	8,000
To Printing and Stationery	3,845	By Bank Interest	
To Conveyance	10,600		160
To Depreciation on Scooter	5,000		
To Surplus	1,57,515		
	5,00,960		5,00,960

Working Notes:

		Rs.
(i)	Salaries paid Less: Salary paid in advance for April, 2015	2,58,000 6,000
	Salaries for the year (21,000 X 12)	2,52,000
(ii)	Rent paid Add: Outstanding rent as on 31.3.2015	71,500 6,000 77,500
	Less : Outstanding rent as on 31.3.2014	5,500
	Rent for the year 2014-2015	72,000
(iii)	Printing and stationery: Purchase Add: Stock as on 31 .3.2014	3,870 340 4,210



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	Less: Stock as on 31.3.2015		365
	Printing & stationery consumed during the year 2014	-2015	3,845
(iv)	Depreciation on scooter = Rs. $50,000 \times \frac{20}{100} \times \frac{6}{12}$		5,000
(v)	Interest on Government bonds received Add: Interest due but not received as on 31.3.2015 (Interest income for the year 2014-2015	bal. fig.)	4,000 4,000 8,000
(vi)	Subscription received Add: Accrued subscription as on 31.3.2015		4,94,700 12,800
	Less: Accrued subscription as on 31.3.2014	14,000	
	Unearned subscription for April, 2015	700	(14,700)
	Income for the year 2014-2015		4,92,800

P.10.

Income & Expenditure A/c

Expenditure	Rs	Income	Rs
To Bad Debts A/c	2,000	By Membership Fees A/c	1,85,000
To Depreciation A/c	12,500	By Bank Interest A/c	22,700
To Expenses A/c	1,21,000	By Program	
To Surplus c/f	3,96,200	Income 5,25,000	
		(-) Expenses 2,75,000	2,50,000
		By Profit on sale	
		of Govt. security A/c	12,000
		By Interest on Investment A/c	62,000
	5,31,700		5,31,700

Balance Sheet As On 31.03.2016

Liabilities	Rs	Asset		Rs
Trust Fund	5,00,000	Fixed Asset		1,62,500
Income & Expenditure 1,05,000		Fixed Deposits		2,50,000
(+)Surplus 3,96,200	5,01,200	Interest Outstandin	9	54,000
Advance Membership Fees	16,000	Investments:		
Expense Outstanding	8,000	ICIC Bond	3,00,000	
		Govt. Securities	2,20,000	5,20,000
		Prepaid Expenses		7,000
		Cash	2,700	
		Bank	5,000	7,700
		Outstanding		
		Membership Fees	26,000	
		(-) Provision	2,000	24,000



10,25,200	10,25,200
-----------	-----------

Working Notes :-

By preparing this accounts we get missing information which may be a transaction (complete the double entry of same) or a balance of that account. Complete accounting for whatever information is available in the question. Then by balancing the account you will get missing information as a balancing information.

Membership Fees A/c [subscription]

Particulars	₹.	Particulars	₹.
To Opening Outstanding	15,000	By Opening Advance Balance	10,000
To Income & Expenditure A/c	1,85,000	By Cash/Bank A/c	1,80,000
To Closing Advance Balance	16,000	By Closing Outstanding Balance	26,000
	2,16,000		2,16,000

Expenses A/c

Particulars	₹.	Particulars	₹.
To Opening Prepaid Balance	5,000	By Opening Outstanding	10,000
To Cash A/c	1,25,000	By Income & Expenditure A/c	1,21,000
To Closing Outstanding	8,000	By Closing Prepaid Balance	7,000
	1,38,000		1,38,000

Fixed Deposits A/c

Particulars	₹.	Particulars	₹.
To Opening Balance	2,00,000	By cash A/c	75,000
To Cash A/c	1,25,000	By Balance (c/f)	2,50,000
	3,25,000		3,25,000

Government Securities A/c

Particulars	₹.	Particulars	₹.
To Opening Balance	3,00,000	By Cash A/c (maturity proceed)	1,00,000
To Interest on Investment a/c	8,000	By Balance c/f	2,20,000
To Profit on Govt. security	12,000		
	3,20,000		3,20,000

Fixed Asset A/c

Particulars	₹.	Particulars	₹.
To Opening Balance	95,000	By Depreciation A/c	12,500
To Cash A/c	80,000	By Closing Balance	1,62,500
	1,75,000		1,75,000



Interest On Investment A/c

Particulars	₹.	Particulars	₹.
To Income & Expenditure A/c	62,000	By Govt. Security A/c	8,000
		By Closing Outstanding	54,000
	62,000		62,000

P.11. Income and Expenditure Account of Pune Club for the year ended 31st March,2021

Dr. Cr.

Expenditure	₹	₹	Income	₹	₹
To Salary		2,000	By Donation	5,000	
To Repair expenses		500	Less: Capitalised (50%)	(2,500)	2,500
To Misc expenses	500		By Subscriptions (WN-2)		12,550
Less: Prepaid	(90)	410	By Entrance fees		1,000
To Insurance premium	200		By Interest on investment [8/100×6,000×5/12]		200
Add: Outstanding	40	240	By Interest received from bank		500
To Stationary		150	By Sale of old newspapers		150
To Drama expenses		500	By Sale of drama tickets		1,050
To Surplus-excess of		14,150			
income over					
expenditure					
		17,950			17,950

Balance Sheet of Pune Club as on 31st March,2021

Liabilities	₹	₹	Assets	₹
Capital fund (WN-1)			Snooker table	30,000
Opening balance	36,000		Furniture	6,000
Add: Surplus	14,150		Investments	6,000
Donations	2,500	52,650	Interest accrued	200
Outstanding insurance premium		40	Prepaid Misc. expenses	90
Subscription received in advance		350	Subscriptions receivable	900
			Cash in hand	2,650
			Cash at bank	7,200
		53,040		53,040

Working Note:

1. Balance Sheet of Pune Club as on



31st March, 2020

Liabilities	₹	Assets	₹
Capital fund (balancing figure)	36,000	Snooker table	30,000
Creditors for Snooker table	8,000	Cash in hand	4,000
		Cash at bank	10,000
	44,000		44,000

2. Subscriptions ₹

Subscription as per Receipt and Payment A/c 12,000 Add: Outstanding for year 2020-21 900

12,900

Less: Advance for year 2021-22 (350)

12,550

P.12.

Income & Expenditure A/c [P&L A/c]

Expenditure	Rs	Income	Rs
To Honorarium to Doctors a/c	2,00,000	By Donation A/c	2,90,000
To Salary A/c	5,50,000	By Interest A/c	1,40,000
To Sundry Expenses A/c	10,000	By Charity Show	
To Medicine A/c	5,80,000	Income 2,00,000	
To Depreciation on Equipment A/c	1,20,000	(-)Expenses 20,000	1,80,000
To Depreciation on Building A/c	40,000	By Subscription A/c	10,20,000
To Surplus A/c	1,30,000		
	16,30,000		16,30,000

Balance Sheet As On 31.03.2016

Liab	oility	Rs	Asset	Rs
Trust Fund	33,90,000		Investment	20,00,000
(+) Surplus	1,30,000	35,20,000	Subscription Outstanding	20,000
Advance Subscr	iption	10,000	Medicine Stock	3,00,000
Creditors for me	edicine	2,40,000	Building	7,60,000
			Equipment	6,00,000
			Cash/Bank	90,000
		37,70,000		37,70,000

Working Notes:-

Important Points:

By preparing this accounts we get missing information which may be a transaction (complete the double entry of same) or a balance of that account. Complete accounting for whatever information



is available in the question. Then by balancing the account you will get missing information as a balancing information.

Subscription A/c

₹.	Particulars	₹.
10,000	By Opening Advance	20,000
10,20,000	By Cash/Bank A/c (Received)	10,00,000
10,000	By Closing outstanding balance	20,000
10,40,000		10,40,000
	10,000	10,000 By Opening Advance 10,20,000 By Cash/Bank A/c (Received) 10,000 By Closing outstanding balance

Medicine A/c

Particulars	Rs	Particulars	Rs
To Opening Balance (Op. Stock)	2,00,000	By Income & Expenditure A/c	5,80,000
To Creditors A/c (Purchase)	6,80,000	(consumed)	
		By Closing Stock A/c	3,00,000
	8,80,000		8,80,000

Creditors For Medicine A/c

Particulars	Rs	Particulars	Rs
To Cash/Bank A/c (Payment)	6,00,000	By Opening Balance	1,60,000
To Closing balance c/f	2,40,000	By Purchase A/c (balancing fig.)	6,80,000
	8,40,000		8,40,000

Equipment A/c

Particulars	Rs	Particulars	Rs
To Opening Balance	4,20,000	By Depreciation A/c (bal. fig.)	1,20,000
To Cash/Bank A/c (Purchase)	3,00,000	By Closing Balance	6,00,000
	7,20,000		7,20,000

Building A/c

Particulars	Rs	Particulars	Rs
To Opening Balance	8,00,000	By Depreciation A/c (bal. fig.)	40,000
		By Closing Balance	7,60,000
	8,00,000		8,00,000

Balance Sheet As On 31.03.2015

Liability	Rs	Asset	Rs
Advance Subscription	20,000	Cash/Bank	1,40,000
Creditors For Medicine	1,60,000	Investment***	20,00,000
Trust Fund (Balancing figure)	33,90,000	Subscription Outstanding	10,000
		Stock Of Medicine	2,00,000



	Equipment	4,20,000
	Building	8,00,000
35,70,000		35,70,000

^{***} Investment is calculated from interest. Investment = 1,40,000/7X100 = 20,00,000.

P.13. Receipt & Payment A/c

Receipt	Rs	Payment	Rs
To Opening balance	30,000	By Salary a/c	18,000
To Sale of Provisions a/c	1,63,000	By General expenses a/c	5,000
To Subscription a/c	29,000	By Creditors a/c	1,38,000
		By Equipment a/c	16,000
		By Closing balance a/c	45,000
	2,22,000		2,22,000

Working Notes:

Creditors A/c

Particulars	Rs	Particulars	Rs
To Cash / Bank a/c	1,38,000	By Opening balance	8,000
To Closing balance	10,000	By Purchase a/c	1,40,000
	1,48,000		1,48,000

Equipment A/c

Particulars	Rs	Particulars	Rs
To Opening balance	10,000	By Depreciation a/c	1,000
To Cash/ bank a/c	16,000	By Closing balance	25,000
	26,000		26,000

Subscription A/c

Particulars	Rs	Particulars	Rs
To Opening outstanding a/c	5,000	By Cash / Bank a/c	29,000
To Income & Expenditure a/c	34,000	By Closing outstanding a/c	10,000
	39,000		39,000

P.14. Receipt & Payment A/c

Rec	eipt	Rs	Payment	Rs
To Opening balanc	e		By Honorarium to doctors a/c	12,000
Cash	340		By Salary a/c	27,500
Bank	9,000	9,340	By Printing & Stationary a/c	1,100
To Donation a/c		9,500	By Rent a/c	6,000
To Charity show a	/c	11,450	By Charity show a/c	780
To Interest a/c		11,000	By Land a/c	10,000
To Subscription a	/c	55,996	By Equipment a/c	5,550
			By Electricity a/c	452



	By Medicine a/c		31,910
	By Closing balanc	e	
	Cash	160	
	Bank (balancin	g figure) 1,834	1,994
97,286			97,286

Balance Sheet as on 31.3.16

Liab	oilities	Rs	Assets	Rs
Trust Fund	1,55,974		Subscription outstanding	160
Surplus	4,765	1,60,739	Stock of Medicine	9,750
Advance subscri	ption	100	Equipment	13,900
Electricity outst	tanding	115	Furniture	18,900
			Land	10,000
			Interest (receivable)	3,750
			Investment	1,02,500
			Cash	160
			Bank	1,834
		1,60,954		1,60,954

Working Note:

Balance Sheet as on 31.3.15

Liabilities	Rs	Assets	Rs
Advance subscription	64	Subscription outstanding	120
Electricity outstanding	92	Stock of Medicine	7,820
Trust Fund (Balancing figure)	1,55,974	Equipment	11,600
		Furniture	21,000
		Interest (receivable)	3,750
		Investment	1,02,500
		Cash	340
		Bank	9,000
	1,56,130		1,56,130

Medicine A/c

Particulars	Rs	Particulars	Rs
To Opening stock a/c	7,820	By Income & Expenditure	29,980
To Cash / Bank a/c	31,910	By Closing stock	9,750
	39,730		39,730

Electricity A/c

Particulars	Rs	Particulars	Rs
To Cash / Bank a/c	452	By Opening outstanding	92
To Closing outstanding a/c	115	By Income & Expenditure	475
	567		567

Furniture A/c



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To Opening balance	21,000	By Depreciation a/c	2,100
		By Closing balance	18,900
	21,000		21,000

Equipment A/c

Particulars	Rs	Particulars	Rs
To Opening balance	11,600	By Depreciation a/c	3,250
To Cash / Bank a/c	5,550	By Closing balance	13,900
	17,150		17,150

Interest A/c

Particulars	Rs	Particulars	Rs
To Opening outstanding	3,750	By Cash / Bank a/c	11,000
To Income & Expenditure	11,000	By Closing outstanding	3,750
	14,750		14,750

Subscription A/c

Particulars	Rs	Particulars	Rs
To Opening outstanding	120	By Opening advance	64
To Income & Expenditure	56,000	By Cash / Bank a/c	55,996
To Closing advance	100	By Closing outstanding	160
	56,220		56,220

P.15. In the books of Victoria Club

Receipts and Payments Account for the year ended on 31st March, 2016

Cr. Dr. Receipts Rs. **Payments** Rs. To Balance b/d (Balancing figure) 5,560 By Salaries and Wages (note 4) 18,80 To Subscription (note 3) 28,680 By Audit Fee 0 800 To Donation 4,000 By Sports Equipment's (note 2) 1,600 To Entrance fee 2,000 1,000 By Misc. Expenses To Receipt for Annual Sport 6,000 240 Add: Prepaid Insurance 2,240 4,000 By Chief Executive's Honorarium By Printing & Stationery 1,800 By Expenses on Annual Sports 3,000 6,000 By Annual Day Celebration Expenses By Interest on Bank Loan 600 By Balance c/d 6,400 45,240 45,240

Balance Sheet of Victoria Club

<i>F</i>	45	on	3131	<i>M</i> ar	cn,	2	U	0

Liabilities	Rs.	Assets	Rs.	
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Capital Fund:			Cash		6,400
'	47.470		Subscription Outstanding		3,000
Opening Balance (note 1)	46,160		Sports Equipment	10,400	
Add: Excess of Income			Add: Additions		
Over Expenditure	2,400	48,560		1,600	
Salaries Outstanding			Less: Depreciation	12,000	
Audit Fee Outstanding			•	•	10.000
Bank Loan			Sports Ground	1,200	•
Subscription received in a	dvance	8,000	Prepaid Insurance		40,000
		1,080			240
		60,440			60,440

Working Notes:

Balance Sheet of Victoria Club 1.

as on 31st March, 2015

Liabilities	Rs.	Assets	Rs.
Capital Fund (Balancing figure)	46,160	Cash	5,560
Bank Loan	8,000	Sports Ground	40,000
Subscription received in advance	1,800	Sport Equipment after	10,400
Salaries Outstanding	1,600	Depreciation	
Audit fee Outstanding	800	Subscription Outstanding	2,400
	58,360		58,360

2. Sports Equipment A/c

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Balance b/d	10,400	By Depreciation A/c	1,200
To Bank A/c (Balancing Figure)	1,600	By Balance c/d	10,800
	12 000		12 000

3.

Subscription A/c

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.

Particulars	Rs.	Particulars	Rs.
To Opening outstanding	2,400	By Opening advance subscription	1,800
subscription			
To I&E a/c (Income)	30,000	By Cash/Bank a/c (received: bal.	28,680
		fig.)	
To Closing advance subscription	1,080	By Closing outstanding subscription	3,000
	33,480		33,480

4.

Salary & Wages Account

		3	
To Cash/Bank a/c (Paid : Bal. fig.)	18,800	By Opening Outstanding B/f	1,600
		(Payable)	
To Closing outstanding C/f	1,800	By Income & Exp. A/c (Expense)	19,000
(payable)			



Total	20,600	Total	20,600

P.16.

Balance Sheet of Sports Club

As at 31st March 2013

Liabilities		Rs.	Assets		Rs.
Capital Fund:			Fixed Assets:		
Opening Balance (W.N.)	7,83,000		Club, Grounds & Pavilion		4,40,000
Add: Surplus	1,38,000	9,21,000	Furniture & Fixtures	40,000	
Current Liabilities:			Add: Additions	20,000	
Outstanding Salary (15,000-10	,000)	5,000		60,000	
Outstanding Audit Fees		5,000	Less : Depreciation	(5,000)	55,000
Creditors for Printing & Stat	ionery	1,000	Sports Equipment's	2,50,000	
{22,000-(26,000- 5,000)}			Less: Depreciation	(90,000)	1,60,000
Subscription received in advan	ce	4,000	Investments:		
			Investment (at cost)		2,00,000
			Accrued Interest		6,000
			[Rs. 12,000 - Rs. 6,000]		
			Current Assets:		
			Accrued rent (28,000 -	24,000)	4,000
			Subscription receivable		
			For 2011-12 (8,000 - 6	,000)	2,000
			For 2012-13		4,000
			{(1,56,000-(1,50,000+ 2,	000)}	
			Entrance Fees		5,000
			receivables (1,05,000-1	,00,000)	
			Prepaid Insurance		2,000
			(12,000-10,000)		F0 000
			Cash and bank		58,000
		9,36,000			9,36,000

Alternatively accounts can be prepared to ascertain the missing figures.

Working Note:

Calculation of Capital Fund as on 1^{st} April, 2012

Balance Sheet of Sports Club

As at 31st March 2012

Liabilities	Rs.	Assets	Rs.
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Capital Fund (balancing figure)	7,83,000	Fixed Assets :	
Current Liabilities:		Club, Grounds & Pavilion	4,40,000
Subscription received in advance	2,000	Furniture & Fixtures	40,000
Creditors for Printing and Stationary	5,000	Sports Equipment's	2,50,000
		Current Assets:	
		Entrance Fees receivables	10,000
		Subscription receivables	8,000
		Cash and Bank	42,000
	7,90,000		7,90,000

P.17.

Income & Expenditure A/c

Expenditure		Rs	Income	Rs
To Salary:-			By Fees:-	
Paid	28,000		Received 3,80,000	
(+)Closing Outstanding	1,000		(+)Closing Outstanding 10,000	
(-)Opening Outstanding	3,000	26,000	(-)Opening Outstanding 80,000	3,10,000
To Entertainment Expens	es	3,000	By Donation	20,000
To Tournament Expenses		12,000		
To Meeting Expenses		18,000		
To Travelling Expenses		6,000		
To Books & Periodicals	29,000			
(-) Books	19,000	10,000		
To Rent		10,000		
To Postage, telegram, & t	elephones			
To Printing & Stationary		15,000		
To Surplus		4,000		
		2,26,000		
		3,30,000		3,30,000

P.18.

Balance Sheet as on 31.03.2015

Liability		Rs.	Assets		Rs.
General Fund	10,000		Furniture	8,000	
+ Surplus	20,000		Less: Depreciation	800	7,200
+ Entrance Fees	2,000		Swimming Pool		40,000
+ Legacies	8,000	40,000	Equipment's		20,000
Capital Fund	60,000		Fixed Deposits		20,000
+ Grant	10,000	70,000	Investment:		
Building Fund	30,000		Against General Fund	36,000	
+ Income	2,000	32,000	Against Prize Fund	10,000	46,000
Prize Fund	10,000		Bank Balance		10,000
+ Income	1,000		Outstanding Subscription		10,000
- Expense	800	10,200	Cash		800



Printer Bill Outstanding	1,000		
Allowances Outstanding	800		
	1,54,000	1,54,000	

P.19.

Income & Expenditure A/c of Hospital

Expenditure	Rs.	Income	Rs.
To Medicines 120000 + 60000 + 4000	1,84,000	By Rent recovered	2,75,000
To Food stuff	90,000	By Fees received	3,00,000
To Chemicals	30,000	By Food Supplies-Recovery	1,40,000
To Salaries - Administrative Staff	30,000	By Ambulance (Net recovery)	800
Nurses & doctor	1,50,000	By Contribution from Red Cross	12,500
To Electricity	1,05,000	Society	
To Postage & Telephone	26,000	By Deficit	1,59,700
To Subscription	21,000		
To Consumption of bed sheet	90,000		
To Specialist charges	30,000		
To Depreciation	1,32,000		
	8,88,000		8,88,000

Income & Expenditure A/c of Dispensary

Expenditure	Rs.	Income	Rs.
To Opening Stock	55,000	By Sales	3,10,000
To Purchase	3,00,000	By Transfer to Hospital	60,000
To Assistant - Salary	15,000	By Closing Stock	40,000
To Electricity	2,000		
To Surplus Charges	38,000		
	4,10,000		4,10,000

Income & Expenditure A/c of Trust

Expenditure	Rs.	Income	Rs.
To Trust Office Expenses	21,000	By Interest on Fixed Deposit	55,000
To Deficit - Hospital	1,59,700	By Surplus - Dispensary	38,000
		By Deficit (Net) (bal. fig.)	87,700
	1,80,700		1,80,700

Balance sheet as on 31st March, 2016

Liability		Rs.	Assets		Rs.
Capital Fund			Surgical equipment	4,55,000	
Balance	9,00,000		Donation	40,000	
Donation	6,00,000		- Depreciation	99,000	3,96,000



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Donation in kind	40,000		Building	3,20,000	
- Deficit	87,700	14,52,300	- Depreciation	16,000	3,04,000
Creditors		41,000	Furniture	80,000	
Specialist Charges	Due	30,000	- Depreciation	8,000	72,000
			Ambulance	30,000	
			- Depreciation	9,000	21,000
			Fixed Deposit		5,00,000
			Stock:		
			Medicine (Hospital)	20,000	
			Medicine (Dispensary)	40,000	
			- Patient Medicine	4,000	56,000
			Food Stuff		4,000
			Chemicals		1,000
			Accrued Interest on Fixed Deposit		55,000
			Cash / Bank		41,300
			Debtors		60,500
			Due from Red Cross Society		12,500
		15,23,300	-		15,23,300

P.20. Income and Expenditure Account for the year ended 31st March, 2019

		Rs.		Rs.
To Medicines consumed			By Prescription fees	3,30,000
Purchases	1,22,500		By Visiting fees	1,25,000
Less: Closing Stock	47,500	75,000	By Fees from lectures	12,000
To Motor car expense (60,00	00 x 2/3)	40,000		
To Salaries (52,500 - 15,000))	37,500		
To Rent for clinic		30,000		
To General charges		24,500		
To Interest on loan		18,000		
To Excess of Income over ex	kpenditure	2,42,000		
		4,67,000		4,67,000

Capital Account For the year ended 31st March, 2019

	Rs.		Rs.
To Drawings:		By Cash/bank	1,00,000
Motor car expenses	20,000	By Cash/bank (pension)	1,50,000
Household expenses	90,000	By Net income from practice	2,42,000
Marriage expenses	1,07,500	(derived from income	
To Salary (domestic servants)	15,000	and expenditure a/c)	



To Household furniture	12,500	
To Balance c/d	2,47,000	
	4,92,000	4,92,000

Balance Sheet as on 31st March, 2019

Liabilities	Rs.	Assets	Rs.
Capital	2,47,000	Motor car	1,60,000
Load	1,50,000	Surgical equipment	1,25,000
		Stock of medicines	47,500
		Cash at bank	55,000
		Cash in hand	9,500
	3,97,000		3,97,000

P.21. Subscription for the year ended 31.3.2020

		Rs.
Subscription received during the year		3,75,000
Less: Subscription receivable on 1.4.2019	11,250	
Less: Subscription received in advance on 31.3.2020	5,250	(16,500)
		3,58,500
Add: Subscription receivable on 31.3.2020	16,500	
Add: Subscription received in advance on 1.4.2019	9,000	25,500
Amount of Subscription appearing in Income & Expenditure Account		3,84,000

Sports material consumed during the year end 31.3.2020

	Rs.
Payment for Sports material	2,25,000
Less: Amounts due for sports material on 1.4.2019	(67,500)
	1,57,500
Add: Amounts due for sports material on 31.3.2020	97,500
Purchase of sports material	2,55,000
Sports material consumed:	
Stock of sports material on 1.4.2019	75,000
Add: Purchase of sports material during the year	2,55,000
	3,30,000
Less: Stock of sports material on 31.3.2020	(1,12,500)
Amount of Sports Material appearing in Income & Expenditure	
Account	2,17,500

Balance Sheet of M/s TT Club For the year ended 31st March, 20 (An extract)



FINANCIAL STATEMENTS OF NOT-FOR-PROFIT-ORGANIZATIONS | 93

Liabilities	Rs.	Assets	Rs.
Unearned Subscription	5,250	Subscription receivable	16,500
Amount due for sports material	97,500	Stock of sports material	1,12,500

P.22. Income and Expenditure Account for the year ended 31st March, 2018

Expenditure	Rs.	Income	Rs.
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

Liabilities		Rs.	Assets	Rs.
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	Cash in hand	18,300
Loan		40,000		
Creditors		10,000		
Outstanding expenses	(2017)	2,000		
(14,000-12,000)				
Subscription received	in advance	1,000		
		2,10,100		2,10,100

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

P.23. AS College

Income and Expenditure Account for the year ending 31st March, 2020 $\,$

	Expenditure	₹	₹		Income	₹	₹
То	Salaries: Teaching		8,75,000	Ву	Tutions & other fee		8,92,000
	Research		1,25,000	Ву	Govt. Grants		5,01,000
То	Material & Supplies Consumed			Ву	Incomefrom Investments		1,75,000
	Teaching		52,000	Ву	Hostel room Rent		1,65,000
	Research		1,45,000	Ву	Mess Receipts		2,05,000



				Ву	Profit-stores sales	1,14,000
То	Sports & Games Expenses					
	Cash	52,000				
	Materials	24,000	76,000			
То	Students Welfare					
	Expenses					
	Cash	37,000				
	Materials	78,000	1,15,000			
То	Scholarships		85,000			
То	Depreciation:					
	Building		77,500			
	Plant & Equipment		85,000			
	Furniture		54,000			
	Motor Vehicle		48,000			
То	Excess of Income					
	over					
	Expenditure		3,14,500			
			20,52,000			20,52,000

AS College
Balance Sheet as on 31st March, 2020

Liabilities	₹	₹	Assets	₹	₹
Capital Fund	13,08,000		Fixed Assets: Land	15,50,000	1,50,000
Opening balance Add: Excess of Income	3,14,500	16,22,500	Building Cost Less: Dep.	(5,67,500)	9,82,500
over Expenditure					
Building Fund		19,10,000	Plant & Machinery Cost	8,50,000	
Current Liabilities: Outstanding		2,35,000	Less: Dep.	(5,90,000)	2,60,000
Expenses Security Deposit		1,55,000	Furniture & Fittings:		
			Cost Less: Dep.	5,40,000 (3,80,000)	1,60,000
			Motor Vehicles		
			Cost: Less: Dep.	2,40,000 (48,000)	1,92,000
			Library		3,20,000



FINANCIAL STATEMENTS OF NOT-FOR-PROFIT-ORGANIZATIONS | 95

		Investments		12,75,000
		Stock (stores)-		
		Material &		1,85,000
		Supplies		
		Tuition fees		82,000
		receivable		
		Cash in hand & at		
		Bank		3,16,000
	39,22,500			39,22,500
		39,22,500	Stock (stores)- Material & Supplies Tuition fees receivable Cash in hand & at Bank	Stock (stores)- Material & Supplies Tuition fees receivable Cash in hand & at Bank

Working Notes:

(1)	Material & Supplies-Closing Stock		₹	₹
	Opening Stock			3,10,000
	Purchases			8,20,000
				11,30,000
	Less: Cost of Goods Sold		6,46,000	
	Material Consumed		2,99,000	(9,45,000)
	Balance			1,85,000
(2)	Provisions for Depreciation			
		Building	Plant &	Furniture
			Equipment	& Fitting
		₹	₹	₹
	Opening Balance	4,90,000	5,05,000	3,26,000
	Addition	77,500	85,000	54,000
	Closing Balance	5,67,500	5,90,000	3,80,000



9

Accounting from Incomplete Records

P.1. Capital Account

Particulars	₹	Particulars	₹
To Drawings (Balancing Fig.)	80,000	By Opening Balance b/f	3,50,000
To Closing Balance c/f	4,00,000	By Bank/Cash (Additional Capital)	30,000
		By Profit	1,00,000
	4,80,000		4,80,000

P.2. Mr. X Statement of Affairs as on 31-03-2021 & 31-03-2022

Liabilities	31-03-2021	31-03-2022	Assets	31-03-2021	31-03-2022
Elabilities	₹	₹	7.33613	₹	₹
Capital	2,41,200	4,40,700	Building	1,00,000	97,500
			Furniture	50,000	45,000
Loans	1,00,000	80,000	Inventory	1,20,000	2,70,000
Sundry creditors	40,000	70,000	Sundry debtors	40,000	90,000
			Cash at bank	70,000	85,000
			Cash in hand	1,200	3,200
	3,81,200	5,90,700		3,81,200	5,90,700

Determination of Profit by applying the method of the capital comparison

	₹
Capital Balance as on 31-03-2022	4,40,700
Less: Fresh capital introduced	(40,000)
	4,00,700
Add: Drawings (₹ 2000 × 12)	24,000
	4,24,700
Less: Capital Balance as on 31-03-2021	(2,41,200)
Profit	1,83,500

ALTERNATIVELY

Capital account can be prepared as follows:

Particulars	₹	Particulars	₹
		By Balance b/d	2,41,200
To drawings	24,000	By additional capital	40,000
		By Net Profit (Bal Fig)	1,83,500
To Balance c/d	4,40,700		
	4,64,700		4,64,700

P.3.

Particulars	
Debtors as on 31.3.2008	₹ 1,40,000
Credit period allowed	2 months
i.e. Debtors as on 31.3.2008 is standing for Credit sales of	
February and March 2008	
Credit Sales per month	₹ 1,40,000/2 = ₹ 70,000
Credit Sales for the year 2007-08	₹ 70,000 x 12 = ₹ 8,40,000
Add: Cash sales 8,40,000 × $\frac{25}{75}$	₹ 2,80,000
Total sales of the company for the year ended 31.3.2008	₹ 11,20,000

P.4.

Particulars	₹
Closing balance of Sundry Debtors	6,30,000
Closing provision for doubtful debts to be maintained @ 10%	63,000
Less: Opening provision for doubtful debts	51,000
Additional provision to be maintained	12,000

Alternatively:

Provision for Doubtful Debt A/c.

Particulars	₹	Particulars	₹
		By Opening Balance b/f	51,000
To Closing Balance c/f	63,000	By P & L A/c. (Bal. Fig)	12,000
		(addition provision to be made)	
	63,000		63,000

Journal Entry

Bad debt A/c(Profit and Loss A/c) 12,000
To provision for doubtful debts a/c 12,000
(Being additional provision on doubtful debts maintained)



P.5. Calculation of Credit Sales, Total Sales and Gross Profit

Credit Sales for the year ended 31st March, 2021 = Debtors x 12 months

1.5 months

= ₹ 1,50,000 \times 12 months

1.5 months

= ₹ 12,00,000

Total sales for the year ended 2020 -21 = Credit sales \times 100%

80%

= ₹ 12,00,000 × 1<u>00%</u>

80%

= ₹ 15,00,000

Trading Account for the year ended 31st March, 2021

	₹		₹
To Opening stock	65,000	By Sales	15,00,000
To Direct expenses	35,000	By Closing Stock	55,000
To Purchases	9,50,000		
To Gross profit	5,05,000		
	15,55,000		15,55,000

Working Note:

Calculation of opening stock and closing stock

If closing stock is x then opening stock is x+10,000

Average stock ₹ 60,000

Average stock = Opening stock + Closing stock /2

Thus Opening stock is ₹ 65,000 and closing stock is ₹ 55,000

P.6.

Trading and Profit and Loss Account

Dr. For the year ended 31st March, 2016

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	7,530	By Sales:	
To Purchase a/c	30,000	Cash 3,700	
To Wages a/c	1,580	Credit 40,700	44,400
To Gross Profit c/d	10,590	By Closing Stock	5,300
	49,700		49,700
To Salaries a/c	4,900	By Gross Profit b/d	10,590
To Office Expense a/c	800	By Interest a/c	45
To Discount allowed a/c	200	By Discount Received a/c	100



To Depreciation a/c (235 + 175)	410
To Provision for D.D (4,500 *5%)	225
To Net Profit	4,200
	10,735

Balance Sheet as at 31st March, 2016

Liabilitie	S	₹	Assets		₹
Capital			Plant & Machinery		4,465
Opening Balance	20,000		Land & Building a/c		6,825
Less: Drawing	(4,500)		Investment		1,000
Add: Net Profit	<u>4,200</u>	19,700	Interest Receivable		45
Bills Payable		2,300	Debtors	4,500	
Creditors		3,800	Less: Provision for D.D	(<u>225)</u>	4,275
			Stock		5,300
			Bills receivable		3,400
			Cash		40
			Bank		450
		25,800			25,800

Working Notes:

1. Bills Receivable A/c

Particulars	₹	Particulars	₹
To Opening Balance b/f	2,500	By Cash A/c	10,000
To Debtors A/c	10,900	By Closing Balance (Balancing figure)	3,400
	13,400		13,400

2. Debtors A/c

Particulars	₹	Particulars	₹
To Opening Balance b/f	3,900	By Cash A/c	29,000
To Sales A/c	40,700	By Bills Receivable A/c	10,900
		By Discount A/c	200
		By Closing Balance (Balancing figure)	4,500
	44,600		44,600

3. Plant & Machinery A/c

Particulars	₹	Particulars	₹
To Opening Balance b/f	4.700	By Depreciation a/c. (4,700*5%)	235
		By Closing Balance (Balancing figure)	4,465
	4,700		4.700

4. Land & Building A/c



Particulars	₹	Particulars	₹
To Opening Balance b/f	7,000	By Depreciation a/c. (7,000*2.5%)	175
		By Closing Balance (Balancing figure)	6,825
	7,000		7,000

5. Bills Payable A/c

Particulars	₹	Particulars	₹
To Cash A/c	14,300	By Opening Balance b/f	1,600
To Closing Balance (Balancing figure)	2,300	By Creditors A/c	15,000
	16,600		16,600

6. Creditors A/c

Particulars	₹	Particulars	₹
To Cash A/c	14,700	By Balance b/f	3,600
To Discount A/c	100	By Purchases A/c	30,000
To Bills Payable A/c	15,000		
To Closing Balance (Balancing figure)	3,800		
	33,600		33,600

P.7.

Dr.

Trading and Profit and Loss Account

For the year ended 31st March, 2001

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	6,10,000	By Sales:	
To Purchase (bal. fig.)	84,10,000	<i>C</i> ash 73,80,000	
To Gross Profit c/d	9,30,000	Credit 19,20,000	93,00,000
(10% of 93,00,000)		By Closing Stock	6,50,000
	99,50,000		99,50,000
To Sundry Expenses	5,80,700	By Gross Profit b/d	9,30,000
To Discount allowed	36,000	By Discount received	28,000
To Depreciation (15% of ₹	15,000		
1,00,000)			
To Net Profit	3,26,300		
	9,58,000		9,58,000

Balance Sheet as at 31st March, 2001

Liabilitie	S	₹	₹ Assets		₹
Capital			Furniture & Fittings 1	,00,000	
Opening Balance	2,50,000		Less: Depreciation	<u>15,000</u>	85,000
Less: Drawing	2,40,000		Stock		6,50,000
Add: Net Profit	3,26,300	3,36,300	Trade debtors		1,52,000
Bills Payable		1,40,000	Bills receivable		75,000



CA ZUBAIR KHAN

Trade creditors	6,10,000	Unexpired Insurance	2,000
Outstanding expenses	5,000	Cash in hand & at bank	1,27,300
	10,91,300		10,91,300

Working Notes:

1. Bills Receivable A/c

Particulars	₹	Particulars	₹
To Balance b/d	60,000	By Cash	3,40,000
To Trade debtors (bal. fig.)	3,70,000	By Trade Creditors (Bill endorsed)	15,000
		By Balance c/d	75,000
	4,30,000		4,30,000

2. Trade Debtors A/c

Particulars	₹	Particulars	₹
To Balance b/d	1,48,000	By Cash/ Bank	15,10,000
To Credit sales (Balancing fig.)	19,20,000	By Discount allowed	36,000
		By Bills receivable	3,70,000
		By Balance c/d	1,52,000
	20,68,000		20,68,000

3. Bills Payable A/c

Particulars	₹	Particulars	₹
To Cash/ Bank	8,15,000	By Balance b/d	1,25,000
To Balance c/d	1,40,000	By Creditors (balancing figure)	8,30,000
	9,55,000		9,55,000

4. Trade Creditors A/c

Particulars	₹	Particulars	₹
To Cash/ Bank	75,07,000	By Balance b/d	5,80,000
To Discount received	28,000	By Purchases a/c	84,10,000
To Bills Receivable	15,000	(as calculated in trading a/c)	
To Bills Payable	8,30,000		
To Balance c/d (Balancing figure)	6,10,000		
	89,90,000		89,90,000

5. Sundry Expenses A/c

Particulars	₹	Particulars	₹
To Opening Prepaid Expenses	2,000	By Opening O/s Expenses	45,000
To Bank A/c	6,20,700	By Profit & Loss A/c (bal. fig.)	5,80,700
To Closing Outstanding Expenses	5,000	By Closing Prepaid Expenses	2,000



6,27,700	6,27,700
0,27,700	0,27,700

Assumption: It is assumed that the annual insurance premium of \mathbb{T} 6,000 paid is already included in the figure of sundry expenses paid.

P.8. Trading and Profit and Loss Account

Dr. For the year ended 31st March, 2007 Cr.

Particulars	₹	Particulars	₹
To Opening Stock	9,15,000	By Sales: Cash 1,10,70,000	
To Purchases (Balancing Figure)	1,27,02,750	Credit (WN 2) 29,77,500	1,40,47,500
To Gross Profit (10% on sale)	14,04,750	By Closing Stock	9,75,000
	1,50,22,500		1,50,22,500
To Sundry Expenses (WN 5)	8,71,050	By Gross Profit b/d	14,04,750
To Discount Allowed	54,000	By Discount Received	42,000
To Depreciation	22,500		
To Net Profit	4,99,200		
	14,46,750		14,46,750

Balance Sheet of Mr. Y as at 31st March, 2007

Liabilities	₹	Assets		₹
Capital 4,50,000		Fixed Assets	2,25,000	
Add: Net Profit 4,99,200		Less: Depreciation	22,500	2,02,500
Less: Drawings <u>3,60,000</u>	5,89,200	Stock		9,75,000
Bills Payable	2,10,000	Debtors		2,28,000
Creditors (WN 4)	10,02,750	Bills Receivable		2,10,000
Outstanding Expenses	7,500	Prepaid Insurance		3,000
		Cash on Hand/ Bank		1,90,950
	18,09,450			18,09,450

Working Notes:

1. Bills Receivable A/c

Particulars	₹	Particulars	₹
To Balance b/d	90,000	By Bank A/c (Balancing Fig.)	5,10,000
To Debtors A/c	6,52,500	By Creditors A/c (Bill endorsed)	22,500
		By Balance c/d	2,10,000
	7,42,500		7,42,500

2. Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d	2,22,000	By Cash/Bank	22,65,000
To Credit Sales (Balancing Figure)	29,77,500	By Discount Allowed	54,000



		By Bills Receivable By Balance c/d	6,52,500 2,28,000
	31,99,500		31,99,500

3. Bills Payable Account

Particulars	₹	Particulars	₹
To Bank A/c	12,22,500	By Balance b/d	1,87,500
To Balance c/d	2,10,000	By Creditors A/c (Balancing	12,45,000
	14,32,500	figure)	14,32,500

4. Creditors Account

Particulars	₹	Particulars	₹
To Cash/ Bank A/c	1,12,60,500	By Balance b/d	8,70,000
To Discount received A/c	42,000	By Purchases A/c	1,27,02,750
To Bills Receivable A/c	22,500		
(Endorsed)			
To Bills Payable a/c (WN 3)	12,45,000		
To Balance c/d (Balancing Figure)	10,02,750		
	1,35,72,750		1,35,72,750

5. Sundry Expenses Account

Particulars	₹	Particulars	₹
To Opening Prepaid Expenses	3,000	By Opening O/s Expenses	67,500
To Bank A/c	9,31,050	By Profit and Loss A/c (Bal. Fig.)	8,71,050
To O/s Expenses at the end	7,500	By Prepaid Expenses at the end	3,000
	9,41,550		9,41,550

Assumption: It is assumed that the annual insurance premium of \$ 9,000 paid is already included in the figure of sundry expenses paid.

P.9. Trading and Profit and Loss Account

Dr.	For the year ende	ed 31 st March, 1999	Cr.
Particulars	₹	Particulars	₹
To Opening Balance	70,000	By Sales A/c Cash 1,16,250	
To Purchase A/c	91,000	(+) Credit <u>35,000</u>	1,51,250
To Gross Profit A/c	30,250	By Closing Stock A/c	40,000
	1,91,250		1,91,250
To Loss by theft A/c	17,400	By Gross Profit	30,250
To Rent A/c	3,000		
To Salary to Clerk A/c	3,900		
To Expenses A/c	650		



CA ZUBAIR KHAN

To Net Profit	5,300		l
	30,250	30,250	l

Balance Sheet as on 31.03.99

Liabilities		₹	Assets	₹
Capital:	1,00,000		Furniture	10,000
(-) Drawings	1,300		Stock	40,000
(+) Net Profit	<u>5,300</u>	1,04,000	Debtors	30,000
Creditors		36,500	Bank	60,500
		1,40,500		1,40,500

Working Notes:

1. Creditors A/c

Particulars	₹	Particulars	₹
To Bank A/c	75,000	By Opening Balance A/c	20,500
To Closing Balance c/f	36,500	By Purchases A/c	91,000
	1,11,500		1,11,500

2. Debtors A/c

Particulars	₹	Particulars	₹
To Opening Balance A/c	25,000	By Bank A/c	30,000
To Sales A/c	35,000	By Closing Balance	30,000
	60,000		60,000

3. Rent A/c

Particulars	₹	Particulars	₹
To Bank A/c	4,000	By Opening Balance	1,000
		By Trading to Profit & Loss A/c	3,000
	4,000		4,000

4. Cash A/c

Particulars	₹	Particulars	₹
To Opening Balance	2,000	By Salary A/c (300×13)	3,900
To Sales A/c	1,16,250	By Sundry Expenses A/c (50x13)	650
		By Drawings A/c (100×13)	1,300
		By Bank A/c	95,000
		By Loss by theft A/c	17,400
	1,18,250		1,18,250

5. Bank A/c

Particulars	₹	Particulars	₹
-------------	---	-------------	---



To Opening Balance A/c	14,500	By Creditors A/c	75,000
To Debtors A/c	30,000	By Rent A/c	4,000
To Cash A/c	95,000	By Closing Balance	60,500
	1,39,500		1,39,500

6. Calculation of Sales

Cost of goods sold = (70,000 + 91,000 - 40,000) = 1,21,000

Sales value = $\frac{100x1,21,000}{80}$ = 1,51,250

Credit Sales 35,000

Cash Sales 1,16,250

P.10.

Trading and Profit and Loss Account

Dr. For the year ended 31st March, 2011 Cr.

01.	i ine year ena	ca or march, Lorr	O1 .
Particulars	₹	Particulars	₹
To Opening Stock	2,80,000	By Sales (WN 3)	
To Purchases (WN 1)	3,64,000	Credit 4,80,000	
To Gross Profit	1,16,000	Cash <u>1,20,000</u>	6,00,000
		By Closing Stock	1,00,000
	7,60,000		7,60,000
To Salary	24,000	By Gross Profit	1,16,000
To Rent	16,000		
To Office Expenses	14,400		
To Loss of Cash (WN 6)	23,600		
To Depreciation on furniture	4,000		
To Net Profit	34,000		
	1,16,000		1,16,000

Balance Sheet of Mr. A as at 31st March, 2011

Liabilities	₹	Assets		₹
A's Capital 4,04,000		Furniture	40,000	
Add: Net Profit 34,000		Less:Depreciation	(4,000)	36,000
Less: Drawings (6,000)	4,32,000	Stock		1,60,000
Creditors	1,46,000	Debtors		1,20,000
		Cash at Bank		2,62,000
	5,78,000			5,78,000

Working Notes:

1. Creditors Account

Particulars	₹	Particulars	₹



To Bank A/c	3,00,000	By Balance b/d	82,000
To Balance c/d	1,46,000	By Purchase (Bal. fig.)	3,64,000
	4,46,000		4,46,000

2. Calculation of total sales

Particulars	₹
Sales for the year 2009-10	5,00,000
Add: 20% increase	1,00,000
Total sales for the year 2010-11	6,00,000

3. Calculation of Credit sales

Particulars	₹
Total sales	6,00,000
Less: Cash sales (20% of total	(1,20,000)
sales)	4,80,000
Credit Sale	

4. Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d	1,00,000	By Bank A/c (Bal. fig.)	4,60,000
To Sales A/c	4,80,000	By Balance c/d	1,20,000
	5,80,000		5,80,000

5. Bank Account

Particulars	₹	Particulars	₹
To Balance b/d	38,000	By Creditors A/c	3,00,000
To Debtors A/c	4,60,000	By Rent A/c	16,000
To Cash A/c	80,000	By Balance c/d (Bal. fig.)	2,62,000
	5,78,000		5,78,000

6. Cash Account

Particulars	₹	Particulars	₹
To Balance c/d	28,000	By Salary A/c (₹ 2,000x12)	24,000
To Sales A/c	1,20,000	By Office Exp A/c (₹ 1,200x12)	14,400
		By Drawings of A (₹ 500 × 12)	6,000
		By Bank A/c	80,000
		By Loss of Cash A/c (Bal. fig.)	23,600
	1,48,000		1,48,000

P.11.

Trading and Profit and Loss Account
For the year ended 31st December 2007

Cr.



Dr.

Particulars	₹	Particulars	₹
To Opening Stock	50,000	By Sales (WN 8)	3,25,000
To Purchases (WN 7)	2,72,500	By Closing Stock	62,500
To Gross Profit c/d (WN 6)	65,000		
	3,87,500		3,87,500
To Expenses	49,250	By Gross Profit b/d	65,000
To Loss on Sale of Fixed Assets (WN	750		
5)			
To Depreciation on Fixed Assets (WN	1,000		
5)			
To Net Profit	14,000		
	65,000		65,000

Balance Sheet as on 31.12.2007

Liabilities		₹	Assets	₹
Capital			Fixed Assets	9,000
Opening Balance (WN 1)	1,69,000		Debtors	87,500
Add: Net Profit	14,000		Stock	62,500
Additional Capital	<u>5,000</u>		Bank	50,000
	1,88,000			
Less:Drawings	(25,000)	1,63,000		
Creditors		46,000		
		2,09,000		2,09,000

Working Notes:

1. Balance Sheet as at 1.1.2007

Liabilities	₹	Assets	₹
Capital (Balancing figure)	1,69,000	Fixed Assets	7,500
Creditors (WN 4)	53,500	Debtors (WN 3)	1,02,500
		Stock	50,000
		Bank (WN 2)	62,500
	2,22,500		2,22,500

2. Bank Account

Particulars	₹	Particulars	₹
To Balance b/d (Bal. fig.)	62,500	2,500 By Creditors A/c	
To Debtors A/c	3,40,000	By Expenses A/c	49,250
To Capital A/c	5,000	By Drawings A/c	25,000
To Fixed Assets A/c (sale)	1,750	By Fixed Assets A/c (Purchase)	5,00
		By Balance c/d	50,000



4,09,250	4,09,250

3. Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d (Bal. fig.)	1,02,500	By Bank A/c	3,40,000
To Sales A/c	3,25,000	By Balance c/d	87,500
	4,27,500		4,27,500

4. Creditors Account

Particulars	₹	Particulars	₹
To Bank A/c	2,80,000	By Balance b/d (Bal. fig.)	53,500
To Balance c/d	46,000	By Purchases A/c	2,72,500
	3,26,000		3,26,000

5. Fixed Assets Account

Particulars	₹	Particulars	₹
To Balance b/d	7,500	By Bank A/c (Sale)	1,750
To Bank A/c (Purchase)	5,000	By Profit & Loss A/c	750
		(Loss on sale: 2,500 - 1,750)	
		By Depreciation A/c (Bal. fig.)	1,000
		By Balance c/d	9,000
	12,500		12,500

- 6. Gross Profit is 25% of cost of goods sold = ₹ 2,60,000 x 25% = ₹ 65,000
- 7. Cost of Goods Sold = Opening Stock + Purchases Closing Stock ₹ 2,60,000 = ₹ 50,000 + Purchase ₹ 62,500
 - ∴ Purchase = ₹ 2,72,500
- 8. Sales = Cost of Goods Sold + Gross Profit = ₹ 2,60,000 + ₹ 65,000 = ₹ 3,25,000
- 9. In absence of the information all Purchases and Sales are assumed to be on credit.

P.12.

Trading and Profit and Loss Account

Dr. For the year ended 31^{st} December 2005 Cr.

Particular	S	₹	Particulo	ars	₹
To Opening Stock		1,60,800	By Sales:		
To Purchase:			Cash	92,000	
Cash	20,600		Credit	13,44,200	
Credit (W.N.3)	11,60,000				
			14,36,200		
	11,80,600		Less: Returns	29,000	14,07,200
Less: Returns	8,000	11,72,600	By Closing Stock		2,22,400
To Gross Profit c/d		2,96,200			



	16,29,600		16,29,600
To Discount Allowed	30,000	By Gross profit b/d	2,96,200
To Bad debts	8,400	By Discount received	14,000
To General Expenses (W.N.5)	1,86,000		
To Depreciation (W.N.4)	55,000		
To Net Profit	30,800		
	3,10,200		3,10,200

Balance Sheet as at 31st March, 2005

Liabilities		₹	Assets	₹
Capital (W.N.1)	5,35,400		Sundry Assets 2,32,20	0
Add: Additional Capital	1,70,000		Add: New Machinery 63,600	2
Net Profit	30,800		2,95,800)
	7,36,200		Less: Depreciation <u>55,00</u>	<u>0</u> 2,40,800
Less: Drawings	<u>8,600</u>	7,27,600	Stock in trade	2,22,400
Sundry Creditors		2,48,000	Sundry debtors (W.N.2)	3,57,400
Expenses outstanding		6,600	Cash in hand	24,000
			Cash in Bank	1,37,600
		9,82,200		9,82,200

Working Notes:

1. Balance Sheet as at 31st March, 2005

Liabilities	₹	Assets	₹
Sundry Creditors	3,15,400	Sundry Assets	2,32,200
Outstanding expenses	12,000	Stock	1,60,800
Ramji's Capital (Balancing figure)	5,35,400	Debtors	3,30,600
		Cash in hand	59,200
		Cash at Bank	80,000
	8,62,800		8,62,800

2. Sundry Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d	3,30,600	By Bank (Collection)	12,50,000
To Sales (14,36,200 - 92,000)	13,44,200	By Discount allowed	30,000
		By Sales Return	29,000
		By Bad debts	8,400
		By Balance c/d (Bal. fig.)	3,57,400
	16,74,800		16,74,800

3. Sundry Creditors Account

•			
Particulars	₹	Particulars	₹



To Bank Payments	12,05,400	By Balance b/d	3,15,400
To Discount received	14,000	By Purchase credit (Bal. fig)	11,60,000
To Purchase Returns	8,000		
To Balance c/d	2,48,000		
	14,75,400		14,75,400

4. Fixed Asset Account

Particulars	₹	Particulars	₹
To Opening Balance b/f	2,32,200	By Depreciation (Bal. fig.)	55,000
To Bank A/c (addition)	63,600	By Closing Balance b/d	2,40,800
	2,95,800		2,95,800

5. Expense Account

Particulars	₹	Particulars	₹
To Cash Payments	1,91,400	By Opening Outstanding	12,000
To Closing Outstanding Balance c/f	6,600	By P&L A/c (expenses) (Balancing figure)	1,86,000
	1,98,000		1,98,000

6. Cash and Bank Account

Particulars	Cash	Bank	Particulars	Cash	Bank
To Balance b/d	59,200	80,000	By Purchases	20,600	-
To Capital		1,70,000	By Expenses	1,91,400	
To Debtors		12,50,000	By Plant & Machinery		63,600
To Bank (withdrawal)	1,84,800		By Drawings		8,600
To Cash (deposit)		1,00,000	By Creditors		12,05,400
To Sales	92,000		By Cash		1,84,800
			By Bank	1,00,000	
			By Balance c/d	24,000	1,37,600
	3,36,000	16,00,000		3,36,000	16,00,000

P.13.

Trading and Profit and Loss Account

Dr. For the year ended 31st December 2006

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	11,400	By Sales:	
To Purchase (WN 2)	8,28,000	Cash (WN 3) 2,97,500	
To Gross Profit	3,78,100	Credit <u>9,00,000</u>	11,97,500
		By Closing Stock	20,000
	12,17,500		12,17,500
To Salary & Wages	78,000	By Gross Profit	3,78,100
To Rent Paid (WN 4)	30,600		



To Ele. & Tele. Paid	24,000		
Add: Outstanding	6,400	30,400	
To Professional charges	<u> </u>	34,000	
To Shop Expenses		18,000	
To Depreciation		2,700	
(₹ 54,000 × 10/100 × ½)		,	
To Net Profit		1,84,400	
		3,78,100	

Statement of Affairs of Mr. X as on 31-03-2005 & 31-03-2006

Liabilities	31-3-2005	31-3-2006	Assets	31-3- 2005	31-3-2006
Capital Account	78,800	1,01,300	Furniture 54,000		
(Balancing Figure)			Less: Depre <u>2,700</u>		51,300
Sundry Creditors	84,400	22,400	Stock	11,400	20,000
Outstanding Exp			Sundry Debtors	35,400	58,800
Rent	2,400	3,000	Bank	1,08,400	2,500
Electricity & Tele.	_	6,400	Cash	10,400	500
	1,65,600	1,33,100		1,65,600	1,31,100

Reconciliation of Profit

Particulars	₹
Capital on 31.03.2006	1,01,300
Add: Drawings	1,61,900
	2,63,200
Less: Opening Capital on 1.4.2005	(78,800)
Profit for the year (same as shown by Profit & Loss account)	1,84,400

Working Notes:

1. Total Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d	35,400	By Cash A/c (Balancing Figure)	8,76,600
To Credit Sales A/c	9,00,000	By Balance c/d	58,800
	9,35,400		9,35,400

2. Total Creditors Account

Particulars	₹	Particulars	₹
To Bank A/c	8,90,000	By Balance b/d	84,400
To Balance c/d	22,400	By Purchases A/c (Balancing figure)	8,28,000
	9,12,400		9,12,400



3. Cash Account

Particulars	Cash ₹	Bank ₹	Particulars	Cash ₹	Bank ₹
To Balance b/d	10,400	1,08,400	By Bank (Contra)	10,34,000	-
To Debtors (WN 1)	8,76,600		By Salary & Wages	78,000	-
			By Rent (WN 4)	30,000	-
To Cash Sales	2,97,500		By Electricity & Tel	24,000	-
(Balancing Figure)			By Shop Expenses	18,000	-
To Cash (contra)	-	10,34,000	By Pr. charges	-	34,000
			By Sundry Creditors	-	8,90,000
			By Furniture	-	54,000
			By Drawing	-	1,61,900
			By Balance c/d	500	2,500
	11,84,500	11,42,400		11,84,500	11,42,400

4. Rent Account

Particulars	₹	Particulars	₹
To Cash A/c (2,400×10 +	30,000	By Opening Outstanding	2,400
3,000×2)			
To Closing Outstanding	3,000	By P & L A/c (2,400×9 + 3,000×3)	30,600
	33,000		33,000

P.14.

Trading and Profit and Loss Account

Dr	For the year ended 31st March 2007	<i>C</i> r.

		, , , , , , , , , , , , , ,	u 01 ///u/ 0// 1		•
Particulars		₹	Р	articulars	₹
To Opening Stock (bal. fig.))	1,45,000	By Sales (Wi	N 1):	
To Purchases (WN 2)			Cash	50,000	
Cash 65,000			Credit	4,50,000	5,00,000
Credit <u>2,60,000</u>		3,25,000	By Closing St	rock	
To Gross Profit (WN 3)		1,00,000			
		5,70,000			5,70,000
To Loss on Sale of Equipme	nt	5,000	By Gross Pro	fit	1,00,000
(20,000 - 15,000)			By Discount I	Received	4,800
To Depreciation:					
Building	3,000				
Furniture					
2,500					
Equipment (WN 5)	24,600	30,100			
To Expenses paid	40,000				
Add: Outstanding	<u>3,000</u>	43,000			
To Discount Allowed		5,500			
To Net Profit transferred	to:				



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Balance Sheet as on 31-3-2007

Liabilities	3	₹	Assets	Assets	
A's Capital (WN 8)	2,80,250		Building	1,50,000	
Less: Drawings	<u>30,000</u>		Less: Depreciation	3,000	1,47,000
	2,50,250		Equipments	2,72,000	
Add: Net Profit	<u>10,600</u>	2,60,850	Less: Depreciation	<u> 24,600</u>	2,47,000
B's Capital (WN 8)	2,65,250		Furniture	25,000	
Add: Net Profit	<u>10,600</u>	2,75,850	Less: Depreciation	<u>2,500</u>	22,500
Sundry Creditors (WN	16)	70,200	Debtors		1,00,000
Bank Loan		35,000	Stock		70,000
Outstanding Expenses		3,000	Cash Balance (WN 9))	58,000
		6,44,900			6,44,900

Working Notes:

1. Calculation of Total Sales and Cost of Goods Sold:

Cash Sales = 10% of Total Sales

Credit Sales = 90% of Total Sales = ₹ 4,50,000

Total Sales = $\frac{4,50,000}{90}$ × 100 = ₹ 5,00,000

Cash Sales = 10% of ₹ 5,00,000 = ₹ 50,000

2. Calculation of Total Purchases and Credit Purchases:

Cash Purchases = ₹ 65,000

Credit Purchases = 80% of Total Purchases
Cash Purchases = 20% of Total Purchases

Total Purchases = $65,000/20 \times 100 = ₹ 3,25,000$ Credit Purchases = ₹ 3,25,000 = ₹ 65,000 = ₹ 2,60,000

3. Calculation of Gross Profit:

Goods are sold at Cost + 25% i.e. if cost is 100, then gross profit is 25 and hence sale will be 125. Hence Gross Profit = $₹5,00,000/125 \times 25 = ₹1,00,000$.

4. Equipment Account

Particulars	₹	Particulars	₹
To Balance b/d	2,40,000	By Cash A/c (Equipment sold 1.4.06)	15,000
To Cash A/c (Purchase 1.10.06)	52,000	By Profit and Loss A/c (Loss on sale)	5,000
(Bal. Fig.)		By Balance c/d	2,72,000



-		
	2,92,000	2,92,000

5. Depreciation of Equipment:

Particulars	₹
@ 10% p.a. on ₹ 2,20,000 (i.e. ₹ 2,40,000 - ₹ 20,000)	22,000
@ 10% p.a. on ₹ 52,000 for 6 months (i.e. during the year)	2,600
	24,600

6. Creditors Account

Particulars	₹	Particulars	₹
To Cash A/c	2,50,000	By Balance b/d	65,000
To Discount Received A/c	4,800	By Credit Purchases A/c	2,60,000
To Balance c/d (Bal. Fig.)	70,200		
	3,25,000		3,25,000

7. Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d (Bal. Fig.)	35,500	By Cash A/c	3,80,000
To Sales A/c (Credit)	4,50,000	By Discount Allowed A/c	5,500
		By Balance c/d	1,00,000
	4,85,500		4,85,500

8. Balance Sheet as on 31.3.2006

Liabilities	₹	Assets	₹
Combined Capital Accounts of	5,45,500	Building	1,50,000
A & B (Bal. Fig.)		Equipment's	2,40,000
Creditors	65,000	Furniture	25,000
Bank Loan	45,000	Debtors (WN 7)	35,500
		Stock	1,45,000
		Cash Balance	60,000
	6,55,500		6,55,500

Ascertainment of Opening Capital of A & B

Particulars	₹
Combined Capitals of A & B	5,45,500
Less: Difference in Capitals of A and B	15,000
	5,30,500

A's Capital as on 31.3.2006 = ₹5,30,500 / 2 = ₹2,65,250 + ₹15,000 = ₹2,80,250 B's Capital as on 31.3.2006 = ₹5,30,500 / 2 = ₹2,65,250



9. Cash Account

Particulars	₹	Particulars	₹
To Balance b/d	60,000	By Creditors A/c	2,50,000
To Debtors A/c	3,80,000	By Purchases A/c	65,000
To Equipment A/c (Sales)	15,000	By Expenses A/c	40,000
To Cash Sales A/c	50,000	By A's Drawings A/c	30,000
		By Bank Loan A/c (45,000 - 30,000)	10,000
		By Equipment A/c (WN 4)	52,000
		By Balance c/d (Bal. Fig.)	58,000
	5,05,000		5,05,000

P.15.

Trading and Profit and Loss Account

For the year ended $31^{s\dagger}$ March 2003 Dr.

Cr.

Particulars	₹	Particulars	₹
To Opening Stock A/c (Bal. Fig.)	80,000	By Sales A/c:	
To Purchases:		Cash 80,000	
Cash 48,000		Credit <u>3,20,000</u>	4,00,000
Credit <u>1,92,000</u>	2,40,000	By Closing Stock a/c	40,000
To Gross Profit A/c (4,00,000 x 30%)	1,20,000		
	4,40,000		4,40,000
To Loss on Sale of Furniture A/c	11,000	By Gross Profit A/c	1,20,000
To Depreciation A/c	59,800	By Misc. Income A/c	20,000
(1,000 + 36,000 + 6,800 + 16,000)			
To Bad debts A/c	8,000	By Net Loss A/c	25,840
To Expenses A/c	82,000		
To Provision for Bad Debt A/c	5,040		
	1,65,840		1,65,840

Balance Sheet as on 31.03.03

Liabilitie	es	₹	Asset:	s	₹
Capital:	7,16,000		Building	3,60,000	
Profit & Loss A/c:			(-) Depreciation	36,000	3,24,000
Opening Balance	40,000		Furniture	68,000	
(-) Loss	<u>25,840</u>	7,30,160	(-) Depreciation	<u>6,800</u>	61,200
Creditors		1,12,000	Motor Car	80,000	
Bills Payable		16,000	(-) Depreciation	<u>16,000</u>	64,000
Salary Outstanding		10,000	Stock		40,000
			Cash		1,04,000
			Bills Receivable		28,000
			Debtors	2,52,000	



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		(-) RDD	<u>5,040</u>	2,46,960
	8,68,160			8,68,160

Working Notes:

1. Opening Balance Sheet (As on 31.3.2002)

Liabilities	₹	Assets	₹
Bills Payable	28,000	Building	3,20,000
Creditors	1,20,000	Furniture	60,000
Salary o/s	8,000	Motor Car	80,000
Profit & Loss Balance	40,000	Stock	80,000
Capital (Bal. Fig.)	7,16,000	Cash/ Bank	1,80,000
		Sundry Debtors	1,60,000
		Bills Receivable	32,000
	9,12,000		9,12,000

2. Building A/c

Particulars	₹	Particulars	₹
To Opening Balance A/c	3,20,000	By Closing Balance A/c	3,60,000
To Cash A/c (Bal. Fig.)	40,000		
	3,60,000		3,60,000

3. Furniture A/c

Particulars	₹	Particulars	₹
To Opening Balance A/c	60,000	By Cash A/c	8,000
To Cash A/c (Bal. Fig.)	28,000	By Depreciation A/c	1,000
		By Loss on sale	11,000
		(transfer to Profit & Loss)	
		By Closing Balance	68,000
	88,000		88,000

4. Bills Payable A/c

Particulars	₹	Particulars	₹
To Cash (Honored) (Bal. Fig.)	28,000	By Opening Balance A/c	28,000
To Closing Balance	16,000	By Creditors A/c	16,000
	44,000		44,000

5. Cash A/c

Particulars	₹	Particulars	₹



To Opening Balance A/c	1,80,000	By Expenses A/c	80,000
To Misc. Income A/c	20,000	By Purchases A/c	48,000
To Debtors A/c	2,00,000	By Creditors A/c	1,84,000
To Sales A/c	80,000	By Furniture A/c	28,000
To Furniture A/c	8,000	By Building A/c	40,000
To Bills Receivable A/c	24,000	By Bills Payable A/c	28,000
		By Closing Balance	1,04,000
	5,12,000		5,12,000

6. Debtors A/c

Particulars	₹	Particulars	₹
To Opening Balance A/c	1,60,000	By Bank A/c	2,00,000
To Sales A/c	3,20,000	By Bills Receivable A/c	20,000
		By Bad Debts A/c	8,000
		By Closing Balance (Bal. Fig.)	2,52,000
	4,80,000		4,80,000

7. Bills Receivable A/c

Particulars	₹	Particulars	₹
To Opening Balance A/c	32,000	By Cash A/c (Bal. Fig.)	24,000
To Debtor A/c	20,000	By Closing Balance A/c	28,000
	52,000		52,000

8. Creditors A/c

Particulars	₹	Particulars	₹
To Cash A/c (Bal. Fig.)	1,84,000	By Opening Balance	1,20,000
To Bills Payable A/c	16,000	By Purchases A/c	1,92,000
To Closing Balance	1,12,000		
	3,12,000		3,12,000

9. Expenses A/c

Particulars	₹	Particulars	₹
To Cash A/c	80,000	By Opening o/s A/c	8,000
To Closing o/s	10,000	By Profit & Loss A/c (Bal. Fig.)	82,000
	90,000		90,000

P.16.

Trading and Profit and Loss Account

Dr.		For th	e year ended 31	Cr.	
	Particulars		₹	Particulars	₹



To Opening Stock	33,000	By Sales	9,60,000
To Purchases	7,20,000	By Closing Stock	33,000
To Gross Profit (bal. fig.)	2,40,000		
	9,93,000		9,93,000
To Business Expenses	1,57,500	By Gross Profit b/d	2,40,000
To Repairs	3,500		
To Depreciation (15% on 1,80,000)	27,000		
To Travelling Expenses	18,000		
To Loss of Cash by theft (written	1,500		
off)			
To Net Profit (bal. fig.)	32,500		
	2,40,000		2,40,000

Balance Sheet of Sri Agni Dev as at 31st March 2002

Liabilities	₹	Assets	₹
Capital (WN 6)	2,40,000	Machinery 1,80,000	
Current Liabilities:		Less: Depreciation (27,000)	1,53,000
Bank Overdraft	2,667	Current Assets:	
Sundry Creditors	55,833	Stock in Trade	33,000
Outstanding Expenses	7,500	Sundry Debtors	1,20,000
	3,06,000		3,06,000

Working Notes:

1. Computation of Sales during the year and Debtors at year-end

Particulars	₹
Debtors as at the beginning (relating to Sales of last year), representing to 2 months	1,00,000
Credit Sales	
So Total Credit Sales in last year ($\frac{1,00,000}{2 \text{ months}} \times 12 \text{ months}$)	6,00,000
Add Cash Sales (= $\frac{1}{3}$ of Credit Sales, i.e. 25% of Total Sales)	2,00,000
Total Sale	8,00,000

Current Year's Sales = Previous Year Sales + 20% thereon = ₹ 8,00,000 + 20% = ₹ 9,60,000

Cash 25% = ₹ 2,40,000

Credit 75% = ₹ 7,20,000

So, Debtors at the end of Current Year = 2 months Credit Sales = $\frac{7,20,000}{12 \, \text{months}} \times 2 \, \text{months}$

= ₹ 1,20,000

2. Computation of Purchases during the year



Particulars	₹
Sales for the current year (WN 1)	9,60,000
Less: Gross Profit at 25% of Sales (₹ 9,60,000 x 25%)	2,40,000
Cost of Goods Sold	7,20,000
Since there are no charges in Stock level, Opening Stock = Closing Stock, So,	7,20,000
Purchases = COGS	
Credit Purchases = Total Purchases ₹ 7,20,000 - ₹ 50,000 Cash Purchases (given)	6,70,000
Credit at year end = 1 month's credit purchases = $(\frac{Rs.6,70,00}{12 \text{ month}})$ = 1 month)	
12month	55,833

3. Sundry Debtors Account (To find out Collection from Debtors)

Particulars	₹	Particulars	₹
To Balance b/d	1,00,000	By Bank-Collection (bal. fig.)	7,00,000
To Credit Sales (WN 1)	7,20,000	By Balance c/d (WN 1)	1,20,000
	8,20,000		8,20,000

4. Sundry Creditors Account (To find out Payments to Creditors)

Particulars	₹	Particulars	₹
To Bank-Payment (bal. fig.)	6,59,167	By Balance b/d	45,000
To balance c/d (WN 2)	55,833	By Purchases-Credit (WN 2)	6,70,000
	7,15,000		7,15,000

5. Cash and Bank Account (To find out Cash Lost and Closing Bank Balances)

Particulars	Cash	Bank	Particulars	Cash	Bank
To Balance b/d	8,000	16,500	By Creditors Payment	50,000	6,59,167
To Debtors-collection		7,00,000	made		
rec					
To Cash Sales	2,40,000		By Business Expenses	1,45,000	5,000
To Additional Capital		5,000	By Repairs	3,500	
To Balance c/f		2,667	By Addition to		60,000
(Overdraft) (bal. fig.)			Machinery		
			By Travelling Expenses	18,000	
			By Private Drawings	30,000	
			By Cash lost by theft (bal.	1,500	
	2,48,000	7,24,167	fig.)	2,48,000	7,24,167

Note: Business Expenses paid = Total $\leq 1,57,500$ - Outstanding $\leq 7,500$ = 1,50,000 of which cheque payment is $\leq 5,000$. Hence, balance Cash payment = $\leq 1,50,000$ - $\leq 5,000$ = $\leq 1,45,000$.

6. Capital Account (To find out closing Capital)

Particulars	₹	Particulars	₹
To Drawings	30,000	By Balance c/d	2,52,500



To Loss of Furniture	20,000	By Bank-Capital Introduced	5,000	
To Balance c/d (Bal. fig.)	2,40,000	By Net Profit for the year (from P &	32,500	
	2,90,000	L)	2,90,000	

P.17.

Trading and Profit and Loss Account

Dr.	Dr. For the year ended 31st March 2017					Cr
	Particulars	₹	₹		Particulars	₹
То	Opening Inventory		80,000	Ву	Sales	6,08,750
То	Purchases	4,56,00		Ву	Closing inventory	70,000
		0				
Les	s: For advertising	(9,000)	4,47,000			
То	Freight inwards		30,000			
То	Gross profit c/d		1,21,750			
			6,78,750			6,78,750
То	Sundry expenses		92,000	Ву	Gross profit b/d	1,21,750
То	Advertisement		9,000	Ву	Interest on investment	600
То	Discount allowed -				$(20,000 \times 6/100 \times \frac{1}{2})$	
	Debtors	15,000		Ву	Discount received	8,000
	Bills Receivable	1,250	16,250	Ву	Miscellaneous income	5,000
То	Depreciation on furniture		6,500			
То	Provision for doubtful debts		1,455			
То	Net profit		10,145			
			1,35,350			135,350

Balance Sheet as on 31^{S†} March, 2017

Liabilities	₹	₹	Assets	₹	₹
Capital as on 1.4.2016	1,88,000		Furniture (w.d.v.)	60,000	
Less: Drawings	(91,000)		Additions during the year	10,000	
	97,000		Less: Depreciation	(6,500)	63,500
Add: Net Profit	10,145	1,07,145	Investment (200 x 95)		19,000
Sundry creditors		1,50,000	Interest accrued		600
Outstanding expenses		18,000	Closing inventory		70,000
			Sundry debtors	72,750	
			Less: Provision for	1,455	
			doubtful debts		71,295
			Bills receivable		17,500
			Cash in hand and at bank		26,250
			Prepaid expenses		7,000



	2,75,145		
			2,75,14
			5

Working Notes:

1. Balance Sheet as on 1^{S†} April, 2016 (Capital on 1^{S†} April, 2016)

Liabilities	₹	Assets	₹
Capital (Bal.fig.)	1,88,000	Furniture (w.d.v.)	60,000
Creditors	1,10,000	Closing Inventory	80,000
Outstanding expenses	20,000	Sundry debtors	1,60,000
		Cash in hand and at bank	12,000
		Prepaid expenses	6,000
	3,18,000		3,18,000

2. Sundry Creditors Account (Purchases made during the year)

Particulars	₹	Particulars	₹
To Cash and bank A/c	3,92,000	By Balance b/d	1,10,000
To Discount received A/c	8,000	By Sundry debtors A/c	4,000
To Bills Receivable A/c	20,000	By Purchases A/c	4,56,000
To Balance c/d	1,50,000	(Balancing figure)	
	5,70,000		5,70,000

3. Sales made during the year

Particulars	₹	₹
Opening inventory		80,000
Purchases	4,56,000	
Less: For advertising	(9,000)	4,47,000
Freight inwards		30,000
		5,57,000
Less: Closing inventory		(70,000)
Cost of goods sold		4,87,000
Add: Gross profit (25% on cost)		1,21,750
		6,08,750

4. Sundry Debtors Account (Debtors on 31st March, 2017)

Particulars	₹	Particulars	₹
To Balance b/d	1,60,000	By Cash and bank A/c	5,85,000



To Sales A/c	6,08,750	By Discount allowed A/c	15,000
To Sundry creditors A/c		By Bills receivable A/c	1,00,000
(bill dishonoured)	4,000	By Balance c/d (Bal. fig.)	72,750
	7,72,750		7,72,750

5. Additional drawings by proprietors of ABC enterprises Cash and Bank Account

Particulars	₹	Particulars	₹
To Balance b/d	12,000	By Freight inwards A/c	30,000
To Sundry debtors A/c	5,85,00	By Furniture A/c	10,000
	0		
To Bills Receivable A/c	61,250	By Investment A/c	19,000
To Miscellaneous income A/c	5,000	By Expenses A/c	95,000
		By Creditors A/c	3,92,000
		By Drawings A/c	
		[₹ 70,000 + ₹ 21,000)	91,000
		(Additional drawings)]	
		By Balance c/d	26,250
	6,63,250		6,63,250

6. Amount of expenses debited to Profit and Loss A/c Sundry Expenses Account

Particulars	₹	Particulars	₹
To Prepaid expenses A/c	6,000	By Outstanding expenses A/c	20,000
(on 1.4.2016)		(on 1.4.2016)	
To Bank A/c	95,000	By Profit and Loss A/c	92,000
To Outstanding expenses A/c (on		(Balancing figure)	
31.3.2017)	18,000	By Prepaid expenses A/c	
		(on 31.3.17)	7,000
	1,19,000		1,19,000

7. Bills Receivable on 31st March, 2017 Bills Receivable Account

•			
Particulars	₹	Particulars	₹
To Debtors A/c	1,00,000	By Creditors A/c	20,000
		By Bank A/c	61,250
		By Discount on bills receivable	1,250
		By Balance c/d (Balancing figure)	17,500
	1,00,000		1,00,000

Note: All sales and purchases are assumed to be on credit basis.



P.18.

Trading and Profit and Loss Account

Dr. For the year ended 31st March 2016 Cr

	Particulars	₹	₹		Particulars		₹
То	Opening Inventory		1,10,000	Ву	Sales	9,59,750	
То	Purchases	4,54,100		Less	s: Sales Return	(1,200)	9,58,550
Les	s: Purchase Return	(4,200)	4,49,900	Ву	Closing inventory		1,90,000
То	Gross profit c/d		5,88,650				
			11,48,550				11,48,550
То	Salary (9,200 * 12)		1,10,400	Ву	Gross profit b/d		5,88,650
То	Ele. & Tele.		20,900	Ву	Discount received		2,700
	[18,700 + 2,200]						
То	Legal Expenses		17,000				
То	Discount [2,400 + 750]		3,150				
То	Shop Exp. [600 * 12]		7,200				
То	Provision for Claim		1,55,000				
	for Damages						
То	Shop Rent		20,000				
То	Net profit		2,57,700				
			5,91,350				5,91,350

Balance Sheet as on 31^{S†} December 2016

Liabilities	₹	₹	Assets	₹
Capital (WN. 6)	2,38,200		Building	3,72,000
Add: Fresh Capital			Furniture	25,000
Introduced			Inventory	1,90,000
 Maturity value from LIC 	20,000		Sundry Debtors	92,000
Rent	14,000		Bills Receivable	6,000
Add: Net Profit	2,57,700		Cash at Bank	87,000
Less: Drawing (1,400 * 12)	(16,800)	5,13,100	Cash in Hand	5,300
Rent Outstanding		20,000		
Sundry Creditors		56,000		
Bills Payable		14,000		
Legal Expenses outstanding		17,000		
Ele & Tele. Outstanding		2,200		
Provision for Claim for		1,55,000		
Damages				
		7,77,300		7,77,300



Working Notes:

1. Sundry Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d	70,000	By Bill Receivable A/c	40,000
To Bill receivable A/c	3,000	Billsaccepted by customers	
-Bills dishonoured		By Bank A/c - Cheque received	5,700
To Bank A/c	5,700	By Cash (from summary cash and	8,97,150
- Cheque dishonoured		bank account)	
To Credit sales	9,59,750	By Return inward A/c	1,200
(Balancing Figure)		By Discount A/c	2,400
		By Balance c/d	92,000
	10,38,450		10,38,450

2. Bills Receivable Account

Particulars	₹	Particulars	₹
To Balance b/d	15,000	By Sundry creditors A/c	10,000
To Sundry Debtors A/c	40,000	(Bills endorsed)	
(Bills accepted)		By Bank A/c (20,000 - 750)	19,250
		By Discount A/c (Bills discounted)	750
		By Bank - Bills collected on maturity	16,000
		By Sundry debtors (Bills	3,000
		dishonoured) (Bal. Fig)	
		By Balance c/d	6,000
	55,000		55,000

3. Sundry Creditors Account

Particulars	₹	Particulars	₹
To Bank	3,20,000	By Balance c/d	40,000
To Cash	77,200	By Credit purchase (Balancing fig.)	4,54,100
To Bill Receivable A/c	10,000		
To Return Outward A/c	4,200		
To Discount Received A/c	2,700		
To Bills Payable A/c.	24,000		
To Balance b/d	56,000		
	4,94,100		4,94,100



4. Bills Payable A/c

	Particulars	₹	Particulars	₹
То	Bank A/c (Balance figure)	22,000	By Balance b/d	12,000
То	Balance c/d	14,000	By Sundry creditors A/c	
			(Bills accepted)	24,000
		36,000		36,000

5. Summary Cash and Bank A/c

Particulars	Cash	Bank	Particulars	Cash	Bank
To Balance b/d	5,200	90,000	By Bank	7,62,750	
To Sundry debtors (Bal. Fig)	8,97,150		By Cash		1,21,000
To Cash		7,62,750	By Shop exp. (600 x 12)	7,200	
To Bank	1,21,000		By salary (9,200 × 12)	1,10,400	
To S. Debtors		5,700	By Drawing A/c (1,400 x 12)	16,800	
To Bills receivable		19,250	By Bills Payable		22,000
To Bills receivable		16,000	By Sundry creditors	77,200	3,20,000
To Capital (maturity value		20,000	By Furniture	25,000	
of LIC policy)			By Sundry Debtors		5,700
To Capital (Rent received)		14,000	By Electricity & Tel. Charges	18,700	
			By Building (Bal. fig)		3,72,000
			By Balance c/d	5,300	87,000
	10,23,350	9,27,700		10,23,350	9,27,700

6. Statement of Affairs as on 31-12-2015

Liabilities	₹	Assets	₹
Sundry Creditors	40,000	Inventory	1,10,000
Bills Payable	12,000	Debtors	70,000
Capital (Balancing figure)	2,38,200	Bills receivable	15,000
		Cash at Bank	90,000
		Cash in Hand	5,200
	2,90,200		2,90,200

P.19. Trading and Profit & Loss Account for the year ended 31-03-2020

	₹	₹		₹
To Opening Inventory		38,600	By Sales	8,54,000
To Purchases		6,13,750	By Closing Inventory	55,700
To Gross profit c/d (b.f.)		2,57,350		
		9,09,700		9,09,700



CA ZUBAIR KHAN

To Salaries (75,000+14,000-12,000)		77,000	By Gross Profit b/d	2,57,350
To Rent To General expenses To		11,800 22,500	By Interest on Invest (9,750+450)	10,200
Depreciation: Machinery @ 10% Furniture @ 10%	8,500 2,450	10,950		
To Bad Debts To Provision for doubtful debts To Balance being profit carried to Capital A/c (b.f.)	7,200 7,000	14,200 1,31,100		
		2,67,550		2,67,550

Balance Sheet as on 31st March, 2020

Liabilities	₹	₹	Assets	₹	₹
A. Adamjee's Capital			Machinery	85,000	
on 1st April, 2019	3,32,150		Less: Depreciation	(8,500)	76,500
Add: Fresh Capital	50,000		Furniture	24,500	
Add: Profit for the year	1,31,100 5,13,250		Less: Depreciation	(2,450)	22,050
Less: Drawings	(96,000)	4,17,250	Inventory-in-trade		55,700
Sundry creditors O/s expenses		2,08,200 14,000	Sundry debtors Less: Provision for Doubtful debts	3,57,200 (14,200)	3,43,000
			Investment (including accrued		85,450
			interest ₹ 450) Cash at bank		36,600
					20,150
			Cash in hand		
		6,39,450			6,39,450

Working Notes:

1. Balance sheet as on 1-4-2019

	₹		₹
Sundry creditors	60,200	Machinery	85,000
Capital	3,32,150	Furniture	24,500
(balancing figure)		Inventory	38,600
Outstanding salaries	12,000	Sundry debtors	1,55,000
		Investments	85,000
		Bank balance (from Cash statement)	16,250
	4,04,350		4,04,350



2. Total Debtors Account

		₹			₹
1.4.19	To Balance b/d	1,55,000	31.3.20	By Cash	4,81,000
31.3.20	To Credit sales	6,83,200	31.3.20	By Bad debts	7,200
	(1,70800/20×80)			By Balance c/d	3,50,000
		0.20.200		(Bal. Fig.)	0.20.200
		8,38,200			8,38,20

3. Total Creditors Account

		₹			₹
31.3.20	To Cash	3,43,000	1.4.19	By Balance b/d	60,200
31.3.20	To Balance c/d (Bal. Fig.)	2,08,200	31.3.20	By Credit Purchases (1,22,750/20×80)	4,91,000
	(Bai. rig.)	5,51,200			5,51,200

P.20.

Trading and Profit and Loss Account of Ram

for the year ended 31st March, 2021

	₹		₹
To Opening stock	2,80,000	By Sales	
To Purchases	7,70,000	Cash 2,40,000	
To Gross Profit @ 25%	3,10,000	Credit 10,00,000	12,40,000
	13,60,000		13,60,000
To Salaries	40,000	By Gross Profit	3,10,000
To Business expenses	1,20,000		
To Interest on loan	5,000		
(10% of 1,00,000 × 6/12)	1,45,000		
To Net Profit			
	3,10,000		3,10,000

Liabilities	₹	₹	Assets	₹
Ram's capital:			Cash in hand	10,000
Opening	3,00,000		Cash at Bank	80,000
Add: Net Profit	1,45,000		Sundry Debtors	3,50,000
	4,45,000		Stock in trade	1,20,000
Less: Drawings	(80,000)	3,65,000		



Loan (including interest due)	1,05,000	
Sundry Creditors	90,000	
	5,60,000	

Working Notes

1.

Sundry Debtors Account

		₹		₹
То	Balance b/d	1,00,000	By Bank A/c	7,50,000
То	Credit sales (Bal. fig)	10,00,000	By Balance c/d	3,50,000
		11,00,000		11,00,000

2. Sundry Creditors Account

		₹			₹
То	Bank A/c	7,00,000	Ву	Balance b/d	40,000
То	Cash A/c	20,000	Ву	Purchases (Bal. fig.)	7,70,000
То	Balance c/d	90,000			
		8,10,000			8,10,000

3. Cash and Bank Account

		Cash	Bank		Cash	Bank
То	Balance b/d	10,000		By Balance b/d		50,000
То	Sales (bal. fig)	2,40,000		By Bank A/c (C)	1,00,000	
То	Cash (C)		1,00,000	By Salaries	40,000	
То	Debtors		7,50,000	By Creditors	20,000	7,00,000
То	Loan		1,00,000	By Drawings	80,000	
				By Business expenses		1,20,000
				By Balance c/d		80,000
					10,000	
		2,50,000	9,50,000		2,50,000	9,50,000



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CLASS QUESTIONS

C.19.

Trading and Profit and Loss Account

Dr. For the year ended 31st March 2001

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	3,00,000	By Sales	21,20,000
To Purchases	15,20,000	By Closing Stock	3,36,000
To Gross Profit (bal. fig.)	6,36,000		
	24,56,000		24,56,000
To Depreciation a/c	50,000	By Gross Profit b/d	6,36,000
To Other expenses(21,20,000 * 10%)	2,12,000		
To Net Profit (bal. fig.)	3,74,000		
	6,36,000		6,36,000

Balance Sheet as at 31st March 2001

Liabilities		₹	Assets		₹
Capital			Fixed Asset	4,00,000	
Opening Capital	10,00,000		Addition	1,00,000	
Add: Profit & Loss b/f	60,000		Less: Depreciation	(<u>50,000)</u>	4,50,000
Add: Net Profit	3,74,000	14,34,000	Current Assets:		
Current Liabilities:			Stock in Trade		3,36,000
Creditor		1,10,000	Debtors		2,00,000
			Cash & Bank		5,58,000
		15,44,000			15,44,000

Working Notes:

1. Creditors A/c

Particulars	₹	Particulars	₹
To Bank A/c (Balancing figure)	15,50,000	By Opening Balance A/c	1,40,000
To Closing Balance	1,10,000	By Purchases A/c	15,20,000
	16,60,000		16,60,000

2. Debtors A/c

Particulars	₹	Particulars	₹
To Opening Balance A/c	1,50,000	By Bank A/c (Balancing figure)	20,70,000
To Sales A/c	21,20,000	By Closing Balance	2,00,000
	22,70,000		22,70,000

3. Cash A/c



Particulars	₹	Particulars	₹
To Opening Balance A/c	3,50,000	By Creditors A/c	15,50,000
To Debtors A/c	20,70,000	By Sundry Exp.	2,12,000
		By Fixed Asset	1,00,000
		By Closing Balance (Bal. Figure)	5,58,000
	24,20,000		24,20,000

Explanation:

- 1. One-month credit on purchase hence March month purchases is outstanding as creditor on 31.3.01.
- 2. Similarly, one-month credit is on sales, hence March month sale is outstanding as debtor.

C.21. Trading and Profit and Loss Account of Mr. Preet for the year ended 31st March, 2018

	Particulars	₹		Particulars	₹
То	Opening stock	1,60,000	Ву	Sales	13,98,000
То	Purchases (W.N.5)	9,12,000	Ву	Closing stock	1,40,000
То	Gross profit c/d (Bal.fig.)	4,66,000			
		15,38,000			15,38,000
То	Expenses (W.N.7)	3,44,000	Ву	Gross profit b/d	4,66,000
То	Discount allowed (W.N.9)	32,500	Ву	Discount received (W.N.10)	16,000
То	Depreciation on furniture	13,000	Ву	Interest on Govt.	12,000
	(W.N.1)			Securities (W.N.8)	
То	Net profit	1,14,500	Ву	Miscellaneous income	10,000
		5,04,000			5,04,000

Balance Sheet of Mr. Preet as on 31st March, 2018

		₹		₹
Capital (W.N.6)	3,76,000		Furniture	1,27,000
Add: Additional capital	1,72,000		12% Government Securities	2,00,000
(W.N.2)				
Add: Profit during the year	6,62,500		Accrued Interest W.N.8)	12,000
			Debtors (W.N.3)	3,26,000
Less: Drawings	(1,40,000)	5,22,500	Bills Receivable (W.N.4)	35,000
Creditors		3,00,000	Stock	1,40,000
Outstanding expenses		36,000	Prepaid expenses	14,000
			Cash on hand	3,000



		Bank balance	1,500	
	8,58,500		8,58,500	

Working Notes:

1.

Furniture account

		₹			₹
То	Balance b/d	1,20,000	Ву	Depreciation (bal.fig.)	13,000
То	Bank	20,000	Ву	Balance c/d	1,27,000
		1,40,000			1,40,000

2.

Cash and Bank account

		₹			₹
То	Balance b/d		Ву	Creditors	7,84,000
	Cash	4,000	Ву	Drawings	1,40,000
	Bank	20,000	Ву	Furniture	20,000
То	Debtors	11,70,000	Ву	12% Govt. securities	2,00,000
То	Bill Receivable	1,22,500	Ву	Expenses	3,50,000
То	Miscellaneous income	10,000	Ву	Balance c/d	
То	Additional Capital	1,72,000		Cash	3,000
	(bal.fig.)				
				Bank	1,500
		14,98,500			14,98,500

3.

Debtors account

		₹			₹
То	Balance b/d	3,20,000	Ву	Cash and Bank	11,70,000
То	Creditors (Bills receivable dishonoured)	8,000	Ву	Discount	30,000
То	Sales (W.N.11)	13,98,000	By By	Bills Receivable Balance c/d (bal.fig.)	2,00,000 3,26,000
		17,26,000			17,26,000

4.

Bills Receivable account

_		
	.	∓
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То	Debtors	2,00,000	Ву	Bank	1,22,500
			Ву	Discount	2,500
			Ву	Creditors	40,000
			Ву	Balance c/d (bal. fig.)	35,000
		2,00,000			2,00,000

5. Creditors account

		₹			₹
То	Bank	7,84,000	Ву	Balance b/d	2,20,000
То	Discount	16,000	Ву	Debtors (Bills receivable dishonoured)	8,000
То	Bills receivable	40,000	Ву	Purchases (bal. fig.)	9,12,000
То	Balance c/d	3,00,000			
		11,40,000			11,40,000

6. Balance Sheet as on 1st April, 2017

Liabilities	₹	Assets	₹
Creditors	2,20,000	Furniture	1,20,000
Outstanding expenses	40,000	Debtors	3,20,000
Capital (balancing	3,76,000	Stock	1,60,000
figure)			
		Prepaid expenses	12,000
		Cash	4,000
		Bank balance	20,000
	6,36,000		6,36,000

7. Expenses incurred during the year (You can solve by preparing account)

		₹
Expenses paid during the year		3,50,000
Add: Outstanding expenses as on 31.3.2018	36,000	
Prepaid expenses as on 31.3.2017	12,000	48,000
		3,98,000
Less: Outstanding expenses as on 31.3.2017	40,000	
Prepaid expenses as on 31.3.2018	14,000	(54,000)
Expenses incurred during the year		3,44,000



8. Interest on Government securities

$$2,00,000 \times 12\% \times 6/12 = ₹ 12,000$$

Interest on Government securities receivables for 6 months = ₹ 12,000

9. Discount allowed

		₹
Discount to Debtors	11,70,000/97.5% × 2.5% /	30,000
Discount on Bills Receivable	1,22,500/98% × 2%	2,500
		32,500

10. Discount received

		₹
Discount to Creditors	7,84,000/98% × 2%	16,000

11. Credit sales

Cost of Goods sold = Opening stock + Net purchases - Closing stock

= ₹ 9,32,000

Sale price = ₹ 9,32,000 + 50% of 9,32,000 = ₹ 13,98,000



10

Company Accounts

P.1. Book of Pihu Limited

Journal

Date	Particulars		L.F.	Debit (₹)	Credit (₹)
	Bank A/c To Equity Share Application A/c (Money received on applications for 2,00,000 shares @₹ 2.50 per share)	Dr.		5,00,000	5,00,000
	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 2,00,000 shares to share capital)	Dr.		5,00,000	5,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 2,00,000 shares @ ₹ 3 per share)	Dr.		6,00,000	6,00,000
	Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.		6,00,000	6,00,000
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call made due on 2,00,000 shares at ₹.2 per share))	Dr.		4,00,000	4,00,000
	Bank A/c To Equity Share First Call A/c To Calls in Advance A/c (Being first call money received along with calls in	Dr.		4,50,000	4,00,000 50,000
	advance on 20,000 shares at ₹2.50 per share) Equity Share Final Call A/c To Equity Share capital A/c (Being final call made due on 2,00,000 shares at ₹2.50 each)	Dr.		5,00,000	5,00,000
	Bank A/c Calls in Advance /C Calls in Arrears A/c (Being final call received for 1,78,000 shares and calls in advance for 20,000 shares adjusted)	Dr. Dr. Dr.		4,45,000 50,000 5,000	5,00,000

Interest on Calls in Advance A/c To shareholders A/c Being interest made due on calls in advance of ₹50,000 at the rate of 12% p.a.)	Dr.	1,500	1,500
Shareholders A/c To bank A/c (Being payment of Interest made to shareholders)	Dr.	1,500	1,500
Shareholders A/c To Interest on Calls in Arrears	Dr.	83.34	83.34
A/c (Being interest on calls in arrears made due at the rate of 10%)			
Bank A/c To Calls in Arrears A/c To Shareholders A/c (Being money received from shareholder for calls in arrears and interest thereupon)	Dr.	5,083.34	5,000 83.34

P.2. Pehal Ltd. Journal

2017			Dr. ₹	Cr. ₹
May 20	Bank Account	Dr.	18,00,000	
	To Share Application A/c			18,00,000
	(Application money on 60,000 shares at ₹ 30 per share received.)			
June 1	Share Application A/c	Dr.	18,00,000	
	To Share Capital A/c			18,00,000
	(The amount transferred to Capital Account on 60,000 shares ₹ 30 on application. Directors₹ resolution no dated)			
	Share Allotment A/c	Dr.	18,00,000	
	To Share Capital A/c			18,00,000
	(Being share allotment made due at ₹ 30 per share. Directors₹ resolution no. dated)			
July 15	Bank Account	Dr.	18,00,000	
	To Share Application and Allotment A/c			18,00,000
	(The sums due on allotment received.)			
Oct. 1	Share First Call Account	Dr.	12,00,000	
	To Share Capital Account			12,00,000



	(Amount due from members in respect of first call-on 60,000 shares at ₹ 20 as per Directors, resolution no dated)			
Oct. 20	Bank Account	Dr.	12,00,000	
	To Share First Call Account			12,00,000
	(Receipt of the amounts due on first call.)			
2018				
Feb. 1	Share Second and Final Call A/c	Dr.	12,00,000	
	To Share Capital A/c			12,00,000
	(Amount due on 60,000 share at ₹20 per			
	share on second and final call, as per			
	Directors resolution no dated)			
Mar. 31	Bank Account	Dr.	12,00,000	
	To Share Second & Final Call A/c			40.00.000
	(Amount received against the final call on			12,00,000
	60,000 shares at ₹20 per share.)			

P.3.

In the books of Company

Journal

Particulars		Dr.	Cr.
		₹	₹
Preference Share Capital A/c (4,000 x ₹75)	Dr.	3,00,000	
To Preference Share Allotment A/c			1,00,000
To Preference Share First Call A/c			1,00,000
To Forfeited Share A/c			1,00,000
(Being the forfeiture of 4,000 preference shares ₹ 75 each being called up for non-payment of allotment and first call money as per Board₹s Resolution No dated)			
Bank A/c (3,000 x ₹65)	Dr.	1,95,000	
Forfeited Shares A/c (3,000 x ₹10) To Preference Share Capital A/c (Daine as issue of 3,000 shares at ₹ 65 per share as ₹ 75 as	Dr.	30,000	2,25,000
(Being re-issue of 3,000 shares at ₹ 65 per share paid-up as ₹ 75 as per Board₹s Resolution Nodated)			
Forfeited Shares A/c	Dr.	45,000	
To Capital Reserve A/c (Note 1)			45,000
(Being profit on re-issue transferred to			
Capital/Reserve)			



Working Note:

Calculation of amount to be transferred to Capital Reserve Forfeited

amount per share =₹ 1,00,000/4,000 = ₹ 25

Loss on re-issue =₹ 75 - ₹ 65 = ₹ 10 Surplus per share re-issued ₹ 15

Transferred to capital Reserve ₹ 15 x 3,000 **=** ₹ 45,000.

P.4.

Bank A/c	Dr.	25,000	
To Equity Share Application A/c			25,000
(Money received on application for 1,000 shares @ ₹			
25 per share)			
Equity Share Application A/c	Dr.	25,000	
To Equity Share Capital A/c			25,000
(Transfer of application money on 1,000 shares to share capital)			
Equity Share Allotment A/c	Dr.	30,000	
To Equity Share Capital A/c			30,000
(Amount due on the allotment of 1,000 shares @ ₹ 30 per share)			
Bank A/c	Dr.	30,000	
To Equity Share Allotment A/c			30,000
(Allotment money received)			
Equity Share First Call A/c	Dr.	20,000	
To Equity Share Capital A/c			20,000
(First call money due on 1,000 shares @ ₹ 20 per share)			
Bank A/c	Dr.	19,250	
Calls-in-Arrears A/c	Dr.	2,000	
To Equity Share First Call A/c			20,000
To Calls-in-Advance A/c			1,250
(First call money received on 900 shares and calls-in- advance on 50			
shares @ ₹ 25 per share)			

P.5.

Journal of Piyush Limited

Date			Dr.	Cr.
2018	Particular <i>s</i>		₹	₹
July 1	Bank A/c (Note 1 - Column 3)	Dr.	8,40,000	
	To Equity Share Application A/c			8,40,000



Dr.	8,40,000	
	0,40,000	
		2,60,000
		4,00,000
		1,80,000
O shares		
count; on		
nt and on		
Dr.	6,50,000	
		3,90,000
		2,60,000
ares@₹		
ated)		
Dr.	2,50,000	
		2,50,000
Dr.	6,50,000	
		6,50,000
res @₹5		
dated)		
Dr.	6,50,000	
		6,50,000
	nares @ ₹ ated) Dr. Dr. ares @ ₹ 5 .dated)	Dr. 6,50,000 Dr. 2,50,000

Working Note: Calculation for Adjustment and Refund

Category	No. of	No. of	Amount	Amount	Amount	Refund	Amount	Amount
	Shares	Share	Received on	Required on	adjusted on	[3-4-	due on	received on
	Applied	s	Application	Application	Allotment	5]	Allotment	Allotment
	for	Allott	(1x ₹ 2)	(2 x ₹ 2)				
		ed						
	(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



P.6.

In the Books of Delta Ltd.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Share capital A/c (600 × ₹ 10) Dr.		6,000	
	Securities Premium A/c (600 × ₹ 1) Dr.		600	
	To Calls-in-arrears A/c (600 × ₹ 3)			1,800
	To forfeited Shares A/c (600 × ₹ 8)			4,800
	(Being 600 shares forfeited for non-			
	payment of call money)			
2.	Bank A/c (400 × ₹ 9) Dr.		3,600	
	Forfeited Shares A/c (400 × ₹ 1) Dr.		400	
	To Share Capital A/c (400 × ₹ 10)			4,000
	(Being 400 shares re-issued as fully paid-up			
	for			
	₹9 per share)			
3.	Forfeited Shares A/c Dr.		2,800	
	To Capital Reserve A/c			2,800
	(Being the transfer of profit on re-issue of			
	400 shares to Z)			
4.	Bank A/c (100 × ₹ 11) Dr.		1,100	
	To Share Capital A/c (100 × ₹ 10)			1,000
	To Securities Premium A/c (100 × ₹ 1)			100
	(Being 100 shares re-issued to X as fully			
	paid-up for ₹ 11 per share)			
5.	Forfeited Shares A/c (₹ 4,800 × 100/600)		800	
	Dr.			
	To Capital Reserve A/c			800
	(Being the transfer of profit on re-issue			
	of 100 shares to X)			

P.7. 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)	_		



CA ZUBAIR KHAN

Equity Share Application A/c	 Dr.	9,00,000	
To Equity Share Capital A/c (2,00,000 x ₹ 3) To Share			6,00,000
allotment A/c			3,00,000
(Being share allotment made for 2,00,000 shares and excess a towards allotment)	djusted		
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

P.8.

Bank A/c	Dr.	25,000	
To Equity Share Application A/c			25,000
(Money received on application for 1,000 shares @ ₹ 25 per share)			
Equity Share Application A/c	Dr.	25,000	
To Equity Share Capital A/c			25,000
(Transfer of application money on 1,000 shares to share capital)			
Equity Share Allotment A/c	Dr.	30,000	
To Equity Share Capital A/c			30,000
(Amount due on the allotment of 1,000 shares @ ₹ 30 per share)			
Bank A/c	Dr.	30,000	
To Equity Share Allotment A/c			30,000
(Allotment money received)			
Equity Share First Call A/c	Dr.	20,000	
To Equity Share Capital A/c			20,000
(First call money due on 1,000 shares @ ₹ 20 per share)			
Bank A/c	Dr.	19,250	
Calls-in-Arrears A/c	Dr.	2,000	
To Equity Share First Call A/c			20,000
To Calls-in-Advance A/c			1,250
(First call money received on 900 shares and calls-in- advance on 50 shares @			
₹ 25 per share)			

P.9.

(i) Journal Entries in the books of \boldsymbol{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 Nodated)			
(b)	Bank Account (300 x 8)	Dr.	2,400	
	Forfeited Shares Account (300x 2)	Dr.	600	
	To Equity Share Capital Account			3,000



(c)	(Being the re-issue of 300 forfeited shares @ ₹ 8 each as fully paid up to Suresh as per Board₹s resolution Nodated) Forfeited Shares Account To Capital Reserve Account (Being the profit on re-issue, transferred to capital reserve)	Dr.	300	300	
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(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

P.10.

1. Bank A/c	Dr.	40,000	
To Equity Share Application A/c			40,000
(Being the application money received for 20,000 shares at ₹ 2 per			
share)			
2. Equity Share Application A/c	Dr.	40,000	
To Equity Share Capital A/c			40,000



(Being share allotment made for 20,000 shares at ₹ 2 per share)			
3. Equity Share Allotment A/c	Dr.	60,000	
To Equity Share Capital A/c			60,000
Being allotment amount due on 20,000 equity shares at ₹3 per share			
as per Directors₹ resolution no dated)			
4. Bank A/c	Dr.	60,000	
To Equity Share Allotment A/c			60,000
(Being allotment money received for 20,000 equity shares at $₹$ 3 per share)			
5. Equity Share First Call Account	Dr.	80,000	
To Equity Share Capital A/c			80,000
(Being first call money due on 20,000 equity shares @ Rs. 4 per share)			
6. Bank Account	Dr.	78,800	
To Equity Share First Call Account			78,800
(Being full amount of first call money received except on 300 shares)			
OR			
Bank Account	Dr.	78,800	
Calls in Arrear A/c	Dr.	1,200	
To Equity Share First Call Account			80,000
(Being full amount of first call money received except on 300 shares)			
	Dr.	20,000	
7. Equity Share Final Call Account			
To Equity Share Capital A/c			20,000
(Being first call and final call money due)	-		
8. Bank Account	Dr.	19,700	
To Equity Share Final Call Account			19,700
(Being full amount of final call money received except on 300			
shares)			
OR	Dr.	19,700	
Bank Account			
Calls in Arrear A/c	Dr.	300	20,000
To Equity Share Final Call Account			20,000
(Being full amount of final call money received except on 300 shares)			
9. Equity Share Capital A/c (300 x ₹ 10)	Dr.	3,000	
To Equity Share First Call Account			1,200
To Equity Share Final Call Account			300



To Forfeited Shares A/c			1,500
Being forfeiture of 300 equity shares for non-payment of call			
money as per Board₹s Resolution Nodated			
)			
OR			
Equity Share Capital A/c	Dr.	3,000	
To Forfeited Shares A/c			1,500
To Calls in Arrears			1,500
(Being 300 shares forfeited on which first call and final			
call money was unpaid.)			
10. Bank A/c (300 x ₹ 8)	Dr.	2,400	
Forfeited Shares A/c	Dr.	600	
To Equity Share Capital A/c			3,000
Being re-issue of 300 shares @ ₹8 each as per			
Board₹s Resolution Nodated)			
11. Forfeited Shares A/c	Dr	900	
To Capital Reserve A/c			900
(Being profit on re-issue transferred to Capital			
Reserve)			

P.11. In the books of B Ltd. Journal Entries

Date	Particulars		Dr. ₹	Cr.
	Bank A/c To Equity Share Application A/c (Application money on 50,000 shares @ ₹ 3 per share received.)	Dr.	1,50,000	1,50,000
	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money to Equity Share Capital on 50,000 shares @ ₹ 3 per share as per Directors resolution no dated)	Dr.	1,50,000	1,50,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (Amount due from members in respect of allotment on 50,000 shares @ ₹ 5 per share including premium ₹ 2 per share as per Directors resolution no dated)	Dr.	2,50,000	1,50,000 1,00,000
	Bank A/c	Dr.	2,45,000	



To Equity Share Allotment A/c (Amount received against allotment on 49,000 shares @ ₹ 5 per share including premium ₹ 2 per share.) ₹OR₹			2,45,000
Bank A/c			
Calls in Arrear A/c	Dr.	2,45,000	
To Equity Share Allotment A/c	Dr.	5,000	
(Amount received against allotment on 49,000 shares @ $₹$ 5 per share including premium $₹$ 2 per share. X, holding 1,000 shares failed to pay allotment money.)	<i>3</i> 1.	3,000	2,50,000
Equity Share Call A/c	Dr.	2,00,000	
To Equity Share Capital A/c			2,00,000
(Amount due from members in respect of call on 50,000 shares @ ₹ 4 per share as per Directors resolution no dated)			
Bank A/c	Dr.	1,88,000	
To Equity Share Call A/c			1,88,000
(Amount received against the call on 47,000 shares @ ₹ 4 per share.)			
₹OR₹ Bank A/c		1.00.000	
	Dr.	1,88,000	
Calls in Arrear A/c	Dr.	12,000	2.00.00
To Equity Share Call A/c (Amount received against the call on 47,000 shares @ $₹$ 4 per share. X, holding 1,000 shares and Y, holding 2,000 shares failed to pay call money.)			2,00,00
Equity Share Capital A/c (3,000 x ₹ 10)	Dr.	30,000	
Securities Premium A/c $(1,000 \times 72)$	Dr.	2,000	
To Equity Share Allotment A/c (1,000 X ₹ 5)		,	5,00
To Equity Share Call A/c (3,000 X ₹ 4)			12,00
To Forfeited Shares A/c			15,00
(Being forfeiture of 3,000 equity shares for non- payment of allotment and call money on 1,000 shares and for non-payment of call money on 2,000shares as per Board₹s Resolution			,
Nodated)			
₹OR₹ Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium	Dr.	30,000	
A/c (1,000 x ₹ 2)	Dr.	2,000	
To Calls in Arrear A/c	J	2,000	17,00
(₹ 5,000 + ₹ 12,000)			,50



(Being forfeiture of 3,000 equity shares for non- payment of allotment and call money on 1,000 shares and for non-payment of call money on 2,000 shares as per Board₹s Resolution No dated)			15,000
Bank A/c	Dr.	20,000	
Forfeited Shares A/c	Dr.	5,000	
To Equity Share Capital A/c			25,000
(Being re-issue of 2,500 shares @ ₹8 each as			
per Board₹s Resolution Nodated)			
Forfeited Shares A/c	Dr.	7,000	
To Capital Reserve A/c			7,000
(Being profit on re-issue transferred to Capital			
Reserve)			

Balance Sheet of B Limited as at

To Forfeited Shares A/c

Particulars	Notes No.	₹
EQUITY AND LIABILITIES		
Shareholders₹ funds		
Share capital	1	4,98,000
Reserves and Surplus	2	1,05,000
Total		6,03,000
ASSETS		
Current assets		
Cash and cash equivalents (bank)		6,03,000*
Total		6,03,000

*(5,83,000 +20,000)

Notes to accounts

		₹	₹
1.	Share Capital		
	Equity share capital		
	Issued share capital		
	50,000 Equity shares of ₹ 10 each	5,00,000	
	Subscribed, called up and paid up share capital		
	49,500 Equity shares of ₹ 10 each	4,95,000	4.08.000
	Add: Forfeited shares	3,000	4,98,000
2.	Reserves and Surplus		
	Securities Premium	98,000	
	Capital Reserve	7,000	1,05,000



Working Notes:

(1) Calculation of Amount to be Transferred to Capital Reserve

Amount forfeited per share of X ₹3

(₹ 2) Less: Loss on re-issue per share

₹1 Surplus

Amount forfeited per share of Y ₹6

Less: Loss on re-issue per share (₹ 2)

₹4 Surplus

Transferred to Capital Reserve: X share $(1,000 \times 71)$ ₹1,000 Y₹s Share $(1,500 \times ₹ 4)$ ₹ 6,000 ₹ 7,000 Total

(2) Balance of Security Premium:

Total Premium amount receivable on allotment = 1,00,000 less: Amount reversed on forfeiture (2,000)Balance remaining 98,000

P.12. Journal of A Limited

Date 2020	Particulars		Dr. ₹	Cr. ₹
May 31	Bank A/c (Note 1 - Column 3)	Dr.	11,20,000	
	To Equity Share Application A/c (Being application money received on 5,60,000 shares @ ₹ 2 per share)			11,20,000
June 10	Equity Share Application A/c	Dr.	11,20,000	
	To Equity Share Capital A/c			2,70,000
	To Equity Share Allotment A/c			
	(Note 1 - Column 5)			5,50,000
	To Bank A/c (Note 1–Column 6)			3,00,000
	(Being application money on 1,35,000 shares transferred to Equity Share Capital Account; on 2,75,000 shares adjusted with allotment and on 1,50,000 shares refunded as per Board₹s Resolution Nodated)			
	Equity Share Allotment A/c	Dr.	6,75,000	



	To Equity Share Capital A/c			1,35,000
	To Securities Premium a/c			5,40,000
	(Being allotment money due on 1,35,000 shares @ ₹ 5 each including premium at ₹4 each as per Board₹s Resolution Nodated)			
	Bank A/c (Note 1 - Column 8) To Equity Share Allotment A/c (Being balance allotment money	Dr.	1,25,000	1,25,000
Dec. 31	received)	Dr.	9,45,000	
	Equity Share Final Call A/c		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	9,45,000
	To Equity Share Capital A/c (Being final call money due on 1,35,000 shares @₹ 7 per share as per Board₹s Resolution Nodated)			
	Bank A/c	Dr.	9,45,000	9,45,000
	To Equity Share Final Call A/c			9,40,000
	(Being final call money on 1,35,000 shares @ ₹ 7 each received)			

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	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)	10,000	10,000	20,000	20,000	Nil	Nil	50,000	50,000
(ii)	50,000	25,000	1,00,000	50,000	50,000	Nil	1,25,000	75,000
(iii)	5,00,000	1,00,000	10,00,000	2,00,000	5,00,000	3,00,000	5,00,000	Nil
TOTAL	5,60,000	1,35,000	11,20,000	2,70,000	5,50,000	3,00,000	6,75,000	1,25,000

Also,

- (i) Amount Received on Application (3) = No. of shares applied for (1) $X \leq 2$
- (ii) Amount Required on Application (4) = No. of shares allotted (2) $X \neq 2$



P.13. In the books of Fashion Garments Ltd. Journal Entries

Particulars		L.F.	Debit Amount (₹)	Credit Amount (₹)
Bank A/c To Equity Share Application A/c (Money received on applications for 10,000 shares @ ₹ 1 per share)	Dr.		10,000	10,000
Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 10,000 shares to share capital)	Dr.		10,000	10,000
Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 10,000 shares @ ₹ 2 per share)	Dr.		20,000	20,000
Bank A/c To Equity Share Allotment A/c (Allotment money received on 9,900 shares)	Dr.		19,800	19,800
OR Bank A/c Calls in arrears A/c To Equity Share Allotment A/c (Allotment Amount received except 100 shares)	Dr.		19,800 200	20,000
Equity Share Capital A/c To Share Forfeiture A/c To Equity Shares Allotment A/c (100 Shares of Ram forfeited) OR	Dr.		300	100 200
Equity Share Capital A/c To Shares Forfeiture A/c To Calls in arrears A/c (100 shares forfeited due to non-payment of allotment money)	Dr.		300	100 200
Equity Share First Call A/c To Equity Share Capital A/c (First call made due on 9,900 shares at ₹ 3 per share)	Dr.		29,700	29,700



Bank A/c	Dr.	29,250	
To Equity Share First Call A/c			29,250
(First call money received on 9,750 shares			
at ₹ 3 per share)			
OR			
Bank A/c	Dr.	29,250	
Calls in arrears A/c	Dr.	450	
To Equity Share First Call A/c			29,700
(First Call money received except 150			
shares)			
Equity Share Capital A/c	Dr.	900	
To Share Forfeiture A/c			450
To Equity Share First Call			450
A/c (150 Shares of Shyam			
forfeited)			
OR			
Equity Share Capital A/c	Dr.	900	
To Share Forfeiture A/c			450
To Calls in arrears A/c			450
(150 shares forfeited due to non - payment			
of			
First call money)			
Equity Share Second and Final Call A/c	Dr.	39,000	
To Equity Share Capital A/c			39,000
(Second and Final call made due on 9,750			
shares at ₹ 4 per share)			
Bank A/c	Dr.	38,800	
To Equity Share Second and Final Call			38,800
(Second and Final call money received on			
9,700 shares at ₹ 4 per share)			
OR			
Bank A/c	Dr.	38,800	
Calls in arrears A/c	Dr.	200	39,000
To Equity Shares Second and Final call			
A/c (Second and Final call money received			
except 50 shares)			
Equity Share Capital A/c	Dr.	500	



To Share Forfeiture A/c			300
To Equity Share Second and Final Call			200
(50 Shares of Mohan forfeited)			
OR			
Equity Share Capital A/c			
To Shares Forfeiture A/c	Dr.	500	
To Calls in arrears A/c			300
(50 shares forfeited due to non-payment			200
of Second and final call money)			
Bank A/c	Dr.	2,700	
Share Forfeiture A/c	Dr.	300	
To Equity Share Capital A/c			3,000
(300 shares reissued at ₹ 9 per share)			
Share Forfeiture A/c	Dr.	550	
To Capital Reserve A/c (W.N.1)			550
(Profit on re-issue transferred to Capital			
Reserve)			

Working Note-1: Calculation of amount to be transferred to Capital Reserve:

Surplus out of 100 shares of Ram forfeited ₹ 100 Surplus out of 150 shares of Shyam forfeited ₹ 450

Surplus out of 50 shares of Mohan forfeited ₹ 300

₹ 850

Less: Loss on re-issue of shares ₹ 300

Transferred to Capital Reserve ₹ 550

P.14. Journal Entries In The Books Of Country Crafts Ltd.

Date	Particulars	L.F.	Debit	Credit
			Amount	Amount
			(`₹000)	(`₹000)
(A)	Bank A/C	Dr.	10,500	
	To Debenture Application A/C			10,500
	(Debenture Application Money			
	Received)			
(B)	Debenture Application A/C	Dr.	10,500	
	Loss On Issue Of Debenture A/C	Dr.	1,000	
	To Securities Premium A/C			500
	To 8% Debentures A/C			10,000



	i	i
To Premium On Redemption A/C		1,000
(Debenture Application Money Transferred To Debenture Account)		

P.15. Journal Entries In The Books Of Koinal Chemicals Ltd.

Particulars	Debit	Credit
	Amount (` Lakhs)	Amount (` Lakhs)
Bank A/C Dr.	400	
To Debenture Application A/C		400
(Debenture Application Money Received)	_	
Debentures Application A/C Dr.	400	
To 10% Debentures A/C		400
(Debenture application money transferred to 10% debenture		
account consequent upon allotment)		
Debenture allotment A/c Dr	. 700	
To 10% Debentures A/c		600
To Securities Premium A/c		
100		
(Call made on allotment of debenture including premium)		
Bank A/c Dr		700
To Debenture Allotment A/c		700
(Money received consequent upon allotment)		

P.16. In the books of Riya Company Ltd. Journal Entries

Date	Particulars		Dr.	Cr.
			₹	₹
(a)	Bank A/c	Dr.	45,00,000	
	To Debentures Application A/c			45,00,000
	(Being the application money received on 10,000 debentures @ ₹ 450 each)			
	Debentures Application A/c	Dr.	45,00,000	
	Discount on issue of Debentures A/c	Dr.	5,00,000	
	To 14% Debentures A/c			50,00,00
				0
	(Being the issue of 10,000 14% Debentures @ 90% as per Board₹s			
	Resolution Nodated)			
(b)	Fixed Assets A/c	Dr.	20,00,000	
(5)	To Vendor A/c	J .	20,00,000	20,00,00
	TO VEHICUT A/C			20,00,00



	(Being the purchase of fixed assets from vendor)			0
	Vendor A/c	Dr.	20,00,000	
	Discount on Issue of Debentures A/c	Dr.	5,00,000	
	To 14% Debentures A/c			25,00,00 0
	(Being the issue of debentures of ₹ 25,00,000 to vendor to satisfy his claim)			
(c)	Bank A/c To Bank Loan A/c (See Note)	Dr.	20,00,000	20,00,00
	(Being a loan of $₹$ 20,00,000 taken from bank by issuing debentures of $₹$ 25,00,000 as collateral security)			_

Note: No entry is made in the books of account of the company at the time of making issue of such debentures. In the "Notes to Accounts" of Balance Sheet, the fact that the debentures being issued as collateral security and outstanding are shown by a note under the liability secured.

P.17. Books of Suvidha Ltd.

Journal

Machinery A/c	Dr.	1,98,000	
To Hemant Ltd.			1,98,000
(Machinery purchased)			
Case(i) When debentures are issu	ed at par:		
Hemant Ltd.	Dr.	1,98,000	
To 12% Debentures A/c			1,98,000
(12% Debentures issued to Heman	t Ltd.)		
Case(ii) When debentures are issu	ued at 10% discount:		
Hemant Ltd.	Dr.	1,98,000	
Discount on Issue of Debentures	S A/c Dr.	22,000	
To 12% Debentures A/c			2,20,000
(12% Debentures issued to Heman	nt Ltd. at 10% discount)		
Case(iii) When debentures are issu	ued at 10% premium:		
Hemant Ltd.	Dr.	1,98,000	
To 12% Debentures A/c			1,80,000
To Premium on Issue of Debe	ntures A/c		18,000
(12% Debentures issued to Heman	t Ltd. at 10% premium)		



Workings

(a) Number of debentures issued in case of 10% discount:

Face value 100 Less: Discount 10% 10 Value at which issued 90 ₹ 1,98,000/90 = 2,200 Debentures

(b) Number of debentures issued in case of 10% premium:

(₹) 100 Face value Add: Premium 10% 10 Value at which issued 110

₹1,98,000/110 = 1,800 Debentures

P.18. Books of Pihu Ltd.

Journal

Particulars	L.F.	Debit	Credit
		(₹)	(₹)
Bank A/c	Dr.	20,00,00,000	
To Debenture Application A/c			20,00,00,000
(Debenture application money received)			
Debenture Application A/c	Dr.	20,00,00,000	
To 9% Debentures A/c			20,00,00,000
(Application money transferred to 9% debentures account			
consequent upon allotment)			
Debenture allotment A/c	Dr.	25,00,00,000	
Discount on issue of debentures A/c	Dr.	5,00,00,000	
To 9% Debentures A/c			30,00,00,000
(Amount due on allotment)			
Bank A/c	Dr.	25,00,00,000	
To Debenture Allotment A/c			25,00,00,000
(Money received consequent upon allotment)			

P.19. 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 Ratio in which discount Amount of discount to be Outstanding to be written-off 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

P.20. 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

P.21. In the books of Y Company Ltd. Journal Entries

Date	Particulars		Dr. ₹	Cr. ₹
(i)	Fixed Assets A/c	Dr.	13,00,000	
	To Vendor A/c			13,00,000



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	(Being the purchase of fixed assets from vendor)			
	Vendor A/c	Dr.	13,00,000	
	Discount on Issue of Debentures A/c	Dr.	2,00,000	
	To 12% Debentures A/c			15,00,000
	(Being the issue of debentures of ₹ 15,00,000 to vendor to satisfy his claim)			
(ii)	Bank A/c	Dr.	27,00,000	
	To Debentures Application A/c			27,00,000
	(Being the application money received on 5,000 debentures			
	@ ₹ 540 each)			
	Debentures Application A/c	Dr.	27,00,000	
	Discount on issue of Debentures A/c	Dr.	3,00,000	
	To 12% Debentures A/c			30,00,000
	(Being the issue of 5,000 12% Debentures @ 90% as per Board₹s Resolution Nodated)			
(iii)	Bank A/c	Dr.	14,00,000	
	To Bank Loan A/c (See Note)			14,00,000
	(Being a loan of ₹14,00,000 taken from bank by issuing			
	debentures of ₹15,00,000 as collateral security)			

Note: In the Balance Sheet the fact that the debentures being issued as collateral security and outstanding are shown under the respective liability



11

Bonus & Right Issue

BONUS ISSUE

P.1. Journal Entries in the books of Bharat Ltd.

Particulars		Dr.₹	Cr.₹
Capital Redemption Reserve A/c.	Dr.	55,000	
Securities Premium A/c.	Dr.	30,000	
General Reserve A/c.	Dr. (Bal. Fig.)	15,000	
To Bonus to Shareholders A/c. (WN	To Bonus to Shareholders A/c. (WN. 2)		
(Being Bonus issue of one share for	every four shares held by		
utilising various reserves)			
Bonus to Shareholders A/c.	Dr.	1,00,000	
To Equity Share Capital A/c.			1,00,000
(Being Bonus Shares allotted)			

Working Note

- 1. Number of Bonus shares to be issued- $(40,000 \text{ shares } / 4) \times 1 = 10,000$
- 2. shares Value of Bonus shares- 10,000 shares of ₹ 10 each = ₹ 1,00,000

P.2. Journal Entries

			₹	₹
(a)	General Reserve A/c	Dr.	1,25,000	
	To Bonus to shareholders A/c			1,25,000
	(For making provision of bonus issue)			
	Share Final Call A/c		1,25,000	
	To Equity share capital A/c			1,25,000
	(For final calls of ₹ 2.5 per share on 50,000 equity			
	shares)			
	Bonus to shareholders A/c	Dr.	1,25,000	
	To Share Final Call A/c			1,25,000
	(For bonus money applied for call)			
(b)	General Reserve A/c	Dr.	5,00,000	
	To Bonus to shareholders A/c			5,00,000

(For making provision of bonus issue)			
Bonus to shareholders A/c	Dr.	5,00,000	
To Equity share capital A/c			5,00,000
(For issue of 50,000 bonus shares at ₹ 10)			

P.3. Journal Entries in the books of Preet Ltd.

Date	Particulars		₹	₹
1-4-2021	Equity share final call A/c	Dr.	2,70,000	
	To Equity share capital A/c			2,70,000
	(For final calls of ₹ 2 per share on 1,35,000 equity			
	shares)	_		
20-4-2021	Bank A/c	Dr.	2,70,000	
	To Equity share final call A/c			2,70,000
	(For final call money on 1,35,000 equity shares			
	received)	_		
	Securities Premium A/c	Dr.	37,500	
	Capital Redemption Reserve A/c	Dr.	60,000	
	General Reserve A/c	Dr.	1,80,000	
	Profit and Loss A/c	Dr.	60,000	
	To Bonus to shareholders A/c			3,37,500
	(For making provision for bonus issue of one share			
	for every four shares held)			
	Bonus to shareholders A/c	Dr.	3,37,500	
	To Equity share capital A/c			3,37,500
	(For issue of bonus shares)			

Extract of Balance Sheet as at 30th April, 2021 (after bonus issue)

Particulars	₹
Authorised Capital	
15,000 12% Preference shares of ₹10 each	1,50,000
1,68,750 Equity shares of ₹10 each	16,87,500
Issued and subscribed capital	1,20,000
12,000 12% Preference shares of ₹10 each, fully paid	16,87,500
1,68,750 Equity shares of ₹10 each, fully paid	
(Out of above, 33,750 equity shares @ ₹10 each were issued by way of bonus)	
Reserves and surplus	
Profit and Loss Account	2,40,000



Working Notes:

1. Number of Bonus shares to be issued-

₹

 $(1,35,000 \text{ shares } / 4) \times 1 = 33,750 \text{ shares}$

2. The authorised capital should be increased as per details given below:

Existing issued Equity share capital	13,50,000
Add: Issue of bonus shares to equity shareholders	3,37,500
	16,87,500

P.4. Journal Entries in the books of Saral Ltd.

	Particulars		Debit (₹)	Credit (₹)
1.	Capital Redemption Reserve A/c	Dr.	70,000	
	Security Premium A/c.	Dr.	40,000	
	General Reserve A/c	Dr.	40,000	
	To Bonus to Equity Shareholders A/c			1,50,000
	(Being appropriation made to issue Bonus Shares at			
	1 Share for every 3 shares held, i.e. Total Bonus Va	lue:		
	1,50,000)		1,50,000	
2.	Bonus to Equity Shareholders A/c	Dr.		1,50,000
	To Equity Share Capital A/c			
	(Being the issue of 1,500 Shares by way of Bonus)			

P.5. Journal Entries in the books of Manoj Ltd.

Date	Particulars		Debit (₹)	Credit (₹)
1-4-2011	Equity share final call A/c	Dr.	5,40,000	
	To Equity share capital A/c			5,40,000
	(For final calls of ₹ 2 per share on 2,70,000 equity			
	shares			
20 4 2011	Bank A/c	-	5 40 000	
20-4-2011		Dr.	5,40,000	E 40 000
	To Equity share final call A/c			5,40,000
	(For final call money on 2,70,000 equity shares			
	received)	_		
	Securities Premium A/c	Dr.	75,000	
	Capital redemption reserve A/c	Dr.	1,20,000	
	General Reserve A/c	Dr.	3,60,000	
	Profit and Loss A/c (b.f.)	Dr.	1,20,000	
	To Bonus to shareholders A/c			6,75,000
	(For making provision for bonus issue of one share			
	for every four shares held)	_		



Bonus to shareholders A/c	Dr.	6,75,000	
To Equity share capital A/c			6,75,000
(For issue of bonus shares)			

2018 Extract of Balance Sheet as at 30th April, 20X1

Particulars	₹
Authorised Capital	
30,000 12% Preference shares of ₹ 10 each	3,00,000
4,00,000 Equity shares of ₹ 10 each	40,00,000
Issued and subscribed capital	
24,000 12% Preference shares of ₹₹10 each, fully paid	2,40,000
3,37,500 Equity shares of ₹ 10 each, fully paid	33,75,000
(Out of the above, 67,500 equity shares @ ₹ 10 each were issued by way of bonus	
shares)	
Reserves and surplus	
Profit and Loss Account	4,80,000

Working Note:

1. Number of bonus shares to be issued- 2,70,000/4 X1= 67,500 shares

2. The authorised capital should be increased as per details given below:

Existing issued Equity share capital 27,00,000

6,75,000

33,75,000

₹

P.6. Journal Entries in the books of Star Ltd.

2010			Dr.	Cr.
2019			₹	₹
April 1	Equity Share Final Call A/c	Dr.	1,60,000	
	To Equity Share Capital A/c			1,60,000
	(Final call of ₹ 2 per share on 80,000 equity			
	shares made due)			
	Bank A/c	Dr.	1,60,000	
	To Equity Share Final Call A/c			1,60,000
	(Final call money on 80,000 equity shares			
	received)			



June 1	Capital Redemption Reserve A/c	Dr.	75,000	
	Capital Reserve (Note 1)	Dr.	45,000*	
	Securities Premium A/c General	Dr.	60,000	
	Reserve A/c (b.f.) To Bonus to Shareholders A/c	Dr.	1,40,000**	
	(Bonus issue of two shares for every five shares held, by utilizing various reserves as per Board's resolution dated)			3,20,000
	Bonus to Shareholders A/c To Equity Share Capital A/c (Capitalization of profit)	Dr.	3,20,000	3,20,000

Note:

1. Capital Reserve realised in cash can be utilised for bonus issue.

P.7. Journal Entries in the books of Mars Ltd.

2021			Dr.	Cr.
2021			₹	₹
April 1	Equity Share Final Call A/c	Dr.	8,00,000	
	To Equity Share Capital A/c			8,00,000
	(Final call of ₹ 2 per share on 4,00,000 equity shares made due)			
April 25	Bank A/c	Dr.	8,00,000	
	To Equity Share Final Call A/c			8,00,000
	(Final call money on equity shares received)			
May 1	Capital Redemption Reserve A/c	Dr.	2,40,000	
	Securities Premium A/c	Dr.	2,75,000	
	General Reserve A/c Profit and	Dr.	1,60,000	
	Loss A/c	Dr.	3,25,000	
	To Bonus to Shareholders A/c			10,00,000
	(Bonus issue of one shares for every four shares held, by utilising various reserves			
	Bonus to Shareholders A/c	Dr.	10,00,000	
	To Equity Share Capital A/c			10,00,000
	(Capitalisation of profit)			



June 20	Bank A/c	Dr.	24,00,000	
June 20	To Securities Premium A/c			4,00,000
	To Equity Share Capital A/c			20,00,000
	(Being Rights issue of 2 shares for every 5 shares			
	held)			

RIGHT ISSUE

P.8. Ex-right value of the shares

- = (Cum-right value of the existing shares + Rights shares x Issue Price) / (Existing No. of shares + No. of right shares)
- = (₹ 200 X 5 Shares + ₹ 125 X 1 Share) / (5 + 1) Shares
- = ₹1,125 / 6 shares = ₹187.50 per share.

Value of right = Cum-right value of the share - Ex-right value of the share = ₹200 - ₹187.50 = ₹12.50 per share.

P.9. Ex-right value of the shares

- = (Cum-right value of the existing shares + Rights shares x Issue Price) / (Existing No. of shares + No. of right shares)
- = $(₹ 360 \times 2 \text{ Shares} + ₹ 180 \times 1 \text{ Share}) / (2 + 1) \text{ Shares}$
- = ₹900 / 3 shares = ₹300 per share.

Value of right = Cum-right value of the share - Ex-right value of the share = ₹360 - ₹300 = ₹60 per share.

Hence, any one desirous of having a confirmed allotment of one share from the company at ₹ 180 will have to pay ₹ 120 (2 shares x ₹ 60) to an existing shareholder holding 2 shares and willing to renounce his right of buying one share in favour of that person.



12

Redemption of Preference Share

P.1. In the books of Hinduja Company Ltd. Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	5,00,000	
	To Equity Share Capital A/c			5,00,000
	(Being the issue of 50,000 Equity Shares of			
	₹10 each at par for the purpose of redemption			
	of preference shares, as per Board Resolution			
	Nodated)			
	8% Redeemable Preference Share Capital A/c	Dr.	5,00,000	
	To Preference Shareholders A/c			5,00,000
	(Being the amount payable on redemption of			
	preference shares transferred to Preference			
	Shareholders Account)			
	Preference Shareholders A/c	Dr.	5,00,000	
	To Bank A/c			5,00,000
	(Being the amount paid on redemption of			
	preference shares)			

P.2. In the books of G India Limited Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	90,000	
	To Equity Share Capital A/c			90,000
	(Being the issue of 10,000 Equity Shares of ₹9 each at			
	par, as per Board's Resolution NoDated)			
	10% Redeemable Preference Shares Capital A/c	Dr.	90,000	
	To Preference Shareholders A/c		,	90,000
	(Being the amount payable on redemption of preference			
	shares transferred to Preference Shareholders A/c)			
	Preference Shareholders A/c	Dr.		
	To Bank A/c	O	90,000	90,000

(Being the amount paid on redemption of preference		
shares)		

P.3.

In the books of S Limited Journal Entries

Particulars	Dr.₹	Cr.₹
Preference Share capital A/c. Dr.	1,00,000	
Premium on redemption A/c. Dr.	10,000	1 10 000
To Preference share holder A/c.		1,10,000
(1000 fully paid preference shares are due for		
redemption)		
Bank A/c. Dr.	55,000	
To Equity share capital A/c.		50,000
To Security premium A/c.		5,000
(Equity shares issued at 10% premium)		
Bank A/c. Dr.	10,000	
To Debenture A/c.		10,000
(Debentures issued to raise finance)		
P & L A/c.Dr.	10,000	10.000
To Premium on redemption A/c.		10,000
(Premium payable on redemption is written off against		
P&L a/c)		
General reserve A/c. Dr.	50,000	
To Capital Redemption Reserve A/c.		50,000
(Redemption of ₹ 1,00,000 is out of proceeds of fresh		
issue ₹ 50,000 and balance ₹ 50,000 is out of profits		
hence CRR is created out of free profits)		
Preference Shareholders A/c Dr.	1,10,000	
To Bank A/c.		1,10,000
(Amount repaid to holder of 1,000 shares only @ 110/-)		

Notes:

1. Securities premium has not been utilized for the purpose of premium payable on redemption of preference shares assuming that the company referred in the question is governed by Section 133 of the Companies Act, 2013 and comply with the Accounting Standards prescribed for them.

Working Note:

1. Amount to be transferred to Capital Redemption Reserve Account

Particulars	₹
Face value of shares to be redeemed	1,00,000
Less: Proceeds from new issue (excluding Premium)	(50,000)



Balance 50,000

P.4. In the books of Dheeraj Limited Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	4,00,000	
	To Equity Share Capital A/c			4,00,000
	(Being the issue of 40,000 equity shares of ₹ 10 each			
	at par as per Board's resolution Nodated)			
	Bank A/c	Dr.	2,00,000	
	To 12% Debenture A/c			2,00,000
	(Being the issue of 2,000 Debentures of ₹ 100 each as per Board/s Resolution No Dated)			
	10% Redeemable Preference Share Capital A/c	Dr.	5,00,000	
	Premium on Redemption of Preference Shares A/c	Dr.	50,000	
	To Preference Shareholders A/c			5,50,000
	(Being the amount payable on redemption			
	transferred to Preference Shareholders Account)			
	Preference Shareholders A/c	Dr.	5,50,000	
	To Bank A/c			5,50,000
	(Being the amount paid on redemption of preference shares)			
	Profit & Loss A/c	Dr.	50,000	
	To Premium on Redemption of Preference Shares			50,000
	(Being the adjustment of premium on redemption against Profits & Loss Account)			
	Profit & Loss A/c	Dr.	1,00,000	
	To Capital Redemption Reserve A/c (Working Note)			1,00,000
	(Being the amount transferred to Capital Redemption			
	Reserve Account as per the requirement of the Act)			

Working Note:

1. Amount to be transferred to Capital Redemption Reserve Account

Particulars	₹
Face value of shares to be redeemed	5,00,000
Less: Proceeds from new issue (excluding Premium)	(4,00,000)



Balance	1,00,000
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P.5.

In the books of Sterling Limited

Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
	Preference share capital A/c. Dr.	10,00,000	
	Premium on redemption A/c. Dr.	2,50,000	
	To Preference shareholder A/c.		12,50,000
	(Preference shares due for redemption at 25% premium)		
	Bank A/c. Dr.	7,00,000	
	To Equity share capital A/c.		5,00,000
	To Security premium A/c.		2,00,000
	(Equity shares issued at 40% premium)		
	P&LA/c. Dr.	2,50,000	
	To Premium on redemption A/c.		2,50,000
	(Premium payable on redemption is written off against P&L		
	a/c)		
	P&LA/c. Dr.		
	To Capital Redemption Reserve A/c.	5,00,000	
	(Redemption of ₹ 10,00,000 is out of proceeds of fresh		5,00,000
	issue₹5,00,000 and balance₹5,00,000 is out of profits		
	hence CRR is created out of free profits)		
	Preference shareholder A/c. Dr.		
	To Bank A/c.	12,50,000	
	(Amount due is paid to preference shareholders)		12,50,000

Notes:

1. Securities premium has not been utilized for the purpose of premium payable on redemption of preference shares assuming that the company referred in the question is governed by Section 133 of the Companies Act, 2013 and comply with the Accounting Standards prescribed for them.

Working Note:

1. Amount to be transferred to Capital Redemption Reserve Account

Particulars	₹
Face value of shares to be redeemed	10,00,000
Less: Proceeds from new issue (excluding Premium)	(5,00,000)
Balance	5,00,000

P.6.

In the books of ABC Limited

Journal Entries

Date	Particulars	Dr. (₹)	<i>C</i> r. (₹)
------	-------------	---------	-----------------



2022	10% Redeemable Preference Share Capital A/c	Dr.	1,50,000	
Jan 1	Premium on Redemption of Preference Shares		15,000	
	To Preference Shareholders A/c			1,65,000
	(Being the amount payable on redemption			
	transferred to Preference Shareholders Account)	_		
	Preference Shareholders A/c	Dr.	1,65,000	
	To Bank A/c			1,65,000
	(Being the amount paid on redemption of preference			
	shares)	_		
	General Reserve A/c	Dr.	1,00,000	
	Profit & Loss A/c	Dr.	50,000	
	To Capital Redemption Reserve A/c			1,50,000
	(Being the amount transferred to Capital Redemption			
	Reserve Account as per the requirement of the Act)			
	Profit & Loss A/c	Dr.	15,000	
	To Premium on Redemption of Preference Shares			15,000
	(Being premium on redemption charged to Profit and Loss A/c)			

Note: Capital reserve cannot be utilized for transfer to Capital Redemption Reserve.

P.7. In the books of Clean Limited Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	75,000	
	To Share Application A/c			75,000
	(For application money received on 1,250 shares @ ₹ 60 per share)			
	Share Application A/c	Dr.	75,000	
	To Equity Share Capital A/c			62,500
	To Securities Premium A/c			12,500
	(For disposition of application money received)			
	Preference Share Capital A/c	Dr.	1,30,000	
	Premium on Redemption of Preference Shares A/c	Dr.	13,000	
	To Preference Shareholders A/c			1,43,000
	(For amount payable on redemption of preference shares)			
	Profit and Loss A/c	Dr.	13,000	



To Premium on Redemption of Preference Shares A/c (For writing off premium on redemption out of profits)			13,000
Bank A/c	_ Dr.	30,000	
Profit and Loss A/c (loss on sale) A/c	Dr.	7,000	
To Investment A/c			37,000
(For sale of investments at a loss of ₹ 3,500)	_		
Preference Shareholders A/c	Dr.	1,43,000	
To Bank			1,43,000
(Being amount paid to Preference shareholders)			
Profit and Loss A/c	Dr.	67,500	
To Capital Redemption Reserve A/c			67,500
(For transfer to CRR out of divisible profits an amount			
equivalent to excess of nominal value of preference shares	}		
over proceeds (face value of equity shares) i.e., 3	:		
1,30,000 - ₹ 62,500)			

Notes:

1. Securities premium has not been utilized for the purpose of premium payable on redemption of preference shares assuming that the company referred in the question is governed by Section 133 of the Companies Act, 2013 and comply with the Accounting Standards prescribed for them.

Balance Sheet of Clean Ltd. (after redemption)

	Particulars	Notes No.	₹
	Equity & Liabilities		
1.	Shareholders' funds		
	a) Share capital	1	5,12,500
	b) Reserves and Surplus	2	88,500
2.	Current liabilities		
	Trade Payables		1,13,000
	Total		7,14,000
	Assets		
1.	Non-Current Assets		
	Property Plant and Equipment		6,90,000
2.	Current Assets		
	Cash and cash equivalents (bank)	3	24,000
	Total		7,14,000

Notes to accounts



	Particulars	₹
1.	Share Capital	
	Equity share capital ₹ (4,50,000 + 62,500)	5,12,500
2.	Reserves and Surplus	
	Capital Redemption Reserve	67,500
	Profit and Loss Account ₹ (96,000 - 13,000 - 7,000 - 67,500)	8,500
	Security Premium	12,500
		88,500
3.	Cash and cash equivalents	
	Balances with banks ₹ (62,000 + 75,000 +30,000 - 1,43,000)	24,000

Working Note:

_			
(1)	Preference share capital	=	1,30,000
	(+) Premium on Redemption (10%)	=	13,000
	Cash required to pay	=	1,43,000
	Arranged by selling investment	=	(-) 30,000
	Available bank balance (62,000 - 24,000)		(-) 38,000
	Cash to be arranged by issuing share	=	75,000
	Face value = 50 & Issue Price = 60,		
	Number of share to be issued = 75,000 / 60	=	1250
	Share capital (1,250 x 50) = 62,500		Shares
	Security premium $(1,250 \times 50) = 12,500$		75,000
(2)	Preference share capital to be redeemed	=	1,30,000
	Less: Proceeds from new issue (excluding Premium)	=	62,500
	Balance Redemption out of profit	=	67,500

In the books of Arpit Limited P.8.

Journal Entries

Date	Particulars		₹	₹
	10% Preference Share Final Call A/c	Dr.	6,00,000	
	To 10% Preference Share Capital A/c			6,00,000
	(For final call made on preference shares @ ₹ 20 each to make them fully paid up)			
	Bank A/c	Dr.	6,00,000	
	To 10% Preference Share Final Call A/c			6,00,000
	(For receipt of final call money on preference shares)			
	Bank A/c	Dr.	3,00,000	



To Equity Share Application A/c			3,00,0
(For receipt of application money on 1,50,000 equity shares			
@ ₹ 2 per share)			
Equity Share Application A/c	Dr.	3,00,000	
To Equity Share Capital A/c			3,00,0
(For capitalization of application money received)			
Equity Share Allotment A/c	Dr.	10,50,000	
To Equity Share Capital A/c			7,50,0
To Securities Premium A/c			3,00,0
(For allotment money due on 1,50,000 equity shares @ $₹$ 7			
per share including a premium of ₹ 2 per share)			
Bank A/c	Dr.	10,50,000	
To Equity Share Allotment A/c			10,50,0
(For receipt of allotment money on equity shares)			
10% Preference Share Capital A/c	Dr.	30,00,000	
Premium on Redemption of Preference Shares A/c	Dr.	3,00,000	
To Preference Shareholders A/c			33,00,0
(For amount payable to preference shareholders on			
redemption at 10 % premium)			
General Reserve A/c	Dr.	3,00,000	
To Premium on Redemption A/c			3,00,0
(Writing off premium on redemption of preference shares)			
General Reserve A/c	Dr.	19,50,000	
To Capital Redemption Reserve A/c			19,50,0
(For transfer of CRR the amount not covered by the			
proceeds of fresh issue of equity shares i.e., 30,00,000 -			
3,00,000 - 7,50,000)			
Preference Shareholders A/c	Dr.	33,00,000	
To Bank A/c			33,00,0
(For amount paid to preference shareholders)			

Balance Sheet Extract

		Particulars	Notes		As at
			No.	31.3.2020	31.12.2019
				₹	₹
	EG	UITY AND LIABILITIES			



1.	Shareholders' funds				
	a)	Share capital	1	70,50,000	84,00,000
	b)	Reserves and Surplus	2	59,00,000	59,00,000

Notes to Accounts:

		As at	As at
		31.3.2020	31.12.2019
1.	Share Capital		
	Issued, Subscribed and Paid up:		
	6,00,000 Equity shares of ₹ 10 each fully paid up	60,00,000	60,00,000
	1,50,000 Equity shares of ₹10 each ₹ 7 paid up	10,50,000	-
	30,000, 10% Preference shares of ₹ 100 each,	-	24,00,000
	₹80 paid up		
		70,50,000	84,00,000
2.	Reserves and Surplus		
	Capital Redemption Reserve	37,50,000	18,00,000
	Securities Premium	9,00,000	6,00,000
	General Reserve	12,50,000	35,00,000
		59,00,000	59,00,000

Notes:

- 2. Securities premium has not been utilized for the purpose of premium payable on redemption of preference shares assuming that the company referred in the question is governed by Section 133 of the Companies Act, 2013 and comply with the Accounting Standards prescribed for them.
- 3. Amount received (excluding premium) on fresh issue of shares till the date of redemption should be considered for calculation of proceeds of fresh issue of shares. Thus, proceeds of fresh issue of shares are \$10,50,000 (\$3,00,000 application money plus \$7,50,000 received on allotment towards share capital) and balance \$19,50,000 to taken from general reserve account.

P.9. In the books of Neeraj Limited Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	1,26,750	
	To Equity Share Capital A/c			1,26,750
	(Being the issue of 12,675 Equity Shares of			
	₹ 10 each as per Board's Resolution No dated)			
	9% Redeemable Preference Share Capital A/c	Dr.	3,00,000	
	Premium on Redemption of Preference Shares A/c	Dr.	30,000	



To Preference Shareholders A/c			3,30,00
(Being the amount paid on redemption transferred to			
Preference Shareholders Account)			
Bank A/c	Dr.	60,750	
Profit and Loss A/c (loss on sale) A/c	Dr.	6,750	
To Investment A/c			67,5
(Being investment sold at loss of ₹ 6,750)			
Preference Shareholders A/c	Dr.	3,30,000	
To Bank A/c			3,30,0
(Being the amount paid on redemption of preference			
shares)			
Profit & Loss A/c	Dr.	30,000	
To Premium on Redemption of Preference Shares A/c			30,0
(Being the premium payable on redemption is adjusted			
against Profit & Loss Account)			
General Reserve A/c	Dr.	1,20,000	
Profit & Loss A/c	Dr.	53,250	
To Capital Redemption Reserve A/c			1,73,2
(Being the amount transferred to Capital Redemption			
Reserve Account)			

Balance Sheet as at 31.3.2021[Extracts]

	Particulars	Notes No.	₹
	EQUITY AND LIABILITIES		
1.	Shareholders' funds		
	a Share capital	1	5,76,750
	b Reserves and Surplus	2	2,55,750
	ASSETS		
2.	Current Assets		
	Cash and cash equivalents		
	(2,92,500 + 1,26,750+ 60,750 - 3,30,000)		1,50,000

Notes to Accounts:

1.	Share Capital	
	57,675 Equity shares (45,000 + 12,675) of ₹10 each fully paid up	5,76,750
2.	Reserves and Surplus	
	General Reserve	60,000



Profit and loss account	NIL
Capital Redemption Reserve	1,73,250
Investment Allowance Reserve	22,500
2	2,55,750

Working Note:

Number of Shares to be issued for redemption of Preference Shares:

Face value of shares redeemed ₹ 3,00,000

Less: Profit available for distribution as dividend:

General Reserve: ₹ (1,80,000-60,000) ₹ 1,20,000

Profit and Loss

(90,000 less 30,000 set aside for

adjusting premium payable on redemption of Pref. shares

less 6,750 loss on sale of investments) ₹ 53,250

₹ 1,26,750

Therefore, No. of shares to be issued = ₹1,26,750/₹10 = 12,675 shares



13

Redemption of Debenture

P.1.

Journal of Libra Ltd

Journal of Libra Lia					
Date	Particulars	Dr.	Cr.	Calculations	
1.5.11	Bank A/c Dr. To Debenture Application A/c (Debentures application money received)	1,50,00,000	1,50,00,000	1,50,000 × 100	
	.,				
1.6.11	Debenture Application A/c Dr.	1,50,00,000			
	To Debenture A/c		1,50,00,000		
	(Debentures allotted to applicants)				
	Underwriter A/c Dr.	50,00,000		50,000 × 100	
	To Debenture A/c		50,00,000		
	(Debentures not subscribed by public allotted to underwriter)				
	Underwriting Commission A/c Dr.	4,00,000		2,00,00,000 x 2%	
	To Underwriter A/c		4,00,000		
	(Commission due to underwriter)				
	Profit & Loss A/c. Dr.	8,00,000		2,00,000 x 100 x	
	To Debenture Redemption Reserve A/c.		8,00,000	10% × 40%	
	(Being Debenture Redemption Reserve created on non-convertible debentures)				
	Debenture Redemption Investment Dr.	12,00,000		200 000 V 100 ··	
	To Bank A/c	12,00,000	12,00,000	200,000 X 100 x 15% X 40%	
	(Being Investments made for redemption purpose)			13% × 40%	
	Bank A/c Dr.	46,00,000			
	To Underwriter A/c		46,00,000		
	(Net dues recovered from underwriter)				
30.9.11	Debenture interest A/c Dr.	10,00,000			
	To Bank A/c		10,00,000	2,00,00,000 x	
	(Half yearly interest for 1st 4 month paid)			15% × 4/12	
1.12.11	Debenture Capital A/c Dr.	1,20,00,000			
	To Equity Share Capital A/c		20,00,000	1/6 × 1,20,00,000	
	To Security Premium A/c		1,00,00,000	5/6 × 1,20,00,000	

31.3.13	(60% portion of debenture i.e. ₹ 60 each converted into equity share of ₹10 each at a premium of ₹ 50) Debenture Interest A/c Dr. To Bank A/c (Half yearly interest paid) $ \left(2,00,00,0000\times15\%\times\frac{1}{12}\right) + \left(80,00,000\times15\%\times12\right) = 2,50,000 + 5,00,000 = 7,50,000 $	$7,50,000$ $\% \times \frac{5}{12}$	7,50,000	October month interest is applicable on 2 crore thereafter 5 months int on 80 lakhs.
	Security Premium A/c Dr. To Underwriting Comm. A/c	4,00,000	4,00,000	
	(Underwriting commission written off against share premium a/c)		1,00,000	
	Profit & Loss A/c Dr.	17,50,000		10,00,000 +
	To Debenture Interest A/c		17,50,000	7,50,000
	(Debenture interest transferred to P&L a/c)			

P.2. Calculation of number of Equity Shares to be allotted

Particulars Particulars	No. of
r di Hedidi S	Debentures
Total number of debentures	40,000
Less: Debenture holders who did not opt for conversion	(5,000)
Debenture holders opted for conversion	35,000
Option for conversion	20%
Number of debentures to be converted (20% of 35,000)	7,000
Redemption value of 7,000 debentures at a premium of $5\% [7,000 \times (100 + 5)]$	₹ 7,35,000
Equity shares of $\stackrel{?}{_{\sim}}$ 10 each issued on conversion [$\stackrel{?}{_{\sim}}$ 7,35,000 / $\stackrel{?}{_{\sim}}$ 15] = 49,000	
shares	

CLASS QUESTIONS

C.5. Calculation of number of Equity Shares to be allotted

Particulars	No. of Debentures
Total number of debentures	20,000



Less: Debenture holders who did not opt for conversion	(2,500)
Debenture holders opted for conversion	17,500
Option for conversion	20%
Number of debentures to be converted (20% of 17,500)	3,500
Redemption value of 3,500 debentures at a premium of $5\% [3,500 \times (100 + 5)]$	₹ 3,67,500
Equity shares of ₹ 10 each issued on conversion [₹ 3,67,500 / ₹15] = 24,500	
shares	

C.7. [Similar to C.4]

Spices Ltd.

Balance Sheet as on 01.04.2018

		Particulars	Note No.	Figures as at the end of current reporting period
I.	Equ	ity and Liabilities		
	(1)	Shareholder's Funds		
		(a) Share Capital	1	1,10,000
		(b) Reserves and Surplus	2	91,000
	(2)	Non-Current Liabilities		
		(a) Long-term borrowings - Unsecured Loans		28,000
	(3)	Current Liabilities		
	(3)			10.000
		(a) Short-term borrowings		19,000
		Total		2,48,000
II.	Ass	ets		
	(1)	Non-current assets		
		Property Plant & Equipment		72,000
	(2)	Current assets		
		(a) Cash and cash equivalents		98,000
		(b) Other current assets		78,000
		Total		2,48,000

Notes to Accounts

	₹
1 Share Capital	
11,000 Equity Shares of ₹ 10 each	1,10,000



	(Out of above, 2000 shares issued to debentures holders who opted for conversion into shares)		
2	Reserve and Surplus		
	General Reserve	38,000	
	Add: Debenture Redemption Reserve transfer	35,000	
		73,000	
	Add: Profit on sale of investments	22,000	
		95,000	
	Less: Premium on redemption of debentures (1,200 $x \neq 5$)		89,000
	Securities Premium Account (2,000 x ₹ 1)	(6,000)	2,000
			91,000

Working Notes:

1. Calculation of number of shares to be allotted \fivet Total number of debentures 1,200 Less: Number of debentures not opting for conversion (200) $\fivet{1,000}$ 40% of 1,000 400 Redemption value of 400 debentures (400 x \fivet 55) \fivet 22,000

Number of Equity Shares to be allotted 22,000/11 = 2,000 shares of ₹ 10 each

2. Calculation of cash to be paid

Number of debentures

Less: Number of debentures to be converted into equity shares

(400)

800

Redemption value of 800 debentures (800 × ₹ 55) ₹ 44,000

3. Cash and Bank Balance

Balance before redemption

Add: Proceeds of investments sold

56,000

1,42,000



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Partnership

P.1. Journal Entries

2019	Particulars		Dr. (₹)	Cr. (₹)
Dec. 31	Profit and Loss Appropriation Account To	Dr.	6,000	
	B's Capital Account			6,000
	(Salary due to B @ ₹ 500 per month)			
	Profit and Loss Appropriation Account To	Dr.	3,000	
	A's Capital Account			1,800
	To B's Capital Account			1,200
	(Interest due on Capital @ 6% per month)			
	Profit and Loss Appropriation Account To	Dr.	16,000	
	A's Capital Account			10,000
	To B's Capital Account			6,000
	(Remaining profit of ₹ 16,000 divide between A and B in the			
	ratio of 5:3)			

P.2. Dr. A's Capital Account Cr.

2019	Particulars	₹	2019	Particulars	₹
Dec. 31	To Bank A/c- (Drawings)	8,000	Jan. 1	By Bank A/c	30,000
	To Balance c/d	33,800	Dec. 31	By Profit and Loss appropriation	
				A/c	
				Interest	1,800
				By Profit and Loss	
				appropriation A/c - (5/8 Profit)	10,000
		41,800			41,800
			2020		
			Jan. 1	By Balance b/d	33,800

Dr B's Capital Account Cr.

2019	Particulars	₹	2019	Particulars	₹
	To Cash - (Drawings)	10,000	Jan. 1	By Bank A/c	20,000
	To Balance c/d	23,200	Dec. 31	By Profit and Loss A/c	
				- Salary	6,000
				-Interest	1,200
				By Profit and Loss A/c	6,000
				- (3/8 Profit)	
		33,200			33,200
			2020		
			Jan. 1	By Balance b/d	23,200

P.3.

Profit & Loss (Appropriation) Account

2019		₹	2019		₹
Dec. 31	To Rahim's Current A/c		Dec. 31	By Net Profit	30,000
	Salary	4,800		By Sundries-Interest on	
	To Sundries-Interest on			Drawings:	
	Capitals:			Ram's Current A/c	
	Ram's Current A/c Rahim's	3,000		(6% on ₹ 8,000 for	0.40
	Current A/c	1,800		6 months)	240
	To Profit transferred to			Rahim's Current A/c	
	Ram's Current A/c (1/2)	10,470		(6% on ₹ 10,000 for	200
	Rahim's Current A/c (1/2)	10,470		6 months)	300
		30,540			30,540

P.4.

Ram's Capital Account

2019	Particulars	₹	2019	Particulars	₹
Dec. 31	To Balance c/d	50,000	Jan. 1	By Bank A/c	50,000
		50,000	2020		
			Jan. 1	By Balance b/d	
					50,000

Rahim's Capital Account

2019	Particulars	₹	2019	Particulars	₹
Dec. 31	To Balance c/d	30,000	Jan. 1	By Bank A/c	30,000
		30,000	2020		
			Jan. 1	By Balance b/d	
			0 4.1 2	,	30,000

Ram's Current Account

2019	Particulars	₹	2019	Particulars	₹
Dec. 31	(Drawings) To Profit and Loss appropriation		Dec. 31	By Profit and Loss appropriation A/c - Interest	3,000
	A/c - Interest on Drawings	240		By Profit and Loss appropriation A/c	
	To Balance c/d	5,230		1/2 profit	10,470
		13,470			13,470
			2020		
			Jan. 1	By Balance b/d	5,230

Rahim's Current Account

2019	Particulars	Particulars ₹ 2019 Particulars		Particulars	₹
	To Cash Bank A/c	10,000	Dec. 31	By Profit and Loss appropriation	



Dec. 31	(Drawings)			A/c	4,800
Dec. 51	To Profit and Loss			Salary	4,000
	appropriation A/c	300			1,800
	Interest on Drawings			Interest	-
	To Balance c/d	6,770		By Profit and Loss appropriation	
				A/c	
				Profit	10,470
		17,070			17,070
			2020		
			Jan. 1	By Balance b/d	6,770

P.5. Case1. When Guarantee is given by firm.

Profit and Loss Appropriation Account

For the year ending on 31st March, 2020

Particulars	₹	Particulars	₹
To A's Capital A/c (3/5 of ₹ 650,00,000) To B's Capital A/c (2/5 of ₹ 650,00,000)	3,90,00,000 2,60,00,000	By Profit and Loss, A/c	9,00,00,000
To C's Capital A/c (1/6 of ₹ 9,00,00,000 or ₹ 25,000,000 which ever is more	2,50,00,000		
	9,00,00,000		9,00,00,000

Case2. When Guarantee is given by A

Profit and Loss Appropriation Account

For the year ending on 31st March, 2020

Particulars		₹	Particulars	₹
To A's Capital A/c (3/6	of ₹ 9,00,00,000)		By Profit and Loss, A/c (net profits)	9,00,00,000
	4,50,00,000			
Less: Deficiency				
borne for C	(1,00,00,000)	3,50,00,000		
To B's Capital A/c (2/6	of ₹ 9,00,00,000)	3,00,00,000		
To C's Capital A/c (1/6	of ₹ 9,00,00,000)			
	1,50,00,000			
Add: Deficiency				
Recovery from A	1,00,00,000	2,50,00,000		
		9,00,00,000		9,00,00,000

Case 3. When Guarantee is given by A and B equally



Profit and Loss Appropriation Account

For the year ending on 31st March, 2020

Particulars		₹	Particulars	₹
To A's Capital A/c			By Profit and Loss, A/c (net profits)	9,00,00,000
(3/6 of ₹ 9,00,00,000)	4,50,00,000			
Less: Deficiency borne				
for C (1/2 of 1,00,00,000)	(50,00,000)	4,00,00,000		
To B's Capital A/c				
(2/6 of ₹ 9,00,00,000)	3,00,00,000			
Less: Deficiency borne	(50,00,000)	2,50,00,000		
for C (1/2 of 1,00,00,000)				
To C's Capital A/c	1,50,00,000			
(1/6 of ₹ 9,00,00,000)				
Add: Deficiency				
Recovery from A	50,00,000			
Add: Deficiency				
Recovery from B	50,00,000	2,50,00,000		
		9,00,00,000		9,00,00,000

P.6. In the Books of Aarti, Bharti and Criti Profit and Loss Appropriation A/c for the Year ended 31st March 2020

Particulars		₹	Particulars	₹
To salary to Criti		1,80,000	By Net Profit b/d	4,60000
To Interest on	capital			
Aarti	36,000			
Bharti	60,000	1,20,000		
Criti	24,000	60,000		
To Rent to Arth	ni			
To Net Profit t	ransferred to			
Aarti	30,000	1,00,000		
Bharti	40,000			
Criti	30,000			
		4,60,000		4,60,000

Partners' Capital Accounts

Particulars	Aarti	Bharti	Criti	Particulars	Aarti	Bharti	Criti
				By Balance b/d	3,00,000	5,00,000	2,00,000
				By Interest on Capital	36,000	60,000	24,000



To Drawings		1,20,000		By Salary			1,80,000	ı
				By Rent	60,000			ı
				By Profit and loss Appro.A/c	30,000	40,000	30,000	
To Balance c/d	4,26,000	4,80,000	4,34,000					ı
	4,26,000	6,00,000	4,34,000		4,26,000	6,00,000	4,34,000	ı

Working Notes:

Partners Drawings Account

Particulars	Aarti	Bharti	Criti	Particulars	Aarti	Bharti	Criti
To bank	60,000	1,20,000	1,80,000	By profit and loss A/c By Profit and loss Appro. A/c By Capital A/c	60,000	1,20,000	1,80,000
	60,000	1,20,000	1,80,000		60,000	1,20,000	1,80,000

P.7. Amount due to Ratan as a Chief

	₹
Salary	6,000
Add: Commission 4/104 (₹ 1,10,000 - ₹ 6,000)	4,000
	10,000
Less: Share of Profit as a partner (1/10th of 1,10,000)	(11,000)
Excess chargeable to Ram	(1,000)

Profit and Loss Appropriation Account for the year ended 31.12.2019

Particulars	₹	Particulars	₹
To Share of Profit A/c		By Profit and Loss A/c	
Ram [3/5 of (₹ 1,10,000 -		(Net profit)	1,10,000
₹ 10,000) - ₹ 1,000]	59,000		
Rahim [2/5 of (₹ 1,10,000 -			
₹ 10,000)]	40,000		
Ratan [1/10 of ₹ 1,10,000]	11,000		
	1,10,000		1,10,000

- P.8. In the absence of any agreement or partnership deed between partners, or if there is no provision in it indicating a contrary intention, the following provisions of the Partnership Act shall apply:
 - a) The Profit/Loss ratio will be equal;
 - b) Interest on partner's loan is to be allowed @ 6% p.a.



P.9. Let the total profit sharing ratio of the firm be 1

Share of C and D is
$$\frac{1}{5}$$
 and $\frac{1}{6}$ respectively.

Balance = $1 - (\frac{1}{5} + \frac{1}{6}) = 1 - \frac{11}{30} = \frac{19}{30}$

9.5 9.5

 $\overline{30}$ is to be shared equally by A and B in old ratio i. e. equal as $~~30^{\div}30$

New profit sharing ratio will be A:B:C:D

$$9.5 \quad \frac{2}{[30]} \times \frac{9.5}{^2} : [\frac{9.5}{^{30}} \times \frac{2}{^2}] : [\frac{5}{^2} \times \frac{1}{12}] : [\frac{7}{6} \times \frac{1}{10}]$$

P.10. Computation of New Profit Sharing Ratio

Particulars	Α	M	G	N	Total
1. Old Ratio	3 5	2 5			3:2
2. G admitted at 1/4th Share. Balance $1-\frac{1}{4}=\frac{3}{4}$ given to A and M in the ratio $\frac{3}{5}$ th and $\frac{2}{5}$	$\frac{3}{5} \times \frac{3}{4} = \frac{9}{20}$	$\frac{2}{5} \times \frac{3}{4} = \frac{6}{20}$	$\frac{1}{4} \times \frac{5}{5} = \frac{5}{20}$		9:6:5
3.N admitted at 20 paisa in a Rupee, i.e. 1/5th Share. Balance $1-\frac{1}{5}=\frac{4}{5}$ to A, M & G in 9: 6: 5	$\frac{9}{20} \times \frac{4}{5} = \frac{9}{25}$	$\frac{6}{20} \times \frac{4}{5} = \frac{6}{25}$	$\frac{5}{20} \times \frac{4}{5}$ $= \frac{5}{25}$	$\frac{1}{5} \times \frac{5}{5} = \frac{5}{25}$	9:6:5:5

P.11. Admission of Govind

Partners	Anil	Mukesh	Govind
Old Ratio	3	2	-
On Admission 1/4th to Govind			<u>1</u>
Balance 3/4th will be shared by Anil &			$\overline{4}$
Mukesh in their old ratio.			
	3 3 9	2 3 6	1 5 5
Therefore New Ratio	$\frac{1}{4} \times \frac{1}{5} = \frac{1}{20}$	$\frac{1}{5} \times \frac{1}{4} = \frac{1}{20}$	$\frac{1}{4} \times \frac{1}{5} = \frac{1}{20}$
	9	6	5
Alternative Calculation			
$\frac{1}{4}$ to Govind will come from Anil & Mukesh in	$\frac{1}{4} \times \frac{3}{5}$	$\frac{1}{4} \times \frac{2}{5}$	$\frac{1}{4} \times \frac{5}{5}$
their old ratio.			
	$=\frac{3}{20}$	$= \frac{2}{20} \\ = \frac{2}{2} - \frac{2}{2}$	$=\frac{5}{20}$
	$=\frac{3}{5}-\frac{3}{20}$	5 20	
Balance	$=\frac{9}{20}$	$=\frac{6}{20}$	r
			$=\frac{3}{20}$

Admission of Madan

Partners	Anil	Mukesh	Govind	Madan
Old Ratio	9	6	5	-



On Admission 1/5th to Madan				$\frac{1}{2}$
Balance 4/5th will be shared by				5
Anil, Mukesh, Govind in their old				
ratio				
Therefore New Ratio	$\frac{4}{5} \times \frac{9}{20}$	$\frac{4}{5} \times \frac{6}{20}$	$\frac{4}{5} \times \frac{5}{20}$	$\frac{1}{5} \times \frac{20}{20}$
	=\frac{36}{100}	=\frac{24}{100}	= 20 100	= <u>20</u> 100
	9	6	5	5

P.12. Old Profit Sharing Ratio = 3:2:1

A's Share (new) =
$$\frac{3}{6} + (\frac{1}{4} \times \frac{1}{6}) = \frac{9}{12}$$

C's Share (new) =
$$\frac{1}{6} + (\frac{1}{4} \times \frac{7}{6}) = \frac{3}{12}$$

Ratio A:
$$C = \frac{9}{12} : \frac{3}{12}$$
 = 3:1

P.13.

Cal	culation of Gaining Ratio of P & R	Р	R
A.	Their new shares (multiplying it by 9/9)	5/8 i.e. 45/72	3/8 i.e. 27/72
В.	Their old shares (multiplying it by 8/8)	4/9 i.e. 32/72	2/9 i.e. 16/72
С.	Difference (A—B) (Increase or gain)	13/72	11/72
D.	Gaining ratio of P & R =13:11		
Cal	culation of New Ratio of P, R & H	P	R
Α.	Their new shares after retirement	5/8 i.e. 25/40	3/8 i.e. 15/40
В.	Gifted by P	1/2 of 3/10=3/20 i.e. 6/40	
C.	Share sold to H (other than gift)	1/2 of 3/20=3/40	1/2 of 3/20 = 3/40
D.	New Shares after H's admission (A-B-C)	16/40	12/40
E.	New ratio of P, R & H	= 16/40:12/40:12/40	
		=16:12:12 = 4:3:3	

Special Note: If you make the base of ratios same, then you can directly add or minus the numerator. To change the base of any ratio multiply the numerator & denominator by same number.

P.14. Calculation of Ratio & Adjustment of Capital on Admission

Ratio of A & B = 3:2

C Admitted with $\frac{1}{5}$ Share acquired from A & B equally

$$\text{Acquired from A = } \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$$

$$\text{Acquired from B = } \frac{1}{5} \times \frac{1}{2} = \frac{1}{10}$$

Then new ratio will be



$$\frac{3}{\text{A's New Ratio}} = \frac{3}{5} - \frac{1}{10} = \frac{6}{10} - \frac{1}{10} = \frac{5}{10}$$

$$\frac{2}{3} - \frac{1}{3} = \frac{4}{3} - \frac{1}{3} = \frac{3}{3}$$

B's New Ratio = 5 10 10 10 10

$$\frac{1}{1} + \frac{1}{1} = \frac{2}{1}$$

C's new ratio = 10 10 10

∴ New Ratio = 5:3:2

Total Capital of the Firm on the basis of C's contribution = $35,000 \times 5 = 1,75,000$ Adjusted Capital of old partner

$$A = \frac{1,75,000}{10} \times 5 = 87,500$$

$$A = \frac{1,75,000}{10} \times 3 = 52,500$$

$$B = \frac{1,75,000}{10} \times 3 = 52,500$$
His Capital is 60,000 :. He is to be refunded Rs.7,500

Entry for Capital brought by A & Capital refunded to B

Cash / Bank A/c Dr.	7,500	
To A's A/c		7,500
B's A/c Dr.	7,500	
To Cash / Bank A/c		7,500

P.15.

Valuation of Goodwill by Super Profit Method. 1.

		Rs.
Average profit (Futu	re Maintainable Profit)	1,36,000
Less : Normal profit	@ 20% of (Rs.3,00,000+ Rs.2,00,000)	(1,00,000)
Super profit		36,000
Value of goodwill	= $5 \times \text{Super profit} = 5 \times \text{Rs. } 36,000 = \text{Rs. } 1,80,000$	
Value of goodwill of	the firm will be Rs. 1,80,000.	

Note: 5 years purchase means, goodwill is 5 times of super profit.

2. Valuation of Goodwill by Capitalisation method

Capitalised value of business =
$$\frac{\text{Average Profit}}{\text{Normal rate}} \times 100 = \frac{1,36,000}{20} \times 100 =$$



		Rs.
Capitalised value of business		6,80,000
Less: Actual capital employed - Shiv	3,00,000	
- Mohan	2,00,000	(5,00,000)
Value of goodwill of the firm will be		1,80,000



3. Valuation of Goodwill by Average Profits Method.

> = $3 \times \text{Average profit}$ = $3 \times \text{Rs.} 1,36,000$ = Rs. 4,08,000 Goodwill

Value of goodwill of the firm will be Rs. 4,08,000.

Note: 3 years purchase means goodwill is 3 times of Average Profit.

P.16. Journal Entries

Particulars	Dr (Rs.)	Cr (Rs.)
Goodwill A/c Dr.	2,40,000	
To A's Capital A/c		80,000
To B's Capital A/c		80,000
To C's Capital A/c		80,000
(Being the value of goodwill raised in the books, in old profit Sharing ratio)		
A's Capital A/c Dr.	1,00,000	
B's Capital A/c Dr.	80,000	
C's Capital A/c Dr.	60,000	
To Goodwill A/c		2,40,000
(Being the value of goodwill written off from the books of the firm, In new		
profit sharing ratio)		

Note: Alternatively, Capital accounts of partner A, B and partner C may be adjusted to give net effect of the above entries.

The Adjusting Journal entry would be

Particulars	Rs.	Rs.
A' Capital A/c Dr.	20,000	
To C's Capital A/c		20,000
(Being adjusting entry passed for goodwill, due to change in profit and loss sharing ratio, Gainer is debited & sacrificer is credited)		

P.17. When Goodwill is raised (i.e. goodwill a/c debited), credit is given to old partners in old ratio & when the same is written off (i.e. goodwill a/c credited), debit is given to new partners in new ratio.

Partners	R	5	Н
Old Ratio	248	186	-
Dividing by 62	4	3	
New Ratio	124	124	186
Say			
(Divided by 62)	2	2	3

P.18.

Journal Entries	
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Date	Particulars		L.F.	Dr.(Rs.)	Cr.(Rs.)
31.3.11	X's capital A/c	Dr.		39,000	
	Z's capital A/c	Dr.		33,000	
	To Y's capital A/c (3/9 x Rs. 2,16,000)				72,000
	(Being Y's share of goodwill adjusted in the capital accounts				
	of gaining partners in their gaining ratio 13:11 - Refer				
	Working Note.)				
	Cash A/c	Dr.		64,800	
	To W's capital A/c (3/10 x Rs. 2,16,000)				64,800
	(Being the amount of goodwill brought in by W)				
	W's capital A/c	Dr.		64,800	
	To X's capital A/c				43,200
	To Z's capital A/c				21,600
	(Being the goodwill credited to sacrificing partners in				
	their sacrificing ratio 2:1)				

Alternatively last two entries can be clubbed

Working Note:

1. Adjustment of Goodwill on Retirement of Y

Partner	X	У	Z
Credit in Old Ratio 4 : 3 : 2	96,000	72,000	48,000
Debit in New Ratio 5 : 3	1,35,000	-	81,000
Difference (Dr.=Gain & Cr.=Sacrifice)	Dr. 39,000	Cr. 72,000	Dr. 33,000

2. Adjustment of Goodwill on Admission of \boldsymbol{W}

Gain by W = $2,16,000 \times 3/10 64,800$

This is sacrificed by X & Z in 2:1 ratio.

P.19. Journal Entries

2020			Dr. (₹)	<i>C</i> r. (₹)
Jan. 1	Bank Account	Dr.	25,000	
	To Shyam's Capital Account			25,000
	(Being amount brought in by Shyam for capital and goodwill)			
	Bank Account	Dr.	10,000	
	To Ram's Capital Account			5,000
	To Mohan's Capital			5,000
	Account			
	(Being Shyam's share of goodwill adjusted to existing partners'			
	capitalaccounts in the profit sacrificing ratio 1:1)			
	Revaluation Account	Dr.	5,000	



To Plant and Machinery Account			3,00
To Provisions for Doubtful Debts			50
Account To Trade payables Account			1,50
(Being recording of the reduction in the value of assets and the			
liability			
which had been previously omitted)			
Building Account	Dr.	7,000	
To Revaluation Account			7,00
(Being increase in the value of building brought into account)			
Revaluation Account	Dr.	2,000	
To Ram's Capital Account			1,2
To Mohan's Capital			8
Account			
(Being profit on revaluation credited to Ram and Mohan in the old	4		
profit sharing ratio)			

Working Note:

Profit sacrificing ratio:

Ram = 3/5 less 1/2 1/10 Mohan = 2/5 less 3/10 = 1/10

Balance Sheet of Ram, Mohan and Shyam as at January 1, 2020

Liabilities	₹	₹	Assets	₹	₹
Trade payables		16,500	Buildings		25,000
Capital Accounts:			Plant and Machinery		12,000
Ram	26,200		Inventories		12,000
Mohan	30,800		Trade receivables	10,000	
Shyam	25,000	82,000	Less: Provision for		
			Doubtful Debts	(500)	9,500
			Bank	· · · · · · · · · · · · · · · · · · ·	40,000
		98,500			98,500

P.20. In the books of Leena, Meena and Neena

Profit & Loss Adjustment Account

Particulars	₹	Particulars	₹	
-------------	---	-------------	---	--



To Plant	5,000	By Building	30,000
To Debtors	400		
To Stock	600		
To Furniture	3,500		
To bills receivable	500		
To profit on			
revaluation Leena	8,000		
Meena	12,000		
	30,000		30,000

Partners' Capital A/c

Particulars	Leena	Meena	Neena	Particulars	Leena	Meena	Neena
To Goodwill	24,000	36,000		By Balance b/d	60,000	1,40,000	
(balance sheet)							
To Leena , Meena			20,000	By Bank			80,000
Goodwil adjustment							
entry							
				By Neena	8,000	12,000	
				By General Reserve	16,000	24,000	
				By Revaluation	8,000	12,000	
To Balance c/d	68,000	1,52,000	60,000				
	92,000	1,88,000	80,000		92,000	1,88,000	80,000

Balance Sheet as on 1st April 2020 (after admission)

Liabilities	₹	Assets	₹
Capital Accounts:		Building	90,000
Leena	68,000	Plant	40,000
Meena	152,000	Furniture	20,000
Neena	60,000	Debtors	38,000
Creditors	42,600	Bills Receivable	12,000
Bills Payable	17,400	Stock	42,000
		Bank	98,000
	3,40,000		3,40,000

P.21. In the books of Meta-Chem

Revaluation A/c



Liabilities		₹	Assets	₹
To Bad debts		3,210	By Factory Building	95,600
To R.D.D.		7,000	By Plant and Machinery	68,200
To Office Furniture		5,850		
To Inventory		7,740		
To Profit on revaluation				
Alpha	70000			
Beeta	70000	1,40,000		
		1,63,800		1,63,800

Partners' Capital A/c

Particulars	Alpha	Beeta	Gyama	Particulars	Alpha	Beeta	Gyama
				By balance b/d	3,00,000	2,00,000	
To Beeta			50,000	By Bank			2,50,000
				By Gyama		50,000	
To Bank		25,000		By General Reserve	90,000	90,000	
				By Workman comp.	30,000	30,000	
				fund			
To Balance c/d	4,90,000	4,15,000	2,00,000	By Revaluation A/c	70,000	70,000	
	4,90,000	4,40,000	2,50,000		4,90,000	4,40,000	2,50,000

Bank A/c

Particulars	₹	Particulars	₹
To balance b/d	44,200	By Beeta's	25,000
To Gyama's capital	2,50,000 capital By		2,69,200
	2,94,200	Balance c/d	2,94,200

Balance Sheet of Meta-Chem as on 1st April 2020 (after admission)

	Liabilities	₹	Assets		₹
Capital Accounts:			Factory Building		5,73,600
Alpha	4,90,000		Plant & Machinery		4,09,200
Beeta	4,15,000		Office Furniture		50,000
Gyama	2,00,000	11,05,000	Inventory		70,000
Term Loan from IDFC bank		2,78,000	Trade Receivables	1,40,000	
			Less: RDD	7,000	1,33,000



Trade Payables	1,22,000	Bank	2,69,200	
	15,05,000		15,05,000	ĺ

Working Note:

Partner	New Share		Old Share		Difference
Alpha	1/2	-	3/6	=	0
Beeta	1/2	-	2/6	=	1/6
Gyama		-	1/6 (gain)	=	1/6 (gain)

P.22. Repeat C.27

P.23. Repeat C.28

P.24.

Revaluation A/c

Particular	Rs.	Particular	Rs.
To Stock (overvalued)	60,000	By Land & building	1,00,000
To Provision for doubtful debts	5,000	By Investments	5,000
To Profit transferred to			
Amit's capital A/c	24,000		
Sumit's capital A/c	16,000		
	1,05,000		1,05,000

Partners' Capital Account

Particulars	Amit	Sumit	Puneet	Particulars	Amit	Sumit	Puneet
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Bank A/c	60,000	30,000	-	By Balance b/d	1,76,000	2,54,000	-
(Goodwill				By Puneets'			
Withdrawn)				Loan A/c	-	-	3,00,000
To Balance c/d				By Bank A/c	60,000	30,000	
(Adjusted capital	4,00,000	3,00,000	3,00,000	(Goodwill			
10,00,000 in 4:3:3)				Adjustment)			
				(W.N.2)			
				By Revaluation	24,000	16,000	-
				By General			
				Reserve A/c	18,000	12,000	
				By Bank A/c	1,82,000	18,000	-
				(Balancing			-
				figure)			
	4,60,000	3,30,000	3,00,000		4,60,000	3,30,000	3,00,000

Balance Sheet as on 1st April,2011

(After admission of a new partner - Puneet)

-				
	Liabilities	Amount	Assets	Amount



		Rs.			Rs.
Capital accounts			Land and building		
Amit	4,00,000		(3,20,000 + 1,00,000)		4,20,000
Sumit	3,00,000		Investments		55,000
Puneet	3,00,000	10,00,000	Debtors	3,00,000	
Creditors		50,000	Less: Provision for		
Employers' provident fund		10,000	doubtful debts	(15,000)	2,85,000
			Stock (1,10,000 - 60,000)		50,000
			Cash at bank (W.N. 3)		2,50,000
		10,60,000			10,60,000

Working Notes:

(1) Calculation of incoming partner's share, new profit sharing ratio and sacrificing ratio

	Amit	Sumit			
Old profit sharing ratio	3/5	2/5			
Surrendered by old partners to puneet	3/5 × 1/3 = 1/5	2/5 × 1/4 = 1/10			
Remaining share	3/5 - 1/5 = 2/5	2/5 - 1/10 = 3/10			
Puneet's total share in profits = 1/5 i.e. 2/10 + 1/10 = 3/10					
New profit sharing ratio of Amit: Sumit: Puneet = 2/5 i.e. 4/10: 3/10: 3/10 = 4:3:3					
Sacrificing ratio of Amit: Sumit is 1/5 i.e. 2/10: 1/10: or 2:1					

(2) Calculation of sharing of goodwill by old partners Goodwill of the firm was Rs. 3,00,000

Share of Puneet in goodwill = Rs. 3,00,000
$$\times \frac{3}{10} = Rs.90,000$$

Goodwill will be distributed among the old partners in their sacrificing ratio of 2:1 i.e. Rs. 60,000 to Amit and Rs. 30,000 to Sumit. Goodwill is contributed by Puneet in cash which is credited to sacrificing partner & the same is withdrawn by Amit & Sumit.

(3) Calculation of closing balance of bank account after admission

Bank A/c

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Balance b/d	50,000	By Amit's capital A/c (Goodwill)	60,000
To Amit &Sumit A/c (Goodwill)	90,000	By Sumit's capital A/c (Goodwill)	30,000
To Sumit's capital A/c	18,000	By Balance c/d	2,50,000
To Amit's capital A/c	1,82,000		
	3,40,000		3,40,000

P.25. Special note: Question requires that the value of reserves, assets & liabilities are not to be changed i.e. such undivided or unaccounted profit will continue to remain as it is in new firm. Hence we should find out, who are the gainer & sacrificer in the profit/loss on account of Reserves, Revaluation & Goodwill and adjust the same.

Memorandum Revaluation Account



Particulars	Rs.	Particulars	Rs.
To Stock	40,000	By Building	1,80,000
To Plant & machinery	1,20,000	By investments	20,000
To Provision for doubtful debts	15,000		
To Unrecorded liability	10,000		
To Profit on revaluation	15,000		
	2,00,000		2,00,000

Profit on account of Goodwill=1,05,000, Revaluation = 15,000 & Reserves = 9,00,000 thus totaling to Rs. 10,20,000 to be adjusted as follows:

Particulars	Α	В	С
Credit to old partners in old ratio i.e. 2:1	Cr. 6,80,000	<i>C</i> r. 3,40,000	
Debit to new partners in new ratio i.e. 2:1:1	Dr. 5,10,000	Dr. 2,55,000	Dr. 2,55,000
Difference (Dr. is Gain & Cr. is Sacrifice)	Cr. 1,70,000	<i>C</i> r. 85,000	Dr. 2,55,000

Adjustment entry for the above:

C A/c Dr. 2,55,000

To A A/c 1,70,000 To B A/c 85,000

Partners' Capital Accounts

Particulars	Α	В	С	Particulars	Α	В	С
To A & B A/c			2,55,000	By Balance b/d	10,00,000	5,00,000	_
To Balance c/d	11,70,000	5,85,000	5,85,000	By C A/c	1,70,000	85,000	
(Refer W.N.2)				By Bank (Bal. Fig.)			8,40,000
	11,70,000	5,85,000	8,40,000		11,70,000	5,85,000	8,40,000

Balance Sheet of newly reconstituted firm as on 31.12.2006

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Plant & Machinery	12,00,000
Α	11,70,000	Building	9,00,000
В	5,85,000	Sundry Debtors	3,00,000
С	5,85,000	Stock	4,00,000
Reserve Fund	9,00,000	Cash/Bank (1,00,000+8,40,000)	9,40,000
Sundry Creditors	4,00,000		
Bills payable	1,00,000		
	37,40,000		37,40,000

Working Notes:

1. Calculation of new profit and loss sharing ratio

 ${\it C}$ is given 1/4lh share in the new profit sharing ratio.

Therefore, remaining share will be $4/4 - \frac{1}{4} = \frac{3}{4}$ is for A & B

Since question is silent, this balance $\frac{3}{4}$ will be shared among A & B in their old proportion of 2:1

Hence Share of A will be = $3/4 \times 2/3 = 2/4$

Similarly Share of B will be = $3/4 \times 1/3 = 1/4$

& Thus New ratio will be between A, B, C = 2/4: 1/4: 1/4 = 2:1:1

2. Calculation of closing capital of C

Closing capitals of A & B after all adjustments are :



A=Rs.11,70,000 & B=Rs.5,85,000 i.e. total of A & B = Rs.17,55,000 for $\frac{3}{4}$ share.

Hence total capital of firm should be = =Rs.17,55,000/3 \times 4 = 23,40,000

Hence, C's closing capital should be = 23,40,000 X1/4 = Rs. 5,85,000 His account is already showing debit balance of Rs.2,55,000 hence C will have to contribute Rs.8,40,000

P.26.

1. Computation of Profit Sharing Ratio:

So, Dev's Share =
$$\frac{1}{.}$$
 So Balance Share = 1 - $\frac{1}{.}$ = $\frac{4}{.}$ So Balance Share = 1 - $\frac{1}{.}$ = $\frac{4}{.}$ = $\frac{4}{.}$ Amit's Share = $\frac{1}{.}$ × = $\frac{4}{.}$, Bhushan's Share = $\frac{1}{.}$ × = $\frac{4}{.}$, Charan's Share = $\frac{1}{.}$ × = $\frac{4}{.}$ 3 5 15

A: B: C: D = 4 : 4: 4: 3

2. Computation of Capital Balance

Capital brought in by D = Rs. 1,50,000 for 1/5th Share. So, Total Capital of the Firm = Rs. 1,50,000 × 5/1 =Rs. 7,50,000

Profit Sharing ratio	A (4/15)	B (4/15)	C (4/15)	D (3/15)
Capital to be maintained (Rs. 7,50,000 in 4:4:4:3) Less: Existing Capital	2,00,000 1,80,000		• •	
Additional Capital to be brought (adjusted through current account)	20,000	40,000	60,000	-

3. Memorandum Revaluation A/c

Particulars	Rs.	Particulars	Rs.
To Furniture (1,50,000 - 1,28,000)	22,000	By Machinery (2,06,000 - 1,50,000)	56,000
To Provision for Doubtful Debts (80,000×10%- 4,000)	4,000		
To Capital A/c (3:2:1)			
A 15,000			
B 10,000			
<i>C</i> 5,000	30,000		
Total	56,000	Total	56,000
To Machinery	56,000	By Furniture	22,000
		By Provision for Doubtful Debts	4,000
		By Capital A/c (4:4:4:3)	
		A 8,000	



		B 8,000 C 8,000 D 6,000	30,000
Total	56,000	Total	56,000

4. Partners' Capital A/c

Particulars	Α	В	С	D	Particulars	Α	В	С	D
To balance c/d	2,00,000	2,00,000	2,00,000	1,50,000	By balance By Bank A/c By Current (WN 2)	1,80,000 - 20,000	1,60,000 - 40,000	1,40,000 - 60,000	- 1,50,000 -
	2,00,000	2,00,000	2,00,000	2,00,000		2,00,000	2,00,000	2,00,00	2,00,000

5. Partners' Current A/c

Particulars	Α	В	С	D	Particulars	Α	В	С	D
To balance b/d	-	,	10,000	-	By balance b/d	-	16,000	-	-
ToMemorandum	8,000	8,000	8,000	6,000	ByMemorandum	15,000	10,000	5,000	-
Revaluation A/c					Revaluation				
To Goodwill A/c	16,000	16,000	16,000	12,000	By Goodwill	30,000	20,000	10,000	-
To Capital A/c	20,000	40,000	60,000	-					
To balance c/d	1,000	-	-	-	By balance c/d	-	18,000	79,000	18,000
	45,000	64,000	94,000	18,000		45,000	64,000	94,000	18,000

Note: GoodwillRs.60,000 is raised in Old Ratio and written-off in New Ratio.

6. Balance Sheet of New Firm as on 01.04.2013

Liabilities	Rs.	Assets		Rs.
Owners Capital Accounts		Fixed Assets:	Machinery	1,50,000
Amit	2,00,000		Furniture	1,50,000
Bhushan	2,00,000	Current A/cs of Part	ners:	
Charan	2,00,000	Bhushan	18,000	
Dev	1,50,000	Charan	79,000	
Current A/c: Amit	1,000	Dev	18,000	1,15,000



Current Liabilities: Creditors	1,20,000	Current Assets: Stock Debtors 80,000 Less Provision (4,000) Cash & Bank (20,000 + 1,50,000)	2,10,000 76,000 1,70,000
Total	8,71,000	Total	8,71,000

P.27.

Revaluation Account

2018			₹	2018			₹
April 1	To Provision for bad and doubtful debts		535	April 1	Ву	Inventory in trade	1,400
	To Furniture and fittings		720		Ву	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 &			1,500	4,500	By Balance b/d	15,000	15,000	10,000	-
Ramesh					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	<u>1</u>	3/6	6/24	
Ramesh	1 /4	2/6	2/24	
Naresh	<u>1</u>	1/6		2/24
Suresh	<u>1</u>			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

P.28. Journal Entries

2020			Dr. (₹)	Cr. (₹)
Jan 1.	A's Capital Account	Dr.	10,000	
	To B's Capital Account			10,000
	(The amount of share of goodwill adjusted on B's retirement	t)		
	Reserve Account	Dr.	15,000	
	To A's Capital			9,000
	Account To B's			6,000
	Capital Account			
	(Transfer of reserve to A's Capital Account and B's Capital			
	Account			
	in the profit sharing ratio)			
	Profit and Loss Adjustment Account	Dr.	4,650	



To Plant and Machinery Account			1,500
To Inventory Account			2,400
To Provision for Doubtful Debts Account			750
(Reduction in the values, assets and creation of provision	on for		
doubtful debts as per agreement with B)			
Reserve for Discount on Trade payables A/c	Dr.	150	
To Profit and Loss Adjustment Account			150
(Creation of reserve for discount on trade payables at	2%)		
A's Capital Account	Dr.	2,700	
B's Capital Account	Dr.	1,800	
To Profit and Loss Adjustment Account			4,50
(Transfer of loss on revaluation of assets and liabilities	s to		
Capital Accounts of \boldsymbol{A} and \boldsymbol{B} in the profit sharing ratio)		
B's Capital Account	Dr.	29,200	
To B's Loan Account			29,20
(Transfer of B's Capital Account to his Loan A/c)			

Note: Here it is assumed that amount payable to B is transferred to his loan a/c.

Balance Sheet of A as on 1st January, 2020

Liabilities	₹	₹	Assets	₹	₹
A's Capital		16,300	Plant and Machinery		18,500
Account B's Loan		29,200	Inventories		13,600
Account Trade	7,500		Trade receivables	15,000	
payables			Less: Prov. for Bad	(750)	14,250
Less: Reserve for			Debts		
Discount	(150)	7,350	Balance at Bank		6,000
			Cash		500
					52,850
		52,850			,

P.29. Journal Entries

			₹	₹
1.	B's Capital A/c	Dr.	49,500	
	C's Capital A/c	Dr.	18,000	
	To A's Capital A/c			67,500
	(Share of revaluation profit ₹ 67,500 including good will			
	due to A borne by B and C at the gaining ratio 11 : 4)			
2.	A's Capital A/c	Dr.	1,17,500	
				58,750



	To A's Loan A/c			58,750
	To Bank A/c			
	(Settlement of A's claim on his retirement by payment of			
	50% in case and transferring the balance to his Loan A/c).			
3.	Bank A/c	Dr.	73,750	
	To B's Capital			60,333
	A/c To C's			13,417
	Capital A/c			
	(Cash brought in by the continuing partners).			

Working Notes:

1.	Revaluation Profit	₹
	Goodwill	1,00,000
	Sundry Fixed Assets	30,000
	Joint Life Policy	5,000
		1,35,000

A's Share ₹ 1,35,000 × 5/10 = ₹ 67,500.

2. Gaining Ratio

B: 2/3 - 3/10 = 11/30 C: 1/3 - 2/10 = 4/30 Gaining Ratio: B: C 11: 4

3. Total Capital

			₹
Assets as per Bala	ance Sheet		1,90,000
Additional Bank Bo	alance		15,000
			2,05,000
L	.ess : Bank Loan		40,000
	Sundry Creditors		30,000
A's Loan		58,750	(1,28,750)
			76,250
B's Share			50,833
C's Share			25,417

P.30. Journal Entries

			₹	₹
(1)	F's Capital A/c	Dr.	10,000	
	To K's Capital A/c			10,000



(2)	(Being the adjustment for goodwill on K's retirement) - Refer W.N.	10,000	
			4,000
		Dr.	4,000
	To F's Capital		2,000
(3)	A/c To G's	30,00	
	Capital A/c To	0	
	K's Capital A/c	10,000	40,000
	(Transfer of Reserve to Partners' Capital A/cs on K's retirement)	
	Sundry Fixed Assets A/c	Dr.	
	Inventory A/c	Dr.	
	To Profit and Loss Adjustment A/c		
	(Increase in the value of Sundry Fixed Assets and inventory		
	recorded)		
(4)	Profit and Loss Adjustment A/c	Dr. 5,000	
	To Trade Receivable A/c		5,000
	(Loss arising out of dishonoured bill recorded)		
(5)	Profit and Loss Adjustment A/c	Dr. 35,000	
	To F's Capital		14,000
	A/c To G's		14,000
	Capital A/c To		7,000
	K's Capital A/c		
	(Profit on revaluation transferred to Partners' Capital A/cs on	1,04,000	
	K's retirement)		70.000
(6)	Bank A/c	Dr.	70,000
	To F's Capital A/c	79,000	34,000
	To G's Capital A/c	77,000	
	(Cash brought in by F and G as per agreement)		70.000
(7)		Dr.	79,000
	To Bank A/c		
	(Payment made to K on retirement)		
		1	1

Working Note:

Adjusting entry for goodwill

Partner	Old Share	New Share	Gain	Sacrifice
F	2	3	1	-
	_ 5	_ 5	_ 5	
G	2	2	-	-



	_ 5	_ 5		
К	1	-	-	1
	_ 5			_ 5

Adjusting entry:

₹

F's Capital A/c (50,000 \times 1/5)

Dr. 10,000

To K's Capital A/c 10,000

Balance Sheet (after K's retirement)

Liabilities	₹	Assets	₹
Capital A/cs:		Sundry Fixed Assets	1,80,000
F	1,98,000	Inventories	60,000
G	1,32,000	Trade receivables	65,000
Trade payables	50,000	Bank	75,000
	3,80,000		3,80,000

Partners' Capital Accounts

	F	G	K		F	G	K
	₹	₹	₹		₹	₹	₹
To K's Capital A/c	10,000	-	-	By Balance b/d	1,20,000	80,000	60,000
To Balance c/d	1,28,000	98,000	79,000	By F's Capital A/c			10,000
				By P & L Adj. A/c	14,000	14,000	7,000
				By Reserve	4,000	4,000	2,000
	1,38,000	98,000	79,000		1,38,000	98,000	79,000
To Bank	-	-	79,000	By Balance b/d	1,28,000	98,000	79,000
To Balance c/d	1,98,000	1,32,000	-	By Bank	70,000	34,000	-
	1,98,000	1,32,000	79,000		1,98,000	1,32,000	79,000

Working Notes

1.	Total Capital	₹
	Sundry Fixed Assets (₹ 1,50,000 + ₹ 30,000)	1,80,000
	Inventory (₹ 50,000 + ₹ 10,000)	60,000
	Trade receivables	65,000
	(Including Bill Receivable of ₹ 15,000)	
	Bank	75,000



2. Bank Account

	₹		₹
To Balance b/d	50,000	By K's Capital A/c	79,000
To F's Capital A/c	70,000	By Balance c/d	75,000
To G's Capital A/c	34,000		
	1,54,000		1,54,000

P.31. Journal Entries

Particulars		Dr. (₹)	Cr. (₹)
A's Capital Account	Dr.	20,000	
B's Capital Account	Dr.	16,000	
C's Capital Account	Dr.	12,000	
To Profit and Loss Adjustment Account			48,000
(Profit written back for making adjustments)			
Profit and Loss Adjustment Account	Dr.	4,000	
To B's Capital account			4,000
(Bonus Credited to B's Capital Account)			
Profit and Loss Adjustment Account	Dr.	44,000	
To A's Capital Account			12,000
To B's Capital Account			16,000
To C's Capital Account			16,000
(Distribution of profits in the new ratio)			
Fixtures Account	Dr.	2,780	
To Provision for Doubtful debts Account @ 2%			1,870
To A's Capital Account			248
To B's Capital Account			331
To C's Capital Account			331
(Revaluation of assets on A's retirement)			
A's Capital	Dr.	16,667	
Account B's	Dr.	13,333	
Capital Account C's	Dr.	10,000	
Capital Account			40,000
To Goodwill			



(Old	goodwill	shown	in	the	balance	sheet	has	been	written	
off)										

A's Capital Account	Dr.	1,27,002	
To A's Loan Account			1,27,002
(Transfer of A's Capital Account to his Loan Account)			
B's Capital Account	Dr.	2,244	
C's Capital Account	Dr.	1,496	
To Provision for Doubtful Debts Account			3,740
(Raising provision for bad debts)			
B's Capital Account	Dr.	13,425	
C's Capital Account	Dr.	2,066	15 401
To A's Capital Account			15,491
(Adjusting entry of goodwill passed through partners' capital			
accounts in gaining/sacrificing ratio)			

Partners' Capital Accounts

	Α	В	С		Α	В	С
	₹	₹	₹		₹	₹	₹
To Profit and Loss							
Adjustment A/c	20,000	16,000	12,000	By Balance b/d	1,35,930	95,120	61,170
				By Profit and Loss			
To Goodwill	16,667	13,333	10,000	Adjustment A/c	-	4,000	-
To A's Loan A/c	1,27,002	-	-				
To Provision for				By Profit and loss			
Doubtful				Adjustment A/c	12,000	16,000	16,000
Debts A/c	-	2,244	1,496	By Fixtures Less			
To A	-	13,425	2,066	provision for			
To Balance c/d	-	70,449	51,939	DD A/c	248	331	331
				Ву В	13,425		
				By C	2,066		
	1,63,669	1,15,451	77,501		1,63,669	1,15,451	77,501

Note: The balance of A's Capital Account has been transferred to A's Loan Account.

Working Note:

Calculation for adjustment of Amount of Goodwill

Partner	Old Share	New Share	Gain	Sacrifice
Α	3	-	-	3
	_			_



	11			11
В				
	4	3	13	-
	<u></u>	_ E	<u> </u>	
С	11 4	5	55 2	_
	7	۷		_
	11	_ 5	<u> </u>	

P.32. Journal Entries

Date	Particulars		Dr. (₹)	Cr. (₹)
31.3.2020	Profit and Loss Adjustment A/c	Dr.	30,000	
	To Furniture A/c			10,000
	To Inventory in Trade A/c			20,000
	(Being revaluation of Furniture and inventory in trade recorded)			
	K's Capital A/c	Dr.	15,000	
	L's Capital A/c	Dr.	9,000	
	M's Capital A/c	Dr.	6,000	
	To Profit and Loss Adjustment A/c			30,000
	(Being net revaluation loss debited to capital accounts of K, L and M in the ratio $5:3:2$)			
	Reserve A/c	Dr.	50,000	
	To K's Capital A/c			25,000
	To L's Capital A/c			15,000
	To M's Capital A/c			10,000
	(Being reserve transferred to capital accounts, K, L and M)			
	N's Capital A/c	Dr.	15,000	
	To L's Capital A/c			15,000
	(Being adjusting entry for goodwill passed in gaining/ sacrificing ratio)			
	L's Capital A/c	Dr.	81,000	
	To Cash and Bank A/c			40,500
	To N's Capital A/c			40,500
	(Being 50% of the amount due to L was paid off in cash and balance was retained in the firm as capital of N)			



K's Capital A/c	Dr.	7,500	
M's Capital A/c	Dr.	17,000	
To Cash and Bank A/c			24,500
(Being amount paid to K and M to make their capital			
proportionate)			

Working Note:

1. Calculation for adjustment of Amount of Goodwill

Partner	Old Share	New Share	Gain	Sacrifice
К	5	5	-	-
	10	10		
	3	-	-	3
L				
	10			10
M	2	2	-	-
	10	10		
N	-	3	3	-
		10	10	

2. Calculation of excess capital paid off to M to make capital proportionate.

Partner	Capital Balance	P/L Ratio	Excess Capital Paid Off
K	50,000	5	7,500
N	25,500	3	-
M	34,000	2	17,000

Partners' Capital Accounts

	K	L	W	Ν		K	L	W	N
	₹	₹	₹	₹		₹	₹	₹	₹
To Profit and Loss Adjustment A/c	15,000	9,000	6,000		By Balance b/d By Reserve	40,000 25,000	60,000 15,000	30,000 10,000	
To Cash & Bank A/c	-	40,500	-	-	By L's Capital A/c	-	-	-	40,500-
To N's Capital A/c	-	40,500	-	-	By N's Capital A/c	-	15,000	-	-
To L's Capital A/c	-	-	-	15,000					
To Cash & Bank A/c									
(Balancing figure)	7,500	-	17,000	-					
To Balance c/d	42,500	-	17,000	25,500					



65,000	00 90,000	40,000	40,500		65,000	90,000	40,000	4
				By Balance b/d	35,000	-	14,000	2

Balance Sheet of M/s K, M & N as on 1st April, 2020

Liabilities	₹	₹	Assets	₹
Capital Accounts:			Furniture	10,000
K	42,500		Trade receivables	50,000
М	17,000		Inventory in Trade	30,000
N	25,500	85,000	Cash and Bank balance	15,000
Trade payables		20,000		
		1,05,000		1,05,000

P.33. Revaluation Account

		Rs.		Rs.
To Provision for doub	To Provision for doubtful debts		By Land and Buildings	2,00,000
[(5% of 1,80,000) - 3,600]				
To Provision for comp	To Provision for compensation			
To Profit transferre	d:			
Atul	94,800			
Balbir	56,880			
Chatur	37,920	1,89,600		
		2,00,000		2,00,000

Partners' Capital Accounts

Particulars	Atul	Balbir	Chatur	Particulars	Atul	Balbir	Chatur
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
				By Balance b/d	6,25,000	3,75,000	2,50,000
To Cash A/c	3,84,900			By General	50,000	30,000	20,000
				Reserve			
To 10% Loan	3,84,900			By Revaluation A/c	94,800	56,880	37,920
To Balance c/d		6,41,880	4,27,920	By Cash A/c		1,80,000	1,20,000
	7,69,800	6,41,880	4,27,920		7,69,800	6,41,880	4,27,920

Bank Account

	Rs.		Rs.
To Balance b/d	1,52,600	By Atul's Capital A/c	3,84,900
To Balbir's capital A/c	1,80,000	By Balance c/d	67,700
To Chatur's capital A/c	1,20,000		
	4,52,600		4,52,600

Balance Sheet of Balbir and Chatur as at 31.03.2012 (after Atul's retirement)

Liabilities	Rs.	Assets	Rs.
		Goodwill	80,000



Cr.

Capital Accounts:		Land and Buildings	9,00,000
Balbir	6,41,880	Furniture	1,65,000
Chatur	4,27,920	Stock	2,86,000
10% Loan from Atul	3,84,900	Trade Debtors	
Trade Creditors	2,10,000	Less: Provision for doubtful debts	1,71,000
		(9,000)	
Provision for Compensation	5,000	Cash at Bank	67,700
	16,69,700		16,69,700

Note: Present value of Goodwill is equal to book value hence there is no profit/loss on account of goodwill, hence no adjustment is required.

P.34.

Dr.

Partners' Capital Account

Particulars	Ram	Rahim	Robert	Richard	Particulars	Ram	Rahim	Robert	Richard
rainiculars	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
To Revaluation A/c	10,000	6,000	4,000	_	By Balance b/d	1,00,000	1,50,000	2,00,000	_
To Robert's Loan			2,00,000		By General				
To Bank A/c			58,000		Reserve A/c	1,00,000	60,000	40,000	
(Balancing figure)					By Goodwill A/c				

To Balance c/d	2,45,000	2,37,000			(raised)	55,000	33,000	22,000	
	2,55,000	2,43,000	2,62,000			2,55,000	2,43,000	2,62,000	
To Goodwill A/c	55,000	36,667		18,333	By Balance b/d	2,45,000	2,37,000	_	
(written off)					By Loan from				
To Balance c/d	1,90,000	2,00,333	-	1,95,167	Richard A/c				2,00,000
					By Bank A/c				13,500
					(Bal. fig.)				
	2.45.000	2.37.000	_	2.13.500		2.45.000	2.37.000		2.13.500

Balance Sheet of Ram, Rahim and Richard as at 31.03.2005

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Land & Building	6,00,000
Ram	1,90,000	Plant & Machinery	2,70,000
Rahim	2,00,333	Stock-in-trade	1,90,000
Richard	1,95,167	Sundry Debtors 5,00,000	
Sundry Creditors	8,00,000	Less: Provision for Doubtful Debts 50,000	4,50,000
Robert's Loan	2,00,000	Cash at Bank (note 4)	55,500
		Cash in hand	20,000
	15,85,500		15,85,500

Working Notes:

1.	Revaluation A/c						
	Particulars	Rs.	Particulars	Rs.			



To Plant & Machinery A/c	30,000	By Land & Building A/c	70,000
To Stock-in-trade A/c	10,000	By Partners' Capital A/cs:	
To Provision for Doubtful Debts A/c	50,000	Ram (5/10)	10,000
		Rahim (3/10)	6,000
		Robert (2/10)	4,000
	90,000	1	90,000

2. Calculation of value of goodwill:

Total profit of last 3 years: Rs. (60,000 + 50,000 + 55,000) = Rs. 1,65,000.

Average Profit =
$$\frac{\text{Rs. } 1,65,000}{3}$$
 = Rs. 55,000

Goodwill = 2 years' Purchase of average profit = $2 \times Rs$. 55,000 = Rs. 1,10,000

3. Combined Capital of Ram and Rahim:

: Rs. (2,45,000 - 55,000)

1,90,000 2,00,333

Rahim: Rs. (2,37,000 - 36,667)

3,90,333

Rs.

Richard's Capital (50% of Rs. 3,90,333)

1,95,167

Cash to be brought in

: Rs. (2,00,000 - 18,333 - 1,95,167)

13,500

4. Dr. Bank Accounts Cr.

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,00,000	By Robert's Capital A/c (paid off)	58,000
To Richard's Capital A/c	13,500	By Balance c/d - (balancing figure)	55,500
	1,13,500		1,13,500

P.35. (i) **Revaluation Account**

Dr. Cr.

Particulars	Rs.	Particulars		Rs.
To Building A/c	50,000	By Investments A/c		15,000
To Machinery A/c	1,30,000	By Partners' Capital A/cs		3,04,000
To Provision for Doubtful		Α	1,52,000	
Debts A/c	1,39,000	В	91,200	
		С	60,800	
	3,19,000			3,19,000

(ii)

Partners' Capital Accounts

Dr.									Cr.
Particulars	Α	В	С	D	Particulars	Α	В	С	D
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.
To Revaluation A/c	1,52,000	91,200	60,800	_	By Balance b/d	4,50,000	1,30,000	1,70,000	_
To Goodwill	50,000	30,000	20,000	_	By Contingency	37,500	22,500	15,000	_
(B.V. written off)					Reserve				
To A & B (G. Adj)	_	_	1,00,000	1,00,000	By Investment				_



To Investments	_	75,000	_	-	Fluctuation				_
To Advertisement	12,500	7,500	5,000	_	Reserve	50,000	30,000	20,000	_
Suspense									
To B's Loan A/c	_	1,28,800	_	_	By C & D (Goodwill	50,000	1,50,000	_	_
(Balancing figure)					Adjustment)				
					(note 2)				
To Balance c/d	4,00,000	_	4,00,000	2,00,000	By Bank	27,000	_	3,80,800	3,00,000
(note 3)					(Balancing figure)				
	6,14,500	3,32,500	5,85,800	3,00,000		6,14,500	3,32,500	5,85,800	3,00,000

(iii)

Balance Sheet as on 1.4.2008 (After Retirement of B and admission of D)

Liabilities	Rs.	Assets	Rs.
Partners' Capital Accounts		Building	10,00,000
Α	4,00,000	Machinery	5,20,000
С	4,00,000	Furniture	2,15,000
D	2,00,000	Stock	6,50,000
Long Term Loan	15,00,000	Debtors 6,95,000	
B's Loan	1,28,800	Less: Provision for Doubtful Debts 1,39,000	5,56,000
Sundry Creditors	8,00,000	Cash at Bank (note 1)	4,87,800
	34,28,800		34,28,800

Working Notes:

1. Dr. Bank A/c Cr.

Particulars	Rs.	Particulars	Rs.
To A's Capital A/c	27,000	By Balance b/d (Overdraft)	2,20,000
To C's Capital A/c	3,80,800	By Balance c/d (Balancing figure)	4,87,800
To D's Capital A/c	3,00,000		
	7,07,800		7,07,800

2. Book value of Goodwill, appearing in the Balance Sheet of Rs. 1,00,000 is first written off and then an adjusting entry is passed for revalued goodwill of Rs. 5,00,000 in sacrificing and gaining ratio of partners.

Particulars	Α	В	С	D
Credit to old partners in old ratio i.e. 5:3:2	<i>C</i> r.2,50,000	Cr.1,50,000	<i>C</i> r.1,00,000	
Debit to new partners in new ratio i.e. 2:2:1	Dr.2,00,000		Dr.2,00,000	Dr.1,00,000
Difference (Dr. is Gain & Cr. is Sacrifice)	<i>C</i> r.50,000	<i>C</i> r.1,50,000	Dr.1,00,000	Dr.1,00,000

Adjusting entry to adjust Goodwill:

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
	C's Capital A/c Dr.		1,00,000	
	D's Capital A/c Dr.		1,00,000	
	To A's Capital A/c			50,000
	To B's Capital A/c			1,50,000
	(Being the goodwill adjusted through capital accounts of partners)			

3.	Capital of A, C and D as per new ratio: Total capital given 10,00,000	Rs.



7,	<u> </u>
A's Share $= \frac{1}{2}$ of Rs. 10,00,000	= 4,00,000
5	
C's Share = $\frac{2}{2}$ of Rs. 10,00,000	= 4,00,000
5	- 1,00,000
. 1	
D's Share = $\frac{1}{2}$ of Rs. 10,00,000	= 2,00,000
5	

P.36. Journal Entries (without narration)

(i)	Land & Building A/c	Dr.	2,00,000	
	To Revaluation A/c			2,00,000
(ii)	Revaluation A/c	Dr.	50,000	
	To Plant & Machinery A/c			46,500
	To Provision for Bad debt A/c			
	2,00,000 × 4% = 8000 - 6000 = 2000			2,000
	To Repairs charges outstanding A/c			1,500
(iii)	Revaluation A/c	Dr.	1,50,000	
	To Pathak A/c			70,000
	To Quereshi A/c			50,000
	To Ranjeet A/c			30,000
(iv)	General Reserve A/c	Dr.	2,25,000	
	To Pathak A/c			1,05,000
	To Quereshi A/c			75,000
	To Ranjeet A/c			45,000
(v)	Pathak A/c 100000 x 7/10	Dr.	70,000	
	Ranjeet A/c 100000 x 3/10	Dr.	30,000	
	To Quereshi A/c 300000 x 5/15			1,00,000
	(Goodwill adjustment on retirement)			
(vi)	Quereshi A/c	Dr.	8,45,000	
	To Bank A/c			4,22,500
	To 12% Quereshi's Loan A/c			4,22,500
(vii)	Bank A/c	Dr.	3,80,000	
	Patent A/c	Dr.	20,000	
	To Swamy A/c			4,00,000
(viii)	Swamy A/c	Dr.	75,000	
	To Pathak A/c			60,000
	To Ranjeet A/c			15,000
	(Goodwill adjustment on admission)			

Goodwill Adjustment on Retirement

		Pathak	Qureshi	Ranjeet
Credit in Old Ratio	7:5:3	Cr. 1,40,000	<i>C</i> r. 1,00,000	Cr. 60,000
Debit in New Ratio	7:3	Dr. 2,10,000		Dr. 90,000
Cr. Sacrifice Dr. Gain		Dr. 70,000	Cr. 1,00,000	Dr. 30,000

Goodwill Adjustment on Admission



		Pathak	Ranjeet	Swamy
Credit in Old Ratio	7:3	<i>C</i> r. 2,10,000	Cr. 90,000	-
Debit in New Ratio	2:1:1	Dr. 1,50,000	Dr. 75,000	Dr. 75,000
Cr. Sacrifice Dr. Gain		Cr. 60,000	<i>C</i> r. 15,000	Dr. 75,000

Capital A/c

	Pathak	Quereshi	Ranjeet	Swamy		Pathak	Quereshi	Ranjeet	Swamy
Quereshi	70000	1	30000	-	Balance b/f	850000	620000	370000	-
Bank	-	422500	-	-	Revaluation	70000	50000	30000	-
12% Loan	-	422500	-	-	General	105000	75000	45000	-
Pathak	-	-	-	60000	Reserve				
Ranjeet	-	-	-	15000	Pathak	-	70000	-	-
					Ranjeet	-	30000	-	-
					Bank	-	-	-	380000
					Patent	-	-	-	20000
Balance c/f	1015000	•	430000	325000	Swamy	60000	•	15000	-
	1085000	845000	460000	400000		1085000	845000	460000	400000

P.37.

a) Calculation of goodwill and Z's share of profit

(a)	Adjusted profit for the year ended 31.3.2019:	₹	₹
	Profit (Given)		30,000
	Add: Cost of car wrongly written off	40,000	
	Less: Depreciation for the year 2018-19 (20% on 40,000)	(8,000)	32,000
			62,000
(b)	Average of last three year's profits and losses	Profit/(loss)	
	Year ended on	₹	
	31.3.2017	(10,000)	
	31.3.2018	20,000	
	31.3.2019	62,000	
		72,000	
	Average profit (72,000/3)	24,000	
(c)	Goodwill at 2 years' purchase		
	₹ 24,000 x 2 = ₹ 48,000		
(d)	Z's share of profits from the period 1.4.2019 to 31.12.2019		
	₹ 24,000 × 9/12 × 2/5 = ₹ 7,200		

b) Revaluation Account

₹		₹



To Inventory account	4,000	By Building account		20,000
To Computers account	30,000	By Loss transferred to		
To Investments account	4,000	X	4,560	
To depreciation on car	4,800	У	9,120	
		Z	9,120	22,800
	42,800			42,800

c) Partners' Capital Accounts

	X	У	Z		×	У	Z
	₹	₹	₹		₹	₹	₹
To Revaluation A/c	4,560	9,120	9,120	By Balance b/d	40,000	80,000	80,000
To Z's Executor's A/c			1,22,080	By General reserve	6,000	12,000	12,000
To Z	6,400	12,800	-	By X and Y	-	-	19,200
To Balance c/d	41,440	82,880		By Car A/c	6,400	12,800	12,800
				By Profit and Loss suspense A/c	-	-	7,200
	52,400	1,04,800	1,31,200		52,400	1,04,800	1,31,200

Balance Sheet of Om & Co. as on 31st December, 2019

Liabilities	₹	Assets	₹
Trade payables	20,000	Building	1,40,000
Bank loan	50,000	Car	27,200
Capital accounts:		Inventories	16,000
X	41,440	Computers	50,000
У	82,880	Investments	6,000
Z's Executor's account	1,22,080	Trade receivables	20,000
		Cash at bank	50,000
		Profit and Loss suspense	7,200
		Account	
	3,16,400		3,16,400

Working Notes:

Goodwill calculated at the time of death of partner Z \pm 48,000

Partner	Old Share	New	Gain	Sacrifice
		Share		
X	1	1	2	-
	5	3	15	
У	2	2	4	-
	5	3	15	



Z	2	-	-	2
	_ 5			_ 5

Adjusting entry:

X's Capital Account Dr. 6,400

Y's Capital Account Dr. 12,800

To Z's Capital Account 19,200

(Adjustment for goodwill on the death of Z on the basis of gaining ratio)

P.38. Journal Entry in the books of the firm

Date	Particulars		₹	₹
Jan 3,	A's Capital A/c	Dr.	500	
2020	B's Capital A/c	Dr.	500	
	To C's Capital A/c			1,000
	(Being the required adjustment for goodwill through the partner's capital accounts)			

Revaluation Account

Particulars	₹	Particulars	₹
To Furniture A/c (₹ 2,800 - 2,300)	500	By Machinery A/c (₹ 5,850 - 5,000)	850
To Inventory A/c (₹ 950 - 750)	200		
To Partners' Capital A/cs	150		
(A - ₹ 50, B - ₹ 50, C - ₹ 50)			
	850		850

Partners' Capital Accounts

Particulars	A	В	С	Particulars	Α	В	С
	₹	₹	₹		₹	₹	₹
To C (Goodwill)	500	500	-	By Balance b/d	4,100	4,100	4,500
To Cash A/c	-	-	1,000	By General Reserve A/c	500	500	500
To Executors A/c	-	-	5,050	By Revaluation A/c (Profit)	50	50	50
To Balance C/d	4,150	4,150	-	By A (Goodwill)	-	•	500
				By B (Goodwill)	1	-	500



4,650 4,650 6,050 4,650 4,650	ı F				T
		4.650 4.65	6.050	4.650	4.650

Provision for Doubtful Debts Account is a credit balance. To close, this account is to be debited. It becomes a gain for the partners. Therefore, either Partners' Capital Accounts (including C) or Revaluation Account is to be credited.

Working Note:

Statement showing the Required Adjustment for Goodwill

Particulars	Α	В	С
Right of goodwill before death	1/3	1/3	1/3
Right of goodwill after death	1/2	1/2	ı
Gain/(Sacrifice)	(+) 1/6	(+) 1/6	(-) 1/3

Profit sharing ratio is equal before or after the death of C because nothing has been mentioned in respect of profit-sharing ratio.

P.39.

(i)	Ascertainment of N's Share of Profit ((ii)	Ascertainment of Value of Goodwill	
	2017	42,000		2017	42,000
	2018	39,000		2018	39,000
	2019	45,000		2019	45,000
	Total Profit	1,26,000		Total Profit for 3 years	1,26,000
	Average Profit	42,000		Average Profit	42,000
	4 months' Profit	14,000		Goodwill - 3 years	
				Purchase of Average Profit 1,2	
	N's Share in Profit				
	(2/5†h* of ₹ 14,000)	5,600		N's Share of goodwill	
				(2/5 of ₹ 1,26,000)	50,400

^{*} Profit sharing ratio between B and N = 1/2; 1/3; = 3: 2, Therefore N's share of Profit = 2/5

iii) N's Executors A/c

Date	Particulars	₹	Date	Particulars	₹
2020	v	4.00.000	2020		40.000
May 1,	To N's Loan A/c	1,28,000	Jan. 1	By Capital A/c	60,000
			May 1	By Reserves	



	May 1 May 1	(2/5th of ₹ 30,000) By B's Capital A/c (Share of goodwill) By P/L Suspense A/c	12,000 50,400
		(Share of Profit)	5,600
1,28,000			1,28,000

P.40.

1. Revaluation A/c

Particulars		₹	Particulars	₹
To Furniture		7,500	By Land & Building	33,000
To Inventory		8,740		
To Bad Debts		1,760		
To Profit on Revaluation				
Diya	6,000			
Riya	3,000			
Kiya	6,000	15,000		
		33,000		33,000

2. Partners Capital A/c

Particulars	Diya ₹	Riya ₹	Kiya ₹	Particulars	Diya ₹	Riya ₹	Kiya ₹
To Kiya capital To Bank To Balance c/d	40,000	20,000	2,79,800	By Balance b/d By General Reserve By Joint life Policy By Interest on Capital By revaluation By Diya & Riya capital By Profit & loss suspense A/c	1,50,000 56,000 56,000 6,000	1,80,000 28,000 28,000 3,000	70,000 56,000 56,000 4,200 6,000 60,000 27,600
	2,68,000	2,39,000	2,79,800		2,68,000	2,39,000	2,79,800

Bank A/c

Particulars	₹	Particulars	₹
To Balance B/d	1,14,510	By Kiya's Capital	2,79,800
To Bank	2,00,000	By Balance c/d	34,710



	3,14,510	3,14,510	l

Balance Sheet as on 30th September, 2020

Liabilities	₹	Assets	₹
Capitals:		Land & Building	1,98,000
Diya	2,28,000	Furniture	67,500
Riya	2,19,000	Inventory	80,000
		Trade Receivable	94,990
Trade payables	60,000	Bank	34,710
		Profit and loss Suspense (27,600+4,200)	31,800
	5,07,000	(=- ///	5,07,000

Working Notes:

1. Goodwill valuation

2016-17
2017-18
1,62,000
2017-18
1,99,000
2018-19
1,87,000
2019-20
1,96,000
Total
7,44,000

Average = 7,44,000/4 = 1,86,000Less: Interest on Capital 3,00,000 X 12% = 36,000

Adjusted Average Profit =1,50,000

Goodwill (1 year's purchase) = 1,50,000 Kiya's share (2/5) = 60,000

2. Journal entry for adjustment of goodwill

Particulars		₹	₹
Diya's Capital A/c	Dr.	40,000	
Riya's Capital A/c	Dr.	20,000	
To Kiya's Capital A/c			60,000
(Share of goodwill adjusted)			

Kiya's share of profit till the date of death
 Average profit for full year before interest on capital



6 month's profit 93,000 Less: interest on capital 4,00,000 X 12% X 6/12 24,000 Adjusted profit till the date of death 69,000 Kiya's share 2/5th 27,600

3. The Joint life policy in this question is based on the surrender value method- where in the amount shown in the balance sheet shall be deducted from the JLP proceeds received from insurance co, on the death of a partner.-₹ 2,00,000- 60,000 (Balance Sheet value) = ₹ 1,40,000- divided in profit sharing ratio between the partners.

P.41.

Joint Life Policy Account

		₹			₹
10th June, 2017	To Bank Account	3,000	31st Dec., 2017	By Profit and Loss A/c	3,000
10th June, 2018	To Bank Account	3,000	31st Dec., 2018	By Profit and Loss A/c	2,100
				By Balance c/d	900
		3,000			3,000
1st January, 2019	To Balance b/d	900	31st Dec., 2019	By Profit and Loss A/c	1,900
10th June, 2019	To Bank Account	3,000		By Balance c/d	2,000
		3,900			3,900
1st January, 2020	To Balance b/d	2,000	31st Dec., 2020	By Profit and Loss A/c	1,400
10th June, 2020	To Bank Account	3,000		By Balance c/d	3,600
		5,000			5,000
1st January, 2021	To Balance b/d	3,600	15th April, 2021	By Bank	3,600
		3,600			3,600

b) Ram's Capital Account

Date	Particulars	₹	Date	Particulars	₹
2020			2020		
Sep. 30	To Ram's current A/c	1,920	Sep. 30	By bal b/d	21,600
Sep. 30	To Ram's Executor A/c	1,00,802	Sep. 30	By Bharat Capital A/c and Laxman Capital A/c (Share of goodwill)	81,122
		1,02,722			1,02,722



Ram's executor Account

Date 2020	Particulars	₹	Date 2020	Particulars	₹
31.3.2021	To Bank A/c	27,720.50	1.10.2020	By Capital A/c	1,00,802.00
	(25,200.50+2,520)		31.3.2021	By Interest	2,520.00
	To Balance c/d	75,601.50		(1,00,802 x 2.5%)	
		1,03,322.00			1,03,322
30.9.2021	To bank A/c	27,090.50	1.4.2021	By Balance b/d	75,601.50
	(25,200.50+1,890)		30.9.2021	By Interest	1,890.00
31.3.2022	To bank A/c	26,460.50		(75,601.50 × 2.5%)	
	(25,200.50+1,260)		30.3.2022	By Interest	1,260.00
31.3.2022	To balance c/d	25,200.50		(25,200.50 x 2) x 2.5%	
		78,751.50			78,751.50
30.9.2022	To bank A/c	25,830.50	1.4.2022	By balance b/d	25,200.50
	(25,200.50+630)		30.9.22	By Interest	630.00
				(25,200.50 x 2.5%)	
		25,830.50			25,830.50

Working notes

1.	Ascertainment of Value of Goodwill		
	2017	70,400	
	2018	56,320	
	2019	48,160	
	2020	17,408	
	Total Profit for 4 years	1,92,288	
	Average Profit	48,072	
	Goodwill - 3 years		
	Purchase of Average Profit	1,44,216	
	Ram's Share of goodwill		
	(9/16 of ₹1,44,216)	81,122	
* Profit sharing ratio between Ram, Laxman and Bharat = 9:4:3, Therefore Ram's share of Profit = 9/16			

P.42. Journal Entries

2020			₹	₹
May	1 General Reserve Account	Dr.	5,000	



To Seed's Capital Account			2,500
To Plant's Capital Account			1,500
To Flower's Capital Account			1,000
(General Reserve transferred to Capital Account on the death of Plant)			
Seed's Capital Account	Dr.	3,750	
Flower's Capital Account	Dr.	7,500	
To Plant's Capital Account			11,250
(Adjustment for goodwill on the death of Plant on the basis of gaining ratio) (Value = 3 × (10,000 + 13,000 + 12,000 + 15,000)/4)			
Revaluation Account	Dr.	5,000	
To Fixed Assets Account			4,000
To Bills Receivable Account			1,000
(Depreciation of fixed assets @ 10% and writing off of one bill			
for ₹1,000 on Plant's death)			
Seed's Capital Account	Dr.	2,500	
Plant's Capital Account	Dr.	1,500	
Flower's Capital Account	Dr.	1,000	
To Revaluation Account			5,000
(Loss on Revaluation transferred to capital accounts)			
Profit and Loss Suspense Account	Dr.	1,500	
To Plant's Capital Account			1,500
(Plant's share of four month's profit based on the previous year)			
Plant's Capital Account	Dr.	27,750	
To Plant's Executor's Account			27,750
(Amount standing to the credit of Plant's Capital Account transferred to the credit of his Executor's Account)			
Plant's Executor's Account	Dr.	7,750	
To Bank Account			7,750
(Amount paid to Plant's Executors)			

P.43. It is a repetition of Class question C.46. Therefore no need to solve it again.

P.44. Revaluation Account

Particulars	Rs.	Rs.	Particulars	Rs.
To Machinery		10,000	By Freehold Land & Building	1,00,000
To Provision for doubtful				



debts (5% of 1,60,000)		8,000	
To Capital Accounts:			
Р	41,000		
Q	24,600		
R (Profit transferred)	16,400	82,000	
		1,00,000	1,00,000

P's Capital Account

Particulars	Rs.	Particulars	Rs.
To Drawings	46,000	By Balance b/d	7,00,000
To P's heir	11,00,000	By Q's Capital A/c (goodwill adj.)	1,98,000
(Balance transferred)		By R's Capital A/c (goodwill adj.)	1,32,000
		By Profit and Loss Adjustment A/c	75,000
		By Revaluation A/c	41,000
	11,46,000		11,46,000

P's Heir Account

Date	Particulars	Rs.	Date	Particulars	Rs.
31.08.2012	To Bank A/c	5,00,000	31.08.2012	By P's Capital A/c	11,00,000
31.03.2013	To Bank A/c	6,42,000	31.03.2013	By Interest A/c	
				7	
				6,00,000 x 12% x 12	42,000
		11,42,000			11,42,000

Working Notes:

1. Calculation of gaining ratio of Partners Q and R

	New share	Old share	Gaining share	Sacrificing share
Р		5/10		5/10
Q	3/5 i.e. 6/10	3/10	$\frac{3}{5} - \frac{3}{10} = \frac{6-3}{10} = \frac{3}{10}$	
R	2/5 i.e. 4/10	2/10	$\frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$	

2. Calculation of Goodwill

	Profit Rs.
2009-10	2,90,000
2010-11	3,40,000
2011-12	3,60,000
	9,90,000

Average Profit = 9,90,000/3 = Rs. 3,30,000Goodwill = $3,30,000 \times 2$ = Rs. 6,60,000

Share of P in goodwill

= $6,60,000 \times \overline{10}$ = Rs. 3,30,000

Adjustment for P's share of goodwill through Q's and R's capital accounts (in their gaining ratio 3:2):

Q's capital A/c	(3,30,000 x 3/5) Dr	Rs. 1,98,000



R's capital A/c	(3,30,000 x 2/5) Dr	Rs. 1,32,000	
To R's capital A/c			3,30,000

Note: Alternatively weighted average can be taken because profits are in increasing trend.

3. Share of P in Profits for the period between 1.4.2012 to 31.8.2012 i.e. till the date of death

1st April, 2012 to 31st August, 2012	= 5 months	
Profit for year 2011-12	= Rs. 3,60,000	
Estimated profit for 5 months	5	=Rs. 150,000
	$= 3,60,000 \times \overline{12}$	
Share of P	5	= Rs. 75,000
	= 1,50,000 × 10	



CLASS QUESTIONS GIVEN IN **HOMEWORK**

C. 40 Revaluation A/c

2020		₹	2020		₹
July 1	To Building	11,000	July 1	By Investments	4,000
	To Plant and Machinery	80,000		(46,000 - 42,000)	
	To Trade receivable	23,850		By Partners' Capital A/cs	
	(Bad Debts)				
				(loss on revaluation)	
				A (3/10) 33,255	
				B (2/10) 22,170	
				C (5/10) 55,425	1,10,850
		1,14,850			1,14,850

Partners' Capital Accounts Dr. Cr.

	Α	В	С	D		Α	В	С	D
	₹	₹	₹	₹		₹	₹	₹	₹
To Revaluation A/c	33,255	22,170	55,425	-	By Balance b/d	1,24,000	96,000	1,60,000	-
To B's and C's	-	-	-	90,000	By D's	-	60,000	30,000	-
capital A/cs					Capital A/c (W.N.1)				
To Investments A/c	-	46,000	-	-	By Bank A/c	29,255	-	25,425	2,10,000
To B's loan A/c	1	87,830	-	-					
To Balance c/d (W.N. 2)	1,20,000	-	1,60,000	1,20,000				_	
	1,53,255	1,56,000	2,15,425	2,10,000		1,53,255	1,56,000	2,15,425	2,10,000

Working Notes:

1. Adjustment of goodwill

Goodwill of the firm is valued at ₹ 3 lakhs Sacrificing ratio:

3/10 - 3/10 = 0



Hence, sacrificing ratio of B and C is 2:1. A has not sacrificed any share in profits after retirement of B and admission of D in his place.

Adjustment of D's share of goodwill through existing partners' capital accounts in the profit sacrificing ratio:

₹

₹

1,20,000

B: 90,000 x 2/3 = 60,000

 $C: 90,000 \times 1/3 = 30,000 90,000$

2. Capital of partners in the reconstituted firm:

A (3/10)

Total capital of the reconstituted firm (given) 4,00,000

C (4/10) 1,60,000

D (3/10) 1,20,000

C.47 P's Capital Account

2020		₹	2020		₹
Sep. 30	To Current A/c (30,000 - 5000)	25,000	Jan. 1	By Balance b/d	30,000
Dec. 31	To Profit and Loss Adjt. (Unrecorded Liability)		Dec. 31	By Profit and Loss A/c:	
	To Balance	3,000		Interest on Capital	2,400
Dec. 31	Transferred to P's Executor's A/c		Dec. 31	Share of Profit	4,735
		38,465		Q&R (Goodwill)	11,830
			Dec. 31	Insurance Policies A/c	17,500
		66,465			66,465

Working Notes:

(i) Valuation of Goodwill

Year	Profit before Interest	Interest	Profit	
	on fixed capital		after	
	·		interest	



18					
18		₹	₹	₹	
19 (-) 8,320	2017	29,340	4,000	25,340	
47,490 12,000 \$ erage 11,830 odwill at two years purchase of average net profits 23,660 are of P in the goodwill 11,830 fit on Separate Life Policy: P's policy Q and R's policy @ 20% of ₹ 50,000 Share of P (1/2) 17,500 are in profit for 2020: Profit for the year Less: Interest on capitals	2018	26,470	4,000	22,470	
erage 11,830 odwill at two years purchase of average net profits 23,660 are of P in the goodwill 11,830 fit on Separate Life Policy: P's policy 25,000 Q and R's policy © 20% of ₹ 50,000 10,000 35,000 Share of P (1/2) 17,500 are in profit for 2020: Profit for the year Less: Interest on capitals	2019	(-) 8,320	4,000	(-) 12,320	
erage 11,830 odwill at two years purchase of average net profits 23,660 are of P in the goodwill 11,830 fit on Separate Life Policy: P's policy 25,000 Q and R's policy © 20% of ₹ 50,000 10,000 Share of P (1/2) 17,500 are in profit for 2020: Profit for the year Less: Interest on capitals		47,490	12,000	35,490	
odwill at two years purchase of average net profits 23,660 are of P in the goodwill 11,830 fit on Separate Life Policy: P's policy 25,000 Q and R's policy © 20% of ₹ 50,000 10,000 Share of P (1/2) 17,500 are in profit for 2020: Profit for the year Less: Interest on capitals				₹	
are of P in the goodwill fit on Separate Life Policy: P's policy Q and R's policy @ 20% of ₹ 50,000 Share of P (1/2) T7,500 Profit for the year Less: Interest on capitals	Average			11,830	
fit on Separate Life Policy: P's policy Q and R's policy @ 20% of ₹ 50,000 Share of P (1/2) 17,500 are in profit for 2020: Profit for the year Less: Interest on capitals	Goodwill	at two years purchase of av	erage net profits	23,660	
P's policy 25,000 Q and R's policy © 20% of ₹ 50,000 Share of P (1/2) 17,500 are in profit for 2020: Profit for the year Less: Interest on capitals	Share of	P in the goodwill		11,830	
Q and R's policy @ 20% of ₹ 50,000 Share of P (1/2) 17,500 are in profit for 2020: Profit for the year Less: Interest on capitals	Profit on	Separate Life Policy:			
35,000 Share of P (1/2) 17,500 are in profit for 2020: Profit for the year Less: Interest on capitals		P's policy			25,000
Share of P (1/2) are in profit for 2020: Profit for the year Less: Interest on capitals	Q	and R's policy @ 20% of ₹	50,000		10,000
are in profit for 2020: Profit for the year Less: Interest on capitals					35,000
Profit for the year Less: Interest on capitals		Share of P (1/2)			17,500
Less : Interest on capitals	Share in	profit for 2020:			
		Profit for the year			
share in profit (1/2) 4,73		Less : Interest on cap	itals		
share in profit (1/2) 4,73					
	P's share	in profit (1/2)			4,735



15

Dissolution of Partnership Firm

P.1.

In the books of Partnership Firm

Realization A/c

Particulars		Amount	Particulars	Amount
To Plant & Machinery		1,08,000	By Creditors a/c	48,000
To Furniture a/c		24,000	By Bank a/c (Sundry Assets realized)	2,48,400
To Stock a/c		60,000		
To Sundry Debtors a/c		48,000		
To Bank (Creditors paid)		45,600		
To Bank (expenses paid)		1,500		
To Bank (sales tax paid)		4,200		
To Profit transferred P	2,040			
Q	2,040			
R	1,020	5,100		
		2,96,400		2,96,400

Capital A/c

Particulars	Р	Q	R	Particulars	Р	Q	R
To Bank (Final dues	1,46,040	74,040	37,020	By Balance b/f	1,20,000	48,000	24,000
paid)				By Reserve a/c	24,000	24000	12,000
				By Realisation	2,040	2,040	1,020
	1,46,040	74,040	37,020		1,46,040	74,040	37,020

Cash Bank Account

Particulars		Amount	Particulars		Amount
To Balance b/f		60,000	By Realization (Creditor)		45,600
To Realization a/c			By Realization (expense)		1,500
Plant & Machinery	1,02,000		By Realization (Sales tax)		4,200
Fixtures	18,000		By P (Final dues paid)	1,46,040	
Stock	84,000		By Q	74,040	
Sundry debtors	44,400	2,48,400	By R	37,020	2,57,100
		3,08,400			3,08,400

P.2. Statement showing distribution of cash amongst the partners

	Cash	Creditors	B's loan	Α	В	С
2018	₹	₹	₹	₹	₹	₹
Jun-30						
Balance b/d	21,600	58,000	20,000	1,52,000	96,000	72,000
Less: Provision for dissolution Exp.	10,800					
Less: Paid outside liability	10,800					
		10,800	ı	-	-	-
Balances	Nil	47,200	20,000	1,52,000	96,000	72,000
Jul-05						
1st Instalment of ₹ 50,400	50,400					
Less: Paid Outside Liability	<u>47,200</u>	47,200				
	3,200					
Less: Partner's Loan	3,200		3,200			
			16,800	1,52,000	96,000	72,000
2nd instalment	1,20,000					
Less: Paid Partner's Loan	<u>16,800</u>		16,800			
	1,03,200					
Less: Paid (1st Rank)	8,000			8,000		
Less: Paid (2 nd Rank)	72,000			48,000		24,000
	23,200					
Less: Paid (3 rd Rank) (2:2:1)	23,200			9,280	9,280	4,640
Balance	Nil	Nil	Nil	86,720	86,720	43,360
Sep-15						
Amount realised	1,60,000					
Add: Balance out						
of the Provision for						
Expenses A/c	2,800					
Less: Paid (3 rd Rank) (2:2:1)	1,62,800			65,120	65,120	32,560
Amount unpaid being loss on Realisation in the ratio of 2:2:1				21,600	21,600	10,800

Working Notes:

1. Highest relative capital basis

••	Thighest Fold Tive capital basis										
			Α	В	С						



		₹	₹	₹
1.	Present Capitals	1,52,000	96,000	72,000
2.	Profit-sharing ratio	2	2	1
3	Capital per unit of Profit share (1 ÷ 2)	76,000	48,000	72,000
4.	Proportionate capitals taking B, whose capital is the least, as the basis	96,000	96,000	48,000
5.	Excess capital (1-4)	56,000	Nil	24,000
6.	Profit-sharing ratio	2	-	1
7.	Excess capital per unit of Profit share (5 ÷ 6)	28,000		24,000
8.	Proportionate capitals as between \emph{A} and \emph{C} taking \emph{C} capital as the basis	48,000	-	24,000
9.	Ultimate Excess (5-8)	8,000	-	-

2. Order of Payment to Partners

Rank	Α	В	С	Total
1 ^{s†}	8,000	-	-	8,000
2 nd	48,000	-	24,000	72,000
3rd	96,000	96,000	48,000	2,40,000
	1,52,000	96,000	72,000	3,20,000

