

CA FOUNDATION

ACCOUNTING



Solution Handbook
New Scheme



CA
ZUBAIR
KHAN

FCA, B.Com, Dip in IFRS (ACCA)

INDEX

Chapter No.	Chapter Name	Page No.
1	Accounting Process (Journal, Ledger, Trial Balance, Cash Book & Subsidiary Books)	1-14
2	Bills of Exchange & Promissory Notes	15-25
3	Rectification of Errors	26-38
4	Bank Reconciliation Statement	39-45
5	Depreciation	46-53
6	Inventories	54-58
7	Final accounts of Sole Proprietors	59-74
8	Financial Statements of Not for Profit Organization	75-95
9	Accounting from incomplete records	96-133
10	Company Accounts - Shares Issue, Forfeiture, Issue of Debenture	134-156
11	Bonus & Right Issue	157-162
12	Redemption of Preference Shares	163-173
13	Redemption of Debentures	174-177
14	Partnership - Introduction, Goodwill, Admission, Retirement & Death	178-225
15	Dissolution of Partnership Firm including piecemeal distribution	226-228

1

Accounting Process

CLASSIFICATION OF ACCOUNTS

P.1.

Sl. 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
(l)	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
(t)	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 April	Explanation	A/cs Involved	Nature of A/cs	Nature	How affected	Debit (₹ in 000)	Credit (₹ in 000)
---------------	-------------	------------------	-------------------	--------	-----------------	---------------------	----------------------

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

P.3.

Journal Entries

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Dec. 3	Cash A/c To Bank A/c (Being cash withdrawn from the Bank)	Dr.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

(Being goods returned to Amrit)					
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 Purchases A/c		Nominal A/c		2,000
	(Being distribution of goods by way of free samples)				

P.4.

Journal Entries

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

	To Capital A/c (Being the amount invested by Ramesh in the business as capital)			10,00,000
" 3	Purchases A/c	Dr.	50,000	
	To Bank A/c (Being goods purchased for cash)			50,000
" 5	Cash A/c	Dr.	10,000	
	To Bank A/c (Being cash withdrawn from bank)			10,000
" 13	Krishna	Dr.	1,50,000	
	To Sales A/c (Being goods sold to Krishna on credit)			1,50,000
" 20	Purchases A/c	Dr.	2,25,000	
	To Shyam (Being goods bought from Shyam on credit)			2,25,000
" 24	Bank A/c	Dr.	1,45,000	
	Discount A/c	Dr.	5,000	
	To Krishna (Being cash received from Krishna and discount allowed to him)			1,50,000
" 28	Shyam	Dr.	2,25,000	
	To Bank A/c			2,15,000
	To Discount A/c (Being cash paid to Shyam and discount allowed by him)			10,000
" 30	Bank A/c	Dr.	8,00,000	
	To Sales A/c (Being goods sold for cash)			8,00,000
" 30	Rent A/c	Dr.	50,000	
	Salaries A/c	Dr.	1,00,000	
	To Bank A/c (Being the amount paid for rent and salary)			1,50,000

P.5.

Journal Entries

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

(iv)	(Being the income tax of proprietor paid out of business money)	1,800	1,750 50
	Purchase A/c Dr. To Cash A/c To Discount Received A/c (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. Land A/c Dr. Furniture A/c Dr. Stock A/c Dr. To Creditors To Bank overdraft To Capital A/c (Being commencement of business by mohan by taking over a running business)	2,000 4,000 1,000 2,000	1,000 2,000 6,000
(ii)	Advertisement Expenses A/c Dr. To Purchases A/c (Being Goods distributed by way of free samples)	1,000	1,000
(iii)	Cash A/c Dr. Bad Debts A/c Dr. To Rahim A/c (Being Rahim became insolvent and pay 50 paise in a rupee)	300 300	600

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.
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.
- 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

P.10.

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

2020					2020				
April 1	To Capital A/c			2,000	April 1	By Furniture A/c			250
" 4	To Sales A/c			950	" 2	By Purchases A/c			500
" 6	To Krishna A/c		20	600	" 5	By Ram Mohan		10	560
					" 7	By Petty Expenses A/c			15
					" 8	By Purchases A/c			150
					" 13	By wages A/c			1,000
					" 13	By Ali & Sons		8	400
					" 30	By Balance c/d			675
				20				18	3,550
				3,550					
May 1	To Balance b/d			675					

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.						Cr					
Triple Column Cash Book											
Date	Receipts	L.F.	Discount ₹	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	C		19,000	
3	To Cash	C			19,000	7	By Bank A/c	C		600	
4	To Kirti & Co.			600		10	By Ratan & Co.		20		330
7	To Cash	C			600	25	By Bank A/c	C		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	C			1,000						
						31	By Balance c/d			300	20,745

		35	21,225	21,075			20	21,225	21,075
Feb. 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 Furniture	15.00						15.00
		8	By Conveyance	1.00	1.00					
		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				
	"	13	By Stationery	2.00			2.00			
	"	14	By General Expenses	5.00						5.00
				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.						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	C		6,800	
9	To Cash A/c	C			6,800	12	By Adit				6,200
10	To Aviral		50		3,600	24	By Cash A/c	C			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	C		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.

Triple Column Cash Book

Dr.						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	C		1,000	
2	To Cash	C			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	C			500	19	By Bank	C		500	
24	To Parul (Note 2)		20	1,430		23	By Drawings				600
26	To Cash	C			1,430	26	By Bank	C		1,430	
28	To Bank	C		2,000		28	By Cash	C			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 ₹ 40 and ₹ 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. No.	Particulars	Total ₹	Stationery ₹	Travelling ₹	Misc. ₹	Repairs ₹
134.90	2019		To Bal. B/d					
365.10	Sep.		To Cash					
	7							
	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 Repairs	48.30				48.30
			421.90	121.20	68.50	27.20	205.00
500		By Balance c/d	78.10				
78.10		To Balance b/d	500				
421.90	13	To Cash					

P.16.

Petty Cash Book

Receipts ₹	Date 2019	V. No.	Particulars	Total ₹	Con- veyance ₹	Cartage ₹	Statio- nery ₹	Postage & Telegrams ₹	Wages ₹	Sundries ₹
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		
	5		By Wages	600					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 (Being the amount invested in the business as capital)			20,000
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 (Being goods sold to Z)			4,000
Cash A/c	Dr.	2,000	
To Z A/c (Being cash received from Z)			2,000

Dr.			Cr.		
Cash A/c					
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Capital a/c	20,000		By Y A/c	2,000
	To Z A/c	6,000		By Y A/c	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			

Dr.			Cr.		
Capital A/c					
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		By Balance c/d	8,000
	To Y A/c	4,000			
		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	Amount ₹
	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. Singhanian as on 31st March, 2020

Particulars	Dr. Amount	Cr. Amount
	₹	₹
Singhanian's Capital		1,556
Singhanian'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. Amount	Cr. 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		₹	₹
1-Sept.	Pritam To Sales Account (Sales of goods to Pritam as per Invoice No...)	Dr. 1,06,000	1,06,000
	Bills Receivable Account To Pritam (3 months acceptance received from Pritam for the amount due from him)	Dr. 1,06,000	1,06,000
Dec. 4	Pritam To Bills Receivable Account (Pritam acceptance cancelled because of renewal)	Dr. 1,06,000	1,06,000
	Pritam To interest (Interest @ 9% on ₹1,06,000 due from Pritam for 2 months because of renewal)	Dr. 1,590	1,590
	Bills Receivable Account Cash Account To Pritam [New acceptance for 2 months for ₹106,000 and Cash (for interest) received from Pritam]	Dr. 1,06,000 Dr. 1,590	1,07,590
2020 Feb. 7	Cash Account To Bills Receivable Account (Cash received against Pritam's second acceptance)	Dr. 1,06,000	1,06,000

Books of Pritam Journal

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

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

P.2.

Journal Entries in the books of Ankita

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

Journal Entries in the books of Bhavika

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

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

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 A/c To Eknath A/c (Being bill of exchange no . . . drawn on Eknath due for payment on 4th April 2020)	Dr. 10,000	10,000
Mar. 4	Bank A/c Interest A/c (Discount) A/c To Bills Receivable A/c (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.)	Dr. Dr. 9,900 100	10,000

P.5. Journal Entries in the books of B

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

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. Interest Account Dr. To Cash A/c To Bills Payable Account	1,250 25	500 775
	(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 Dr. To Sahni	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. To Bank Account	4,020	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	
	To B			10,000
	(Being the acceptance received from B to settle his 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	B	Dr.	10,000	
	To Bank Account			10,000
	(Being the B's acceptance is to be renewed)			
November 4	B	Dr.	240	
	To Interest Account			240
	(Being the interest due from B for 3 months i.e., $8000 \times 3/12 \times 12\% = 240$)			
November 4	Cash A/c	Dr.	2,240	
	Bills Receivable A/c	Dr.	8,000	
	To B			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

December 31	(Being B became insolvent)			
	Cash A/c	Dr.	3,200	
	Bad debts A/c	Dr.	4,800	
	To B			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)			
March 4	Bills receivable (No. 3) A/c	Dr.	16,400	
	To Interest A/c			400
	To Vishal 's A/c			16,000
	(Being the drawing of bill of exchange no. 3 due for maturity on 7.5.2018 together with interest at 15%p.a. in lieu of the original acceptance of Vishal)			
March 25	Bank A/c	Dr.	24,750	
	Discount A/c	Dr.	250	
	To Bills receivable (No. 2) A/c			25,000
	(Being the amount received on retirement of bills No.2 before the due date)			
May 7	Vishal's A/c	Dr.	16,400	
	To Bills receivable (No. 3) A/c			16,400
	(Being the amount due from Vishal on dishonour of his acceptance on presentation on the due date)			
May 7	Bank A/c	Dr.	8,200	
	To Vishal's A/c			8,200

May 7	(Being the amount received from official assignee of Vishal at 50 paise per rupee against dishonoured bill)	Dr.	8,200	8,200
	Bad debts A/c <p style="text-align: center;">To Vishal's A/c</p> (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 <p style="text-align: center;">To B A/c</p> (Three bills for ₹3,000, ₹2,000 and ₹1,000 drawn on B and duly accepted by him received)	Dr. 6,000	6,000
B A/c To Bills Receivable A/c (Bill received from B cancelled for renewal.)	Dr. 3,000	3,000
Cash A/c Bill Receivable A/c <p style="text-align: center;">To B</p> To Interest (Amount received on cancellation of the first bill, 50% along with a new bill for 50% of the amount plus interest ₹100)	1,500 1,600	3,000 100
C A/c <p style="text-align: center;">To Bills Receivable A/c</p> (A's acceptance endorsed in favour of C)	1,600	1,600
Bank A/c Discount A/c <p style="text-align: center;">To Bills Receivable A/c</p> (Second Bill for ₹ 2,000 discounted with the bank @ 5%)	1,900 100	2,000
B A/c <p style="text-align: center;">To Bank A/c</p> (Second Bill for ₹2,000 discounted with the Bank dishonoured, noting charges ₹30 paid by the Bank)	2,030	2,030
Bank A/c <p style="text-align: center;">To Bills Receivable A/c</p> (Amount received on maturity of the third bill)	1,000	1,000

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 accommodation)	Dr. 9,000	9,000
8-Apr	Bank account Discount account To Bills receivable account (Being bill discounted with bank)	Dr. 8,820 Dr. 180	9,000
8-Apr	Sanjay's account To Bank account To Discount account (Being one-third proceeds of the bill sent to Sanjay)	Dr. 3,000	2,940 60
8-Jul	Sanjay's account To Bills payable account (Being Acceptance given)	Dr. 12,600	12,600
8-Jul	Bank account Discount account (270 × 2/3) To Sanjay's account (Being proceeds of second bill received from Sanjay)	Dr. 2,220 Dr. 180	2,400
Oct.11	Bills payable account To Sanjay's account (Being bill dishonoured due to insolvency)	Dr. 12,600	12,600
Oct.15	Sanjay's account (6,000+2,400) To Bank account To Deficiency account (Being insolvent, only 50% amount paid to Sanjay)	Dr. 8,400	4,200 4,200

P.11.

Journal Entries in the books of Mr. A

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

Aug 14	B's A/c Dr. 20,020 To Bills for Collection a/c To Noting Charges or Bank Charges (Being the amount due from Mr. B on dishonour of his acceptance on presentation on the due date)	20,020	20,000 20
Aug 16	B's A/c Dr. 480 To Interest a/c (Being interest due)	480	480
Aug 16	Bank/Cash A/c Dr. 8,020 To B's A/c (Being cash received) Bills receivable (No. 3) A/c Dr. 12,480 To B's A/c (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 (Being cash and new acceptance at 3 months received from B)	8,020 12,480	8,020 12,480 20,500
Aug 16	Bills for Collection A/c Dr. 12,480 To Bills receivable (No.3) A/c (Being Bills receivable (No.3) sent to bank for collection) OR Bills for collection A/c Dr. 12,480 To Bills receivable A/c (Being new acceptance sent to bank for collection on due date)	12,480 12,480	12,480 12,480

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

P.2.

Journal Entries

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

P.3.

Journal Entries

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

	(Being the rectification of mistake by which purchase of furniture was entered in Purchases book and hence debited to Purchases Account)			300
(d)	Furniture Account	Dr.	375	
	To Wages Account			375
	(Being the wages paid to workmen for making show-cases which should be capitalised and not to be charged to Wages Account)			
(e)	Suspense Account	Dr.	7	
	To Creditors (personal) Account			7
	(Being the mistake in crediting the Trade payables Account less by ₹ 7, now corrected)			
(f)	P.C. Joshi	Dr.	200	
	To Allowances Account			200
	(Being the cheque of P.C. Joshi dishonoured, previously debited to Allowances Account)			
(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 customers)			
(i)	Singh & Co.	Dr.	400	
	To Suspense Account			400
	(Being the correction of mistake by which the account of Singh & Co. was credited by ₹ 200 instead of being debited)			

Suspense A/c

Dr.

Cr.

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

P.4.

Journal Entries

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

P.5.

Journal Entries

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

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

P.6.

Journal Entries

S. No.	Particulars	Debit (₹)	Credit (₹)
1	Commission A/c Dr. To Interest Received (Correcting wrong entry of interest received into commission account)	4,500	4,500
2	M/s Sobhag Traders A/c Dr. To Suspense A/c (Being credit sale of ₹ 2,760 posted as ₹ 2,670 i.e. debiting M/s Sobhag Traders A/c less by 90, now rectified)	90	90
3	Drawing A/c Dr. To Machinery A/c (Correction of wrong debit to machinery account for purchase of air-conditioner for personal use)	35,000	35,000
4	Return Inward A/c Dr. To Debtors (Personal) A/c (Correction of omission to record return of goods by customers)	5,000	5,000

P.7.

Journal Entries

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

P.8.

Journal Entries in the books of Mr. Roy

Date	Particulars		LF	Dr. ₹	Cr. ₹
(1)	Motor Vehicles Account To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified-capitalisation of ₹ 2,700, i.e., ₹ 3,000 less 10% depreciation)	Dr.		2,700	2,700
(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, entered as sales last year; now rectified)	Dr.	4,000	4,000
(4)	B's Account To A's Account (Amount received from A wrongly posted to the account of B; now rectified)	Dr.	1,000	1,000
(5)	Suspense Account To C's Account (₹ 500 received from C wrongly debited to his account; now rectified)	Dr.	1,000	1,000
(6)	Trade receivables To Suspense Account (₹ 500 due by Q not taken into trial balance; now rectified)	Dr.	500	500
(7)	R's Account To Profit & Loss Adjustment A/c (Sales to R omitted last year; now adjusted)	Dr.	2,000	2,000
(8)	Suspense Account To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, ₹ 2,593, instead of ₹ 2,395, now adjusted)	Dr.	198	198
(9)	Profit & Loss Adjustment A/c To Roy's Capital Account (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	Dr.	10,898	10,898
(10)	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	₹
-------------	---	-------------	---

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

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

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 (Balancing figure)	2,720
To Shyam	1,500		
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. To Building Account (Repairs amounting ₹ 12,500 wrongly debited to building account, now rectified)		12,500	12,500
2.	Profit and Loss Adjustment Account Dr. To Suspense Account (Addition of freight column in purchase journal was under casted, now rectification entry made)		1,500	1,500
3.	Suspense Account Dr. To Rani & Co. (Goods returned by Rani & Co. had been posted wrongly to the debit of her account, now rectified)		2,100	2,100
4.	Profit and Loss Adjustment Account Dr. To Furniture account (Being sale of furniture wrongly entered in sales book, now rectified)		30,000	30,000
5.	Raja & Co. Dr. To Bills receivable account		20,000	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 To Suspense A/c 800	Trivedi & Co. A/c Dr. 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 Purchase A/c Dr. 420 To Mantri & Co. 660	Sales A/c Dr. 240 Purchase A/c Dr. 420 To Mantri & Co. 660	Profit & Loss Adj. A/c Dr.660 To Mantri & Co. 660

P.12.

Journal

	Particulars	L.F.	Dr. ₹	Cr. ₹
(1)	Building A/c To Wages A/c (Correction of wrong debit in the wages A/c of the construction of office building)	Dr.	20,000	20,000
(2)	Ramesh To Purchases A/c To Sales A/c (Correction of wrong entry in the Purchases Book of a credit sale of goods to Ramesh)	Dr.	2,400	1,200 1,200
(3)	Mahesh Chand To Bad Debts Recovered A/c	Dr.	2,000	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 To Purchases A/c (Entry of the goods distributed as free samples omitted from records)	Dr.	5,000	5,000
(5)	Returns Inwards /Sales Return A/c To Green (Entry of goods returned by Green omitted from records)	Dr.	1,500	1,500

P.13.

Journal

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

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

P.14.

In the Books of Dime Ltd.

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

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

4

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/c Dr
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	To Party A/c	18,000	2018	By Balance b/d	8,062
Sept. 30	To Customer A/c (Direct deposit)	1,15,400	Sept. 30	By Bank charges	280
	To B/R collected	59,000		By Customer A/c (B/R dishonoured)	1,60,000
	To Balance c/d	1,75,942		By 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 2019	Particulars	Amount ₹	Date 2019	Particulars	Amount ₹
Dec. 30	To Balance b/d	4,610	Dec. 30	By Trade receivables- Cheque dishonoured	73,000
	To Dividend received	3,80,000		By Bank interest and charges	4,200
				By Trade Subscription	10,000
		3,84,610	Dec. 31	By Balance c/d	2,97,410
2020					3,84,610
Jan. 1	To Balance b/d	2,97,410			

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

	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
		Balance as per 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 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 Book	425	
	(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 overdraft as per the Cash Book (Cr.)		4,480

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

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

Cashed			
Dividends directly collected by bank but not yet entered in the Cash Book		25,000	
Cheque recorded twice in the Cash Book		3,50,000	5,59,219
Deposit not recorded in the Bank column		1,50,000	
			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 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 - Installation Expenses	1,00,000		10% on ₹ 15,00,000 for 6 months	75,000
		15,00,000	Dec. 31	By Balance c/d	14,25,000
					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			2018		
Dec. 31	To Machinery A/c To Machinery A/c	75,000	Dec. 31	By Profit & Loss A/c By 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	
July 1	To Bank A/c -	1,00,000		(₹ 15,00,000 × 10% × 6/12) for 6 months	75,000
		15,00,000	Dec. 31	By Balance c/d	14,25,000
					15,00,000
2019			2019		
Jan. 1	To Balance b/d	14,25,000	Dec. 31	By Depreciation A/c	
				(₹ 14,25,000 × 10%)	1,42,500
			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 (Profit on settlement of Truck)	4,50,000	Oct-01	By Depreciation on lost assets	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
		<u>38,25,000</u>
	Less: Depreciation for 2015	9,00,000
		<u>29,25,000</u>
	Less: Depreciation for 2016 (9 months)	6,75,000
		<u>22,50,000</u>
	Less: Amount received from Insurance company	27,00,000
		<u>4,50,000</u>

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

Calculation of depreciation for the year ended 31st March, 2021

	Machine I damaged on 1st July, 2020 (8,00,000) ₹	Machine II Purchased on 1st July, 2020 (10,00,000) ₹
Book value as on 1st April, 2020	6,08,000	10,00,000
Purchased on 1st July, 2020		
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 (5% on ₹ 2,00,000)	10,000.00		By Balance c/d	1,53,597.60
		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 (5% on ₹ 1,53,597.60)	7,679.88		By Balance c/d	1,04,875.08
		1,61,277.48			1,61,277.48
2016-17			2016-17		
Mar. 31	To Interest A/c	1,04,875.08	Mar. 31	By Balance c/d	56,402.40
		5,243.75			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 Mar. 31	To Depreciation A/c	56,402.40	2016-17 Mar. 31	By Interest A/c	5,243.75
2017-18 Mar. 31	To Depreciation A/c	56,402.25	2017-18 Mar. 31	By Interest A/c	2,685.82

P.6.

Machinery Account

		₹			₹
2018 Jan. 1	To Bank A/c To	5,82,000	2018 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			8,00,000
	To Balance b/d To				
	Bank A/c		2019 July 1	By Depreciation on	
2019 Jan. 1		7,30,000		sold machine	27,000
				By Bank A/c	3,86,000
July 1		4,00,000		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 I ₹	Machine II ₹	Machine 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

- Depreciation per year charged for four years = ₹ 10,00,000 / 10 = ₹ 1,00,000
- WDV of the machine at the end of fourth year = ₹ 10,00,000 - (₹ 1,00,000 × 4) = ₹ 6,00,000.
- 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 (₹ 30,600 + ₹ 9,250)	39,850
		46,000			46,000
1.1.2017	To Balance b/d	39,850	1.7.2017	By Bank A/c(sale)	28,000
1.7.2017	To Bank A/c	25,000	1.7.2017	By Profit and Loss A/c (Loss on Sale - W.N. 1)	305
		64,850	31.12.2017	By Depreciation A/c (₹ 2,295 + ₹ 1,388 + ₹ 1,875)	5,558
				By Balance c/d (₹ 7,862 + ₹ 23,125)	30,987
		64,850			64,850
1.1.2018	To Balance b/d	30,987	1.7.2018	By Bank A/c (sale)	2,000
			1.7.2018	By Profit and Loss A/c (Loss on Sale - W.N. 1)	5,272
			31.12.2018	By Depreciation A/c (₹ 590 + ₹ 3,469)	4,059
		30,987	31.12.2018	By Balance c/d	19,656
					30,987

Working Note

Book Value of machines

	Machine I ₹	Machine II ₹	Machine III ₹
Cost of all machinery (Machinery cost for 2015)	40,000	10,000	25,000
Depreciation for 2015	4,000		
Written down value as on 31.12.2015	36,000		

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

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
30.09.2019	To Bank A/c	60,000	31.12.2019	By Depreciation	37,500
				By Balance c/d	1,78,500
		<u>5,16,000</u>			<u>5,16,000</u>
01.01.2020	To Balance b/d	1,78,500	31.12.2020	By Depreciation	26,775
			31.12.2020	By Balance c/d	1,51,725
		<u>1,78,500</u>			<u>1,78,500</u>

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

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	
--------------	----------	--

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

	Machine I (28,54,000 - 2,16,000) ₹	Machine II Purchased on 1st July ₹	Machine III Purchased on 1st Nov ₹	Depreciation on sold machine IV ₹
Book value as on 1 st 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

6

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
P	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

Date	Receipts			Issues			Balance		
	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

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	3,20,000
		8,20,000
Less: Purchases during the period from 31st March, 2020 to 15th April, 2020		<u>50,340</u>
		7,69,660

P.5. First-in-First out basis
Sriram Mills

Calculation of the value of Inventory as on 31-3-2020

Date	Receipts			Issues			Balance		
	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:		
Sales	52,20,000	
Less: Gross profit	10,32,000	<u>(41,88,000)</u>
Value of stock as on 31.3.2020		6,72,000

Working Note:

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 $1,60,000 - (2,00,000 - 60,000)$	<u>20,000</u>	10,32,000

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

	₹	₹
Value of 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
		<u>79,366</u>

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	<u>16,34,310</u>

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
		1,45,000
Less: Purchases actually received during the intervening period:		
Purchases from 1.4.2019 to 9.4.2019	10,000	
Less: Goods not received upto 9.4.2019	(2,000)	(8,000)
		1,37,000
Add: Purchases during March, 2019 but not recorded in stock		20,000
Value of physical stock as on 31.3.2019		1,57,000

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: Cost of sales during the period from 23rd June, 2020 to 30th June, 2020		
Sales (₹ 13,60,000 - ₹ 1,60,000)	12,00,000	
Less: Gross profit	96,000	(11,04,000)
Value 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 on normal sales $20/100 \times ₹ 10,80,000$	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
B <i>Add:</i> Cost of sales after 31 st March, till stock taking (₹ 20,625 – ₹ 5,156)	15,469
C <i>Less:</i> Purchases for the next period (net)	(24,300)
D <i>Less:</i> Cost of Sales Returns (900-675)	(675)
E <i>Less:</i> Loss on revaluation of slow moving inventories	(1800)
F <i>Less:</i> Reduction in value on account of default	<u>(900)</u>
G Value of Stock on 31 st March, 2020	<u>4,90,294</u>

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

To Rent	4,300	By Bad debts recovered		450
To Advertisement expenses	4,175			
To Printing and stationery	1,250			
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
Add: Net profit	83,800		Less: Depreciation
	1,48,800		Furniture and fittings
Less:	11,500	1,37,300	Less: Depreciation
Drawings			
Bank overdraft	80,000		Closing stock
Sundry creditors	47,500		Sundry debtors
Payable salaries	2,450		Less: Provision for doubtful debts
			Provision for bad debts
			Prepaid rent
			Cash in hand
			Cash at bank

	2,67,250		2,67,250
--	----------	--	----------

P.2.

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

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

Balance Sheet of Mr. Sandeep as on 31.3.2018

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

P.3.

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 Sheet as at 31st March, 2020					
Liabilities	₹	₹	Assets	₹	₹
Trade payables		9,00,000	Cash in Hand	5,60,000	
Capital:			Trade receivables	3,50,000	
Previous Balance			Closing Inventory	10,00,000	19,10,000
Add : Net Profit	25,00,000	27,30,000			
	2,30,000				
			Furniture & Fixtures	1,50,000	
			Plant & Machinery	15,70,000	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
Capital Account	50,000		Fixed Assets:		
Add : Net Profit	11,267		Buildings	27,000	
Less: Drawings	1,500	59,767	Less: Depreciation	540	26,460
Loan from Desai	20,000		Furniture:	6,000	
Add: Interest Due	1,800	21,800	Less: Depreciation	600	5,400
Sundry Creditors	20,000		Current Assets:		
Commission Payable	593		Cash on hand		250
		1,02,160	Cash at Bank		1,500
			Sundry Debtors	7,500	
			Less: Provision for Doubtful debt	375	7,125
			Stock		61,250
			Prepaid Rates		175
					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
(-) Return	5,100	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		
To Rent	15,000		
To Bad debts	7,000		
(+) Provisions	4,000		
To Printing and Stationery	8,000		
To Insurance	12,000		
(-) Prepaid	2,000		
To Office expenses	12,000		
(+) Outstanding	8,000		
To Depreciation	2,000		
To Net profit transferred to Capital a/c	69,000		

1,66,000

1,66,000

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 dep.	2,000
				16,000
(-) Goods taken	6,000	1,39,000	4,000	
Creditors		1,20,000	Stock	60,000
Salary payable		3,000	Debtors	2,00,000
Expense payable		8,000	(-) Provision:	10,000
				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
(-) Return outward	2,000		1,25,000
To Gross profit	48,000	By Closing stock	21,000
	1,46,000		1,46,000
To Depreciation: Furniture	200	By Gross Profit	48,000
Plants & Mach.	3,000	By Discount	600
	3,200		
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		
+ Addl Bad debts written off	400		
+ Provision for bad debts	1,000		
	1,800		
To Interest on loan from Mr. Mehta	150		
+ Interest payable	150		
	300		
To Insurance	800		
(-) Prepared Insurance	100		
	700		
To Discount on debtor Provided	475		
To Net profit transferred to P&L app.	12,825		
	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 a/c	9,555	By Interest on drawings	330
	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 months 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 31.12.16

Liabilities	Rs.	Assets	Rs.
Capital	60,000	Furniture & fixture	4,000
(+) Interest on Capital	3,600	(-) Depreciation	200
(-) Drawing	12,000	Plant & Machinery	30,000
(-) Interest on drawing	330	(-) Depreciation	3,000
(+) Profit transfer from P&L a/c 9,555	60,825	Debtors	20,400
Loan	10,000	(-) Bad debt written off	400
Interest payable	150		20,000
Creditors	12,000	(-) Provision for bad debt 5%	1,000
Outstanding salary	800		19,000
		(-) Provision for discount 2.5%	475
		Closing stock	21,000
		Prepaid Insurance	100
		Cash	3,050
		+ Bank	10,300
	83,775		13,350
			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 for doubtful debts (5% of ₹ 4,400)		220			
To Loss of stock by fire		500			
To Depreciation on furniture (10% of ₹1,500)		150			
To Net profit		13,545			
		17,490			17,490

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

Liabilities	₹	Assets	₹
Capital	16,000		

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 Debts	220	4,180
			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 = ₹(26,00,000 + 13,00,000 + 2,00,000)
 = ₹ 41,00,000
 So, Selling Expenses + Remaining Expenses + Net Profit = Total Income
 => 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 x 100
 = 1,00,000/1 x 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 = ₹ 100,00,000 (As computed in D above)

G = ₹ 60,00,000 (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 (Balancing Figure)	9,15,000	By Trading A/c (W.N. 4)	18,32,000
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	₹	Particulars	₹
To Opening Stock A/c	1,27,000	By Raw Material Consumed (from Manufacturing A/c above)	9,15,000
To Creditors A/c (W.N. 5)	14,40,000	By Closing Stock A/c (Balancing Figure)	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	6,60,000	By Raw Materials 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

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

Raw material consumed:			By Closing Stock of Work in Progress	78,000
To Opening Stock of Raw Materials	2,10,000		By Sale of Scrap	25,000
Add: Purchases	8,50,000		By Cost of goods Manufactured (Transferred to Trading Account)	11,90,000
Less: Closing Stock	1,62,000	8,98,000		
To Opening Stock of WIP		95,000		
To Wages	1,30,000			
Add: Outstanding Wages	20,000	1,50,000		
To Carriage on Purchases		15,000		
To Repairs to Plant		11,000		
To Rent (3/4)		45,000		
To Lighting (2/3)		9,000		
To Depreciation of Plant		70,000		
		12,93,000		12,93,000

Trading Account for the year ended 31st March, 2021

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		

To Provision for doubtful Debts: Required (1% of ₹1,67,200)	16,720			
Less: Existing Provision	16,500	220		
To Net Profit		3,47,780		
		5,12,500		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 Returns	(18,000)	11,82,000	By Closing Stock		4,10,000
To Freight		62,000			
To Gross Profit c/d		3,22,000			
		18,86,000			18,86,000

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 received		12,000
To Provision for Doubtful Debts (W.N.4)		4,000			
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		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 Insurance Premium	(42,000)	13,58,100	Less: Depreciation	(20,000)	80,000
Loan from Rajan	60,000		Office equipment	2,00,000	
Add: Outstanding Interest	100	60,100	Less: Depreciation	(30,000)	1,70,000
Sundry Creditors		62,000	Furniture & Fixture	50,000	
Outstanding rent		5,000	Less: Depreciation	(5,000)	45,000
			Stock in Trade		4,10,000
			Sundry Debtors	2,80,000	
			Less: Provision for doubtful debts	(14,000)	2,66,000
			Cash at hand		22,000
			Cash in bank		16,000
			Prepaid insurance (W.N. 1)		1,200
		14,85,200			14,85,200

Working Notes:

1. Insurance premium

Insurance premium as given in trial balance	48,000
Less: Personal premium	(42,000)
Less: Prepaid for 3 months (6,000/ 15 x 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	10,000
		By P&L A/c	4,000
	<u>14,000</u>		<u>14,000</u>

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 × 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 (500 × Rs.1,000)		By Cash/Bank		5,30,000	
To balance c/d (Received in Advance) (70 × Rs.1,000)	70,000	- Subscriptions Received during the year (balancing figure)			
		By balance c/d (Receivable)		40,000	

		(40xRs. 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 × 1,500) (Income) For the year ended 31.03.2016	7,50,000	By Cash/ Bank a/c (Received) 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
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
	7,95,000		7,95,000

**Income & Expenditure Account (An extract) of Sachin Cricket Club
For the year ended 31st March, 2016**

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

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 Bank A/c	18,000
To Income from Subscriptions A/c	4,37,000	By Outstanding subscriptions (2020)	4,50,000
To Advance subscriptions (2021)	26,000		15,000
	4,83,000		4,83,000

P.6.

Balance sheet as at March 31st 2020 (extract)

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

Cash Sales during the year	7,50,000
Add: Advance received during the year	1,80,000
Total money received during the year	<u>9,30,000</u>

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	160
To Conveyance	10,600		
To Depreciation on Scooter	5,000		
To Surplus	1,57,515		
	5,00,960		5,00,960

Working Notes:

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

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 × $\frac{20}{100} \times \frac{6}{12}$	5,000	
(v) Interest on Government bonds received	4,000	
Add: Interest due but not received as on 31.3.2015 (bal. fig.)	4,000	
Interest income for the year 2014-2015	8,000	
(vi) Subscription received	4,94,700	
Add: Accrued subscription as on 31.3.2015	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
		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 Outstanding	54,000
Advance Membership Fees	16,000	Investments:	
Expense Outstanding	8,000	ICIC Bond	3,00,000
		Govt. Securities	2,20,000
		Prepaid Expenses	7,000
		Cash	2,700
		Bank	5,000
		Outstanding	
		Membership Fees	26,000
		(-) Provision	2,000

	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)
To Misc expenses	500	By Subscriptions (WN-2)	12,550
Less: Prepaid	(90)	By Entrance fees	1,000
To Insurance premium	200	By Interest on investment [8/100×6,000×5/12]	200
Add: Outstanding	40	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 income over expenditure	14,150		
	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
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

Liability	Rs	Asset	Rs
Trust Fund	33,90,000	Investment	20,00,000
(+) Surplus	1,30,000	Subscription Outstanding	20,000
Advance Subscription	10,000	Medicine Stock	3,00,000
Creditors for medicine	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	₹.	Particulars	₹.
To Opening Outstanding	10,000	By Opening Advance	20,000
To Income & Expenditure A/c	10,20,000	By Cash/Bank A/c (Received)	10,00,000
To Closing Balance (advance)	10,000	By Closing outstanding balance	20,000
	10,40,000		10,40,000

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 = $1,40,000/7 \times 100 = 20,00,000$.

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

Receipt	Rs	Payment	Rs
To Opening balance		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 balance	
		Cash	160
		Bank (balancing figure)	1,834
	97,286		97,286

Balance Sheet as on 31.3.16

Liabilities		Rs	Assets		Rs
Trust Fund	1,55,974		Subscription outstanding		160
Surplus	4,765	1,60,739	Stock of Medicine		9,750
Advance subscription		100	Equipment		13,900
Electricity outstanding		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

Particulars	Rs	Particulars	Rs
-------------	----	-------------	----

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

Dr.		Cr.	
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	1,000	By Misc. Expenses	2,000
To Receipt for Annual Sport	6,000	Add: Prepaid Insurance	240
		By Chief Executive's Honorarium	4,000
		By Printing & Stationery	1,800
		By Expenses on Annual Sports	3,000
		By Annual Day Celebration Expenses	6,000
		By Interest on Bank Loan	600
		By Balance c/d	6,400
	45,240		45,240

Balance Sheet of Victoria Club

 As on 31st March, 2016

Liabilities	Rs.	Assets	Rs.
-------------	-----	--------	-----

Capital Fund:		Cash	6,400
Opening Balance (note 1)	46,160	Subscription Outstanding	3,000
Add: Excess of Income		Sports Equipment	10,400
Over Expenditure	2,400	Add: Additions	
Salaries Outstanding	48,560		1,600
Audit Fee Outstanding	1,800	Less: Depreciation	12,000
Bank Loan	1,000	Sports Ground	1,200
Subscription received in advance	8,000	Prepaid Insurance	40,000
	1,080		240
	60,440		60,440

Working Notes:

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

4. Salary & Wages Account

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

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	Furniture & Fixtures	40,000
	9,21,000	Add: Additions	20,000
Current Liabilities:			60,000
Outstanding Salary (15,000-10,000)	5,000	Less : Depreciation	(5,000)
Outstanding Audit Fees	5,000	Sports Equipment's	2,50,000
Creditors for Printing & Stationery {22,000-(26,000- 5,000)}	1,000	Less: Depreciation	(90,000)
Subscription received in advance	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)	
		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 1st April, 2012

Balance Sheet of Sports Club

As at 31st March 2012

Liabilities	Rs.	Assets	Rs.
-------------	-----	--------	-----

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 Expenses	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, & telephones			
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
+ Entrance Fees	2,000		7,200
+ Legacies	8,000	Swimming Pool	40,000
Capital Fund	60,000	Equipment's	20,000
+ Grant	10,000	Fixed Deposits	20,000
Building Fund	30,000	Investment:	
+ Income	2,000	Against General Fund	36,000
Prize Fund	10,000	Against Prize Fund	10,000
+ Income	1,000	Bank Balance	10,000
- Expense	800	Outstanding Subscription	10,000
	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

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	By Fees from lectures	12,000
To Motor car expense (60,000 × 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 expenditure	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)

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

To Sports & Games Expenses			By Profit-stores sales	1,14,000
Cash	52,000			
Materials	24,000	76,000		
To Students Welfare Expenses				
Cash	37,000			
Materials	78,000	1,15,000		
To Scholarships		85,000		
To Depreciation:				
Building		77,500		
Plant & Equipment		85,000		
Furniture		54,000		
Motor Vehicle		48,000		
To 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:		1,50,000
Opening balance			Land	15,50,000	
Add: Excess of Income over Expenditure	3,14,500	16,22,500	Building Cost		9,82,500
Building Fund		19,10,000	Less: Dep.	(5,67,500)	
Current Liabilities:			Plant & Machinery Cost	8,50,000	
Outstanding Expenses		2,35,000	Less: Dep.	(5,90,000)	2,60,000
Security Deposit		1,55,000	Furniture & Fittings:		
			Cost	5,40,000	
			Less: Dep.	(3,80,000)	1,60,000
			Motor Vehicles		
			Cost:	2,40,000	
			Less: Dep.	(48,000)	1,92,000
			Library		3,20,000

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

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 & Equipment	Furniture & 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 ₹
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	₹
To drawings	24,000	By Balance b/d	2,41,200
To Balance c/d	4,40,700	By additional capital	40,000
	4,64,700	By Net Profit (Bal Fig)	1,83,500
			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 × 12 = ₹ 8,40,000
Add: Cash sales $8,40,000 \times \frac{25}{75}$	₹ 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	₹
To Closing Balance c/f	63,000	By Opening Balance b/f	51,000
		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

$$\begin{aligned} \text{Credit Sales for the year ended 31st March, 2021} &= \text{Debtors} \times \frac{12 \text{ months}}{1.5 \text{ months}} \\ &= ₹ 1,50,000 \times \frac{12 \text{ months}}{1.5 \text{ months}} \\ &= ₹ 12,00,000 \end{aligned}$$

$$\begin{aligned} \text{Total sales for the year ended 2020 -21} &= \text{Credit sales} \times \frac{100\%}{80\%} \\ &= ₹ 12,00,000 \times \frac{100\%}{80\%} \\ &= ₹ 15,00,000 \end{aligned}$$

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		
	<u>15,55,000</u>		<u>15,55,000</u>

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
	<u>49,700</u>		<u>49,700</u>
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		10,735

Balance Sheet as at 31st March, 2016

Liabilities		₹	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.

Trading and Profit and Loss Account

Dr.

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	Cash 73,80,000	
To Gross Profit c/d (10% of 93,00,000)	9,30,000	Credit 19,20,000	93,00,000
	99,50,000	By Closing Stock	6,50,000
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 ₹ 1,00,000)	15,000		
To Net Profit	3,26,300		
	9,58,000		9,58,000

Balance Sheet as at 31st March, 2001

Liabilities	₹	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 <u>3,26,300</u>	3,36,300	Trade debtors	1,52,000
Bills Payable	1,40,000	Bills receivable	75,000

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
--	----------	--	----------

Assumption: It is assumed that the annual insurance premium of ₹ 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 <u>22,500</u>	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	6,52,500
		By Balance c/d	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 figure)	12,45,000
	14,32,500		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 (Endorsed)	22,500		
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 ended 31st 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>
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		

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

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 (300x13)	3,900
To Sales A/c	1,16,250	By Sundry Expenses A/c (50x13)	650
		By Drawings A/c (100x13)	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

$$\text{Cost of goods sold} = (70,000 + 91,000 - 40,000) = 1,21,000$$

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

Credit Sales 35,000
 Cash Sales 1,16,250

P.10.

Trading and Profit and Loss Account

Dr.		Cr.	
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 <u>(4,000)</u>	36,000
Less: Drawings <u>(6,000)</u>	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 sales)	(1,20,000)
Credit Sale	4,80,000

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 x 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

Dr.

Cr.

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 5)	750		
To Depreciation on Fixed Assets (WN 5)	1,000		
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	<u>(25,000)</u>		
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	By Creditors A/c	2,80,000
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 (Loss on sale: 2,500 - 1,750)	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 × 25% = ₹ 65,000

7. Cost of Goods Sold = Opening Stock + Purchases - Closing Stock

$$₹ 2,60,000 = ₹ 50,000 + \text{Purchase} - ₹ 62,500$$

$$\therefore \text{Purchase} = ₹ 2,72,500$$

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 31st December 2005 Cr.

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

	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	2,32,200	
Add: Additional Capital	1,70,000		Add: New Machinery	<u>63,600</u>	
Net Profit	<u>30,800</u>			2,95,800	
	7,36,200		Less: Depreciation	<u>55,000</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	<u>6,400</u>	30,400	
To Professional charges		34,000	
To Shop Expenses		18,000	
To Depreciation		2,700	
(₹ 54,000 × 10/100 × ½)			
To Net Profit		1,84,400	
		<u>3,78,100</u>	<u>3,78,100</u>

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 (Balancing Figure)	78,800	1,01,300	Furniture 54,000 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
	<u>1,65,600</u>	<u>1,33,100</u>		<u>1,65,600</u>	<u>1,31,100</u>

Reconciliation of Profit

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

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
	<u>9,35,400</u>		<u>9,35,400</u>

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
	<u>9,12,400</u>		<u>9,12,400</u>

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	-
To Cash Sales	2,97,500		By Rent (WN 4)	30,000	-
(Balancing Figure)			By Electricity & Tel	24,000	-
To Cash (contra)	-	10,34,000	By Shop Expenses	18,000	-
			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 + 3,000×2)	30,000	By Opening Outstanding	2,400
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

Cr.

Particulars	₹	Particulars	₹
To Opening Stock (bal. fig.)	1,45,000	By Sales (WN 1):	
To Purchases (WN 2)		Cash 50,000	
Cash 65,000		Credit <u>4,50,000</u>	5,00,000
Credit <u>2,60,000</u>	3,25,000	By Closing Stock	
To Gross Profit (WN 3)	1,00,000		
	5,70,000		5,70,000
To Loss on Sale of Equipment (20,000 - 15,000)	5,000	By Gross Profit	1,00,000
To Depreciation:		By Discount Received	4,800
Building 3,000			
Furniture			
2,500			
Equipment (WN 5) <u>24,600</u>	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:			

A's Capital A/c	10,600		
B's Capital A/c	<u>10,600</u>	21,200	
		1,04,800	1,04,800

Balance Sheet as on 31-3-2007

Liabilities		₹	Assets		₹
A's Capital (WN 8)	2,80,250		Building	1,50,000	
Less: Drawings	<u>30,000</u>		Less: Depreciation	<u>3,000</u>	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 6)		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 = $\frac{4,50,000}{90} \times 100 = ₹ 5,00,000$

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 × 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 A & B (Bal. Fig.)	5,45,500	Building	1,50,000
Creditors	65,000	Equipment's	2,40,000
Bank Loan	45,000	Furniture	25,000
		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

Dr. For the year ended 31st March 2003 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 × 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

Liabilities	₹	Assets	₹
Capital: 7,16,000		Building 3,60,000	
Profit & Loss A/c:		(-) Depreciation <u>36,000</u>	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	

		(-) RDD	5,040	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 (transfer to Profit & Loss)	11,000
		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 the year ended 31st March 2002 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 off)	1,500		
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 Credit Sales	1,00,000
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 × 25%)	2,40,000
Cost of Goods Sold	7,20,000
Since there are no charges in Stock level, Opening Stock = Closing Stock, So, Purchases = COGS	7,20,000
Credit Purchases = Total Purchases ₹ 7,20,000 - ₹ 50,000 Cash Purchases (given)	6,70,000
Credit at year end = 1 month's credit purchases = $(\frac{\text{Rs. } 6,70,000}{12 \text{ month}} = 1 \text{ month})$	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 made	50,000	6,59,167
To Debtors-collection rec	--	7,00,000	By Business Expenses	1,45,000	5,000
To Cash Sales	2,40,000	--	By Repairs	3,500	--
To Additional Capital	--	5,000	By Addition to Machinery	--	60,000
To Balance c/f (Overdraft) (bal. fig.)	--	2,667	By Travelling Expenses	18,000	--
			By Private Drawings	30,000	--
			By Cash lost by theft (bal. fig.)	1,500	--
	2,48,000	7,24,167		2,48,000	7,24,167

Note: Business Expenses paid = Total ₹ 1,57,500 - Outstanding ₹ 7,500 = 1,50,000 of which cheque payment is ₹ 5,000. Hence, balance Cash payment = ₹ 1,50,000 - 5,000 = ₹ 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 & L)	32,500
	2,90,000		2,90,000

P.17.

Trading and Profit and Loss Account

For the year ended 31st March 2017

Dr.

Cr

Particulars	₹	₹	Particulars	₹
To Opening Inventory		80,000	By Sales	6,08,750
To Purchases	4,56,000		By Closing inventory	70,000
	0			
Less: For advertising	(9,000)	4,47,000		
To Freight inwards		30,000		
To Gross profit c/d		1,21,750		
		6,78,750		6,78,750
To Sundry expenses		92,000	By Gross profit b/d	1,21,750
To Advertisement		9,000	By Interest on investment	600
To Discount allowed - Debtors	15,000		(20,000 × 6/100 × ½)	
Bills Receivable	1,250	16,250	By Discount received	8,000
To Depreciation on furniture		6,500	By Miscellaneous income	5,000
To Provision for doubtful debts		1,455		
To Net profit		10,145		
		1,35,350		135,350

Balance Sheet as on 31st 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 × 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 doubtful debts	1,455	71,295
			Bills receivable		17,500
			Cash in hand and at bank		26,250
			Prepaid expenses		7,000

		2,75,145			
					2,75,145

Working Notes:1. Balance Sheet as on 1st April, 2016 (Capital on 1st 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 (bill dishonoured)	4,000	By Bills receivable A/c	1,00,000
	7,72,750	By Balance c/d (Bal. fig.)	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	5,85,000	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] (Additional drawings)]	91,000
		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 (on 1.4.2016)	6,000	By Outstanding expenses A/c (on 1.4.2016)	20,000
To Bank A/c	95,000	By Profit and Loss A/c (Balancing figure)	92,000
To Outstanding expenses A/c (on 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
For the year ended 31st March 2016

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

Balance Sheet as on 31st December 2016

Liabilities	₹	₹	Assets	₹
Capital (WN. 6)	2,38,200		Building	3,72,000
Add: Fresh Capital Introduced			Furniture	25,000
▪ Maturity value from LIC	20,000		Inventory	1,90,000
▪ Rent	14,000		Sundry Debtors	92,000
Add: Net Profit	2,57,700		Bills Receivable	6,000
Less: Drawing (1,400 * 12)	(16,800)	5,13,100	Cash at Bank	87,000
Rent Outstanding		20,000	Cash in Hand	5,300
Sundry Creditors		56,000		
Bills Payable		14,000		
Legal Expenses outstanding		17,000		
Ele & Tele. Outstanding		2,200		
Provision for Claim for Damages		1,55,000		
		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	Bills accepted by customers	
-Bills dishonoured		By Bank A/c - Cheque received	5,700
To Bank A/c	5,700	By Cash (from summary cash and bank account)	8,97,150
- Cheque dishonoured		By Return inward A/c	1,200
To Credit sales	9,59,750	By Discount A/c	2,400
(Balancing Figure)		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 dishonoured) (Bal. Fig)	3,000
		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	₹
To Bank A/c (Balance figure)	22,000	By Balance b/d	12,000
To 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 x 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 of LIC policy)		20,000	By Furniture	25,000	
To Capital (Rent received)		14,000	By Sundry Debtors		5,700
			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

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

Balance Sheet as on 31st March, 2020

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

Working Notes:

1. Balance sheet as on 1-4-2019

	₹		₹
Sundry creditors	60,200	Machinery	85,000
Capital (balancing figure)	3,32,150	Furniture	24,500
Outstanding salaries	12,000	Inventory	38,600
		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 (1,70,800/20x80)	6,83,200	31.3.20	By Bad debts	7,200
				By Balance c/d (Bal. Fig.)	3,50,000
		8,38,200			8,38,200

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 (1,22,750/20x80)	4,91,000
		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 (10% of 1,00,000 x 6/12)	5,000 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	5,60,000

Working Notes

1. Sundry Debtors Account

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

2. Sundry Creditors Account

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

3. Cash and Bank Account

	Cash	Bank		Cash	Bank
To Balance b/d	10,000		By Balance b/d		50,000
To Sales (bal. fig)	2,40,000		By Bank A/c (C)	1,00,000	
To Cash (C)		1,00,000	By Salaries	40,000	
To Debtors		7,50,000	By Creditors	20,000	7,00,000
To 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

CLASS QUESTIONS

C.19.

Trading and Profit and Loss Account

For the year ended 31st March 2001

Dr.

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	(50,000)
Add: Net Profit	<u>3,74,000</u>	Current Assets:	
Current Liabilities:		Stock in Trade	3,36,000
Creditor	1,10,000	Debtors	2,00,000
		Cash & Bank	5,58,000
	14,34,000		
	1,10,000		
	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	₹
To Opening stock	1,60,000	By Sales	13,98,000
To Purchases (W.N.5)	9,12,000	By Closing stock	1,40,000
To Gross profit c/d (Bal.fig.)	4,66,000		
	15,38,000		15,38,000
To Expenses (W.N.7)	3,44,000	By Gross profit b/d	4,66,000
To Discount allowed (W.N.9)	32,500	By Discount received (W.N.10)	16,000
To Depreciation on furniture (W.N.1)	13,000	By Interest on Govt. Securities (W.N.8)	12,000
To Net profit	1,14,500	By 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 (W.N.2)	1,72,000	12% Government Securities	2,00,000
Add: Profit during the year	6,62,500	Accrued Interest W.N.8)	12,000
Less: Drawings	(1,40,000)	Debtors (W.N.3)	3,26,000
Creditors	3,00,000	Bills Receivable (W.N.4)	35,000
Outstanding expenses	36,000	Stock	1,40,000
		Prepaid expenses	14,000
		Cash on hand	3,000

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

Working Notes:

1. **Furniture account**

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

2. **Cash and Bank account**

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

3. **Debtors account**

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

4. **Bills Receivable account**

	₹		₹

To Debtors	2,00,000	By Bank	1,22,500
		By Discount	2,500
		By Creditors	40,000
		By Balance c/d (bal. fig.)	35,000
	2,00,000		2,00,000

5. Creditors account

	₹		₹
To Bank	7,84,000	By Balance b/d	2,20,000
To Discount	16,000	By Debtors (Bills receivable dishonoured)	8,000
To Bills receivable	40,000	By Purchases (bal. fig.)	9,12,000
To 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 figure)	3,76,000	Stock	1,60,000
		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	$11,70,000/97.5\% \times 2.5\%$	30,000
Discount on Bills Receivable	$1,22,500/98\% \times 2\%$	2,500
		32,500

10. Discount received

		₹
Discount to Creditors	$7,84,000/98\% \times 2\%$	16,000

11. **Credit sales**

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

$$= ₹ 1,60,000 + ₹ 9,12,000 - ₹ 1,40,000$$

$$= ₹ 9,32,000$$

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 advance on 20,000 shares at ₹2.50 per share)	Dr.		4,50,000	4,00,000 50,000
	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 A/c (Being interest on calls in arrears made due at the rate of 10%)	Dr.	83.34	83.34
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 To Share Application A/c (Application money on 60,000 shares at ₹ 30 per share received.)	Dr.	18,00,000	18,00,000
June 1	Share Application A/c To Share Capital A/c (The amount transferred to Capital Account on 60,000 shares ₹ 30 on application. Directors' resolution no..... dated)	Dr.	18,00,000	18,00,000
	Share Allotment A/c To Share Capital A/c (Being share allotment made due at ₹ 30 per share. Directors' resolution no. dated.....)	Dr.	18,00,000	18,00,000
July 15	Bank Account To Share Application and Allotment A/c (The sums due on allotment received.)	Dr.	18,00,000	18,00,000
Oct. 1	Share First Call Account To Share Capital Account	Dr.	12,00,000	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 To Share First Call Account (Receipt of the amounts due on first call.)	Dr.	12,00,000	12,00,000
2018				
Feb. 1	Share Second and Final Call A/c To Share Capital A/c (Amount due on 60,000 share at ₹ 20 per share on second and final call, as per Directors resolution no... dated...)	Dr.	12,00,000	12,00,000
Mar. 31	Bank Account To Share Second & Final Call A/c (Amount received against the final call on 60,000 shares at ₹20 per share.)	Dr.	12,00,000	12,00,000

P.3.

In the books of Company

Journal

Particulars		Dr. ₹	Cr. ₹
Preference Share Capital A/c (4,000 × ₹75) To Preference Share Allotment A/c To Preference Share First Call A/c To Forfeited Share A/c (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.....)	Dr.	3,00,000	1,00,000 1,00,000 1,00,000
Bank A/c (3,000 × ₹65) Forfeited Shares A/c (3,000 × ₹10) To Preference Share Capital A/c (Being re-issue of 3,000 shares at ₹ 65 per share paid-up as ₹ 75 as per Board's Resolution No.....dated.....)	Dr. Dr.	1,95,000 30,000	2,25,000
Forfeited Shares A/c To Capital Reserve A/c (Note 1) (Being profit on re-issue transferred to Capital/Reserve)	Dr.	45,000	45,000

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 × 3,000 = ₹ 45,000.

P.4.

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

P.5.

Journal of Piyush Limited

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

July 10	(Being application money received on 4,20,000 shares @ ₹ 2 per share)			
	Equity Share Application A/c	Dr.	8,40,000	
	To Equity Share Capital A/c			2,60,000
	To Equity Share Allotment A/c (Note 1 - Column 5)			4,00,000
	To Bank A/c (Note 1-Column 6)			1,80,000
	(Being application money on 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with allotment and on 90,000 shares refunded as per Board's Resolution No.....dated...)			
	Equity Share Allotment A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			3,90,000
	To Securities Premium a/c			2,60,000
	(Being allotment money due on 1,30,000 shares @ ₹ 5 each including premium at ₹ 2 each as per Board's Resolution No.....dated...)			
	Bank A/c (Note 1 - Column 8)	Dr.	2,50,000	
	To Equity Share Allotment A/c (Being balance allotment money received)			2,50,000
	Equity Share Final Call A/c	Dr.	6,50,000	
	To Equity Share Capital A/c (Being final call money due on 1,30,000 shares @ ₹ 5 per share as per Board's Resolution No.....dated...)			6,50,000
2019 April 30	Bank A/c	Dr.	6,50,000	
	To Equity Share Final Call A/c (Being final call money on 1,30,000 shares @ ₹ 5 each received)			6,50,000

Working Note : Calculation for Adjustment and Refund

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

P.6.

In the Books of Delta Ltd.

Journal Entries

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

P.7.

In the books of Bhagwati Ltd. Journal Entries

	Dr. ₹	Cr. ₹
Bank A/c Dr. To Equity Share Application A/c (Being the application money received for 3,00,000 shares at ₹ 3 per share)	9,00,000	9,00,000

Equity Share Application A/c To Equity Share Capital A/c (2,00,000 x ₹ 3) To Share allotment A/c (Being share allotment made for 2,00,000 shares and excess adjusted towards allotment)	Dr.	9,00,000	6,00,000 3,00,000
Equity Share Allotment A/c To Equity Share Capital A/c (Being allotment amount due on 2,00,000 equity shares at ₹ 5 per share as per Directors' resolution no... dated...)	Dr.	10,00,000	10,00,000
Bank A/c To Equity Share Allotment A/c (Being balance allotment money received for 2,00,000 shares at ₹ 5 per share.)	Dr.	7,00,000	7,00,000
Equity Share first and final call A/c To Equity Share Capital A/c (Being first and final call amount due on 2,00,000 equity shares at ₹ 2 per share as per Directors' resolution no... dated...)	Dr.	4,00,000	4,00,000
Bank A/c Calls in arrears A/c To Equity Share first and final call A/c (Being final call received on 1,97,000 shares)	Dr.	3,94,000 6,000	4,00,000
Share capital A/c (3,000 x ₹ 10) To Forfeited share A/c (3,000 x ₹ 8) To Calls in arrears A/c (3,000 x ₹ 2) (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..)	Dr.	30,000	24,000 6,000
Bank A/c (2,500 x ₹6) Forfeited share A/c (2,500 x ₹4) To Equity Share Capital A/c (2,500 x ₹ 10) (Being re-issue of 2,500 shares @ ₹ 6)	Dr.	15,000 10,000	25,000
Forfeited share A/c (2,500 x ₹ 4) To capital reserve A/c (2,500 x ₹ 4) (Being profit on re-issue transferred to capital reserve)		10,000	10,000

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 × 2,500 ₹ 10,000

P.8.

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

P.9.

(i) Journal Entries in the books of X Ltd

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

	(Being the re-issue of 300 forfeited shares @ ₹ 8 each as fully paid up to Suresh as per Board's resolution No.....dated			
(c)	Forfeited Shares Account To Capital Reserve Account (Being the profit on re-issue, transferred to capital reserve)	Dr.	300	300

(ii)

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

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

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

To Forfeited Shares A/c Being forfeiture of 300 equity shares for non- payment of call money as per Board's Resolution No.....dated) OR Equity Share Capital A/c To Forfeited Shares A/c To Calls in Arrears (Being 300 shares forfeited on which first call and final call money was unpaid.)				1,500
	Dr.	3,000		
				1,500
				1,500
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 No.....dated....)				
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	

<p>To Equity Share Allotment A/c (Amount received against allotment on 49,000 shares @ ₹ 5 per share including premium ₹ 2 per share.) ₹OR₹</p> <p>Bank A/c Calls in Arrear A/c</p> <p>To Equity Share Allotment A/c (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.)</p>	<p>Dr.</p> <p>Dr.</p>	<p>2,45,000</p> <p>2,45,000</p> <p>5,000</p>	<p>2,45,000</p> <p>2,50,000</p>
<p>Equity Share Call A/c To Equity Share Capital A/c (Amount due from members in respect of call on 50,000 shares @ ₹ 4 per share as per Directors resolution no... dated...)</p>	<p>Dr.</p>	<p>2,00,000</p>	<p>2,00,000</p>
<p>Bank A/c To Equity Share Call A/c (Amount received against the call on 47,000 shares @ ₹ 4 per share.) ₹OR₹</p> <p>Bank A/c Calls in Arrear A/c 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.)</p>	<p>Dr.</p> <p>Dr.</p> <p>Dr.</p>	<p>1,88,000</p> <p>1,88,000</p> <p>12,000</p>	<p>1,88,000</p> <p>2,00,000</p>
<p>Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium A/c (1,000 x ₹ 2) To Equity Share Allotment A/c (1,000 X ₹ 5) To Equity Share Call A/c (3,000 X ₹ 4) To Forfeited Shares A/c (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 No.....dated) ₹OR₹</p> <p>Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium A/c (1,000 x ₹ 2) To Calls in Arrear A/c (₹ 5,000 + ₹ 12,000)</p>	<p>Dr.</p> <p>Dr.</p> <p>Dr.</p> <p>Dr.</p>	<p>30,000</p> <p>2,000</p> <p>5,000</p> <p>12,000</p> <p>15,000</p> <p>30,000</p> <p>2,000</p>	<p>17,000</p>

To Forfeited Shares A/c (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 (Being re-issue of 2,500 shares @ ₹8 each as per Board's Resolution No.....dated....)			25,000
Forfeited Shares A/c	Dr.	7,000	
To Capital Reserve A/c (Being profit on re-issue transferred to Capital Reserve)			7,000

Balance Sheet of B Limited as at

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	5,00,000	
	50,000 Equity shares of ₹ 10 each		
	Subscribed, called up and paid up share capital	4,95,000	
	49,500 Equity shares of ₹ 10 each		
	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
Less: Loss on re-issue per share	(₹ 2)
Surplus	₹ 1
Amount forfeited per share of Y	₹ 6
Less: Loss on re-issue per share	(₹ 2)
Surplus	₹ 4

Transferred to Capital Reserve: X share (1,000 × ₹ 1)	₹ 1,000
Y's Share (1,500 × ₹ 4)	₹ 6,000
Total	₹ 7,000

(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) To Equity Share Application A/c (Being application money received on 5,60,000 shares @ ₹ 2 per share)	Dr.	11,20,000	11,20,000
June 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 - Column 5) To Bank A/c (Note 1-Column 6) (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 No.....dated...)	Dr.	11,20,000	2,70,000 5,50,000 3,00,000
	Equity Share Allotment A/c	Dr.	6,75,000	

Dec. 31	To Equity Share Capital A/c To Securities Premium a/c (Being allotment money due on 1,35,000 shares @ ₹ 5 each including premium at ₹4 each as per Board's Resolution No....dated....)			1,35,000 5,40,000
	Bank A/c (Note 1 - Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	1,25,000	1,25,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 1,35,000 shares @ ₹ 7 per share as per Board's Resolution No....dated....)	Dr.	9,45,000	9,45,000
	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,35,000 shares @ ₹ 7 each received)	Dr.	9,45,000	9,45,000

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 ₹ 2
- (ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 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	Dr.	19,800	
Bank A/c Calls in arrears A/c To Equity Share Allotment A/c (Allotment Amount received except 100 shares)	Dr.	200	20,000
Equity Share Capital A/c To Share Forfeiture A/c To Equity Shares Allotment A/c (100 Shares of Ram forfeited)	Dr.	300	100 200
OR			
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 To Equity Share First Call A/c (First call money received on 9,750 shares at ₹ 3 per share) OR	Dr.		29,250	29,250
Bank A/c Calls in arrears A/c To Equity Share First Call A/c (First Call money received except 150 shares)	Dr. Dr.		29,250 450	29,700
Equity Share Capital A/c To Share Forfeiture A/c To Equity Share First Call A/c (150 Shares of Shyam forfeited) OR	Dr.		900	450 450
Equity Share Capital A/c To Share Forfeiture A/c To Calls in arrears A/c (150 shares forfeited due to non - payment of First call money)	Dr.		900	450 450
Equity Share Second and Final Call A/c To Equity Share Capital A/c (Second and Final call made due on 9,750 shares at ₹ 4 per share)	Dr.		39,000	39,000
Bank A/c To Equity Share Second and Final Call (Second and Final call money received on 9,700 shares at ₹ 4 per share) OR	Dr.		38,800	38,800
Bank A/c Calls in arrears A/c To Equity Shares Second and Final call A/c (Second and Final call money received except 50 shares)	Dr. Dr.		38,800 200	39,000
Equity Share Capital A/c	Dr.		500	

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

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 Amount (₹ ₹000)	Credit Amount (₹ ₹000)
(A)	Bank A/C	Dr.	10,500	
	To Debenture Application A/C (Debenture Application Money Received)			10,500
(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

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

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

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

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

Date	Particulars	Dr. ₹	Cr. ₹
(a)	Bank A/c To Debentures Application A/C (Being the application money received on 10,000 debentures @ ₹ 450 each)	Dr. 45,00,000	45,00,000
	Debentures Application A/c Discount on issue of Debentures A/c To 14% Debentures A/C (Being the issue of 10,000 14% Debentures @ 90% as per Board's Resolution No....dated....)	Dr. 45,00,000 Dr. 5,00,000	50,00,000 0
(b)	Fixed Assets A/c To Vendor A/c	Dr. 20,00,000	20,00,000

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

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 issued at par:			
Hemant Ltd.	Dr.	1,98,000	
To 12% Debentures A/c			1,98,000
(12% Debentures issued to Hemant Ltd.)			
Case(ii) When debentures are issued at 10% discount:			
Hemant Ltd.	Dr.	1,98,000	
Discount on Issue of Debentures A/c	Dr.	22,000	
To 12% Debentures A/c			2,20,000
(12% Debentures issued to Hemant Ltd. at 10% discount)			
Case(iii) When debentures are issued at 10% premium:			
Hemant Ltd.	Dr.	1,98,000	
To 12% Debentures A/c			1,80,000
To Premium on Issue of Debentures A/c			18,000
(12% Debentures issued to Hemant 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:
(₹)

Face value	100
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 To Debenture Application A/c (Debenture application money received)	Dr.	20,00,00,000	20,00,00,000
Debenture Application A/c To 9% Debentures A/c (Application money transferred to 9% debentures account consequent upon allotment)	Dr.	20,00,00,000	20,00,00,000
Debenture allotment A/c Discount on issue of debentures A/c To 9% Debentures A/c (Amount due on allotment)	Dr. Dr.	25,00,00,000 5,00,00,000	30,00,00,000
Bank A/c To Debenture Allotment A/c (Money received consequent upon allotment)	Dr.	25,00,00,000	25,00,00,000

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

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

	(Being the purchase of fixed assets from vendor)			
	Vendor A/c	Dr.	13,00,000	
	Discount on Issue of Debentures A/c To 12% Debentures A/c	Dr.	2,00,000	15,00,000
	(Being the issue of debentures of ₹ 15,00,000 to vendor to satisfy his claim)			
(ii)	Bank A/c To Debentures Application A/c	Dr.	27,00,000	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 To 12% Debentures A/c	Dr.	3,00,000	30,00,000
	(Being the issue of 5,000 12% Debentures @ 90% as per Board's Resolution No....dated....)			
(iii)	Bank A/c To Bank Loan A/c (See Note)	Dr.	14,00,000	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. 2) (Being Bonus issue of one share for every four shares held by utilising various reserves)		1,00,000
Bonus to Shareholders A/c. Dr.	1,00,000	
To Equity Share Capital A/c. (Being Bonus Shares allotted)		1,00,000

Working Note

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

P.2. Journal Entries

		₹	₹
(a)	General Reserve A/c Dr.	1,25,000	
	To Bonus to shareholders A/c (For making provision of bonus issue)		1,25,000
	Share Final Call A/c	1,25,000	
	To Equity share capital A/c (For final calls of ₹ 2.5 per share on 50,000 equity shares)		1,25,000
	Bonus to shareholders A/c Dr.	1,25,000	
	To Share Final Call A/c (For bonus money applied for call)		1,25,000
(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 To Equity share capital A/c (For final calls of ₹ 2 per share on 1,35,000 equity shares)	Dr. 2,70,000	2,70,000
20-4-2021	Bank A/c To Equity share final call A/c (For final call money on 1,35,000 equity shares received)	Dr. 2,70,000	2,70,000
	Securities Premium A/c Capital Redemption Reserve A/c General Reserve A/c Profit and Loss A/c To Bonus to shareholders A/c (For making provision for bonus issue of one share for every four shares held)	Dr. Dr. Dr. Dr. 37,500 60,000 1,80,000 60,000	3,37,500
	Bonus to shareholders A/c To Equity share capital A/c (For issue of bonus shares)	Dr. 3,37,500	3,37,500

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:

- Number of Bonus shares to be issued- ₹
(1,35,000 shares / 4) X 1 = 33,750 shares
- 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. Security Premium A/c. Dr. General Reserve A/c Dr. To Bonus to Equity Shareholders A/c (Being appropriation made to issue Bonus Shares at the rate of 1 Share for every 3 shares held, i.e. Total Bonus Value: 1,50,000)	70,000 40,000 40,000 1,50,000	 1,50,000 1,50,000
2.	Bonus to Equity Shareholders A/c Dr. To Equity Share Capital A/c (Being the issue of 1,500 Shares by way of Bonus)		 1,50,000

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

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

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

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

Particulars	₹
Authorized 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 (Out of the above, 67,500 equity shares @ ₹ 10 each were issued by way of bonus shares)	33,75,000
Reserves and surplus	
Profit and Loss Account	4,80,000

Working Note:

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

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

June 1	Capital Redemption Reserve A/c	Dr.	75,000	3,20,000
	Capital Reserve (Note 1)	Dr.	45,000*	
	Securities Premium A/c General Reserve A/c (b.f.)	Dr.	60,000	
	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.....)			
	Bonus to Shareholders A/c	Dr.	3,20,000	3,20,000
	To Equity Share Capital A/c (Capitalization of profit)			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.
			₹	₹
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 Loss A/c	Dr.	1,60,000	
	To Bonus to Shareholders A/c	Dr.	3,25,000	
	(Bonus issue of one shares for every four shares held, by utilising various reserves)			10,00,000
	Bonus to Shareholders A/c	Dr.	10,00,000	
	To Equity Share Capital A/c (Capitalisation of profit)			10,00,000

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

RIGHT ISSUE

P.8. Ex-right value of the shares

$$= \frac{\text{(Cum-right value of the existing shares + Rights shares} \times \text{Issue Price)}}{\text{(Existing No. of shares + No. of right shares)}}$$

$$= \frac{(\text{₹ } 200 \times 5 \text{ Shares} + \text{₹ } 125 \times 1 \text{ Share})}{(5 + 1) \text{ Shares}}$$

$$= \text{₹ } 1,125 / 6 \text{ shares} = \text{₹ } 187.50 \text{ per share.}$$

$$\text{Value of right} = \text{Cum-right value of the share} - \text{Ex-right value of the share}$$

$$= \text{₹ } 200 - \text{₹ } 187.50 = \text{₹ } 12.50 \text{ per share.}$$

P.9. Ex-right value of the shares

$$= \frac{\text{(Cum-right value of the existing shares + Rights shares} \times \text{Issue Price)}}{\text{(Existing No. of shares + No. of right shares)}}$$

$$= \frac{(\text{₹ } 360 \times 2 \text{ Shares} + \text{₹ } 180 \times 1 \text{ Share})}{(2 + 1) \text{ Shares}}$$

$$= \text{₹ } 900 / 3 \text{ shares} = \text{₹ } 300 \text{ per share.}$$

$$\text{Value of right} = \text{Cum-right value of the share} - \text{Ex-right value of the share}$$

$$= \text{₹ } 360 - \text{₹ } 300 = \text{₹ } 60 \text{ per share.}$$

Hence, any one desirous of having a confirmed allotment of one share from the company at ₹ 180 will have to pay ₹ 120 (2 shares × ₹ 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 To Equity Share Capital A/c (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 No.dated)	Dr. 5,00,000	5,00,000
	8% Redeemable Preference Share Capital A/c To Preference Shareholders A/c (Being the amount payable on redemption of preference shares transferred to Preference Shareholders Account)	Dr. 5,00,000	5,00,000
	Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of preference shares)	Dr. 5,00,000	5,00,000

P.2.

In the books of G India Limited

Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c To Equity Share Capital A/c (Being the issue of 10,000 Equity Shares of ₹9 each at par, as per Board's Resolution No.....Dated.....)	Dr. 90,000	90,000
	10% Redeemable Preference Shares Capital A/c To Preference Shareholders A/c (Being the amount payable on redemption of preference shares transferred to Preference Shareholders A/c)	Dr. 90,000	90,000
	Preference Shareholders A/c To Bank A/c	Dr. 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. Premium on redemption A/c. Dr. To Preference share holder A/c. (1000 fully paid preference shares are due for redemption)	1,00,000 10,000	1,10,000
Bank A/c. Dr. To Equity share capital A/c. To Security premium A/c. (Equity shares issued at 10% premium)	55,000	50,000 5,000
Bank A/c. Dr. To Debenture A/c. (Debentures issued to raise finance)	10,000	10,000
P & L A/c. Dr. To Premium on redemption A/c. (Premium payable on redemption is written off against P&L a/c)	10,000	10,000
General reserve A/c. Dr. To Capital Redemption Reserve A/c. (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)	50,000	50,000
Preference Shareholders A/c Dr. To Bank A/c. (Amount repaid to holder of 1,000 shares only @ 110/-)	1,10,000	1,10,000

Notes:

- 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:

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

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
---------	----------

P.5. In the books of Sterling Limited

Journal Entries

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

Notes:

- 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:

- 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. (₹)	Cr. (₹)
------	-------------	---------	---------

2022 Jan 1	10% Redeemable Preference Share Capital A/c	Dr.	1,50,000	
	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 (For sale of investments at a loss of ₹ 3,500)			37,000
	Preference Shareholders A/c	Dr.	1,43,000	1,43,000
	To Bank (Being amount paid to Preference shareholders)			
	Profit and Loss A/c	Dr.	67,500	67,500
	To Capital Redemption Reserve A/c (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., ₹ 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 Profit and Loss Account ₹ (96,000 - 13,000 - 7,000 - 67,500) Security Premium	67,500 8,500 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 × 50) = 62,500		Shares
	Security premium (1,250 × 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

P.8.

In the books of Arpit Limited

Journal Entries

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

To Equity Share Application A/c (For receipt of application money on 1,50,000 equity shares @ ₹ 2 per share)			3,00,000
Equity Share Application A/c To Equity Share Capital A/c (For capitalization of application money received)	Dr.	3,00,000	3,00,000
Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium A/c (For allotment money due on 1,50,000 equity shares @ ₹ 7 per share including a premium of ₹ 2 per share)	Dr.	10,50,000	7,50,000 3,00,000
Bank A/c To Equity Share Allotment A/c (For receipt of allotment money on equity shares)	Dr.	10,50,000	10,50,000
10% Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (For amount payable to preference shareholders on redemption at 10 % premium)	Dr. Dr.	30,00,000 3,00,000	33,00,000
General Reserve A/c To Premium on Redemption A/c (Writing off premium on redemption of preference shares)	Dr.	3,00,000	3,00,000
General Reserve A/c To Capital Redemption Reserve A/c (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)	Dr.	19,50,000	19,50,000
Preference Shareholders A/c To Bank A/c (For amount paid to preference shareholders)	Dr.	33,00,000	33,00,000

Balance Sheet Extract

	Particulars	Notes No.	As at 31.3.2020	As at 31.12.2019
			₹	₹
	EQUITY 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 31.3.2020	As at 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, ₹80 paid up	-	24,00,000
		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:

- 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.
- 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 (Being the amount paid on redemption transferred to Preference Shareholders Account)			3,30,000
Bank A/c	Dr.	60,750	
Profit and Loss A/c (loss on sale) A/c	Dr.	6,750	
To Investment A/c (Being investment sold at loss of ₹ 6,750)			67,500
Preference Shareholders A/c	Dr.	3,30,000	
To Bank A/c (Being the amount paid on redemption of preference shares)			3,30,000
Profit & Loss A/c	Dr.	30,000	
To Premium on Redemption of Preference Shares A/c (Being the premium payable on redemption is adjusted against Profit & Loss Account)			30,000
General Reserve A/c	Dr.	1,20,000	
Profit & Loss A/c	Dr.	53,250	
To Capital Redemption Reserve A/c (Being the amount transferred to Capital Redemption Reserve Account)			1,73,250

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
	2,55,750

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

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	$1,50,000 \times 100$
1.6.11	Debenture Application A/c Dr. To Debenture A/c (Debentures allotted to applicants)	1,50,00,000	1,50,00,000	
	Underwriter A/c Dr. To Debenture A/c (Debentures not subscribed by public allotted to underwriter)	50,00,000	50,00,000	$50,000 \times 100$
	Underwriting Commission A/c Dr. To Underwriter A/c (Commission due to underwriter)	4,00,000	4,00,000	$2,00,00,000 \times 2\%$
	Profit & Loss A/c Dr. To Debenture Redemption Reserve A/c. (Being Debenture Redemption Reserve created on non-convertible debentures)	8,00,000	8,00,000	$2,00,000 \times 100 \times 10\% \times 40\%$
	Debenture Redemption Investment Dr. To Bank A/c (Being Investments made for redemption purpose)	12,00,000	12,00,000	$200,000 \times 100 \times 15\% \times 40\%$
	Bank A/c Dr. To Underwriter A/c (Net dues recovered from underwriter)	46,00,000	46,00,000	
30.9.11	Debenture interest A/c Dr. To Bank A/c (Half yearly interest for 1st 4 month paid)	10,00,000	10,00,000	$2,00,00,000 \times 15\% \times 4/12$
1.12.11	Debenture Capital A/c Dr. To Equity Share Capital A/c To Security Premium A/c	1,20,00,000	20,00,000 1,00,00,000	$1/6 \times 1,20,00,000$ $5/6 \times 1,20,00,000$

	(60% portion of debenture i.e. ₹ 60 each converted into equity share of ₹10 each at a premium of ₹ 50)			
31.3.13	Debenture Interest A/c Dr. To Bank A/c (Half yearly interest paid) $\left(2,00,00,000 \times 15\% \times \frac{1}{12}\right) + \left(80,00,000 \times 15\% \times \frac{5}{12}\right)$ $= 2,50,000 + 5,00,000 = 7,50,000$	7,50,000	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 (Underwriting commission written off against share premium a/c)	4,00,000	4,00,000	
	Profit & Loss A/c Dr. To Debenture Interest A/c (Debenture interest transferred to P&L a/c)	17,50,000	17,50,000	10,00,000 + 7,50,000

P.2.

Calculation of number of Equity Shares to be allotted

Particulars	No. of 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 × (100 + 5)]	₹ 7,35,000
Equity shares of ₹ 10 each issued on conversion [₹ 7,35,000 / ₹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. Equity 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		
(a) Short-term borrowings		19,000
Total		2,48,000
II. Assets		
(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 × ₹ 5)		89,000
Securities Premium Account (2,000 × ₹ 1)	(6,000)	2,000
		91,000

Working Notes:

1. Calculation of number of shares to be allotted	₹
Total number of debentures	1,200
Less: Number of debentures not opting for conversion	(200)
	<u>1,000</u>
40% of 1,000	400
Redemption value of 400 debentures (400 × ₹ 55)	₹ 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	1,200
Less: Number of debentures to be converted into equity shares	<u>(400)</u>
	800
Redemption value of 800 debentures (800 × ₹ 55)	₹ 44,000

3. Cash and Bank Balance	₹
Balance before redemption	86,000
Add: Proceeds of investments sold	56,000
	1,42,000

14

Partnership

P.1. Journal Entries

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

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
		41,800		By Profit and Loss appropriation A/c - (5/8 Profit)	10,000
					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 - (3/8 Profit)	6,000
		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	240
	Current A/c	1,800		6 months)	
	To Profit transferred to			Rahim's Current A/c	
	Ram's Current A/c (1/2)	10,470		(6% on ₹ 10,000 for	300
	Rahim's Current A/c (1/2)	10,470		6 months)	
		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	30,000

Ram's Current Account

2019	Particulars	₹	2019	Particulars	₹
Dec. 31	To Cash Bank A/C	8,000	Dec. 31	By Profit and Loss appropriation A/c	
	(Drawings)			-	
	To Profit and Loss appropriation			Interest	3,000
	A/c -			By Profit and Loss appropriation A/c	
	Interest on Drawings	240		-	
	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	₹	2019	Particulars	₹
	To Cash Bank A/c	10,000	Dec. 31	By Profit and Loss appropriation	

Dec. 31	(Drawings)			A/c	
	To Profit and Loss appropriation A/c			Salary	4,800
	Interest on Drawings	300		Interest	1,800
	To Balance c/d	6,770		By Profit and Loss appropriation A/c	
		17,070	2020	Profit	10,470
			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)	3,90,00,000	By Profit and Loss, A/c	9,00,00,000
To B's Capital A/c (2/5 of ₹ 650,00,000)	2,60,00,000		
To C's Capital A/c (1/6 of ₹ 9,00,00,000 or ₹ 25,00,00,000 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

Case3. 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 (3/6 of ₹ 9,00,00,000)	4,50,00,000		By Profit and Loss, A/c (net profits)	9,00,00,000
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 for C (1/2 of 1,00,00,000)	(50,00,000)	2,50,00,000		
To C's Capital A/c (1/6 of ₹ 9,00,00,000)	1,50,00,000			
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	4,60,000
To Interest on capital				
Aarti 36,000				
Bharti 60,000		1,20,000		
Criti 24,000		60,000		
To Rent to Arthi				
To Net Profit transferred 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
				By Rent	60,000		
				By Profit and loss	30,000	40,000	30,000
				Appro. A/c			
To Balance c/d	4,26,000	4,80,000	4,34,000				
	4,26,000	6,00,000	4,34,000		4,26,000	6,00,000	4,34,000

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	60,000		
				By Profit and loss Appro. A/c		1,20,000	1,80,000
				By Capital A/c			
	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 - ₹ 10,000) - ₹ 1,000]	59,000	(Net profit)	1,10,000
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:

- The Profit/ Loss ratio will be equal;
- 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.

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

19

9.5 9.5

$\frac{19}{30}$ is to be shared equally by A and B in old ratio i.e. equal as 30 : 30

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

$$\left[\frac{9.5}{30} \times 2\right] : \left[\frac{9.5}{30} \times 2\right] : \left[\frac{1}{5} \times \frac{12}{12}\right] : \left[\frac{1}{6} \times \frac{10}{10}\right]$$

P.10. Computation of New Profit Sharing Ratio

Particulars	A	M	G	N	Total
1. Old Ratio	$\frac{3}{5}$	$\frac{2}{5}$			3:2
2. G admitted at 1/4th Share. Balance $1 - \frac{3}{4} = \frac{1}{4}$ 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 paise 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			$\frac{1}{4}$
Balance 3/4th will be shared by Anil & Mukesh in their old ratio.	$\frac{3}{4} \times \frac{3}{5} = \frac{9}{20}$	$\frac{2}{4} \times \frac{3}{5} = \frac{6}{20}$	$\frac{1}{4} \times \frac{5}{5} = \frac{5}{20}$
Therefore New Ratio	9	6	5
Alternative Calculation $\frac{1}{4}$ to Govind will come from Anil & Mukesh in their old ratio.	$\frac{1}{4} \times \frac{3}{5} = \frac{3}{20}$ $= \frac{3}{5} - \frac{3}{20}$ $= \frac{9}{20}$	$\frac{1}{4} \times \frac{2}{5} = \frac{2}{20}$ $= \frac{2}{5} - \frac{2}{20}$ $= \frac{6}{20}$	$\frac{1}{4} \times \frac{5}{5} = \frac{5}{20}$
Balance			$= \frac{5}{20}$

Admission of Madan

Partners	Anil	Mukesh	Govind	Madan
Old Ratio	9	6	5	-

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

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

$$\text{A's Share (new)} = \frac{3}{6} + \left(\frac{3}{4} \times \frac{2}{6}\right) = \frac{9}{12}$$

$$\text{C's Share (new)} = \frac{1}{6} + \left(\frac{1}{4} \times \frac{2}{6}\right) = \frac{3}{12}$$

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

P.13.

Calculation of Gaining Ratio of P & R	P	R
A. Their new shares (multiplying it by 9/9)	5/8 i.e. 45/72	3/8 i.e. 27/72
B. Their old shares (multiplying it by 8/8)	4/9 i.e. 32/72	2/9 i.e. 16/72
C. Difference (A-B) (Increase or gain)	13/72	11/72
D. Gaining ratio of P & R =13:11		
Calculation of New Ratio of P, R & H	P	R
A. Their new shares after retirement	5/8 i.e. 25/40	3/8 i.e. 15/40
B. 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

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

$$B's \text{ New Ratio} = \frac{2}{5} - \frac{1}{10} = \frac{4}{10} - \frac{1}{10} = \frac{3}{10}$$

$$C's \text{ new ratio} = \frac{1}{10} + \frac{1}{10} = \frac{2}{10}$$

∴ New Ratio = 5:3:2

Total Capital of the Firm on the basis of C's contribution = 35,000 × 5 = 1,75,000

Adjusted Capital of old partner

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

His Capital is 80,000 ∴ He is to bring Rs.7,500

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

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.

1. Valuation of Goodwill by Super Profit Method.

	Rs.
Average profit (Future 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 × Super profit = 5 × Rs. 36,000 = 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

$$\begin{aligned} \text{Capitalised value of business} &= \frac{\text{Average Profit}}{\text{Normal rate}} \times 100 \\ &= \frac{1,36,000}{20} \times 100 = \text{Rs. 6,80,000} \end{aligned}$$

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

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.)			
31.3.11	Cash A/c Dr.		64,800	
	To W's capital A/c (3/10 x Rs. 2,16,000)			64,800
31.3.11	(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
31.3.11	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	Y	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 W

Gain by W = 2,16,000 x 3/10 64,800

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

P.19.

Journal Entries

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

To Plant and Machinery Account			3,000
To Provisions for Doubtful Debts Account			500
To Trade payables Account			1,500
(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			7,000
(Being increase in the value of building brought into account)			
Revaluation Account	Dr.	2,000	
To Ram's Capital Account			1,200
To Mohan's Capital Account			800
(Being profit on revaluation credited to Ram and Mohan in the old 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 (balance sheet)	24,000	36,000		By Balance b/d	60,000	1,40,000	
To Leena , Meena Goodwil adjustment entry			20,000	By Bank			80,000
				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	70,000		
Beeta	70,000		
	1,40,000		
	1,63,800		1,63,800

Partners' Capital A/c

Particulars	Alpha	Beeta	Gyama	Particulars	Alpha	Beeta	Gyama
To Beeta			50,000	By balance b/d	3,00,000	2,00,000	
To Bank		25,000		By Bank			2,50,000
				By Gyama		50,000	
				By General Reserve	90,000	90,000	
				By Workman comp. fund	30,000	30,000	
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 capital	25,000
To Gyama's capital	2,50,000	By Balance c/d	2,69,200
	2,94,200		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	Inventory	70,000
Term Loan from IDFC bank	2,78,000	Trade Receivables	1,40,000
		Less : RDD	7,000
	11,05,000		1,33,000

Trade Payables	1,22,000	Bank	2,69,200
	15,05,000		15,05,000

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 Rs.	Sumit Rs.	Puneet Rs.	Particulars	Amit Rs.	Sumit Rs.	Puneet Rs.
To Bank A/c	60,000	30,000	-	By Balance b/d	1,76,000	2,54,000	-
(Goodwill Withdrawn)				By Puneets' Loan A/c	-	-	3,00,000
To Balance c/d (Adjusted capital 10,00,000 in 4:3:3)	4,00,000	3,00,000	3,00,000	By Bank A/c (Goodwill Adjustment) (W.N.2)	60,000	30,000	-
				By Revaluation By General Reserve A/c	24,000	16,000	-
				By Bank A/c (Balancing figure)	18,000	12,000	-
					1,82,000	18,000	-
	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	Debtors	3,00,000
Creditors	50,000	Less: Provision for	
Employers' provident fund	10,000	doubtful debts	(15,000)
		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	$3/5 \times 1/3 = 1/5$	$2/5 \times 1/4 = 1/10$
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

$$\text{Share of Puneet in goodwill} = \text{Rs. } 3,00,000 \times \frac{3}{10} = \text{Rs. } 90,000$$

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 Rs.	Particulars	Amount 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	A	B	C
Credit to old partners in old ratio i.e. 2:1	Cr. 6,80,000	Cr. 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	Cr. 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	A	B	C	Particulars	A	B	C
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
A	11,70,000	Building	9,00,000
B	5,85,000	Sundry Debtors	3,00,000
C	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:

- Calculation of new profit and loss sharing ratio
 C is given 1/4th 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 = $\frac{3}{4} \times \frac{2}{3} = \frac{2}{4}$
 Similarly Share of B will be = $\frac{3}{4} \times \frac{1}{3} = \frac{1}{4}$
 & Thus New ratio will be between A, B, C = 2/4: 1/4: 1/4 = 2:1:1
- 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 X 4 = 23,40,000

Hence, C's closing capital should be = 23,40,000 X 1/4 = 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:

$$\text{So, Dev's Share} = \frac{1}{5} \text{ . So Balance Share} = 1 - \frac{1}{5} = \frac{4}{5}$$

$$\text{Amit's Share} = \frac{1}{3} \times \frac{4}{5} = \frac{4}{15} \text{ , Bhushan's Share} = \frac{1}{3} \times \frac{4}{5} = \frac{4}{15} \text{ , Charan's Share} = \frac{1}{3} \times \frac{4}{5} = \frac{4}{15}$$

$$\text{A: B: C: D} = \underline{4} : \underline{4} : \underline{4} : \underline{3}$$

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 x 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)	2,00,000	2,00,000	2,00,000	1,50,000
Less: Existing Capital	1,80,000	1,60,000	1,40,000	-
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			
C 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	A	B	C	D	Particulars	A	B	C	D
To balance c/d	2,00,000	2,00,000	2,00,000	1,50,000	By balance	1,80,000	1,60,000	1,40,000	-
					By Bank A/c	-	-	-	1,50,000
					By Current (WN 2)	20,000	40,000	60,000	-
	2,00,000	2,00,000	2,00,000	2,00,000		2,00,000	2,00,000	2,00,000	2,00,000

5. Partners' Current A/c

Particulars	A	B	C	D	Particulars	A	B	C	D
To balance b/d	-	-	10,000	-	By balance b/d	-	16,000	-	-
To Memorandum Revaluation A/c	8,000	8,000	8,000	6,000	By Memorandum Revaluation	15,000	10,000	5,000	-
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	-	By balance c/d	-	18,000	79,000	18,000
To balance c/d	1,000	-	-	-					
	45,000	64,000	94,000	18,000		45,000	64,000	94,000	18,000

Note: Goodwill Rs.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:	
Amit	2,00,000	Machinery	1,50,000
Bhushan	2,00,000	Furniture	1,50,000
Charan	2,00,000	Current A/cs of Partners:	
Dev	1,50,000	Bhushan	18,000
Current A/c: Amit	1,000	Charan	79,000
		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	By Inventory in trade	1,400
	To Furniture and fittings		720		By Land and Building	5,600
	To Capital A/cs: (Profit on revaluation transferred)					
	Dinesh	2,872.50				
	Ramesh	1,915.00				
	Naresh	957.50	5,745			
			7,000			7,000

Partners' Capital Accounts

Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹	Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹
To Dinesh & Ramesh			1,500	4,500	By Balance b/d	15,000	15,000	10,000	-
To Balance c/d	26,972.50	21,015	10,757.50	3,500	By General Reserve	3,900	2,600	1,300	-
					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	$\frac{1}{4}$	3/6	6/24	
Ramesh	$\frac{1}{4}$	2/6	2/24	
Naresh	$\frac{1}{4}$	1/6		2/24
Suresh	$\frac{1}{4}$			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 of ₹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 (The amount of share of goodwill adjusted on B's retirement)		10,000
	Reserve Account Dr.	15,000	
	To A's Capital Account		9,000
	Account To B's Capital Account (Transfer of reserve to A's Capital Account and B's Capital Account in the profit sharing ratio)		6,000
	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 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			4,500
(Transfer of loss on revaluation of assets and liabilities to Capital Accounts of A and B in the profit sharing ratio)			
B's Capital Account	Dr.	29,200	
To B's Loan Account			29,200
(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 payables	7,500		Trade receivables	15,000	
Less: Reserve for Discount	(150)		Less: Prov. for Bad Debts	(750)	14,250
		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 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).		58,750
3.	Bank A/c To B's Capital A/c To C's Capital A/c (Cash brought in by the continuing partners).	Dr.	73,750
			60,333
			13,417

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 Balance Sheet	1,90,000
	Additional Bank Balance	15,000
		2,05,000
	Less : Bank Loan	40,000
		1,65,000
	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 To K's Capital A/c	Dr.	10,000	10,000

(2)	(Being the adjustment for goodwill on K's retirement) - Refer W.N.		10,000	
	Reserve A/c Dr.			4,000
	To F's Capital			4,000
	A/c To G's			2,000
(3)	Capital A/c To K's Capital A/c		30,000	
	(Transfer of Reserve to Partners' Capital A/cs on K's retirement)		0	
			10,000	40,000
	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 K's Capital A/c			7,000
	(Profit on revaluation transferred to Partners' Capital A/cs on K's retirement)		1,04,000	
(6)	Bank A/c Dr.			70,000
	To F's Capital A/c			34,000
	To G's Capital A/c		79,000	
	(Cash brought in by F and G as per agreement)			
(7)	K's Capital A/c Dr.			79,000
	To Bank A/c			
	(Payment made to K on retirement)			

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		
K	1 — 5	-	-	1 — 5

Adjusting entry:

		₹		₹
F's Capital A/c (50,000 × 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 (Including Bill Receivable of ₹ 15,000)	65,000
	Bank	75,000

	3,80,000
Less: Sundry Creditors	(50,000)
	3,30,000
F's share ($3,30,000 \times 3/5$)	1,98,000
G's share ($3,30,000 \times 2/5$)	1,32,000

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 (Profit written back for making adjustments)			48,000
Profit and Loss Adjustment Account	Dr.	4,000	
To B's Capital account (Bonus Credited to B's Capital Account)			4,000
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 (Distribution of profits in the new ratio)			16,000
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 (Revaluation of assets on A's retirement)			331
A's Capital Account	Dr.	16,667	
B's Capital Account	Dr.	13,333	
C's Capital Account	Dr.	10,000	
To Goodwill			40,000

(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	
To A's Capital Account			15,491
(Adjusting entry of goodwill passed through partners' capital accounts in gaining/sacrificing ratio)			

Partners' Capital Accounts

	A ₹	B ₹	C ₹		A ₹	B ₹	C ₹
To Profit and Loss Adjustment A/c	20,000	16,000	12,000	By Balance b/d	1,35,930	95,120	61,170
To Goodwill	16,667	13,333	10,000	By Profit and Loss Adjustment A/c	-	4,000	-
To A's Loan A/c	1,27,002	-	-	By Profit and loss Adjustment A/c	12,000	16,000	16,000
To Provision for Doubtful Debts A/c	-	2,244	1,496	By Fixtures Less provision for DD A/c	248	331	331
To A	-	13,425	2,066	By B	13,425		
To Balance c/d	-	70,449	51,939	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
A	3	-	-	3
	—			—

	11			11
B	4	3	13	-
	—	—	—	
C	11	5	55	
	4	2	2	-
	—	—	—	
	11	5	55	

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
K	5	5	-	-
	—	—		
	10	10		
L	3	-	-	3
	—			—
	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	M	N		K	L	M	N
	₹	₹	₹	₹		₹	₹	₹	₹
To Profit and Loss Adjustment A/c	15,000	9,000	6,000		By Balance b/d	40,000	60,000	30,000	
To Cash & Bank A/c	-	40,500	-	-	By Reserve	25,000	15,000	10,000	
To N's Capital A/c	-	40,500	-	-	By L's Capital A/c	-	-	-	40,500-
To L's Capital A/c	-	-	-	15,000	By N'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	90,000	40,000	40,500		65,000	90,000	40,000	40,500
					By Balance b/d	35,000	-	14,000	25,500

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
M	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 doubtful debts [(5% of 1,80,000) - 3,600]	5,400	By Land and Buildings	2,00,000
To Provision for compensation	5,000		
To Profit transferred:			
Atul	94,800		
Balbir	56,880		
Chatur	37,920		
	1,89,600		
	2,00,000		2,00,000

Partners' Capital Accounts

Particulars	Atul Rs.	Balbir Rs.	Chatur Rs.	Particulars	Atul Rs.	Balbir Rs.	Chatur Rs.
To Cash A/c	3,84,900			By Balance b/d	6,25,000	3,75,000	2,50,000
To 10% Loan	3,84,900			By General Reserve	50,000	30,000	20,000
To Balance c/d		6,41,880	4,27,920	By Revaluation A/c	94,800	56,880	37,920
	7,69,800	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

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

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.

Partners' Capital Account

Dr.					Cr.				
Particulars	Ram Rs.	Rahim Rs.	Robert Rs.	Richard Rs.	Particulars	Ram Rs.	Rahim Rs.	Robert Rs.	Richard 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 Reserve A/c	1,00,000	60,000	40,000	—
To Bank A/c	—	—	58,000	—	By Goodwill A/c (raised)	55,000	33,000	22,000	—
(Balancing figure)									
To Balance c/d	2,45,000	2,37,000	—	—		2,55,000	2,43,000	2,62,000	—
	2,55,000	2,43,000	2,62,000						
To Goodwill A/c (written off)	55,000	36,667	—	18,333	By Balance b/d	2,45,000	2,37,000	—	—
To Balance c/d	1,90,000	2,00,333	—	1,95,167	By Loan from Richard A/c	—	—	—	2,00,000
					By Bank A/c (Bal. fig.)	—	—	—	13,500
	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
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		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.

$$\text{Average Profit} = \frac{\text{Rs. } 1,65,000}{3} = \text{Rs. } 55,000$$

Goodwill = 2 years' Purchase of average profit = 2 × Rs. 55,000 = Rs. 1,10,000

3. Combined Capital of Ram and Rahim:	Rs.
Ram : Rs. (2,45,000 - 55,000)	1,90,000
Rahim : Rs. (2,37,000 - 36,667)	2,00,333
	<u>3,90,333</u>
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)	<u>13,500</u>

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		
	<u>1,13,500</u>		<u>1,13,500</u>		

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 Debts A/c	1,39,000	A	1,52,000
		B	91,200
		C	60,800
	<u>3,19,000</u>		<u>3,19,000</u>

(ii)

Partners' Capital Accounts

Dr.					Cr.				
Particulars	A Rs.	B Rs.	C Rs.	D Rs.	Particulars	A Rs.	B Rs.	C Rs.	D 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 (B.V. written off)	50,000	30,000	20,000	—	By Contingency Reserve	37,500	22,500	15,000	—
To A & B (G. Adj)	—	—	1,00,000	1,00,000	By Investment				—

To Investments	—	75,000	—	—	Fluctuation	—	—	—	—
To Advertisement Suspense	12,500	7,500	5,000	—	Reserve	50,000	30,000	20,000	—
To B's Loan A/c (Balancing figure)	—	1,28,800	—	—	By C & D (Goodwill Adjustment) (note 2)	50,000	1,50,000	—	—
To Balance c/d (note 3)	4,00,000	—	4,00,000	2,00,000	By Bank (Balancing figure)	27,000	—	3,80,800	3,00,000
	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
A	4,00,000	Machinery	5,20,000
C	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
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	A	B	C	D
Credit to old partners in old ratio i.e. 5:3:2	Cr.2,50,000	Cr.1,50,000	Cr.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)	Cr.50,000	Cr.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.
--	-----

A's Share = $\frac{2}{5}$ of Rs. 10,00,000	= 4,00,000
C's Share = $\frac{2}{5}$ of Rs. 10,00,000	= 4,00,000
D's Share = $\frac{1}{5}$ of Rs. 10,00,000	= 2,00,000

P.36. Journal Entries (without narration)

(i)	Land & Building A/c To Revaluation A/c	Dr.	2,00,000	2,00,000
(ii)	Revaluation A/c To Plant & Machinery A/c To Provision for Bad debt A/c $2,00,000 \times 4\% = 8000 - 6000 = 2000$ To Repairs charges outstanding A/c	Dr.	50,000	46,500 2,000 1,500
(iii)	Revaluation A/c To Pathak A/c To Quereshi A/c To Ranjeet A/c	Dr.	1,50,000	70,000 50,000 30,000
(iv)	General Reserve A/c To Pathak A/c To Quereshi A/c To Ranjeet A/c	Dr.	2,25,000	1,05,000 75,000 45,000
(v)	Pathak A/c $100000 \times 7/10$ Ranjeet A/c $100000 \times 3/10$ To Quereshi A/c $300000 \times 5/15$ (Goodwill adjustment on retirement)	Dr. Dr.	70,000 30,000	1,00,000
(vi)	Quereshi A/c To Bank A/c To 12% Quereshi's Loan A/c	Dr.	8,45,000	4,22,500 4,22,500
(vii)	Bank A/c Patent A/c To Swamy A/c	Dr. Dr.	3,80,000 20,000	4,00,000
(viii)	Swamy A/c To Pathak A/c To Ranjeet A/c (Goodwill adjustment on admission)	Dr.	75,000	60,000 15,000

Goodwill Adjustment on Retirement

		Pathak	Qureshi	Ranjeet
Credit in Old Ratio	7:5:3	Cr. 1,40,000	Cr. 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	Cr. 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	Cr. 15,000	Dr. 75,000

Capital A/c

	Pathak	Quereshi	Ranjeet	Swamy		Pathak	Quereshi	Ranjeet	Swamy
Quereshi	70000	-	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)	₹	₹
	Add: Cost of car wrongly written off	40,000	30,000
	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 × 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	Y	9,120	
		Z	9,120	22,800
	42,800			42,800

c) Partners' Capital Accounts

	X	Y	Z		X	Y	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
Y	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 Account	7,200
	3,16,400		3,16,400

Working Notes:

Goodwill calculated at the time of death of partner Z ₹ 48,000

Partner	Old Share	New Share	Gain	Sacrifice
X	1 5	1 3	2 15	-
Y	2 5	2 3	4 15	-

Z	$\frac{2}{5}$	-	-	$\frac{2}{5}$
---	---------------	---	---	---------------

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, 2020	A's Capital A/c B's Capital A/c To C's Capital A/c (Being the required adjustment for goodwill through the partner's capital accounts)	Dr. Dr.	500 500	1,000

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 (A - ₹ 50, B - ₹ 50, C - ₹ 50)	150		
	850		850

Partners' Capital Accounts

Particulars	A ₹	B ₹	C ₹	Particulars	A ₹	B ₹	C ₹
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)	-	-	500

	4,650	4,650	6,050		4,650	4,650	6,050
--	-------	-------	-------	--	-------	-------	-------

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	A	B	C
Right of goodwill before death	1/3	1/3	1/3
Right of goodwill after death	1/2	1/2	-
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	
N's Share in Profit (2/5th* of ₹ 14,000)	5,600	Purchase of Average Profit	1,26,000
		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 May 1,	To N's Loan A/c	1,28,000	2020 Jan. 1	By Capital A/c	60,000
			May 1	By Reserves	

			May 1	(2/5th of ₹ 30,000)	12,000
				By B's Capital A/c	
			May 1	(Share of goodwill)	50,400
				By P/L Suspense A/c	5,600
				(Share of Profit)	
		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	40,000	20,000		By Balance b/d	1,50,000	1,80,000	70,000
To Bank			2,79,800	By General Reserve By	56,000	28,000	56,000
To Balance c/d	2,28,000	2,19,000		Joint life Policy	56,000	28,000	56,000
				By Interest on Capital			4,200
				By revaluation	6,000	3,000	6,000
				By Diya & Riya capital			60,000
				By Profit & loss suspense A/c			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
--	----------	----------

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:

- Goodwill valuation

2016-17	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 = 1,86,000
Less: 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
- 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	=	1,86,000
---	---	----------

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.

a) 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 2020	Particulars	₹	Date 2020	Particulars	₹
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 (25,200.50+2,520)	27,720.50	1.10.2020	By Capital A/c	1,00,802.00
	To Balance c/d	75,601.50	31.3.2021	By Interest (1,00,802 × 2.5%)	2,520.00
		1,03,322.00			1,03,322
30.9.2021	To bank A/c (25,200.50+1,890)	27,090.50	1.4.2021	By Balance b/d	75,601.50
31.3.2022	To bank A/c (25,200.50+1,260)	26,460.50	30.9.2021	By Interest (75,601.50 × 2.5%)	1,890.00
31.3.2022	To balance c/d	25,200.50	30.3.2022	By Interest (25,200.50 × 2) × 2.5%	1,260.00
		78,751.50			78,751.50
30.9.2022	To bank A/c (25,200.50+630)	25,830.50	1.4.2022	By balance b/d	25,200.50
		25,830.50	30.9.22	By Interest (25,200.50 × 2.5%)	630.00
					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 = $3 \times (10,000 + 13,000 + 12,000 + 15,000)/4$)			
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:				
P	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 (Balance transferred)	11,00,000	By Q's Capital A/c (goodwill adj.)	1,98,000
		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	
				$6,00,000 \times 12\% \times \frac{7}{12}$	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
P		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

$$\text{Average Profit} = 9,90,000/3 = \text{Rs. } 3,30,000$$

$$\text{Goodwill} = 3,30,000 \times 2 = \text{Rs. } 6,60,000$$

$$\text{Share of P in goodwill} = 6,60,000 \times \frac{5}{10} = \text{Rs. } 3,30,000$$

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 × 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	$= 3,60,000 \times \frac{5}{12}$	=Rs. 150,000
Share of P	$= 1,50,000 \times \frac{5}{10}$	= Rs. 75,000

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 (Bad Debts)	23,850		By Partners' Capital A/cs	
				(loss on revaluation)	
				A (3/10) 33,255	
				B (2/10) 22,170	
				C (5/10) 55,425	
		1,14,850			1,10,850
					1,14,850

Dr.

Partners' Capital Accounts

Cr.

	A	B	C	D		A	B	C	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 capital A/cs	-	-	-	90,000	By D's Capital A/c (W.N.1)	-	60,000	30,000	-
To Investments A/c	-	46,000	-	-	By Bank A/c	29,255	-	25,425	2,10,000
To B's loan A/c	-	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:

$$A \quad 3/10 - 3/10 = 0$$

$$B \quad \frac{2}{10} - 0 \quad = \frac{2}{10} \quad C \quad \frac{5}{10} - \frac{4}{10} = \frac{1}{10}$$

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:

₹

$$B: 90,000 \times \frac{2}{3} = 60,000$$

$$C: 90,000 \times \frac{1}{3} = 30,000 \quad 90,000$$

2. Capital of partners in the reconstituted firm:

₹

Total capital of the reconstituted firm (given)	4,00,000
A (3/10)	1,20,000
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 Adj. (Unrecorded Liability)	3,000	Dec. 31	By Profit and Loss A/c :	
	To Balance Transferred to P's Executor's A/c		Dec. 31	Interest on Capital	2,400
Dec. 31		38,465	Dec. 31	Share of Profit	4,735
			Dec. 31	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 on fixed capital	Interest	Profit after interest
------	---	----------	-----------------------

	₹	₹	₹
2017	29,340	4,000	25,340
2018	26,470	4,000	22,470
2019	(-) 8,320	4,000	(-) 12,320
	47,490	12,000	35,490
			₹
Average			11,830
Goodwill at two years purchase of average net profits			23,660
Share of P in the goodwill			11,830

(ii) Profit 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

(iii) Share in profit for 2020:

Profit for the year	13,470
Less : Interest on capitals	(4,000)
	9,470
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	P	Q	R	Particulars	P	Q	R
To Bank (Final dues paid)	1,46,040	74,040	37,020	By Balance b/f	1,20,000	48,000	24,000
				By Reserve a/c	24,000	24,000	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
		3,08,400			2,57,100
					3,08,400

P.2. Statement showing distribution of cash amongst the partners

	Cash	Creditors	B's loan	A	B	C
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	-	-	-	-
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 (1 st Rank)	8,000			8,000		
Less: Paid (2 nd Rank)	<u>72,000</u>			48,000		24,000
	23,200					
Less: Paid (3 rd Rank) (2:2:1)	<u>23,200</u>			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	<u>2,800</u>					
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

	A	B	C

		₹	₹	₹
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 A and C taking C capital as the basis	48,000	-	24,000
9.	Ultimate Excess (5-8)	8,000	-	-

2. Order of Payment to Partners

Rank	A	B	C	Total
1 st	8,000	-	-	8,000
2 nd	48,000	-	24,000	72,000
3 rd	96,000	96,000	48,000	2,40,000
	1,52,000	96,000	72,000	3,20,000