True and False

1. Gauri purchased goods worth ₹75,800 at 5% trade discount and she paid half of the amount in cash. The amount appearing in the purchase book is ₹36,005.
2. All the personal & real accounts are recorded in P&L A/c.
3. Amount spent on the replacement of worn out part of machine is Capital Expenditure.
4. When closing inventory is overstated, net income for the accounting period will be understated.
5. The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
6. Goodwill is intangible asset therefore it cannot be valued.
7. Interest on calls in arrears is payable by company to shareholders.
8. Outstanding salaries for the previous year shall be shown as liability in the current year balance sheet.
9. Debenture holders enjoy the voting rights in the company.
10. A tallied trial balance means that the books of accounts have been prepared as per accepted accounting principles.
11. The rationale behind the opening of a suspense account is to tally the trial balance.
12. Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
13. A partnership firm can acquire fixed assets in the name of the firm.
14. Outstanding salaries for the previous year shall be shown as liability in the current year balance sheet.
15. The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
16. The debit notes issued are used to prepare Sales Return Book.
17. Bills receivable and bills payable books are type of subsidiary books.
18. The results and position disclosed by final accounts are not exact.
19. The gain from sale of capital assets need not be added to revenue to ascertain the net profit of a business.
20. Sale of office furniture should be credited to Profit and Loss Account.
21. The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
22. A partnership firm can acquire fixed assets in the name of the firm.
23. Debenture holders enjoy the voting rights in the company.
24. The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
25. The debit notes issued are used to prepare Sales Return Book.

26. Bank reconciliation statement is prepared to arrive at the bank balance.

27. If Closing Stock appears in the Trial Balance then the closing inventory is not entered in Trading Account. It is shown only in the balance sheet.

28. Depreciation is a non-cash expense and does not result in any cash outflow.

29. Discount at the time of retirement of a bill is a gain for the drawee.

30. 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.

31.A withdrawal of cash from the business by the proprietor should be charged to profit and loss account as an expense.

32. Partners can share profits or losses in their capital ratio, when there is no agreement.

33. Fees received for Life Membership is a revenue receipt as it is of recurring nature.

34. Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

35. Re-issue of forfeited shares is allotment of shares but not a sale.

36. Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

37. The Sale Book is kept to record both the cash and credit sales.

38. There are two ways of preparing an account current.

39. Consignee will not pass any journal entry in his books at time of receiving of goods from Consignor.

40. Accounting Standards for non-corporate entities in India are issued by the Central Government.

41. Goods sold on approval or return basis are not recorded as credit sales initially when they are sent-out,

42.A Company is not allowed to issue shares at a discount to the public in general.

43. Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.

44.A person holding preference shares of a company cannot hold equity shares of the same company.

45. Business of partnership comes to an end on death of a partner.

46. Cash book is a subsidiary book as well as a principal book.

47. Any amount spent to minimize the working expenses is revenue expenditure.

48. Expenses incurred on the repairs for the first time on purchase of an old building are capital expenditure.

49. The provision for bad debts is debited to sundry debtors account.

50. Non-participating preference shareholders enjoy voting rights.

51. There is no entry passed by the consignee in his books for the remaining stock of goods lying with him.

52. Discount column of the cash book is never balanced.

53. A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a Contingent Liability. ·

54. At the end of the accounting year, all the nominal accounts of the ledger book are balanced.

55. The specific due date excludes the addition of grace days to arrive at the due date.

56. Any amount spent for replacement of worn out part of a machine is capital expenditure.

57. Debentures Suspense Account appears on the Liability side of the Balance Sheet of a Company.

58. If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.

Theoretical Framework

1. Distinguish between Money measurement concept and matching concept.

2. Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example.

3. Explain Cash and Mercantile system of accounting.

4. State the advantages of setting Accounting Standards.

5. Distinguish between fundamental accounting assumption and accounting policies.

6. Change in accounting policy may have a material effect on the items of financial statements." Explain the statement with the help of an example.

7. Explain Cash and Mercantile system of accounting.

8. Define revenue receipts and give examples. How are these receipts treated? Explain.

9. Define the following terms:

(i) Capital Commitment (ii) Expired Cost (iii) Floating Charge (iv) Obsolescence

10. Discuss the basic considerations in distinguishing between capital and revenue expenditure.

11. Explain the followings

(i) Accrual Basis of Accounting (ii) Amortisation (iii) Contingent Assets (iv) Contingent Liabilities

12. Briefly explain the following Concepts of Accounting:

(i) Money Measurement Concept (ii) Periodicity Concept.

Journal Entries

1. Employees had taken stock worth ₹ 25,000 (Cost price ₹ 22,500) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.

Wages paid for erection of Machinery ₹ 16,000.

Income tax liability of proprietor ₹ 3,400 was paid out of petty cash.

Purchase of goods from Naveen of the list price of ₹ 20,000. He allowed 10% trade discount, ₹ 500 cash discount was also allowed for quick payment.

2. M/s Shyam Textiles & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries:

- A purchase of ₹ 4,700 from M/s Timber & Co. was recorded in the accounts of M/s Ginger & Co. as ₹ 7,400. Day Book entry has also been passed incorrectly.
- A sale of ₹ 9,500 to M/s Aman Bros. was recorded in M/s Manan Bros account as ₹ 5,900. Day Book entry has also been incorrectly passed.
- Discount allowed ₹ 230 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be ₹ 320, because discount allowed of ₹ 90 to M/s Aman Bros. has been omitted.
- A cheque of ₹ 6,400 drawn by M/s Aman Bros. has been dishonoured, but wrongly debited to M/s Manan Bros. How will the above errors impact trial balance?

3. You are required to pass necessary journal entries in the books of Kewal:

- Cheque amounting ₹ 9,000 from Hari Krishan in full settlement of his account for ₹ 10,000.
- Withdrawn for personal use: Goods (Sales Price ₹ 8,000, Cost ₹ 6,000), cash ₹1,000
- Goods costing ₹ 3,000 (Sale price ₹4,000) distributed as free samples.
- Received commission ₹ 10,000, half of which does not relate of current year and is received in advance.
- Purchased second hand machinery from Jawahar for ₹30,000 against a cheque. Goods of ₹ 12,000 (Cost ₹ 9,000) used in repairs of this machinery which is necessary to make it ready for working.

4. Prepare Journal Entries for the following transactions in the books of Honey Singh

- Employees had taken stock worth ₹ 10,000 (Cost price ₹ 7,500) on the eve of Gurupuarb and the same was deducted from their salaries in the subsequent month.
- Income tax liability of proprietor ₹ 8,500 was paid out of petty cash.
- Goods costing ₹10,000 distributed as free samples (Sale Price ₹ 1,2000)
- Purchase of goods from Sunny of the list price of ₹ 15,000. He allowed 10% trade discount, ₹ 200 cash discount was also allowed for quick payment.

Capital or Revenue Expenditure

1. Classify each of the following transactions into capital or revenue transactions:

- Inauguration expenses of a new manufacturing unit in an existing Business.
- Installation of a new central heating system.
- Repainting of a delivery van.

- Providing drainage for a new piece of water-extraction equipment. -- Legal fees on the acquisition of land.
- Carriage costs on a replacement part for a piece of machinery.

2. Classify each of the following transactions into capital or revenue transactions:

- Legal fees on the acquisition of land.
- Complete repaint of existing building.
- Repainting of a delivery van.
- Providing drainage for a new piece of water-extraction equipment.
- Carriage costs on a replacement part for a piece of machinery.

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

- An extension of railway tracks in the factory area.
- Amount spent on painting the factory.
- Payment of wages for building a new office extension.
- Amount paid for removal of stock to a new site.
- Rings and Pistons of an engine were changed to get full efficiency.

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

- Expenses incurred to keep the machine in working condition.
- Registration fees paid at the time of purchase of a building.
- Expenses incurred for advertisement in newspaper.
- Amount spent on renewal fee of patent rights.
- Cost of repairs on second-hand car purchased to bring it into working condition.

5. A, B and C are partners in a firm. On 1st April 2019 their fixed capital stood at ₹ 50,000, ₹ 25,000 and ₹ 25,000 respectively.

As per the provision of partnership deed:

- C was entitled for a salary of 5,000 p.a.
- All the partners were entitled to interest on capital at 5% p.a.
- Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2020 of ₹ 33,000 and 31st March,2021 of ₹ 45,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

Cash Book

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

2020 SEP		₹
1	Cash in hand	6,000
	Cash at bank	24,000
2	Paid into bank	2,000
5	Bought furniture and issued cheque	3,000
8	Purchased goods for cash	1,000
12	Received cash from Mohan	1,960
	Discount allowed to him	40
14	Cash sales	10,000
16	Paid to Amar by cheque	2,900
	Discount received	100
19	Paid into Bank	1,000
23	Withdrawn from Bank for Private expenses	1,200
24	Received cheque from Parul	2,860
	Allowed him discount	40
26	Deposited Parul's cheque into Bank	
28	Withdrew cash from Bank for Office use	4,000
30	Paid rent by cheque	1,600

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

2021 JUNE		₹
1	Received ₹ 1,00,000 for petty cash	
2	Paid taxi fare	2,000
3	Paid cartage	10,000
4	Paid for courier	2,000
5	Paid wages	2,400
	Paid for stationery	1,600
6	Paid for the repairs to machinery	6,000
	Auto fare	400
7	cartage	1,600
	Paid for courier	2,800
8	Cartage	12,000
9	Stationery	8,000
10	Sundry expenses	20,000

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

2021 April		₹
1	Received ₹ 40,000 for petty cash	
2	Paid auto fare	1,000
3	Paid cartage	5,000
4	Paid for courier	1,000
5	Paid wages	1,200
	Paid for stationery	800
6	Paid for the repairs to machinery	3,000
	Bus fare	200
7	Cartage	800
	Courier	1,400
8	Cartage	6,000
9	Stationery	4,000
10	Sundry expenses	10,000

4. From the following transactions, prepare the Purchases Returns Book of Sulpher & Co. and post them to ledger :

Date	Debit Note No.	

04.06.2022	101	Returned to Samuel Mills, Surat – 5 Calculator @ ₹ 100.
09.06.2022		James Mills, Kota – accepted the return of calculator (which were purchased for cash) – 5 Kota Calculator @ ₹ 40.
16.06.2022	102	Returned to David Mills, Bangalore –5 Calculator @ ₹ 260.
30.06.2022		Returned one printer (being defective) @ ₹ 3,500 to Lucas & co.

Rectification of Errors

1. Write out the Journal Entries to rectify the following errors, using a Suspense Account.

- Goods of the value of ₹5,000 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;
- An amount of ₹7,500 entered in the Sales Returns Book, has been posted to the debit of Mr. Hari, who returned the goods;
- A sale of ₹20,000 made to Mr. Amit was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Sumit as ₹ 2,000;
- Bad Debts aggregating ₹15,000 were written off during the year in the Sales ledger but were not adjusted in the General Ledger; and
- The total of "Discount Allowed" column in the Cash Book for the month of September, 2020 amounting to ₹12,500 was not posted.

2. Classify the following errors under the three categories – Errors of Omission, Errors of Commission and Errors of Principle.

- Sale of furniture credited to Sales Account.
- Machinery sold on credit to Mohan recorded in Journal Properly but omitted to be posted.
- Goods worth ₹ 5,000 purchased on credit from Ram recorded in the Purchase Book as ₹ 500.
- Purchase worth ₹ 4,500 from Mr. X not recorded in subsidiary books.
- Credit sale wrongly passed through the Purchase Book.

3. The books of accounts of Dime Ltd. for the year ending 31.3.2021 were closed with a difference in books carried forward. The following errors were detected subsequently:

- Return outward book was under cast by ₹ 100.
- ₹ 1,500 being the total of discount column on the credit side of the cash book was not posted.
- ₹ 6,000 being the cost of purchase of office furniture was debited to Purchase A/c.
- A credit sale of ₹ 760 was wrongly posted as ₹ 670 to the customers' A/c. in the sales ledger.
- The Sales of ₹ 10,000 was omitted to be recorded.

Pass rectification entries in the next year.

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

- ₹ 35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
- Goods returned by customer for ₹ 5,000. The same have been taken into stock but no entry passed in the books of accounts.
- An amount of ₹ 4,500 received on account of Interest was credited to Commission account.
- A sale of ₹ 2,760 was posted from Sales Book to the Debit of M/s Sobha Traders at ₹ 2,670

5. Mr. Joshi's trial balance as on 31st March, 2020 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:

- The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.
- A sale of ₹ 281 was entered in the Sales Book as ₹ 821 and posted to the credit of the customer.
- A return to creditor, ₹ 295 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
- Cash received from Senu, ₹ 895 was posted to debit of Sethu.
- Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.
- Goods worth ₹ 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.
- ₹ 600 due from Mr. Q was omitted to be taken ·to the trial balance.
- Sale of goods to Mr. R for ₹ 3,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly.

6. Mr. Ratan was unable to agree the Trial Balance last year and wrote off the difference to the Profit and Loss Account of that year. Next year, he appointed a Chartered Accountant who examined the old books and found the following mistakes:

- Purchase of a scooter was debited to conveyance account ₹ 30,000. Mr. Ratan charges 10% depreciation on scooter.
- Purchase account was over cast by ₹ 1,00,000.
- A credit purchase of goods from Mr. X for ₹ 20,000 was entered as sale.
- Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar ₹ 10,000.
- Receipt of cash from Mr. Chandu was posted to the debit of his account, ₹ 5,000.
- ₹ 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.
- Sale of goods to Mr. Ram for ₹ 20,000 was omitted to be recorded.

- Amount of ₹ 23,950 of purchase was wrongly posted as ₹ 25,930.

Suggest the necessary rectification entries.

6. A, B and C are partners in a firm. On 1st April 2019 their fixed capital stood at ₹ 50,000, ₹ 25,000 and ₹ 25,000 respectively.

As per the provision of partnership deed:

- C was entitled for a salary of 5,000 p.a.
- All the partners were entitled to interest on capital at 5% p.a.
- Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2020 of ₹ 33,000 and 31st March,2021 of ₹ 45,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

8. Pass the Journal entries to rectify the following errors detected during preparation of the Trial Balance:

Wages paid for construction of office building debited to wages account ₹ 20,000.

A credit sale of goods ₹ 1,200 to Ramesh has been wrongly passed through the Purchase Book.

An amount of ₹ 2,000 due from Mahesh Chand which had been written off as a bad debit in the previous year was unexpectedly recovered and has been posted to the personal account of Mahesh Chand.

Goods (Cost being ₹ 5,000 and Sales price being ₹ 6,000) distributed as free samples amount prospective customers were not recorded anywhere.

Goods worth ₹ 1,500 returned by Green have not been recorded anywhere.

Bank Reconciliation Statement

1. From the following information (as on 31.3.2020), prepare a bank reconciliation statement after making necessary adjustments in the cash book:

Particulars	
Bank balances as per the cash book (Dr.)	32,50,000
Cheques deposited, but not yet credited	44,75,000
Cheques issued but not yet presented for payment	35,62,000
Bank charges debited by bank but not recorded in the cash-book	12,500
Dividend directly collected by the bank	1,25,000
Insurance premium paid by bank as per standing instruction not intimated	15,900
Cash sales wrongly recorded in the Bank column of the cash-book	2,55,000
Customer's cheque dishonoured by bank not recorded in the cash-book	1,30,000
Wrong credit given by the bank	1,50,000

Also show the bank balance that will appear in the trial balance as on 31.3.2020.

2. On 31st March, 2021 the pass-book of a trader showed a credit balance of ₹ 15,65,000 but the passbook balance was different for the following reasons from the cash book balance:

- Cheques issued to 'X' for ₹ 60,000 and to 'Y' for ₹ 3,84,000 were not yet presented for payment.
- Bank charged ₹ 350 for bank charges and 'Z' directly deposited ₹ 1,816 into the bank account, which were not entered in the cash book.
- Two cheques-one from 'A' for ₹ 5,15,000 and another from 'B' for ₹ 12,500 were collected in the first week of April, 2021 although they were banked on 25.03.2021.
- Interest allowed by bank ₹ 4,500.
- Prepare a bank reconciliation statement as on 31st March, 2021.

3. From the following particulars of M/s Swapnil enterprises, prepare a Bank reconciliation statement:

- Bank overdraft as per Pass Book as on 31st March, 2021 was ₹ 8,800
- Cheques deposited in Bank for ₹ 5,800 but only ₹ 2,000 were cleared till 31st March.
- Cheques issued were ₹ 2,500, ₹ 3,800 and ₹ 2,000 during the month. The cheque of ₹ 5,800 is still with supplier.
- Dividend collected by Bank ₹ 1,250 was wrongly entered as ₹ 1,520 in Cash Book.
- Amount transferred from fixed deposit A/c into the current A/c ₹ 2,000 appeared only in Pass Book
- Interest on overdraft ₹ 930 was debited by Bank in Pass Book and the information was received only on 3rd April 2021.
- Direct deposit by M/s Rajesh Trader ₹ 400 not entered in Cash Book.
- Corporation tax ₹ 1,200 paid by Bank as per standing instruction appears in Pass Book only.

4. The Cash-book of M/s Rajat shows ₹ 1,10,280 as the balance at Bank as on 31st March, 2022. But this does not agree with balance as per the Bank Statement. On scrutiny following discrepancies were found:

- Subsidy ₹ 41,000 received from the government directly by the bank, but not advised to the company.
- On 15th March,2022 the payments side of the Cash-book was under cast by ₹ 1400.
- On 20th March,2022 the debit balance of ₹ 8624 as on the previous day, was brought forward as credit balance in Cash-book.
- A customer of the M/s Rajat, who received a cash discount of 5% on his account of ₹ 80,000, paid to M/s Rajat a cheque on 24th March,2022. The cashier erroneously entered the gross amount in the Cash-Book.
- On 10th March,2022 a bill for ₹ 22,800 was discounted from the bank, entered in Cash-book, but proceeds credited in Bank Statement amounted to ₹ 22,000 only.
- A cheque issued amounting to ₹ 6,900 returned marked 'out of date'. No entry made in Cash-book.
- Insurance premium ₹ 3,024 paid directly by bank under a standing order. No entry made in cash-book.

- A bill receivable for ₹6,120 discounted for ₹ 6,000 with the bank had been dishonoured on 30th March,2022, but advice was received on 1st April,2022.

- Bank recorded a Cash deposit of ₹ 6,550 as ₹ 6,505.

Prepare Bank Reconciliation Statement on 31st March,2022.

5. Prepare a Bank Reconciliation Statement from the following particulars as on 1st December, 2020 :

Particulars	₹
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31st December, 2020 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	5,000
Instruction for payment given to the bank on 31st December, 2020 but the same effected by the Bank on 01st January, 2021	4,000

6. From the following information, ascertain the Cash Book balance of Mr. Bajaj as on 1st March, 2021:

Debit balance as per Bank Pass Book ₹ 3,500.

A cheque amounting to ₹ 2,500 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.

During March, two bills amounting to ₹ 2,500 and ₹ 500 were collected by the Bank but no entry was made in the Cash Book.

A bill for ₹ 5,000 due from Mr. Balaji previously discounted for ₹ 4,800 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.

A Cheque for ₹ 1,500 was debited twice in the cash book.

7. According to the cash-book of G there was balance of ₹ 4,45,000 in his bank on 30th June, 2021 On investigation you find that :

- Cheques amounting to 60,000 issued to creditors have not been presented for payment till the date

- Cheques paid into bank amounting to 1,10,500 out of which cheques amounting to ₹ 55,000 only collected by bank up to 30th June 2021

- A dividend of ₹ 4,000 and rent amounting to 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.

- Insurance premium (up to 31st December, 2020) paid by the bank ₹ 2,700 not entered in the cash book.

- The payment side of the cash book had been under cast by ₹ 500

- Bank charges ₹ 150 shown in the pass book had not been entered in the cash book.

- A bill payable of ₹ 20,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 6,000 had been discounted with the bank at a cost of ₹ 100 which had also not been recorded in cash book.

You are required:

- To make the appropriate adjustments in the cash book, and
- To prepare a statement reconciling it with the bank pass book.

8. From the following particulars, prepare a Bank Reconciliation Statement on 31st March 2021·

Particulars	₹
Bank balance as per Pass Book	25,00,000
Bills discounted dishonored not recorded in Cash Book	12,50,000
Cheque received entered twice in Cash Book	25,000
Bank charges entered twice in Cash Book	5,000
Insurance premium paid directly by Bank under-standing instruction	1,50,000
Cheque issued but not presented to Bank for payment	12,50,000
Cheque received, but not sent to Bank	28,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	12,50,000
Credit side of the Bank column cast short	5,000

Valuation of Inventories

1. Closing stock is valued by Zebra Stores on generally accepted accounting principles. Stock taking for the year ended 31st March, 2020 was completed by 10th April, 2020, the valuation of which showed a stock figure of ₹ 5,02,500 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 ₹ 20,625, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to ₹ 27,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark up price of ₹ 900 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing ₹ 3,375 which should be taken at ₹ 1,575 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing ₹ 4,650 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 ₹ 3,750 on 31st March, 2020.

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2020

2. Submarine Ltd. keeps no stock records but a physical inventory of stock is made half yearly and the valuation is taken at cost. The company's year ends on 31st March, 2021 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2021 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2021 with the stock figure as on 30th September, 2020 and some other information is available to you:

- The cost of stock on 30th September, 2020 as shown by the inventory sheet was ₹ 2,40,000.
- On 30th September, stock sheet showed the following discrepancies:
- A page total of ₹ 15,000 had been carried to summary sheet as ₹ 16,000.
- The total of a page had been undercast by ₹ 600.
- Invoice of purchases entered in the Purchase Book during the quarter from October,2020 to March,2021 totaled ₹ 2,10,000. Out of this ₹ 9,000 related to goods received prior to 30thSeptember, 2020. Invoices entered in April,2021 relating to goods received in March, 2021 totaled ₹12,000.

- Sales invoiced to customers totaled ₹2,70,000 from September,2020 to March, 2021. Of this ₹ 15,000 related to goods dispatched before 30th September, 2020. Goods dispatched to customers before 31st March, 2021 but invoiced in April, 2021 totaled ₹ 12,000.
- During the final quarter, credit notes at invoiced value of ₹ 3,000 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, 2021.

3. A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2021 on which date the total cost of goods in his godown came to ₹ 1,50,000. The following facts were established between 31st March and 15th April, 2021.

- Sales ₹ 1,23,000 (including cash sales ₹ 30,000)
- Purchases ₹ 15,102 (including cash purchases ₹ 5970)
- Sales Return ₹ 3,000.
- On 15th March, goods of the sale value of ₹ 30,000 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.
- The trader had also received goods costing ₹ 24,000 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, 2021.

4. A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April,2022 on which date the total cost of goods in his godown came to ₹ 2,50,000. The following facts were established between 31st March and 15th April,2022.

- Sales ₹ 2,05,000 (including cash sales ₹ 50,000)
- Purchases ₹ 25,170 (including cash purchases ₹ 9,950)
- Sales Return ₹ 5,000
- On 15th March, goods of the sale value of ₹ 50,000 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.
- The trader had also received goods costing ₹ 40,000 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,2022.

5. From the following particulars ascertain the value of inventories as on 31st March, 2020 :

Particulars	₹
Inventory as on 1st April, 2019	3,50,000
Purchase made during the year	12,00,000
Sales	18,50,000
Manufacturing Expenses	1,00,000
Selling and Distribution Expenses	50,000
Administration Expenses	80,000

At the time of valuing inventory as on 31st March, 2019, a sum of ₹ 20,000 was written off on a particular item which was originally purchased for ₹ 55,000 and was sold during the year for ₹ 50,000.

Except the above mentioned transaction, gross profit earned during the year was 20 on sales.

6. From the following information, calculate the historical cost of closing inventories using adjusted selling price method:

- Purchase during the year ₹ 5,00,000
- Sales during the year ₹ 7,50,000
- Opening Inventory Nil
- Closing Inventory at selling price ₹ 1,00,000

Concept and Accounting of Depreciation

1. M/s Roxy purchased a brand new machinery on 1st January 2017 for ₹ 3,20,000 and also incurred ₹ 80,000 on its installation. Another machinery was purchased on 1st July 2017 for ₹ 1,60,000. On 1st July 2019, the machinery purchased on 1st January 2017 was sold for ₹ 2,50,000. Another machinery was purchased and installed on 30th September 2019 for ₹ 60,000.

Under existing practice, the company provides for depreciation @10% p.a. on Original cost. However, from the year 2020 it decided to adapt WDV method and charge the depreciation @ 15% p.a. You are required to show the Machinery Account for the years 2019 and 2020 considering the books of accounts are closed on 31st December each year.

2. The M/s Nishant Transport purchased 10 Buses at ₹ 15,00,000 each on 1st April 2017. On October 1st, 2019, one of the Buses is involved in an accident and is completely destroyed and ₹ 7,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 18,00,000. The company write off 10% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the buses account for two year ending 31 Dec, 2020.

3. M/s. Seven Seas purchased a second-hand machine on 1st April, 2017 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000.

Another machine was purchased for ₹ 80,000 on 1st Oct, 2017.

On 1st Oct, 2019, the machine installed on 1st April, 2017 was sold for ₹ 1,00,000. Another machine for ₹30,000 was purchased and was installed on 31st December, 2019.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from 1st April,2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2021.

4. A Firm purchased an old Machinery for ₹ 37,000 on 1st January,2019 and spent ₹ 3,000 on its overhauling. On 1st July 2020, another machine was purchased for ₹ 10,000. On 1st July 2021, the machinery which was purchased on 1st January 2019, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July,2022, the machine which was purchased on 1st July,2020 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January,2020 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January,2019.

5. M/s. Dayal Transport Company purchased 10 trucks @ ₹ 50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹ 35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year.

Give the motor truck account for two years ending 31st December, 2020

6. The balance of Machinery Account of a firm on 1st April, 2020 was ₹ 28,54;000. Out of this, a plant having book value of ₹ 2,16,090 as on 1st April, 2020 was sold on 1st July, 2020 for ₹ 82,000. On the same date a new plant was purchased for ₹ 4,58,000 and ₹ 22,000 was spent on its erection. On 1st November, 2020 a new machine was purchased for ₹ 5,60,000. Depreciation is written off@ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2021.

7. On 1st January, 2019 Kohinoor Transport Company purchased a Bus for ₹ 8,00,000. On 1st July, 2020 this bus was damaged due to fire and was completely destroyed and ₹ 6,00,000 were received by a cheque from the Insurance Company in full settlement on 1st October, 2020. On 1st July, 2020 another Bus was purchased by the company for ₹ 10,00,000.

The Company charges Depreciation @ 20% per annum under the WDV Method. Calculate the amount of depreciation for the year ended 31st March, 2021 and gain or loss on the destroyed Bus.

8. The Machinery Account of a Factory showed a balance of ₹ 95 Lakhs on 1st April,2020. The Books of Accounts

Depreciation is written off of the Factory are closed on 31st March every year and @ 10% per annum under the Diminishing Balance Method. On 1st September,2020 a new machine was acquired at a cost of ₹ 14 Lakhs and ₹ 44,600 was incurred on the same day as installation charges for erecting the machine. On 1st September,2020 a machine which had cost ₹ 21,87,000 on 1st April,2018 was sold for ₹ 3,75,000. Another machine which had cost ₹ 21,85,000 on 1st April,2019 was scrapped on 1st September,2020 and it realized nothing.

Prepare Machinery Account for the year ended 31st March,2021. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes

Bills of Exchange

1. Prepare Journal entries for the following transactions in Samarth's books.

- Samarth's acceptance to Aarav for ₹ 1,250 discharged by a cash payment of ₹ 500 and a new bill for the balance plus ₹ 25 for interest.

- G. Gupta's acceptance for ₹ 4,000 which was endorsed by Samarth to Sahni was dishonoured. Sahni paid ₹ 20 noting charges. Bill withdrawn against cheque.
- Harshad retires a bill for ₹ 5,000 drawn on him by Samarth for ₹ 20 discount.
- Samarth's acceptance to Patel for ₹ 19,000 discharged by Sandeep Chadha's acceptance to Samarth for a similar amount.

2. Prepare Journal entries for the following transactions in David's books.

- David's acceptance to Samuel for ₹ 5,000 discharged by a cash payment of ₹ 1,000 and a new bill for the balance plus ₹ 100 for interest.
- Samantha's acceptance for ₹ 8,000 which was endorsed by David to Flex was dishonoured. Flex paid ₹ 50 noting charges. Bill withdrawn against cheque.
- Simon retires a bill for ₹ 2,000 drawn on him by David for ₹ 20 discount.
- David's acceptance to Ralph for ₹ 20,000 discharged by Ralph's Kent's acceptance to David for a similar amount.

3. On 1st January 2021, Swapnil draws two bills of exchange for ₹ 32,000 and ₹ 50,000.

The bill of exchange for ₹ 32,000 is for two months while the bill of exchange for ₹ 50,000 is for three months. These bills are accepted by Vishal. On 4th March, 2021, Vishal requests Swapnil to renew the first bill with interest at 15% p.a. for a period of two months. Swapnil agreed to this proposal. On 25th March, 2021, Vishal retires the acceptance for ₹ 50,000, the interest rebate i.e. discount being ₹ 500. 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 Swapnil.

4. Mr. Tanu accepted a bill for ₹ 1,00,000 drawn on him by Mr. Manu on 1st August,2021 for 3 months. This was for the amount which Tanu owed to Manu. On the same date Mr. Manu got the bill discounted at his bank for ₹ 98,000.

On the due date, Tanu approached Manu for renewal of the bill. Mr. Manu agreed on condition that ₹ 20,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Tanu should accept a new bill for 3 months. These arrangements were carried through. On 31st December,2021, Tanu became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. Manu.

5. On 12th May, 2020 A sold goods to B for 36,470 and drew upon the later two bills one for ₹ 16,470 at one month and the other for ₹ 20,000 at three months. B accepted both the bills.

On 5th June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B failed to honour the second bill on the due date and the bank had to pay ₹ 20 as noting charges.

However, on 16th August, 2020 it was agreed between A and B that B would immediately pay ₹ 8,020 in cash and accept a new bill at 3 months for ₹ 12,480 which included interest for postponement of the part payment of the dishonoured bill. A immediately sent new acceptance to its bank for collection on the due date. On 1st October,2020 B approached A offering ₹ 12,240 for retirement of his acceptance A accepted the request.

You are required to pass journal entries of all the above transactions in the books of A.

Consignment

1. Mr. Divik of Jaipur purchased, 5,000 pieces of sarees at ₹ 500 per saree. Out of these 3,000 sarees were sent on consignment to Mr. Manoj of Pillani at the selling price of ₹ 600 per saree. The consignor paid ₹ 30,000 for packing and freight. Mr. Manoj sold 2,500 sarees at ₹ 625 per saree and incurred ₹ 10,000 for selling expenses and remitted ₹ 5,00,000 to Jaipur on account of Mr. Divik. Mr. Manoj 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. Divik and Mr. Divik's account in the books of agent Mr. Manoj.

2. Shikha of Delhi consigned to Reema of Mumbai, goods to be sold at invoice price which represents 125% of cost. Reema 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 Shikha were ₹ 45,000. The account sales received by Shikha shows that Reema has effected sales amounting to ₹ 4,50,000 in respect of 75% of the consignment. Her selling expenses to be reimbursed were ₹ 36,000. 10% of consignment goods of the value of ₹ 56,250 were destroyed in fire at the Mumbai godown. Reema remitted the balance in favour of Shika.

You are required to prepare consignment account in the books of Shikha along with the necessary calculations.

3. On 1.1.2021, Mr. Sam of Kerala consigned to Mr. Alex of Chennai goods for sale at invoice price. Mr. Alex 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 ₹ 5,00,000 were consigned to Chennai at the invoice price of ₹ 7,50,000. The direct expenses of the consignor amounted to ₹ 50,000. On 31.3.2021, an account sales was received by Mr. Sam from Mr. Alex showing that he had effected sales of ₹ 6,00,000 in respect of 4/5th of the quantity of goods consigned to him. Mr. Alex's direct expenses were ₹ 15,000. Mr. Alex accepted a bill drawn by Mr. Sam for ₹ 5,00,000 and remitted the balance due in cash.

You are required to prepare the consignment account and the account of Mr. Alex in the books of Mr. Sam.

4. Sahu of Shimla consigned 30,000 kgs of Shampoo at ₹ 30 per kg to his agent Harsh at Ooty. He spent ₹ 5 per kg as freight and insurance for sending the Shampoo at Ooty. On the way 200 kgs. of Shampoo lost (which is to be treated as normal loss) and 800 kgs. of Shampoo was destroyed in transit. ₹ 18000 was paid to consignor directly by the Insurance company as Insurance claim.

Harsh sold 15,000 kgs. at ₹ 60 per kg. He spent ₹ 33,000 on advertisement and recurring expenses.

You are required to calculate:

- The amount of abnormal loss
- Value of stock at the end and
- Prepare Consignment account showing profit or loss on consignment, if Harsh is entitled to 5% commission on sales.

5. A Products Limited of Kolkata has given the following particulars regarding tea sent on consignment to C Stores of Mumbai:

	Cost price	Selling price	Qty consigned

5 Kg. Tin	₹ 100 each	₹ 150 each	1,000 Tins
10 Kg. Tin	₹ 180 each	₹ 250 each	1,000 Tins

- The consignment was booked on freight "To Pay" basis. The freight was charged @ 5% of selling value.
- C Stores sold 500, 5 kg Tins and 800, 10 kg Tins. It paid insurance of ₹ 10,000 and storage charges of ₹ 20,000.
- C Stores is entitled to a fixed commission @ 10% on Sales.
- During transit 50 quantity of 5 kg Tin and 20 quantity of 10 kg Tin got damaged and the transporter paid ₹ 5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited.

6. Max Chemical Works consigned 700 boxes of medicines to Raja Medical Stores at an invoice price of ₹ 1,68,000 which was·20% above the actual cost price and paid ₹ 14,000 for Insurance and freight. In the course of transit, 50 boxes were lost and the transporter paid ₹ 22,000 for the loss. The Consignee took the delivery of the remaining boxes and incurred ₹ 9,750 for carriage. The Consignee sold 500 boxes for ₹ 1,60,000 and incurred ₹ 6,000 for selling expenses. The Consignee is entitled to a commission of 6% on gross sales.show the Consignment Account.

7. M of Mumbai sent on consignment, goods valued ₹ 4,00,000 to A of Agra on 1st March,2020. He incurred the expenditure of ₹48,000 on freight and insurance. M's accounting year closes on 31st December. A was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. A took delivery of the consignment by incurring expenses of ₹ 12,000 for the goods consigned.

On 31/12/2020, A informed on phone that he had sold all the goods for ₹ 6,00,000 by incurring selling expenses of ₹ 8,000. He further informed that only ₹ 5,92,000 had been realized and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale.

On 5/1/2021, M received the cheque for the amount due from A and incurred bank charges of ₹1,040 for collecting the cheque. The amount was credited by the bank on 9/1/2021.

Write up the consignment account finding out the profit/loss on the consignment and A's account in the books of M.

Sales of goods on approval or return basis

1. Ms. Madhu has supplied goods on sale or return basis to customers, the particulars of which are as under.

Date of dispatch	Party’s name	Amount ₹	Remarks
01.03.2020	M/s. Piya	20,000	Awaiting approval from customers as on 31.03.2020
08.03.2020	M/s. Riya	25,000	Returned on 16.03.2020
15.03.2020	M/s. Ciya	24,000	Goods worth ₹ 4,000 returned on 20.03.2020
19.03.2020	M/s. Diya	22,500	Goods accepted on 24.03.2020
25.03.2020	M/s. Tiya	18,250	Good accepted on 28.03.2020
30.03.2020	M/s. Bhavya	23,000	Awaiting approval from customers as on 31.03.2020

Goods are sent on the terms of 10 days return window from the date of dispatch, failing which it will be treated as sales. The books of Madhu are closed on the 31st March, 2020.

Prepare the following accounts in the books of Madhu.

- Goods on "sales or return, sold and returned day books".
- Goods on sales or return total account.

2. On 31st December, 2020 goods sold at a sale price of ₹ 6,000 were lying with customer, Sapna to whom these goods were sold on 'sale or return basis' were recorded as actual sales. Since no consent has been received from Sapna, you are required to pass adjustment entries presuming goods were sent on approval at a profit of cost plus 20%. Present market price is 10% less than the cost price.

3. S Ltd. sells goods on Sale or Return basis. Customers having the choice of returning the goods within 15 days. During April 2021, the following are the details of the goods sent:

Date of dispatch	Party's name	Amount ₹
April 2	M/s G	20,000
4	M/s H	36,000
16	M/s I	50,000
20	M/s J	16,000
24	M/s K	42,000
28	M/s L	60,000

Within the stipulated time G and I returned the goods while H, J and K informed that they have accepted the goods. Prepare the following in the books of 'S'.

- Goods on "sales or return, sold and returned day books".
- Goods on sales or return total account.

4. Mr. Jai sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2022, the Trade Receivables balance stood at ₹ 1,50,000 which included ₹ 13,000 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. Narayan ₹ 7,800 and Mr. Ram ₹ 5,200.

Mr. Narayan sent intimation of acceptance on 25th April,2022 and Mr. Ram returned the goods on 15th April, 2022.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March,2022. Show also the entries to be made during April,2022. Value of Closing Inventories as on 31st March,2022 was ₹ 1,00,000.

5. ABC Limited supplied goods on sale or return basis to customers.

Goods are to be returned within 15 days from the date of dispatch, failing which it is treated as sales. The books of BC Limited are closed on 31st March, 2021. The particulars of the same are as under:

Date of dispatch	Party's name	Amount ₹	Remarks
10.03.2021	PQR	25,000	No information till 31.03 .2021
12.03.2021	DEF	15,000	Returned on 16.03.2021
15.03.2021	GHI	40,000	Goods worth ₹ 8,000 Returned on 20.03.2021
20.03.2021	DEF	10,000	Goods Retained on 24.03.2021
25.03.2021	PQR	22,000	Goods Retained on 28.03.2021
30.03.2021	XYZ	35,000	No information till 31.03.2021

You are required to prepare the following accounts in the books of ABC Limited:

- Goods on sale or return, sold and returned day books

- Goods on sales or return total account

6. From the following information show the journal entries in the books of ABC Limited for the year ended 31st March, 2020:

100 units of goods costing ₹ 500 each sent to XYZ Limited on Sales or Return Basis @ ₹ 750 per unit. This transaction was however treated as actual sales in the books of accounts.

Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ ₹ 700 per unit. No information was received about acceptability of balance units by the year end.

Average Due Date

1. From the following details calculate the average due date:

Date of Bill	Amount (₹)	Usance of Bill
28th January, 2020	2,500	1 month
20th March, 2020	2,000	2 months
12th July, 2020	3,500	1 month
10th August, 2020	3,000	2 months

2. Calculate average due date from the following information:

Date of Bill	Usance of Bill	Amount (₹)
1st March, 2021	2 months	20,000
10th March, 2021	3 months	15,000
5th April, 2021	2 months	10,000
23rd April, 2021	1 months	18,750
10th May, 2021	2 months	25,000

3. Sunder purchases goods on credit. His due dates for payments were as under:

Transaction Date	Amount (₹)	Due Date
March 5	1,200	April 08
April 15	800	May 18
May 10	1,100	June 13
June 5	1,600	July 10

Calculate Average due date

4. Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.2021 and the total amount due is ₹ 1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a.

(i) On average due due

(ii) On 28th August,2021

(iii) On 29th July,2021

5. Mahesh had the following bill receivables and bills payables against Rajesh. Calculate the average due date, when the payment can be received or made without any loss of interest.

Date	Bills Receivable	Tenure	Date	Bills Receivable	Tenure
12-06-20	5,000	3 months	27-05-20	3,700	3 months
10-07-20	6,200	1 month	07-06-20	4,000	3 months
15-07-20	3,500	3 months	10-07-20	5,000	1 month

12-06-20	1,500	2 months			
28-06-20	2,500	2 months			

15th August, 2020 was Public holiday. However, 10th September, 2020 was also suddenly declared as holiday.

6. Ramesh lent ₹ 1,50,000 to Deepak on 1st January, 2016 at the rate of 12% per annum. The loan is repayable as under:

(i) ₹ 10,000 on 1st January, 2017 (ii) ₹ 20,000 on 1st January, 2018 (iii) ₹ 30,000 on 1st January, 2019 (iv) ₹ 40,000 on 1st January, 2020 (v) ₹ 50,000 on 1st January, 2021.

You are required to determine the average due date for settling all the above installments by a single payment and compute interest.

7. Mr. Grow and Mr. Green had the following mutual dealings. They desired to settle their account on the average due date:

Purchases by Grow from Green:	₹
6th January, 2021	60,000
2nd February, 2021	28,000
31st March, 2021	20,000

Sales by Grow to Green:	₹
6th January, 2021	66,000
9th March, 2021	24,000
20th March, 2021	5,000

You are asked to ascertain the average due date taking base date as 6th January 2021.

Account current

1. On 1st January, 2020, Kamal 's account in Vimal's ledger showed a debit balance of ₹ 15,000. The following transactions took place between Vimal and Kamal during the quarter ended 31st March, 2020:

2020		₹
Jan. 11	Vimal sold goods to Kamal	18,000
Jan. 24	Vimal received a promissory note from Kamal due after 3 months	15,000
Feb.01	Kamal sold goods to Vimal	30,000
Feb.04	Vimal sold goods to Kamal	24,600
Feb.07	Kamal returned goods to Vimal	3,000
March 01	Kamal sold goods to Vimal	16,800
March 18	Vimal sold goods to Kamal	27,600
March 23	Kamal sold goods to Vimal	12,000

Accounts were settled on 31st March, 2020 by means of a cheque. Prepare an Account Current to be submitted by Vimal to Kamal as on 31st March, 2020, taking interest into account @ 10% per annum. Calculate interest to the nearest multiple of a rupee.

2. Mr. P owed ₹ 12,000 on 1st January, 2021 to Mr. Q. 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.

	₹
15 January, 2021 Mr. Q sold goods to Mr. P	6,690
29 January, 2021 Mr. Q bought goods from Mr. P	3,600
10 February, 2021 Mr. P paid cash to Mr. Q	3,000
13 March, 2021 Mr. P accepted a bill drawn by Mr. Q for one month	6,000

They agree to settle their complete accounts by one single payment on 15th March, 2021.

Prepare Mr. P in Account Current with Mr. Q and ascertain the amount to be paid. Ignore days of grace.

3. The following are the transactions that took place between X and Y during the period from 1st October, 2020 to 31st March, 2021:

2020	₹
Oct.1 Balance due to X by Y	3,000
Oct 18 Goods sold by X to Y	2,500
Nov. 16 Goods sold by Y to X (invoice dated November, 26)	4,000
Dec.7 Goods sold by Y to X (invoice dated December, 17)	3,500
2021	₹
Jan. 3 Promissory note given by X to Y, at three months	5,000
Feb. 4 Cash paid by X to Y	1,000
Mar. 21 Goods sold by X to Y	4,300
Mar.28 Goods sold by Y to X (invoice dated April, 8)	2,700

Draw up an Account Current up to March 31st, 2021 to be rendered by X to Y, charging interest at 10% per annum. Interest is to be calculated to the nearest rupee.

4. X has a Current Account with Partnership firm. He had a debit balance of ₹ 85,000 as on 01-07-2021. He has further deposited the following amounts:

Date	Amount (₹)
14-07-2021	1,23,000
18-08-2021	21,000

He withdrew the following amounts:

Date	Amount (₹)
29-07-2021	92,000
09-09-2021	11,500

Show X's A/c in the books of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September,2021 by means of product of balances method.

5. From the following particulars prepare an account current, as sent by Mr. Amit to Mr. Piyush as on 31st December, 2020 by means of product method charging interest @ 8% p.a.

Date	Particulars	₹
01-09-2020	Balance due from Piyush	900
15-10-2020	Sold goods to Piyush	1,450
20-10-2020	Goods returned by Piyush	250
22-11-2020	Piyush paid by Cheque	1,200
15-12-2020	Received cash from Piyush	600

6. From the following details, prepare an account current, as sent by A to B on 30th June, 2021 by means of products method charging interest @ 6% p.a:

2021	Particulars	₹
January 1	Balance due from B	600
January 11	Sold due from B	520
January 18	B returned goods	125
February 11	B paid by cheque	400
February 14	B accepted a bill drawn by A for one month	300
April 29	Goods sold to B	615
May 15	Received cash from B	700

7. The following particulars are sent by Mr. A to Mr. K:

Date	Particulars	₹
15/7/2021	Balance due from Mr. K	6,000
20/8/2021	Sold goods to Mr. K	10,000
25/8/2021	Goods returned by Mr. K	1,600
15/9/2021	Cheque paid by Mr. K	6,400
20/10/2021	Cash received from Mr. K	4,000

Prepare an Account Current as sent by Mr. A to Mr. K as on 31st October,2021 by means of product method charging interest @ 8% per annum. Round off the amounts to the nearest rupee

Final accounts and Rectification of entries

1. The following is the trial balance of Manan as at 31st March 2020:

	Dr. ₹	Cr. ₹
Manan's capital account		1,53,380
Stock 1st April, 2019	93,600	
Sales		7,79,200
Returns inward	17,200	
Purchases	6,43,400	
Returns outward		11,600
Carriage inwards	39,200	
Rent & taxes	9,400	
Salaries & wages	18,600	
Sundry debtors	48,000	
Sundry creditors		29,600
Bank loan @ 14% p.a.		40,000
Bank interest	2,200	
Printing and stationary expenses	28,800	
Bank balance	16,000	
Discount earned		8,880
Furniture & fittings	10,000	
Discount allowed	3,600	
General expenses	22,900	
Insurance	2,600	
Postage & telegram expenses	4,660	
Cash balance	760	
Travelling expenses	1740	
Drawings	60,000	
	10,22,660	10,22,660

The following adjustments are to be made:

- Included amongst the debtors is ₹ 6,000 due from Rahul and included among the creditors ₹ 2,000 due to him.
- Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- Depreciation on furniture & fittings @ 10% shall be written off.
- Personal purchases of Manan amounting to ₹ 1200 had been recorded in the purchases day book.
- Interest on bank loan shall be provided for the whole year.

- A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- Credit purchase invoice amounting to ₹ 800 had been omitted from the books.
- Stock on 31st March 2020 was ₹ 1, 57,200.

Prepare (i) Trading & profit and loss account for the year ended 31.3.2020 and (ii) Balance sheet as on 31st March, 2020.

2. The following are the balances as at 31st March, 2021 extracted from the books of Mr. Satender.

	₹		₹
Plant and Machinery	78,200	Bad debts recovered	1800
Furniture and Fittings	41,000	Salaries	90,200
Bank Overdraft	3,20,000	Salaries payable	9,800
Capital Account	2,60,000	Prepaid rent	1,200
Drawings	32,000	Rent	17,200
Purchases	6,40,000	Carriage inward	4,500
Opening Stock	1,29,000	Carriage outward	5,400
Wages	48,660	Sales	8,61,200
Provision for doubtful debts	12,800	Advertisement Expenses	13,400
Provision for Discount on debtors	5,500	Printing and Stationery	5,000
Sundry Debtors	4,80,000	Cash in hand	5,800
Sundry Creditors	1,90,000	Cash at bank	12,500
Bad debts	4,400	Office Expenses	40,640
		Interest paid on loan	12,000

Additional Information:

- Purchases include sales return of ₹ 10,300 and sales include purchases return of ₹ 6,900.
- Goods withdrawn by Mr. Satender for own consumption ₹ 14,000 included in purchases.
- Wages paid in the month of April for installation of plant and machinery amounting to ₹ 1,800 were included in wages account.
- Free samples distributed out of purchases for publicity costing ₹ 3,300.
- Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
- Depreciation is to be provided on plant and machinery @ 20% p.a. and on furniture and fittings @ 10% p.a.
- Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2020 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, 2021, and a Balance Sheet as on that date. Also show the rectification entries.

3. Mr. Bansal submitted to you the following trial balance, which he has not been able to agree. Rewrite the trial balance and prepare trading and profit and loss account for the year ended 31.3.2021 and a balance sheet as on that date after giving effect to the under mentioned adjustments:

Particulars	Dr. ₹	Cr. ₹
Capital		16,000
Opening stock	17,500	
Closing stock		18,790
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	
	46,505	46,505

Adjustments:

- Write off ₹ 600 as bad debt and make a provision for doubtful debts at 5% on balance sundry debtors.
- Stock valued at ₹ 2,000 was destroyed by fire on 25th March, 2021, but insurance company admitted a claim for ₹ 1,500 only and paid the sum in April, 2021.
- Depreciation to be provided on furniture at 10% per annum.

4. The following is the Trial Balance of Mr. T on 31st March,2022:

Particulars	Dr. ₹	Cr. ₹
Capital		18,00,000
Drawings	2,10,000	
Fixed Assets (Opening)	4,20,000	
Fixed Assets (Additions 01.10.2022)	6,00,000	
Opening Stock	1,80,000	
Purchases	48,00,000	
Purchases Returns		2,07,000
Sales		66,00,000
Sales Returns	2,97,000	
Debtors	7,50,000	
Creditors		6,60,000
Expenses	1,50,000	
Fixed Deposit with Bank	6,00,000	
Interest on Fixed Deposit		6,00,000
Cash		24,000
Suspense A/c		6,000
Depreciation	42,000	
Rent (17 months upto 31.8.2022)	51,000	
Investments 12% (01.8.2021)	7,50,000	
Bank Balance	5,07,000	
	93,57,000	93,57,000

Stock on 31st March, 2022 was valued at ₹ 3, 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:

- ₹ 60,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn ₹ 36,000 was used in the business for day-to-day expenses.
- Purchase of goods worth ₹ 48,000 was not recorded in the books of account upto 31.03.2022, but the goods were included in stock.
- Purchase returns of ₹ 3,000 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.
- Expenses include ₹ 18,000 in respect of the period after 31st March, 2022.
- Give the necessary Journal Entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31st March, 2022.

5. Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1st April, 2020. She had a saving of about ₹ 10,00,000. She invested ₹ 3,00,000 out of her savings and borrowed equal amount from bank. She purchased a commercial space for ₹ 5,00,000 and further spent ₹ 1,00,000 on its renovation to make it ready for business.

Loan and interest repaid by her in the first year are as follows:

30th June, 2020	₹ 15,000 principal+ ₹ 9,000 interest
30th September, 2020	₹ 15,000 principal+ ₹ 8,550 interest
31st December, 2020	₹ 15,000 principal+ ₹ 8,100 interest
31st March, 2021	₹ 15,000 principal+ ₹ 7,650 interest.

In view of further capital requirement, she transferred ₹ 2,00,000 from her saving bank account to the bank account of the business. She paid security deposit of ₹ 7,000 for telephone connection. Furniture of ₹ 10,000 was purchased, All payments were made by cheque and all receipts in cash were deposited in the bank.

At the end of the year, her business showed the following results:

Particulars	Amount	Particulars	Amount
Total Sales	20,00,000	Total Purchases	17,00,000
Electricity Expenses paid	40,000	Telephone Charges	50,000
Cartage Outwards	60,000	Travelling Expenses	45,000
Entertainment Expenses	5,000	Maintenance Expenses	25,000
Misc. Expenses	15,000	Electricity Expenses Payable	20,000

Other Information:

- She withdrew ₹ 5,000 by cheque each month for her personal expenses.
- Depreciation on building @ 5% p.a. and oil furniture @ 10% p.a.
- Closing stock in hand as on 31st March, 2021: ₹ 5,50,000

Prepare trading account, profit and loss account for the year ended 31-3-2021 and Balance Sheet as on that date.

6. On 31st March, 2021 the Trial Balance of Mr. Black was as follows:

Particulars	Debit (₹)	Particulars	Credit (₹)
Stock on 1/4/2020		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchase	15,000	Capital account	10,00,000
Bills Receivables	1,50,000	Sales	16,72,000
Wages	1,30,000	Bank overdraft	85,000

Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plan and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

The following additional information is available:

Stocks on 31st March,2021 were:

Raw material	₹ 1,62,000
Finished goods	₹ 1,81,000
Work-in-progress	₹ 78,000

Salaries and wages unpaid for the year ended 31st March,2021 were respectively, ₹ 9,000 and ₹ 20,000. Machinery is to be depreciated by 10% and office furniture by 7½%. A provision for doubtful debts is to be maintained @1% of sales. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31st March,2021.

7. From the following information, draw up a Trial Balance in the books of Shri M as on 31st March,2021:

Particulars	Amount	Particulars	Amount
Capital	1,40,000	Purchases	36,000
Discount Allowed	1,200	Carriage Inward	8,700
Carriage Outwards	2,300	Sales	60,000
Return Inward	300	Return Outwards	700
Rent and Taxes	1,200	Plant and Machinery	80,700
Stock on 1st April 2020	15,500	Sundry Debtors	20,200
Sundry Creditors	12,000	Investments	3,600
Commission Received	1,800	Cash in Hand	100
Cash at bank	10,100	Motor Cycle	34,600
Stock on 31st March, 2021	20,500		

8. The following is the trial balance of Mr. B for the year ended 31st March,2021:

Particulars	Debit (₹)	Particulars	Credit (₹)
Opening Stock:		Sundry Creditors	1,75,000
Raw Materials	5,25,000	Purchase Return	17,500
Work-in-Progress	2,62,500	Capital	3,50,000
Purchase of Raw Material	17,50,000	Bills Payable	84,000
Land & Building	3,50,000	Long Term Loan	7,00,000
Loose Tools	1,05,000	Provision for bad and doubtful debts	7,000
Plant and Machinery	1,05,000	Sales	29,75,000
Investments	87,500	Bank Overdraft	80,500
Cash in Hand	70,000		
Cash at Bank	17,500		
Furniture and Fixtures	52,500		
Bills Receivables	52,500		
Sundry Debtors	1,40,000		

Drawings	70,000		
Salaries	70,000		
Coal and Fuel	52,500		
Factory rent and rates	70,000		
General Expenses	14,000		
Advertisement	17,500		
Sales Return	35,000		
Bad Debts	14,000		
Direct Wages (Factory)	2,80,000		
Power	1,05,000		
Interest paid	24,500		
Discount allowed	10,500		
Carriage inwards	52,500		
Carriage outwards	24,500		
Commission paid	17,500		
Dividend paid	14,000		
	43,89,000		43,89,000

Additional Information:

- Stock of finished goods at the end of the year was ₹ 3,50,000.
- A provision for doubtful debts is to be created @ 5% on Sundry Debtors. Provide Depreciation on building 3,500 and Plant and Machinery 10,500.
- Accrued commission is 43,750. Interest has accrued on investment ₹ 52,500.
- Salary Outstanding is ₹ 7,000 and Prepaid Interest is ₹ 5,250.

You are required to prepare Manufacturing, Trading and Profit & Loss Account for the year ended 31st March,2021 and Balance Sheet as at that date.

9. One of your clients Mr. X asked you to finalize his account for the year ended 31st March,2022. As a basis for audit, Mr. X furnished you with the following statement:

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, if any.

Partnership Accounts

1. Rose, Lilly and Lotus start business with capital of ₹ 2,00,000/-, ₹ 3,00,000/- and ₹4,00,000 on 1st April 2019. Lotus is entitled to a salary of ₹ 50,000 per annum. Interest is allowed on capitals at 12% p.a. and is charged on drawings at 12% per annum. Profits are to be distributed in the ratio 1:2:3 after the above-mentioned adjustments. Rose was given guarantee of minimum profit of ₹ 50,000 by Lotus. Partners drawings during the year were Rose ₹ 40,000/-Lilly ₹ 30,000/- Lotus ₹ 20,000/-. Lotus had paid ₹ 10,000/- as tuition fees of his son on 31st March 2020, which was wrongly debited to salaries account. The profit for the year 2019-20 before allowing interest on capital and charging interest on drawings and salary paid to Lotus was ₹3,34,600/-. Assuming the capitals to be fixed, prepare the Profit and Loss Appropriation Account and the Capital and Current Accounts relating to the partners.

2. The profits and losses for the previous years are: 2017 Profit ₹ 5,000, 2018 Loss ₹ 8,500, 2019 Profit ₹ 25,000, 2020 Profit ₹ 37,500. The average Capital employed in the business is ₹ 1,00,000. The rate of interest expected from capital invested is 10%. The remuneration from alternative employment of the proprietor ₹ 3,000 p.a. Calculate the value of goodwill on the basis of 3 years' purchases of Super Profits based on the average of 4 years.

3. Ramu and Mamu were partners in a firm sharing profits and losses in the ratio 3:2 Their Balance Sheet as on 31st March, 2020 was as follows:

Liabilities	Amount	Assets	Amount
Capital :		Land & Building	1,50,000
Ramu	2,10,000	Machinery	1,80,000
Mamu	1,90,000	Bank	24,000
General Reserve	60,000	Furniture	44,000
Loan from LFC bank	25,000	Trade Receivables	42,800
Trade Payables	21,000	Inventory	65,200
	5,06,000		5,06,000

Damu was admitted as partner from 1st April, 2020 on the following terms:

He shall bring ₹ 1,50,000 as capital and goodwill.

He shall get 1/5th share in future profits, to be acquired equally from Ramu and Mamu.

Goodwill of the firm to be valued at ₹ 2,50,000. It was agreed that goodwill shall not appear in the books of accounts.

Land & Building is to be appreciated by 50% and inventory is revalued at ₹ 60,000.

Machinery to be depreciated by 20%. Debtors of ₹ 2,800 are to be written off as bad debts and a Reserve for doubtful debts should be created @ 5% of debtors.

Furniture to be reduced to ₹40,000.

You are required to prepare:

- Revaluation account
- Partners' capital accounts.
- Cash and bank account.
- Balance Sheet after admission

4. X, Y and Z entered into partnership on 1.1.2020 to share profits and losses in the ratio of 5:3:2. X personally guaranteed that Z's share of profit after charging interest on capitals at 6 % p.a. would not be less than ₹ 15,000 in any year. Capitals of X, Y and Z were ₹ 1,60,000, ₹ 1,00,000 and ₹ 80,000 respectively. Profits for the year ending 31.12.2020 before providing for

interest on partners capital was ₹ 79,500. You are required to prepare the Profit and Loss Appropriation Account.

5. Amar, Akbar and Anthony are in partnership sharing profit and losses at the ratio of 2:5:3. The Balance Sheet of the partnership as on 31.12.2020 was as follows:

Balance Sheet of M/s Amar, Akbar, Anthony

Liabilities	₹	Assets	₹
Capital A/cs		Sundry fixed assets	10,00,000
Amar	1,70,000	Inventory	2,00,000
Akbar	6,30,000	Trade receivables	1,00,000
Anthony	4,50,000	Bank	10,000
Trade payables	60,000		
	13,10,000		13,10,000

The partnership earned profit ₹ 4,00,000 in 2020 and the partners withdrew ₹ 3,00,000 during the year. Normal rate of return 30%.

You are required to calculate the value of goodwill on the basis of 3 years' purchase of super profit. For this purpose calculate super profit using average capital employed.

6. The following is the Balance Sheet of M/s. TMR as at 31st March,2021 they share profit equally:

Balance Sheet as at 31st March, 2021

Liabilities		₹	Assets		₹
Capital	Tina	24,600	Machinery		30,000
	Meena	24,600	Furniture		16,800
	Rita	27,000	Fixture		12,600
General Reserve		9,000	Cash		9,000
Trade payables		14,100	Inventories		5,700
			Trade receivables	27,000	
			Less: Provision for Doubtful debts	1800	25,200
		99,300			99,300

Rita died on 5th April, 2021 and the following agreement was to be put into effect.

- Assets were to be revalued: Machinery to ₹ 35,100; Furniture to ₹ 13,800; Inventory to ₹ 4,500.
- Goodwill was valued at ₹ 18,000 and was to be credited with his share, without using a Goodwill Account.
- ₹ 6,000 was to be paid away to the executors of the dead partner on 8th April, 2021.
- After death of Rita, Tina and Meena share profit equally.

Prepare Revaluation Account and Capital Accounts of the partners and also show Journal Entry for Goodwill adjustment.

7. A and B are partners in a firm sharing profits and losses equally. On 1st April, 2020 the balance of their Capital Accounts were : A ₹ 50,000 and B ₹ 40,000. On that date the balances of their Current Accounts were: A ₹ 10,000 (credit) and B ₹ 3,000 (debit). Interest @ 5% p.a. is to be allowed on the balance of Capital Accounts as on 1.4.2020. B is to get annual salary of ₹ 3,000 which had not been withdrawn. Drawings of A and B during the year were ₹ 1,000 and ₹ 2,000 respectively. The profit for the year ended 31st March, 2021 before charging interest on capital but after charging B's salary was ₹ 70,000. It is decided to transfer 10% of divisible profit to a Reserve Account. Prepare Profit & L oss Appropriation Account for the year ended 31st March, 2021 and show Capital and Current Accounts of the Partners for the year.

8. Tina and Rita are partners in a firm. Their capitals are: Tina ₹ 6,00,000 and Rita ₹ 4,00,000. During the year ended 31st March, 2021 the firm earned a profit of ₹ 3,00,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:

- By Capitalization Method; and
- By Super Profit Method if the goodwill is valued at 3 years purchase of Super Profit.

9. Acme & Co. is a partnership firm with partners Mr. A, Mr. B and Mr. C, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2021 is as under:

Liabilities		₹	Assets		₹
Capital			Land		30,000
Mr. A	2,40,000		Buildings		6,00,000
Mr. B	60,000		Plant and machinery		3,90,000
Mr. C	90,000	3,90,000	Furniture		1,29,000
Reserves			Investments		36,000
un-appropriated profit)		60,000	Inventories		3,90,000
Long Term Debt		9,00,000	Trade receivables		4,17,000
Bank Overdraft		1,32,000			
Trade payables		5,10,000			
		19,92,000			19,92,000

It was mutually agreed that Mr. B will retire from partnership and in his place Mr. F will be admitted as a partner with effect from 1st April, 2021. For this purpose, the following adjustments are to be made:

- Goodwill is to be valued at ₹3 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- 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 ₹ 45,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- In the reconstituted firm, the total capital will be ₹ 6 lakhs which will be contributed by Mr. A, Mr. B and Mr. C in their new profit sharing ratio, which is 2:2:1.
- The surplus funds, if any, will be used for repaying bank overdraft.
- The amount due to retiring partner shall be transferred to his loan account

You are required to prepare

- Revaluation account;
- Partners capital accounts;
- Bank account; and
- Balance sheet of the reconstituted firm as on 1st April, 2021.

10. A, B and C entered into partnership on 1.1.2021 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 ₹ 90,000 in any year. Capitals of A, B and C were ₹ 9,60,000, ₹ 6,00,000 and ₹ 4,80,000 respectively.

Profits for the year ending 31.12.2021 before providing for interest on partners capital was ₹ 4,77,000.

You are required to prepare the Profit and Loss Appropriation Account.

11. Ashu and Suhan are partners in a firm. Their capital are Ashu ₹ 15,00,000 and Suhan ₹ 10,00,000. During the year ended 31st March,2022 the firm earned a profit of ₹ 7,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:

- By Capitalization Method; and
- By Super Profit Method if the goodwill is valued at 5 years' purchase of Super Profit.

12. On 31st March,2022, the Balance Sheet of Aadi, Arnav and Aarush sharing profits and losses in proportion to their Capital stood as below:

Liabilities	₹	Assets	₹
Capital A/cs		Land and Building	1,20,000
Mr. Aadi	80,000	Plant and Machinery	80,000
Mr. Arnav	1,20,000	Stock of goods	48,000
Mr. Aarush	80,000	Sundry debtors	44,000
Sundry Creditors	40,000	Cash and Bank Balances	28,000
	3,20,000		3,20,000

On 1st April, 2022, Aadi 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:

- Land and Building be appreciated by 20%. Plant and Machinery be depreciated by 30%.
- Stock of goods to be valued at ₹40,000. Old credit balances of Sundry creditors, ₹8,000 to be written back.
- Provisions for bad debts should be provided at 5%. Joint life policy of the partners surrendered and cash obtained ₹ 30,200.
- Goodwill of the entire firm is valued at ₹56,000 and Aadi's share of the goodwill is adjusted in the A/cs of Arnav and Aarush, who would share the future profits equally. No goodwill account being raised.
- The total capital of the firm is to be the same as before retirement. Individual capital is in their profit sharing ratio.
- Amount due to Mr. Aadi is to be settled on the following basis: @ 50% on retirement and the balance 50% within one year.

Prepare (a) Revaluation Account, (b) Capital Accounts of the partners, (c) Cash and Bank Account and (d) Balance Sheet of the new firm M/s Arnav & Aarush as on 1.04.2022.

13. The partnership deed of a firm consisting of 3 partners - P, Q and R (profit sharing ratio being 2:1:1) and whose fixed capitals are ₹ 30,000, ₹ 12,000 and ₹ 8,000 respectively provides as follows:

- The partners be allowed interest @ 8% p.a. on their fixed capitals, but no interest to be allowed on undrawn profits or charged on drawings.
- That upon the death of a partner, the goodwill of the firm be valued at 2 years purchase of the average net profit (after charging interest on capital) for the 3 years to 31st December preceding the death of a partner.
- That an insurance policy of ₹ 25,000 each was taken in individual names of each partner. The premium was charged against the profits of the firm. The surrender value of the policy was 20% of the sum assured.
- Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals, etc. calculated upto 31st December following his death.

- That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.
- That the partnership books to be closed annually on 31st December.

P died on 30th September, 2020. The amount standing to the credit of his current account as on 31st December, 2019 was ₹ 5,000 and from that date to the date of death he had withdrawn₹ 30,000 from the business.

An unrecorded liability of ₹ 6,000 was discovered on 30th September, 2020 and it was decided to record it and immediately pay it off.

The trading results of the firm (before charging interest on capital) had been as follows:

- 2017 Profit ₹ 29,340
- 2018 Profit ₹ 26,470
- 2019 Loss ₹ 8,320
- 2020 Profit ₹ 13,470

You are required to prepare an account showing amount due to P's legal heir as on 31st December, 2020.

Note: Impact for unrecorded liability not to be given in earlier years.

14. Rama, Krishna and Raghu shared profits and losses in the ratio of 5:3:2. They took out a Joint Life Policy in 2017 for ₹ 50,000, a premium of ₹ 3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows:

2017 Nil

2018 ₹ 900

2019 ₹ 2,000

2020 ₹ 3,600

Rama retired on 15th April, 2021 and the policy was surrendered. You are required to prepare Joint Life Policy Account from 2017 to 2021 (assuming the Policy Account is maintained at surrendered value basis).

15. It was provided under the Partnership Agreement between Ram, Laxman and Bharat that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.

Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Ram died on 30th September 2020 and Partner's Capital account balances on that date were: Ram - ₹ 21,600, Laxman - ₹ 12,800 and Bharat - ₹ 7,200. Ram's current account on 30th September, 2020 after crediting his share of profit to that date, however showed a debit balance of ₹ 1,920

Firm profits were for the year ended

31st March, 2017 ₹ 70,400

31st March, 2018 ₹ 56,320

31st March, 2019 ₹ 48,160

31st March, 2020· ₹ 17,408

Show Ram’s Capital Account and Executor's Account (of Ram) till full payment is made to Ram's Executor.

16. A, B and C are partners in a firm. On 1st April 2019 their fixed capital stood at

₹ 50,000, ₹ 25,000 and ₹ 25,000 respectively.

As per the provision of partnership deed:

(1) C was entitled for a salary of 5,000 p.a.

(2) All the partners were entitled to interest on capital at 5% p.a.

(3) Profits and losses were to be shared in the ratio of Capitals of the partners.

Net Profit for the year ended 31st March, 2020 of ₹ 33,000 and 31st March,2021 of ₹ 45,000 was divided equally without providing for the above adjustments.

You are required to pass an adjustment journal entry to rectify the above errors.

17. A and B are partners, sharing profits and losses in the proportion of 3/4th and 1/4th As at 31st March, 2021, following is the Balance Sheet of A and B.

Balance Sheet as at 31st March, 2021

Liabilities		₹	Assets		₹
Capital accounts			Cash in hand		1,15,000
A	2,85,000		Cash at bank		1,10,000
B	1,55,000	4,40,000	Sundry Debtors		1,60,000
Creditors		3,75,000	Stock		2,00,000
General reserve		60,000	Bills receivable		30,000
			Land and building		2,50,000
			Office furniture		10,000
		8,75,000			8,75,000

They agreed to take C into Partnership on 1st April, 2021 on the following terms:

Goodwill is to be valued at ₹ 2,00,000. C is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to A and B for their sacrifice in favour of C through C’s current account.

C pays ₹ 1,40,000 as his capital for 1/5th share in the future profits.

Stock and Furniture to be reduced by 10%

A provision @ 5% for doubtful debts to be created on debtors.

Land and building to be appreciated by 20%.

Capital Accounts of the partners be readjusted on the basis of their profit sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts.

18. Mr. X gives the following particulars in respect of business carried on by him:

Particulars	Amount (₹)
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹ 2,40,000, ₹ 2,16,000 and ₹ 3,00,000 in the years 2018, 2019 and 2021 respectively but made a loss of ₹ 36,000 in the year 2020.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

19. X, Y and Z are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31st March,2021 was as follows:

Liabilities	₹	Assets	₹
Capital A/cs		Building	2,50,000
X	1,75,000	Machinery	3,37,500
Y	2,50,000	Debtors	3,25,000
Z	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
	13,75,000		13,75,000

Z retired from business on 1st April,2021 on the following terms:

- Building to be appreciated by 25%.
- X and Y to bring in additional capital of ₹ 5, 00,000 each.
- Machinery to be depreciated by 10%.
- Stock is revalued at ₹ 3,72,250.
- Provision for Doubtful Debts to be created at 4%.
- Goodwill was to be valued at 3 years' purchase of average profits of past 3 years. The profits of past 3 years were ₹ 2,75,000, ₹ 2,50,000 and ₹ 1,95,000 respectively.
- Goodwill was not to be raised in the Books of Accounts.
- Balance payable to Z was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Z's retirement, Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill.

Financial Statements of Not for Profit Organizations

1. The following is the Receipts and payments account of Rotary Club for the year ended on 31st March, 2020

Receipts and payments A/c for the year ended on 31st march 2020

Receipts	Amount	Payments	Amount
To balance b/d	8,450	By Salaries and wages	12,250
To Subscription	23,000	By Supply of refreshment	18,250
To Sale of refreshments	22,000	By Sports equipment	27,500

To Entrance fees	26,000	By Telephone Charges	2,800
To interest on investments @ 7%	4,550	By Electricity charges	15,600
		By Honorarium charges	6,500
		By balance c/d	1,100
	84,000		84,000

Additional information:

- Following are the assets and liabilities on 31st March, 2019:
- ✓ Assets- Sports equipment- ₹ 32,000; Subscription in arrears- ₹ 7,600; furniture-₹ 12,480
- ✓ Liabilities- Outstanding Electricity charges- ₹ 5,400; Subscription in advance-₹ 6,250
- Following are the assets and liabilities on 31st March, 2020-
- ✓ Assets- Sports equipment- ₹ 50,500; Subscription in arrears- ₹ 5,200; furniture-₹ 11,180
- ✓ Liabilities- Outstanding Electricity charges- ₹ 3,800; Subscription in advance-₹ 4,850
- 50% of the entrance fees to be capitalized.
- Interest on the investments is being received in full, and the investments have been made on 1.4.2018

You are required to prepare Income and Expenditure account and the Closing balance sheet as of 31st March 2020 in the books of Rotary Club.

2. The Receipts and Payments account of Peppapig Club prepared on 31st March, 2021 is as follows:

Receipts and Payments Account

Receipts	Amount	Payments	Amount
To Balance b/d	900	By Expenses (including Payment for sports material ₹ 5,400)	12,600
Annual Income from Subscription 9,180		By Loss on Sale of Furniture (cost price ₹ 900)	360
To Add: Outstanding of last year received this year 360		By Balance c/d	1,80,900
9,540			
Less: Prepaid of last year 180	9,360		
To Other fees	3,600		
To Donation for Building	1,80,000		
	1,93,860		1,93,860

Additional information:

- Peppapig club had balances as on 1.4.2020 : -
- Furniture ₹ 3,600; Investment at 5% ₹ 54,000;
- Sports material ₹ 13,320;
- Balance as on 31.3.2021 : Subscription Receivable ₹ 540;
- Subscription received in advance ₹ 180;
- Stock of sports material ₹ 3,600.

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, 2021 and Balance Sheet on that date.

3. From the following receipts and payments account of Pune Club, prepare income and expenditure account for the year ended 31.03.2021 and its balance sheet as on that date:

Receipts	Amount	Payments	Amount
Cash in hand	4,000	Salary	2,000
Cash at bank	10,000	Repair expenses	500
Donations	5,000	Purchase of furniture	6,000
Subscriptions	12,000	Misc. expenses	500
Entrance fees	1,000	Purchase of investments	6,000
Interest received from bank	500	Insurance premium	200
Sale of old newspaper	150	Snooker table	8,000
Sale of drama tickets	1,050	Stationary	150
		Drama expenses	500
		Cash in hand (closing)	2,650
		Cash at bank (closing)	7,200
	33,700		33,700

The following adjustments are to be made while drawing up the accounts:

- Subscriptions in arrear for year 2020-21 ₹900 and subscriptions in advance for 2021-22 ₹ 350.
- Insurance premium outstanding ₹ 40 and Misc. expenses prepaid ₹90.
- 50% of donation is to be capitalized.
- Entrance fees are to be treated as revenue income.
- 8% interest has accrued on investment for five months.
- Snooker table costing ₹ 30,000 was purchased on 31st March,2020 and ₹22,000 were paid for it.

4. From the following information supplied by ABC. Club, prepare Receipts and Payments Account and Income and Expenditure Account for the year ended 31st March 2022.

Particulars	01.04.2021 ₹	31.03.2022 ₹
Outstanding subscription	8,40,000	12,00,000
Advance subscription	1,50,000	1,80,000
Outstanding salaries	90,000	1,08,000
Cash in Hand and at Bank	6,60,000	?
10% Investment	8,40,000	4,20,000
Furniture	1,68,000	84000
Machinery	60,000	120000
Sports goods		150000

Subscription for the year amount to ₹ 18,00,000/-. Salaries paid ₹ 3,60,000. Face value of the Investment was ₹ 10,50,000, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received ₹ 84,000. Furniture was sold for ₹ 48,000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹ 3,00,000

Rent: ₹ 1,44,000 out of which ₹ 12,000 outstanding

Misc. Expenses: ₹ 30,000

5. Dr. Deku started private practice on 1st April, 2019 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12 p.a. 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	Amount	Payments	Amount
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's Marriage	2,15,000
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹ 30,000 of salaries are in respect of domestic servants. The stock of medicines in hand on 31st March, 2020 was valued at ₹ 95,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets.

6. Summary of Receipts and Payments of AMA Society for the year ended 31st March, 2021 are as follows:

Receipts	Amount	Payments	Amount
Subscription Received	5,00,000	Payment for Medicine Supply	3,00,000
Donation Raised for meeting revenue expenditure	1,50,000	Honorarium to Doctors	1,00,000
Interest on Investments @ 9% p.a.	90,000	Salaries	2,80,000
Charity Show Collection	1,25,000	Sundry Expenses	10,000
		Equipment Purchase	1,50,000
		Charity Show Expenses	15,000

Additional Information:

Particulars	01.04.2020	31.03.2021
Subscription due	15,000	22,000
Subscription received in advance	12,000	7,000
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4'80 '000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare:

(i) Income and Expenditure Account for the year ended 31st March, 2021.

(ii) Balance Sheet as on 31st March, 2021

7. The Income and Expenditure Account of the Women Club for the Year ended on December 31, 2021 is as follows.

Expenditure	₹	Income	₹
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500		
To Annual Dinner Expenses	15,000		
To Interest and bank charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

This account had been prepared after the following adjustments:

Particulars	Amount (₹)
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31st December,2020	4,500
Subscription received in advance on 31st December, 2021	2,700
Subscription outstanding on 31st December,2021	7,500

Salaries outstanding at the beginning and end of the year 2021 were respectively ₹ 4,000 and ₹ 4,500. General Expenses include insurance prepaid to the extent of ₹ 600. Audit fee for the year 2021 is as yet unpaid. During the year 2021 audit fee for the year 2020 was paid amounting to ₹ 2,000

The Club owned a freehold lease of ground valued at ₹ 1,00,000. The club had sports equipment on 1st January, 2021 valued at ₹ 26,000. At the end of the year 2021, after depreciation, this equipment amounted to ₹27,000. In the year 2020, the Club had raised a bank loan of ₹20,000.This was outstanding throughout the year 2021.On 31st December, 2021 in hand was ₹ 16,000.

You are required to:

Prepare the Receipts and Payments Account for the year ended on December 31, 2021 and the Balance Sheet as on that date.

8. The following is the Receipts and Payments Account of Mumbai Club for the year ended March 31, 2021:

Receipt and Payment Account of Mumbai Club

Receipts	Amount	Payments	Amount
Cash in hand	20,000	Ground man's Fee	75,000
Balance at Bank as per Pass Book:		Purchase of Equipment's	1,55,000
Saving Account	1,93,000	Rent of Ground	25,000
Current Account	60,000	Club night expenses	38,000
Bank Interest	5,000	Printing and Office Expenses	30,000
Donations and Subscriptions	2,50,000	Repairs to Equipment	50,000
Entrance fees	18,000	Honorarium to Secretary (2019-20)	40,000
Contribution to Club night	10,000	Balance at Bank as per Pass Book:	
Sale of Equipment	8,000	Saving Account	2,04,000
Bar Room receipts	20,000	Current Account	20,000
Proceeds from club night	78,000	Cash in hand	25,000
	6,62,000		6,62,000

You are given the following additional information (All figures are in ₹)

Particulars	01.04.2020	31.03.2021
Subscription due	15,000	10,000
Amount due for printing etc.	10,000	8,000
Cheques unpresented being payment for repairs	30,000	25,000

Interest not yet entered in the Pass book	-	2,000
Estimated value of machinery and equipment	80,000	1,75,000

For the year ended March 31, 2021, the honorarium to the Secretary is to be increased by a total of ₹ 20,000 and Ground man is to receive a bonus of ₹ 20,000. Prepare the Income and Expenditure Account for period ended 31st March,2021 and the Balance Sheet as at that date.

Issue and Forfeiture of Shares

1. Alankit Limited issued at par 2,00,000 Equity shares of ₹ 100 each payable ₹ 25 on application; ₹ 30 on allotment; ₹ 20 on first call and balance on the final call. All the shares were fully subscribed. Mr. Dhawan who held 40,000 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 4,000 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. Dhawan.

   You are required to prepare journal entries to record these transactions.

2. Samuel who was the holder of 12,000 preference shares of ₹ 100 each, on which ₹ 75 per share has been called up could not pay his dues on Allotment and First call each at ₹ 25 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Robort at ₹ 65 per share paid-up as ₹75 per share.

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

3. On 1st April, 2020, States Ltd. issued 1,80,000 shares of ₹ 10 each payable as follows:

   ₹ 2 on application, ₹ 3 on allotment, ₹ 2 on First call 1st October, 2020; and ₹ 3 on Final call 1st February, 2021.

   By 20th May, 1,50,000 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, 2021.

4. Mr. Samphat who was the holder of 12,000 preference shares of ₹ 100 each, on which ₹ 60 per share has been called up could not pay his dues on Allotment and First call each at ₹ 20 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Sushil at ₹ 50 per share paid-up as ₹60 per share.

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

5. On 1st June, 2020, Suraj Ltd. issued 43,000 shares of ₹ 100 each payable as follows:

   ₹ 20 on application;

   ₹ 20 on allotment;

   First call of ₹ 30 on 1st Dec, 2020; and

   Second and final call of ₹ 30 on 1st March, 2021.

   By 20th July, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st Aug. All sums due on allotment were received on 15th Sept; those on 1st call were received on 20th Dec.

You are required to journalise the transactions when accounts were closed on 31st March, 2021

6. Delta Ltd. forfeited 600 shares of ₹ 10 each issued at a premium of 10% to W for non-payment of first and final call money of ₹ 3 (including ₹ 1 premium). At different intervals of time out of these 400 shares were re-issued to Z, credited as fully paid for ₹ 9 per share and 100 shares were re-issued to X as ₹ 10 paid up for ₹ 11 per share. Record the journal entries for forfeiture and reissue of shares.

7. Radha Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each.

The amounts were payable as follows:

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

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

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

8. A Limited is a company with' an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being :

- ₹ 2 per share payable on application, to be received by 31st May, 2020;
- Allotment to be made on 10th June, 2020 and a further ₹ 5 per share (including the premium to be payable);
- The final call for the balance to be made, and the money received by 31st December, 2020.

Applications were received for 5,60,000 shares and dealt with as follows:

- Applicants for 10,000 shares received allotment in full;
- Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- Applicants for 5,00,000 shares 'received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited.

9. X Limited invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The total amount was payable as follows:

₹ 9 per share (including premium) on application and allotment

Balance on the First and Final Call

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4/- per share.

Pass necessary journal entries· for the above transactions in the books of X Limited.

10. Fashion Garments Ltd invited applications for issuing 10,000 Equity Shares of ₹ 10 each. The amount was payable as follows:

On application	₹ 1 per share
On allotment	₹ 2 per share
On first call	₹ 3 per share
On Second and final Call	₹ 4 per share

The issue was fully subscribed. Ram to whom 100 shares were allotted, failed to pay the allotment money and his shares were forfeited immediately after the allotment. Shyam to whom 150 shares were allotted, failed to pay the first call. His shares were also forfeited after the first call. Afterwards the second and final call was made. Mohan to whom 50 shares were allotted failed to pay the second and final call. His shares were also forfeited. Al the forfeited shares were re-issued at ₹ 9 per share fully paid-up.

Pass necessary Journal entries in the books of Fashion Garments Ltd.

11. A Limited issued 20,000 Equity shares of, 10 each at a premium of 10%, payable ₹ 2 on application; ₹ 4 on allotment (including premium); ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c. Give journal entries to record these transactions. Show workings of Interest calculation. (Ignore dates).

Issue of Debentures

1. Priya Ltd. issued 25,00,000, 12% debentures of ₹ 10 each at a discount of 10%redeemable at par at the end of 10th year. Money was payable as follows :

   ₹ 4 on application

   ₹ 5 on allotment

   Record necessary journal entries regarding issue of debenture.

2. Avantika Ltd. purchased machinery worth ₹9,90,000 from Avneet Ltd. The payment was made by issue of 10% debentures of ₹100 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 20 % discount; and (iii) Debentures are issued at 20%premium.

3. On 1st April 2020, XY Ltd. took over assets of ₹4,50,000 and liabilities of 60,000 of Himalayan Ltd. for the purchase consideration of ₹ 4,40,000. It paid the purchase consideration by issuing 8% debenture of ₹ 100 each at 10% premium on same date.

   XY Ltd. issued another 3000, 8% debenture of ₹ 100 at discount of 10% redeemable at premium of 5 % after 5 years. According to the terms of the issue ₹ 30 is payable on application and the balance on the allotment on debentures. It has been decided to write off the entire loss on issue of discount in the current year itself.

You are required to pass the journal entries in the books of XY Ltd. for the financial year 2020-21

4. Pure Ltd. issues 5,00,000 12% Debentures of ₹ 10 each at ₹ 9.40 on 1st January,2022. 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.

Write short notes on:

1. Fundamental Accounting Assumptions.
2. Retirement of bills of exchange.
3. Noting Charges.
4. Over-riding Commission.
5. Journal.
6. Importance of bank reconciliation to an industrial unit.
7. Bill of exchange and the various parties to it.
8. Objective of Accounting Standards.
9. Objectives of preparing Trial Balance.
10. Trade bill vs. Accommodation bill.
11. Going Concern concept.
12. Discuss the rules if there is no Partnership Agreement.
13. What are the advantages of Subsidiary Books ?
14. What do you mean by principal books of accounts?
15. What are the rules of posting of journal entries into the Leger?
16. What is petty cash book? Write it's any two advantages.
17. Zed Enterprises furnishes the following information for the year ended 31st March,2021.

Particulars	Amount (₹)
Value of Stock as on 1st April,2020	28,00,000
Purchases during the year	1,38,40,000
Manufacturing Expenses during the year	28,00,000
Sales during the year	2,08,80,000

The following further information is also provided:

At the time of valuing stock on 31st March,2020 a sum of ₹ 2,40,000 was written off for a particular item which was originally purchased for ₹ 8,00,000. This item was sold during the year ended 31st March,2021 for ₹ 6,40,000.

Except for the above transaction, the rate of gross profit during the year was 1/3rd on cost.

Ascertain the value of Stock as on 31st March,2021.

18. Mr. K is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2020 has been given below:

On 1st April, 2019 he had a balance of ₹ 3,00,000 advance from customers of which ₹ 2,25,000 is related to year 2019-20 while remaining pertains to year 2020-21- During the year 2019-20 he made cash sales of ₹ 7,50,000.

You are required to compute :

Total income for the year 2019-20.

Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is ₹ 2,55,000.

19. From the following information prepare the Purchase. Book of Mis. Shyam & Company:

Purchased from Red & Company on credit:

10 pairs of black shoes.@ ₹ 800 per Pair.

5 pairs of brown shoes @ 900 per pair

Less: Trade Discount @ 10%

Purchased Computer from M/s. Rahul. Enterprises on credit for ₹ 40,000.

Purchased from Blue & Company in cash:

5 pairs of black shoes @ ₹ 700 per pair

15 pairs of brown shoes@ ₹ 100 per pair

Less: Trade Discount @ 15%

20. PQR Limited's Profit and Loss account for the year ended 31st March, 2021 includes the following information:

	Particulars	
1	Liability for Income Tax	₹ 40,000
2	Retained Profit	₹ 2,00,000
3	Proposed Dividend	₹ 20,000
4	Increase in Provision for Doubtful Debts	₹ 25,000
5	Bad Debts written off	₹ 20,000

State which one of the items above is - (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves.