True and False

1. The results and position disclosed by final accounts are not exact.
2. The rationale behind the opening of a suspense account is to tally the trial balance.
3. Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
4. Accounting can be viewed as an information system which has its input processing methods and output.
5. The value of human resources is generally shown as assets in the Balance Sheet.
6. The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
7. The debit notes issued are used to prepare Sales Return Book.
8. In Account Current, Red Ink Interest is treated as negative interest.
9. A Tallied trial balance means that the books of accounts have been prepared as per accepted accounting principles.
10. Expenses in connection with obtaining a license for running the Cinema Hall is Revenue Expenditure.
11. Re-issue of forfeited shares is allotment of shares but not a sale.
12. If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
13. There are two ways of preparing an account current.
14. In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.
15. In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.
16. Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.
17. Goods worth Rs 600 taken by the proprietor for personal use should be credited to Capital Account.
18. Amount paid to Management company for consultancy to reduce the working expenses is capital expenditure if the reduced working expenses will generate long term benefits to the entity.
19. The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
20. When there is no agreement among the partners, the profit or loss of the firm will be shared in their capital ratio.
21. When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with calls in arrear of shares forfeited.
22. Accrual concept implies accounting on cash basis.
23. The Sales book is kept to record both cash and credit sales.
24. Bank reconciliation statement is prepared to arrive at the bank balance.
25. Finished goods are normally valued at cost or market price whichever is higher.
26. Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
27. Discount at the time of retirement of a bill is a gain for the drawee.
28. A withdrawal of cash from the business by the proprietor should be charged to profit and loss account as an expense.
29. Partners can share profits or losses in their capital ratio, when there is no agreement.
30. Receipts and Payments Account highlights total income and expenditure
31. Net income in case of persons practicing vocation is determined by preparing profit and loss account
32. The problem of red-ink interest arises when the due date of a transaction falls after the closing date of account current.
33. Consignment account is of the nature of real account.

34. The balance in petty cash book represents an asset.
35. Stock at the end, if appears in the Trial Balance, is taken only to the Balance Sheet.
36. In case a Sports Fund is kept, expenses on account of sports events should be charged to Sports Fund.
37. "Salary paid in advance" is not an expense because it neither reduces assets nor increases liabilities.
38. Laboratory & library Deposits taken from the students in case of an Educational Institution are shown on the liabilities side of the Balance Sheet.
39. Accrual concept implies accounting on cash basis.
40. The Sales book is kept to record both cash and credit sales.
41. Bank reconciliation statement is prepared to arrive at the bank balance.
42. Finished goods are normally valued at cost or market price whichever is higher.
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44. Discount at the time of retirement of a bill is a gain for the drawee.
45. A withdrawal of cash from the business by the proprietor should be charged to profit and loss account as an expense.
46. Partners can share profits or losses in their capital ratio, when there is no agreement.
47. Receipts and Payments Account highlights total income and expenditure.
48. Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

Theoretical Framework

1. Define Accounting Policies in brief. Identify few areas wherein different accounting policies are frequently encountered.
2. Discuss the limitations which must be kept in mind while evaluating the Financial Statements.
3. Differentiate between provision and contingent liability.
4. State the advantages of setting Accounting Standards.
5. Distinguish between Money measurement concept and matching concept.
6. Define revenue receipts and give examples. How are these receipts treated? Explain
7. Explain Cash and Mercantile system of accounting.
8. Define revenue receipts and give examples. How are these receipts treated? Explain.
9. Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example.

Journal Entries

1. M/s Suman & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries:
    i. A purchase of Rs 5,600 from M/s Minu & Co. was recorded in the accounts of M/s Mintu & Co. as Rs 6,500. Day Book entry has also been passed incorrectly.
    ii. A sale of Rs 9,800 to M/s Bantu Bros. was recorded in M/s Bindu & Co.'s account as Rs 8,900. Day Book entry has also been incorrectly passed.
    iii. Discount allowed Rs 560 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be Rs 650, because discount allowed of of Rs 90 to M/s Bantu Bros. has been omitted.
    iv. A cheque of Rs 9,700 drawn by M/s Bantu Bros. has been dishonoured, but wrongly debited to M/s Bhakt & Co.

    Should the Trial Balance tally without rectification of errors?

2. Give journal entries (narrations not required) to rectify the following:

i. Purchase of Furniture on credit from Nigam for Rs 3,000 posted to Subham account as Rs 300.
ii. A Sales Return of Rs 5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.
iii. Investments were sold for Rs 75,000 at a profit of Rs 15,000 and passed through Sales account.
iv. An amount of Rs 10,000 withdrawn by the proprietor (Darshan) for his personaluse has been debited to Trade Expenses account.

3. Pass a journal entry in each of the following cases:
   i. A running business was purchased by Mohan with following assets and liabilities:
   ii. Cash Rs 2,000, Land Rs 4,000, Furniture Rs 1,000, Stock Rs 2,000, Creditors Rs 1,000, Bank Overdraft Rs 2,000.
   iii. Goods distributed by way of free samples, Rs 1,000.
   iv. Rahim became an insolvent and could pay only 50 paise in a rupee. Amount due from him Rs 600.

4. Prepare Journal Entries for the following transactions in the books of Gamma Bros.
   i. Employees had taken stock worth Rs 10,000 (Cost price Rs 7,500) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.
   ii. Wages paid for erection of Machinery Rs 8,000.
   iii. Income tax liability of proprietor Rs 1,700 was paid out of petty cash.
   iv. Purchase of goods from Naveen of the list price of Rs 2,000. He allowed 10% trade discount, Rs 50 cash discount was also allowed for quick payment.

Capital or Revenue Expenditure

1. Classify the following expenditures and receipts as capital or revenue:
   i. Rs 10,000 spent as import duty on machinery purchased.
   ii. Amount received from debtors during the year.
   iii. Cost of testing whether the equipment is functioning properly.
   iv. Insurance claim received on account of a machinery damaged by fire.

2. Classify the following expenditures as capital or revenue expenditure:
   i. Money spent to reduce working expenses.
   ii. Amount spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the plaintiff's land.
   iii. Rings and Pistons of an engine were changed at a cost of Rs 5,000 to get fuel efficiency.
   iv. Compensation of Rs 2.5 crores paid to workers, who opted for voluntary retirement.

3. Classify the following expenditures as capital or revenue expenditure:
   i. Amount spent on making a few more exists in a Cinema Hall to comply with Government orders.
   ii. Travelling expenses of the directors for trips abroad for purchase of capital assets.
   iii. Amount spent to reduce working expenses.
   iv. Amount paid for removal of stock to a new site.
   v. Cost of repairs on second-hand car purchased to bring it into working condition.

4. Classify the following expenditures as capital or revenue expenditure:

i. Travelling expenses of the directors for trips abroad for purchase of capital assets.
ii. Amount spent to reduce working expenses.
iii. Amount paid for removal of stock to a new site.
iv. Cost of repairs on second-hand car purchased to bring it into working condition.

5. Classify each of the following transactions into capital or revenue transactions:
   i. Complete repaint of existing building.
   ii. Installation of a new central heating system.
   iii. Repainting of a delivery van.
   iv. Providing drainage for a new piece of water-extraction equipment.
   v. Legal fees on the acquisition of land.
   vi. Carriage costs on a replacement part for a piece of machinery.

6. Classify the following expenditures as capital or revenue expenditure:
   i. Amount spent on making a few more exists in a Cinema Hall to comply with Government orders.
   ii. Travelling expenses of the directors for trips abroad for purchase of capital assets.
   iii. Amount spent to reduce working expenses.
   iv. Amount paid for removal of stock to a new site.
   v. Cost of repairs on second-hand car purchased to bring it into working condition.

Cash Book/Subsidary Book :-

1. From the following transactions, prepare the Purchases Returns Book of Alpha & Co., a saree dealer and post them to ledger :

Date	Debit Note No.	Particulars
04.01.2018	101	Returned to Goyal Mills, Surat – 5 polyester sarees @ Rs 100.
09.01.2018		Garg Mills, Kota – accepted the return of sarees (which were purchased for cash) – 5 Kota sarees @ Rs 40.
16.01.2018	102	Returned to Mittal Mills, Bangalore –5 silk sarees @ Rs 260.
30.01.2018		Returned one typewriter (being defective) @ Rs 3,500 to B & Co.

2. Prepare a Petty Cash Book on the Imprest System from the following:

2019		Rs
April 1	Received Rs 20,000 for petty cash	
2	Paid auto fare	500
3	Paid cartage	2,500
4	Paid for Postage & Telegrams	500
5	Paid wages	600
5	Paid for stationery	400
6	Paid for the repairs to machinery	1,500
6	Bus fare	100
7	Cartage	400
7	Postage and Telegrams	700
8	Cartage	3,000
9	Stationery	2,000
10	Sundry expenses	5,000

3. Prepare a Triple Column Cash Book for the month of April 2018 from the following transactions and bring down the balance for the start of next month:

Date		Rs
1	Cash in hand	4,500

1	Cash at bank	18,000
2	Paid into bank	1,500
5	Bought furniture and issued cheque	2,250
8	Purchased goods for cash	750
12	Received cash from Mr. K	1,470
	Discount allowed to him	30
14	Cash sales	7,500
16	Paid to Mr. P by cheque	2,175
	Discount received	75
19	Paid into Bank	750
23	Withdrawn from Bank for Private expenses	900
24	Received cheque from Mr. B	2,145
	Allowed him discount	30
26	Deposited Mr. B's cheque into Bank	
28	Withdrew cash from Bank for Office use	3,000
30	Paid rent by cheque	1,200

4. Prepare a Triple Column Cash Book from the following transactions and bring down the balance for the start of next month:

2017 Nov.		Rs
1	Cash in hand	3,000
1	Cash at bank	12,000
2	Paid into bank	1,000
5	Bought furniture and issued cheque	1,500
8	Purchased goods for cash	500
12	Received cash from Mohan	980
	Discount allowed to him	20
14	Cash sales	5,000
16	Paid to Amar by cheque	1,450
	Discount received	50
19	Paid into Bank	500
23	Withdrawn from Bank for Private expenses	600
24	Received cheque from Parul	1,430
	Allowed him discount	20
26	Deposited Parul's cheque into Bank	
28	Withdrew cash from Bank for Office use	2,000
30	Paid rent by cheque	800

Rectification of Errors

1. Write out the Journal Entries to rectify the following errors, using a Suspense Account.
   1) Goods of the value of Rs10,000 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;
   2) An amount of Rs15,000 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods;
   3) A sale of Rs20,000 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as Rs2,000;
   4) Bad Debts aggregating Rs45,000 were written off during the year in the Sales ledger but were not adjusted in the General Ledger; and
   5) The total of "Discount Allowed" column in the Cash Book for the month of September, 2018 amounting to Rs25,000 was not posted.

2. The following mistakes were located in the books of a concern after its books were closed and a

Suspense Account was opened in order to get the Trial Balance agreed:

i. Sales Day Book was overcast by Rs 1,000.
ii. A sale of Rs 5,000 to X was wrongly debited to the Account of Y.
iii. General expenses Rs 180 was posted in the General Ledger as Rs 810.
iv. A Bill Receivable for Rs 1,550 was passed through Bills Payable Book. The Bill was given by P.
v. Legal Expenses Rs 1,190 paid to Mrs. Neetu was debited to her personal account.
vi. Cash received from Ram was debited to Shyam Rs 1,500.
vii. While carrying forward the total of one page of the Purchases Book to the next, the amount of Rs 1,235 was written as Rs 1,325.

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

3. The following errors were committed by the Accountant of Geete Dye-Chem.
   i. Credit sale of Rs 400 to Trivedi & Co. was posted to the credit of their account.
   ii. Purchase of Rs 420 from Mantri & Co. passed through Sales Day Book as Rs 240 How would you rectify the errors assuming that :
   a) they are detected before preparation of Trial Balance.
   b) they are detected after preparation of Trial Balance but before preparing Final Accounts, the difference was taken to Suspense A/c.
   c) they are detected after preparing Final Accounts.

4. Classify the following errors under the three categories – Errors of Omission, Errors of Commission and Errors of Principle.
   i. Sale of furniture credited to Sales Account.
   ii. Purchase worth Rs 4,500 from M not recored in subsidiary books.
   iii. Credit sale wrongly passed through the Purchase Book.
   iv. Machinery sold on credit to Mohan recorded in Journal Proper but omitted to be posted.
   v. Goods worth Rs 5,000 purchased on credit from Ram recorded in the Purchase Book as Rs 500.

Bank Reconciliation Statement

1. On 30th November, 2018, the Cash Book of Mr. Hari showed an overdrawn position of Rs 4,480 although his Bank Statement showed only Rs 3,200 overdrawn. An examination of the two records showed the following errors:
   i. The debit side of the Cash Book was undercast by Rs 400.
   ii. A cheque for Rs 1,600 in favour of Y suppliers Ltd. was omitted by the bank from the statement, the cheque was debited to another customer's Account.
   iii. A cheque for Rs 172 drawn for payment of telephone bill was recorded in the Cash Book as Rs 127 but was shown correctly in the Bank Statement.
   iv. A cheque for Rs 425 from Mr. Pal paid into bank was dishonoured and shown as such on the Bank Statement, although no entry relating to the dishonoured cheque was made in the Cash Book.
   v. The Bank had debited a cheque for Rs 150 to Mr. Hari's Account by mistake, it should have been debited by them to Mr. Kar's Account.
   vi. A dividend of Rs 100 was collected by the bank but not entered in the Cash Book.
   vii. Cheques totalling Rs 1,300 drawn on November was not presented for payment.
   viii. Cheque for Rs 1,200 deposited on 30th November was not credited by the Bank.
   ix. Interest amounting to Rs 300 was debited by the Bank but yet to be entered in the Cash Book.

You are required to prepare a Bank Reconciliation Statement on 30th November, 2018.

2. Prepare a bank reconciliation statement from the following particulars as on 31st March, 2018.

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

3. On 30th September, 2019, the bank account of Neel, according to the bank column of the Cash-Book, was overdrawn to the extent of Rs 8,124. On the same date the bank statement showed a debit balance of Rs 41,516 in favour of Neel. An examination of the Cash Book and Bank Statement reveals the following:
   1) A cheque for Rs 26,28,000 deposited on 29th September, 2019 was credited by the bank only on 3rd October, 2019
   2) A payment by cheque for Rs 32,000 has been entered twice in the Cash Book.
   3) On 29th September, 2019, the bank credited an amount of Rs 2,34,800 received from a customer of Neel, but the advice was not received by Neel until 1st October, 2019.
   4) Bank charges amounting to Rs 1,160 had not been entered in the Cash Book.
   5) On 6th September, 2019, the bank credited Rs 40,000 to Neel in error.
   6) A bill of exchange for Rs 2,80,000 was discounted by Neel with his bank. This bill was dishonoured on 28th September, 2019 but no entry had been made in the books of Neel.
   7) Cheques issued upto 30th September, 2019 but not presented for payment upto that date totalled Rs 26,52,000.

   You are required:
   a) to show the appropriate rectifications required in the Cash Book of Neel, to arrive at the correct balance on 30th September, 2019 and
   b) to prepare a bank reconciliation statement as on that date.

4. Prepare a Bank Reconciliation Statement of Shri Hari as on 31st March, 2020:
   i. Balance as per Pass Book is Rs 10,000.
   ii. Bank collected a cheque of Rs 500 on behalf of Shri Hari but wrongly credited it to Shri Hari's Account (another customer of bank).
   iii. Bank recorded a cash deposit of Rs 1,589 as Rs 1,598.
   iv. Withdrawal column of the Pass Book undercast by Rs 100.
   v. The credit balance of Rs 1,500 on page 5 was recorded on page 6 as debit balance.
   vi. The payment of a cheque of Rs 350 was recorded twice in the Pass Book.
   vii. The Pass Book showed a credit for a cheque of Rs 1,000 deposited by Shri Hari (another customer of the bank).

5. The Cash-book of M/s ABC shows Rs 27,570 as the balance at Bank as on 31st March, 2017. But this does not agree with balance as per the Bank Statement. On scrutiny following discrepancies were found:
   i. Subsidy Rs 10,250 received from the government directly by the bank, but not

advised to the company.

ii. On 15th March, 2017 the payments side of the Cash-book was under cast by Rs 350.

iii. On 20th March, 2017 the debit balance of Rs 2,156 as on the previous day, was brought forward as credit balance in Cash-book.

iv. A customer of the M/s ABC, who received a cash discount of 5% on his account of Rs 2,000, paid to M/s ABC a cheque on 24th March, 2017. The cashier erroneously entered the gross amount in the Cash-Book.

v. On 10th March, 2017 a bill for Rs 5,700 was discounted from the bank, entered in Cash-book, but proceeds credited in Bank Statement amounted to Rs 5,500 only.

vi. A cheque issued amounting to Rs 1,725 returned marked 'out of date'. No entry made in Cash-book.

vii. Insurance premium Rs 756 paid directly by bank under a standing order. No entry made in cash-book.

viii. A bill receivable for Rs 1,530 discounted for Rs 1,500 with the bank had been dishonoured on 30th March, 2017, but advice was received on 1st April, 2017.

ix. Bank recorded a Cash deposit of Rs 1,550 as Rs 1,505. Prepare Bank Reconciliation Statement on 31st March, 2017.

Valuation of Inventories

1. A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2018 on which date the total cost of goods in his godown came to Rs 50,000. The following facts were established between 31st March and 15th April, 2018.

   i. Sales Rs 41,000 (including cash sales Rs 10,000)
   ii. Purchases Rs 5,034 (including cash purchases Rs 1,990)
   iii. Sales Return Rs 1,000.
   iv. On 15th March, goods of the sale value of Rs 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
   v. The trader had also received goods costing Rs 8,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15th April. These sales are not included in above sales.

   Goods are sold by the trader at a profit of 20% on sales.

   You are required to ascertain the value of Inventory as on 31st March, 2018.

2. Sky Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2018 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2018 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2018 with the stock figure as on 31st December, 2017 and some other information is available to you:

   i. The cost of stock on 31st December, 2017 as shown by the inventory sheet was Rs 80,000.
   ii. On 31st December, stock sheet showed the following discrepancies:
   iii. A page total of Rs 5,000 had been carried to summary sheet as Rs 6,000.
   iv. The total of a page had been undercast by Rs 200.
   v. Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2018 totalled Rs 70,000. Out of this Rs 3,000 related to goods received

prior to 31st December, 2017. Invoices entered in April 2018 relating to goods received in March, 2018 totalled Rs 4,000.

vi. Sales invoiced to customers totalled Rs 90,000 from January to March, 2018. Of this Rs 5,000 related to goods dispatched before 31st December, 2017. Goods dispatched to customers before 31st March, 2018 but invoiced in April, 2018 totalled Rs 4,000.

vii. During the final quarter, credit notes at invoiced value of Rs 1,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2018. Transfer of ownership takes place at the time of delivery of goods.

3. Stock taking of XYZ Stores for the year ended 31st March, 2019 was completed by 10th April, 2019, the valuation of which showed a stock figure of Rs 1,67,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for Rs 6,875, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to Rs 9,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark-up price of Rs 300 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing Rs 1,125 which should be taken at Rs 525 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing Rs 1,550 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be Rs 1,250 on 31st March, 2019.
You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2019. Closing stock is valued by XYZ Stores on generally accepted accounting principles.

Concept and Accounting of Depreciation

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

2. M/s. Green Channel purchased a second-hand machine on 1st January, 2015 for Rs 1,60,000. Overhauling and erection charges amounted to Rs 40,000.
Another machine was purchased for Rs 80,000 on 1st July, 2015.
On 1st July, 2017, the machine installed on 1st January, 2015 was sold for Rs 1,00,000. Another machine amounted to Rs 30,000 was purchased and was installed on 30th September, 2017.
Under the existing practice the company provides depreciation @ 10% p.a. on original cost.
However, from the year 2018 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2015 to 2018.

3. The M/s LG Transport purchased 10 trucks at Rs 45,00,000 each on 1st April 2014. On October 1st, 2016, one of the trucks is involved in an accident and is completely destroyed and Rs 27,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of Rs 50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year.
You are required to prepare the motor truck account for two year ending 31 Dec, 2017.

Bills of Exchange

1. Rita owed Rs1,00,000 to Siriman. On 1st October, 2018, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for Rs99,000 on 3rd October, 2018. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that Rs50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate.
   Pass journal entries (with narration) in the books of Siriman.

2. On 1st January 2018, Akshay draws two bills of exchange for Rs 16,000 and Rs 25,000.
   The bill of exchange for Rs 16,000 is for two months while the bill of exchange for Rs 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for Rs 25,000, the interest rebate i.e. discount being Rs 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paisa in a rupee could be recovered from his estate.
   Show the Journal Entries (with narrations) in the books of Akshay.

3. Mr. B accepted a bill for Rs 10,000 drawn on him by Mr. A on 1st August, 2017 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for Rs 9,800.
   On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that Rs 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2017, B became insolvent and his estate paid 40%.
   You are required to prepare Journal Entries in the books of Mr. A

4. Prepare Journal entries for the following transactions in K. Katrak's books.
   i. Katrak's acceptance to Basu for Rs 2,500 discharged by a cash payment of Rs 1,000 and a new bill for the balance plus Rs 50 for interest.
   ii. G. Gupta's acceptance for Rs 4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid Rs 20 noting charges. Bill withdrawn against cheque.
   iii. D. Dalal retires a bill for Rs 2,000 drawn on him by Katrak for Rs 10 discount.
   iv. Katrak's acceptance to Patel for Rs 5,000 discharged by Patel Mody's acceptance to Katrak for a similar amount.

Consignment

1. Mr. Green of New Delhi purchased, 10,000 pieces of sarees at Rs 100 per saree. Out of these 6,000 sarees were sent on consignment to Mr. White of Calcutta at the selling price of Rs 120 per saree. The consignor paid Rs 3,000 for packing and freight. Mr. White sold 5,000 sarees at Rs 125 per saree and incurred Rs 1,000 for selling expenses and remitted Rs 5,00,000 to New Delhi on account. Mr. White is entitled to a commission of 5% on total sales plus a further commission at 20% of surplus price realized over invoice price.
   You are required to prepare Consignment Account in the books of Mr. Green and Mr. Green's account in the books of agent Mr. White.

2. Ganpath of Nagpur consigns 500 cases of goods costing Rs 1,500 each to Rawat of Jaipur.

Ganpath pays the following expenses in connection with the consignment:

Particulars	Rs
Carriage	15,000
Freight	45,000
Loading Charges	15,000

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

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

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

3. Manoj of Noida consigned to Kiran of Jaipur, goods to be sold at invoice price which represents 125% of cost. Kiran is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Manoj were Rs 15,000. The account sales received by Manoj shows that Kiran has effected sales amounting to Rs 1,50,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were Rs 12,000. 10% of consignment goods of the value of Rs 18,750 were destroyed in fire at the Jaipur godown. Kiran remitted the balance in favour of Manoj.
   You are required to prepare consignment account in the books of Manoj along with the necessary calculations.

4. Mr. A of Assam sent on 18th February, 2020 a consignment of 1,000 DVD players to B of Bengal costing Rs 100 each. Expenses of Rs 1,500 were met by the consignor. B spent Rs 3,000 for clearance and selling expenses were Rs 20 per DVD player.
   B sold on 15th March, 2020, 600 DVD players @ Rs 160 per DVD player and again on 20th May, 2020, 300 DVD players @ Rs 170 each.
   B is entitled to a commission of Rs 25 per DVD player sold plus ¼ of the amount by which the gross sale proceeds less total commission thereon exceeded a sum calculated @ Rs 125 per DVD player sold. B sent the amount due to A on 30th June, 2020.
   You are required to prepare the consignment account and B's account in the books of A.

5. On 1.1.2018, Mr. Jill of Mumbai consigned to Mr. Jack of Chennai goods for sale at invoice price. Mr. Jack is entitled to a commission of 5% on sales at invoice price and 20% of any surplus price realized over and above the invoice price. Goods costing Rs 1,00,000 were consigned to Chennai at the invoice price of Rs 1,50,000. The direct expenses of the consignor amounted to Rs 10,000. On 31.3.2018, an account sales was received by Mr. Jill from Mr. Jack showing that he had effected sales of Rs 1,20,000 in respect of 4/5th of the quantity of goods consigned to him. His actual expenses were Rs 3,000. Mr. Jack accepted a bill drawn by Mr. Jill for Rs 1,00,000 and remitted the balance due in cash.
   You are required to prepare the consignment account and the account of Mr. Jack in the books of Mr. Jill.

Sales of goods on approval or return basis

1. X supplied goods on sale or return basis to customers, the particulars of which are as under:

Date of dispatch	Party's name	Amount Rs	Remarks
10.12.2019	M/s ABC Co.	10,000	No information till 31.12.2019
12.12.2019	M/s DEF Co	15,000	Returned on 16.12.2019
15.12.2019	M/s GHI Co	12,000	Goods worth Rs 2,000 returned on

			20.12.2019
20.12.2019	M/s DEF Co	16,000	Goods Retained on 24.12.2019
25.12.2019	M/s ABC Co	11,000	Good Retained on 28.12.2019
30.12.2019	M/s GHI Co	13,000	No information till 31.12.2019

Goods are to be returned within 15 days from the dispatch, failing which it will be treated as sales. The books of 'X' are closed on the 31st December, 2019.
Prepare the following account in the books of 'X'.
Goods on "sales or return, sold and returned day books".
Goods on sales or return total account.

2. Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2018, the Trade Receivables balance stood at Rs 75,000 which included Rs 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to-
Mr. Adhitya Rs 3,900 and Mr. Bakkiram Rs 2,600.
Mr. Adhitya sent intimation of acceptance on 25th April, 2018 and Mr. Bakkiram returned the goods on 15th April, 2018.
Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March, 2018. Show also the entries to be made during April, 2018. Value of Closing Inventories as on 31st March, 2018 was Rs 50,000.

Average Due Date

1. Ram purchases goods on credit. His due dates for payments were as under:

Transaction Date	Rs	Due Date
March 5	300	April 08
April 15	200	May 18
May 10	275	June 13
June 5	400	July 10

Calculate Average due date.

2. Kiran had accepted bills payable to Heena, falling due on different dates. The details of bills are as follows:

Date of bill	Amount	Usance of bill
9th April 2018	Rs 3,000	for 4 months
18th April 2018	Rs 5,500	for 3 months
25th May 2018	Rs 3,000	for 6 months
5th June 2018	Rs 6,000	for 3 months

On 1st July, it was agreed that these bills should be withdrawn and that Kiran should accept on that day two bills, one for Rs 10,000 due in 4 months and the other for the balance with interest, due in 6 months. Calculate the amount of the second bill taking interest @ 10% p.a. Take 365 days in year 2018-2019.

3. Mehnaaz accepted the following bills drawn by Shehnaaz.
On 8th March, 2018 Rs 4,000 for 4 months.
On 16th March, 2018 Rs 5,000 for 3 months.
On 7th April, 2018 Rs 6,000 for 5 months.
On 17th May, 2018 Rs 5,000 for 3 months.
He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 18% p.a. and Mehnaaz wants to save Rs 157 by way of interest. Calculate the date on which he has to effect the payment to save interest of Rs 157.

4. Calculate average due date from the following information:

Date of bill	Term	Amount (Rs)
1st March, 2017	2 months	4,000
10th March, 2017	3 months	3,000
5th April, 2017	2 months	2,000
23rd April, 2017	1 months	3,750
10th May, 2017	2 months	5,000

Account current

1. The following are the transactions that took place between G and H during the period from 1st October, 2017 to 31st March, 2018:

2017	Rs
Oct.1 Balance due to G by H	3,000
Oct 18 Goods sold by G to H	2,500
Nov. 16 Goods sold by H to G (invoice dated November, 26)	4,000
Dec.7 Goods sold by H to G (invoice dated December, 17)	3,500
2018	Rs
Jan. 3 Promissory note given by G to H, at three months	5,000
Feb. 4 Cash paid by G to H	1,000
Mar. 21 Goods sold by G to H	4,300
Mar.28 Goods sold by H to G (invoice dated April, 8)	2,700

Draw up an Account Current up to March 31st, 2018 to be rendered by G to H, charging interest at 10% per annum. Interest is to be calculated to the nearest rupee.

2. From the following transactions in the books of Mr. Perfact, prepare an Account Current, by means of product to be sent by him to Mr. Smart for the quarter ending 31st March, 2019. Interest is to be charged and/or allowed @ 12% p.a. (Take 365 days in year)

2019		Rs
January 1	Balance in Smart's Account (Credit)	3,500
January 12	Sold goods to Smart (due 1st February)	30,000
January 31	Sold goods to Smart (due 15th February)	27,500
February 15	Cash received	40,000
February 20	Cash received	7,500
March 10	Goods returned by Smart	7,000
March 25	Cash received	6,500

3. Mr. A owed Rs 4,000 on 1st January, 2019 to Mr. X. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

	Rs
15 January, 2019 Mr. X sold goods to Mr. A	2,230
29 January, 2019 Mr. X bought goods from Mr. A	1,200
10 February, 2019 Mr. A paid cash to Mr. X	1,000
13 March, 2019 Mr. A accepted a bill drawn by Mr. X for one month	2,000

They agree to settle their complete accounts by one single payment on 15th March, 2019. Prepare Mr. A in Account Current with Mr. X and ascertain the amount to be paid. Ignore days of grace. Assume 1 year = 366 Days.

4. From the following particulars prepare an Account Current to be rendered by A to B at 31st December, reckoning interest @ 10% p.a.

2017		Rs	2017		Rs

July 1	Balance owing from B	600	Sept 01	B accepted A's Bill at 3 months date	250
July 17	Goods sold to B	50	Oct.22	Goods bought from B	30
Aug. 1	Cash received from B	650	Nov. 12	Goods sold to B	20
Aug. 19	Goods sold to B	700	Dec. 14	Cash received from B	80
Aug. 30	Goods sold to B	40			
Sept. 1	Cash received from B	350			

Final accounts

1. The following is the Trial Balance of T on 31st March, 2018 :

	Dr. Rs	Cr. Rs
Capital		6,00,000
Drawings	70,000	
Fixed Assets (Opening)	1,40,000	
Fixed Assets(Additions 01.10.2018)	2,00,000	
Opening Stock	60,000	
Purchases	16,00,000	
Purchases Returns		69,000
Sales		22,00,000
Sales Returns	99,000	
Debtors	2,50,000	
Creditors		2,20,000
Expenses	50,000	
Fixed Deposit with Bank	2,00,000	
Interest on Fixed Deposit		20,000
Cash		8,000
Suspense A/c		2,000
Depreciation	14,000	
Rent (17 months upto 31.8.2018)	17,000	
Investments 12% (01.8.2017)	2,50,000	
Bank Balance	1,69,000	
	31,19,000	31,19,000

Stock on 31st March, 2018 was valued at Rs 1,00,000. Depreciation is to be provided at 10% per annum on fixed assets purchased during the year. A scrutiny of the books of account revealed the following matters :

i. Rs 20,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn Rs 12,000 was used in the business for day-to-day expenses.
ii. Purchase of goods worth Rs 16,000 was not recorded in the books of account upto 31.03.2018, but the goods were included in stock.
iii. Purchase returns of Rs 1,000 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.
iv. Expenses include Rs 6,000 in respect of the period after 31st March, 2018.

Give the necessary Journal Entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31st March, 2018.

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

	Dr. Rs	Cr. Rs
Capital A/c		14,11,400
Purchases	12,00,000	

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

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

a) Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
b) Value of stock at the close of the year was Rs 4,10,000.
c) One month rent for godown is outstanding.
d) Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017
e) Provision for bad debts is to be maintained at 5% of Sundry debtors.
f) Insurance premium includes Rs 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.2018.

3. The following are the balances as at 31st March, 2019 extracted from the books of Mr. XYZ.

	Rs		Rs
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300
Purchases	1,60,000	Carriage inward	1,125

Opening Stock	32,250	Carriage outward	1,350
Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		Interest paid on loan	3,000

Additional Information:

1. Purchases include sales return of Rs 2,575 and sales include purchases return of Rs 1,725.
2. Goods withdrawn by Mr. XYZ for own consumption Rs 3,500 included in purchases.
3. Wages paid in the month of April for installation of plant and machinery amounting to Rs 450 were included in wages account.
4. Free samples distributed for publicity costing Rs 825.
5. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
6. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2019 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2019, and a Balance Sheet as on that date. Also show the rectification entries.

4. The following is the trial balance of Hari as at 31st December, 2017:

	Dr. Rs	Cr. Rs
Hari's capital account		76,690
Stock 1st January, 2017	46,800	
Sales		3,89,600
Returns inward	8,600	
Purchases	3,21,700	
Returns outward		5,800
Carriage inwards	19,600	
Rent & taxes	4,700	
Salaries & wages	9,300	
Sundry debtors	24,000	
Sundry creditors		14,800
Bank loan @ 14% p.a.		20,000
Bank interest	1,100	
Printing and stationary expenses	14,400	
Bank balance	8,000	
Discount earned		4,440
Furniture & fittings	5,000	
Discount allowed	1,800	
General expenses	11,450	
Insurance	1,300	
Postage & telegram expenses	2,330	
Cash balance	380	
Travelling expenses	870	
Drawings	30,000	
	5,11,330	5,11,330

The following adjustments are to be made:

1) Included amongst the debtors is Rs 3,000 due from Ram and included among the creditors Rs 1,000 due to him.

2) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
3) Depreciation on furniture & fittings @ 10% shall be written off.
4) Personal purchases of Hari amounting to Rs 600 had been recorded in the purchases day book.
5) Interest on bank loan shall be provided for the whole year.
6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
7) Credit purchase invoice amounting to Rs 400 had been omitted from the books.
8) Stock on 31.12.2017 was Rs 78,600.

Prepare (i) Trading & profit and loss account for the year ended 31.12.2017 and (ii) Balance sheet as on 31st December, 2017.

Partnership Accounts:-

1. The profits and losses for the previous years are: 2015 Profit Rs 10,000, 2016 Loss Rs 17,000, 2017 Profit Rs 50,000, 2018 Profit Rs 75,000. The average Capital employed in the business is Rs 2,00,000. The rate of interest expected from capital invested is 10%. The remuneration from alternative employment of the proprietor Rs 6,000 p.a. Calculate the value of goodwill on the basis of 2 years' purchases of Super Profits based on the average of 3 years.

2. A and B are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of A and B as on 1.1.2018 was as follow:

Liabilities	Amount Rs	Assets	Amount Rs
Sundry Creditors	12,900	Building	26,000
Bill Payable	4,100	Furniture	5,800
Capital Account:		Stock-in-Trade	21,400
A 44,000		Debtors 35,000	
B 36,000	80,000	Less: Provision 200	34,800
Bank Overdraft	9,000	Investment	2,500
		Cash	15,500
	1,06,000		1,06,000

'C' was admitted to the firm on the above date on the following terms:

i. He is admitted for 1/6th share in future profits and to introduce a Capital of Rs 25,000.
ii. The new profit sharing ratio of A, B and C will be 3 : 2 : 1 respectively.
iii. 'C' is unable to bring in cash for his share of goodwill, partners therefore, decide to raise goodwill account in the books of the firm. They further decide to calculate goodwill on the basis of 'C's share in the profits and the capital contribution made by him to the firm.
iv. Furniture is to be written down by Rs 870 and Stock to be depreciated by 5%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for Rs 1,560. The value of Buildings having appreciated be brought upto Rs 29,200. The value of investment is increased by Rs 450.
v. It is found that the creditors included a sum of Rs 1,400, which is not to be paid off.

Prepare the following:
(i) Revaluation Account.
(ii) Partners' Capital Accounts.
(iii) Balance Sheet of New Partnership firm after admission of 'C'.

3. A, B and C entered into partnership on 1.1.2019 to share profits and losses in the ratio of 5 : 3 :

2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than Rs 30,000 in any year. Capitals of A, B and C were Rs 3,20,000, Rs 2,00,000 and Rs 1,60,000 respectively.

Profits for the year ending 31.12.2019 before providing for interest on partners capital was Rs 1,59,000.

You required to prepare the Profit and Loss Appropriation Account.

4. J and K are partners in a firm. Their capital are J Rs 3,00,000 and K Rs 2,00,000. During the year ended 31st March, 2019 the firm earned a profit of Rs 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:
   (i) By Capitalization Method; and
   (ii) By Super Profit Method if the goodwill is valued at 2 years' purchase of Super Profit.

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

Liabilities	(Rs)	Assets	(Rs)
Trade payables	22,500	Land & Buildings	37,000
Outstanding Liabilities	2,200	Furniture & Fixtures	7,200
General Reserve	7,800	Closing stock	12,600
Capital Accounts:		Trade Receivables	10,700
Dinesh 15,000		Cash in hand	2,800
Ramesh 15,000		Cash at Bank	2,200
Naresh 10,000	40,000		
	72,500		72,500

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

i. Suresh shall bring Rs 8,000 towards his capital.
ii. The value of stock to be increased to Rs 14,000 and Furniture & Fixtures to be depreciated by 10%.
iii. Provision for bad and doubtful debts should be provided at 5% of the trade receivables.
iv. The value of Land & Buildings to be increased by Rs 5,600 and the value of the goodwill be fixed at Rs 18,000.
v. The new profit sharing ratio shall be divided equally among the partners.

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

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

6. Vasudevan, Sunderarajan and Agrawal are in partnership sharing profit and losses at the ratio of 2:5:3. The Balance Sheet of the partnership as on 31.12.2019 was as follows:

Liabilities	Rs	Assets	Rs
Capital A/cs		Sundry fixed assets	5,00,000
Vasudevan	85,000	Inventory	1,00,000
Sunderarajan	3,15,000	Trade receivables	50,000
Agrawal	2,25,000	Bank	5,000
Trade payables	30,000		
	6,55,000		6,55,000

The partnership earned profit Rs 2,00,000 in 2019 and the partners withdrew Rs 1,50,000 during the year. Normal rate of return 30%.

You are required to calculate the value of goodwill on the basis of 5 years' purchase of super profit. For this purpose, calculate super profit using average capital employed.

7. J and K are partners in a firm. Their capitals are: J Rs 3,00,000 and K Rs 2,00,000.
During the year ended 31st March, 2019 the firm earned a profit of Rs 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:
(i) By Capitalization Method; and
(ii) By Super Profit Method if the goodwill is valued at 2 years' purchase of Super Profit.

8. The following is the Balance Sheet of M/s. LMN Bros as at 31st December, 2017, they share profit equally:

Balance Sheet as at 31st December, 2017

Liabilities		Rs	Assets		Rs
Capital	L	8,200	Machinery		10,000
	M	8,200	Furniture		5,600
	N	9,000	Fixture		4,200
General Reserve		3,000	Cash		3,000
Trade payables		4,700	Inventories		1,900
			Trade receivables	9,000	
			Less: Provision for Doubtful debts	600	8,400
		33,100			33,100

N died on 3rd January, 2018 and the following agreement was to be put into effect.

i. Assets were to be revalued: Machinery to Rs 11,700; Furniture to Rs 4,600; Inventory to Rs 1,500.
ii. Goodwill was valued at Rs 6,000 and was to be credited with his share, without using a Goodwill Account.
iii. Rs 2,000 was to be paid away to the executors of the dead partner on 5th January, 2018.
iv. After death of N, L and M share profit equally.

You are required to prepare:
(i) Journal Entry for Goodwill adjustment.
(ii) Revaluation Account and Capital Accounts of the partners.

9. On 31st March, 2020, the Balance Sheet of P, Q and R sharing profits and losses in proportion to their Capital stood as below:

Liabilities	Rs	Assets	Rs
Capital Account:		Land and Building	30,000
Mr. P	20,000	Plant and Machinery	20,000
Mr. Q	30,000	Stock of goods	12,000
Mr. R	20,000	Sundry debtors	11,000
Sundry Creditors	10,000	Cash and Bank Balances	7,000
	80,000		80,000

On 1st April, 2020, P desired to retire from the firm and remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities on that date on the following basis:

i. Land and Building be appreciated by 20%.
ii. Plant and Machinery be depreciated by 30%.
iii. Stock of goods to be valued at Rs10,000.
iv. Old credit balances of Sundry creditors, Rs2,000 to be written back. (v) Provisions for bad debts should be provided at 5%.
v. Joint life policy of the partners surrendered and cash obtained Rs 7,550.
vi. Goodwill of the entire firm is valued at Rs14,000 and P's share of the goodwill is adjusted in the A/cs of Q and R, who would share the future profits equally. No goodwill account being raised.
vii. The total capital of the firm is to be the same as before retirement. Individual capital is in their profit sharing ratio.

viii. Amount due to Mr. P is to be settled on the following basis:
50% on retirement and the balance 50% within one year.

Prepare (a) Revaluation account, (b) The Capital accounts of the partners, (c) Cash account and (d) Balance Sheet of the new firm M/s Q & R as on 1.04.2020..

10. Neha & Co. is a partnership firm with partners Mr. P, Mr. Q and Mr. R, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2018 is as under:

Liabilities		Rs	Assets		Rs
Capitals:			Land		10,000
Mr. P	80,000		Buildings		2,00,000
Mr. Q	20,000		Plantand machinery		1,30,000
Mr. R	30,000	1,30,000	Furniture		43,000
Reserves (un-appropriated profit)		20,000	Investments		12,000
Long Term Debt		3,00,000	Inventories		1,30,000
Bank Overdraft		44,000	Trade receivables		1,39,000
Trade payables		1,70,000			
		6,64,000			6,64,000

It was mutually agreed that Mr. Q will retire from partnership and in his place Mr. T will be admitted as a partner with effect from 1st April, 2018. For this purpose, the following adjustments are to be made:

a) Goodwill is to be valued at Rs1 lakh but the same will not appear as an asset in the books of the reconstituted firm.
b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at Rs 15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.

In the reconstituted firm, the total capital will be Rs 2 lakhs which will be contributed by Mr. P, Mr. R and Mr. T in their new profit sharing ratio, which is 2:2:1.

i. The surplus funds, if any, will be used for repaying bank overdraft.
ii. The amount due to retiring partner shall be transferred to his loan account.

Required:
Prepare
(a) Revaluation account;
(b) Partners' capital accounts;
(c) Bank account; and
(d) Balance sheet of the reconstituted firm as on 1st April, 2018.

11. A, B and C entered into partnership on 1.1.2017 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than Rs 30,000 in any year. Capitals of A, B and C were Rs 3,20,000, Rs 2,00,000 and Rs 1,60,000 respectively.
Profits for the year ending 31.12.2017 before providing for interest on partners capital was Rs 1,59,000.
You re required to prepare the Profit and Loss Appropriation Account.

Financial Statements of Not for Profit Organizations

1. The Receipts and Payments account of Trustwell Club prepared on 31st March, 2018 is as follows:

Receipts	Rs	Amount Rs	Payments	Amount Rs

To Balance b/d		450	By Expenses (including Payment for sports material Rs 2,700)	6,300
To Annual Income from Subscription	4,590		By Loss on sale of Furniture (cost price Rs 450)	180
Add: Outstanding of			By Balance c/d	90,450
last year received this year	180			
	4,770			
Less: Prepaid of last year	90	4,680		
To Other fees		1,800		
To Donation for Building		90,000		
		96,930		96,930

Additional information:

a) Trust well club had balances as on 1.4.2017 : -
b) Furniture Rs 1,800; Investment at 5% Rs 27,000;
c) Sports material Rs 6,660;
d) Balance as on 31.3.2018 : Subscription Receivable Rs 270;
e) Subscription received in advance Rs 90;
f) Stock of sports material Rs 1,800.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2018 and Balance Sheet on that date.

2. Doctor Dinesh after retiring from Govt. service, started private practice on 1st April, 2018 with Rs 1,00,000 of his own and Rs 1,50,000 borrowed at an interest of 12% per annum on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	Rs	Payments	Rs
Own capital	1,00,000	Medicines purchased	1,22,500
Loan	1,50,000	Surgical equipments	1,25,000
Prescription fees	3,30,000	Motor car	1,60,000
Visiting fees	1,25,000	Motor car expenses	60,000
Fees from lectures	12,000	Wages and salaries	52,500
Pension received	1,50,000	Rent of clinic	30,000
		General charges	24,500
		Household expenses	90,000
		Household Furniture	12,500
		Expenses on daughter’s marriage	1,07,500
		Interest on loan	18,000
		Balance at bank	55,000
		Cash in hand	9,500

One-third of the motor car expense may be treated as applicable to the private use of car and Rs 15,000 of salaries are in respect of domestic servants.
The stock of medicines in hand on 31st March, 2019 was valued at Rs 47,500.
You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2019 and balance sheet as on that date. Ignore depreciation of fixed assets.

3. From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2019, and Balance Sheet as at that date of the Jeevan Hospital:

Receipts and Payments Account for the year ended 31 December, 2019

RECEIPTS		Rs	PAYMENTS		Rs
To Balance b/d Cash	800		By Salaries: (Rs 7,200 for 2018)		31,200
Bank	5,200	6,000	By Hospital Equipment		17,000
To Subscriptions:			By Furniture purchased		6,000
For 2018		5,100	By Additions to Building		50,000
For 2019		24,500	By Printing and Stationery		2,400
For 2020		2,400	By Diet expenses		15,600
To Government Grant:			By Rent and rates (Rs 300 for 2020)		2,000
For building		80,000	By Electricity and water charges		2,400
For maintenance		20,000	By office expenses		2,000
Fees from sundry Patients		4,800	By Investments		20,000
To Donations (not to be capitalized)		8,000	By Balances:		
To Net collections from benefit shows		6,000	Cash	1,400	
			Bank	6,800	8,200
		1,56,800			1,56,800

Additional information:

a) Value of building under construction as on 31.12.2019 Rs 1,40,000
b) Value of hospital equipment on 31.12.2019 Rs 51,000
c) Building Fund as on 1.1. 2019 Rs 80,000
d) Subscriptions in arrears as on 31.12.2018 Rs 6,500
e) Investments in 8% Govt. securities were made on 1st July, 2019.

4. The following information of M/s. TT Club are related for the year ended 31st March, 2020:
(1)

Balances	As on 01-04-2019 (Rs)	As on 31-3-2020 (Rs)
Stock of Sports Material	75,000	1,12,500
Amount due for Sports Material	67,500	97,500
Subscription due	11,250	16,500
Subscription received in advance	9,000	5,250

(2) Subscription received during the year Rs 3,75,000
(3) Payments for Sports Material during the year Rs 2,25,000

You are required to:
(A) Calculate the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2020 and
(B) Also show how these items would appear in the Balance Sheet as on 31.03.2020.

5. Smith Library Society showed the following position on 31st March, 2017:

Balance Sheet as on 31st March, 2017

Liabilities	Rs	Assets	Rs
Capital fund	7,93,000	Electrical fittings	1,50,000

Expenses payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	25,000
	8,00,000		8,00,000

The receipts and payment account for the year ended on 31st March, 2018 is given below:

	Rs		Rs
To Balance b/d		By Electric charges	7,200
Cash at bank 25,000		By Postage and stationary	5,000
Cash in hand 25,000	50,000	By Telephone charges	5,000
To Entrance fee	30.000	By Books purchased	60,000
To Membership subscription	2,00,000	By Outstanding expenses paid	7,000
To Sale proceeds of old papers	1,500	By Rent	88,000
To Hire of lecture hall	20,000	By Investment in securities	40,000
To Interest on securities.	8,000	By Salaries	66,000
		By Balance c/d	
		Cash at bank	20,000
		Cash in hand	11,300
	3,09,500		3,09,500

You are required to prepare income and expenditure account for the year ended 31st March, 2018 and a balance sheet as at 31s, March, 2018 after making the following adjustments:
Membership subscription included Rs 10,000 received in advance.
Provide for outstanding rent Rs 4,000 and salaries Rs 3,000.
Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.
75% of the entrance fees is to be capitalized.
Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2017 for Rs 40,000.

Issue of Shares, Forfeiture of Shares

1. Konica Limited registered with an authorised equity capital of Rs 2,00,000 divided into 2,000 shares of Rs 100 each, issued for subscription of 1,000 shares payable at Rs 25 per share on application, Rs 30 per share on allotment, Rs 20 per share on first call and the balance as and when required. Application money on 1,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder failed to pay the amount on 100 shares held by him and another shareholder with 50 shares, paid the entire amount on his shares. The company did not make any other call. Give the necessary journal entries in the books of the company to record these transactions.

2. Piyush Limited is a company with an authorized share capital of Rs 2,00,00,000 in equity shares of Rs 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2018. The company proposed to make a further issue of 1,30,000 shares of Rs 10 each at a price of Rs 12 each, the arrangements for payment being:
   i. Rs 2 per share payable on application, to be received by 1st July, 2018;

ii. Allotment to be made on 10th July, 2018 and a further Rs 5 per share (including the premium) to be payable;

iii. The final call for the balance to be made, and the money received by 30th April, 2019.

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

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

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

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

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

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

3. Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of Rs 10 each.

On application - Rs 3 per share
On allotment - Rs 5 per share
On first and final call - Rs 2 per share

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

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

4. On 1st April, 2017, Pehal Ltd. issued 64,500 shares of Rs 100 each payable as follows: Rs 30 on application, Rs 30 on allotment, Rs 20 on 1st October, 2017; and Rs 20 on 1st February, 2018.

By 20th May, 60,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15 th July; those on 1st call were received on 20th October. You are required to prepare the Journal entries to record the transactions when accounts were closed on 31st March, 2018.

5. Mr. Hello who was the holder of 4,000 preference shares of Rs 100 each, on which Rs 75 per share has been called up could not pay his dues on Allotment and First call each at Rs 25 per share. The Directors forfeited the above shares and reissued 3,000 of such shares to Mr. X at Rs 65 per share paid-up as Rs75 per share.

You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

6. Mr. P who was the holder of 2,500 preference shares of Rs 100 each, on which Rs 70 per share has been called up could not pay his dues on Allotment and First call each at Rs 20 per share. The Directors forfeited the above shares and reissued 2,000 of such shares to Mr. Q at Rs 60 per share paid-up as Rs 70 per share.

You are required to prepare the Journal Entries to record the above forfeiture and re-issue in the books of the company.

7. Pihu Limited issued at par 2,00,000 Equity shares of Rs 10 each payable Rs 2.50 on application;

Rs 3 on allotment; Rs 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. Pal who held 20,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 2,000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Pal.
You are required to prepare journal entries to record these transactions.

Issue of Debentures

1. Suvidha Ltd. purchased machinery worth Rs1,98,000 from Hemant Ltd. The payment was made by issue of 12% debentures of Rs100 each. Pass the necessary journal entries for the purchase of machinery and issue of debentures when: (i) Debentures are issued at par; (ii) Debentures are issued at 10% discount; and (iii) Debentures are issued at 10%premium

2. Pure Ltd. issues 1,00,000 12% Debentures of Rs 10 each at Rs 9.40 on 1st January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue. Calculate the amount of discount to be written-off in each of the 5 years.

3. Pihu Ltd. issued 50,00,000, 9% debentures of Rs 100 each at a discount of 10%redeemable at par at the end of 10th year. Money was payable as follows :
   Rs 40 on application
   Rs 50 on allotment
   You are required to give necessary journal entries regarding issue of debenture.

4. A Ltd. issued 3,50,000, 12% Debentures of Rs100 each at par payable in full on application by 1st April, Application were received for 3,85,000 Debentures. Debentures were allotted on 7th April. Excess money refunded on the same date.
   You are required to prepare necessary Journal Entries (including cash transactions) in the books of the company.

5. Riya Limited issued 20,000 14% Debentures of the nominal value of Rs1,00,00,000 as follows:
   (a) To sundry persons for cash at 90% of nominal value of Rs 50,00,000.
   (b) To a vendor for purchase of fixed assets worth Rs 20,00,000 – Rs 25,00,000 nominal value.
   (c) To the banker as collateral security for a loan of Rs 20,00,000 – Rs 25,00,000 nominal value.
   You are required to prepare necessary journal entries Journal Entries.

Write short notes on the following:

1. Noting Charges.
2. Fundamental Accounting Assumptions.
3. Retirement of bills of exchange.
4. Over-riding Commission.
5. Accounting conventions.
6. Trade bill vs. Accommodation bill.
7. Measurement.
8. Advantages of subsidiary books.
9. Objectives of preparing Trial Balance.
10. Rules of posting of journal entries into Ledger.
11. Importance of bank reconciliation statement to an industrial unit.
12. Bill of exchange and various parties to it.

13. Machine Hour Rate method of calculating depreciation.
14. Double entry system.
15. Joint venture account.
16. Journal.