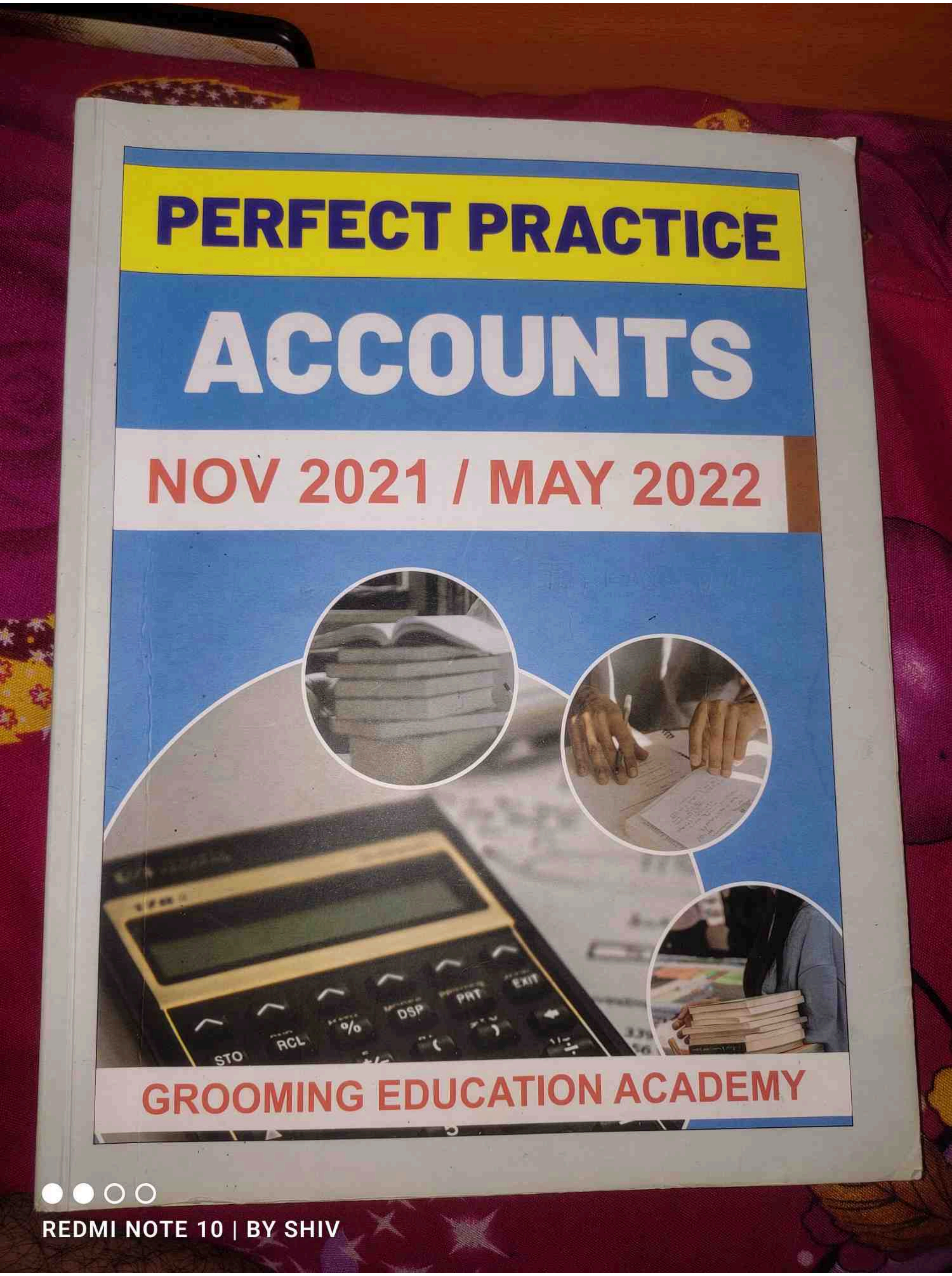
PERFECT PRACTICE
ACCOUNTS
NOV 2021 / MAY 2022
GROOMING EDUCATION ACADEMY
REDMI NOTE 10 | BY SHIV

Published by:
Escholars
1629, 1st Floor, Sohan Ganj,
Delhi (India)-110007
Ph.: 8888880402
www.escholars.in

DEDICATED TO

KHATU SHYAM BABA

FOR ANSWERS & UPDATES:

REFER E-BOOKS AVAILABLE IN ACCOUNTS COURSE.

PATIENCE – A GREAT VIRTUE

In an Indian temple, when the priest had gone for lunch, the idol of the Lord and the Stepping Stone were conversing.

Stepping Stone: "What a good fate you have. We both were the same lump of rock for millions of years. The sculptor carved an idol out of you and every one is worshipping you. And look at me, I am a stepping stone and every one stands on me and stamps on. What kind of life is this?

The Idol kept smiling and never bothered to answer this, now, routine murmur from the stepping stone. But the stepping stone (stone used as a step, that is) will never stop his constant bickering.

The Idol replied: "But do you remember that when the sculptor set out to carve an idol, it was you he chose, first. You were so impatient. In one strike, you broke in to two. But when he tried on me, I grinned and bore all the hammers and chisel strikes with **PATIENCE**. Here I am the worshipful and happy Idol and you are the Stepping Stone….."

The difference between success and failure is patience and persistence.

"Never disrespect your mother or disappoint her.
Do not hurt her feelings. Try to satisfy her in all respects.
Only then the seed of devotion will sprout in you.
Everyone should follow the dictum "matru devo bhava"
in letter and in spirit and be recipient of his mothers love."

"The journey of 1000 miles begins with a single step"
- Ancient Chinese Proverb -

"Never tell some one they are wrong, that's a disastrous tactic" *- Dale Carnegie -*

"There is no stronger force known to mankind than for a human being to get down on his knees and ask God for Guidance."
- Stanley Arnold -

"I am grateful for all my problem. As each of then was overcome.
I become strong and more able to meet these yet to come.
I grew on my difficulties." *- J.C. Penny -*

"If a man can write a better book, preach a better sermon, or make a better mouse trap than his neighbors, though he builds his house in the woods,the world will make a beaten path to his door." *- R.W. Emerson -*

CA Foundation
Accounts

True And False

Journal Entries (Basic Assignment)

Q. No	Questions
1.	**Show the classification of the following Accounts under traditional and accounting equation approach: -** A Rent Outstanding P B Capital P C Closing Inventory R D Sales Tax Payable P E Sales N F Trade Receivables P G Bank Fixed Deposit H Depreciation N I Cash R J Drawings P K Bad Debts P **(ICAI SM)**
2.	**Show the classification of the following Accounts under traditional and accounting equation approach: -** (A) Building; (B) Purchases; (C) Sales; (D) Bank Fixed Deposit; (E) Rent; (F) Rent Outstanding; (G) Cash; (H) Adjusted Purchases; (I) Closing Inventory; (J) Investments; (K) Trade Receivables; (L) GST Payable; (M) Discount Allowed; (N) Bad Debts; (O) Capital; (P) Drawings; (Q) Interest Receivable; (R) Rent received in advance; (S) Prepaid salary; (T) Bad debts recovered; (U) Depreciation; and (V) Personal income-tax. Drawings **(ICAI SM)**
3.	**Calculate the missing amount for the following: -**

S.No.	Assets	Liabilities	Capital
a)	15,00,000	2,50,000	?
b)	?	1,50,000	75,000
c)	14,50,000	?	13,75,000
d)	57,00,000	(2,80,000)	?

4. Following is the information provided by Mr. Gopi pertaining to year ended 31st March 2020. Find the unknowns, showing computation to support your answer: -

Particulars	(₹)	Particulars	(₹)
Machinery	12,00,000	Trade Receivables	55,000 (ii)
Trade Payables	1,00,000	Loans [14,15,000 − 10,65,000 − 1,00,000]	2,50,000 (iii)
Inventory	60,000	Closing Capital	10,65,000 (iv)
Total Liabilities including capital	14,15,000	Opening Capital	10,00,000
Cash	20,000 (i)	Loss incurred during the year	35,000
Bank	80,000	Capital introduced	1,00,000

Additional Information: During the year sales of ₹ 15,55,000 was made of which ₹ 15,00,000 have been received.

Sales − received

(ICAI SM)

5. Develop the accounting equation from following information available at the beginning of accounting period: -

Particulars	(₹)
Capital C	51,000
Loan L	11,500
Trade Payables L	5,700
Fixed Assets A	12,800
Inventory A	22,600
Trade Receivables A	17,500
Cash and Bank A	15,300

A = C + L

12,800 + 22,600 + 17,500 + 15,300 = 51,000 + 11,500 + 5700

68200 = 68,200

REDMI NOTE 10 | BY SHIV

At the end of the accounting period the balances appear as follows: -

Particulars	(₹)
Capital C_1	?
Loan L	11,500
Trade Payables L	5,800
Fixed Assets A	12,720
Inventory A	22,900
Trade Receivables A	17,500
Cash at Bank A	15,600

A = C + L
12,720 + 22,900 + 17,500 + 15,600 = C_1 + 11,500 + 5,800
68,720 = C_1 + 17,300
68,720 − 17,300 = C_1
51,420 = C_1

$C_1 - C_0$
51,420 − 51,000
= 420

a) Reset the equation and find out profit.
b) Prepare Balance Sheet at the end of the accounting period. Closing.

(ICAI SM)

6. Mr. Dravid has provided following details related to his financials. Find out the missing figures: -

Particulars	(₹) (in ₹000)
Profits carved (earned) during the year	5,000
Assets at the beginning of year [closing CAP − Profit] 30,000	A
Liabilities at the beginning of year	12,000
Assets at the end of the year [EL] 50,000	B
Liabilities at the end of the year [liability − Capital at End] 50000 35000 15,000	C
Closing capital	35,000
Total liabilities including capital at the end of the year	50,000 [Asset]

(ICAI SM)

7. Following are the transactions entered into by R after he started his business. Show how various accounts will be affected by these transactions: -

Date | Particulars | Accounts involved | Nature | Dr/Cr

2020 April	Particulars	(₹) (in ₹000)
1)	R started business with	5,000
2)	He purchased furniture for	1,200
3)	Paid salary to his clerk	1,100
4)	Paid rent	1,150
5)	Received interest	2,000

(ICAI SM)

8. Analyse transactions of M/s Sahil & Co. for the month of March, 2020 on the basis of double entry system by adopting the following approaches: -

A) Accounting Equation Approach.
B) Traditional Approach.

Transactions for the month of March, 2020 were as follows (figures are in ₹ '000): -

1) Sahil introduced capital through bank of ₹ 4,000.
2) Cash withdrawn from the City Bank ₹ 200.
3) Loan of ₹ 500 taken from Mr. Y.
4) Salaries paid for the month of March, 2020, ₹ 300 and ₹ 100 is still payable for the month of March, 2020. Bank = −300, Capital = −400, Liability = +100
5) Furniture purchased ₹ 500.

Required: -

What conclusion one can draw from the above analysis?

(ICAI SM)

9. **Journalize the following transactions. Also state the nature of each account involved in the journal entry.**

Following figures are given in ('00)

1) December 1, 2019, Ajeet started business with capital ₹ 4,00,000.
2) December 3, he withdrew cash for business from the Bank ₹ 2,000.
3) December 5, he purchased goods making payment through bank ₹ 15,000.
4) December 8, he sold goods ₹ 16,000 and received payment through bank.
5) December 10, he purchased furniture and paid by cheque ₹ 2,500.
6) December 12, he sold goods to Arvind ₹ 2,400.
7) December 14, he purchased goods from Amrit ₹ 10,000.
8) December 15, he returned goods to Amrit ₹ 500.

	9) December 16, he received from Arvind ₹ 2,300 in full settlement. 10) December 18, he withdrew goods for personal use ₹ 1,000. 11) December 20, he withdrew cash from business for personal use ₹ 2,000. 12) December 24, he paid telephone charges ₹ 110. 13) December 26, amount paid to Amrit in full settlement ₹ 9,450. 14) December 31, paid for stationery ₹ 200, rent ₹ 5,000 and salaries to staff ₹ 2,000. 15) December 31, goods distributed by way of free samples ₹ 2,000
10.	(ICAI SM) Transactions of Ramesh for April are given below. Journalize them.

2020 April	Particulars	(₹)
1	Ramesh started business with	10,00,000
3	Bought goods for cash	50,000
5	Drew cash from bank	10,000
13	Sold to Krishna- goods on credit	1,50,000
20	Bought from Shyam goods on credit	2,25,000
24	Received from Krishna	1,45,000
	Allowed him discount	5,000
28	Paid Shyam cash	2,15,000
	Discount allowed	10,000
30	Cash sales for the month	8,00,000
	Paid Rent	50,000
	Paid Salary	1,00,000

(ICAI SM)

11. **Pass journal entries for the following transactions in the books of Gamma Bros.**

i) Employees had taken inventory worth ₹ 1,00,000 (Cost price ₹ 75,000) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.
ii) Wages paid for erection of Machinery ₹ 18,000.
iii) Income tax liability of proprietor ₹ 1,17000 was paid out of petty cash.
iv) Purchase of goods from Naveen of the list price of ₹ 2,00,000. He allowed 10% trade discount, ₹ 5,000 cash discount was also allowed for quick payment.

(ICAI SM/May 2021 RTP/May 2019 (modified)

12. Pass a journal entry in each of the following cases.

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

(Nov.2018 RTP)

****

12> i> Cash A/c - Dr 2,000
Land A/c - Dr 4,000
Furniture — Dr 1,000
stock — Dr 2,000
To Creditors 1,000
To Bank overdraft 2,000
To Capital A/c [Bal fig] 6,000

11> ii> Machinery A/c - Dr 18,000
To Cash A/c 18,000

11> iii> Drawings A/c - Dr 1,17,000
To Petty Cash book A/c 1,17,000

11> iv> Purchases A/c - Dr 1,80,00
To Discount received A/c 5,000
To Cash A/c 1,75,000

Ledger (Basic Assignment)

Q. No.	Questions
1.	Prepare the Stationery Account of a firm for the year ended 31.12.2019 duly balanced out, from the following details: - (table below) (ICAI SM)

2019	Particulars	(₹)
Jan. 1	Inventory of stationery	480
April 5	Purchase of stationery by cheque	800
Nov. 15	Purchase of stationery on credit from Five Star Stationery Mart	1,280
Dec. 31	Inventory of stationery	240

2. Prepare the ledger accounts on the basis of following transactions in the books of a trader.

i) Debit Balances on January 1, 2019:
Cash in Hand ₹ 8,000, Cash at Bank ₹ 25,000, Inventory of Goods ₹ 20,000, Building ₹ 10,000. Trade receivables: Vijay ₹ 2,000 and Madhu ₹ 2,000.

ii) Credit Balances on January 1, 2019:
Trade payables: Anand ₹ 5,000, Capital ₹ 55,000.

iii) Following were further transactions in the month of January, 2019:

Jan. 1 Purchased goods worth ₹ 5,000 (payable at later date) for cash less 20% trade discount and 5% cash discount.
Jan. 4 Received ₹ 1,980 from Vijay and allowed him ₹ 20 as discount.
Jan. 8 Purchased plant from Mukesh for ₹ 5,000 and paid ₹ 100 as cartage for bringing the plant to the factory and another ₹ 200 as installation charges.
Jan. 12 Sold goods to Rahim on credit ₹ 600.
Jan. 15 Rahim became insolvent and could pay only 50 paise in a rupee.
Jan. 18 Sold goods to Ram for cash ₹ 1,000.

(ICAI SM)

3. The following data is given by Mr. S, the owner, with a request to compile only the two personal accounts of Mr. H and Mr. R, in his ledger, for the month of April, 2019.

Purchase - Cr side.
Sale - Dr side.
Goods Dhanko

1 Mr. S owes Mr. R ₹ 15,000; Mr. H owes Mr. S ₹ 20,000. Dr
4 Mr. R sold goods worth ₹ 60,000 @ 10% trade discount to Mr. S.
5 Mr. S sold to Mr. H goods prices at ₹ 30,000.
17 Record a purchase of ₹ 25,000 net from R, which were sold to H at a profit of ₹ 15,000.
18 Mr. S rejected 10% of Mr. R's goods of 4th April.
19 Mr. S issued a cash memo for ₹ 10,000 to Mr. H who came personally for this consignment of goods, urgently needed by him.
22 Mr. H cleared half of his total dues to Mr. S, enjoying a ½% cash discount (of the payment received, ₹ 20,000 was by cheque).
26 R's total dues (less ₹ 10,000 held back) were cleared by cheque, enjoying a cash discount of ₹ 1,000 on the payment made.
29 Close H's Account to record the fact that all but ₹ 5,000 was cleared by him, by a cheque, because he was declared bankrupt.
30 Balance R's Account.

(ICAI SM)

4. Journalize the following transactions, post them into the Ledger and balance the accounts on 31st December.

1) X started business with a capital of ₹ 20,000
2) He purchased goods from Y on credit ₹ 4,000
3) He paid cash to Y ₹ 2,000
4) He sold goods to Z ₹ 4,000
5) He received cash from Z ₹ 6,000
6) He further purchased goods from Y ₹ 4,000
7) He paid cash to Y ₹ 2,000
8) He further sold goods to Z ₹ 4,000
9) He received cash from Z ₹ 2,000

** (ICAI SM)

Trial balances (Basic Assignment)

Q. No	Questions
1.	Given below is a ledger extract relating to the business of X and Co. as on March, 31, 2020. You are required to prepare the Trial Balance by the Total Amount Method

Dr. **Cash Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Capital A/c	10,000	By Furniture A/c	3,000
To Ram's A/c	25,000	By Salaries A/c	2,500
To Cash Sales	500	By Shyam's A/c	21,000
		By Cash Purchases	1,000
		By Capital A/c	500
		By Balance c/d	7,500
	35,500		**35,500**

Cr

Dr

Dr. **Furniture Account** Cr.

Ek side k- hi lenge

Particulars	(₹)	Particulars	(₹)
To Cash A/c	3,000	By Balance c/d	3,000
	3,000		**3,000**

Dr

Dr. **Salaries Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Cash A/c	2,500	By Balance c/d	2,500
	2,500		**2,500**

Dr

Dr. **Shyam's Account** Cr.

Dr 25500

Particulars	(₹)	Particulars	(₹)
To Cash A/c	21,000	By Purchases A/c (Credit Purchases)	25,000
To Purchase Returns A/c	500		
To Balance c/d	3,500		
	25,000		**25,000**

Cr

Dr. **Purchases Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Cash A/c (Cash Purchases)	1,000	By Balance c/d	26,000
To Sundries as per Purchases Book (Credit Purchases)	25,000		
	26,000		**26,000**

Dr. **Purchases Returns Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Balance c/d	500	By Sundries as per Purchases Return Book	500
	500		**500**

Dr. **Ram's Account** Cr.

Particulars	(₹)	Particulars	(₹)
To Sales A/c (Credit Sales)	30,000	By Sales Returns A/c	100
		By Cash A/c	25,000
		By Balance c/d	4,900
	30,000		**30,000**

Sales Account

Dr. Particulars	(₹)	Particulars	Cr. (₹)
To Balance c/d	30,500	By Cash A/c (Cash Sales)	500
		By Sundries as per Sales Book (Credit sales)	30,000
	30,500		**30,500**

Sales Returns Account

Dr. Particulars	(₹)	Particulars	Cr. (₹)
To Sundries as per Sales Returns Book	100	By Balance c/d	100
	100		**100**

Capital Account

Dr. Particulars	(₹)	Particulars	Cr. (₹)
To Cash A/c	500	By Cash A/c	10,000
To Balance c/d	9,500		
	10,000		**10,000**

2. Given below is a ledger extract relating to the business of X and Co. as on March, 31, 2020. You are required to prepare the Trial Balance by the balance method **(ICAI SM)**

Cash Account

Dr. Particulars	(₹)	Particulars	Cr. (₹)
To Capital A/c	10,000	By Furniture A/c	3,000
To Ram's A/c	25,000	By Salaries A/c	2,500
To Cash Sales	500	By Shyam's A/c	21,000
		By Cash Purchases	1,000
		By Capital A/c	500
		By Balance c/d	7,500
	35,500		**35,500**

Bal b/d 7500

Furniture Account

Dr. Particulars	(₹)	Particulars	Cr. (₹)
To Cash A/c	3,000	By Balance c/d	3,000
	3,000		**3,000**

Bal b/d 3,000

Salaries Account

Dr. Particulars	(₹)	Particulars	Cr. (₹)
To Cash A/c	2,500	By Balance c/d	2,500
	2,500		**2,500**

Bal b/d 2500

Shyam's Account

Dr. Particulars	(₹)	Particulars	Cr. (₹)
To Cash A/c	21,000	By Purchases A/c (Credit Purchases)	25,000
To Purchase Returns A/c	500		
To Balance c/d	3,500		
	25,000		**25,000**

Bal b/d 3500

Purchases Account

Dr. Cr.

Particulars	(₹)	Particulars	(₹)
To Cash A/c (Cash Purchases)	1,000	By Balance c/d	26,000
To Sundries as per Purchases Book (Credit Purchases)	25,000		
	26,000		**26,000**

Purchases Returns Account

Dr. Cr.

Particulars	(₹)	Particulars	(₹)
To Balance c/d	500	By Sundries as per Purchases Return Book	500
	500		**500**

Ram's Account

Dr. Cr.

Particulars	(₹)	Particulars	(₹)
To Sales A/c (Credit Sales)	30,000	By Sales Returns A/c	100
		By Cash A/c	25,000
		By Balance c/d	4,900
	30,000		**30,000**

Sales Account

Dr. Cr.

Particulars	(₹)	Particulars	(₹)
To Balance c/d	30,500	By Cash A/c (Cash Sales)	500
		By Sundries as per Sales Book (Credit sales)	30,000
	30,500		**30,500**

Sales Returns Account

Dr. Cr.

Particulars	(₹)	Particulars	(₹)
To Sundries as per Sales Returns Book	100	By Balance c/d	100
	100		**100**

Capital Account

Dr. Cr.

Particulars	(₹)	Particulars	(₹)
To Cash A/c	500	By Cash A/c	10,000
To Balance c/d	9,500		
	10,000		**10,000**

(ICAI SM)

3. From the following ledger balances, prepare a trial balance of Anuradha Traders as on 31st March, 2020: -

Account Head	(₹)
Capital Cr	1,00,000
Sales Cr	1,66,000
Purchases Dr	1,50,000
Sales return Dr	1,000
Discount allowed Dr	2,000
Expenses Dr	10,000
Trade receivables Dr	75,000
Trade payables Cr	25,000

Investments Dr	15,000
Cash at bank and in hand Dr	37,000
Interest received on investments Cr	1,500
Insurance paid Dr	2,500

(ICAI SM)

4. One of your clients, Mr. Singhania has asked you to finalise his accounts for the year ended 31st March, 2020. Till date, he himself has recorded the transactions in books of accounts. As a basis for audit, Mr. Singhania furnished you with the following statement.

Particulars	(Dr.) Balance (₹)	(Cr.) Balance (₹)
Singhania's Capital Cr		1,556
Singhania's Drawings Dr	564	
Leasehold premises Dr	750	
Sales Cr		2,750
Due from customers Dr		530
Purchases Dr	1,259	
Purchases return Cr	264	
Loan from bank Cr		256
Trade payables Cr	528	
Trade expenses Dr	700	
Cash at bank Dr	226	
Bills payable Cr	100	
Salaries and wages Dr	600	
Inventories (1.4.2019) Dr		264
Rent and rates Dr	463	
Sales return Dr		98
	5,454	**5,454**

The closing inventory on 31st March, 2020 was valued at ₹ 574. Mr. Singhania claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance.

(ICAI SM)

5. An inexperienced book-keeper has drawn up a Trial Balance for the year ended 30th June, 2020.

Particulars	Debit (₹)	Credit (₹)
Provision for Doubtful Debts Cr	200	
Bank Overdraft Cr	1,654	
Capital Cr		4,591
Trade payables Cr		1,637
Trade receivables Dr	2,983	
Discount Received Cr	252	
Discount Allowed Dr		733
Drawings Dr	1,200	
Office Furniture Dr	2,155	
General Expenses Dr		829
Purchases Dr	10,923	
Returns Inward Dr		330
Rent & Rates Dr	314	
Salaries Dr	2,520	
Sales Cr		16,882
Inventory Dr	2,418	
Provision for Depreciation on Furniture Cr	364	
Total	**24,983**	**25,002**

Required: -

Draw up a 'Corrected' Trial Balance, debiting or crediting any residual errors to a Suspense Account.

(ICAI SM/ Nov.2019)

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Subsidiary Books (Basic Assignment)

Q. No	Questions
1.	The Rough Book of M/s. Narain & Co. contains the following: 2020 Feb.1. Purchased from Brown & Co. on credit: 5 gross pencils @ ₹ 100 per gross, 1 gross registers @ ₹ 240 per dozen. Less: Trade Discount @ 10% Feb. 2. Purchased for cash from the Stationery Mart; 10 gross exercise books @ ₹ 300 per dozen. Feb. 3. Purchased computer for office use from M/s. office Goods Co. on credit for ₹ 30,000. Feb. 4. Purchased on credit from The Paper Co. 5 reams of white paper @ ₹ 100 per ream. 10 reams of ruled paper @ ₹ 150 per ream. Less: Trade Discount @ 10% Feb. 5. Purchased one dozen gel pens @ ₹ 15 each from M/s. Verma Bros. on credit. Make out the Purchase Book of M/s Narain & Co. **(ICAI SM/November2020 modified)** Books of XYZ Ltd Purchase book Date | Particulars | Details | ₹
2.	Enter the following transactions in Purchase Book and post them into ledger. 2020 April 4 Purchased from Ajay Enterprises, Delhi 100 Dozen Rexona Hawai Chappal @ ₹ 120 per dozen. 200 Dozen Palki Leather Chappal @ ₹ 300 per Dozen. Less: Trade discount @ 10% Freight charged ₹ 150. April 15 Purchased from Balaji Traders, Delhi 50 dozen Max Shoes @ ₹ 400 per dozen. 100 pair Sports Shoes. @ ₹ 140 per paid. Less: Trade discount @ 10%. Freight charged ₹ 200. April 28 Purchased from Tripti Industries, Bahadurgarh 40 pair leather shoes @ ₹400 per pair 100 dozen Rosy Hawai Chappal @ ₹ 180 per dozen Less: Trade discount @ 10%. Freight charged ₹ 100. **(ICAI SM)** Date | Particulars | GI A | T.D | Net Price | F | Total
3.	The following are some of the transactions of M/s Kishore & Sons of the year 2020 as per their Waste Book. Make out their Sales Book. Sold to M/s. Gupta & Verma on credit: 30 shirts @ ₹ 800 per shirt. 20 trousers @ ₹ 1,000 per trouser. Less: Trade Discount @ 10%. Sold furniture to M/s. Sehgal & Co. on credit ₹ 8,000. Sold 50 shirts of M/s. Jain & Sons @ ₹ 800 per shirt. Sold 13 shirts to Cheap Stores @ ₹ 750 each for cash. Sold on credit to M/s. Mathur & Jain: 100 shirts @ ₹ 750 per shirt. 10 overcoats @ ₹ 5,000 per overcoat. Less: Trade Discount @ 10%. **(ICAI SM)** Date | Particulars | Details | ₹

4. Post the following into the ledger

Returns Outward Book

Date 2019	Particulars	L.F.	Details (₹)	Amount (₹)
Nov. 20	Rajindra Prakash & Sons One 36" Usha Ceiling Fan		200.00	
	Less: Trade Discount @ 10%		(20.00)	180.00
"30	Modern Electric Company			100.00
	Total			**280.00**

(ICAI SM)

5. From the following transactions, prepare the Purchases Returns Book of Alpha & Co., a saree dealer:

Date	Debit Note No.	Particulars
04.01.2020	101	Returned to Goyal Mills, Surat - 5 polyester sarees @ ₹ 1,000.
09.01.2020	✗	Garg Mills, Kota- accepted the return of goods (which were purchased for cash) from us - 5 Kota sarees @ ₹ 400.
16.01.2020	102	Returned to Mittal Mills, Bangalore - 5 silk sarees @ ₹ 2,600.
30.01.2020	✗	Returned one computer (being defective) @ ₹ 35,000 to B & Co.

(ICAI SM)

6. Enter the following transactions in Sales Book of M/s. Pranat Engineers Ltd., Delhi, and post them into the ledger.

2020

Jan. 2. Sold to M/s. Ajanta Electricals, Delhi 5 pieces of Ovens @ ₹ 6,000/- each less trade discount @ 10%.

Jan. 8. Sold to M/s. Electronics Plaza, 10 pieces of Tablets @ ₹ 8,000/- each less trade discount 5%.

Jan. 15. Sold to M/s. Haryana Traders, 5 pieces of Juicers @ ₹ 3,500/- each less trade discount @ 10%.

(ICAI SM)

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AJanta

Bal c/d 2700	Purchase 27000

ElectronicPlaza

Bal c/d 7600	Purchase a/c 76000

Haryana

Bal c/d 15750	Purchase 15750

Purchase

AJanta 27000	Bal c/d 18750
Electron 76000	
Haryan 15750	
18750	18750

Cash Book (Basic Assignment)

Q. No	Questions

1. Enter the following transactions in a simple cash book:

2020	Particulars	(₹)
Jan.1	Cash in hand	1,200
"5	Received from Ram	300
"7	Paid Rent	30
"8	Sold goods for cash	300
"10	Paid to Shyam	700
"27	Purchased Furniture	200
"31	Paid Salaries	100
"31	Rent due, not yet paid, for January	30

(ICAI SM)

2. Ganesh commenced business on 1st April, 2020 with ₹ 2,000 as capital. He had the following cash transactions in the month of April 2020:

Date	Particulars	(₹)	Date	Particulars	(₹)
April 1	Purchased furniture and paid cash	250	April 7	Paid for petty expenses	15
"2	Purchased goods	500	"8	Cash purchases	150
"4	Sold goods for cash	950	"13	Paid for labour	1,000
"5	Paid cash to Ram Mohan	560	""	Paid Ali & Sons	400
	He allowed discount	10	""	They allowed discount	8
"6	Received cash from Krishna & Co.	600			
	Allowed discount	20			

Make out the two-column Cash Book (Cash and discount column) for the month of April, 2020.

(ICAI SM)

3. Enter the following transactions in Cash Book with Discount and Bank Columns. Cheques are first treated as cash receipt.

2020	Particulars	(₹)
Jan.1	Chandrika commences business with Cash	20,000
"3	He paid into Current A/c	19,000
"4	He received cheque from Kirti & Co. on account	600
"7	He pays in bank Kirty & Co.'s cheque	600
"10	He pays Rattan & Co. by cheque and is allowed discount ₹ 20	330
"12	Tripathi & Co. pays into his Bank A/c	475
"15	He receives cheque from Warshi and allows him discount ₹ 35	450
"20	He receives cash ₹ 75 and cheque ₹ 100 for cash sale	
"25	He pays into Bank, including cheques received on 15th and 20th	1,000
"27	He pays by cheque for cash purchase	275
"30	He pays sundry expenses in cash	50

(ICAI SM)

4. Prepare a Petty Cash Book on the imprest System from the following: -

2020		Particulars	(₹)
Jan.	1	Received ₹ 100 for petty cash	
"	2	Paid bus fare	.50
"	2	Paid cartage	2.50
"	3	Paid for Postage & Telegrams	5.00
"	3	Paid wages for casual labourers	6.00
"	4	Paid for stationery	4.00
"	4	Paid tonga charges	2.00
"	5	Paid for the repairs to chairs	15.00
"	5	Bus fare	1.00
"	5	Cartage	4.00
"	6	Postage and Telegrams	7.00
"	6	Tonga charges	3.00
"	6	Cartage	3.00
"	6	Stationery	2.00
"	6	Refreshments to customers	5.00

[Study Material/RTP Nov.2019(Modified)]

5. Enter the following transaction in Cash Bank with Discount and Bank columns. Cheques are first treated as cash receipts:

2020	Particulars	(₹)
March 1	Cash in Hand	15,000
	Overdraft in Bank	500
2	Cash Sales	3,000
3	Paid to Sushil Bros. by cheque	3,400
	Discount received	100
5	Sales through credit card	2,800
6	Received cheque from Srijan	6,200
7	Endorsed Srijan's cheque in favour of Adit	
9	Deposit into Bank	6,800
10	Received cheque from Aviral and deposited the same into Bank by allowing discount of ₹ 50	3,600
12	Adit informed that Srijan's cheque is dishonoured. Now cash is received from Srijan and amount is paid to Adit through own cheque	
15	Sales through Debit Card	3,200
24	Withdrawn from Bank	1,800
28	Paid to Sanchit by cheque	3,000
30	Bank charged 1% commission on sales through Debit/Credit Cards (3200+2800)	60

Adit Cr cash
Adit Cr Bank
Srijan Dr cash

(ICAI SM)

6. Shri Ramaswamy maintains a Columnar Petty Cash Book on the Imprest System. The imprest amount is ₹ 500. From the following information, show how his Petty Cash Book would appear for the week ended 12th September, 2020:

Date	Particulars	(₹)
7-9-2020	Balance in hand	134.90
	Received Cash reimbursement to make up the imprest	365.10
	Stationery	49.80
8-9-2020	Miscellaneous Expenses	20.90
9-9-2020	Repairs	156.70
10-9-2020	Travelling	68.50
11-9-2020	Stationery	71.40
12-9-2020	Miscellaneous Expenses	6.30
	Repairs	48.30

(ICAI SM)

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

2020		Particulars	(₹)
Nov.	1	Cash in hand	3,000
	1	Cash at bank	12,000
	2	Paid into bank	1,000
	5	Bought furniture and issued cheque	1,500
	8	Purchased goods for cash	500
	12	Received cash from Mohan	980
		Discount allowed to him	20
	14	Cash sales	5,000
	16	Paid to Amar by cheque	1,450
		Discount received	50
	19	Paid into Bank	500
	23	Withdrawn from Bank for Private expenses D [No contra]	600
	24	Received cheque from Parul	1,430
		Allowed him discount	20
	26	Deposited Parul's cheque into Bank	
	28	Withdrew cash from Bank for Office use C	2,000
	30	Paid rent by cheque	800

[May 2018 RTP/Nov.2019 RTP(Modified)/May 2020 RTP/May 2021 RTP]

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Rectification of Errors (Basic Assignment)

Q. No	Questions
1.	How would you rectify the following errors in the book of Rama & Co before preparation of trial balance? **1)** The total to the Purchases Book has been undercast by ₹ 100. **2)** The Returns Inward Book has been undercast by ₹ 50. **3)** A sum of ₹ 250 written off as depreciation on machinery has not been debited to depreciation account. **4)** A payment of ₹ 75 for salaries (to Mohan) has been posted twice to Salaries Account. **5)** The total of Bills Receivable Book ₹ 1,500 has been posted to the credit of Bills Receivable Account. **6)** An amount of ₹ 151 for a credit sale to Hari, although correctly entered in the Sales Book, has been posted as ₹ 115. **7)** Discount allowed to Satish ₹ 25 has not been entered in the Discount Column of the Cash Book. the amount has been posted correctly to the credit of his personal account. If Dr. Suspense we use = By, Cr. Suspense = To **(ICAI SM)**
2.	The following errors were found in the book of Ram Prasad & Sons. Give the necessary entries to correct them. **1)** ₹ 500 paid for furniture purchased has been charged to ordinary Purchases Account. **2)** Repairs made were debited to Building Account for ₹ 50. **3)** An amount of ₹ 100 withdrawn by the proprietor for his personal use has been debited to Trade Expenses Account. **4)** ₹ 100 paid for rent debited to Landlord's Account. **5)** Salary ₹ 125 paid to a clerk due to him has been debited to his personal account. **6)** ₹ 100 received from Shah & Co. has been wrongly entered as from Shaw & Co. **7)** ₹ 700 paid in cash for a typewriter was charged to Office Expenses Account. **(ICAI SM)**
3.	Give journal entries to rectify the following: - **1)** A purchase of goods from Ram amounting to ₹ 150 has been wrongly entered through the Sales Book. **2)** A Credit sale of goods amounting ₹ 120 to Ramesh has been wrongly passed through the Purchase Book. **3)** On 31st December, 2019 goods of the value of ₹ 300 were returned by Hari Saran and were taken into inventory on the same date but no entry was passed in the books. **4)** An amount of ₹ 200 due from Mahesh Chand, which had been written off as a bad debt in a previous year, was unexpectedly recovered, and had been posted to the personal account of Mahesh Chand. **5)** A Cheque for ₹ 100 received from Man Mohan was dishonoured and had been posted to the debit of Sales Returns Account. **(ICAI SM)**
4.	Correct the following errors (i) without opening a suspense account and (ii) opening a suspense account: **a)** The Sales Book has been totalled ₹ 100 short. **b)** Goods worth ₹150 returned by Green & Co. have not been recorded anywhere. **c)** Goods purchased ₹ 250 have been posted to the debit of the supplier Gupta & Co. **d)** Furniture purchased from Gulab & Bros, ₹ 1,000 has been entered in Purchases Day Book. **e)** Discount received from Red & Black ₹ 15 has not been entered in the Discount Column of the Cash Book. **f)** Discount allowed to G. Mohan & Co. ₹ 18 has not been entered in the Discount Column of the Cash Book. The account of G. Mohan & Co. has, however, been correctly posted. **(ICAI SM)**

5. Correct the following errors found in the books of Mr. Dutt. The Trial Balance was out by ₹ 493 excess credit. The difference thus has been posted to a Suspense Account.

a) An amount of ₹ 100 was received from D. Das on 31st December, 2019 but has been omitted to enter in the Cash Book.

b) The total of Returns Inward Book for December has been cast ₹ 100 short.

c) The purchase of an office table costing ₹ 300 has been passed through the Purchases Day Book.

d) ₹ 375 paid for Wages to workmen for making show-cases had been charged to "Wages Account".

e) A purchase of ₹ 67 had been posted to the trade payables' account as ₹ 60.

f) A cheque for ₹ 200 received from P. C. Joshi had been dishonoured and was passed to the debit of "Allowances Account".

g) ₹ 1,000 paid for the purchase of a motor cycle for Mr. Dutt had been charged to "Miscellaneous Expenses Account".

h) Goods amounting to ₹ 100 had been returned by customer and were taken into inventory, but no entry in respect thereof, was made into the books.

i) A sale of ₹ 200 to Singh & Co. was wrongly credited to their account. Entry was made correctly made in sales book.

(ICAI SM)

6. The following errors, affecting the account for the year 2019 were detected in the books of Jain Brothers, Delhi:

1) Sale of old Furniture ₹ 150 treated as sale of goods.
2) Receipt of ₹ 500 from Ram Mohan credited to Shyam Sunder.
3) Goods worth ₹ 100 brought from Mohan Narain have remained unrecorded so far.
4) A return of ₹ 120 from Mukesh posted to his debit.
5) A return of ₹ 90 to Shyam Sunder posted as ₹ 9 in his account.
6) Rent of proprietor's residence, ₹ 600 debited to rent A/c.
7) A payment of ₹ 215 to Mohammad Sadiq posted to his credit as ₹ 125.
8) Sales Book added ₹ 900 short.
9) The total of Bills Receivable Book ₹ 1,500 left unposted.

You are required to pass the necessary rectifying entries and show how the trial balance would be affected by the errors.

(ICAI SM)

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

1) Goods of the value of ₹ 100 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;
2) An amount of ₹ 150 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods;
3) A sale of ₹ 200 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radhe shyam as ₹ 20;
4) Bad Debts aggregating ₹ 450 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 ₹ 250 was not posted.

(ICAI SM)

8. Mr. Roy was unable to agree the Trial Balance last year and wrote out 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: Transportation cost of Employees.

1) Purchase of a scooter was debited to conveyance account ₹ 3,000. $3000 \times \frac{10}{100}$ 3000 − 10% = 270
2) Purchase account was over-cast by ₹ 10,000.
3) A credit purchase of goods from Mr. P for ₹ 2,000 entered as a sale.
4) Receipt of cash from Mr. A was posted to the account of Mr. B ₹ 1,000.
5) Receipt of cash from Mr. C was posted to the debit of his account, ₹ 500.
6) ₹ 500 due by Mr. Q was omitted to be taken to the trial balance.
7) Sale of goods to Mr. R for ₹ 2,000 was omitted to be recorded.
8) Amount of ₹ 2,395 of purchase was wrongly posted as ₹ 2,593.
9) Mr. Roy used 10% depreciation on vehicles. Suggest the necessary rectification entries.

(ICAI SM)

9.	The trial balance of Mr. W & H failed to agree and the difference ₹ 20,570 was put into suspense pending investigation which disclosed that: - **i)** Purchase returns day book had been correctly entered and totalled at ₹ 6,160, but had not been posted to the ledger. **ii)** Discounts received ₹ 1,320 had been debited to discounts allowed. **iii)** The Sales account had been under added by ₹ 10,000. **iv)** A credit sale of ₹ 1,470 had been debited to a customer account at ₹ 1,740. **v)** A vehicle bought originally for ₹ 7,000 four years ago and depreciated to ₹ 1,200 had been sold for ₹ 1,500 in the beginning of the year but no entries, other than in the bank account had been passed through the books. **vi)** An accrual of ₹ 560 for telephone charges had been completely omitted. **vii)** A bad debt of ₹ 1,560 had not been written off and provision for doubtful debts should have been maintained at 10% of trade receivables which are shown in the trial balance at ₹ 23,390 with a credit provision for bad debts at ₹ 2,320. **viii)** Tools bought for ₹ 1,200 had been inadvertently debited to purchases. **ix)** The proprietor had withdrawn, for personal use, goods worth ₹ 1,960. No entries had been made in the books. **Required: -** **i)** Pass rectification entries without narration to correct the above errors before preparing annual accounts. **ii)** Prepare a statement showing effect of rectification on the reported net profit before correction of these errors. **(ICAI SM)**
10.	On-going through the Trial balance of Ball Bearings Co. Ltd. you find that the debit is in excess by ₹ 150. This was credited to "Suspense Account". On a close scrutiny of the books the following mistakes were noticed: **1)** The totals of debit side of "Expenses Account" have been cast in excess by ₹ 50. **2)** The "Sales Account" has been totalled in short by ₹ 100. **3)** One item of purchase of ₹ 25 has been posted from the day book to ledger as ₹ 250. **4)** The sale return of ₹ 100 from a party has not been posted to that account though the Party's account has been credited. **5)** A cheque of ₹ 500 issued to the Suppliers' account (shown under Trade payables) towards his dues has been wrongly debited to the purchases. **6)** A credit sale of ₹ 50 has been credited to the Sales and also to the Trade receivables Account. **You are required to: -** **i)** Pass necessary journal entries for correcting the above; **ii)** Show how they affect the Profits; and **iii)** Prepare the "Suspense Account" as it would appear in the ledger. **(ICAI SM)**
11.	Mr. A closed his books of account on September 30, 2019 in spite of a difference in the trial balance. The difference was ₹ 830 the credits being short; it was carried forward in a Suspense Account. In 2020, following errors were located: **i)** A sale of ₹ 2,300 to Mr. Lala was posted to the credit of Mrs. Mala. **ii)** The total of the Returns Inward Book for July, 2019 ₹ 1,240 was not posted in the ledger. **iii)** Freight paid on a machine ₹ 5,600 was posted to the Freight Account as ₹ 6,500.10% depreciation is charged on this machine. **iv)** White carrying forward the total in the Purchases Account to the next page, ₹ 65,590 was written instead of ₹ 56,950. **v)** A sale of machine on credit to Mr. Mehta for ₹ 9,000 on 30th Sept. 2019 was not entered in the books at all. The book value of the machine was ₹ 6,750. Pass journal entries to rectify the errors. Have you any comments to make? **(ICAI SM)**

12. A merchant's trial balance as on June 30, 2019 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:

i) The total of the Purchases Book of one page, ₹ 4,539 was carried forward to the next page as ₹ 4,593.

ii) A sale of ₹ 573 was entered in the Sales Book as ₹ 753 and posted to the credit of the customer.

iii) A return to a creditor, ₹ 510 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.

iv) Cash received from C. Das, ₹ 620 was posted to the debit of G. Das.

v) Goods worth ₹ 840 were despatched to a customer before the close of the year but no invoice was made out.

vi) Goods worth ₹ 1,000 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 sale price was 25% above cost.

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.

(ICAI SM/January 2021(modified)

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

i) A purchase of ₹ 5,600 from M/s Minu & Co. was recorded in the accounts of M/s Mintu & Co. as ₹ 6,500. Day Book entry has also been passed incorrectly.

ii) A sale of ₹ 9,800 to M/s Bantu Bros. was recorded in M/s Bindu & Co.'s account as ₹ 8,900. Day Book entry has also been incorrectly passed.

iii) Discount allowed ₹ 560 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be ₹ 650, because discount allowed of ₹ 90 to M/s Bantu Bros. has been omitted.

iv) A cheque of ₹ 9,700 drawn by M/s Bantu Bros. has been dishonoured, but wrongly debited to M/s Bhakt & Co.

Should the Trial Balance tally without rectification of errors?

(May 2019 RTP)

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

i) Sale of furniture credited to Sales Account.

ii) Purchase worth ₹ 4,500 from M not recorded in subsidiary books.

iii) Credit sale wrongly passed through the Purchase Book.

iv) Machinery sold on credit to Mohan recorded in Journal Proper but omitted to be posted.

v) Goods worth ₹ 5,000 purchased on credit from Ram recorded in the Purchase Book as ₹ 500.

(Nov.2018 RTP)

15. The following errors were committed by the Accountant of Geete Dye-Chem.

i) Credit sale of ₹ 400 to Trivedi & Co. was posted to the credit of their account.

ii) Purchase of ₹ 420 from Mantri & Co. passed through Sales Day Book as ₹ 240. How would you rectify the errors assuming that:

a) they were detected before preparation of Trial Balance.

b) they were detected after preparation of Trial Balance but before preparing Final Accounts, the difference was taken to Suspense A/c.

c) they were detected after preparing Final Account.

(May 2018 RTP/ Nov. 2019 RTP/Nov. 2020 RTP)

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

1) Goods of the value of ₹ 10,000 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;

2) An amount of ₹ 15,000 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods;

3) A sale of ₹ 20,000 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as ₹ 2,000;

	4) Bad Debts aggregating ₹ 45,000 were written off during the year in the Sales ledger but were not adjusted in the General Ledger; and **5)** The total of "Discount Allowed" column in the Cash Book for the month of September, 2020 amounting to ₹ 25,000 was not posted.
17.	**Give journal entries (narrations not required) to rectify the following: -** **(May 2019 RTP/May 2021 RTP)** **i)** Purchase of furniture on credit from Nigam for ₹ 3,000 posted to Subham account as ₹ 300. **ii)** A Sales Return of ₹ 5,000 to Jyoti was not entered in the financial accounts though it was duly taken in the stock book. **iii)** Investments were sold for ₹ 75,000 at a profit of ₹ 15,000 and passed through Sales account. **iv)** An amount of ₹ 10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.
18.	**(May 2018/May 2020 RTP)** The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed: **i)** Sales Day Book was overcast by ₹ 1,000. **ii)** A sale of ₹ 5,000 to X was wrongly debited to the Account of Y. **iii)** General expenses ₹ 180 was posted in the General Ledger as ₹ 810. **iv)** A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P. **v)** Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account. **vi)** Cash received from Ram was debited to Shyam ₹ 1,500. **vii)** While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325. Find out the amount of the Suspense Account and Pass entries (including narration) for the rectification of the above errors in the subsequent year's books. **(Nov.2018/May 2020 RTP)**
19.	Miss Daisy was unable to agree the Trial Balance last year and wrote off the difference to the profit and loss account of that year. On verifying the old books by a Chartered Accountant next year, the following mistakes were found. **i)** Purchase account was undercast by ₹ 8,000. **ii)** Sale of goods to Mr. Rahim for ₹ 2,500 was omitted to be recorded. **iii)** Receipt of cash from Mr. Ashok was posted to the account of Mr. Anshu ₹ 1,200. **iv)** Amount of ₹ 4,167 of sales was wrongly posted as ₹ 4,617. **v)** Repairs to Machinery was debited to Machinery Account ₹ 1,800. **vi)** A credit purchase of goods from Mr. Paul for ₹ 3,000 entered as sale. Suggest the necessary rectification entries. **(May 2018)**
20.	Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance: **i)** An amount of ₹ 4,500 received on account of interest was credited to Commission account. **ii)** A sale of ₹ 2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at ₹ 2,670. **iii)** ₹ 35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c. **iv)** Goods returned by customer for ₹ 5,000. The same have been taken into stock but no entry passed in the books of accounts. **(May 2019)** **

REDMI NOTE 10 | BY SHIV

Rectification of Errors (Trickery Assignment)

Q. No	Questions
1.	Pass the necessary rectification entries for the following for the year ended 31.12.20X3. **i)** Furniture costing ₹ 1,20,000 was purchased in 20X1, but wrongly debited to Profit and Loss Account. The company normally charges depreciation @ 10% p.a. following written down value method. **ii)** Ram Paid ₹ 30,000 in 20X2, but was wrongly treated as ₹ 30,000 paid to Ram, Cash Book entry was correctly passed. Difference was transferred to Suspense Account. **iii)** Bad debts recovered ₹ 20,000 in 20X3 was treated as Bad Debt. Cash Book entry was passed correctly. **iv)** Purchases Day Book was overcast by ₹ 1,000 and Sales Day Book was undercast by ₹ 800 in 20X3. In 20X3, the Profit and Loss Account of the Company shows a balance of ₹ 2,90,000 before passing rectification entries. Show the corrected profit figure before and after adjustments of prior period items.
2.	Govind closed his books on June 30, 20X1 and prepared the final accounts. However, the books and shown a difference which was transferred to the Capital Account. Later the following errors were found: - **i)** Repairs to the delivery van, ₹ 5,000 were debited to the Van Account as ₹ 7,000. Depreciation @ 20% was provided on the closing balance. **ii)** In the Cash Book, the total of the bank column on one page (Dr.). ₹ 10,240 was carried forward to the next page as ₹ 10,420. **iii)** Goods returned by Manoj ₹ 2,200, were not entered in the books. **iv)** The total of the inventory sheets as on 30-6-20X1 was found to be ₹ 2,000 short. **v)** The total of the Discount Column (Cr.) ₹ 320 for April, 20X1 was found posted to the debit of the Discount A/c **vi)** A dividend of ₹ 820 received from the estate of Verma, an insolvent, was found posted to the credit of his account. The amount was previously written off as bad Debt. Give Journal entries to rectify the errors given above.
3.	The books of Mahesh were closed on Dec. 31,20X1 with a Suspense Account showing a credit balance of ₹ 820. In 20X1 the following errors were located: - **i)** In November, 20X1 the total of the Sales Book on one page was carried forward to the next page as ₹ 52,260 instead of ₹43,260. **ii)** Furniture of the books value of ₹ 7,000 was sold for ₹ 8,200 to Laxman but the amount was entered in the Sales Book. In 20X1, 10% depreciation was charged on the closing balance of all asset accounts. **iii)** The total of the Discount Column (Cr.) for December, 20X1, ₹ 480. was not posted in the ledger. **iv)** Goods returned to Harsh in October 20X1, costing ₹ 1,300. were not recorded in the books at all. **v)** ₹ 6,200, Goods purchased from Gopal, a supplier, were debited to the account of Govind, a customer- the amount was correctly entered in the Purchases Book. Pass journal entries to rectify the errors and make any comments that you may have to make.
4.	A book keeper, while preparing his trial balance finds that the debit exceeds by ₹ 14,500. Being required to prepare the final accounts. He places the difference to a Suspense Account. In the next year. The following mistakes were discovered.: - **a)** A sale of ₹ 8,000 has been passed through the Purchase Day-book. The entry in customer's account has been correctly recorded. **b)** Goods worth ₹ 5,000 taken away by the proprietor for his use has been debited to Repairs Account. **c)** A Bill receivable for ₹ 2,600 received from Govind has been dishonoured on maturity, but no entry passed. **d)** Salary ₹ 1,300 paid to a clerk has been debited to his Personal Account. **e)** A Purchase of ₹ 1,500 from Rajesh has been debited to his account. Purchases Account has been correctly debited.

	f) A sum of ₹ 4,500 written off as depreciation on furniture has not been debited to Depreciation Account. Draft the Journal entries for rectifying the above mistakes and prepare Suspense Account.
5.	An accountant could not tally Trial Balance. The difference was temporality placed to Suspense Account for preparing the final accounts: - The following errors were later discovered. **a)** The sales book was undercast by ₹ 100 **b)** Entertainment expenses ₹190. Through entered in the Cash Book but not posted in the ledger. **c)** Discount column of the receipts side of the Cash Book was wrongly added as ₹ 280 instead of ₹ 240. **d)** Commission of ₹ 50 paid was posted twice once to discount account and once to commission account. **e)** A sale of ₹ 278 to Ramesh though correctly entered in Sales Boo, was posted wrongly to his account as ₹ 386. **f)** A Purchase from Laxman of ₹ 184 though correctly entered in the Purchase Book, was wrongly debited to the personal account: - **You are required to: -** **i)** Pass the necessary rectifying entries. **ii)** Prepare Suspense Account and **iii)** State the effect of each of the rectification on the profit. What would be the correct profit if the profit originally arrived at was ₹ 20,000?
6.	The trial balance of Mr. Govind on 31st March, 20X1 did not balance. The difference was transferred to a Suspense Account. Later on following errors were discovered. **1)** Discount allowed ₹92 had been posted to the credit of discount received account as ₹128. **2)** Defective furniture costing ₹2,400 returned to M/s. Furniture Trading Co. had been recorded in the books as goods purchased. **3)** Received one bill of ₹2,000 from Ramesh passed through Bills Payable Book. **4)** A cheque of ₹1,500 received for loss of stock by fire had been deposited in the proprietor's personal bank account. **5)** An amount of ₹600 was received in full settlement from a customer after allowing him a discount of ₹100, but while writing the cash book, the amount received was entered in the discount column and discount allowed was entered in the cash column. Pass necessary Journal entries to rectify above errors.
7.	Rectify the following errors by way of Journal Entries and work out their effect on the Profit and Loss Account of the business: **1)** Return inwards book for December was short totalled by ₹200 **2)** ₹11,620 being cash paid to Govind was debited to Gopal as ₹10,020. **3)** ₹3,000 worth of furniture purchased on credit was debited to Purchases Account. **4)** A purchase made for ₹1,000 was posted to the Purchases Account as ₹100. **5)** Wages paid for erection of Machinery amounting to ₹1,400 was debited to Wages Account. **6)** Goods purchased for proprietor's use for ₹2,000 was debited to Purchases Account. **7)** A sum of ₹2,000 written off machinery has not been posted to Depreciation Account. **8)** ₹200 received from Ramesh has been debited to Sanjay. **9)** ₹2,300 received from Mohan was debited to his account. **10)** Purchase return worth ₹1,960 to Kishan were not recorded in the books.
8.	Rectify the following errors found in the books of Mr. Y. The Trial Balance has ₹1,860 excess credit. The difference has been posted to a Suspense Account: - **i)** The total of Return inward book has been cast ₹2,000 short. **ii)** The purchase of an office table costing ₹6,000 has been passed through the Purchase Day Book. **iii)** ₹7,500 paid for wages to workmen for making show cases had been charged to Wages Account. **iv)** A purchase of ₹1,340 had been posted to the creditor's A/c ₹1,200. **v)** A cheque for ₹4,000 received from Mr. Manoj had been dishonoured and was posted to the debit of "Allowance Account". After rectification reflect the transactions in the Suspense A/c.

9.	In taking out a Trial Balance, a book keeper finds that debit total exceeds the credit total by ₹704. The amount is placed to the credit of a newly opened Suspense Account. Subsequently the following mistakes were discovered. You are required to pass the necessary entries for rectifying the mistakes and show the Suspense A/c. **a)** Sales day book was overcast by ₹200. **b)** A sales of ₹100 to Govind was wrongly debited to Gopal. **c)** General Expenses ₹36 was posted as ₹160. **d)** Cash received from Shri Govind was debited to his A/c ₹300. **e)** While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹2,470 was entered as ₹2,650.
10.	The books of Raman did not agree. The accountant put the difference in a Suspense Account. Rectify the following errors and prepare the Suspense Account. **a)** The total of the Return Outwards Book, ₹420, has not been posted in the ledger. **b)** A purchase of ₹800 from Sanjay has been entered in the Sales Book. However, Sanjay's account has been correctly credited. **c)** A sale of ₹860 to Rama has been credited in his account as ₹680. **d)** A sale of ₹592 to Krishan has been entered in the Sales Book as ₹538. **e)** Old furniture sold for ₹1080 has been entered in the Sales Account as ₹900. **f)** Goods taken by proprietor, ₹200, have not been entered in the books at all.

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Bill of Exchange (Basic Assignment)

Q. No	Questions
1.	Vijay sold goods to Pritam on 1st September, 2019 for ₹ 1,06,000. Pritam immediately accepted a three months bill. On due date Pritam requested that the bill be renewed for a fresh period of two months. Vijay agrees provided interest at 9% was paid immediately in cash. To this Pritam was agreeable. The second bill was met on due date. Give Journal entries in the books of Vijay and Pritam. **(ICAI SM)**
2.	On 1st January, 2020, Ankita sells goods for ₹ 5,00,000 to Bhavika and draws a bill at three months for the amount. Bhavika accepts it and returns it to Ankita. On 1st March, 2020, Bhavika retires her acceptance under rebate of 12% per annum. Record these transactions in the journals of Ankita and Bhavika. **(ICAI SM)**
3.	Journalise the following transactions in K. Katrak's books. **i)** Katrak's acceptance to Basu for ₹ 2,500 discharged by a cash payment of ₹ 1,000 and a new bill for the balance plus ₹ 50 for interest. **ii)** G. Gupta's acceptance for ₹ 4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid ₹ 20 noting charges. Bill withdrawn against cheque. [Mehta ko cheque se pay karo] **iii)** D. Dalal retires a bill for ₹ 2,000 drawn on him by Katrak for ₹ 10 discount. **iv)** Katrak's acceptance to Patel for ₹ 5,000 discharged by Patel. Mody's acceptance to Katrak for a similar amount. **(ICAI SM/Nov. 2018 RTP/October 2019 MTP/May 2021 RTP)**
4.	Mr. David draws two bills of exchange on 1.1.2020 for ₹ 6,000 and ₹ 10,000. The bill of exchange for ₹ 6,000 is for two months while the bill of exchange for ₹ 10,000 is for three months. These bills are accepted by Mr. Thomas. On 4.3.2020, Mr. Thomas requests Mr. David to renew the first bill with interest at 18% p.a. for a period of two months. Mr. David agrees to this proposal. On 20.3.2020, Mr. Thomas retires the acceptance for ₹ 10,000, the interest rebate i.e. discount being ₹ 100. Before the due date of the renewed bill, Mr. Thomas becomes insolvent and only 50 paise in a rupee could be recovered from his estate. You are to give the journal entries in the books of Mr. David. **(ICAI SM)**
5.	Rita owed ₹ 1,00,000 to Siriman. On 1st October, 2019, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for ₹ 99,000 on 3rd October, 2019. On the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that ₹ 50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate. Pass journal entries (with narration) in the books of Siriman. **[ICAI SM/May 2018 RTP(Modified)/May 2019 RTP/Nov. 2019 RTP/Nov.2020 RTP]**
6.	On 1st July, 2020 Gorge drew a bill for ₹ 1,80,000 for 3 months on Harry for mutual accommodation. Harry accepted the bill of exchange. Gorge had purchased goods worth ₹ 1,81,000 from Jack on the same date. Gorge endorsed Harry's acceptance to Jack in full settlement. On 1st September, 2020, Jack purchased goods worth ₹ 1,90,000 from Harry. Jack endorsed the bill of exchange received from Gorge to Harry and paid ₹ 9,000 in full settlement of the amount due to Harry. On 1st October, 2020, Harry purchased goods worth ₹ 2,00,000 from Gorge. Harry paid the amount due to Gorge by cheque. Give the necessary journal entries in the books of Harry and Gorge. **(ICAI SM)**
7.	For the mutual accommodation of 'X' and 'Y' on 1st April, 2020, 'X' drew a 4 month' bill on 'Y' for ₹ 4,000. 'Y' returned the bill after acceptance on the same date. 'X' discounts the bill from his bankers @ 6% per annum and remits 50% of the proceeds to 'Y'. On due date 'X' is unable to send the amount due and therefore 'Y' draws a bill for ₹ 7,000, which is duly accepted by 'X'. 'Y' discounts the bill for ₹ 6,600 and sends ₹ 1,300 to 'X'. Before the bill is due for payment 'X' becomes insolvent. Later 25 paise in a rupee received from his estate. Record Journal entries in the books of 'X'. **(ICAI SM)**

8.	Anil draws a bill for ₹ 9,000 on Sanjay on 5th April, 2020 for 3 months, which Sanjay returns it to Anil after accepting the same. Anil gets it discounted with the bank for ₹ 8,820 on 8th April, 2020 and remits one-third amount to Sanjay. On the due date, Anil fails to remit the amount due to Sanjay, but he accepts a bill for ₹ 12,600 for three months, which Sanjay discounts it for ₹ 12,330 and remits ₹ 2,220 to Anil. Before the maturity of the renewed bill, Anil becomes insolvent and only 50% was realized from his estate on 15th October, 2020. Pass necessary journal entries for the above transactions in the books of Anil. **(ICAI SM/November2020 modified)**
9.	A draw upon B three bills of exchange of ₹ 3,000, ₹ 2,000 and ₹ 1,000 respectively. A week later his first bill was mutually cancelled, B agreeing to pay 50% of the amount in cash immediately and for the balance plus interest ₹ 100, he accepted a fresh bill drawn by A. This new bill was endorsed to C who discounted the same with his bankers for ₹ 1,500. The second bill was discounted by A at 5%. This bill on maturity was returned dishonored (nothing charge being ₹ 30). The third bill was retained till maturity when it was duly met. Give the necessary journal entries recording the above transactions in the books of A. **(ICAI SM)**
10.	Journalize the following in the books of Don: - **i)** Bob informs Don that Ray's acceptance for ₹ 3,000 has been dishonoured and noting charges are ₹ 40. Bob accepts ₹ 1,000 cash and the balance as bill at 3 months at interest of 10%. Don accepts from Ray his acceptance at two months plus interest @ 12% p.a. **ii)** James owes Don ₹ 3,200; he sends Don's own acceptance in favour of Ralph for ₹ 3,160; in full settlement. **iii)** Don meets his acceptance in favour of Singh for ₹ 4,500 by endorsing John's acceptance for ₹ 4,450 in full settlement. **iv)** Ray's acceptance in favour of Don retired one month before due date, interest is taken at the rate of 6% p.a. **(ICAI SM)**
11.	On 1st January 2020, Akshay draws two bills of exchange for ₹ 16,000 and ₹ 25,000. The bill of exchange for ₹ 16,000 is for two months while the bill of exchange for ₹ 25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2020, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2020, Vishal retires the acceptance for ₹ 25,000, the interest rebate i.e. discount being ₹ 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paisa in a rupee could be recovered from his estate. Show the journal entries (with narrations) in the books of Akshay. **(May 2020 RTP/May 2019)**
12.	Ms. Sujata receives two bills from Ms. Aruna dated 1st January 20X1 for 2 months. The first bill is for 10,200 and the second bill is for ₹ 15,000. The second bill was endorsed in favour or Mr. sree on 3rd January 20X1, and the First bill is discounted immediately with the bank for ₹ 10,000. Pass the necessary Journal entities in the books of Ms. Sujata. **(ICAI SM)**
13.	X draws on Y a bill of exchange for ₹ 30,000 on 1st April, 20X1 for 3 months. Y accepts the bill and sends it to X who gets it discounted for ₹ 28,800. X immediately remits ₹ 9,600 to Y. On the due date, X, being unable to remit the amount due, accepts a bill for ₹ 42,000 for three months which is discounted by Y for ₹ 40,110. Y sends ₹ 6,740 to X. Before the maturity of the bill X becomes bankrupt, his estate paying fifty paise in the rupee. Give the Journal entries in the books of X and Y. **(ICAI SM)**
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Bill of Exchange (Trickery Assignment)

Q. No	Questions
1.	Amit drew upon Aryan three bills of exchange of ₹ 20,000, ₹ 16,000 and ₹ 12,000 respectively. A week later the first bill for ₹ 20,000 was cancelled by mutual agreement. Aryan paid ₹ 8,000 in cash and for the balance amount together with interest₹ 1,200, he accepted a new bill. This new bill was endorsed to Abhishek along with a cheque for ₹ 4,000 in full settlement of his claim for ₹ 18,000. The second bill for ₹ 16,000 was discounted by Amit, for ₹ 15,500. All the bills were dishonoured at maturity as Aryan became insolvent. However, his estates realised 40 paise per rupee. Noting charges incurred by Amit ₹ 150 and by Abhishek ₹ 100. Prepare Bills receivable account, Aryan's account and Abhishek's account in the books of Amit reflecting the above mentioned transactions.
2.	A bill for ₹ 9,000 is drawn by Raman & Co. on Shyam & Co. and accepted by the latter payable at the Central Bank of India. Show what entries would be passed in the books of both the parties under each of the following circumstances: - **i)** If they retained the bill till the due date and then realised it on maturity. **ii)** If they discounted it with their bankers, the Bank of Baroda Ltd. For ₹ 8,760. **iii)** If they endorsed it over to their creditors Manoj & Co. in settlement of their debt ₹ 9040. **iv)** If they sent the same to their bankers for collection.
3.	Amit and Ajay were friends and in need of funds. On 1st January, Amit drew a bill for ₹ 4,00,000 for 3 months on Ajay. On 4th January, Amit got the bill discounted at 10% p.a. and remitted half of the proceeds to Ajay. At maturity, Amit failed to remit the balance amount. Thereafter, Amit accepted Ajay's bill for ₹ 2,40,000 on 4th April for two months. This was discounted by Ajay at 12% p.a, out of this, ₹ 39,200 was paid to Amit after deducting ₹ 800 Discounting charges. Due to financial crists, Amit became insolvent and the bill drawn on him was dishonoured and his estate paid 50% Days of grace for discount purposes may be ignored. Give journal entries in the books of Amit. Also prepare Ajay's Account in Amit's books and Amit's Account in the books of Ajay.
4.	Arun, for the mutual accommodation of himself and Naman draws upon the latter a bill at 3 months date for ₹ 50,000 dated 1st January. The bill is discounted by Arun at 20% per annum, and half the proceeds are remitted to Naman. Naman, at the same time, draws a bill at 3 months on Arun for ₹ 40,000. After securing Arun's acceptance. The bill is discounted at 18% p.a. by Naman, who remits half the proceeds to Arun. Naman becomes insolvent on 31st March, and 25 paise in the rupee is received on 5th May as first and final dividend from his estate. Pass Journal entries in the books of Arun.
5.	On 1st January 20X1, Govind drew and Gopal accepted a bill at three months for ₹ 8,000. On 4th January 20X1, Govind discounted the bill at his bank at 15% per annum and remitted half the proceeds to Gopal. On 1st February 20X1, Gopal drew and Govind accepted a bill at four months for ₹ 6,000. On 4th February 20X1, Goapl discounted the bill at 15% per annum with his bank and remitted half the proceeds to Govind. They both agreed to share the discount equally. At maturity Govind met his acceptance, but Gopal dishonoured bill and Govind had to pay it. Govind drew and Gopal accepted a new bill at three months for the original bill plus interest at 18% per annum. On 1st July 20X1. Gopal became insolvent and only 50 paise in the rupee were received from him. Record the above transaction in Govind's Journal.
6.	Sanjay and Bhavi have a number of transactions on Bills of Exchange between them. You are required to show the Journal Entries in their books in respect of the following transactions. **1.1.20X1:** Sanjay draws a Bill on Bhavi for ₹ 30,900 payable after a month, inclusive of interest at 3% per month. **1.1.20X1:** Sanjay discounts a Bill for ₹ 50,000 drawn on 30.12.20X0 with his Bank. Discounting charges being 15 percent per annum. The Bill is payable on 3.2.20X1. **4.1.20X1:** Sanajy endorses the Bill for ₹ 30,900 to favour of Laxman towards accounts. **1.2.20X1:** Bhavi pays the Bill for ₹ 30,900.

	4.2.20X1: The Bill for ₹ 50,000 is returned by Sanjay's Bankers as unpaid with their charges of ₹ 20.
7.	Enter the following transactions in the Bills Receivable Book of Bhagwan: - 20X1 **Feb. 1: -** Drew on Gopal at 30 days sight ₹ 20,000 against sales. **Feb. 2 : -** Drew on Rama at 45 days sight ₹ 31,500 against sales. Drew on Gopal at 30 days sight ₹ 28,400 against sales. **Feb. 3:-** Drew on Rama at 45 days sight ₹ 32,000 against sales. On the 4th February all the above bills were discounted by Bhagwan with his Bank, the discount rates being: - **a)** ₹ 15 per thousand in the case of 30 days Bills; and **b)** ₹ 22.50 per thousand in the case of 45 days Bills. Fractions of thousand are treated as a thousand for discount rate purposes. Show also the entries in the books of Bhagwan in : **i)** Bills Receivable A/c **ii)** Gopal's A/c and Rama's A/c
8.	Rohit owed Ravi ₹ 1,40,000 for which he accepted a bill drawn on him by Ravi payable after 3 months from 1-1-20X1. On the 4th Jan the bill was discounted by the drawer with his bank for @ 5% value. The bill was not met on the due date and the bank therefore. Debited the same to the drawer's account with ₹ 20 incidental charges and ₹ 80 overdue interest on 10 the April. The drawee settled the bills value together with costs on 11th April. Pass Journal entries in the books of Rohit and Ravi for the above transactions.
9.	A draws a bill for ₹ 6,000 and B accepts the same for the mutual accommodation of both of them to the extent of A 2/3 and B 1/3. A discounts the same for ₹ 5,640 and remits 1/3rd of the proceeds to B. Before the due date, B draws another bill for ₹ 8,400 on A in order to provide funds to meet the first bill. The second bill is discounted for ₹ 8,160 with the help of which the first bill is met and ₹1,440 are remitted to A, Before the due date of the second bill. A becomes bankrupt and B receives a dividend of 50 paise in the rupee in full satisfaction. Pass the necessary Journal entries in the books of A.
10.	Lalit for mutual accommodation draws a bill for ₹ 6,000 on Suraj. Lalit discounted the bill for ₹ 5,850 and remits ₹1,950 to Suraj. On the due date Lalit is unable to remit her dues to Suraj to enable his to meet the bill, he. However, accepts a bill for ₹ 7,500 which Suraj discounts for ₹7,050. Suraj sends ₹ 350 to Lalit, Lalit becomes insolvent and a dividend of 80 paise in the rupee is received from her estate. Pass Journal entries and show the account of Suraj in the books of Lalit.

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Bank Reconciliation Statement (BRS) (Basic Assignment)

Q. No	Questions
1.	From the following particulars, prepare a Bank Reconciliation Statement for Jindal outset Ltd. **1)** Balance as per cash book is ₹ 2,40,000 **2)** Cheques issued but not presented in the bank amounts to ₹ 1,36,000. **3)** Cheques deposited in bank but not yet cleared amounts to ₹ 90,000. **4)** Bank charges amounts to ₹ 300. **5)** Interest credited by bank amounts to ₹ 1,250. **6)** The balance as per pass book is ₹ 2,86,950. **(ICAI SM)**
2.	On 31st March 2020, the Bank Pass Book of Namrata showed a balance of ₹ 1,50,000 to her credit while balance as per cash book was ₹ 1,12,050. On scrutiny of the two books, she ascertained the following causes of difference: **i)** She has issued cheques amounting to ₹ 80,000 out of which only ₹ 32,000 were presented for payment. **ii)** She received a cheque of ₹ 5,000 which she recorded in her cash book but forgot to deposit in the bank. **iii)** A cheque of ₹ 22,000 deposited by her has not been cleared yet. **iv)** Mr. Gupta deposited an amount of ₹ 15,700 in her bank which has not been recorded by her in Cash Book yet. **v)** Bank has credited an interest of ₹ 1,500 while charging ₹ 250 as bank charges. Prepare a bank reconciliation statement. **(ICAI SM)**
3.	From the following particulars ascertain the balance that would appear in the Bank Pass Book of A on 31st December, 2019. **1)** The bank overdraft as per Cash Book on 31st December, 2019 ₹ 6,340. **2)** Interest on overdraft for 6 months ending 31st December, 2019 ₹ 160 is entered in Pass Book. **3)** Bank charges of ₹ 400 are debited in the Pass Book only. **4)** Cheques issued but not cashed prior to 31st December, 2019, amounted to ₹ 11,68,000. **5)** Cheques paid into bank but not cleared before 31st December, 2019 were for ₹22,17,000. **6)** Interest on investments collected by the bank and credited in the Pass Book ₹ 12,00,000. **(ICAI SM)**
4.	On 30th September, 2019, the bank account of X, according to the bank column of the Cash-Book, was overdrawn to the extent of ₹ 4,062. On the same date the bank statement showed a debit balance of ₹ 20,758 in favour of X. An examination of the Cash Book and Bank Statement reveals the following: **1)** A cheque for ₹ 13,14,000 deposited on 29th September, 2019 was credited by the bank only on 3rd October, 2019 **2)** A payment by cheque for ₹ 16,000 has been entered twice in the Cash Book. **3)** On 29th September, 2019, the bank credited an amount of ₹ 1,17,400 received from a customer of X, but the advice was not received by X until 1st October, 2019. **4)** Bank charges amounting to ₹ 580 had not been entered in the Cash Book. **5)** On 6th September, 2019, the bank credited ₹ 20,000 to X in error. **6)** A bill of exchange for ₹ 1,40,000 was discounted by X with his bank. This bill was dishonoured on 28th September, 2019 but no entry had been made in the books of X. **7)** Cheques issued up to 30th September, 2019 but not presented for payment up to that date totalled ₹ 13,26,000. **You are required: -** **a)** To show the appropriate rectifications required in the Cash Book of X, to arrive at the correct balance on 30th September, 2019; and **b)** To prepare a bank reconciliation statement as on that date. **[ICAI SM /Aug 2018, Oct 2019 MTP/Nov. 2019 RTP(Modified)]**

5	On 31st December 2019, the bank column of A. Philip's cash book showed a debit balance of ₹ 4,610. On examination of the cash book and bank statement, you find that: **i)** Cheques amounting to ₹ 6,30,000 which were issued to trade payables and entered in the cash book before 31st December 2019 were not presented for payment until that date. **ii)** Cheques amounting to ₹ 2,50,000 had been recorded in the cash book as having been paid into the bank on 31st December 2019 but were entered in the bank statement on 1st January 2020. **iii)** A cheque for ₹ 73,000 had been dishonoured prior to 31st December 2019, but no record of this fact appeared in the cash book. **iv)** A dividend of ₹ 3,80,000, paid directly to the bank had not been recorded in the cash book. **v)** Bank interest and charges amounting to ₹ 4,200 had been charged in the bank statement but not entered in the cash book. **vi)** No entry had been made in the cash book for a trade subscription of ₹ 10,000 paid to vide banker's order in November 2019. **vii)** A cheque for ₹27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December 2019. **You are required: -** **a)** To make appropriate adjustments in the cash book bringing down the correct balance, and **b)** To prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement. **(ICAI SM)**
6.	From the following information, prepare a bank reconciliation statement as at 31st December, 2019 for Messers New steel Limited: 1) Bank overdraft as per Cash Book on 31st December, 2019 — 22,45,900 2) Interest debited by Bank on 26th December, 2019 but no advice received — 2,78,700 3) Cheque issued before 31st December, 2019 but not yet presented to Bank — 6,60,000 4) Transport subsidy received from the State Government directly by the Bank but not advised to the company — 14,25,000 5) Draft deposited in the Bank, but not credited till 31st December, 2019 — 13,50,000 6) Bills for collection credited by the Bank till 31st December, 2019 but no advice received by the company — 8,36,000 7) Amount wrongly debited to company account by the Bank, for which no details are available — 7,40,000 **(ICAI SM)**
7.	The Cash Book of Mr. Gadbadwala shows ₹ 8,36,400 as the balance at Bank as on 31st December, 2019, but you find that it does not agree with the balance as per the Bank Pass Book. On scrutiny, you find the following discrepancies: 1) On 15th December, 2019 the payment side of the Cash Book was undercast by ₹ 10,000. 2) A cheque for ₹ 1,31,000 issued on 25th December, 2019 was not taken in the bank column. 3) One deposit of ₹ 1,50,000 was recorded in the Cash Book as if there is no bank column therein. 4) On 18th December, 2019 the debit balance of ₹ 15,260 as on the previous day, was brought forward as credit balance. 5) Of the total cheques amounting to ₹ 11,514 drawn in the last week of December, 2019, cheques aggregating ₹ 7,815 were encashed in December. 6) Dividends of ₹ 25,000 collected by the Bank and subscription of ₹ 1,000 paid by it were not recorded in the Cash Book. 7) One out-going Cheque of ₹ 3,50,000 was recorded twice in the Cash Book. Prepare a Reconciliation Statement. **(ICAI SM)**

8. The following are the Cash Book (bank column) and Pass Book of Jain for the months of March, 2020 and April, 2020:

Cash Book (Bank Column Only)

Dr. | | | | | Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
01/3/2020	To Balance b/d	60,000	03/3/2020	By Cash A/c	2,00,000
06/3/2020	To Sales A/c	3,00,000	07/3/2020	By Modi	60,000
10/3/2020	To Ram	65,000	12/3/2020	By Patil	30,000
18/3/2020	To Singhal	2,70,000	18/3/2020	By Suresh	40,000
25/3/2020	To Goyal	33,000	24/3/2020	By Ramesh	1,50,000
31/3/2020	To Patel	65,000	30/3/2020	By Balance c/d	3,13,000
		7,93,000			**7,93,000**

Pass Book

Date	Particulars	Amount (Dr.)	Amount (Cr.)	Balance
1/4/2020	By Balance b/d		3,65,000	3,65,000
3/4/2020	By Goyal		33,000	3,98,000
5/4/2020	By Patel		65,000	4,63,000
7/4/2020	To Naresh	2,80,000		1,83,000
12/4/2020	To Ramesh	1,50,000		33,000
15/4/2020	To Bank Charges	200		32,800
20/4/2020	By Usha		17,000	49,800
25/4/2020	By Kalpana		38,000	87,800
30/4/2020	To Sunil	6,200		81,600

Reconcile the balance of cash book on 31/3/2020.

(ICAI SM)

9. When Nikki & Co. received a Bank Statement showing a favourable balance of ₹ 10,39,200 for the period ended on 30th June, 2020 this did not agree with the balance in the cash book.
An examination of the Cash Book and Bank Statement disclosed the following:

1) A deposit of ₹ 3,09,200 paid on 29th June, 2020 had not been credited by the Bank until 1st July, 2020.
2) On 30th March, 2020 the company had entered into hire purchase agreement to pay by bank order a sum of ₹ 3,00,000 on the 10th of each month, commencing from April, 2020. No entries had been made in Cash Book. [June takk done hai] Period End hota hai 3 Months
3) A customer of the firm, who received a cash discount of 4% on his account of ₹ 4,00,000 paid the firm a cheque on 12th June. The cashier erroneously entered the gross amount in the bank column of the Cash Book.
4) Bank charges amounting to ₹ 3,000 had not been entered in Cash-Book.
5) On 28th June, a customer of the company directly deposited the amount in the bank ₹ 4,00,000, but no entry had been made in the Cash Book.
6) ₹ 11,200 paid into the bank had been entered twice in the Cash Book.
7) A debit of ₹ 11,00,000 appeared in the Bank Statement for an unpaid cheque, which had been returned marked 'out of date'. The cheque had been re-dated by the customer and paid into Bank again on 5th July, 2020.

Prepare Bank Reconciliation Statement on 30 June, 2020.

(ICAI SM)

10. From the following particulars prepare a bank reconciliation statement as on 31st December 2019:

i) On 31st December, 2019 the cash-book of a firm showed a bank balance of ₹ 60,000 (debit balance).
ii) Cheques had been issued for ₹ 15,00,000, out of which cheques worth ₹ 4,00,000 only were presented for payment.
iii) Cheques worth ₹ 11,40,000 were deposited in the bank on 28th December, 2019 but had not been credited by the bank. In addition to this, one cheque for ₹ 5,00,000 was entered in the cash book on 30th December, 2019 but was banked on 3rd January, 2020.
iv) A cheque from Susan for ₹ 4,00,000 was deposited in the bank on 26th December 2019 but was dishonoured and the advice was received on 2nd January, 2020.

v) Pass-book showed bank charges of ₹ 2,000 debited by the bank.
vi) One of the debtors deposited a sum of ₹ 5,00,000 in the bank account of the firm on 20th December, 2019 but the intimation in this respect was received from the bank on 2nd January, 2020.
vii) Bank pass-book showed a credit balance of ₹ 3,82,000 on 31st December, 2019.

(ICAI SM/January 2021 (modified)

11. According to the cash-book of Gopi, there was a balance of ₹ 44,50,000 in his bank on 30th June, 2020.

On investigation you find that:

i) Cheques amounting to ₹ 6,00,000 issued to creditors have not been presented for payment till the date.

ii) Cheques paid into bank amounting to ₹ 11,05,000 out of which cheques amounting to ₹ 5,50,000 only collected by the bank up to 30th June 2020.

iii) A dividend of ₹ 40,000 and rent amounting to ₹ 6,00,000 received by the bank and entered in the pass-book but not recorded in the cash book.

iv) Insurance premium (up to 31st December, 2020) paid by the bank ₹ 27,000 not entered in the cash book.

v) The payment side of the cash book had been under casted by ₹ 5,000.

vi) Bank charges ₹ 1,500 shown in the pass book had not been entered in the cash book.

vii) A bill payable of ₹ 2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 60,000 had been discounted with the bank at a cost of ₹ 1,000 which had also not been recorded in cash book.

Required: -

a) to make the appropriate adjustments in the cash book, and

b) to prepare a statement reconciling it with the bank pass book.

(ICAI SM)

12. Prepare a bank reconciliation statement as on 30th September, 2020 from the following particulars:

Particulars	(₹)
Bank balance as per pass-book	10,00,000
Cheque deposited to the bank but no entry was passed in the cash-book	5,00,000
Cheque received but not sent to bank	11,20,000
Credit side of the bank column cast short	2,000
Insurance premium paid directly by the bank under the standing advice	60,000
Bank charges entered twice in the cash book	2,000
Cheque issued, but not presented to the bank for payment	5,00,000
Cheque received entered twice in the cash book	10,000
Bills discounted dishonoured not recorded in the cash book	5,00,000

(ICAI SM)

13. Prepare a bank reconciliation statement from the following particulars on 31st March, 2020:

Particulars	(₹)
Debit balance as per bank column of the cash book	37,20,000
Cheque issued to creditors but not yet presented to the bank for payment	7,20,000
Dividend received by the bank but not yet entered in the cash book	5,00,000
Interest allowed by the bank	12,500
Cheques deposited into bank for collection but not collected by bank up to this date.	15,40,000
Bank charges	2,000
A cheque deposited into bank was dishonoured, but no intimation received	3,20,000
Bank paid house tax on our behalf, but no information received from bank in this connection.	3,50,000

[ICAI SM/May 2020 RTP(Modified)/Nov. 2018]

14. **Prepare a Bank Reconciliation Statement of Shri Hari as on 31st March, 2020: -**

i) Balance as per Pass Book is ₹ 10,000.

ii) Bank collected a cheque of ₹ 500 on behalf of Shri Hari but wrongly credited it to Shri Hari's Account (another customer of bank).

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	iii) Bank recorded a cash deposit of ₹ 1,589 as ₹ 1,598. **iv)** Withdrawal column of the Pass Book undercast by ₹ 100. **v)** The credit balance of ₹ 1,500 on page 5 was recorded on page 6 as debit balance. **vi)** The payment of a cheque of ₹ 350 was recorded twice in the Pass Book. **vii)** The Pass Book showed a credit for a cheque of ₹ 1,000 deposited by Shri Hari (another customer of the bank).
15.	**(Nov. 2018 RTP)** On 30th November, 2020, the Cash Book of Mr. Hari showed an overdrawn position of ₹ 4,480 although his Bank Statement showed only ₹ 3,200 overdrawn. An examination of the two records showed the following errors: - **v)** The debit side of the Cash Book was undercast by ₹ 400. **vi)** A cheque for ₹ 1,600 in favour of Y suppliers Ltd. was omitted by the bank from the statement, the cheque was debited to another customer's Account. **vii)** A cheque for ₹ 172 drawn for payment of telephone bill was recorded in the Cash Book as ₹ 127 but was shown correctly in the Bank Statement. **viii)** A cheque for ₹ 425 from Mr. Pal paid into bank was dishonoured and shown as such on the Bank Statement, although no entry relating to the dishonoured cheque was made in the Cash Book. **ix)** The Bank had debited a cheque for ₹ 150 to Mr. Hari's Account by mistake, it should have been debited by them to Mr. Kar's Account. **x)** A dividend of ₹ 100 was collected by the bank but not entered in the Cash Book. **xi)** Cheques totalling ₹ 1,300 drawn on November was not presented for payment. **xii)** Cheque for ₹ 1,200 deposited on 30th November was not credited by the Bank. **xiii)** Interest amounting to ₹ 300 was debited by the Bank but yet to be entered in the Cash Book. You are required to prepare a Bank Reconciliation Statement on 30th November, 2020. **(May 2019 RTP)**
16.	Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2020 from the particulars given below: - **i)** The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2020. **ii)** A cheque worth ₹ 400 directly deposited into Bank by customer but no entry was made in the Cash Book. **iii)** Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2020. **iv)** A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank. **v)** Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under. **1)** Cheques collected before 30th June, 2020, ₹ 14,000. **2)** Cheques collected on 10th July, 2020, ₹ 4,000. **3)** Cheques collected on 12th July, 2020, ₹ 2,000. **vi)** The Bank made a direct payment of ₹ 600 which was not recorded in the Cash Book. **vii)** Interest on Overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book. **viii)** Bank charges worth ₹ 80 have been entered twice in the cash book whereas Insurance charges for ₹ 70 directly paid by Bank was not at all entered in the Cash Book. **ix)** The credit side of bank column of Cash Book was under cast by ₹ 2,000. **(May 2019)**
17.	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.

May 2021 (RTP)

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Bank Reconciliation Statement (BRS) (Trickery Assignment)

Q. No	Questions
1.	On 31st December, 20X1, the Cash Book of a firm showed a balance at bank of ₹ 3,458. From the information given below prepare the Bank Reconciliation Statement. Showing the balance as per Pass Book: **a)** Cheques issued for ₹1,200 had not yet been presented at the bank for payment. **b)** Cheques amounting to ₹1,500 were paid in on 29th December but had not been credited by the bank. One Cheque, for ₹460 was entered in the Cash Book on 31st Dec, but was banked on 2nd January, 20X2. **c)** A cheque from Rahul for ₹300 paid in on 27th December was dishonoured but the advice of dishonour was received only on the 2nd January, 20X2. Pass book shows bank charges, ₹30, debited by the bank. It also shows ₹700 collected by the bank as interest on securities.
2.	Mr. Tarun has two accounts with Axis Bank Limited Styled Account No 1 and Account No 2. On 31.12.20X1, his cash book showed balance of ₹10,800 and ₹5,40,800 in the two accounts respectively. On an examination of Bank's statement, the following were noticed. **i)** ₹ 54,000 has been transferred from A/c No 2 to A/c No 1 by the bank without advice to Mr. Tarun. **ii)** ₹ 20 has been bank's incidental charges in respect of each account which was also not advised. **iii)** Cheques for ₹ 10,842 issued in A/c No.1 late in December have not yet been presented to the Bank. **iv)** A cheque for ₹ 8,544 deposited by Mr. Tarun into Account No 2 has been credited by the Bank into A/c No 1. You are required to prepare reconciliation statements showing the balance as per bank statements.
3.	When HUL Ltd. received its Bank Statement for the period ended 30th June 20X1, it did not agree with the balance shown in the cash book of ₹ 5,944 in the company's favour. An examination of the cash book and bank statement disclosed the following: **a)** A deposit of ₹984 paid on 29th June 20X1 has not been credited by the bank until 1st July 20X1. **b)** Bank charges amounting to ₹34 had not been entered in the cash book. **c)** A debit of ₹ 84 appeared on the Bank Statement for an unpaid cheque which had been returned marked ''out of date". The cheque had been re-dated by the customers of HUL Ltd. and paid to the bank again on 3rd July 20X1. **d)** A standing order of payment of an annual subscription amounting to ₹ 20 had not been entered in the cash book. **e)** On 25th June, managing director had given the cashier a cheque for ₹200 to pay into his personal account at the bank. The cashier had paid into the company's bank account by mistake. The cheque was not entered in cash book. **f)** On 27th June, two customers of HUL Ltd. had paid direct to the company's bank account ₹998 and ₹314 respectively in payment for goods supplied. The advices were not received by the company until 1st July and were entered in the cash book under that date. **g)** On 30th March 20X1, the company had entered into a hire purchase agreement to pay by banker's order a sum of ₹52 on the 10th day of each month. Commencing April, no entries had been made in cash book.

	h) A cheque for ₹728 received from Mr B and paid into the bank had been entered twice in the cash book. **i)** Cheques issued amounting to ₹9,344 had not been presented to the bank for payment until after 30th June 20X1. **j)** A customer of the company who received as cash discount $2^1/_2$% on his account of ₹ 400 paid the company a cheque on 10th June. The cashier in error entered the gross amount in the bank column of the cash book. After making the adjustments required by the foregoing, the bank statement is to be reconciled with the balance in the cash book. **You are required: -** **1)** To show the necessary adjustments in the cash book of HUL Ltd. bringing down the correct balance on 30th June 20X1. **2)** To prepare a bank reconciliation statement as on that date.
4.	On checking Anand's cash book with the bank statement of his overdraft current A/c for the month of November, 20X1. You find the following: - **a)** Cash book showed an overdraft of ₹9,000. **b)** The Payment side of the Cash Book had been undercast by ₹300. **c)** A cheque for ₹1,500 drawn on his saving deposit account has been shown as drawn on current account. **d)** Cheques amounting to ₹14,000 drawn and entered in the Cash Book had not been presented. **e)** Cheques amounting to ₹12,000 sent to the bank for collection, though entered in the Cash Book, had not been credited by the Bank. **f)** Bank charges of ₹150 as per: Bank Statement of Account had not been taken in the Cash Book. **g)** Dividends of the amount of ₹ 5,000 had been paid direct to the bank and not entered in the cash book. You are requested to arrive at the balance as it would appear in the bank statement as on 30th November, 20X1.
5.	From the following particulars prepare a bank reconciliation statement as on 30th June 20X1 and ascertain bank balance as it would appear in cash book. 1) Bank pass book showed a balance of ₹19,000 on 30.6.20X1. 2) Interest of ₹500 has been debited in the pass book, but has not been entered in the cash book. 3) Cheques issued but not cashed, prior to 30th June, 20X1 amounted to ₹3,000. 4) Club bill directly debited to bank account not yet reflected in cash book ₹5,400. 5) Cheques paid into bank, but not cleared and credited before 30th June, 20X1, ₹5,000. 6) Interest on Investment collected by the bankers and credited in the pass book, not yet entered in cash book amounted to ₹3,600. 7) A cheque for ₹1,800 was issued for LIC premium which was returned as the amount in figure and words was not tallying. The premium was subsequently paid in cash and this was not rectified in the books of accounts.
6.	**Prepare bank reconciliation statement as on 31.8.20X1 from the following:**

Cash Book (Bank Column only)

Dr. Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
20X1			20X1		
Aug. 1	To Balance b/d	14,000	Aug. 5	By Drawings	5,000
"10	"Sharad	2,000	7	"Rent	4,800
"12	"Anand	10,000	13	"Kiran	8,000
"16	"Sat Pal	3,600	26	"Mohan	2,400
"28	"Gyan	6,400	28	"Raman	3,200
"30	"Babu	12,000	29	"Radhey	3,600
"31	"Om	8,400	31	"Mahesh	2,200
			31	"Balance c/d	27,200
		56,400			**56,400**

Bank Pass Book

Date 20X1	Particulars	Dr. (₹)	Cr. (₹)	Balance
Sep. 1	By Balance			5,800
1	"Dividend		800	6,600
3	To Cheque- Raman	3,200		3,400
3	By Cheque- Gyan		6,400	9,800
7	To Cheque-Mahesh	2,200		7,600
7	To Cheque- Rent	4,800		2,800
8	To Cheque-Ramesh		200	3,000
9	By Cheque-Babu		12,000	15,000
10	By Cheque-Om		8,400	23,400
10	To Cheque-Drawings	3,000		20,400

7. On 30th June, 20X1, the cash book of M/s Thin & Short showed a balance of ₹5,520 at bank. They had sent cheques amounting to ₹20,000 to the bank before 30th June. But it appears from the pass book that cheques worth only ₹8,000 had been credited before that date. Similarly, out of cheque for ₹10,000 issued during the month of June, cheques for ₹5,000 were presented and paid in July.

The pass book also showed the following payments:

a) ₹640 premium (on the joint life policy) according to standing instructions; and

b) ₹4,000 against a promissory note, as per instructions.

The pass book showed that the bank had collected ₹1,200 as interest on government securities. The bank had charged interest ₹100 and bank charges ₹40. There was no entry in the cash book for the payments, receipts, interest, etc. It was found that the total of credit side of bank column in the cash book on 20th June was ₹220 short.

Prepare the bank reconciliation statement as on 30th June, 20X1.

8. From the following particulars, ascertain the bank balance as per pass book of Mr. Raman as at 29th Feb. 20X1.

i) Credit balance as per cash book on 29th February, ₹30,000.

ii) Interest charged by the bank up to 29th February ₹100 is recorded in the pass book only.

iii) Two cheques of ₹1,800 and ₹3,000 were issued but out of them only one cheque of ₹1,800 was presented for payment up to 29th February.

iv) Bank charges made by the bank ₹24 were recorded only in the pass book.

v) Dividends on shares ₹1,300 were collected by the bankers directly for which Mr. Raman did not have any information.

vi) Cheques paid into the bank ₹5,000 but cheques of ₹3,800 were cleared and credited by the bankers.

9. **The pass book of a company showed an overdraft of ₹5,120. Comparison of the pass book with the cash book showed the following: -**

a) The company had sent to the bank three cheques on 28th December, 20X1. The cheques were for ₹2,200, ₹3,120 and ₹1,860. Of these only the cheque for ₹2,200 was credited by the bank before 31st December,20X1.

b) The company had issued, on 27th December, cheques for ₹1,640, ₹1,060 and ₹1,520. The cheque for ₹1,520 was paid before the 31st December. The other cheques were paid on 3rd January, 20X2.

c) The Bank had debited the company with ₹40 as bank charges and ₹240 as interest. Entries in the cash book had not yet been made.

d) The bank had collected ₹1,000 from a customer against a bill but the fact was not yet recorded in the cash book.

Prepare the bank reconciliation statement as on 31st December, 20X1.

10. **Prepare a reconciliation statement on the basis of following: -**

Canara Bank Ltd.

Abees in Current Account

Date	Particulars	Withdrawn (₹)		Deposited (₹)		Balance (₹)	
20X1 June							
1	Balance					3,300	-
5	Wages cheque No..	900	-			2,400	-
8	Cash deposited			600	-	3,000	
9	Cheque on Agra (Less ₹ 2 charges)			1,238	-	4,238	
15	Cheque favouring Ali Bros. No...	1,400	-			2,838	
26	Cheque favouring Goel & Co, No..	860				1,978	-
30	Payment of premium as per instructions	400				1,578	-
30	Bank charges	20				1,558	-

Abees' Cash Book (Bank Columns only)

Dr. Cr.

Date	Particulars	Amount (₹)		Date		Particulars	Amount (₹)	
20X1 June 1	To Balance b/d	3,300	-	20X1 June	5	By Wages	900	-
5	To Akhbar--- Cheque on Agra	1,240	-		9	By Ali Bros.	1,400	-
8	To Cash	600	-		15	By Gupta & Sons	700	-
15	To Mohan—cheque	1,420	-		25	By Goel & Co.	860	-
28	To Ram—cheque On Kanpur	1,160	-		30	By Balance c/d	3,860	-
		7,720	-				7,720	-
July 1	To Balance b/d	3,860	-					

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REDMI NOTE 10 | BY SHIV

Depreciation (Basic Assignment)

Q. No	Questions
1.	Jain Bros. acquired a machine on 1st July, 2019 at a cost of ₹ 14,00,000 and spent ₹ 1,00,000 on its installation. The firm writes off depreciation at 10% p.a. of the original cost every year. The books are closed on 31st December every year. **Required:** Show the Machinery Account and Depreciation Account for the year 2019 and 2020. **(ICAI SM)**
2.	M/s Akash purchased a machine for ₹ 10,00,000. Estimated useful life and scrap value were 10 years and ₹ 1,20,000 respectively. The machine was put to use on 1.1.2014. **Required:** Show Machinery Account and Depreciation Account in their books for 2019 by using sum of years digit method. **(ICAI SM)**
3.	A machine was purchased for ₹ 30,00,000 having an estimated total working of 24,000 hours. The scrap value is expected to be ₹ 2,00,000 and anticipated pattern of distribution of effective hours is as follows: **Year** 1 – 3 3,000 hours per year 4 - 6 2,600 hours per year 7 - 10 1,800 hours per year **Required: -** Determine Annual Depreciation under Machine Hour Rate Method. **(ICAI SM)**
4.	A machine is purchased for ₹ 20,00,000. Its estimated useful life is 10 years with a residual value of ₹ 2,00,000. The machine is expected to produce 1.5 lakh units during its life time. Expected distribution pattern of production is as follows: **Year** **Production** 1-3 20,000 units per year 4-7 15,000 units per year 8-10 10,000 units per year **Required:** Determine the value of depreciation for each year using production unit method. **(ICAI SM)**
5.	M/s Surya took lease of a quarry on 1-1-2018 for ₹ 1,00,00,000. As per technical estimate the total quantity of mineral deposit is 2,00,000 tonnes. Depreciation was charged on the basis of depletion method. Extraction pattern is given in the following table: **Year** **Quantity of Mineral extracted** 2018 2,000 tonnes 2019 10,000 tonnes 2020 15,000 tonnes **Required: -** Show the Quarry Lease Account and Depreciation Account for each year from 2018 to 2020. **[ICAI SM/Oct. 2018 MTP/Oct. 2019 MTP(Modified)]**
6.	A firm purchased on 1st January, 2019 certain machinery for ₹ 5,82,000 and spent ₹ 18,000 on its erection. On July 1, 2019 another machinery for ₹ 2,00,000 was acquired. On 1st July, 2020 the machinery purchased on 1st January, 2019 having become obsolete was auctioned for ₹ 3,86,000 and on the same date fresh machinery was purchased at a cost of ₹ 4,00,000. Depreciation was provided for annually on 31st December at the rate of 10% p.a. on written down value. **Required: -** Prepare machinery account. **(ICAI SM/Nov. 2019)**

7.	M/s Anshul commenced business on 1st January 2015, when they purchased plant and equipment for ₹ 7,00,000. They adopted a policy of charging depreciation at 15% per annum on diminishing balance basis and over the years, their purchases of plant have been: **Date** — **(₹)** 1-1-2016 — 1,50,000 1-1-2019 — 2,00,000 On 1-1-2019, it was decided to change the method and rate of depreciation to straight line basis. On this date remaining useful life was assessed as 6 years for all the assets purchased before 1.1.2019 and 10 years for the asset purchased on 1.1.2019 with no scrap value. **Required: -** Calculate the difference in depreciation to be adjusted in the Plant and Equipment Account for the year ending 31st December, 2019.
	(ICAI SM)
8.	A Machine costing ₹ 6,00,000 is depreciated on straight line basis, assuming 10 years working life and zero residual value, for three years. The estimate of remaining useful life after third year was reassessed at 5 years. **Required: -** Calculate depreciation for the fourth year.
	(ICAI SM)
9.	A machine of cost ₹ 12,00,000 is depreciated straight-line assuming 10 year working life and zero residual value, for three years. At the end of third year, the machine was revalued upwards by ₹ 60,000. The remaining useful life was reassessed at 9 years. **Required: -** Calculate depreciation for the fourth year.
	[ICAI SM/May 2020 RTP(Modified)]
10.	The following particulars are available from the books of a public company having a large fleet of vehicles: -

Particulars	(₹)
Balance in Provision for Repairs and Renewals Account as on 31.3.2019	11,50,000
Actual repairs charged/incurred during the year ended 31.3.2019	7,50,000
31.3.2020 The company makes an annual provision of ₹ 4,00,000 on repairs and renewals.	3,20,000

Required: -

Draw up the Provision for Repairs and Renewals Account for the years 2018-2019 and 2019-2020.

(ICAI SM)

11. A firm's plant and machinery account at 31st December, 2015 and the corresponding Depreciation provision account, Broken down by year of purchase as follows:

Year of Purchase	Plant and Machinery at cost (₹)	Depreciation Provision (₹)
1998	2,00,000	2,00,000
2004	3,00,000	3,00,000
2005	10,00,000	9,50,000
2006	7,00,000	5,95,000
2013	5,00,000	75,000
2014	3,00,000	15,000
	30,00,000	**21,35,000**

	Depreciation is at the rate of 10% per annum on cost. It is the Company's policy to assume that all purchases, sales or disposal of plant occurred on 30th June in the relevant year for the purpose of calculating depreciation, irrespective of the precise date on which these events occurred. **During 2015, the following transactions took place: -** **1)** Purchase of plant and machinery amounted to ₹ 15,00,000. **2)** Plant that had been bought in 2004 for ₹ 170,000 was scrapped. **3)** Plant that had been bought in 2005 for ₹ 90,000 was sold for ₹ 5,000. **4)** Plant that had been bought in 2006 for ₹ 2,40,000 was sold for ₹ 15,000. **You are required to: -** Calculate the provision for depreciation of plant and machinery for the year ended 31st December, 2015. In calculating this provision, you should bear in mind that it is the company's policy to show any profit or loss on the sale or disposal of plant as a completely separate item in the Profit and Loss Account. You are also required to prepare the following ledger accounts during 2015. **i)** Plant and machinery at cost; **ii)** Depreciation provision; **iii)** Sales or disposal of plant and machinery.
12.	**(ICAI SM)** The Machinery Account of a Factory showed a balance of ₹ 19,00,000 on 1st January, 2019. Its accounts were made up on 31st December each year and depreciation is written off at 10% p.a. under the Diminishing Balance Method. On 1st June 2019, a new machinery was acquired at a cost of ₹ 2,80,000 and installation charges incurred in erecting the machine works out to ₹ 8,920 on the same date. On 1st June, 2019 a machine which had cost ₹ 4,37,400 on 1st January 2017 was sold for ₹ 75,000. Another machine which had cost ₹ 4,37,000 on 1st January, 2018 was scrapped on the same date and it realised nothing. Write a plant and machinery account for the year 2019, allowing the same rate of depreciation as in the past calculating depreciation to the nearest multiple of a Rupee.
13.	**(ICAI SM)** The LG Transport company purchased 10 trucks at ₹ 45,00,000 each on 1st April 2017. On October 1st, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹ 27,00,000 is received from the insurance in full settlement. On the same date another truck is purchased by the company for the sum of ₹ 50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year. Give the motor truck account for two year ending 31 Dec. 2020.
14.	**(ICAI SM/May 2018 RTP/Aug 2018 MTP/January 2021 (modified)** M/s. Green Channel purchased a second-hand machine on 1st January, 2017 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000. Another machine was purchased for ₹ 80,000 on 1st July, 2017. On 1st July, 2019, the machine installed on 1st January, 2017 was sold for ₹ 1,00,000. Another machine amounted to ₹ 30,000 was purchased and was installed on 30th September, 2019. Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 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 2020.
15.	**(Nov. 2018 RTP/Nov. 2019 RTP/Nov. 20 RTP)** A firm purchased an old Machinery for ₹ 37,000 on 1st January, 2015 and spent ₹ 3,000 on its overhauling. On 1st July 2016, another machine was purchased for ₹ 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for ₹ 2,000. Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the

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rate was increased to 15% per annum. The books are closed on 31st December every year. Prepare Machinery account for four years from 1st January, 2015.

(May 2019)

16. A Machinery costing ₹ 20,00,000 is depreciated on straight line assuming 10 years working life and nil salvage value for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 80,000. The remaining useful life of the machinery was also reassessed as 8 years at the end of the fourth year. Calculate the depreciation for 5th Year.

(ICAI SM)

17. Amazing group had Property, Plant & Equipment (PP&E) with a book value of ₹ 35,00,000 on 31st December 2019. The balance in Revaluation Surplus on that date was ₹ 3,00,000. As part of their practice of revaluing the assets on yearly basis, another revaluation was carried out on 31st December 2019. Evaluate the Impact of Revaluation if the Fair Value as a result of Revaluation done on 31st December 2019 was

a) ₹ 37,00,000
b) ₹ 33,00,000
c) ₹ 31,00,000

Also, give the journal entries.

(ICAI SM)

18. M/s Surya Transport purchased 10 Innova cars at ₹ 4,50,000 each on 1st April 2017. On October 1st 2019, one of the car is involved in an accident and is completely destroyed and ₹ 2,70,000 is received from the insurance in full settlement. On the same date, another car is purchased by the company for the Sum of ₹ 5,00,000. The company writes off 20% on the original cost per annum. The company observe the calendar year as its financial year.

You are required to prepare the innova cars account for years ended 31st Dec, 2019 and 31st Dec. 2020

October 2020 (MTP)

19. 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.

May 2021 (RTP)

****

Depreciation (Trickery Assignment)

Q. No	Questions
1.	M/s Pankaj &Sons had machinery in their works as per the following details: -

Date when installed	Cost(₹)
15/4/X1	2,60,000
20/6/X5	1,60,000
17/10/X9	2,00,000
18/1/X14	80,000

The firm had the practice of writing off 90% of the cost over 10 years, a whole year's depreciation being charged irrespective of the date of installation. No depreciation was charged if an item was sold. The accounting year adopted by the firm was the calendar year. During 20X14, A machine installed in 20X1 at cost of ₹ 60,000 was sold for ₹ 20,000; another machine installed in 20X9 at a cost of ₹1,20,000 was discarded. Its scrap value being estimated at ₹ 18,000. Draw up the Machinery Account for the 20X14 as also the Discarded Machine A/c.

2.	The Machinery Account of a factory showed a balance of ₹3,80,000 on 1st January 20X6. Its accounts were made up on 31st December each year and depreciation is written off at 10% p.a. under the diminishing balance method. On 1st June, 20X6, New Machinery was acquired at a cost ₹56,000 and installation charges incurred in erecting the machine works out to ₹1,784 on the same date. On 1st June 20X6, A Machine which had cost ₹12,000 on 1st January, 20X1 was sold for ₹1,500, another machine which had cost ₹1,200 on 1st January, 20X2, was scrapped on the same date and it realised nothing. Write up Plant and Machinery Account for the year 20X6, allowing the same rate of depreciation as in the past calculating depreciation to the nearest multiple of a rupee.
3.	M/s. Sanajy Pharmaceuticals has imported a machine on 1st July, 20X1 for ₹3,20,000, paid customs duty and freight ₹1,60,000 and incurred erection charges ₹1,20,000. Another local machinery costing ₹2,00,000 was purchased on January,1,20X2. On 1st July, 20X3, A portion of the imported machinery (value one third) got out of order and was sold for ₹69,600. Another machinery was purchased to replace the same for ₹ 1,00,000. Depreciation is to be calculated at 20% p.a. on cost. Show the machinery account for 20X1, 20X2 and 20X3.
4.	On April 1, 20X1, Manoj purchased a machinery for ₹ 4,00,000. On 1st October in the same accounting year, additional machinery costing ₹ 2,00,000 was purchased. On 1st October, 20X2, the machinery purchased on 1st April, 20X1, having become obsolete, was sold off for ₹ 1,80,000. On October 1, 20X3, new machinery was purchased ₹ 5,00,000 while the machinery purchased on 1st October, 20X1 was sold for ₹ 1,70,000 on the same day. The firm provides depreciation on its machinery @ 10% per annum on original cost on 31st March every year. Show Machinery Account, Provision for Depreciation Account and Depreciation Account for the period of three accounting Years ending March 31, 20X4.
5.	A firm writes off 95% of the cost of machinery acquired over a period of 10 Years by the straight line method, leaving 5% as estimated scrap value. Full depreciation is written off even if the machinery is in use only for part of a year. On 31st March, 20X12, the original cost of the machinery was as follows: -

Particulars	(₹)
Purchased in 20X1-X2 or earlier	2,40,000
Purchased in 20X3-X4	80,000
Purchased in 20X7-X8	60,000

On September 30, 20X12, a machine which had cost ₹ 20,000 in 20X0-X1 was disposed off for ₹ 1,800; and on February 28, 20X13, a machine acquired in 20X7-X8 at a cost of ₹ 30,000 was sold for ₹ 10,000. On the same date, a new machinery was acquired for ₹ 90,000. Prepare the Machinery Account for the year 20X12-X13. The accounts being closed on 31st March every year.

6. The machinery account of a firm for the three Years ending 31st Dec.20X3 appeared as follows: -

Machinery A/c

Date	Particulars	(₹)	Date	Particulars	(₹)
20X1 Jan. 1	To Cash (No. 1)	1,00,000	20X1 Dec. 31	By Balance c/d	1,00,000
		1,00,000			1,00,000
20X2 Jan. 1	To Balance b/d	1,00,000	20X2 Dec. 31	By Balance c/d	1,40,000
July 1	To Cash (No. 2)	40,000			
		1,40,000			1,40,000
20X3 Jan. 1	To Balance b/d	1,40,000	20X3 Dec. 31	By Balance c/d	1,70,000
July 1	To Cash (No. 3)	30,000			
		1,70,000			**1,70,000**

Depreciation @ 20% on diminishing value basis was accumulated in Provision for Depreciation Account.

	On Oct. 1, 20X4 Machine No. 2 was damaged and has to be replaced by new machine costing ₹ 50,000. It was expected that machine No. 2 will fetch ₹ 2,200 but it was insured and insurance claim for ₹ 24,800 was admitted by the insurers. Show for 20X4, the Machinery Account, Provision for Depreciation Account and Machinery Disposal Account.
7.	A company writes off depreciation @ 10% p.a. on the diminishing balance. On 1st January, 20X3, the machinery account showed a balance of ₹ 2,98,000. It was discovered in 20X3 that: **a)** Heavy repairs effected to Plant & Machinery [completed on 30th June, 20X1] were debited to the Machinery Account. The amount was ₹ 30,000; and **b)** A machine costing ₹ 12,000 was entered in the Purchase Book on 1st October, 20X1. The expenses on installation ₹ 800 were debited to General expenses Account. Necessary corrections were to be made in 20X3. On 30th June, 20X3, a machine which had cost ₹ 40,000 on 1st January, 20X1, was disposed off for ₹ 30,000 and a new machine costing ₹ 60,000 was installed on the same date, the expenses on installing the machine being ₹ 1,000. Show the Machinery Account for the year ended 31st Dec. 20X3. ***

REDMI NOTE 10 | BY SHIV

Final Accounts (Basic Assignment)

Q. No	Questions

1. The following are the balances as at 31st March, 2020 extracted from the books of Mr. XYZ.

Particulars	(₹)	Particulars	(₹)
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300
Purchases	1,60,000	Carriage inward	1,125
Opening Stock	32,250	Carriage outward	1,350
Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		Interest paid on loan	3,000

Additional Informations: -

1) Purchases include sales return of ₹ 2,575 and sales include purchases return of ₹ 1,725.
2) Goods withdrawn by Mr. XYZ for own consumption ₹ 3,500 included in purchases.
3) Wages paid in the month of April for installation of plant and machinery amounting to ₹ 450 were included in wages account.
4) Free samples distributed for publicity costing ₹ 825.
5) Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
6) Depreciation is to be provided on plant and machinery @ 15% per annum and on furniture and fittings @ 10% per annum.
7) 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.

(-) wages
(+) Machinery

80,000 x 100/80 = 100/80

Trading & B/S [closing]

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2020, and a Balance Sheet as on that date. Also show the rectification entries.

(May 2018 RTP/Nov. 2019 RTP)

2. Trial Balance for the financial year (FY) ended 31st March 2020 of M/s Deepakshi shows the following details:-

Particulars	Debit (₹)	Credit (₹)
Purchases and Sales	10,00,000	12,00,000
Debtors and Creditors	5,00,000	4,00,000
Opening stock	2,00,000	-
Closing stock	3,00,000	-
Other expenses and incomes	7,00,000	9,00,000
Fixed assets and Long-term liabilities	25,00,000	6,00,000
Capital	-	21,00,000
	52,00,000	**52,00,000**

Creditors as on 31st March 2019 were ₹ 3,00,000.

You are required to calculate: -

1) Cost of goods sold; and
2) Amount paid to creditors.

Jab T.B m cB hota h to Purchase AdJusted hota hai

[Purchases 13,00,000]

(ICAI SM)

3.

Particulars	(₹)
Opening Inventory	1,00,000
Purchases	6,72,000
Carriage Inwards	30,000
Wages	50,000
Sales	11,00,000
Returns inward	1,00,000
Returns outward	72,000
Closing Inventory	2,00,000

Required: -
From the above information, prepare a Trading Account of M/s. ABC Traders for the year ended 31st March, 2020 and pass necessary closing entries in the journal proper of M/s. ABC Traders.

(ICAI SM)

4. Revenue, Expenses and Gross Profit Balances of M/s ABC Traders for the year ended on 31st March 2020 were as follows:

Gross Profit ₹ 4,20,000, Salaries ₹ 1,10,000, Discount (Cr.), ₹ 18,000, Discount (Dr.) ₹ 19,000, Bad Debts ₹ 17,000, Depreciation ₹ 65,000, Legal Charges ₹ 25,000, Consultancy Fees ₹ 32,000, Audit Fees ₹ 1,000, Electricity Charges ₹ 17,000, Telephone, Postage and Telegrams ₹ 12,000, Stationery ₹ 27,000, Interest paid on Loans ₹ 70,000.

Required: -
Prepare Profit and Loss Account of M/s ABC Traders for the year ended on 31st March, 2020. Show necessary closing entries in the Journal Proper of M/s. ABC Traders also.

(ICAI SM)

5. On 1st Jan. 2020 provision for Doubtful Debts existed at ₹ 40,000. Trade receivables on 31.12.2020 were ₹ 15,00,000; bad debts totaled ₹ 1,00,000. It is required to write off the bad debts and create a provision equal to 5% of the Trade receivables' balances.

Required: -
Show how you would compute the amount debited to the Profit and Loss Account.

(ICAI SM)

6. The following is the Trial Balance of C. Wanchoo on 31st Dec. 2020.

Trial Balance on 31st December, 2020

Particulars	(₹)	(₹)
Capital Account		10,00,000
Inventory Account	2,00,000	
Cash in hand	1,44,000	
Machinery Account	7,36,000	
Purchases Account	18,20,000	
Wages Account	10,00,000	
Salaries Account	10,00,000	
Discount Allowed A/c	50,000	
Discount Received A/c		30,000
Sundry Office Expenses Account	6,00,000	
Sales Account		50,00,000
Sums owing by customer (Trade receivables)	8,50,000	
Trade payables (sums owing to suppliers)		3,70,000
Total	**64,00,000**	**64,00,000**

Value of Closing Inventory on 31st Dec. 2020 was ₹ 2,70,000

Required: -
Prepare closing entries for the above items and Prepare Trading and Profit and Loss Account.

(ICAI SM)

7. Given below Trial Balance of M/s Dayal Bros. as on 31st March, 2020: -

Particulars	Debit Balances (₹)	Credit Balances (₹)
Capital A/c		7,00,000
Land and Building	3,00,000	
14%Term Loan		4,00,000
Loan from M/s. D & Co.		4,60,000
Trade receivables	4,20,000	
Cash in hand	20,000	
Inventories in Trade	6,00,000	
Furniture	2,00,000	
Trade payables		40,000
Advances to Suppliers	1,00,000	
Net Profit		1,00,000
Drawings	60,000	
	17,00,000	**17,00,000**

Required: Prepare Balance Sheet as on 31st March, 2020.

(ICAI SM)

8. The balance sheet of Thapar on 1st January, 2020 was as follows: -

Liabilities	Amount (₹)	Assets	Amount (₹)
Trade payables	15,00,000	Plant & Machinery	30,00,000
Expenses Payable	1,50,000	Furniture & Fixture	3,00,000
Capital	50,00,000	Trade receivables	14,00,000
		Cash at Bank	6,50,000
		Inventories	13,000,000
	66,50,000		**66,50,000**

During 2020, his Profit and Loss Account revealed a net profit of ₹ 15,30,000. This was after allowing for the following: -

a) Interest on capital @ 6% p.a.

b) Depreciation on Plant and Machinery @ 10% and on Furniture and Fixtures @ 5%.

c) A provision for Doubtful Debts @ 5% of the trade receivables as at 31st December, 2017.

But while preparing the Profit and Loss Account he had forgotten to provide for:

1) outstanding expenses totalling ₹ 1,80,000 and

2) prepaid insurance to the extent of ₹ 20,000.

His current assets and liabilities on 31st December, 2020 were: Inventories ₹ 14,50,000; Trade receivables ₹ 20,00,000; Cash at Bank ₹ 10,35,000 and Trade payables ₹ 11,40,000. During the year he withdrew ₹ 6,00,000 for domestic use.

Required: Draw up his Balance Sheet at the end of the year.

(ICAI SM)

9.

BALANCE SHEET
As at 31st December, 2019

Liabilities	(₹)	Assets	(₹)
Mahendra & Sons	5,60,000	Cash in hand	43,000
Capital	20,00,000	Cash at Bank	2,67,500
		Trade receivables	7,49,500
		Closing Inventory	9,00,000
		Machinery and Equipment	6,00,000
	25,60,000		**25,60,000**

Required: From the above given balance sheet prepare the relevant opening entry.

(ICAI SM)

10. Shri Mittal gives you the following Trial Balance and some other information: -

Trial Balance as on 31st March, 2020

Particulars	Dr. (₹)	Cr. (₹)
Capital		8,70,000
Purchases and Sales	6,05,000	12,10,000
Opening Inventory	72,000	
Trade receivables and Trade payables	90,000	1,70,000
14% Bank Loan (loan taken at year-end)		2,00,000
Overdrafts (overdraft taken at year end)		1,12,000
Salaries	2,70,000	
Advertisements	1,10,000	
Other expenses	60,000	
Returns	40,000	30,000
Furniture	4,50,000	
Building	8,90,000	
Cash in Hand	5,000	
	25,92,000	**25,92,000**

Both Trading & B/S

Closing Inventory on 31st March, 2020 was valued at ₹ 1,00,000.

Required: Prepare final accounts of Shri Mittal for the year ended 31st March, 2020.

(ICAI SM)

11. Mr. Mohan gives you the following trial balance and some other information: -

Trial Balance as on 31st March, 2020

Particulars	(₹)	(₹)
Capital		6,50,000
Sales		9,70,000
Purchases	4,30,000	
Opening Inventory	1,10,000	
Freights Inward	40,000	
Salaries	2,10,000	
Other Administration Expenses	1,50,000	
Furniture	3,50,000	
Trade receivables and Trade payables	2,10,000	1,90,000
Returns	20,000	12,000
Discounts	19,000	9,000
Bad Debts	5,000	
Investments in Government Securities	1,00,000	
Cash in Hand and Cash at Bank	1,87,000	
	18,31,000	**18,31,000**

Other Information:

i) Closing Inventory was ₹ 1,80,000;

ii) Depreciate Furniture @ 10% p.a.

Required: -

Prepare Trading and Profit and Loss Account for the year ended on 31.3.2020 and Balance Sheet of Mr. Mohan as on that date.

(ICAI SM)

12. The Balance Sheet of Mr. Popatlal, a merchant on 31st March, 2020 stood as below: -

Liabilities	Amount (₹)	Assets		Amount (₹)
Capital	2,40,000	Fixed Assets		1,25,600
Trade payables	1,64,000	Inventories		2,06,400
Bank Overdraft	1,46,000	Trade receivables	1,88,000	
		Less: Provision	(6,200)	1,81,800
		Cash		36,200
	5,50,000			**5,50,000**

Required: -

Show opening journal entry on 1st April, 2020 in the books of Mr. Popatlal.

(ICAI SM)

13. The following is the schedule of balances as on 31.3.20 extracted from the books of Shri Gavaskar, who carries on business under the same name and style of M/s Gavaskar Viswanath & Co., at Bombay: -

Particulars	Dr. (₹)	Cr. (₹)
Cash in hand	14,000	
Cash at bank	26,000	
Sundry Debtors	8,60,000	
Stock on 1.4.2019	6,20,000	
Furniture & fixtures	2,14,000	
Office equipment	1,60,000	
Buildings	6,00,000	
Motor Car	2,00,000	
Sundry Creditors		4,30,000
Loan from Viswanath		3,00,000
Provision for bad debts		30,000
Purchases	14,00,000	
Purchase Returns		26,000
Sales		23,00,000
Sales Returns	42,000	
Salaries	1,10,000	
Rent for Go down	55,000	
Interest on loan from Viswanath	27,000	
Rates & Taxes	21,000	
Discount allowed to Debtors	24,000	
Discount received from Creditors		16,000
Freight on purchases	12,000	
Carriage Outwards	20,000	
Drawings	1,20,000	
Printing and Stationery	18,000	
Electricity Charges	22,000	
Insurance Premium	55,000	
General office expenses	30,000	
Bad Debts	20,000	
Bank charges	16,000	
Motor car expenses	36,000	
Capital A/c		16,20,000
Total	**47,22,000**	**47,22,000**

Prepare Trading and Profit and Loss Account for the year ended 31st March 2020 and the Balance Sheet as at that date after making provision for the following: -

1) Depreciate: **(a)** Building used for business by 5 percent; **(b)** Furniture and fixtures by 10 percent; One steel table purchased during the year for ₹ 14,000 was sold for same price but the sale proceeds were wrongly credited to Sales Account; **(c)** Office equipment by 15 percent; Purchase of a typewriter during the year for ₹ 40,000 has been wrongly debited to purchase; and **(d)** Motor car by 20%.

(–) Sales
(+) Furniture then Dep.

(–) Purchase
(+) Office Equip.

40,000 Dr
3,000 Dep
12000 PE Dr.
1/4/19
31/3/20
Int 5000
– 6

Provision A/c
Bad debts | Provision 30
P&L A/c 33000
Provision 47

40,000 Drawing
3,000 Prepaid
12000 P&L Dr.

2) Value of stock at the close of the year was ₹ 4,40,000.
3) Two month's rent for go-down is outstanding.
4) Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2019.
5) Reserve for bad debts is to be maintained at 5 percent of Sundry Debtors. [A/c Prov]
Insurance premium includes ₹ 40,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.2019 to 30.6.20 [3 months Prepaid]

15000×3/15

14. Crimpson Ltd.'s profit and loss account for the year ended 31st March, 2020 includes the following information: - **(ICAI SM)**

Particulars	(₹)
i) Depreciation [Provision]	57,500
ii) Bad debts written off [Neither Provision Nor Reserve]	21,000
iii) Increase in provision for doubtful debts [Provision]	18,000
iv) Proposed dividend [Neither Provision Nor Reserve]	15,000
v) Retained profit for the year [Reserve]	20,000
vi) Liability for tax [Provision]	4,000

Required: -
State which one of the items i) to vi) above are – **a)** transfer to provisions; **b)** transfer to reserves; and **c)** neither related to provisions nor reserves.

15. From the following particulars extracted from the books of Ganguli, prepare trading and profit and loss account and balance sheet as at 31st March, 2020 after making the necessary adjustments: - **(ICAI SM)**

Particulars	(₹)	Particulars	(₹)
Ganguli's capital account (Cr.)	5,40,500	Interest received	72,500
Stock on 1.4.2019	2,34,000	Cash with Traders Bank Ltd.	40,000
Sales	14,48,000	Discounts received	14,950
Sales return	43,000	Investments (at 5%) as on 1.4.2019	25,000
Purchases	12,15,500	Furniture as on 1-4-2019	9,000
Purchases return	29,000	Discounts allowed	37,700
Carriage inwards	93,000	General expenses	19,600
Rent	28,500	Audit fees	3,500
Salaries	46,500	Fire insurance premium	3,000
Sundry debtors	1,20,000	Travelling expenses	11,650
Sundry creditors	74,000	Postage and telegrams	4,350
Loan from Dena Bank Ltd. (at 12%)	1,00,000	Cash in hand	1,900
Interest paid	4,500	Deposits at 10% as on 1-4-2019 (Dr.)	1,50,000
Printing and stationery	17,000	Drawings	50,000
Advertisement	56,000		

1/4/19 50000 par hi lagyega
31/3/20 50000 ka loan End m lia than
Int 50000×12/100 = 6000

Adjustments:

1) Value of stock as on 31st March, 2020 is ₹ 3,93,000. This includes goods returned by customers on 31st March, 2020 to the value of ₹ 15,000 for which no entry has been passed in the books. (−) Sales (−) Debtor
2) Purchases include furniture purchased on 1st January, 2020 for ₹ 10,000. Purchase (−) Furniture (+)
3) Depreciation should be provided on furniture at 10% per annum.

Provide separately for correct depreciation

The loan account from Dena bank in the books of Ganguli appears as follows: -

Date	Particulars	(₹)	Date	Particulars	(₹)
31.03.2020	To Balance c/d	1,00,000	01.04.2019	By Balance b/d	50,000
			31.03.2020	By Bank A/c	50,000
		1,00,000			1,00,000

5) Sundry debtors include ₹ 20,000 due from Robert and sundry creditors include ₹ 10,000 due to him. 10,000 Debtor (–) 10000 Creditors (–)
6) Interest paid include ₹ 3,000 paid to Dena bank.
7) Interest received represents ₹ 1,000 from the sundry debtors and the balance on investments and deposits.
8) Provide for interest payable to Dena bank and for interest receivable on investments and deposits.
9) Make provision for doubtful debts at 5% on the balance under sundry debtors. No such provision need to be made for the deposits. After all adJustment

16. **(ICAI SM)**

Sengupta & Co. employs a team of eight workers who were paid ₹ 30,000 per month each in the year ending 31st December, 2019. At the start of 2020, the company raised salaries by 10% to ₹ 33,000 per month each.

On July 1, 2020 the company hired two trainees at salary of ₹ 21,000 per month each. The work force is paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February etc.

You are required to calculate: -

i) Amount of salaries which would be charged to the profit and loss for the year ended 31st December, 2020.
ii) Amount actually paid as salaries during 2020.
iii) Outstanding Salaries as on 31st December, 2020.

17. **(ICAI SM/Nov.2020 (modified)**

You are required, prepare a Trading and Profit and Loss Account for the year ending 31st March, 2020 and a Balance Sheet as on that date from the Trial Balance given below: -

Particulars	(₹)	Particulars	(₹)
Debit Balance:			
Trade receivables	3,50,000	Salaries	2,20,000
Inventory 1st April, 2019	5,00,000	Purchases	12,50,00
Cash in Hand	5,60,000	Plant and Machinery	15,70,000
Wages	3,00,000	**Credit Balance:**	
Bad Debts	50,000	Capital	25,00,000
Furniture and Fixtures	1,50,000	Trade payables	9,00,000
Depreciation	1,50,000	Sales	17,00,000

On 31st March, 2020 the Inventory was valued at ₹ 10,00,000.

18. **(ICAI SM)**

Mr. Kotriwal 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 1.4.2019 he had a balance of ₹ 2,00,000 advance from customers of which ₹ 1,50,000 is related to year 2019-20 while remaining pertains to year 2020-21. During the year 2019-20 he made cash sales of ₹ 5,00,000. You are required to compute:

i) Total income for the year 2019-20.
ii) Total money received during the year if the closing balance in advance from customers account is ₹ 1,70,000.

(ICAI SM)

REDMI NOTE 10 | BY SHIV

19.	Mr. Birla is a proprietor engaged in business of trading electronics. An excerpt from his Trading & P&L account is as follows: -

www.escholars.in

Trading and P&L A/c for the year ended 31st March, 2020

Particulars	(₹)	Particulars	(₹)
To Cost of Goods Sold	45,00,000	By Sales	C
To Gross Profit c/d	D		
	F		F
To Rent A/c	26,00,000	By Gross Profit b/d	D
To Office Expenses	13,00,000	By Miscellaneous Income	E
To Selling Expenses	B		
To Commission to Manager (on Net Profit before charging such commission)	2,00,000		
To Net Profit	A		
	G		60,00,000

Commission is charged at the rate of 10%. Selling Expenses amount to 1% of total sales. You are required to compute the missing figures.

[ICAI SM/Nov. 2018(Modified)]

20. The following is the trial balance of Hari as at 31st December, 2020: -

Particulars	Dr. (₹)	Cr. (₹)
Hari's capital account	-	76,690
Stock 1st January, 2020	46,800	-
Sales	-	3,89,600
Returns inward	8,600	-
Purchases	3,21,700	-
Returns outward	-	5,800
Carriage inwards	19,600	-
Rent & taxes	4,700	-
Salaries & wages	9,300	-
Sundry debtors	24,000	-
Sundry creditors	-	14,800
Bank loan @ 14% p.a.	-	20,000
Bank interest	1,100	-
Printing and stationary expenses	14,400	-
Bank balance	8,000	-
Discount earned	-	4,440
Furniture & fittings	5,000	-
Discount allowed	1,800	-
General expenses	11,450	-
Insurance	1,300	-
Postage & telegram expenses	2,330	-
Cash balance	380	-
Travelling expenses	870	-
Drawings	30,000	-
	5,11,330	**5,11,330**

The following adjustments are to be made: -

1) Included amongst the debtors is ₹ 3,000 due from Ram and included among the creditors ₹ 1,000 due to him.
2) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
3) Depreciation on furniture & fittings @ 10% shall be written off.
4) Personal purchases of Hari amounting to ₹ 600 had been recorded in the purchase day book.
5) Interest on bank loan shall be provided for the whole year.

REDMI NOTE 10 | BY SHIV

6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year. [Prepaid]

Both side Add
(+) Purchase
(+) Creditors

7) Credit purchase invoice amounting to ₹ 400 had been omitted from the books.

8) Stock on 31.12.2020 was ₹ 78,600.

Prepare (i) Trading & profit and loss account for the year ended 31.12.2020 and (ii) Balance sheet as on 31st December, 2020.

21. The following is the Trial Balance of T on 31st March, 2020: **(Nov. 2018 RTP)**

Particulars	Dr. (₹)	Cr. (₹)
Capital	-	6,00,000
Drawings	70,000	-
Fixed Assets (Opening)	1,40,000	-
Fixed Assets (Additions 01.10.2019)	2,00,000	-
Opening Stock	60,000	-
Purchases	16,00,000	-
Purchases Returns	-	69,000
Sales	-	22,00,000
Sales Returns	99,000	-
Debtors	2,50,000	-
Creditors	-	2,20,000
Expenses	50,000	-
Fixed Deposit with Bank	2,00,000	-
Interest on Fixed Deposit	-	20,000
Cash	-	8,000
Suspense A/c	-	2,000
Depreciation	14,000	-
Rent (17 months up to 31.8.2020)	17,000	-
Investments 12% (01.8.2019)	2,50,000	-
Bank Balance	1,69,000	-
	31,19,000	**31,19,000**

Stock on 31st March, 2020 was valued at ₹ 1,00,000. Depreciation is to be provided at 10% per annum on fixed assets purchased during the year. A scrutiny of the books of account revealed the following matters: - [closing Examination]

i) ₹ 20,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn ₹ 12,000 was used in the business for day-to-day expenses.

ii) Purchase of goods worth ₹ 16,000 was not recorded in the books of account up to 31.03.2020, but the goods were included in stock.

iii) Purchase returns of ₹ 1,000 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.

iv) Expenses include ₹ 6,000 in respect of the period after 31st March,2020.

Give the necessary journal entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31st March, 2020.

22. **(May 2019 RTP/Nov.2020 RTP)**

The following are the balances extracted from the books of Shri Raghuram as on 31.03.2020, who carries on business under the name and style of M/s Raghuram and Associates at Chennai: -

Particulars	Debit (₹)	Credit (₹)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	

Particulars	Dr.	Cr.
Carriage Outwards	8,500	
Rent of go-down	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs of Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Buildings	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2019	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	**30,73,400**	**30,73,400**

Prepare Trading and Profit and Loss Account for the year ended 31.03.2020 and the Balance Sheet as at that date after making provision for the following: -

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

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

c) One month rent for go-down is outstanding.

d) Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2019

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

f) Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2019 to 30.06.2020.

(May 2020 RTP/May 2018)

23. Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2020.

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

Other informations: -

i) Closing stock was valued at ₹ 4,500
ii) Salary of ₹ 100 and Tax of ₹ 200 are outstanding whereas insurance ₹ 50 is prepaid.
iii) Commission received in advance is ₹ 100. (Liabity) Subtract from com
iv) Interest accrued on investment is ₹ 210
v) Interest on overdraft is unpaid ₹ 300
vi) Reserve for bad debts is to be kept at ₹ 1,000
vii) Depreciation on furniture is to be charged @ 10%

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

24. The trial balance of Kumar as at 31st December, 2020 is as follows: - **(May 2019)**

Particulars	Dr. (₹)	Cr. (₹)
Kumar's capital account	-	38,345
Stock 1st January, 2020	23,400	-
Sales	-	1,94,800
Returns inward	4,300	-
Purchases	1,60,850	-
Returns outward	-	2,900
Carriage inwards	9,800	-
Rent & taxes	2,350	-
Salaries & wages	4,650	-
Sundry debtors	12,000	-
Sundry creditors	-	7,400
Bank loan @ 14% p.a.	-	10,000
Bank interest	550	-
Printing and stationary expenses	7,200	-
Bank balance	4,000	-
Discount earned	-	2,220
Furniture & fittings	2,500	-
Discount allowed	900	-
General expenses	5,725	-
Insurance	650	-
Postage & telegram expenses	1,165	-
Cash balance	190	-
Travelling expenses	435	-
Drawings	15,000	-
	2,55,665	**2,55,665**

P&L
Dr Both

The following adjustments are to be made: -

Less from Dr

1) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.

(-) Purchase
(-) Capital as Drawings

2) Personal purchases of Kumar amounting to ₹ 300 had been recorded in the purchase day book.

Less 500 both

3) Depreciation on furniture & fittings @ 10% shall be written off.
4) Included amongst the debtors is ₹ 1,500 due from Dayal and included among the creditors ₹ 500 due to him.

Asset B/S

5) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.

(+) Purchase
(+) Creditor

6) Credit purchase invoice amounting to ₹ 200 had been omitted from the books.
7) Stock on 31.12.2020 was ₹ 39,300.
8) Interest on bank loan shall be provided for the whole year.

Interest 1400
P&L
Liabilities 850 [1400-550]
o/s interest

You are required to prepare Trading & profit and loss account for the year ended 31.12.2020.

(Oct 2018 MTP)

25. The following is the trial balance of Mr. Pandit for the year ended 31st March, 20X1:

Trial Balance as on 31st March 20X1

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Opening Stock;			
Raw Materials	1,50,000	Sundry Creditors	50,000
Finished goods	75,000	Purchase Returns	5,000
Purchase of Raw Materials	5,00,000	Capital	1,00,000
Land & Building	1,00,000	Bills Payable	24,000
Loose tools	30,000	Long-Term Loan	2,00,000
Plant & Machinery	30,000	Provision for Bad Doubtful Debts	2,000
Investments	25,000	Sales	8,50,000
Cash in Hand	20,000	Bank Overdraft	23,000
Cash at Bank	5,000		
Furniture & Fixtures	15,000		
Bills Receivable	15,000		
Sundry Debtors	40,000		
Drawings	20,000		
Salaries	20,000		
Coal and Fuel	15,000		
Factory rent & rates	20,000		
General Expenses	4,000		
Advertisement	5,000		
Sales Return	10,000		
Bad Debts	4,000		
Direct Wages (Factory)	80,000		
Power	30,000		
Interest paid	7,000		
Discount Allowed	3,000		
Carriage inward	15,000		
Carriage Outward	7,000		
Commission Paid	5,000		
Dividend Paid	4,000		
	12,54,000		**12,54,000**

Additional Information;

a) Stock at the end of the year ₹ 1,00,000
b) A provision for doubtful debts. At 5% on Sundry Debtors
c) Interest on Capital at 5% p.a.
d) Depreciation on building ₹ 1,000 and ₹ 3,000 on Machinery to be provided
e) Accrued commission ₹ 12,500
f) Interest has accrued on investment ₹ 15,000
g) Salary Outstanding ₹ 2,000
h) Prepaid interest ₹ 1,500

You are required to prepare Manufacturing, Trading and Profit and Loss Account for the year ended 31st March, 20X1. **(ICAI SM)**

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

Particulars	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 stationery 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: -

1) Included amongst the debtors is ₹ 6,000 due from Rahul and included among the creditors ₹ 2,000 due to him.
2) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
3) Depreciation on furniture &fittings @ 10% shall be written off.
4) Personal purchases of Manan amounting to ₹ 1200 had been recorded in the purchase's day book.
5) Interest on bank loan shall be provided for the whole year.
6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
7) Credit purchase invoice amounting to ₹ 800 had been omitted from the books.
8) Stock on 31st March 2020 was ₹ 1,57,200.

Prepare : -

i) Trading & Profit and loss account for the year ended 31.3.2020.
ii) Balance Sheet as on 31st March, 2020.

(RTP MAY 2021)

27. On 31st March, 20X1 the Trial Balance of Mr. White were as follows: -

Trial Balance as on 31st March 20X1

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Stock on 1st April 20X0			
Raw Materials	21,000	Sundry Creditors	15,000
Work in Progress Dr M	9,500	Bills Payable	7,500
Finished goods Bal b/d Trading	15,500	Sale of Scrap M Closing	2,500
Sundry Debtors	24,000	Commission Received	450
Carriage on Purchases	1,500	Provision for doubtful debts	1,650
Bills Receivable	15,000	Capital Account	1,00,000
Wages	13,000	Sales	1,67,200
Salaries	10,000	Bank Overdraft	8,500
Telephone, Postage etc.	1,000		
Repairs to Office Furniture	350		
Cash at Bank	17,000		
Office Furniture	10,000		
Repairs to Plant	1,100		
Purchase	85,000		
Plant and Machinery	70,000		
Rent	6,000		
Lighting	1,350		
General Expenses	1,500		
	3,02,800		**3,02,800**

The following additional informations is available: -

a) Stocks on 31st March, 20X1 were: -
Raw Materials ₹ 16,200 [21,000 + 85,000 − 16,200] M
Trading Finished goods ₹ 18,100 Closing stock T
Semi-finished goods ₹ 7,800 M closing Cr M
B/S closing stock

b) Salaries and wages unpaid for March 2020 were respectively, ₹ 900 and ₹ 2,000.

c) Machinery is to be depreciated by 10% and office furniture by $7\frac{1}{2}$%.

d) Provision for doubtful debts is to be maintained @ 1% of sales.

e) Office premises occupy 1/4 of total area. (Rent)

f) Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account Trading Account, Profit and Loss Account and the Balance Sheet relating to 31st March 20X1.

(ICAI SM)

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Final Accounts (Trickery Assignment)

Q. No	Questions
1.	On 31st December, 20X1 the following balances appeared in the books of Mr. Sudhir of Delhi:

Particulars	(₹)
Capital Account	2,00,000
Mr. Sudhir's Current Account	30,000
Drawings during the year	24,000
Loan from Mrs. Sudhir taken on 1st April, 20X1 bearing interest at 12 % per annum.	12,000
Investments (market value ₹ 30,000)	32,500
Cash in Hand	5,000
Cash in Bank	31,400
Sundry Creditors	1,32,312
Sundry Debtors	70,000
Bad Debts Reserve	2,000
Sales	6,51,400
Purchases of Raw Materials	2,30,000
Discount Received	2,200
Purchase Returns	7,500

800 800 0402

Bills Payable	30,600
Outstanding Sundry Expenses as on 1st January, 20X1	18,600
Outstanding Sundry Expenses Paid during the Year	18,000
Sundry Receipts	148
Plant & Machinery	1,11,600
Land & Building (3/4 in use of the factory)	1,20,000
Sales Returns	4,600
Opening Balances as on 1st January, 20X1	
Raw Materials	50,000
Work-in-Progress	19,600
Finished Goods	1,14,000
Carriage Inward	4,000
Wages	1,20,000
Interest paid on Loan from Mrs. Sadhu Ram	960
Salary of Works Manager	19,200
Salaries	20,000
Rates and Taxes on Buildings	6,400
Royalties paid (payable at 1 per cent on net sales)	6,000
Advertisement	14,000
Insurance of Building	4,000
Insurance of Plant and Machinery (includes one annual premium of ₹ 2,400 paid on 30the June, 20X1)	6,000
Printing and Stationery	4,000
Audit fee	4,000
Carriage outward	7,500
Bad debts	6,000
Loose Tools	10,000
Repairs of Plant and Machinery	6,000
Furniture and Fittings	14,000
General Expenses	4,000

From the balances and the undermentioned information, prepare the Manufacturing, Trading and Profit and Loss Account of Mr. Sudhir for the year ending 31st December, 20X1 and the balance sheets on that date:

1) Provide depreciation on Land and Buildings at 5 percent, Plant and Machinery at 20 percent, Loose tools at 25 percent and Furniture and Fittings at 10 percent.
2) Sundry expenses outstanding as at 31st December, 20X1 amounted to ₹ 11,200.
3) Closing balances as at 31st December, 20X1 were: -

Raw Materials	44,000
Work-in- Progress	22,000
Finished Goods	76,000

4) Provision for bad debts should be maintained at 5 percent.
5) Salaries include advance for the next period amounting to ₹ 1,200.
6) Advertisement includes ₹ 6,000 spent on Neon-signs.
7) It was discovered that stock sheet of finished goods as on 31st December. 20X0 were overcast to the extent of ₹ 2,000.

2.	From the following Trial Balance and other information of M/s Rahul, prepare

i) Trading and Profit and Loss Account for the year ended 31.3.20X1.
ii) Balance Sheet as at 31.3.20X1

Trial Balance as on 31.3.20X1

	Dr. (₹)	Cr. (₹)
Capital		1,35,000
Furniture	10,000	
Purchase	89,000	
Wages	9,700	
Stock (1.4.20X0)	11,000	
Debtors	43,000	
Creditors		5,000
Sales		1,82,400
Legal Expenses	3,400	
Cash in hand	1,000	
Cash at bank	49,400	
Advertisement	4,000	
Rent and Electricity	3,140	
Carriage Inward	2,440	
Salaries	8,400	
Return Inward	240	
Return Outward		320
Advance Income Tax	47,000	
Land and Building	41,000	
	3,22,720	**3,22,720**

Other Informations: -

1) Salary amounting to ₹1,000 is outstanding on 31.3.20X1
2) Value of stock on 31.3.20X1 is ₹ 28,000.
3) Sales of ₹25,000 (Cost ₹20,000) were made on 23.3.20X1. Agreement with buyer specified that goods should reach the buyer at the risk of the seller. The goods reached the buyer on 3.4.20X1.
4) Depreciation on Land and Building is to be charge @ 2% p.a. and on Furniture @ 10% p.a.
5) Wages include ₹ 2,500 being for installation of furniture. Furniture was purchased on 1.4.20X0.
6) Provide ₹ 7,500/- further for final income tax liability.
7) A liability to pay compensation to an employee is under dispute and has not been taken into accounts.
8) Rent amounting to ₹ 500 has been paid in advance.

3. Below is the trial balance of Kiran as on 31st December, 20X1: -

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Kiran's Current Account	3,000	Capital Account	1,00,000
Adjusted Purchases	13,98,400	Loan from Babul @ 9% (taken on 1st July,20X0)	40,000
Salaries	8,400	Sales	14,40,000
Carriage on Purchases	800	Discount	1,000
Carriage on Sales	1,000	Sundry Creditors	40,000
Lighting	600		
Rates and Insurances	800		
Buildings	54,000		
Furniture	12,000		
Sundry Debtors	16,000		
Cash in Hand	500		
Cash at Bank	3,000		
Stock (31st December, 20X1)	1,22,500		
	16,21,000		16,21,000

Rates have been prepaid to the extent of ₹350. Bad debts totalling ₹ 1,000 have to be written off. A provision for doubtful debts @ 5% on debtors is necessary. Buildings have to be depreciated at 2% and Furniture at 10%. The manager is entitled to a commission of 5% of net profits before charging such commission.
Prepare Trading and profit and loss Account and the balance sheet as on 31st December.

4. Milan's trial balance as on 30th June, 20X1 was as under: -

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Land & Buildings	40,000	Capital	1,60,000
Machinery	1,00,000	Sundry Creditors	16,000
Furniture and Fixtures	8,000	Discount Received	800
Opening Stock	32,600	Outstanding Expenses	3,100
Purchase	1,60,000	Sales	3,01,000
Salaries	12,000	Repairs and Renewals Provision	12,000
Carriage on Sales	3,000		
Freight on Purchases	4,000		
Customs duty on Purchases	16,000		
Advertising	10,800		
Wages	30,000		
Rent	6,000		
Postage and Stationery	3,000		
General Expenses	6,400		
Repairs to Machinery	4,000		
Loan to Ravi @ 9% (given on 1st January 20X1)	10,000		
Prepaid Insurance	400		
Sundry Debtors	40,000		
Cash in hand	500		
Cash at bank	6,200		
	4,92,900		**4,92,900**

The following further informations is given: -

a) Stock on 30th June, 20X1 was ₹ 29,800.
b) Machinery was purchased on 1st January, 20X1 for ₹20,000 and was installed by own workmen. The wages for this purpose amounted to ₹ 1,000. This amount is included in wages account.
c) Depreciation is to be written off @ 3% on Land and Buildings 10% on Machinery; and 5% on Furniture and Fixtures
d) Provision for Repairs and Renewals is credited with ₹ 3,000 every year.
e) A reserve of 2% is to be made on creditors for discount.

From the information given above. Prepare Trading Account and Profit and Loss Account for the year ended June 30, 20X1 and balance sheet as on that date.

5. The following figures were taken from the books of Salman Butt on 31st December, 20X1.

Particulars	(₹)	Particulars	(₹)
Cash at bank	52,800	Royalties Received	800
Cash in hand	60	Trade & General Expenses	10,040
Sales	5,22,460	Reserve on Patents	10,000
Stock (1st Jan. 20X1)	54,820	Interest on Loan	2,480
Sales Returns	6,600	Repairs	1,680
Discount (Dr.)	12,760	Sundry Creditors	41,560
Bills Receivable	3,640	Buildings	1,91,640
Sundry Debtors	1,05,440	Patent Rights	1,00,000
Depreciation	9,560	Loan (raised on Mortgage of Buildings)	90,000

Purchase	3,68,060	Agent's commission	13,000
Discount on Purchases(Cr.)	7,800	Bad debts	3,800
Wages	28,080	Plant and Machinery	60,000
Provision for bad debts	10,800	Capital	4,00,000
Provision for Discount on Debtors	3,940	Drawings	60,000
		Advertising	2,000
		Carriage	900

In addition, the following information is given: -

a) Stock on 31st December, 20X1 was ₹ 64,500.

b) The stock includes materials worth ₹ 4,500 for which bills had not been received and, therefore, not accounted for yet.

c) During the year a sum of ₹ 6,000 was paid as ground rent for 20X1 and 20X2. This sum stands debited to Building Account.

d) Included in sales is an amount of ₹ 15,000 representing goods on sale or return, the customers still having the right to return the goods. These goods were invoiced showing a profit of 20% on sales.

e) A customer's bill for ₹ 5,560 had been discounted with bank. The bank has sent an intimation that the bill has been dishonoured. No entry has yet been passed in respect of this.

f) A provision for bad debts is to be maintained at 5% of the debtors and a provision for discounts on debtors is also to be maintained @ 2% of the debtors.

Prepare Trading and Profit and Loss Account of Salman Butt for the year ended December 31,20X1 and his balance sheet as on that date.

6. **On 31st December, 20X1 the Trial Balance of Dolly was as follows: -**

Debit Balances	(₹)	Credit Balances	(₹)
Stock on 1st Jan, 20X1:			
Raw Materials	42,000	Sundry Creditors	30,000
Work-in-Progress	19,000	Bills Payable	15,000
Finished goods	31,000	Sale of Scrap	5,000
Sundry debtors	48,000	Commission	900
Carriage on Purchases	3,000	Provision for doubtful debts	3,300
Bills Receivable	30,000	Capital Account	2,00,000
Wages	26,000	Sales	3,34,400
Salaries	20,000	Current Account of Dolly	17,000
Telephone, Postage, etc.	2,000		
Repairs to Plant	2,200		
Repairs to office furniture	700		
Purchases	1,70,000		
Cash at bank	34,000		
Plant & Machinery	1,40,000		
Office Furniture	20,000		
Rent	12,000		
Lighting	2,700		
General Expenses	3,000		
	6,05,600		**6,05,600**

The following additional information is available: -

a) **Stock on 31st December, 20X1 were: -** (₹)

Raw Materials	32,400
Finished goods	36,200
Semi-finished	15,600

b) Salaries and wages unpaid for December, 20X1 were respectively, ₹1,800 and ₹4,000.

c) Machinery is to be depreciated by 10% and office furniture by $7^1/_2$%.

d) Provision for doubtful debt's is to be maintained @ 1% of sales.

e) Office premises occupy ¼ of total area. Lighting is to be charged as to 2/3 to factory and1/3 to office.

Prepare the Manufacturing Account, Trading Account, Profit and Loss Account and the Balance Sheet relating to 20X1.

7. The following are the balances abstracted from the books of Mr. Chunni Lal: -

Balance as on 31st December, 20X1	
Particulars	**(₹)**
Chunni Lal's Capital	60,000
Chunni Lal's Drawings	10,000
Furniture and Fittings	5,200
Bank Overdraft	8,400
Creditors	26,600
Business Premises	40,000
Stock on 1st January, 20X1	44,000
Debtors	37,200
Rent from tenants	2,000
Purchases	2,20,000
Sales	3,00,000
Sales Returns	4,000
Discount—Debit	3,200
Discounts—Credit	4,000
Taxes and Insurance	4,000
General Expenses	8,000
Salaries	18,000
Commission—Debit	4,400
Carriage on Purchases	3,600
Provision for Bad & Doubtful Debts	1,200
Bad debts written off	1,600

Stock in hand on 31st December, 20X1 was estimated at ₹40,000. Rent ₹600 is still due from the tenant. Salaries ₹1,500 are as yet unpaid. Write off bad debts ₹1,200 and depreciate business premises by ₹600 and furniture and fittings by ₹532. Make a provision of a 5% on debtors for bad and doubtful debts and a provision of 2% for discounts. Allow interest on capital at 5% and carry forward ₹1,400 for unexpired insurance. The manager is entitled to a commission of 10% on profits remaining after charging his commission.

Prepare Trading Accounts, Profit and Loss Account and Balance Sheet as on 31st December, 20X1

8. Manish gives you the following figures from his books as on 30th June, 20X1: -

Particulars	(₹)	Particulars	(₹)
Capital	1,00,000	Purchases	96,000
Trade creditors	20,000	Discount Received	800
Bills Payable	2,000	Building	20,000
General Reserve	10,000	Plant & Machinery	30,000
Provision for bad debts	2,000	Book Debts	32,800
Manish's Current A/c (Cr.)	900	Bank Balance (Dr.)	6,800
Sales	1,50,000	Investments (4%)	20,000
Discount allowed	1,500	Bills Receivable	5,000
Stock (1st July, 20X0)	30,000	Wages & Salaries	26,000
Audit fees	4,000	Repairs & Renewals	3,600
Office expenses	9,000	Interest paid	1,400
		Bad debts recovered	400

The trial balance had shown a difference of ₹5,000. The debit side being short. It was transferred to Office Expenses A/c. The value of stock in hand on 30th June, 20X1 was ₹36,000. During June 20X1, there was a fire which destroyed goods worth ₹7,000. The insurers admitted claim for ₹5,000. This amount had not yet been received and no entries have been passed yet. Buildings are to be depreciated at 2% per annum and plant and machinery at 10% per annum. ₹4,000 is to be transferred to general reserve out of profits, if any. The manager is entitled to a commission of 10% of net profits after charging his commission.

The following errors were located: -

1) The total of the purchases book in May was found to be ₹2,000 short.
2) A sale of ₹1,000 to a credit customer in April was posted twice to his account.
3) ₹2,000 paid to a creditor was credited to his account.

Prepare Manish's Trading Account, Profit and Loss Account and Balance Sheet.

9. From the following trial balance of Shri Murti, prepare Trading and Profit and Loss Account for the year ending 31st December 20X1, and balance sheet as on the date after taking into consideration the adjustments given at the end of the trial balance: -

Particulars	Debit	Credit
Sales	---	7,40,000
Purchases (adjusted)	6,99,200	
Wages	20,900	
Capital Account		68,500
National Insurance	300	
Carriage Inwards	400	
Carriage Outwards	500	
Lighting	600	
Rates and Insurance (including premium of ₹150 per annum paid up to 30th June 20X2)	400	
Stock at 31-12-20X1	61,250	
Cash in hand and at bank	1,750	
Discount earned		600
Plant and Machinery	30,000	
Discount Allowed	100	
Debtors and Creditors	6,000	20,000
Furniture	8,000	
Dividend received		300
	8,29,400	**8,29,400**

Adjustments:

i) National Insurance also includes employer's contribution of ₹150. Wages are shown "Net"after deducting national insurance contribution borne by the employee.

ii) Owing to the nature of employment. Some employees are housed in the building of the business. The rental value of such portion is assessed at ₹500 per annum. The benefit to the employee treated as wages and the rental as income of Shri Murti.

iii) Depreciate plant and machinery at 15% per annum and furniture at 10% per annum.

iv) Goods worth ₹4,000 given by Shri Murti to his son at cost.

v) The Manager is entitled to a commission of 20% of the net profit after charging his commission. (Calculation may be made in nearest multiple of a rupee.)

10. The following is the Trial Balance of Mr. Ramesh as at 31st December, 20X1: -

Particulars	Dr. (₹)	Cr. (₹)
Ramesh's Capital A/c	-	43,345
Stock on 1st January, 20X1	23,400	-
Sales	-	1,94,800
Return Inwards	4,300	-
Purchases	1,60,850	-
Returns outwards	-	2,900
Freight & Carriage	9,300	-
Rent & Taxes	2,850	-
Salaries & Wages	4,650	-
Sundry Debtors	12,000	-
Sundry Creditors	-	7,400
Bank Loan @ 6% per annum	-	10,000
Bank Interest	450	-
Printing and Advertising	7,300	-
Miscellaneous Income	-	125
Cash at bank	4,000	-

Discount earned	-	2,095
Furniture & Fittings	2,500	-
Discount allowed	900	-
General expenses	5,725	-
Insurance	650	-
Postage & Telegrams	1,165	-
Cash in hand	190	-
Travelling expenses	435	-
Drawings	20,000	-
Total	**2,60,665**	**2,60,665**

The following adjustments should be made: -

1) Included amongst the debtors is ₹1,500 due from Kunal and included among the creditors ₹500 due to him.
2) Provision for bad and doubtful debts be created at 5% and Reserve for Discount @ 2% on sundry debtors.
3) Depreciation on furniture & fittings @ 10% shall be written off.
4) Personal purchases amounting to ₹300 had been included in the purchase day book.
5) Interest on bank loan shall be provided for the whole year.
6) A quarter of the amount of printing and advertising is to be carried forward to the next year.
7) Credit purchase invoice amounting to ₹200 had been omitted from the books.
8) Stock on 31-12-20X1 was ₹39,300.

Prepare: -

1) Trading & Profit and Loss Account for the year ended 31-12-2020 and
2) Balance sheet as on 31st December 2020.

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Final Accounts of Manufacturing Entries (Basic Assignment)

Q. No	Questions
1.	1,00,000 units were produced in a factory. Per unit material cost was ₹ 10 and per unit labour cost was ₹ 5. That apart it was agreed to pay royalty @ ₹ 3 per unit to the Japanese collaborator who supplied technology. **Required: -** Calculate Manufacturing Cost. (ICAI SM)
2.	Mr. Vimal runs a factory which produces soaps. Following details were available in respect of his manufacturing activities for the year ended on 31.3.2020: -

Particulars	(₹)
Opening Work-in-Process (10,000 units)	16,000
Closing Work-in-Process (12,000 units)	20,000
Opening inventory of Raw Materials	1,70,000
Closing inventory of Raw Materials	1,90,000
Purchases	8,20,000
Hire charges of machine @ ₹ 0.60 per unit manufactured	
Hire charges of factory	2,20,000
Direct wages-contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of Closing W.I.P.	
Repairs and Maintenance	1,80,000
Units produced – 5,00,000 units	

Required: -
Prepare a Manufacturing Account of Mr. Vimal for the year ended 31.3.2020.

[ICAI SM/Nov. 2019(Modified)]

3. Mr. Pankaj runs a factory which produces motor spares of export quality. The following details were obtained about his manufacturing expenses for the year ended on 31.3.2020.

Particulars		(₹)
W.I.P.	- Opening	3,90,000
	- Closing	5,07,000
Raw Materials	- Purchases	12,10,000
	- Opening	3,02,000
	- Closing	3,10,000
	- Returned	18,000
	- Indirect material	16,000
Wages	- Direct	2,10,000
	- Indirect	48,000
Direct expenses	- Royalty on production	1,30,000
	- Repairs and maintenance	2,30,000
	- Depreciation on factory shed	40,000
	- Depreciation on plant & machinery	60,000
By-product at selling price		20,000

You are required to prepare Manufacturing Account of Mr. Pankaj for the year ended on 31.3.2020.

(ICAI SM)

4. Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by Ms. Shiv related to 2019-20. There are certain figures missing from these accounts.

Dr. **Raw Material A/c** Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
	To Opening Stock A/c	1,00,000		By Raw Material Consumed	----
	To Creditors A/c	----		By Closing Stock A/c	----

Dr. **Creditors A/c** Cr.

Date	Particulars	(₹)	Date	Particulars	(₹)
	To Bank A/c	22,00,000		By Balance b/d	15,00,000
	To Balance c/d	6,00,000			

Manufacturing A/c

Particulars	(₹)	Particulars	(₹)
To Raw Material Consumed	----	By Trading A/c	17,94,000
To Wages (-50,000)(2)	3,50,000		
To Depreciation (+1,00,000)(1)	2,00,000		
To Direct Expenses (-24000)(-20,000)	2,44,000		

Additional Information: -

1) Purchase of machinery worth ₹ 10,00,000 has been omitted. Machinery are chargeable at a depreciation rate of 10%. (1)
2) Wages include the following: -
   Paid to Factory Workers - ₹ 3,00,000 (2)
   Paid to labour at office - ₹ 50,000
3) Direct Expenses include following: -
   - ✓ Electricity charges of ₹ 80,000 of which 30% pertained to office. (-24000)
   - ✓ Fuel Charges of ₹ 20,000
   - ✓ Freight Inwards of ₹ 35,000
   - ✓ Delivery charges to customers - ₹ 20,000. = (-20,000)

You are required to prepare revised Manufacturing A/c, and Raw Material A/c.

(ICAI SM/January 2021 (modified))

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Particulars	unit	₹	Particulars	Unit	₹
To Raw material			By Product		XX
- opening Inventory	XX		Relizable Value		XX
Add: Purchases	XX		By Closing work in Pr.		XX
Less: Closing Inventory	XX	XX	By Trading [Bal Fig]		XX
To Direct Wages		XX			
To Direct Expense		XX			
PRIME COST		XX			
To Factory Overheads					
Royalty	XX				
Hire Purchase	XX				
Repairs	XX				
Depreciation	XX	XX			
Factory COST		XX			
To Opening Work in Pr.		XX			

C = 100% 50% 33.33% 25% 20%
S = 50% 33.33% 25% 20%

Sale of Goods on Approval or Return Basis (Basic Assignment)

Q. No	Questions
1.	CE sends goods to his customers on Sale or Return basis. The following transactions took place during 2020: -

Date	Particulars	(₹)
Sept. 15	Sent goods to customers on sale or return basis at cost plus $33\frac{1}{3}\%$	1,00,000
Oct. 20	Goods returned by customers	40,000
Nov. 25	Received letters of approval from customers	40,000
Dec. 31	Goods with customers awaiting approval	20,000

CE records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of CE assuming that accounting year closes on 31st December, 2020.

[ICAI SM/May 2018(Modified)]

2. S. Ltd sends out its goods to dealers on Sale or Return basis. All such transactions are, however, treated as actual sales and are passed through the day book. Just before the end of the accounting year on 31.03.2020, 200 such goods have been sent to a dealer at ₹ 250 each (cost ₹ 200 each) on sale or return basis and debited to his account. Of these goods, on 31.03.2020, 50 were returned and 70 were sold while for the other goods, date of return has not yet expired.

Pass necessary adjustment entries on 31.03.2020.

(ICAI SM)

3. Caly Company sends out its gas containers to dealers on Sale or Return basis. All such transactions are, however, treated as actual sales and are passed through the Day Book. Just before the end of the financial year, 100 gas containers, which cost them ₹ 900 each have been sent to the dealer on 'sale or return basis' and have been debited to his account at ₹ 1,200 each. Out of this only 20 gas containers are sold at ₹ 1,500 each.

You are required to pass necessary adjustment entries for the purpose of Profit and Loss Account and Balance Sheet. **(ICAI SM)**

4. E Ltd. sends out its accounting machines costing ₹ 200 each to their customers on Sales or Return basis. All such transactions are, however, treated like actual sales and are passed through the Day Book. Just before the end of the financial year, i.e., on March 24, 2020, 300 such accounting machines were sent out at an invoice price of ₹ 280 each, out of which only 90 accounting machines are accepted by the customers ₹ 250 each and as to the rest no report is forthcoming. Show the journal entries in the books of the company for the purpose of preparing final accounts for the year ended March 31, 2020. **(ICAI SM)**

5. A sends out goods on approval to few customers and includes the same in the Sales Account. On 31.3.2020, the trade receivables balance stood at ₹1,00,000 which included ₹7,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price and were sent to-

Mr. X - ₹4,000 and Mr. Y - ₹3,000.

Mr. X sent intimation of acceptance on 30th April and Mr. Y returned the goods on 10th April, 2020.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31st March, 2020. Show also the entries to be made during April, 2020. Value of closing Inventories as on 31st March, 2020 was ₹ 60,000.

[ICAI SM/May 2020 RTP(Modified)/Nov. 2018]

6. A firm sends goods on sale or return basis. Customers having the choice of returning the goods within a month. During May 2020, the following are the details of goods sent: -

Same Q(8)

Date (May)	2	8	12	18	20	27
Customers	P	B	Q	D	E	R
Value (₹)	15,000	20,000	28,000	3,000	1,000	26,000

Within the stipulated time, P and Q returned the goods and B, D, and E signified that they have accepted the goods.

Show in the books of the firm, the Sale or Return Account and Customer- P for Sale or Return Account on 15th June, 2020. **[ICAI SM/Nov. 2019(Modified)]**

7.	On 31st December, 2020 goods sold at a sale price of ₹ 3,000 were lying with customer, Ritu to whom these goods were sold on 'sale or return basis' were recorded as actual sales. Since no consent has been received from Ritu, 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. **(ICAI SM/May 2019 RTP)**
8.	X supplied goods on sale or return basis to customers, the particulars of which are as under.

Date of	Party's name	Amount (₹)	Remarks dispatch
10.12.2020	M/s. ABC	10,000	No information till 31.12.2020
12.12.2020	M/s. DEF	15,000	Returned on 16.12.2020
15.12.2020	M/s. GHI	12,000	Goods worth ₹ 2,000 returned on 20.12.2020
20.12.2020	M/s. DEF	16,000	Goods Retained on 24.12.2020
25.12.2020	M/s. ABC	11,000	Good Retained on 28.12.2020
30.12.2020	M/s. GHI	13,000	No information till 31.12.2020

Goods are to be returned within 15 days from the dispatch, failing which it will be treated as sales. The books of 'X' are closed on the 31st December, 2020.

Prepare the following accounts in the books of 'X'.

a) Goods on "sales or return, sold and returned day books.

b) Goods on sales or return total account.

(ICAI SM/May 2018 RTP/Nov. 2019 RTP/Nov. 20)

9. Amit runs an online store where in the goods are casually sold on sale on approval basis, the following is the information provided to you during 2020: -

Date	Particulars	(₹)
10th Feb.	Sale on approval basis- 25% on cost	1,20,000 (Cost)
20th Feb.	Goods returned by customers	80,000
15th March	Goods for which approval given by customers	40,000
31st March	Goods with customers awaiting approval	30,000

All the above goods are sold ordinarily in the course of the online business. Considering that he closes his books on 31st March 2020, you are required to pass entries in the books of Amit, to record the above transactions.

Note: - Additionally it has been provided that on 15th April 2020, the customers have rejected the goods for which approval has been pending on 31st March, deal with the same accordingly. **(ICAI SM)**

10. Mr. Kumar sells goods on approval or return basis casually. He has sold goods worth ₹. 1,50,000, (Sold at a profit of 33 1/3% on sale) which has been awaiting approval from the customers as on the date of closing the books. After the expiry of the period, the customer have accepted goods equivalent to 75% of the cost of the goods and the rest considered to be rejected.

You are required to show the necessary Journal entries as on the date of closing the books and the entries after the expiry of the period and the treatment of the goods. **(ICAI SM)**

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

Same as 8

Date of dispatch	Party's name	(₹)	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: -

a) Goods on Sales or return, sold and returned day books".

b) Goods on sales or return total account.

May 2021 (RTP)

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Non-Profit-Organization (NPO) (Basic Assignment)

Q. No	Questions
1.	Smith Library Society showed the following position on 31st March, 2019: -

Balance Sheet as on 31st March, 2019

Liabilities	(₹)	Assets	(₹)
Capital fund	7,93,000	Electrical fittings	1,50,000
Expenses payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	25,000
	8,00,000		**8,00,000**

P

Deficit 16,700

The receipts and payment account for the year ended on 31st March, 2020 is given below: -

Dr. | **Cr.**

Receipt		(₹)	Payment	(₹)
To Balance b/d			By Electric charges	7,200
Cash at bank	25,000		By Postage and stationery	5,000
Cash in hand	25,000	50,000	By Telephone charges	5,000
To Entrance fee		30,000	By Books purchased	60,000
To Membership subscription		2,00,000	By Outstanding expenses paid	7,000
To Sale proceeds of old papers		1,500	By Rent	88,000
To Hire of lecture hall		20,000	By Investment in securities	40,000
To Interest on securities		8,000	By Salaries	66,000
			By Balance c/d	
			- Cash at bank	20,000
			- Cash in hand	11,300
		3,09,500		**3,09,500**

Bal Sheet 8,15,800

You are required to prepare income and expenditure account for the year ended 31st March, 2020 and a balance sheet as at 31st, March, 2020 after making the following adjustments: -

a) Membership subscription included ₹ 10,000 received in advance.
b) Provide for outstanding rent ₹ 4,000 and salaries ₹ 3,000.
c) Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.
d) 75% of the entrance fees is to be capitalized.
e) Interest on securities is to be calculated @ 5% per annum including purchases made on 1.10.2019 for ₹ 40,000.

[May,2018 RTP/Nov.,2018 MTP]

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

Balances	As on 1/4/2019	As on 31/3/2020
Stock of sports material	75,000	1,12,500
Amount due for sports material	67,500	97,500
Subscription due	11,250	16,500
Subscription received in advance	9,000	5,250

Sub^n 3,84,000

Sports material 3,25,000

1) Subscription received during the year ₹ 3,75,000.
2) Payments for sports material during the year ₹ 2,25,000.

You are required to: -

a) Calculate the amount of subscription and sports material that will appear in income and expenditure account for the year ended 31.03.2020 and
b) Also show how these items would appear in the Balance Sheet as on 31.03.2020.

[Nov.,2018 RTP /Nov.,2018 MTP]

R/P Bal c/d 90920

Deficit 3,540

CF 35,940

B/S 1,22,490

3. The receipts and payments account of *Trust well Club* prepared on *31st March, 2020* is as follows: -

Dr. Cr.

Receipts		(₹)	Payments	(₹)
To Balance b/d		450	By Expenses (including Payment for sports material ₹ 2,700)	6,300
To Annual income from Subscription	4,590			
Add: Outstanding of last year received this year	180		By Loss on sale of furniture (cost price ₹ 450)	180
Less: Prepaid of last year	(90)	4,680		
To Other fees		1,800	By Balance c/d	90,400
To Donation for Building		90,000		
		96,930		96,930

Additional informations: -

1) Trust well club had balances as on1.4.2019: Furniture ₹ 1,800; Investment at 5% ₹ 27,000; Sports material ₹ 6,600.
2) Balances as on 31.3.2020: Subscription receivable ₹ 270; Subscription received in advance ₹ 90; Stock of sports material ₹ 1,800.

Do you agree with above receipts and payments account? If not, prepare correct receipts and payments account and income and expenditure account for the year ended 31st March, 2020 and balance sheet on that date.

[May,2019 RTP]

Surplus 16000

F 49300

B/S 227700

4. From the following data, prepare an ***income and expenditure account*** for the year ended ***31st December 2019***, and ***balance sheet*** as at that date of the ***Jeevan Hospital***:

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

Dr. Cr.

Receipts		(₹)	Payments	(₹)
To Balance b/d			By Salaries ***(₹ 7,200 for 2018)*** -OBS	31,200
- Cash in hand	800		By Hospital equipment	17,000
- Cash at bank	5,200	6,000	By Furniture purchased	6,000
To Subscriptions:			By Additions to building	50,000
- For 2018		5,100	By Printing and stationery	2,400
- For 2019		24,500	By Diet expenses	15,600
- For 2020		2,400	By Rent and rates *(₹ 300 for 2020)* CBS	2,000
To Fees from sundry patients		4,800		
To Government grant:			By Electricity and water charges	2,400
- For building CBS L		80,000		
- For maintenance		20,000		
To Donations *(not to be capitalized)*		8,000	By Office expenses	2,000
To Net collections from benefit shows		6,000	By Investments	20,000
			By Balance c/d	
			- Cash in hand	1,400
			- Cash at bank	6,800
		1,56,800		1,56,800

Additional informations: -

Particulars	(₹)
Value of building under construction as on 31.12.2019	1,40,000
Value of hospital equipment on 31.12.2019	51,000
Building fund as on 1.1.2019 ODS, CL BS L	80,000
Subscriptions in arrears as on 31.12.2018	6,500
Investments in 8% Govt. securities were made on 1st July, 2019 800	

5100 1,40,000-50,000 bdg B.S. -17,000 close BS

[Nov.,2019 RTP]

REDMI NOTE 10 | BY SHIV

5. Doctor Dinesh after retiring from Govt. service, started private practice on 1st April, 2019 with ₹ 1,00,000 of his own and ₹ 1,50,000 borrowed at an interest of 12% per annum on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Surplus 242000
Capital 247,000
B/S 397,000

Receipts	(₹)	Payments	(₹)
Own capital c cr	1,00,000	Medicines purchased	1,22,500
Loan	1,50,000	Surgical equipment	1,25,000
Prescription fees	3,30,000	Motor car	1,60,000
Visiting fees	1,25,000	Motor car expenses c (60000 - 20,000)	60,000
Fees from lectures	12,000	Wages and salaries c (52,500 - 15,000)	52,500
Pension received C cr	1,50,000	Rent of clinic	30,000
Surplus cr in Capital A/c		General charges	24,500
		Household expenses c	90,000
		Household Furniture c	12,500
		Expenses on daughter's marriage c	1,07,500
		Interest on loan	18,000
		Balance at bank	55,000
		Cash in hand	9,500

One-third of the motor car expense may be treated as applicable to the private use of car and ₹ 15,000 of salaries are in respect of domestic servants.
The stock of medicines in hand on 31st March, 2020 was valued at ₹ 47,500. Consumables
You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2020 and balance sheet as on that date. Ignore depreciation of fixed assets.

[May,2020 RTP/January 2021 (modified)]

6. **You are provided with the following: -**

Surplus 129,00
B/S 2,90,100

Balance sheet
as on 31st March, 2019

Liabilities	(₹)	Assets	(₹)
Capital fund	1,06,200	Building C B S	1,50,000
Subscription received in advance	6,000	Outstanding subscription	3,800
Outstanding expenses	14,000	Outstanding locker rent (—)	2,400
Loan C B S	40,000	Cash in hand	20,000
Sundry creditors	10,000		
	1,76,200		**1,76,200**

Receipts and Payments Account
for the year ended 31st March,2020

Dr. Cr.

Receipts	(₹)	Payments		(₹)
To Balance b/d		By Expenses		
- Cash in hand	20,000	- For 2018-19	12,000	
To Subscriptions:		- For 2019-20	20,000	32,000
- For 2018-19	2,000			
- For 2019-20	21,000	By Land		40,000
- For 2020-21	1,000	By Interest		4,000
To Entrance fees	38,000	By Miscellaneous expenses		4,700
To Locker rent	7,000	By Balance c/d		
To Sale proceeds of old newspapers	1,000	- Cash in hand		18,300
To Miscellaneous income	9,000			
	99,000			**99,000**

You are *required to prepare income and expenditure account for the year ended 31st March, 2020* and a *balance sheet as at 31st March, 2020* (Workings should form part of your answer).

[Nov.,2018]

REDMI NOTE 10 | BY SHIV

7. PP

From the following information supplied by **M.B.S. Club**, prepare **receipts and payments account and income and expenditure account** for the **year ended 31st March 2020.**

Particulars	01/04/2019	31/03/2020
Outstanding subscription	1,40,000	2,00,000
Advance subscription	25,000	30,000
Outstanding salaries	15,000	18,000
Cash in hand and at bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports goods	15,000	25,000

R/P Bal cld 2,90,000

Subscription ***for the year*** amount to **₹ 3,00,000/-**. ***Salaries paid ₹ 60,000. Face value of the investment was ₹ 1,75,000, 50% of the investment was sold at 80% of face value. Interest on investments*** was ***received ₹ 14,000. Furniture was sold for ₹ 8000 at the beginning of the year. Machinery and Sports goods purchased*** and ***put to use at the last date*** of the year. ***Charge depreciation @ 15% per annum*** on ***machinery*** and ***sports goods*** and ***@10% per annum on furniture.***

I/E Surplus 164,350

Following ***expenses were made*** during the year:

Sports expenses: **₹ 50,000**
Rent: **₹ 24,000 out of which ₹ 2,000 outstanding**
Misc. expenses: ₹ 5,000

8. The ***receipts and payments*** for the year ended ***March, 31st 2020*** were: **[May,2019]**

Entrance fees ₹ 300; Membership fees ₹ 3,000; Donation for club pavilion ₹ 10,000; Food stuff sales ₹ 1,200; Salaries and wages ₹ 1,200; Purchase of food stuff ₹ 800; ***Construction of club pavilion ₹ 11,000***; General expenses ₹ 600; Rent and taxes ₹ 400; Bank charges ₹ 160

Cash in hand–April,1st ₹ 200, March,31st ₹ 350

Cash in bank–April,1st ₹ 400, March,31st ₹ 590

You are required to ***prepare receipts and payment account.***

9. Suppose ***salaries paid during 2019-20 were ₹ 23,000***. The following ***further information*** is available: - **[ICAI SM]**

Particulars	2018-19	2019-20
Salaries unpaid	1,400	1,800
Salaries prepaid	400	600

Calculate the **amount to be debited to income and expenditure account** in respect of salaries and **also show necessary ledger accounts.**

10. PP

The following was the ***receipts and payments account of Exe Club*** for the year ***ended March 31st,2020***: **[ICAI SM]**

Receipts	(₹)	Payments	(₹)
Cash in hand	100	Groundsmen's fee	750
Balance at bank as per pass book:		Moving Machine	1,500
Deposit account	2,230	Rent of ground	250
Current account	600	Cost of teas	250
Bank interest	30	Fares	400
Donations and subscriptions	2,600	Printing and office expenses	280
Receipts from teas	300	Repairs to equipment	500
Contribution to fares	100	Honorarium to secretary	400
Sale of equipment	80	Cash in hand	250
Net proceeds of variety entertainment	780	Balance at bank as per pass book:	
Donation for forth coming tournament	1,000	Deposit account	3,090
		Current account	150
	7,820		**7,820**

You are given the following *additional information*:

Particulars	1/4/2019	31/03/2020
Subscription due	150	100
Amount due for printing etc.	100	80
Cheques unpresented being payment for repairs (600 - 300)	300	260
Estimated value of machinery and equipment	800	1,750
Interest not yet entered in the pass book & cash book	o/s	20
Bonus to groundsmen outstanding		300

150 - 260 = -110 Bank rec

For the year **ended March 31st, 2020**, the **honorarium to the Secretary** are to be ***increased by a total of ₹ 200***.

Prepare the ***income and expenditure account for period ending 31-03-2020*** and the ***relevant balance sheet***.

11. The ***income and expenditure account*** of the **Youth Club** for the ***Year 2019*** is as follows: **[ICAI SM]**

PP

Dr. **Cr.**

Expenditure	(₹)	Income	(₹)
To Salaries	4,750	By Subscriptions	7,500
To General expenses	500	By Entrance fees	250
To Audit Fee	250	By Contribution for annual dinner	1,000
To Secretary's Honorarium	1,000	By Annual Sport meet receipts	750
To Stationery & Printing	450		
To Annual Dinner Expenses	1,500		
To Interest & Bank Charges	150		
To Depreciation	300		
To Surplus	600		
	9,500		**9,500**

This account had been prepared ***after the following adjustments***:

Particulars	(₹)
Subscription outstanding at the end of 2018	600
Subscription received in advance on 31st December, 2018	450
Subscription received in advance on 31st December, 2019	270
Subscription outstanding on 31st December, 2019	750

Salaries outstanding at the ***beginning*** and the ***end of 2019*** were ***respectively ₹ 400 and ₹ 450. General expenses include insurance prepaid to the extent of ₹ 60. Audit fee for 2019 is as yet unpaid. During 2019 audit fee for 2018 was paid amounting to ₹ 200.*** The Club ***owned a freehold lease of ground valued at ₹ 10,000***. The club ***had sports equipment on 1st January, 2019 valued at ₹ 2,600***. At the ***end of the year, after depreciation***, this equipment amounted to ***₹ 2,700. In 2018***, the Club ***has raised a bank loan of ₹ 2,000***. This ***was outstanding throughout 2019***. On ***31st December, 2019 cash in hand amounted to ₹ 1,600***.

Prepare the ***receipts and payments account for 2019 and balance sheet*** as at ***the end of the year.*** **[ICAI SM]**

12. The ***Sportswriters Club*** gives the following ***receipts and payments account*** for the year ended ***March 31, 2020***:

Receipts and payments A/c
For the year ended 31st March, 2020

Dr. Cr.

Receipts	(₹)	Payments	(₹)
Balance b/d	4,820	Salaries	12,000
Subscriptions	28,600	Rent and electricity	7,220
Miscellaneous income	700	Library books	1,000
Interest on fixed deposit	2,000	Magazines and newspapers	2,172
		Sundry expenses	10,278
		Sports equipment	1,000
		Balance c/d	2,450
	36,120		**36,120**

Figures of ***other assets and liabilities*** are furnished as follows: -

Particulars	31st March, 2019	31st March, 2020
Salaries outstanding	710	170
Outstanding rent and electricity	864	973
Outstanding for magazines and newspapers	226	340
Fixed deposit (10%) with bank	20,000	20,000
Interest accrued thereon	500	500
Subscription receivable	1,263	1,575
Prepaid expenses	417	620
Furniture	9,600	
Sports equipment	7,200	
Library books	5,000	

The ***closing values of furniture and sports equipment*** are to be ***determined after charging depreciation at 10% and 20% per annum respectively inclusive of the additions, if any, during the year***. The Club's ***library books are revalued at the end of every year*** and the ***value at the end of March 31, 2020 was ₹ 5,250***.

Required: -

From the above information you are ***required to prepare***:

a) The Club's ***balance sheet as at March 31, 2019***;
b) The Club's ***income and expenditure account*** for the year ***ended March 31, 2020.***
c) The Club's ***closing balance sheet*** as at ***March 31, 2020.***

[ICAI SM]

13. From the following balances and particulars of ***Republic College***, prepare ***income and expenditure account*** for the year ***ended March, 2020*** and a ***balance sheet*** as on the date: -

Particulars	Dr. (₹)	Cr. (₹)
Seminars and conference receipts		4,80,000
Consultancy receipts		1,28,000
Security deposit – students GhbB-S		1,50,000
Capital fund		16,06,000
Research fund		8,00,000
Building fund		25,00,000
Provident fund		5,10,000
Tuition fee received		8,00,000
Government grants		5,00,000
Donations		50,000
Interest and dividends on investments		1,85,000

Hostel room rent		1,75,000
Mess receipts (Net)		2,00,000
College stores-sales		7,50,000 ← 7,50,000 × 10%
Outstanding expenses		2,25,000
Stock of stores and supplies (opening)	3,00,000	
Purchases - stores and supplies	8,00,000	
Salaries – teaching	8,50,000	
Research	1,20,000	
Scholarships	80,000	
Students welfare expenses	38,000	
Repairs and maintenance	1,12,000	
Games and sports expenses	50,000	
Miscellaneous expenses	65,000	
Research fund investments	8,00,000	
Other investments	18,50,000	
Provident fund investment	5,10,000	
Seminar and conference expenses	4,50,000	
Consultancy expenses	28,000	
Land	1,00,000	
Building	16,00,000	
Plant and machinery	8,50,000	
Furniture and fittings	6,00,000	
Motor vehicle	1,80,000	
Provision for depreciation:		
Building		4,80,000
Plant and machinery (Substract from Concerned A/c in BS)		5,10,000
Furniture and fittings		3,36,000
Cash at bank (Add in B.S)	6,42,000	
Library	3,60,000	
	1,03,85,000	**1,03,85,000**

Adjustments: -

S.No.	Particulars	(₹)
1)	Materials and supplies consumed: (From college stores)	
	Teaching	50,000
	Research	1,50,000
	Students welfare	75,000
	Games or Sports	25,000
2)	Tuition fee receivable from government for backward class scholars	80,000
3)	Stores selling prices are fixed to give a net profit of 10% on selling price	
4)	Depreciation is provided on ***straight line basis*** at the following rates:	
	1) Building	5%
	2) Plant and machinery	10%
	3) Furniture and fixtures	10%
	4) Motor vehicle	20%

(ICAI SM/November2020 (modified))

14. I/E 4,37,000

During the year ended 31st March, 20X1, the subscriptions received by the Jaipur Literary Society were ₹ 4,50,000. These subscriptions include ₹ 20,000 received for the year ended 31st March, 20X0. On 31st March, 20X1, subscriptions due but not received were 15,000. Advance subscription received for the year ending 31st March 20X1 but pertaining to year 20X2 amounted to₹ 26,000. The Subscriptions received for the year 31st March 20X1, include the advance received for the year ending 31 March 20X0 amounted to ₹ 18,000. What amount should be credited to Income and Expenditure Account for the year ended 31st March, 20X1 as income from subscriptions. Show the subscription account in book of the society?

(ICAI SM)

15. I/E 42800

During 20X1, subscription received in cash is ₹ 42,000. It includes ₹ 1,600 for 20X0 and ₹ 600 for 20X2. Also ₹ 3,000 has still to be received for 20X1.

Required: -

Calculate the amount to be credited to income and Expenditure Account in respect of subscription.

(ICAI SM)

16. I/E 57,000

Following is the Receipts and Payments Account of New bird Forty Club for the year ended 31st March, 20X3: -

Receipts and payments A/c for the year ended on 31st March 20X3

Dr. **Cr.**

Receipts	(₹)	Payments	(₹)
To Balance b/d	2,50,000	By Salaries and wages	1,65,000
To Subscription: -		By Office expenses	35,000
20X1-20X2	65,000	By Sports equipment	3,42,000
20X2-20X3	3,55,000	By Telephone Charges	28,000
To Donations	55,000	By Electricity Charges	32,000
To Entrance fees	85,000	By Travelling and conveyance	65,000
		By Balance c/d	1,43,000
	8,10,000		**8,10,000**

Additional Informations: -

a) Outstanding Subscription for the year ended 31st March, 20X3–₹ 55,000.

b) Outstanding Salaries and Wages–-₹ 40,000 for the year ended on 31st March 20X3.

c) Depreciate Sports equipment by 25% for the year ended on 31st March 20X3.

d) Capitalize 50% of the entrance fees

Prepare Income and Expenditure Account of the club from the above particulars for the year ended on 31st March 20X3.

(ICAI SM)

17. R/P 4660

From the following Income and Expenditure Account and the Balance Sheet of a club, prepare its Receipts and Payments Account and Subscriptions Account for the year ended 31st March, 20X2: -

Income & Expenditure Account for the year 20X1-X2

Expenditure	(₹)	Income	(₹)
To Upkeep of Ground	10,000	By Subscriptions	17,320
To Printing	1,000	By Sale of Newspapers (Old)	260
To Salaries	11,000	By Lectures	1,500
To Depreciation on Furniture	1,000	By Entrance Fee	1,300
To Rent	600	By Miscellaneous Income	400
		By Deficit	2,820
	23,600		**23,600**

Balance Sheet as at 31st March, 20X2

Liabilities		(₹)	Assets	(₹)
Subscription in Advance (20X2-X3)		100	Furniture	9,000
Prize Fund: -			Ground and Building	47,000
Opening Balance	25,000		Prize Fund Investment	20,000
Add: Interest	1,000		Cash in Hand	2,300
			Subscription (outstanding) (20X1-X2)	700

Less: Prizes	26,000			
General Fund: -	(2,000)	24,000		
Opening Balance				
Less: Deficit	56,420			
	(2,820)			
Add: Entrance Fee	53,600			
	1,300	54,900		
		79,000		**79,000**

The following adjustment have been made in the above account: -

1)Upkeep of ground ₹ 600 and Printing ₹ 240 relating to 20X0-20X1 were paid in 20X1-X2.
2) One-half of entrance fee has been capitalised by transfer to General Fund.
3) Subscription outstanding in 20X0-X1 was ₹ 800 and for 20X1-X2 ₹ 700.
4) Subscription received in advance in 20X0-X1 was ₹ 200 and in 20X1-X2 for 20X2-X3 ₹ 100.

18 The following is the Receipts and Payments Account of Lion Club for the year ended 31st March, 20X1. **(ICAI SM)**

Receipts	(₹)	Payments	(₹)
Opening balance: -		Salaries	1,20,000
Cash	10,000	Creditors	15,20,000
Bank	3,850	Printing and Stationary	70,000
Subscription received	2,02,750	Postage	40,000
Entrance donation	1,00,000	Telephones and telex	52,000
Interest received	58,000	Repairs and maintenance	48,000
Sale of assets	8,000	Glass and table linen	12,000
Miscellaneous income	9,000	Crockery and cutlery	14,000
Receipts at		Garden upkeep	8,000
Coffee room	10,70,000	Membership fees	4,000
Soft drinks	5,10,000	Insurance	5,000
Swimming pool	80,000	Electricity	28,000
Tennis court	1,02,000	Closing balance: -	
		Cash	8,000
		Bank	2,24,600
	21,53,600		**21,53,600**

I/E
30,250
OBS
C.F
1089600

The assets and liabilities as on 1.4.20X0 were as follows: -

Particulars	(₹)
Fixed assets (net)	5,00,000
Stock	3,80,000
Investment in 12% Government securities	5,00,000
Outstanding subscription	12,000
Prepaid Insurance	1,000
Sundry Creditors	1,12,000
Subscription received in advance	15,000
Entrance donation received Pending membership	1,00,000
Gratuity fund	1,50,000

CB.S
14,06850

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

i) Subscription received in advance as on 31st March, 20X1 was ₹ 18,000.
ii) Outstanding Subscription as on 31st March, 20X1 was ₹ 7,000.
iii) Outstanding expenses are salaries ₹ 8,000 and electricity ₹ 15,000.
iv) 50% of the entrance donation was to be capitalized. There was no pending membership as on 31st March, 20X1.
v) The cost of assets sold net as on 1.4.20X0 was ₹ 10,000.
vi) Depreciation is to be provided at the rate of 10% on assets.

vii) A sum of ₹ 20,000 received in October 20X0 as entrance donation from an applicant was to be refunded as he has not fulfilled the requisite membership qualifications. The refund was made on 3.6.20X1.

viii) Purchase made during the year amounted ₹ 15,00,000.

ix) The value of closing stock was ₹ 2,10,000.

x) The club as a matter of policy, charges off to income and expenditure account all purchase made on account of crockery, cutlery, glass and linen in the year of purchase.

You are required to prepare an Income and Expenditure Account for the year ended 31st March, 20X1 and the Balance Sheet as on 31st March, 20X1 along with necessary workings.

(ICAI SM)

19. R/P Bal c/d 9,000 I/E Surplus 10,200 OBS CF 1,94,500 C.B.S 2,04,200

Summary of receipts and payments of Bombay Medical Aid society for the year ended 31.12.20X1 are as follows: -

Opening cash balance in hand ₹ 8,000, Subscription ₹ 50,000, donation ₹ 15,000 (raised for meeting revenue expenditure), interest on investments @ 9% p.a. ₹ 9,000, payments for medicine supply ₹ 30,000 Honorarium to doctor ₹ 10,000, Salaries ₹ 28,000, sundry expenses ₹ 1,000, equipment purchase ₹ 15,000, charity show expenses ₹ 1,500, charity show collection ₹ 12,500.

Additional information: -

Particulars	1.1.20X1	31.12.20X1
Subscription due	1,500	2,200
Subscription received in advance	1,200	700
Stock of medicine	10,000	15,000
Amount due for medicine supply	9,000	13,000
Value of equipment	21,000	30,000
Value of building	50,000	48,000

You are required to prepare receipts and payments account and income and expenditure account for the year ended 31.12.20X1 and balance sheet as on 31.12.20X1. **(ICAI SM)**

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

Dr. Receipts and payments A/c for the year ended on 31st March 2020 Cr.

Receipts	(₹)	Payments	(₹)
To Balance c/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 Informations: -

1) 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

2) 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

3) 50% of the entrance fees to be capitalized.

4) Interest on the investments is being received in full, and the investments have been made on 1.4.2019

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.

(RTP may 2021)

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Q. No	Questions

1. **Kerala trust school gives the following information: -**

Particulars	(₹)	Particulars	(₹)
Donation	43,000	Sports Complex (1-1-20X1)	17,800
Salaries & Wages	64,240	Swimming Pool (1-1-20X1)	13,000
Stationery	960	**Bank Account:**	
General Fund (1-1-20X1)	1,95,060	Fixed deposit (p.a.)	54,500
Library Books (1-1-20X1)	8,800	Current A/c	?
Laboratory Equipment's (1-1-20X1)	13,000	Foodstuff purchased	7,758
Journal subscription	1,000	Sale of foodstuff	11,704
Annual Function	8,240	Foodstuff supplied (for annual function)	1,700
Electricity	1,750	Interest	7,630
Sports Material	940	Sundry creditors for foodstuff	1,758
Prizes	720	Closing stock of foodstuff	246
Lab Material	1,700	Charities	3,000
Building (1-1-20X1)	40,000	Equipment purchased	12,240
Furniture (1-1-20X1)	10,960	Hire Charge of Class Rooms	12,640
Auditorium (1-1-20X1)	9,000		
Books purchased	18,000		
Repairs & Maintenance	12,240		
Hire Charge of Auditorium	12,300		
Hire Charge of Sports Complex	16,200		

Charge depreciation @ $2^1/_2$ % on building, auditorium and sports complex, @ 10% on furniture and @ 15% on lab equipment's, depreciation on new purchase may be ignored.

You are required to prepare: -

i) Receipts and Payments A/c of the trust for the year ended 31st Dec. 20X1.

ii) Income and Expenditure Account of the Trust for the year ended 31st Dec.20X1

iii) Balance sheet of the Trust as on 31.12.20X1.

2. From the following Receipts and Payments Account of Delhi Club for the year ended 31.3.20X2 and additional information given, prepare an Income and Expenditure Account for the year ended 31.3.20X2 and Balance Sheet as on 31.3.20X2:

Dr. **Cr.**

Receipts	(₹)	Payments	(₹)
Opening balance:		Secretary's salary	24,000
Cash in hand and at bank	6,360	Salaries to staff	50,000
Subscription	36,000	Charities	2,000
Sale of old newspapers	5,000	Printing and Stationery	1,200
Legacies	8,000	Postage expenses	240
Interest on Investments	4,000	Rates and Taxes	3,000
Endowment fund receipts	40,000	Upkeep of Land	4,000
Proceeds of Sport and Concerts	8,040	Purchase of sports materials	20,000
Advertisement in the year book	10,000	Telephone expenses	6,960
		Closing balance	
		Cash in hand and at bank	6,000
	1,17,400		**1,17,400**

Assets and Liabilities as on 31.3.20X1 and 31.3.20X2 were as follows: -

Particulars	*31.3.20X1*	*31.3.20X2*
Subscription in arrears	4,000	2,000
Subscription received in advance	1,000	800
Furniture	4,000	3,600

	Land	20,000	20,000

Depreciation shall be charged at 10% per annum under the diminishing value method. Legacies received shall be capitalised. Investments were made in securities, the rate of interest being 12% per annum, the date of investment was 1.6.20X0 and the amount of investments was ₹40,000. Due date of interest 31st March every year. Stock of sports materials on 31.3.20X2 were useless and valued at NIL price.

3. From the following particulars, prepare income and expenditure account.
Fees collected, including ₹ 40,000 on account of the previous year ₹ 1,90,000. Fees for the year outstanding 5,000. Salary paid including ₹ 1,500 on account of the previous year ₹14,000: Salary outstanding at end of the year ₹ 500; Entertainment expenses ₹ 1,500; Tournament Expenses ₹ 6,000; Meeting expenses ₹ 9,000; Traveling expenses ₹ 3,000: Purchase of books and periodicals, including ₹ 9,500 for purchase of books ₹ 14,500; Rent ₹ 5,000; Postage, telegrams and telephones ₹ 7,500; Printing and stationery ₹ 2,000; Donations received ₹ 10,000.

4. **The following particulars related to Delhi Sports club: -**

Income and Expenditure Account for the year ended 31.12.20X1

Expenditure	(₹)	Income	(₹)
To Salaries	12,000	By Admission fees	30,000
To Printing & Stationery	5,000	By Subscriptions	50,000
To Advertising	2,000	By Rent Receivable	9,600
To Insurance Charges	1,800		
To Electricity Charges	1,000		
To Depreciation on sports equipment	24,000		
To Excess of Income over expenditure	43,800		
	89,600		**89,600**

Receipts and Payments Account for the year ended 31.12.20X1

Receipts		(₹)	Payments	(₹)
To Balance b/d		10,000	By Salary (including advance)	15,000
To Admission Fees			By Printing & Stationery	5,000
2019	5,000		By Advertising	2,000
2020	27,000	32,000	By Insurance Charges (partly for next year)	2,400
To Subscriptions:				
2019	2,000		By Electricity	1,000
2020	46,000		By Purchase of fixed assets	40,000
2021	4,000	52,000	By Balance c/d	35,800
To Rent		7,200		
		1,01,200		**1,01,200**

On 1st January 20X1 the club had the following assets: -

Land and Buildings	₹1,20,000
Sports equipment	₹60,000
Furniture	₹9,000

Prepare opening and closing balance sheets.

REDMI NOTE 10 | BY SHIV

5. The Chennai sports club has prepared the undermentioned accounts: -

i)

Income and Expenditure Account for the year ended 20X1

Dr. | Cr.

Expenditure	(₹)	Income		(₹)
To Salaries	3,000	By Subscriptions		31,200
To Printing and stationery	4,400	By Rent		8,000
To Advertising	3,200	By Profit on sale of old sports Equipment (Book value ₹ 2,200)		1,400
To Audit fees	1,000	By Tournament receipts	30,000	
To Fire insurance	2,000	*Less:* Expenses	(26,200)	3,800
To Depreciation on sports equipment	18,000			
To Surplus	12,800			
	44,400			**44,400**

ii)

Receipts and Payments Accounts for the year ended 20X1

Dr. | Cr.

Receipts		(₹)	Payments	(₹)
To Balance b/d		8,400	By Salaries	2,000
To Life Membership		21,000	By Sports Equipment	22,200
To Tournament Receipts		29,200	By Printing and Stationery	5,200
To Subscriptions:			By Advertising	3,200
20X0	1,200		By Fire insurance	2,400
20X1	30,000		By Tournament Expenses	20,600
20X2	800	32,000	By Investments (made on 31.12.20X1)	40,000
To Rent Received		6,000	By Balance c/d	4,600
To Sale of Old Equipment		3,600		
		1,00,200		**1,00,200**

The Club owned on Jan. 1, 20X1 a pavilion valued at ₹ 50,000, sports equipment valued at ₹. 40,000 and furniture valued at ₹ 4,000.

Prepare the balance sheet as at 31st December, 20X1.

6. The following is the trial balance as at 31st Dec., 20X1 of the Haryana Education Society: -

Particulars		Dr. (₹)	Particulars	Cr. (₹)
Cash in hand		1,000	Capital fund	91,200
Cash at bank—Current Account		4,200	Subscriptions received:	
Fixed Deposit @ 6%		20,000		4,800
Government Securities:			20X0	64,600
Prize Fund	20,000		20X1	3,400
Other	80,000	1,00,000	20X2	48,000
Scholarships awarded		96,000	Grants from Government	20,000
Prize awarded		600	Prize Fund	4,000
Salaries		18,200	Interest on Government	12,000
Rent		4,200	Securities	1,000
Miscellaneous expenses		3,800	Life membership received	3,000
Stationery on hand		1,000	Entrance fees	
			Salaries Outstanding 1st Jan., 20X1	
			Subscriptions received in	

Subscriptions Outstanding, 1st Jan. 20X1	4,200	advance 1st Jan, 20X1	1,200
	2,53,200		**2,53,200**

Subscriptions still receivable for 20X1 total ₹ 7,200. Salaries due but not yet paid totalled ₹ 2,600 on 31st Dec. 20X1 and ₹ 4,200 are still payable for scholarships for 20X1. The fixed deposit was made on October 1,20X1.

Prepare the society's income and expenditure account for 20X1 and the accompanying balance sheet.

7. The following income and expenditure account of Roshanara club is for the year ended 31st Dec, 20X1:

Expenditure	**(₹)**	**Income**	**(₹)**
To Opening stock of provisions	20,000	By Subscription	52,000
To Purchase of provisions	80,000	By Donations	60,000
To Salaries	30,000	By Entrance fee	16,000
To Printing and Stationery	10,000	By Sale of provisions	86,000
To General expenses	6,000	By Closing stock of provisions	10,000
To Depreciation on equipment	2,000		
To Excess of income over expenditure	76,000		
	2,24,000		**2,24,000**

The following balance sheets are given to you.

Balance Sheet as on

Liabilities	**31st Dec.20X0**	**31st Dec. 20X1**	**Assets**	**31st Dec. 20X0**	**Dec, 31st 20X1**
Creditors for provisions	16,000	20,000	Equipment at written down value	20,000	30,000
General fund	94,000	1,70,000	Stock provisions	20,000	10,000
			Cash and bank balances	60,000	1,10,000
			Subscription receivable	10,000	40,000
	1,10,000	**1,90,000**		**1,10,000**	**1,90,000**

Prepare receipts and payment account for the year ended 31st December, 20X1.

8. Roshanlal trust runs a charitable hospital and a dispensary and for the year ended 31st March, 20X2, the following balances were extracted from its books: -

Particulars		**Dr. (₹)**	**Cr. (₹)**
Capital fund			9,00,000
Donations received in the year			6,00,000
Fees received from patients			3,00,000
Recovery for amenities—rent etc,			2,75,000
Recovery for food supplies			1,40,000
Surgical equipment's		4,55,000	
Buildings, theatres etc,		3,20,000	
Consumption of:			
Medicines	1,20,000		
Foodstuff	90,000		
Chemicals etc.	30,000	2,40,000	
Closing Stock of:			
Medicines etc,	20,000		
Foodstuff	4,000		

Chemicals etc.	1,000	25,000	
Sales of medicines (dispensary)			3,10,000
Opening stock of medicines (dispensary)		55,000	
Purchases of medicines (dispensary)		3,00,000	
Salaries			
Administrative Staff	30,000		
Doctors, Nurse, orderlies etc.	1,50,000		
Assistants at dispensary	15,000	1,95,000	
Electricity and power charges:			
Hospital	1,05,000		
Dispensary	2,000	1,07,000	
Furniture, fittings and equipment's		80,000	
Ambulance		30,000	
Postage, telephone charges etc, less recovery		26,000	
Subscription to medical Journals		21,000	
Ambulance maintenance charges less recoveries			800
Consumption of linen, bedsheets etc		90,000	
Fixed deposits (made on 10-8-20X0 for three years at interest of 11% p.a.)		5,00,000	
Cash in hand		6,050	
Cash at bank		35,250	
Sundry debtors (dispensary)		60,500	
Sundry creditors (dispensary)			41,000
Remuneration to trustees, trust office expenses etc.		21,000	

Additional informations: -

i) The dispensary supplies medicines to hospital on requisitions and delivery notes; for which no adjustment has been made in the books. Cost of such supplies in the year was ₹ 60,000.

ii) Stock of medicines at close at dispensary was ₹ 40,000.

iii) Stock of medicines on 31st March, 20X2 at the hospital included ₹ 4,000 worth of medicines belonging to patients; this has not been considered in arriving at the figure of consumption of medicines;

iv) Donations were received towards the corpus of the trust;

v) One of the well-wishers donated surgery equipment whose market value was ₹ 40,000. On 15th August 20X1:

vi) The hospital is to receive a grant of 25% of the amount spent on treatment of poor patients from the local branch of the Red Cross Society. Such expenditure in the year was ₹ 50,000.

vii) Out of the fees recovered from the patients, 10% is to be given to two specialists as retained;

viii) Depreciation on assets, on closing balances, is to be provided on:

Surgical equipment's	20%
Buildings	5%
Furniture and fittings	10%
Ambulance	30%

Prepare the income and expenditure statements of the dispensary, trust and the hospital for the year ended 31st March, 20X2 and statement of affairs of the trust as at that date.

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Consignment (Basic Assignment)

Q. No — Questions

1. Mr. A, of Assam sent on 18th February, 2019 a consignment of 1,000 DVD players to B of Bengal costing ₹ 100 each. Expenses of ₹ 1,500 were met by the consignor. B spent ₹ 3,000 for clearance and selling expenses were ₹ 20 per DVD player.
B sold on 15th March, 2019, 600 DVD players @ ₹ 160 per DVD player and again on 20th May, 2019 300 DVD players @ ₹ 170 each. $x = 900 \times 25 + \frac{1}{4}\left[(96000 + 51,000) - x - (900 \times 125)\right]$
B is entitled to a commission of ₹ 25 per DVD player sold plus ¼th of the amount by which the gross sale proceeds less total commission thereon exceeded a sum calculated @ ₹ 125 per DVD player sold. B sent the amount due to A on 30th June, 2019.
You are required to prepare the consignment account and B's account in the books of Mr. A.

Hence Let x for total Commission

(Nov. 2020 RTP)

2. On 1.1.2020, Mr. Jill of Mumbai consigned to Mr. Jack of Chennai goods for sale at invoice price. Mr. Jack is entitled to a commission of 5% on sales at invoice price and 20% of any surplus price realized over and above the invoice price. Goods costing ₹ 1,00,000 were consigned to Chennai at the invoice price of ₹ 1,50,000. The direct expenses of the consignor amounted to ₹ 10,000. On 31.3.2020, an Account Sales was received by Mr. Jill from Mr. Jack showing that he had effected sales of ₹ 1,20,000 in respect of 4/5th of the quantity of goods consigned to him. Mr. Jack's direct expenses were ₹ 3,000. Mr. Jack accepted a bill drawn by Mr. Jill for ₹ 1,00,000 and remitted the balance due in cash.

You are required to prepare the consignment account and the account of Mr. Jack in the books of Mr. Jill.

[Nov.,2018 RTP]

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

[illegible] Sent

[May, 2019 RTP/May 2021 RTP (modified)]

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

[Nov., 2019 (Modified)/Nov.,2019 RTP/october 2020 MTP (modified)]

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

Particulars	(₹)
Carriage	15,000
Freight	45,000
Loading charges	15,000

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

Particulars	(₹)
Clearing charges	18,000
Warehousing and Storage charges	25,000
Packing and selling expenses	7,000

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

[May,2018/Nov.,2018 & 2019 MTP(Modified)/May,2020 RTP]

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

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

You are required to calculate: -

i) The amount of **abnormal loss;**

ii) Value of stock at the end; and

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

[Nov., 2018]

7. Exe sent on 1st July, 2019 to Wye goods costing ₹ 50,000 and spent ₹ 1,000 on packing etc. On 3rd July, 2019, Wye received the goods and sent his acceptance to Exe for ₹ 30,000 payable at 3 months. Wye spent ₹ 2,000 on freight and cartage, ₹ 500 on go-down rent and ₹ 300 on insurance.

On 31st December,2019 he sent his Account Sales (along with the amount due to Exe) showing that 4/5th of the goods had been sold for ₹ 55,000. Wye is entitled to a commission of 10%. One of the customers turned insolvent and could not pay ₹ 600 due from him. Show the necessary journal entries in the books of the consignor and the consignee. Also prepare ledger accounts.

(ICAI SM)

8. Vikram Milk Foods Co. Ltd. of Vikrampur sent to Sunder Stores, Sonepuri 5,000 kgs of baby food packed in 2,000 tins of net weight 1 kg and 6,000 packets of net weight ½ kg for sale on consignment basis. The consignee's commission was fixed at 5% of sale proceeds. The cost price and selling price of the product were as under: -

	1 kg. tin	**½ kg. packet**
Cost Price	10	6
Selling Price	15	7

The consignment was booked on freight "To Pay" basis, and freight charges came to 2% of selling value. One case containing 50 (1kg. tins) was lost in transit and the transport carrier admitted a claim of ₹ 450.

At the end of the first half-year, the following information is gathered from the "Account Sales" sent by the consignee:

i) Sale proceeds: 1,500 1 kg. tins; 4,000 ½ kg. packets

ii) Store rent and insurance charges ₹ 600. Find out the value of closing inventory on consignment.

Show the consignment A/c and the consignee's A/c in the books of Vikram Milk Food Co. Ltd. assuming that the consignee had paid the amount due from him.

(ICAI SM)

9. 1,000 toys consigned by Rosie & Co. of Calcutta to Sahoo of Srinagar at a cost of ₹150 each. Rosie & Co. paid freight ₹ 10,000 and insurance ₹ 1,500. During the voyage 100 toys were totally damaged by fire and had to be thrown overboard. Sahoo took delivery of the remaining toys and paid ₹14,400 as customs duty. Sahoo sent a bank draft to Roy & Co. for ₹50,000 as advance payment and later sent an account sale showing that 800 toys had been sold at ₹220 each. Expenses incurred by Sahoo on go-down rent and advertisement, etc., amounted to ₹2,000. Sahoo was entitled to commission of 5 per cent. One of the credit customers could not pay for 5 toys.

You are required to prepare the Consignment Account, Goods sent on consignment, Inventories on consignment account and Sahoo's a/c in the books of Rosie & Co., assuming that nothing has been recovered from the insurers due to a defect in the policy. Sahoo settled his account immediately.

[ICAI SM]

10.	Miss Rakhi consigned 1,000 radio sets costing ₹900 each to Miss Geeta, her agent on 1st July, 2020. Miss Rakhi incurred the following expenditure on sending the consignment. Freight ₹ 7,650 Insurance ₹ 3,250 Miss Geeta received the delivery of 950 radio sets. An account sale dated 30th November, 2020 showed that 750 sets were sold for ₹9,00,000 and Miss Geeta incurred ₹10,500 for carriage. Miss Geeta was entitled to commission 6% on the sales effected by her. She incurred expenses amounting to ₹2,500 for repairing the damaged radio sets remaining in the inventories. Miss Rakhi lodged a claim with the insurance company which was admitted at ₹35,000. Show the Consignment Account and Miss Geeta's Account in the books of Miss Rakhi. **[ICAI SM]**
11.	D of Delhi appointed A of Agra as its selling agent on the following terms: Goods to be sold at invoice price or over. A to be entitled to a commission of 7.5% on the invoice price and 20% of any surplus price realized over invoice price. The principals to draw on the agent a 30 days bill for 80% of the invoice price. On 1st February, 2020, 1,000 cycles were consigned to A, each cycle costing ₹ 640 including freight and invoiced at ₹ 800. Before 31st March, 2020, (when the principal's books are closed) A met his acceptance on the due date; sold out 820 cycles at an average price of ₹ 930 per cycle, the sale expenses being ₹ 12,500; and remitted the amount due by means of Bank draft. Twenty of the unsold cycles were shop-spoiled and were to be valued at a depreciation of 50% of cost. Show by means of ledger accounts how these transactions would be recorded in the books of A and find out the value of closing inventory with A to be recorded in the books of D at cost. **[ICAI SM]**
12.	A of Agra sent on consignment goods valued ₹ 1,00,000 to B of Mumbai on 1st March, 2019. He incurred the expenditure of ₹ 12,000 on freight and insurance. A's accounting year closes on 31st December. B was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. B took delivery of the consignment by incurring expenses of ₹ 3,000 for goods consigned. On 31.12.2019, B informed on phone that he had sold all the goods for ₹ 1,50,000 by incurring selling expenses of ₹ 2,000. He further informed that only ₹ 1,48,000 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 account's sale. On 5.1.2020, A received the cheque for the amount due from B and incurred bank charges of ₹ 260 for collecting the cheque. The amount was credited by the bank on 9.1.2020. Write up the consignment account finding out the profit/loss on the consignment, B's account, Provision for expenses account and Bank account in the books of the consignor, recording the transactions upto the receipt and collection of the cheque. **[ICAI SM]**

13. Nike sports Co. of New Delhi Consigned 100 shoes to Adidas Co. of Ahmedabad costing ₹ 1,500 each, invoiced at ₹ 2,000 each. The consignor paid freight ₹ 10,000 and Insurance in transit ₹ 1,500. During transit, 10 shoes were totally damaged.

Adidas Co took delivery of remaining shoes and paid ₹ 1,530 for octroi duty. Adidas co. sent a bank draft to Nike sports Co. for ₹ 50,000 as advance and later on sent an account sale showing that 80 shoes had been sold @ ₹ 2,200 each. Expenses incurred by Adidas Co. on Godown rent were ₹ 2,000. Adidas Co. is entitled to a commission of 5% on invoice price and 25% on any surplus of sale price over invoice price. Insurance claim was settled at ₹ 14,000.

Prepare consignment account, consignee's account and the related working notes account in the books of the Nike sports Co. **(ICAI SM)**

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

Particulars	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

i) The consignment was booked on freight "To Pay" basis. The freight was charged @ 5% of selling value.

ii) C Stores sold 500, 5 Kg. Tins and 800, 10 Kg. Tins. It paid insurance of ₹ 10,000 and storage charges of ₹ 20,000.

iii) C Stores is entitled to a fixed commission @ 10% on Sales.

iv) 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. **(January 2021)**

15. Maya consigned 400 boxes of shaving brushes, each box containing 100 shaving brushes. Cost price of each box was ₹ 3,000. Maya spent ₹ 500 per box as cartage, freight, insurance and forwarding charges. One box was lost on the way and Maya lodged claim with insurance company and could get ₹ 2,700 as claim on average basis. Consignee took delivery of the rest of the boxes and spent ₹ 1,99,500 as non-recurring expenses and ₹ 1,12,500 as recurring expenses. He sold 370 boxes at the rate of ₹ 65 per shaving brush. He was entitled to 2% commission on sales plus 1% del-credere commission.
You are required to prepare Consignment Account. **(Nov.2020)**

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Consignment (Trickery Assignment)

Q. No — Questions

1. The Jaipur Consignment Account in the books of Manoj of Mumbai showed a debit balance of ₹3,000 representing the cost of 10 fans on 1st January, 20X0. The invoice of each fans was ₹350. On 1st March, 20X0, Manoj sent a further consignment to Jaipur of 40 fans, costing ₹320 each, invoiced proforma at ₹360 each. The freight and other charges amounted to ₹420. On 1st June, 20X0, Jaipur Agent sent an Account Sales showing that 8 fans from the old stock realised ₹280 each and 25 fans from the second consignment realised ₹400 each and 15 fans remained in stock unsold. Two fans from the old stock being unsaleable at Jaipur, were returned to Mumbai, for which the Jaipur Agent spent ₹60.
The Jaipur Agent is entitled to a selling commission of 10%, which covers all from Pocket expenses in respect of consignment. Show necessary accounts in the books of consignors, supposing he closes his books on 30th June.

2. On 31st March, 20X1, Manoj Ltd., a trading organisation owned inventory costing ₹1,50,000 of which inventory valued ₹ 50,000 was with consignees, It also had in its possession inventory valued at ₹ 5,00,000 belonging to its own principals.
During the year ended 31st March, 20X1 Manoj Ltd.

a) Purchased inventory worth ₹ 25,00,000 of which 80% was despatched to its consignees, the transportation cost being 5% of the value of goods sent;

	b) Received from its principals' inventory of ₹75,00,000; **c)** Sold 90% of own goods received and lying with itself at 20% margin on sales; **d)** Sold on behalf of principals 95% of goods available at 120% of the value thereof, Manoj Ltd. is entitled to commission at 10% of such sales. **e)** The consignees sold at 125% of their per unit landed cost (consignees spending nil) 95% of goods available with them and were entitled to commission at 10% of sales. You are asked to work out the various figures for recording in the revenue statement of Manoj Ltd. for the year ended 31st March, 20X1. Prepare the revenue statement.
3.	M/S Shyam & Co. of Mumbai purchased 20,000 pieces of sarees @ ₹ 400 per saree. Out of these, 12,000 sarees were sent on consignment to M/s Govind Traders of Delhi at the selling price of ₹480 per sarees. The consignors paid ₹ 12,000 for packing and freight. M/s Govind Traders sold 10,000 sarees @ ₹ 500 per saree and incurred ₹ 4,000 towards selling expenses and remitted ₹ 20,00,000 to Mumbai on account. M/s Govind Traders are entitled to a commission of 5 per cent on total sale plus a further 20 per cent commission on any surplus price realised over ₹480 per saree. 6,000 sarees were sold at ₹ 440 per saree by the consignor. Owing to fall in the market price, the value of stock of sarees in hand is to be reduced by 10 per cent. Prepare the Consignment Account and the account of M/s Govind Traders in the books of the consignor.
4.	Anand of Bihar sent a Consignment of cotton goods to Manoj of Singapore invoiced at ₹2,000. The invoice price was made by adding 25 percent to the cost. The expenses incurred by Anand were: Packing ₹48, carriage etc. ₹32, Insurance ₹24 and other expenses ₹52. After three months, he received account sales intimating that half the consignment was sold at ₹1,200. The expenses incurred by the consignee were: freight ₹60, fire insurance ₹36 and other expenses ₹20. His commission was 6 per cent on sales and Del credere commission 1½ per cent. But no sale could be made of remainder, so that it was brought back after another nine months at a further cost of ₹120. The goods were damaged and valued at 20 percent below cost. find out the profit or loss on the consignment.
5.	A of Delhi on 15th January sent to B of Mumbai a consignment of 250 television costing ₹ 20,000 each. Expenses of ₹ 14,000 were met by the consignor. B of Mumbai spent ₹ 9,000 for clearance on 30th January and the selling expenses were ₹ 1,000 per television as and when the sale made by B. B Sold, on 4th March, 150 television @ ₹ 28,000 per television and again on 10th April, 75 television @ ₹ 28,800. Mr. B was entitled to a commission of ₹ 1,000 per television sold plus one-fourth of the amount by which the gross sale proceeds less total commission there on exceeded a sum calculated at the rate of ₹ 25,000 per television sold, B sent the account sale and the amount due to A on 30th April by bank demand draft. You are required to show the Consignment Account and B's account in the book of A.
6.	Bhavi of Madras consigned 400 packages of coffee to Karan of Jaipur. The cost of each package was ₹ 600. A sum of ₹ 4,000 was paid towards freight and insurance by Bhavi. In the transit 60 packages were damaged. However, the consignor received ₹ 800 for the damaged packages from the Insurance Company. The consignees accepted a Bill of Exchange for ₹ 1,20,000 for 60 days as an advance to Bhavi of Madras. The operating statement from the consignee disclosed the following information: - **a)** 280 packages were sold @ ₹ 720 per package. **b)** The damaged packages were sold @ ₹ 200 per package. **c)** They also paid ₹ 2,800 towards Godown rent, ₹ 2,000 for carriage outward and ₹ 6,800 towards clearing charges. **d)** The consignees are entitled to a commission of 10% on the sales proceeds. At the end of consignment period. Karan of Jaipur sent a Bank draft to Bhavi of Madras. You are required to prepare the necessary accounts in the books of consignor Bhavi of Madras.

7. Meena Oil Mills, Orissa consigned 10,000 kgs of coconut oil to Anita of Mumbai on 1st April 2020. The cost of the oil was ₹ 4 per Kg. The Meena Oil Mills, paid ₹ 10,000 as freight and insurance. During transit 250 kgs were accidentally destroyed for which the Insurance Company paid directly to the consignor, ₹ 900 in full settlement of the claim: -
Anita took delivery of the consignment on the 10th April 2020. On 30th June, 2020. Anita reported that 7,500 kgs were sold @ ₹ 6 per kg., The expenses being on godown rent ₹ 400. On advertisement ₹ 2,000 and on salesman's salaries ₹ 4,000. Anita is entitled to a commission of 3% plus 1½ % Del credere. A party who had bought 1,000 kgs was able to pay only 80% of amount due from him.
Anita reported a loss of 100 Kgs due to leakage in godown (normal). Assuming that Anita paid to the amount due by bank draft, show the accounts in the books of both parties.

8. Mr. Amit of Mumbai consigned 100 units of a commodity to Mr. Rahul of Bihar. The goods were invoiced at ₹ 300. So as to yield a profit of 50% on cost Mr. Amit incurred ₹ 2,000 on freight and insurance Mr. Rahul incurred ₹ 1,000 on freight and ₹ 1,600 on rent. Before 31st Dec. 2020, he sold 50 units for cash at ₹ 320 per unit, 20 units for ₹ 350 on credit. He retained his commission 5% and 1% of the Del credere arrangement and remitted the balance on 31st December 2020. Mr. Rahul noticed that 10 units were damaged on account of bad packing and he expected sell it only for ₹ 160 per unit. A debtor for ₹ 2,000 to whom the goods were sold by Mr. Rahul became insolvent and only 50 paise in a rupee was recovered Mr. Rahul sent an account sale on 31st March 2021 detailing the transactions for the quarter ended on that date and he remitted the balance due.
Make necessary ledger entries in the books of Mr. Amit and Mr. Rahul assuming that Mr. Amit closes his books every 31st March.

9. Akbar of Delhi consigned 100 bags of sugar, each bag costing ₹ 600 to Rahul of Mumbai on 1st April 2020. He paid ₹ 1,000 towards freight and insurance 15 bags were damaged in transit on 31st May,2020. The Consignor received ₹ 2,000 as claim from Insurance company. Rahul took delivery of the goods on 10th April. 2020 and immediately accepted a bill drawn on him for ₹ 40,000 for 60 days. On 30th June 2020. Consignee reported that: -

- **i)** 70 bags were sold at ₹ 700 per bag.
- **ii)** The damaged bags were sold at ₹ 220 Per bag.
- **iii)** He had incurred following expenses: -

Particulars	**Amount (₹)**
Godown Rent	₹ 1,400
Clearing charges	₹ 2,000
Carriage outward	₹ 600

Agent is entitled to a commission at 10% on the sale proceeds of all goods excepting damaged goods Mr. Rahul remits the balance by bank draft on 30th June 2020. No portion of expenses incurred by Agent is attributable to the damaged bags. Prepare Consignment Account and Consignee's Account in the books of Akbar.

10. Manoj consigned to Yash on 1st January 2020, 500 bales of cotton costing ₹200 per bale. Freight charges incurred in the consignment were ₹10,000. Manoj drew or bill on Yash for ₹1,00,000 payable on 30th June, 2020 which Yash accepted. The bill was discounted by Manoj with his bankers on 31st January 2020 at 12% p.a.
Yash rendered account to Manoj on 31st March, 2020 showing sales of 300 bales for ₹1,60,000 and selling expenses of ₹10,000. Yash's commission was 10%. On this date Yash remitted to Manoj the net amount due to him.
On 31st May, 2020 Yash sold the balance stock for ₹60,000 after incurring expenses of ₹8,000. He remitted ₹40,000 to Manoj, the balance being treated as commission earned by him. On 30th June, 2020 the bill accepted by Yash was dishonoured by him and the amount due to the bank was paid off by Manoj along with incidental changes of ₹400.
Pass Journal Entries in the books of Manoj(including bank transaction).

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Inventories (Basic Assignment)

Q. No	Questions
1.	Closing stock is valued by XYZ 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 ₹ 1,67,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking: - ✓ Sales for the next year were made for ₹ 6,875, profit margin being 33.33 percent on cost. ✓ Purchases for the next year included in the stock amounted to ₹ 9,000 at cost less trade discount @ 10 percent. ✓ During this period, goods were added to stock of the mark-up price of ₹ 300 in respect of sales returns. After stock taking it was found that there were certain very old slow-moving items costing ₹ 1,125 which should be taken at ₹ 525 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing ₹ 1,550 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be 1,250 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. **[May,2018 RTP/Nov. 2019 RTP/May 2021 RTP (modified)]**
2.	Sky Ltd. keeps no stock records but a physical inventory of stock is made at the end of each quarter and the valuation is taken at cost. The company's year ends on 31st March, 2020 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2020 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2020 with the stock figure as on 31st December, 2019 and some other information is available to you: **i)** The cost of stock on 31st December, 2019 as shown by the inventory sheet was ₹ 80,000. **ii)** On 31st December, stock sheet showed the following discrepancies: **a)** A page total of ₹ 5,000 had been carried to summary sheet as ₹ 6,000. **b)** The total of a page had been undercast by ₹ 200. **iii)** Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2020 totalled ₹ 70,000. Out of this ₹ 3,000 related to goods received prior to 31st December, 2019. Invoices entered in April 2020 relating to goods received in March, 2020 totalled ₹ 4,000. **iv)** Sales invoiced to customers totalled ₹ 90,000 from January to March, 2020. Of this ₹ 5,000 related to goods dispatched before 31st December, 2019. Goods dispatched to customers before 31st March, 2020 but invoiced in April, 2020 totalled ₹ 4,000. **v)** During the final quarter, credit notes invoiced at value of ₹ 1,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost. You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2020. **[Nov.,2018 RTP/May 2020 RTP]**

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, 2020 on which date the total cost of goods in his go down came to ₹ 50,000. The following facts were established between 31st March and 15th April, 2020.

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

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

You are required to ascertain the value of inventory as on 31st March, 2020.

[May,2019 RTP/Nov. 2020 RTP]

4. Distinguish between periodic inventory system and perpetual inventory system.

[Nov. 2019]

5. M/s X, Y and Z are in retail business, following information are obtained from their records for the year ended 31st March, 2020:

	(₹)
Goods received from suppliers (subject to trade discount and taxes)	15,75,000
Trade discount 3% and sales tax 11%	
Packaging and transportation charges	87,500
Sales during the year	22,45,500
Sales price of closing inventories	2,35,000

Find out the historical cost of inventories using adjusted selling price method.

(ICAI SM)

6. From the following particulars ascertain the value of Inventories as on 31st March, 2020: -

Inventory as on 1.4.2019	1,42,500
Purchases	7,62,500
Manufacturing Expenses	1,50,000
Selling Expenses	60,500
Administrative Expenses	30,000
Financial Charges	21,500
Sales	12,45,000

At the time of valuing inventory as on 31st March, 2019, ***a sum of ₹ 17,500 was written off on a particular item, which was originally purchased for ₹ 50,000*** and ***was sold during the year for ₹ 45,000***. Barring the transaction relating to this item, the ***gross profit*** earned during the year was ***20 percent on sales.***

(ICAI SM/janurary 2021 (modified)

7. The following are the details of a spare part of Sriram mills: -

Date	Particulars	Details
1/1/2020	Opening inventory	*Nil*
1/1/2020	Purchases	*100 units @ ₹ 30 per unit*
15/1/2020	Issued for consumption	*50 units*
1/2/2020	Purchases	*200 units @ ₹ 40 per unit*
15/2/2020	Issued for consumption	*100 units*
20/2/2020	Issued for consumption	*100 units*

Find out the value of inventory as on 31-3-2020 if the company follows: -

a) First in first out basis;
b) Last in first out basis; and
c) Weighted average basis

8. **(Imp.)** The profit and loss account of Hanuman showed a net profit of ₹ 6,00,000, after considering the closing stock of ₹ 3,75,000 on 31st March, 2020. Subsequently the following informations was obtained from scrutiny of the books: **(ICAI SM)**

i) Purchases for the year included ₹ 15,000 paid for new electric fittings for the shop. — Purchase 15,000 ↑

ii) Hanuman gave away goods valued at ₹ 40,000 as free samples for which no entry was made in the books of accounts. — Purchase 40,000 ↑

iii) Invoices for goods amounting to ₹ 2,50,000 have been entered on 27th March, 2020, but the goods were not included in stock. — C.S 2,50,000 ↓

iv) In March, 2020 goods of ₹ 2,00,000 sold and delivered were taken in the sales for April, 2020. — Sales 2,00,000 ↓

v) Goods costing ₹ 75,000 were sent on sale or return basis in March, 2020 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2020 these were taken as sales for March, 2020. — Sales 75000 + 75000 × 1/3 = 1,00000 ↑; C.S. 75,000 ↓

Calculate the value of stock on 31st March, 2020 and the adjusted net profit for the year ended on that date.

COGS ↑ = Profit ↑ / Purchase ↑ = Profit ↓

9. **(Imp.)** Physical verification of stock in a business was done on 23rd June, 2019. The value of the stock was ₹ 48,00,000. The following transactions took place between 23rd June to 30th June, 2019: **(ICAI SM)**

i) Out of the goods sent on consignment, goods at cost worth ₹ 2,40,000 were unsold.

ii) Purchases of ₹ 4,00,000 were made out of which goods worth ₹ 1,60,000 were delivered on 5th July, 2019.

iii) Sales were ₹13,60,000, which include goods worth ₹3,20,000 sent on approval. Half of these goods were returned before 30th June, 2019, but no information is available regarding the remaining goods.

iv) Goods are sold at cost plus 25%. However, goods costing ₹ 2,40,000 had been sold for ₹ 1,20,000.

You are required to determine the value of stock on 30th June, 2019.

[ICAI SM/Nov., 2018 MTP/Oct 2020 MTP (modified)]

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Inventories (Trickery Assignment)

1. Manoj closes financial books on 31st December every year. Stock-taking continues one week after this date. In 20X1, the value of closing stock came to ₹ 37,400 without making the following adjustments:

1) Goods purchased are recorded in the books as on the date of invoice.
2) Purchase invoice was received on 28th December for ₹ 16,000 but goods against this invoice were received on 4th January.
3) Purchase invoice was received on 29th December for ₹ 1,000 but goods against this were not received until the stock-taking was completed.
4) Goods worth ₹ 1,400 were received on 31st December, the invoice of which was received on 3rd January.
5) Purchase invoice of ₹ 800 was received on 5th January, the goods against which were not received until the stock-taking was completed.
6) Purchase invoice of ₹ 200 was received on 6th January, but goods of only ₹ 160 could be received up to the time of stock-taking.

You are required to calculate the value of stock as on December 31, 20X1.

2. The profit and loss account of ABC Ltd for the year ended 31st December, 20X1 showed a net profit of ₹ 2,800 after taking into account the closing stock of ₹4,720 on a scrutiny of the books the following information could be obtained:

1) ABC Ltd. has taken goods valued ₹ 1,500 for his personal use without making entry in the books.
2) Purchases of the year included ₹ 600 spent on acquisition of a ceiling fan for his shop.
3) Invoice for goods amounting to ₹ 4,000 have been entered on 29th December, 20X1 but such goods were not included in stock.
4) ₹ 500 have been included in closing stock in respect of goods purchased and invoiced on 28th December, 20X1 but included in purchase for January 20X2.
5) Sale of goods amounting to ₹ 610 sold and delivered in December, 20X1 had been entered in January, 20X2 sales.

You are required to ascertain the correct amount of closing stock as on 31st December, 20X1 and the adjusted net profit for the year ended on that date.

3. R. Ltd. Keeps no running stock records but a physical inventory of stock is made at the end of each quarter and evaluated at cost. The company's year ends on 31st March, 20X2 and draft accounts have been prepared to that date. The stock inventory taken on 31st March, 20X2 was accidentally destroyed before the items had been evaluated, the closing stock figure used in the draft accounts being that shown by the inventory taken on 31st December, 20X1. The gross margin earned by company is 25% of cost. During your audit you discovered the following:

a) The cost of the stock on 31st December, 20X1 as shown by the inventory was ₹ 81,050.
b) On 31st December, 20X1 stock sheets showed the following discrepancies:
   i) A page total of ₹ 10,118 had been carried to the summary as ₹11,018.
   ii) The total of a page had been under cast by ₹196.
   iii) 100 items which had cost ₹ 10 each had been taken at 50 paise each.
c) Invoice for purchases entered in the Purchases Book during the month of January, February and March, 20X2 totalled ₹77,120. Of this total ₹ 5,600 related to goods received on or prior to 31st December, 20X1. Invoices entered in April, 20X2 relating to goods received in March, 20X2 totalled ₹ 7,400.
d) Sales invoiced to customers in January, February and March, 20X2 totalled ₹ 1,02,146. Of this total ₹7,648 related to goods despatched on or before 31st December, 20X1. Goods despatched to customers before 31st March, 20X2 but invoiced in April, 20X2 totalled ₹ 10,482.
e) During the final quarter to the company's year, credit notes at invoiced value of ₹2,560 had been issued to customers in respect of goods returned during that period.

You are required to prepare a statement showing the amount of the stock at cost as on 31st March, 20X2.

4. ABC Ltd conducts physical stock taking every year at the end of the accounting year. Owing to certain difficulties, it was not possible for it to conduct physical stock taking at the end of the accounting year ending 30th June, 20X1 Physical stock was taken on 8th July, 20X1when it was valued at ₹ 69,000.

The following transactions took place during 1st July to 8th July, 20X1:

1) Net sales during the period were ₹ 18,680. These goods were sold at the usual rate of gross profit of 25% on cost except goods which realized ₹ 1,680 on the basis of 20% profit on cost.
2) Purchase during the period were ₹ 15,000 of which ₹ 1,600 worth of goods were delivered to the company only on 10th July, 20X1.
3) Sales returns during the period were ₹ 3,000 of which 50% were out of the sales at 20% gross profit mentioned above.
4) On 5th July 20X1, goods worth ₹ 8,000 were received, which were to be sold on consignment basis.

You are required to prepare a statement showing clearly the value of the stock to be taken into account in ABC Ltd.'s final accounts for the year ended 30th June, 20X1.

5. Manoj Ltd. prepares accounts on 31st March 20X1 its stock taking expert was ill and the preparation of the physical inventory was delayed until 3rd April 20X1 on which date the stock valued at cost amounted to ₹ 4,80,000.

An examination of inventories and related financial records discloses that between 1st and 3rd April 20X1:

1) Sales totalled ₹ 80,000 including:
   i) ₹ 4,000 in respect of goods which left the warehouse on 29th March 20X1; and
   ii) ₹ 8,000 in respect of goods not despatched until 12th April 20X1. The rate of gross profit to sales was 30%.
2) Returns from customers totalled ₹ 12,000.
3) Purchases totalled ₹ 36,000 which included:
   i) ₹ 12,000 for goods received in March 20X1; and
   ii) ₹ 6,000 for goods received in 10th April, 20X1.
4) Returns to suppliers totalled ₹ 8,000.
5) There were arithmetical errors in the stock sheets on 3rd April, 20X1 resulting in an over-valuation of ₹ 9,200.

Prepare a statement showing the correct amount of the company's stock at cost on 31st March, 20X1.

6. For certain reasons, stock taking in a firm was completed on 15th June, 20X1, even though the books were closed on 30th June. The stock taking revealed that the stock was ₹ 71,200(cost). The following further information is available:

i) The purchases as recorded in the purchase Book after 15.6.20X1 totalled ₹ 16,200 but of these goods costing ₹ 1,200 were found unsuitable and returned.
ii) The sales Book showed sales at the total figure of ₹ 25,000 for the last fortnight of June.
iii) Out of certain sales made before 15th June, goods of the sale value of ₹ 2,400 were received back from customers after the date mentioned above.
iv) The stock as at 15th June included goods costing ₹ 10,000 received on behalf of another firm for safe keeping.
v) The firms sells goods at cost plus 25% normally but the sales after 15th June included one item costing ₹ 1,000 and sold for ₹ 900.

Ascertain the value of the closing stock as on June 30, 20X1.

7. Manoj made up his annual accounts to Nov. 30,20X1. All purchase and sale invoices and credit notes dated Nov.20X1, had been duly entered in the books, but all such documents dated Dec. 20X1, had been treated as relating to the year commencing Dec. 1, 20X1.

Stock was taken on December 7,20X1 when the total stock was found to be ₹ 3,00,000 valued at cost. The rate of gross profit earned was 30% on sale price.

Further:

a) Goods were received from suppliers during the five days from Dec.1 to Dec.5 (Dec.6 was Sunday). The corrected invoices dated Nov. 20X1, amounted to ₹ 3,600 and those dated Dec.20X1 to ₹ 18,360.
b) Sales and Sales Returns for the period from Dec.1 to Dec.5 20X1, were respectively ₹ 25,200 and ₹ 2,880.
c) The stock included goods valued at ₹ 4,200 held by Manoj on sale or return for which no entries had been made in the books.
d) A sub – total of ₹ 58,000 on one of the stock sheets had been carried to the summary of stock sheet as ₹ 59,800.
e) One stock sheet has been overcast by ₹ 4,000.
f) One item of a number of articles costing ₹ 3,750 had been shown as ₹ 1,750.

Prepare a statement showing the value of the stock to be included in the accounts on the 30th Nov. 20X1.

8. A firm has two products X and Y. It analysis its costs for the two products as follows:

	X	Y
Materials	2,40,000	2,80,000
Labour	1,60,000	2,00,000
Production Expenses	1,40,000	1,40,000
Administration Expenses	1,00,000	1,00,000
Advertising	60,000	60,000
	7,00,000	7,80,000

Production was 20,000 units of X and 30,000 units of Y. The selling price was ₹ 40 per unit of X but the price of Y was only ₹ 20 agents in both cases received @5% of the selling price. The closing stock was 4,000 units and 6,000 units of X and Y respectively. What is the value that should be put on the closing stock?

9. Find out the value of closing inventory by adopting the weighted average method for the month of January:

Jan. 1	Opening Balance	100 units @ ₹ 60
Jan.10	Issued	20 units
Jan.15	Purchased	40 units @ ₹ 80
Jan.20	Issued	20 units
Jan.25	Purchased	80 units @ ₹ 60
Jan.31	Issued	10 units

10. The following transactions occur in the purchase and issue of a material.

January 29	Purchased	100 units @ ₹ 5/-
February 5	Purchased	25 units @ 5.5/-
February 12	Purchased	50 units @ ₹ 5.10/-
February 14	Issued	80 units
March 6	Purchased	50 units @ ₹ 5.10/-
March 20	Issued	80 units
March 27	Purchased	50 units @ ₹ 5.15/-

Compute the closing stock at 31st March 20X1 the end of accounting year using LIFO Method.

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Average Due Date (Basic Assignment)

Q. No	Questions
1.	The followings are the amounts due on different dates in between the same parties: -

Amount (₹)	Due Date
500	3rd July
800	2nd August
1,000	11th September

Suggest a date on which all the bills may be paid out without any loss of interest to either party.

(ICAI SM)

2. The following amounts are due to X by Y. Y wants to pay to X (a) on 18th March or (b) on 14th July. Interest rate of 8% p.a. is taken into consideration.

Due Dates	(₹)
10th January	500
26th January (Republic Day)	1,000
23rd March	3,000
18th August (Sunday)	4,000

Determine the amount to be paid in (a) and in (b).

(ICAI SM/Nov.2019)

3. Calculate Average Due date from the following information: -

Date of the bill	Term	Amount (₹)
August 10, 2019	3 months	6,000
October 23, 2019	60 days	5,000
December 4, 2019	2 months	4,000
January 14, 2020	60 days	2,000
March 14, 2020	2 months	3,000

(Assume February of 28 days)

(ICAI SM)

4. A trader having accepted the following several bills falling due on different dates, now desires to have these bills cancelled and to accept a new bill for the whole amount payable on the average due date: -

Sl. No.	Date of bill	Amount(₹)	Usance of the bill
1	1st March 2020	400	2 months
2	10th March 2020	300	3 months
3	5th April 2020	200	2 months
4	20th April 2020	375	1 month
5	11th May 2020	500	2 months

You are required to find the said average due date.

[ICAI SM/May 2018 RTP/ Oct. 2018, 2019 MTP (Modified)/May 2021 RTP (modified)]

5. Two traders X and Y buy goods from one another, each allowing the other one month's credit. At the end of 3 months the accounts rendered are as follows: -

Date	Goods sold by X to Y (₹)	Date	Goods sold by Y to X (₹)
April 18	60.00	April 23	52.00
May 15	70.00	May 24	50.00
June 17	80.00		

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

(ICAI SM)

REDMI NOTE 10 | BY SHIV

6.	Manoj had the following bills receivables and bills payables against Sohan. Calculate the average due date, when the payment can be received or made without any loss of interest.

Date	Bills Receivable (₹)	Tenure	Date	Bills Payable (₹)	Tenure
01/06/2020	3,000	3 months	29/05/2020	2,000	2 months
05/06/2020	2,500	3 months	03/06/2020	3,000	3 months
09/06/2020	6,000	1 month	9/06/2020	6,000	1 month
12/06/2020	1,000	2 months			
20/06/2020	1,500	3 months			

15 August, 2020 was a Public holiday. However, 6 September, 2020 was also declared as sudden holiday.

(ICAI SM//January 2021 (modified)/November2020(modified))

7. Mr. Green and Mr. Red had the following mutual dealings and desire to settle their account on the average due date: -

Purchases by Green from Red: -

	(₹)
6th January, 2020	6,000
2nd February, 2020	2,800
31st March, 2020	2,000

Sales by Green to Red:

	(₹)
6th January, 2020	6,600
9th March, 2020	2,400
20th March, 2020	500

You are asked to ascertain the average due date. (28 days in Feb.)

(ICAI SM/May 2019)

8. ₹ 10,000 lent by Dass Bros. to Kumar & Sons on 1st January, 2015 is repayable in 5 equal annual instalments commencing on 1st January, 2016. Find the average due date and calculate interest at 5% per annum, which Dass Bros. will recover from Kumar & Sons.

(ICAI SM)

9. A and B, two partners of a firm, have drawn the following amounts from the firm in the year ending 31st March, 2020: -

Date	A (₹)	Date	B (₹)
1st July	500	12th June	1,000
30th September	800	11th August	500
1st November	1,000	9th February	400
28th February	400	7th March	900

Interest at 6% p.a. is charged on all drawings. Calculate interest chargeable by using i) ordinary system ii) Average due date system. (assume 1 year = 365 days)

(ICAI SM/November 2019(Modified)

10. Mr. Yash and Mr. Harsh are partners in a firm. They had drawn the following amounts from the firm during the year ended 31.03.2020: -

Date	Amount (₹)	Drawn by (₹)
01.05.2019	75,000	Mr. Yash
02.07.2019	20,000	Mr. Yash
15.08.2019	60,000	Mr. Harsh
31.12.2019	50,000	Mr. Harsh
04.03.2020	75,000	Mr. Harsh
31.03.2020	15,000	Mr. Yash

Interest is charged @ 10% p.a. on all drawings. Calculate interest chargeable from each partner by using average due date system. (Consider 1st May as base date)

(ICAI SM)

11. Anand purchased goods from Amirtha, the average due date for payment in cash is 10.08.2020 and the total amount due is ₹ 67,500. How much amount should be paid by Anand to Amirtha, if total payment is made on following dates and interest is to be considered at the rate of 12% p.a.

i) On average due date.
ii) On 25th August, 2020.
iii) On 30th July, 2020.

12. Mehraaz accepted the following bills drawn by Shehnaaz. **(ICAI SM)**

On 8th March, 2019 ₹ 4,000 for 4 months.
On 16th March, 2019 ₹ 5,000 for 3 months.
On 7th April, 2019 ₹ 6,000 for 5 months.
On 17th May, 2019 ₹ 5,000 for 3 months.

He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 18% per annum and Mehraaz wants to save ₹ 157 by way of interest. Calculate the date on which he has to effect the payment to save interest of ₹ 157.

13. **(Nov. 2018 RTP/Nov.2019 RTP)**

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

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

Calculate Average due date.

14. **(May 2019 RTP)**

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

Date of bill	Amount(₹)	Usance of bill
9th April 2020	₹ 3,000	for 4 months
18th April 2020	₹ 5,500	for 3 months
25th May 2020	₹ 3,000	for 6 months
5th June 2020	₹ 6,000	for 3 months

On 1st July, it was agreed that these bills should be withdrawn and that Kiran should accept on that day two bills, one for ₹ 10,000 due in 4 months and the other for the balance with interest, due in 6 months.

Calculate the amount of the second bill taking interest @ 10% p.a. Take 365 days in year 2020-2021.

15. **(May 2020 RTP)**

Mr. Alok owes Mr. Chirag ₹ 650 on 1st January 2020. From January to March, the following further transactions took place between Alok and Chirag: -

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

Alok pays the whole amount on 31st March, 2020 together with interest @ 6% per annum. Calculate the interest by average due date method.

(May 2018)

16.	Mr. Kapoor had the following Bills receivable and Bills payable against Mr. Khan, the details of which has been given as follows-

Bills receivable			Bills payable		
Date	Amount	Tenure	Date	Amount	Tenure
1.5.20X1	400	3 months	11.5.20X1	800	60 days
19.6.20X1	750	2 months	21.6.20X1	950	30 days
25.6.20X1	1,000	1 month	28.6.20X1	1,150	45 days
7.7.20X1	1,250	2 months	10.7.20X1	1,800	50 days
14.7.20X1	800	2 month	16.7.20X1	1,250	55 days

mutual

Gazetted holidays in the intervening period 15th August (Independence day), 24th July (Emergency holiday) 10th September (Sunday)

(ICAI SM)

17. ₹ 20,000 lent on 1st January 20X1, is repaid as follows-

₹ 2,500 on 1st January 20X2
₹ 5,500 on 1st January 20X3
₹ 3,000 on 1st January 20X4
₹ 5,000 on 1st January 20X5
₹ 4,000 on 1st January 20X6

Determine the average due date for settling all the above instalments by a single payment and compute interest at the rate of 10% per annum

(ICAI SM)

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Account Current (Basic Assignment)

Q. No	Questions

1. Prepare Account Current for Nath Brothers in respect of the following transactions with Shyam: -

2019	Particulars	(₹)	Remarks
September 16	Goods sold to Shyam	200	due 1st Oct.
October 1	Cash received from Shyam	90	
October 21	Good purchased from Shyam	500	due 1st Dec.
November 1	Paid to Shyam	330	
December 1	Paid to Shyam	330	
December 5	Goods purchased from Shyam	500	due 1st Jan.
December 10	Goods purchased from Shyam	200	due 1st Jan.
2020			
January 1	Paid to Shyam	600	
January 9	Goods sold to Shyam	20	due 1st Feb.

The account is to be prepared up to 1st February. Calculate interest @ 6% per annum. (1 year = 365 days)

(ICAI SM)

2. From the following particulars prepare the account current to be rendered by Mr. Singh to Mr. Paul as on 31st August, 2020. Interest must be calculated @ 10% p.a. (1 year = 365 days)

2020	Particulars	(₹)
June 11	Goods sent to Mr. Paul	1,020
June 15	Cash received from Mr. Paul	500
June 20	Goods sent to Mr. Paul	650
July 7	Goods sent to Mr. Paul	700
Aug 8	Cash received from Mr. Paul	1,100

(ICAI SM)

3. From the following particulars make up an Account Current to be rendered by S. Dasgupta to A. Halder at 31st Dec. reckoning interest at 5% p.a. (assume 1 year = 365 days)

2020	Particulars	(₹)
6 June 30	Balance owing by A. Halder	520
7 July 17	Goods sold to A. Halder	40
8 Aug. 1	Cash received from A. Halder	500
8 Aug. 19	Goods sold to A. Halder	720
8 Aug. 30	Goods sold to A. Halder	50
9 Sept. 1	Cash received from A. Halder	400
9 Sept. 1	A. Halder accepted S.Dasgupta's Bill at 3-month date for	300
10 Oct. 22	Goods bought from A. Halder	20
11 Nov. 12	Goods sold to A. Halder	14
12 Dec. 14	Cash received from A. Halder	50

(ICAI SM)

4. From the following prepare an account current, as sent by A to B on 30th June, 2020 by means of products method charging interest @ 6% per annum: -

2020	Particulars	(₹)
Jan. 1	Balance due from B	600
Jan.11	Sold goods to B	520
Jan. 18	B returns Goods	125
Feb 11	B Paid by cheque	400
Feb 14	B accepted a bill drawn by A for one month	300
Apr. 29	Goods sold to B	615
May 15	Received cash from B	700

(ICAI SM)

Date | Particular | Dr | Cr | Dr or Cr | Balance | Days | Dr Product | Cr Product

5. On 2nd January, 2020 Vinod opened a current account with the Allahabad Bank Limited; and deposited a sum of ₹ 30,000. (Assume 1 year = 365 days)

He further deposited the following amounts:	(₹)
15th January	12,000
12th March	8,000
10th May	16,000

His withdrawals were as follows:	₹
15th February	26,000
10th April	30,000
15th June	14,000

Show Vinod's a/c in the ledger of the Allahabad Bank. Interest is to be calculated at 5% on the debit balance and 2% on credit balance. The account to be prepared as on 30th June, 2020. Calculation may be made correct to the nearest rupee. (assume 1 year = 365 days)

[ICAI SM/Nov. 2019(Modified)]

6. Mr. A owed ₹ 4,000 on 1st January, 2020 to Mr. X. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

Particulars	(₹)
15 January, 2020 Mr. X sold goods to Mr. A	2,230
29 January, 2020 Mr. X bought goods from Mr. A	1,200
10 February, 2020 Mr. A paid cash to Mr. X	1,000
13 March, 2020 Mr. A accepted a bill drawn by Mr. X for one month	2,000

They agree to settle their complete accounts by one single payment on 15th March, 2020. Prepare Mr. A in Account Current with Mr. X and ascertain the amount to be paid. Ignore days of grace.

(May 2018 RTP/Nov.2019 RTP)

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

2020	Particulars	(₹)	2020	Particulars	(₹)
July 1	Balance owing from B	600	Sept.01	B accepted A's Bill at 3 months date	250
July 17	Goods sold to B	50	Oct.22	Goods bought from B	30
Aug. 1	Cash received from B	650	Nov. 12	Goods sold to B	20
Aug. 19	Goods sold to B	700	Dec. 14	Cash received from B	80
Aug. 30	Goods sold to B	40			
Sept. 1	Cash received from B	350			

(Nov.2018 RTP)

8. The following are the transactions that took place between G and H during the period from 1st October, 2019 to 31st March,2020: -

		(₹)
2019		
Oct.1	Balance due to G by H	3,000
Oct.18	Goods sold by G to H	2,500
Nov.16	Goods sold by H to G (invoice dated November, 26)	4,000
Dec. 7	Goods sold by H to G (invoice dated December, 17)	3,500
2020		(₹)
Jan. 3	Promissory note given by G to H, at three months	5,000
Feb. 4	Cash paid by G to H	1,000
Mar. 21	Goods sold by G to H	4,300
Mar.28	Goods sold by H to G (invoice dated April, 8)	2,700

Draw up an Account Current up to March 31st, 2020 to be rendered by G to H, charging interest at 10% per annum. Interest is to be calculated to the nearest rupee.

(May 2019 RTP/Nov.2020 RTP)

9. From the following transactions in the books of Mr. Perfect, prepare an Account current, by means of product to be sent by him to Mr. Smart for the quarter ending 31st March,2020. Interest is to be charged and/or allowed @ 12% per annum. (Take 365 days in year)

2020	Particulars	(₹)
January 1	Balance in Smart's Account (Credit)	3,500
January 12	Sold goods to Smart (due 1st February)	30,000
January 31	Sold goods to Smart (due 15th February)	27,500
February 15	Cash received	40,000
February 20	Cash received	7,500
March 10	Goods returned by Smart	7,000
March 25	Cash received	6,500

(May 2020 RTP)

10. From the following prepare an account current, as sent by Avinash to Bhuvanesh on 31st March, 2020 by means of products method charging interest @ 5% per annum (assume 1 year = 365 days): -

Date	Particulars	Amount (₹)
2020		
January 1	Balance due from Bhuvanesh	1,800
January 10	Sold goods to Bhuvanesh	1,500
January 15	Bhuvanesh returned goods	650
February 12	Bhuvanesh paid by cheque	1,000
February 20	Bhuvanesh accepted a bill Avinash for one month	1,500
March 11	Sold goods to Bhuvanesh	720
March 14	Received cash from Bhuvanesh	800

(May 2018/November 2020 (modifed)

11. From the following particulars prepare an account current, as sent by Mr. AB to Mr. XY as on 31st October, 2020 by means of product method charging interest @ 5% p.a.

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

(Nov. 2018/Janurary 2021 (modified)

12. Following running transactions took place between Me and You during the month of February, 20X1.

Red ink

Feb. 20X1	Particulars	₹
1	Amount payable by You to Me	5,000
5	Sales made by Me to You (invoice dated 07.04.20X1)	8,250
8	Received acceptance of You by Me for 3 months	10,000
10	You sold goods to Me (invoice dated 10.3.20X1)	11,000
12	Me received cheque from You dated (12.04.20X1)	7,500
16	Cash paid by Me to You	2,500
24	Bills receivable accepted by Me from You on account of sale (due date24.03.X1)	5,000
28	Cash paid by you to me	2,500

Wrong

12% interest, 31.

(ICAI SM)

13\. red ink

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

2020	Particulars	(₹)
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

Account was 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.

(RTP May 2021)

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Issue of Share (Basic Assignment)

Q. No	Questions
1.	A company had an authorised capital of ₹ 10,00,000 divided into 1,00,000 equity shares of ₹ 10 each. It decided to issue 60,000 shares for subscription and received applications for 70,000 shares. It allotted 60,000 shares and rejected remaining applications. Up to 31-3-2020, it has demanded or called ₹ 9 per share. All shareholders have duly paid the amount called, except one shareholder, holding 5,000 shares who has paid only ₹ 7 per share. Prepare a balance sheet assuming there are no other details. **(ICAI SM)**
2.	A company invited applications for 10,000 equity shares of ₹ 50 each payable on application ₹ 15, on Allotment ₹ 20, on first and final call ₹ 15. Applications are received for 10,000 shares and all the applicants are allotted the number of shares they have applied for and installment money was duly received by the company. Show Journal entries in the books of the company. **(ICAI SM)**
3.	On 1st April, 2019, A Ltd. issued 43,000 shares of ₹ 100 each payable as follows: ₹ 20 on application; ₹ 30 on allotment; ₹ 25 on 1st October, 2019; and ₹ 25 on 1st February, 2020. By 20th May, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. Journalise the transactions when accounts were closed on 31st March, 2020. **(ICAI SM)**
4.	Pant Ltd. invited applications for 50,000 equity shares at ₹ 50 each, which are payable as on application ₹ 20, on allotment ₹ 10 and on first and final call ₹ 20. The company received applications for 60,000 shares. The directors accepted application for 50,000 shares and rejected the rest. Show Journal entries if company refunded the application money to rejected applicants and allotment money was received for 45,000 shares. **(ICAI SM)**
5. Cash Tran record in CB	The Delhi Artware Ltd. issued 50,000 equity shares of ₹ 100 each and 1,00,000 preference shares of ₹ 100 each. The Share Capital was to be collected as under: - Equity Shares (₹) Preference Shares (₹) On Application 25 20 On Allotment 20 30 First Call 30 20 Final Call 25 30 All these shares were subscribed. Final call was received on 42,000 equity shares and 88,000 preference shares. Prepare the cash book and journalise the remaining transactions in the books of the company. **(ICAI SM)**
6.	On 1st October, 2020 Pioneer Equipment Limited received applications for 2,50,000 Equity Shares of ₹ 100 each to be issued at a premium of 25 per cent payable as: - On Application ₹ 25 On Allotment ₹ 75 (including premium) Balance Amount on Shares As and when required The shares were allotted by the Company on October 20, 2020 and the allotment money was duly received on October 31, 2020. Record journal entries in the books of the company to record the transactions in connection with the issue of shares. **(ICAI SM)**

7.	JHP Limited is a company with an authorized share capital of 10,00,000 equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid on 30th June, 2019. The company proposed to make a further issue of 1,00,000 shares of ₹ 10 each at a price of ₹ 14 each, the arrangements for payment being: - **a)** ₹ 2 per share payable on application, to be received by 1st July, 2019; **b)** Allotment to be made on 10th July, 2019 and a further ₹ 5 per share (including the premium) to be payable; **c)** The final call for the balance to be made, and the money received by 30th April, 2020. **Applications were received for 3,55,000 shares and were dealt with as follows: -** **i)** Applicants for 5,000 shares received allotment in full; **ii)** Applicants for 30,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment; **iii)** Applicants for 3,20,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and **iv)** the money due on final call was received on the due date. You are required to record these transactions (including cash items) in the Journal of JHP Limited. **(ICAI SM)**
8.	Shreyas Ltd. did not receive the first call on 10,000 equity shares @ ₹ 3 per share which was due on 1.7.2019. This amount was received on 1.4.2020. Open Calls in arrears account and journalise the entries in the books of the company on 1.7.2019 and 1.4.2020. Also show an extract of Balance Sheet on 31.3.2020. **(ICAI SM)**
9.	Rashmi Limited issued at par 1,00,000 Equity shares of ₹ 10 each payable ₹ 2.50 on application; ₹ 3 on allotment; ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. Nair who held 10,000 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 1000 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. Nair. Give journal entries to record these transactions. **(ICAI SM)**
10.	A Ltd forfeited 30,000 equity shares of ₹ 10 fully called-up, held by Mr. X for non-payment of final call @ ₹ 4 each. However, he paid application money @ ₹ 2 per share and allotment money @ ₹ 4 per share. These shares were originally issued at par. Give Journal Entry for the forfeiture. **(ICAI SM)**
11.	X Ltd forfeited 20,000 equity shares of ₹ 10 each, ₹ 8 called-up, for non-payment of first call money @ ₹ 2 each. Application money @ ₹ 2 per share and allotment money @ ₹ 4 per share have already been received by the company. Give Journal Entry for the forfeiture (assume that all money due is transferred to Calls-in-Arrears Account). **(ICAI SM)**
12.	X Ltd. forfeited 5,000 equity shares of ₹ 100 each fully called-up which were issued at a premium of 20%. Amount payable on shares were: on application ₹ 20; on allotment ₹ 50 (including premium); on First and Final call ₹ 50. Only application money was paid by the shareholders in respect of these shares. Pass Journal Entries for the forfeiture. **(ICAI SM)**
13.	Mr. Shami has applied for 1,000 shares of Company XYZ Ltd. paying application money @ ₹ 2 per share but has been allotted only 600 shares. The shares have a face value of ₹ 10 and a premium of ₹ 2 per share, which are payable as: on Allotment- ₹ 5 (including premium) and on final call ₹ 5. Mr. Shami doesn't pay allotment money and final call and his shares are forfeited, Pass Journal Entries for the forfeiture. **(ICAI SM)**
14.	Mr. Long who was the holder of 2,000 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 1500 of such shares to Mr. Short at ₹ 65 per share paid-up as ₹ 75 per share. Give journal entries to record the above forfeiture and re-issue in the books of the company. **(ICAI SM)**

15. Beautiful Co. Ltd issued 30,000 equity shares of ₹ 10 each payable as ₹ 3 per share on Application, ₹ 5 per share (including ₹ 2 as premium) on Allotment and ₹ 4 per share on Call. All the shares were subscribed. Money due on all shares was fully received except from Ram, holding 500 shares, who failed to pay the Allotment and Call money and Shyam, holding 1,000 shares, who failed to pay the Call Money. All those 1,500 shares were forfeited. Of the shares forfeited, 1,250 shares (including whole of Ram's shares) were subsequently re-issued to Jaadu as fully paid up at a discount of ₹ 2 per share.
Pass the necessary entries in the Journal of the company to record the forfeiture and re-issue of the share. Also prepare the Balance Sheet of the company.

(ICAI SM)

16. A holds 2,000 shares of ₹ 10 each on which he has paid ₹ 2 as application money. B holds 4,000 shares of ₹ 10 each on which he has paid ₹ 2 per share as application money and ₹ 3 per share as allotment money. C holds 3,000 shares of ₹ 10 each and has paid ₹ 2 on application, ₹ 3 on allotment and ₹ 3 for the first call. They all fail to pay their arrears on the second and final call and the directors, therefore, forfeited their shares. The shares are re-issued subsequently for ₹ 12 per share fully paid-up. Journalise the transactions relating to the forfeiture and re-issue.

(ICAI SM)

17. X Co. Ltd. was incorporated with an authorized share capital of 90,000 equity shares of ₹ 10 each. The company purchased land and buildings from Y Co. Ltd for ₹ 4,00,000 payable in fully paid-up shares of the company. The balance of the shares were issued to the public, which were fully subscribed and paid for.
You are required to pass journal entries and to prepare the Balance Sheet.

(ICAI SM)

18. X Ltd. invited applications for 10 lakhs shares of ₹ 100 each payable as follows: -

On Application	20
On Allotment (on 1st May, 2019)	30
On First Call (on 1st Oct., 2019)	30
On Final Call (on 1st Feb., 2020)	20

All the shares were applied for and allotted. A shareholder holding 20,000 shares paid the whole of the amount due along with allotment. Journalise the transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st February, 2020.

(ICAI SM)

19. A limited Company, with an authorized capital of ₹ 20,00,000 divided into shares of ₹ 100 each, issued for subscription 10,000 shares payable at ₹ 25 per share on application, ₹ 30 per share on allotment, ₹ 20 per share on first call three months after allotment and the balance as and when required.

The subscription list closed on January 31, 2020 when application money on 10,000 shares was duly received and allotment was made on March 1, 2020.

The allotment amount was received in full but, when the first call was made, one shareholder failed to pay the amount on 1,000 shares held by him and another shareholder with 500 shares paid the entire amount on his shares.

Give journal entries in the books of the Company to record these share capital transactions assuming that all amounts due were received within one month of the date they were called.

(ICAI SM)

20. B Ltd. issued 20,000 equity shares of ₹ 100 each at a premium of ₹ 20 per share payable as follows: on application ₹ 50; on allotment ₹ 50 (including premium); on final call ₹ 20. Applications were received for 24,000 shares. Letters of regret were issued to applicants for 4,000 shares and shares were allotted to all the other applicants. Mr. A, the holder of 150 shares, failed to pay the allotment and call money, the shares were forfeited. Show the journal entries and cash book in the books of B Limited.

(ICAI SM)

21. Pihu Limited issued at par 2,00,000 Equity shares of ₹ 10 each payable ₹ 2.50 on application; ₹ 3 on allotment; ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. Pal who held 20,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 2,000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Pal.

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

(May 2018 RTP)

22. Mr. Hello who was the holder of 4,000 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 re-issued 3,000 of such shares to Mr. X 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.

(May 2018 RTP/May 2019 RTP/Nov. 2019 RTP)

23. On 1st April, 2019, Pehal Ltd. issued 64,500 shares of ₹ 100 each payable as follows: ₹ 30 on application, ₹ 30 on allotment, ₹ 20 on 1st October, 2019; and ₹ 20 on 1st February, 2020. By 20th May, 60,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th 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, 2020.

(Nov. 2018 RTP/Nov. 2019 RTP)

24. Mr. P who was the holder of 2,500 preference shares of ₹ 100 each, on which ₹ 70 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 2,000 of such shares to Mr. Q at ₹ 60 per share paid-up as ₹ 70 per share.

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

(Nov. 2018 RTP/may 2021 RTP (modified))

25. Konica Limited registered with an authorized equity capital of ₹ 2,00,000 divided into 2,000 shares of ₹ 100 each, issued for subscription of 1,000 shares payable at ₹ 25 per share on application, ₹ 30 per share on allotment, ₹ 20 per share on first call and the balance as and when required. Application money on 1,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder failed to pay the amount on 100 shares held by him and another shareholder with 50 shares, paid the entire amount on his shares. The company did not make any other call. Give the necessary journal entries in the books of the company to record these transactions. **(May 2019 RTP/Nov.2020 RTP)**

26. Piyush Limited is a company with an authorized share capital of ₹ 2,00,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2019. The company proposed to make a further issue of 1,30,000 shares of ₹ 10 each at a price of ₹ 12 each, the arrangements for payment being: -

i) ₹ 2 per share payable on application, to be received by 1st July, 2019;
ii) Allotment to be made on 10th July, 2019 and a further ₹ 5 per share (including the premium) to be payable;
iii) The final call for the balance to be made, and the money received by 31st March, 2020.

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

1) Applicants for 20,000 shares received allotment in full;
2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
4) The money due on final call was received on the due date.

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

(May 2020 RTP/May 2018/January 2021 (modified))

27.	Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each. The amounts were payable as follows: On application - ₹ 3 per share On allotment - ₹ 5 per share On first and final call - ₹ 2 per share Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid -up @ ₹ 6 per share. Pass necessary journal entries to record the above transactions in the books of Bhagwati Ltd. **(May 2020 RTP/May 2019/November2020(modified)**
28.	**Give necessary journal entries for the forfeiture and re-issue of shares: -** **i)** X Ltd. forfeited 300 shares of ₹10 each fully called up, held by Ramesh for non- payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Suresh for ₹ 8 per share. **ii)** X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for ₹ 6 per share. **iii)** X Ltd. forfeited 100 shares of ₹ 10 each (₹ 6 called up) issued at a discount of 10% to Dimple on which she paid ₹ 2 per share. Out of these, 80 shares were re-issued to Simple at ₹ 8 per share and called up for ₹ 6 share. **(Nov.2018)**
29.	On 1st June, 2019, Suraj Ltd. issued 86,000 shares of ₹ 100 each payable as follows: ₹ 20 on application; ₹ 20 on allotment; First call of ₹ 30 on 1st Dec, 2019; and Second and final call of ₹ 30 on 1st March, 2020. By 20th July, 80,000 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, 2020. **[Aug. 2018 MTP/Oct. 2018 MTP/Oct. 2019 MTP(Modified)]**
30.	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. **May 2021 (RTP)**
31.	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. **May 2021 (RTP)**

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Issue of Share (Trickery Assignment)

Q. No	Questions
1.	Manoj Ltd. made an issue of 30,000 equity shares of ₹10 each payable at ₹3 on application ₹5 on allotment and ₹2on call. 93,200 shares were applied for and owing to this heavy subscription allotments were made as follows: Applicants for 21,500 (in respect of applications for more than 2,000 shares) received 10,200 shares. Applicants for 50,600 (in respect of more than 1,000 shares) received 12,600 shares. Applicants for 21,100 (in respect of applications for 1,000 or less shares) received 7,200 shares. Cash thus received after satisfying the amount due on application and allotment was applied towards allotment and call money and balance was then returned. All money due on allotment and call were realized. Pass necessary Journal entries and show the Cash Books relating to this issue in the books of the company.
2.	Yash Limited. Issued 1,00,000 shares of ₹10 each, at a premium of ₹3 per share, payable as under: - On application : ₹1 On allotment : ₹5 (including premium) On first call : ₹3 On final call : ₹4 All the moneys payable on application, allotment and calls have been received with the following exceptions: - A who holds 1,000 shares has not paid the money due on allotment and calls. B who holds 500 shares has not paid both the calls. C who holds 300 shares has not paid the final call. All these 1,800 shares were forfeited and, subsequently, reissued for cash at a discount of 10 per cent. Pass necessary journal entries recording the above transactions from the stage of receipt of application money till the reissue of forfeited shares.
3.	Shakti Ltd. invited application for issuing 1,00,000 Equity shares of ₹10 each. The amount was payable as follows: - **i)** On Application ₹3 per share **ii)** On Allotment ₹2 per share **iii)** On First and Final Call Balance Applications were received for 2,20,000 shares. Applications for 20,000 shares were rejected and their application money was refunded. Shares were allotted to the remaining applicants as follows: - **I)** Allotted 50% shares to Raman who had applied for 40,000 shares. **II)** Allotted in full to Akbar who had applied for 20,000 shares. **III)** Allotted balance of the shares on pro-rata basis to the other applicants. Excess application money was utilized in payment of allotment and final call. All calls were made and were duly received except the first and final call on 600 shares allotted to an applicant in III category. His shares were forfeited. The forfeited shares were reissued for ₹9 per share fully paid up. Pass the necessary Journal entries in the books of Shakti Ltd.
4.	The Directors of Positive Ltd. Decide on 1st January, 20X1, to issue 20,000 shares of ₹10 each. ₹2.50 being payable o application and ₹2.50 on allotment. Applications are received on 2nd January for 24,000 shares. On 3rd January the Directors reject applications in respect of 4,000 shares, the application money being returned in full. All allotment moneys are received on 6th January. On 31st March, the Directors, make a call of ₹2.50 per share, and all sums due are received by 5th April, with the exception of an amount due from Prem Chand, the holder of 200 shares, on 31st May, these shares are forfeited. On 30th June, the shares are re-issued at ₹7.50 per share to Vikas, who is required to pay ₹5 per share, ₹2.50 remaining uncalled. Vikas at once pays the amount due from him. Show journal entries necessary to record these transactions.

5.	'Manoj Limited' invited applications for issuing 1,60,000 equity shares of ₹ 10 each at a premium of ₹ 10 per share. The amount was payable as follows: On Application and allotment : ₹ 10 (including ₹ 5 premium) On First and Final Call : ₹10 (including ₹ 5 premium) Application for 2, 00,000 shares were received. Applications for 20,000 shares were rejected and application money was refunded. Shares were allotted on pro-rata basis to the remaining applicants. Excess application money received from applicants to whom shares were allotted on pro-rata basis was adjusted towards sums due on first and final call. All calls were made and were duly received except the first and final call money from Kumar who had applied for 3,600 shares. His shares were forfeited. The forfeited shares were re-issued at 9 per share as fully paid-up.
6.	ABC Ltd. Invited applications for issuing 1,00,000 equity shares of ₹ 10 each at par. The amount was payable as follows: On Application : ₹ 2 per share. On Allotment : ₹ 4 per share On First and Final Call : Balance Amount The issue was oversubscribed three times. Applications for 30% shares were rejected and money refunded. Allotment was made to the remaining applicants as follows: - Category I — Number of Shares Applied 1,60,000 — Number of Shares Allotted 80,000 Category II — Number of Shares Applied 50,000 — Number of Shares Allotted 20,000 Excess money paid by the applicants who were allotted shares was adjusted towards the sums due on allotment. Vikas, shareholder belonging to Category I, who had applied for 2,000 shares, failed to pay the allotment money. Vinay, a shareholder holding 200 shares, also failed to pay the allotment money. Vinay belonged to Category II. Shares of both Vikas and Vinay were forfeited immediately after allotment. Afterwards, first and final call was made and was duly received. The forfeited shares of Vikas and Vinay were reissued at ₹ 11 per share fully paid up. Pass necessary journal entries for the above transactions in the books of the company.
7.	Gaurav Ltd. Invited application for issuing 6,00,000 shares of ₹ 10 each at a premium of ₹ 3 per share. The amounts were payable as follows: On application and allotment – ₹ 7 per share. On first & final call – balance (including premium of ₹ 3) Applications were received for 8,00,000 shares and allotment was made as follows: **1)** To applicants for 1,60,000 shares – 1,60,000 shares. **2)** To applicants for 80,000 shares – nil **3)** Balance of the applicants were allotted shares on pro-rata basis. **4)** Excess money received with applications was adjusted towards sums due on first and final call. Manoj, who belonged to category (i) and was allotted 8,000 shares and Verma, who belonged to category (ii) and was allotted 8,800 shares failed to pay the first and final call money. Their shares were forfeited. The forfeited shares were re-issued at ₹ 7 per share fully paid-up. Pass necessary journal entries for the above transactions in the books of the company.
8.	M.K. Ltd. Invited applications for issuing 12,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share. The amount was payable as follows. – On Application and Allotment ₹ 3 per share. On First Call ₹ 4 per share On Second and Final Call Balance (including premium). Applications for 16,00,000 shares were received. Applications for 1,00,000 shares were rejected and the application money was refunded. The shares were allotted to the remaining applicants as follows: **Category I:** Those who had applied for 8, 00,000 share were allotted 6,00,000 shares on pro-rata basis. **Category II:** The remaining applicants were allotted the remaining shares on pro-rata basis. Excess application money received with applications was adjusted towards sums due on first call. Ram to whom 12,000 shares were allotted failed to pay the first call money. Belonged to category I. His shares were forfeited. The forfeited shares were re-issued at ₹ 13 per share fully paid up. The second call was made afterwards and was duly received.

Table in question 6:

Category	Number of Shares Applied	Number of Shares Allotted
I	1,60,000	80,000
II	50,000	20,000

REDMI NOTE 10 \| BY SHIV

Pass necessary journal entries for the above transactions in the books of M.K. Ltd.

9. ABC Ltd. Had issued 2,00,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share payable with application money. While passing the journal entries related to the issue, some blanks are left. You are required to fill these blanks.

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
20X1 Jan. 05	....	Dr.		....	
	To........				....
	(Being amount received on application for 2,80,000 shares @ ₹ 6 per share including premium)				
Jan. 17	Equity She Application A/c	Dr.		......	
	To				....
	To..............				......
	To				
	To..............				
	(Being application money transferred to share capital account, securities premium acount, refunded for 40,000 shares for rejected applications and balance adjusted towards money due on allotment as shares were allotted on pro-rata basis.)				
Jan. 17	....	Dr.		....	
	To.......				....
	(Allotment money due @ ₹ 4 per share)				
Feb. 20	....	Dr.		....	
	To...........				....
	(Balance allotment amount received)				
April 01	....	Dr.		....	
	To...........				....
	(First and final call money due)				
April 20	....	Dr.		....	
	Calls-in-Arrear A/c	Dr.		6,000	
	To........				....
	(First and final call money received)				
May 20	....	Dr.		....	
	To...........			....	
	To...........				....
	(Forfeited the shares on which first and final call was not received)				
June 15	....	Dr.		....	
	....	Dr.		6,000	
	To...........				....
	(Reissued the forfeited shares @ ₹ 8 per share fully paid up.)				
....	....	Dr.		....	
	To...........				....
	(Being ....)				

10.	**A)** A Ltd. Forfeited 10 shares of ₹10 each, ₹7 called up on which the shareholder had paid application and allotment money of ₹5 per share. Out of these, 8 Shares were re-issued to Y for ₹8 per share at ₹8 paid up per share. Record the journal entries for forfeiture and reissue of shares by opening calls in arrears, calls in advance account. **B)** B Ltd. Forfeited Mr. M's shares who had applied for 600 shares and was allotted 400 shares failed to pay allotment money of ₹4 per share including premium of ₹2 on which he had paid application money of ₹2 only. Pass necessary journal entries for forfeiture of shares by opening calls in arrears, calls in advance account. **C)** C Ltd. Forfeited 50 shares of ₹ 10 each, for non –payment of final call money of ₹3 per share. Out of these 20 shares were reissued to Taj at ₹8 per shares. Record the journal entries for forfeiture and reissue of shares assuming that the company maintains calls in arrears, calls in advance account. **

Issue of Debentures (Basic Assignment)

Q. No	Questions
1.	Amol Ltd. issued 40,00,000, 9% debentures of ₹ 50 each, payable on application as per term mentioned in the prospectus and redeemable at par any time after 3 years from the date of issue. Record necessary entries for issue of debentures in the books of Amol Ltd. **(ICAI SM)**
2.	Atul Ltd. issued 1,00,00,000, 8% debenture of ₹ 100 each at a discount of 10% redeemable at par atthe end of 10th year. Money was payable as follows: ₹ 30 on application ₹ 60 on allotment Record necessary journal entries regarding issue of debenture. **(ICAI SM)**
3.	Koinal Chemicals Ltd. issued 15,00,000, 10% debenture of ₹ 50 each at premium of 10%, payable as ₹ 20 on application and balance on allotment. Debentures are redeemable at par after 6 years. All the money due on allotment was called up and received. Record necessary entries when premium moneyis included in application money. **(ICAI SM)**
4.	Modern Equipment Ltd. issued 4,00,000, 12% debentures of ₹ 100 payable as follows: On application ₹ 30 On allotment ₹ 70 The debentures were fully subscribed and all the money was duly received. As per the terms of issue, debentures are redeemable at ₹ 110 per debenture. Record necessary entries regarding issue of debentures. **(ICAI SM)**
5.	Agrotech Ltd. issued 150 lakh 9% debentures of ₹ 100 each at a discount of 6%, redeemable at a premium of 5% after 3 years payable as: ₹ 50 on application and ₹ 44 on allotment. Record necessary journal entries for issue of debentures. **(ICAI SM)**
6. *	Simmons Ltd. issued 1,00,000, 12% Debentures of ₹ 100 each at par payable in full on application by 1st April, Application were received for 1,10,000 Debentures. Debentures were allotted on 7th April. Excess money refunded on the same date. You are required to pass necessary Journal Entries (including cash transactions) in the books of the company. **(ICAI SM/Oct. 2018 MTP/Oct. 2019)**
7.	X Ltd. issued 1,00,000 12% Debentures of ₹ 100 each at a discount of 10% payable in full on application by 31st May, 2020. Applications were received for 1,20,000 debentures. Debentures were allotted on 9th June, 2020. Excess monies were refunded on the same date. Pass necessary Journal Entries. Also show necessary ledger accounts. **(ICAI SM)**
8.	X Ltd. obtains a loan from IDBI of ₹ 1,00,00,000, giving as collateral security of ₹ 1,50,00,000 (of ₹ 10 each), 14%, First Mortgage Debentures. Show the treatment of the above in the books of X Ltd. when: - **a)** No entry is made by the company for collateral security. **b)** Entry is made by the company for collateral security. **(ICAI SM)**
9.	X Company Limited issued 10,000 14% Debentures of the nominal value of ₹ 50,00,000 as follows: - **a)** To sundry persons for cash at 90% of nominal value of ₹ 25,00,000. **b)** To a vendor for purchase of fixed assets worth ₹ 10,00,000 – ₹ 12,50,000 nominal value. **c)** To the banker as collateral security for a loan of ₹ 10,00,000 – ₹ 12,50,000 nominal value. Pass necessary journal entries. **(ICAI SM)**
10.	HDC Ltd. issues 1,00,000, 12% Debentures of ₹ 100 each at ₹ 94 on 1st January, 2020. Under the terms of issue, the debentures are redeemable at the end of 5 years from the date of the issue. Calculate the amount of discount to be written-off in each of the 5 years. **(ICAI SM)**
11.	HDC Ltd. issues 2,00,000, 12% Debentures of ₹ 10 each at ₹ 9.40 on 1st January, 2016. Under the terms of issue, 1/5th of the debentures are annually redeemable by drawings, the first redemption occurring on 31st December, 2016. Calculate the amount of discount to be written-off from 2016to 2020. **(ICAI SM)**

12. A company issued 12% debentures of the face value of ₹ 10,00,000 at 10% discount on 1-1-2020. Debenture interest after deducting tax at source @ 10% was payable on 30th June and 31st of December every year. All the debentures were to be redeemed after the expiry of 5 years period at 5% premium. Pass journal entries for the accounting year 2020.

(ICAI SM)

13. On 1st April 2017 Sheru Ltd. issued 1,00,000 12% debentures of ₹ 100 each at a discount of 5%, redeemable on 31 March 2022. Issue was oversubscribed by 20,000 debentures, who were refunded their money. Interest is paid annually on 31st March. You are required to prepare: -

- **i)** Journal entries at the time of issue of debentures.
- **ii)** Discount on issue of Debenture Account.
- **iii)** Interest account and Debenture holder Account assuming TDS is deducted @ 10%.

(ICAI SM)

14. Riya Limited issued 20,000 14% Debentures of the nominal value of ₹ 1,00,00,000 as follows: -

- **a)** To sundry persons for cash at 90% of nominal value of ₹ 50,00,000.
- **b)** To a vendor for purchase of fixed assets worth ₹ 20,00,000 – ₹ 25,00,000 nominal value.
- **c)** To the banker as collateral security for a loan of ₹ 20,00,000 – ₹ 25,00,000 nominal value.

You are required to prepare necessary journal entries.

(May 2018 RTP/oct 2020 MTP (modified)/November 2020 (modified))

15. A Ltd. issued 3,50,000, 12% Debentures of ₹ 100 each at par payable in full on application by 1st April, Application were received for 3,85,000 Debentures. Debentures were allotted on 7th April. Excess money refunded on the same date.
You are required to prepare necessary journal entries (including cash transactions) in the books of the company.

(Nov. 2018 RTP/Nov. 2020 RTP)

16. Suvidha Ltd. purchased machinery worth ₹ 1,98,000 from Hemant Ltd. The payment was made by issueof 12% 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 10% discount; and (iii) Debentures are issued at 10% premium

(May 2019 RTP)

17. Pihu Ltd. issued 50,00,000, 9% debentures of ₹ 100 each at a discount of 10% redeemable at par at theend of 10th year. Money was payable as follows: -

₹ 40 on application

₹ 50 on allotment

You are required to give necessary journal entries regarding issue of debenture.

(Nov. 2019 RTP/may 2021 RTP (modified)/Aug 2018 MTP)

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

1,00,000 x 9.40 = 9,40,000

Calculate the amount of discount to be written-off in each of the 5 years. Total 60,000

60,000 / 5

1.) 12000
2.) "
3.) "
4.) "
5.) "

(May 2020 RTP/Nov.2018)

19. On 1st January 2020, Ankit Ltd. issued 10% debentures of the face value of ₹ 20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five years period at 5% premium.
Pass necessary journal entries for the accounting year 2020.

(May 2019)

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Fundamental of Partnership (Basic Assignment)

Q. No	Questions
1.	A and B start business on 1st January, 2020, with capitals of ₹ 30,000 and ₹ 20,000. According to the Partnership Deed, B is entitled to a salary of ₹ 500 per month and interest is to be allowed on capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2020 the firm earned a profit, before charging salary to B and interest on capital amounting to ₹ 25,000. During the year A withdrew ₹ 8,000 and B withdrew ₹ 10,000 for domestic purposes. Give journal entries relating to division of profit. **(ICAI SM)**
2.	Ram, Rahim and Karim are partners in a firm. They have no agreement in respect of profit-sharing ratio, interest on capital, interest on loan advanced by partners and remuneration payable to partners. In the matter of distribution of profit they have put forward the following claims: - i) Ram, who has contributed maximum capital demands interest on capital at 10% p.a. and share of profit in the capital ratio. But Rahim and Karim do not agree. ii) Rahim has devoted full time for running the business and demands salary at the rate of ₹ 500 p.m. But Ram and Karim do not agree. iii) Karim demands interest on loan of ₹ 2,000 advanced by him at the market rate of interest which is 12% p.a. How shall you settle the dispute and prepare Profit and Loss Appropriation Account after transferring 10% of the divisible profit to Reserve. Net profit before taking into account any of the above claims amounted to ₹ 45,000 at the end of the first year of their business. **(ICAI SM)**
3.	A and B start business on 1st January, 2020, with capitals of ₹ 30,000 and ₹ 20,000. According to the Partnership Deed, B is entitled to a salary of ₹ 500 per month and interest is to be allowed on opening capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2020 the firm earned a profit, before charging salary to B and interest on capital amounting to ₹ 25,000. During the year A withdrew ₹ 8,000 and B withdrew ₹ 10,000 for domestic purposes. Prepare Profit and Loss Appropriation Account. **(ICAI SM)**
4.	A and B start business on 1st January, 2020, with capitals of ₹ 30,000 and ₹ 20,000. According to the Partnership Deed, B is entitled to a salary of ₹ 500 per month and interest is to be allowed on opening capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2020, the firm earned a profit, before charging salary to B and interest on capital, amounting to ₹ 25,000. During the year A withdrew ₹ 8,000 and B withdrew ₹ 10,000 for domestic purposes. Prepare Capital Accounts of Partners A and B. **(ICAI SM)**
5.	A and B are partners sharing profits and losses in the ratio of their effective capital. They had ₹ 1,00,000 and ₹ 60,000 respectively in their Capital Accounts as on 1st January, 2020. A introduced a further capital of ₹ 10,000 on 1st April, 2020 and another ₹ 5,000 on 1st July, 2020. On 30th September, 2020 A withdrew ₹ 40,000. On 1st July, 2020, B introduced further capital of ₹ 30,000. The partners drew the following amounts in anticipation of profit. A drew ₹ 1,000 per month at the end of each month beginning from January, 2020. B drew ₹ 1,000 on 30th June, and ₹ 5,000 on 30th September, 2020. 12% p.a. interest on capital is allowable and 10% p.a. interest on drawings is chargeable. Date of closing 31.12.2020. Calculate: (a) Profit-sharing ratio; (b) Interest on capital; and (c) Interest on drawings. **(ICAI SM)**

6.	Ram and Rahim start business with capital of ₹ 50,000 and ₹ 30,000 on 1st January, 2020. Rahim is entitled to a salary of ₹ 400 per month. Interest is allowed on capitals and is charged on drawings at 6% per annum. Profits are to be distributed equally after the above noted adjustments. During the year, Ram withdrew ₹ 8,000 and Rahim withdrew ₹ 10,000. The profit for the year before allowing for the terms of the Partnership Deed came to ₹ 30,000. Assuming the capitals to be fixed, prepare the Profit and Loss Appropriation Account and the Capital and Current Accounts relating to the partners. **(ICAI SM)**
7.	A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admit C for 1/6th share in profits and guaranteed that his share of profits will not be less than ₹ 250,00,000. Total profits of the firm for the year ended 31st March, 2020 were ₹ 900,00,000. Calculate share of profits for each partner when: **1)** Guarantee is given by firm. **2)** Guarantee is given by A **3)** Guarantee is given by A and B equally. **(ICAI SM)**
8.	Weak, Able and Lazy are in partnership sharing profits and losses in the ratio of 2:1:1. It is agreed that interest on capital will be allowed @ 10% per annum and interest on drawings will be charged @ 8 % per annum. (No interest will be charged/allowed on Current Accounts). The following are the particulars of the Capital and Drawings Accounts of the partners: - (see table below)
9.	Ram and Rahim are in partnership sharing profits and losses in the ratio of 3:2. As Ram, on account of his advancing years, feels he cannot work as hard as before, the chief clerk of the firm, Ratan, is admitted as a partner with effect from 1st January, 2020, and becomes entitled to 1/10th of the net profits and nothing else, the mutual ratio between Ram and Rahim remaining unaltered. Before becoming a partner, Ratan was getting a salary of ₹ 500 p.m. together with a commission of 4% on the net profits after deducting his salary and commission. It is provided in the partnership deed that the share of Ratan's profits as a partner in excess of the amount to which he would have been entitled if he had continued as the chief clerk, should be taken out of Ram's share of profits. The net profit for the year ended December 31, 2020 is ₹ 1,10,000. Show the distribution of net profit amongst the partners. **(ICAI SM)**

Question 8 (continued):

Particulars	Weak (₹)	Able (₹)	Lazy (₹)
Capital (1.1.2020)	75,000	40,000	30,000
Current Account (1.1.2020)	10,000	5,000	(Dr.) 5,000
Drawings	15,000	10,000	10,000

The draft accounts for 2020 showed a net profit of ₹ 60,000 before taking into account interest on capitals and drawings and subject to following rectification of errors:

a) Life Insurance premium of Weak amounting to ₹ 750 paid by the firm on 30th June, 2020 has been charged to Miscellaneous Expenditure A/c.

b) Repairs of Machinery amounting to ₹ 10,000 has been debited to Plant Account and depreciation thereon charged @ 20%.

c) Travelling expenses of ₹ 3,000 of Able for a pleasure trip to U.K. paid by the firm on 30th June, 2020 has been debited to Travelling Expenses Account.

You are required to prepare the Profit and Loss Appropriation Account, Current Accounts of partners Weak, Able and Lazy for the year ended 31st December, 2020. **(ICAI SM)**

10. X and Y are partners. As per terms of agreement interest is allowed on capital at 8% p.a. and charge on drawing at 10% p.a. X withdrew ₹ 40,000 per month at the end of each month and Y withdrew ₹ 120,000 at the end of each quarter. You are required to fill the missing figures in following accounts: -

Profit and Loss Appropriation Account for the year ended March 31, 2020

Particulars		(₹)	Particulars		(₹)
To ...?			By Profit and Loss A/c (Net profit)		?
To Interest on Capital A/c			By Interest on Drawings A/c		
X	1,60,000		X	?	
Y	?	2,88,000	Y	?	?
To profit transferred to Capital A/c					
X (2/3)	?				
Y (1/3)	2,80,000	?			
		?			?

Partner's Capital Accounts

Particulars	X	Y	Particulars	X	Y
To ...?	?	?	By ...?	?	?
To ...?	?	?	By Salary A/c	3,60,000	?
To ...?	?	?	By ...?	?	
	?	?	By ...?	?	?
	?	?		?	?

11. A, B and C entered into partnership on 1.1.2019 to share profits and losses in the ratio of 5:3:2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% per annum would not be less than ₹ 30,000 in any year. Capitals of A, B and C were ₹ 3,20,000, ₹ 2,00,000 and ₹ 1,60,000 respectively.

Profits for the year ending 31.12.2019 before providing for interest on partner's capital was ₹ 1,59,000.

You are required to prepare the profit and loss appropriation account.

(May 2018 RTP/May 2020 RTP)

12. Aarti, Bharati and Criti were in partnership sharing profits and losses in the ratio 3 : 4 : 3. Their capitals as on 1st April 20X0 were ₹ 3,00,000, 5,00,000 and 2,00,000 respectively. According to partnership deed, Criti is entitled to salary of ₹ 15,000 p.m., interest on opening capital is to be allowed @ 12% p.a. Aarti was entitled to rent @ ₹ 5,000/- p.m. for premises belonging to her, used for the partnership business. No interest to be charged on drawings.

Irrespective

Rent paid to Aarti and salary paid to Criti were debited to drawings account of respective partners, Bharti had withdrawn ₹ 10,000 per month from the business. The profit of the firm for the year ended 31st March 20X1, before charging interest in capital amounted to ₹ 4,60,000. You are required to prepare Profit and Loss appropriation Account and partners' Capital Accounts. **(ICAI SM)**

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Admission of Partner (Basic Assignment)

Q. No	Questions
1.	The following is the Balance Sheet of Ram and Mohan, who share profits in the ratio of 3:2 as on 1st January, 2020: -

Liabilities	(₹)	Assets	(₹)
Trade payables	15,000	Buildings	18,000
Ram's Capital	20,000	Plant and Machinery	15,000
Mohan's Capital	25,000	Inventories	12,000
		Trade receivables	10,000
		Bank	5,000
	60,000		60,000

On this date Shyam was admitted on the following: -

1) He is to pay ₹25,000 as his capital and ₹10,000 as his share of goodwill for one fifth share in profits.
2) The new profit-sharing ratio will be 5:3:2.
3) The assets are to be revalued as under:

Particulars	(₹)
Building	25,000
Plant and Machinery	12,000
Inventories	12,000
Trade receivables (because of doubtful debts)	9,500

4) It was found that there was a liability for ₹1,500 for goods received but not recorded in books.

Give journal entries to record the above. Also, give the Balance Sheet of the partnership firm after Shyam's admission.

(ICAI SM)

2. A and B are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31.3.2020 is given below: -

Liabilities	(₹)	Assets	(₹)
Trade payables	50,000	Freehold premises	2,00,000
Capital Accounts:		Plant	40,000
A	2,00,000	Furniture	20,000
B	1,00,000	Office equipment	25,000
		Inventories	30,000
		Trade receivables	25,000
		Bank	10,000
	3,50,000		3,50,000

On 1.4.2020 they admit C on the following terms: -

1) C will bring ₹50,000 as a capital and ₹10,000 for goodwill for 1/5 share.
2) Provision for doubtful debts is to be made on Trade receivables @ 2%.
3) Inventory to be written down by 10%.
4) Freehold premises are to be revalued at ₹2,40,000, plant at ₹35,000, furniture ₹25,000 and office equipment ₹27,500.
5) Partners agreed that the values of the assets and liabilities remain the same and, as such, there should not be any change in their book values as a result of the above mentioned adjustments.

You are required to make necessary adjustments in the Capital Accounts of the partners and show the Balance Sheet of the New Firm.

(ICAI SM)

3. A and B are partners in a firm, sharing profits and losses in the ratio of 3:2. The Balance Sheet of A and B as on 1.1.2020 was as follows: -

Liabilities		Amount (₹)	Assets		Amount (₹)
Trade payables		17,000	Building		26,000
Bank overdraft		9,000	Furniture		5,800
Capital accounts:			Inventories		21,400
A	44,000		Trade receivables	35,000	
B	36,000	80,000	Less: Provision	(200)	34,800
			Investment		2,500
			Cash		15,500
		1,06,000			1,06,000

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

i) C is admitted for 1/6 share in the future profits and to introduce a capital of ₹25,000.

ii) The new profit sharing ratio of A, B and C will be 3:2:1 respectively.

iii) 'C' is unable to bring in cash for his share of goodwill, they decide to calculate goodwill on the basis of C's share in the profits and the capital contribution made by him to the firm.

iv) Furniture is to be written down by ₹870 and Inventory to be depreciated by 5%. A provision is required for trade receivables @ 5% for bad debts. A provision would also be made for outstanding wages for ₹1,560. The value of buildings having appreciated be brought up to ₹29,200. The value of investments is increased by ₹450.

v) It is found that the trade payables included a sum of ₹1,400, which is not to be paid out.

Prepare the following: -

i) Revaluation account.

ii) Partners' capital accounts.

(ICAI SM/May 2019 RTP)

4. Dalal, Banerji and Mallick are partners in a firm sharing profits and losses in the ratio 2:2:1. Their Balance Sheet as on 31st March, 2020 is as below: -

Liabilities		(₹)	Assets	(₹)
Trade payables		12,850	Land and Buildings	25,000
Outstanding Liabilities		1,500	Furniture	6,500
General Reserve		6,500	Inventory of goods	11,750
Capital Account:			Trade receivables	5,500
Mr. Dalal	12,000		Cash in hand	140
Mr. Banerji Mr.	12,000		Cash at Bank	960
Mallick	5,000	29,000		
		49,850		49,850

The partners have agreed to take Mr. Mistri as a partner with effect from 1st April, 2020 on the following terms: -

1) Mr. Mistri shall bring ₹5,000 towards his capital.

2) The value of Inventory should be increased by ₹2,500 and Furniture should be depreciated by 10%.

3) Reserve for bad and doubtful debts should be provided at 10% of the Trade receivables.

4) The value of land and buildings should be enhanced by 20%.

5) The value of the goodwill be fixed at ₹15,000.

6) General Reserve will be transferred to the Partners' Capital Accounts.

7) The new profit-sharing ratio shall be: Mr. Dalal 5/15, Mr. Banerji 5/15, Mr. Mallick 3/15 and Mr. Mistri 2/15.

8) The outstanding liabilities include ₹1,000 due to Mr. Sen which has been paid by Mr. Dalal. Necessary entries were not made in the books. Cr side of Dalal capital

	Prepare (i) Revaluation Account, (ii) The Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Mr. Mistri. **(ICAI SM/Nov. 2018)**
5.	A and B are in partnership sharing profits and losses in the ratio 3:2. They take C as a new partner. Calculate the new profit sharing ratio if: - **i)** C purchases 1/10 share from A **ii)** A and B agree to sacrifice 1/10th share to C in the ratio of 2: 3 **iii)** Simply gets 1/10th share of profit. **(ICAI SM)**

6. A and B are in the partnership sharing profits and losses in the proportion of three-fourth and one-fourth respectively. Their balance sheet as on 31st March, 2020 was as follows: -

Cash ₹1,000; trade receivables ₹25,000; Inventory ₹22,000; plant and machinery ₹4,000; trade payables ₹12,000; bank overdraft ₹15,000; A's capital ₹15,000; B's capital ₹10,000.

On 1st April, 2020, they admitted C into partnership on the following terms: -

i) C to purchase one–third of the goodwill for ₹2,000 and provide ₹10,000 as capital. Goodwill not to appear in books.

ii) Further profits and losses are to be shared by A, B and C equally.

iii) Plant and machinery is to be reduced by 10% and ₹500 is to be provided for estimated bad debts. Inventory is to be taken at a valuation of ₹24,940.

iv) By bringing in or withdrawing cash and capitals of A and B are to be made proportionate to that of C on their profit-sharing basis.

Set out entries to the above arrangement in the firm's journal and give the partners' capital accounts in tabular form.

(ICAI SM)

7. A and B are partners of X & Co. sharing profits and losses in 3:2 ratio between themselves. On 31st March, 2020, the balance sheet of the firm was as follows: -

Balance Sheet of X & Co. as at 31.3.2020

Liabilities		**(₹)**	**Assets**	**(₹)**
Capital accounts:			Plant and machinery	20,000
A	37,000		Furniture and fittings	5,000
B	28,000	65,000		
Trade payables			Inventories	15,000
			Trade receivables	20,000
		5,000	Cash in hand	10,000
		70,000		**70,000**

X agrees to join the business on the following conditions as and from 1.4.2020: -

a) He will introduce ₹25,000 as his capital and pay ₹15,000 to the partners as premium for goodwill for 1/3rd share of the future profits of the firm.

b) A revaluation of assets of the firm will be made by reducing the value of plant and machinery to ₹15,000, Inventory by 10%, furniture and fitting by ₹1,000 and by making a provision of bad and doubtful debts at ₹750 on trade receivables.

Prepare profit and loss adjustment account, capital accounts of partners including the incoming partner X assuming that the relative ratios of the old partners will be in equal proportion after admission.

(ICAI SM)

8.	A and B are partners with capitals of ₹7,000 each. They admit C as a partner with 1/4th share in the profits of the firm. C brings ₹8,000 as his share of capital. Give the necessary journal entry to record goodwill. **(ICAI SM)**
9.	A and B are in partnership sharing profits and losses equally. The Balance Sheet M/s. A and B as on 31.12.2019, was as follows: -

Liabilities	(₹)	Assets	(₹)
Capital A/cs:		Sundry Fixed Assets	60,000
A	45,000	Inventories	30,000
B	45,000	Bank	20,000
Trade payables	20,000		
	1,10,000		**1,10,000**

On 1.1.2020 they agreed to take C as 1/3rd partner to increase the capital base to ₹1,35,000. C agrees to pay ₹60,000. Show the necessary journal entries and prepare partners' capital accounts. **(ICAI SM)**

10. Laurel and Hardy are partners of the firm LH & Co., from 1.4.2016. Initially, both of them contributed ₹ 1,00,000 each as Capital. They did not contribute any capital thereafter. They maintain accounts of the firm on mercantile basis. They were sharing profits and losses in the ratio of 5:4. After the accounts for the year ended 31.3.2020 were finalized, the partners decided to share profits and losses equally with effect from 1.4.2016.

It was also discovered that in ascertaining the results in the earlier years, certain adjustments, details of which are given below, had not been noted.

Year ended 31st March	2017 (₹)	2018 (₹)	2019 (₹)	2020 (₹)
Profit as per accounts prepared and finalized	1,40,000	2,60,000	3,20,000	3,60,000
Expenses not provided for (as at 31st March)	30,000	20,000	36,000	24,000
Incomes not taken into account (as at 31st March)	18,000	15,000	12,000	21,000

The partners decided to admit Chaplin as a partner with effect from 1.4.2020. It was decided that Chaplin would be allotted 20% share in the firm and he must bring 20% of the combined Capital of Laurel and Hardy.

Following is the Balance sheet of the firm as on 31.3.2020 before admission of Chaplin and before adjustment of revised profits between Laurel and Hardy.

Balance Sheet of LH & Co. as at 31.3.2020

Liabilities	(₹)	Assets	(₹)
Capital Accounts: -		Plant and machinery	60,000
Laurel	2,11,500	Cash on hand	10,000
Hardy	1,51,500	Cash at bank	5,000
Trade Payables	2,27,000	Stock in trade	3,10,000
		Trade Receivables	2,05,000
	5,90,000		**5,90,000**

You are required to prepare: -

i) Profit and Loss Adjustment account;

ii) Capital accounts of the partners; and

iii) Balance Sheet of the firm after the admission of Chaplin. **(MTP August 2018)**

11.	The following was the balance sheet of A, B and C who were equal partners on January 1, 2020: -

Liabilities	(₹)	Assets	(₹)
Bills Payable	3,000	Cash	1,000
Creditors	6,000	Debtors	10,000
Capital Accounts:		Stock	12,000
A	20,000	Furniture	5,000
B	15,000	Buildings	25,000
C	10,000	Bills Receivable	1,000
	54,000		**54,000**

They agree to take D into partnership and give him a 1/4 share in the profits on the following terms: -

i) that D should bring in ₹6,000 for goodwill and ₹10,000 as capital;
ii) that one-half of the goodwill shall be withdrawn by old partners;
iii) that stock and furniture be depreciated by 10%.
iv) that a liability of ₹1,300 be created against bills discounted;
v) that the building be valued at ₹40,000;
vi) that the values of liabilities and assets other than cash are not to be altered.

Give the necessary entries to give effect to the above arrangement; prepare revaluation account and opening balance sheet of the firm as newly constituted.

(ICAI SM)

12. Gopal and Govind are partners sharing profits and losses in the ratio 60:40. The firms' balance sheet as on 31.03.2020 was as follows: -

Liabilities	(₹)	Liabilities	(₹)
Capital accounts:		Fixed assets	3,00,000
Gopal	1,20,000	Investments	50,000
Govind	80,000	Current assets	2,00,000
Long term loan	2,00,000	Loans and advances	1,00,000
Current liabilities	2,50,000		
	6,50,000		**6,50,000**

Due to financial difficulties, they have decided to admit Guru as partner in the firm from 01.04.2020 on the following terms: -

- Guru will be paid 40% of the profits.
- Guru will bring in cash ₹ 1,00,000 as capital It is agreed that goodwill of the firm will be valued at 2 years purchase of 3 years' normal average profits of the firm and Guru will bring in cash his share of goodwill. It was also decided that the partners will neither withdraw their share of goodwill nor will the goodwill appear in the books of account.
- The profits of the previous three years were as follows: -

For the year ended 31.3.2018: profit ₹20,000 (includes insurance claim received of ₹40,000).

For the year ended 31.3.2019: loss ₹80,000 (includes voluntary retirement compensation paid ₹1,10,000).

For the year ended 31.3.2020: profit of ₹1,00,000 (includes a profit of ₹ 25,000 on the sale of assets).

It was decided to revalue the assets on 31.03.2020 as follows: -

Particulars	(₹)
Fixed assets (net)	4,00,000
Investments	Nil
Current assets	1,80,000
Loans and advances	1,00,000

The new profit-sharing ratio after the admission of Guru was 35:25:40.

Pass journal entries on admission, show goodwill calculation and prepare revaluation account, partners' capital accounts and balance sheet as on 01.04.2020 after the admission of Guru.

(ICAI SM)

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

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

1) He shall bring ₹ 1,50,000 as capital and goodwill.
2) He shall get 1/5th share in future profits, to be acquired equally from Ramu and Mamu.
3) Goodwill of the firm to be valued at ₹ 2,50,000. It was agreed that goodwill shall not appear in the books of accounts.
4) Land & Building is to be appreciated by 50% and inventory is revalued at ₹ 60,000
5) 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.
6) Furniture to be reduced to ₹ 40,000.
7) After admission of Damu, Capitals of the partners' to be adjusted in their new profit sharing ratio, taking Damu's Capital as base.

You are required to prepare: -

1) Revaluation Account
2) Partners' Capital Accounts
3) Cash and bank Accounts
4) Balance Sheet after admission

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14. Dinesh, Ramesh and Naresh are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 20X1 is as below: -

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

The partners have agreed to take Suresh as a partner with effect from 1st April, 20X1 on the following items: -

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

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

Prepare: -

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

(RTP may 2020)

15.	**Cu and Au were in partnership sharing profits and losses in the ratio 5:3. On 1st April 20X5, they decided to admit Ag the partnership on the following terms;**

1) Ag will bring ₹ 2,00,000/- as capital for ¼ share.
2) New profit-sharing ratio shall be 2:1:1 among Cu, Au and Ag.
3) Cu was entitled to salary of ₹ 2,000/- p.m., It was revised to ₹ 3,000 p.m. from 1st October 20X3.
4) Interest on capital was paid at 8% p.a.
5) Capitals as on 31st March 20X5 were Cu ₹ 4,00,000 Au ₹ 3,00,000, which had remained unchanged since last four years.
6) Goodwill was to be valued on the basis of 3 years purchase of average adjusted weighted average profits of past 4 years. The profits of previous four years, before charging interest on capital and salary to Cu were as follows;

Year		Profit
20X1-X2	–	2,10,000
20X2-X3	–	2,60,000
20X3-X4	–	2,10,000
20X4-X5	–	3,05,000

These profits were subject to following rectification;

a) A Machine Costing ₹ 40,000 purchased on 1st October 20X3 was wrongly charged to revenue. The machinery was depreciated at 20% p.a. on w.d.v method.
b) Stock on 31st March 20X3 was over valued by ₹ 20,000/-
c) There was a loss by fire amounting to ₹ 10,000/- in the year 20X1-X2 which was not considered in trading account but correctly debited in the P/L account for that year.
d) Debtors as on 31st March 20X5 included bad debts of ₹ 5,800/-

7) Ag shall bring his share of goodwill in cash.

You are required to calculate amount of goodwill Ag is supposed to bring and Journal entry for the same. **(ICAI SM)**

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Admission of Partner (Trickery Assignment)

Q. No	Questions
1.	P, Q and R are partners, sharing profit and loss in the ratio of 3:2:1. They decide to admit S for 1/4 share on 1.1.20X4. For this purpose, goodwill is valued at 4 years purchase of annual super profits. Profits of previous three years were as under: -

20X1 - ₹ 1,36,000;
20X2 - ₹ 1,50,000;
20X3 - ₹ 1,46,000

Capital employed on 1.1.20X4 is ₹ 6,00,000. Normal rate of return is 20%. New profit-sharing ratio is 5:3:1:3.

a) Calculate value of goodwill as per super profit method.
b) Find out S's share in goodwill.
c) Calculate ratio of sacrifice by P, Q and R.
d) Pass necessary journal entries, when S brings amount of goodwill in cash.

Pass necessary journal entries, when goodwill is raised and written off in the books.

2.	M/s D, E and F with respective capitals of ₹ 60,000, ₹ 40,000 and ₹ 20,000 and sharing profits in the ratio of 3: 2: 1 agreed to admit Mr. G as a partner for 1/6th share on the terms that he brings in ₹ 40,000 as capital and ₹ 20,000 as premium for goodwill and that Mr. F would retain his original share. Mr. G paid in his capital money but in respect of premium he could bring in only ₹ 10,000 and therefore he agreed to the raising of goodwill account in the books of the firm as would be appropriate in the circumstances. **You are required to: -** **1)** Pass the journal entries to carry out the above arrangement; **2)** Construct the capital accounts of the partners; and **3)** Work out the new profit-sharing ratio of the partners.

3. The following is the balance sheet of Gajraj and Prahalad (who share profits in the ratio of 3:2) as on 1st January, 20X1

Liabilities	(₹)	Assets	(₹)
Sundry creditors	30,000	Buildings	36,000
Gajraj's capital	40,000	Plant & Machinery	30,000
Prahalad's capital	50,000	Stock	24,000
		Debtors	20,000
		Bank	10,000
	1,20,000		**1,20,000**

On this date Prabhat was admitted on the following terms: -

i) He is to pay ₹ 50,000 as his capital and ₹ 20,000 as his share of goodwill for one-fifth share of profits.

ii) The new profit-sharing ratio will be 5: 3: 2.

iii) The assets are to be revalued as under--

Particulars	(₹)
Buildings	50,000
Plant & Machinery	24,000
Stock	24,000
Debtors (because of doubtful debts)	19,000

iv) It was found that there was a liability for ₹ 3,000 for goods received but not recorded in book.

Give journal entries to record the above. Also give Ledger Accounts and the Balance Sheet after Prabhat's admission.

4. Mr. Yash and Mr. Sahil are partners in a firm sharing profits and losses as 5:3. The position of the firm as on 31st March 20X1 was as follows: -

Liabilities		(₹)	Assets	(₹)
Capital A/c:			Plant & Machinery	80,000
Mr. Yash	60,000		Stock	60,000
Mr. Sahil	40,000	1,00,000	Sundry debtors	40,000
			Bills receivable	20,000
Sundry creditors		30,000	Cash at bank	15,000
Bank loan		85,000		
		2,15,000		**2,15,000**

Mr. Pallav now joins them on condition that he will share 3/4 of future profit, the balance being shared by the old partners in the old ratio. He introduces ₹ 80,000 by way of capital in cash and pays off the bank loan, such amount being credited to Pallav's loan A/c. He also pays ₹ 8,000 by way of premium for goodwill of the business and this amount is to remain in the business. The partners agree to depreciate plant and machineries by 10% and raise a reserve against sundry debtors at 5%.

You are required to: -

i) Journalise the entries in the books of the firm and show the resultant balance sheet, and

ii) Ascertain the new profit-sharing ratio.

5. X and Y partners in a firm. They share profits and losses in the ratio of 2:1. They admit 'Z' into partnership on the terms that Z will bring in cash ₹ 60,000 for goodwill and will bring such an amount that his capital will be 1/3rd of the total capital of the new firm. Z will be given 1/3rd share in future profits. At the time of admission of Z, the balance sheet of X and Y was as under: -

Liabilities	(₹)	Assets	(₹)
Capital A/cs:		Machinery	2,40,000
X	2,80,000	Furniture	20,000
Y	2,40,000	Stock	1,60,000
Sundry creditors	1,00,000	Sundry debtors	60,000
		Cash	1,40,000
	6,20,000		**6,20,000**

On independent valuation, it was found that the stock is overvalued by ₹ 10,000. Write off depreciation of furniture and machinery at 10% and 5% respectively. Make provision of ₹ 6,000 on sundry debtors for doubtful debts.
Prepare balance sheet of the firm after the admission of Z and give your full workings.

6. Sunny and Prateek are partners in a firm sharing profits and losses in the ratio 3:2. Their balance sheet was as follows on 1st January, 20X1: -

Liabilities	(₹)	Assets	(₹)
Sundry creditors	30,000	Plant & Machinery	60,000
Capital Accounts:		Patents	20,000
Sunny	60,000	Stock	40,000
Prateek	50,000	Debtors	36,000
General reserve	20,000	Cash	4,000
	1,60,000		**1,60,000**

Piyush is admitted as a partner on the above date on the following terms: -

a) The assets are to be valued as under:
Plant and Machinery at ₹ 64,000
Stock at ₹ 36,000
Make provision for doubtful debts @ 5%.

b) He will pay ₹ 20,000 as goodwill for 1/4th share in the profit of the firm.

c) Piyush was to introduce ₹ 40,000 as capital and the capitals of the other partners were to be adjusted in the profit-sharing ratio. For this purpose, current accounts were to be opened.

d) It was found that the creditors included a sum of ₹ 2,800 which was not to be paid. But it was also found that there was a liability for compensation to workers amounting to ₹ 4,000.

Give journal entries to record the above and balance sheet after Piyush's admission.

7. G and H sharing profits in the ratio of 3:2 respectively, showed the following as their balance sheet on 31st March, 20X1: -

Liabilities	(₹)	Assets	(₹)
Creditors	50,000	Cash at bank	10,000
General reserve	1,00,000	Debtors	80,000
Capital Accounts:		Stock	2,00,000
G	3,60,000	Furniture	40,000
H	1,60,000	Land & Buildings	3,40,000
	6,70,000		**6,70,000**

They admit Mr. 'I' into partnership on 1st April, 20X1 on the following terms: -

a) That a goodwill account be raised in the books of the new firm at its value of ₹ 2,00,000.

b) That the value of land & Buildings be appreciated by 20%.

c) That Mr. 'I' pays ₹ 2,00,000 as his capital for one-fifth share in the future profits.

	d) That the capital accounts of all the partners be re-adjusted on the basis of their profit-sharing arrangement through partners' current accounts. e) That stock and furniture be reduced by 10% and a provision for doubtful debts be created at 5% on debtors. Prepare the necessary ledger accounts to give effect to the above-mentioned transactions and draw the opening balance sheet of the new firm.
8.	X and Y are in partnership sharing profits and losses in the proportion of three-fourth and one-fourth respectively. Their balance sheet on 31st March, 20X1 was as follows: - Cash ₹ 2,000; Sundry debtors ₹ 50,000; Stock ₹ 44,000; Plant and Machinery ₹ 8,000; Sundry creditors ₹ 24,000; Bank overdraft ₹ 30,000; A's capital ₹ 30,000 and B's capital ₹ 20,000. **On 1st April, 20X1, they admitted Z into partnership on the following terms: -** **a)** Future profits and losses are to be shared by X, Y and Z equally. **b)** Z to purchase one-third of the goodwill for ₹ 4,000 and provide ₹ 20,000 as capital. Goodwill not to appear in books. **c)** Plant and Machinery is to be reduced by 10% and ₹ 1,000 is to be provided for estimated bad debts. Stock is to be taken at a valuation of ₹ 49,880. **d)** By bringing in or withdrawing cash, the capitals of X and Y are to be made proportionate to that of Z on their profit-sharing basis. Set out entries relating to the above arrangement in the firm's journal. Give the partners' capital account in tabular form and submit the opening balance sheet of the new firm.

9. On 31st March, 20X1, the balance sheet of M/s M, N & O sharing profits and losses in the ratio of 6:5:3 stood as follows: -

Liabilities	(₹)	Assets	(₹)
Sundry creditors	75,600	Cash	7,560
Bills payable	25,200	Sundry debtors	1,05,840
General reserve	42,000	Stock	1,17,600
Capital Accounts:		Furniture	29,400
M	1,41,600	Land & Building	1,80,600
N	1,19,400	Goodwill	21,000
O	58,200		
	4,62,000		**4,62,000**

They agree to admit P into partnership giving him 1/8th share, on 1.4.20X1 on the following terms: -

a) A provision of ₹ 5,280 be made for outstanding repair bill.
b) Stock shall be valued at 10% less than the balance sheet value.
c) Furniture be depreciated by ₹ 3,680.
d) The value of land & building has appreciated and to be brought up to ₹ 2,39,400.
e) Value of goodwill be brought up to ₹ 56,280.
f) Q should bring in cash ₹ 58,800 as his capital.

After making the above adjustments, the capital accounts of the old partners be adjusted on the basis of proportion of P's capital to his share in the business by bringing in or taking out cash.

You are required to prepare Revaluation Account, Capital Account of Partners, Cash Account and Balance Sheet as on 1.4.20X1 after P's admission.

10. P, Q and R were in partnership, sharing profits and losses as to P one-half, Q one-third and R one-sixth. As from 1st January, 20X1 they admitted S into partnership on the following terms:

S to have a one-sixth share which he purchased entirely from P paying P ₹ 16,000 for the share of goodwill. Of this amount. P had withdrawn ₹ 12,000 and put the balance in the firm as additional capital. As a condition to admission of S as a partner, S also brought ₹ 10,000 capital into the firm. It was further agreed that the investments should be valued at its market value of ₹ 7,200 and plant be valued at ₹ 11,600.

	The balance sheet of the old firm on 31.12.20X0 was as follows: Cash at bank ₹ 16,000, Debtors ₹ 24,000: Stock ₹ 20,000: Investments at cost ₹ 12,000; Furniture ₹ 4,000: Plant ₹ 14,000: Creditors ₹ 42,000: Capital P ₹ 24,000, Q ₹ 16,000 and R ₹ 8,000. The profits for the year 20X1 were ₹ 24,000 and the drawings were: P ₹ 12,000, Q ₹ 12,000, R ₹ 6,000 and S ₹ 6,000. You are required to journalise the opening adjustments, prepare the opening balance sheet of the new firm as on 1st January, 20X1 and give the capital account of each partner as on 31st December, 20X1.

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Retirement of a Partner (Basic Assignment)

Q. No	Questions
1.	A and B are partners in a business sharing profit and losses as A-3/5th and B-2/5th. Their balance sheet as on 1st January, 2020 is given below: -

Liabilities		(₹)	Assets	(₹)
Capital Accounts			Plant and Machinery	20,000
A	20,000		Inventories	16,000
B	15,000	35,000	Trade receivables	15,000
Reserve Account		15,000	Balance at Bank	6,000
Trade payables		7,500	Cash in hand	500
		57,500		57,500

B retires from the business owing to illness and A takes it over. The following revaluation was made: -

1) The goodwill of the firm is valued at ₹25,000.
2) Depreciate Plant & Machinery by 7.5% and Inventories by 15%.
3) Doubtful debts provision is raised against trade receivables at 5% and a discount reserve against trade payables at 2%.

Required: -

Journalize the above transactions in the books of the firm and close the Partners' Accounts as on 1st January 2020. Give also the opening Balance Sheet of A.

(ICAI SM)

2. F, G and K were partners sharing profits and losses at the 2:2: 1. K wants to retire on 31.12.2019. Given below is the Balance Sheet of the partnership as well as other information: -

Balance Sheet as on 31.12.2019

Liabilities	(₹)	Assets	(₹)
Capital A/cs: -		Sundry Fixed Assets	1,50,000
F	1,20,000	Inventories	50,000
G	80,000	Trade receivables	70,000
K	60,000	(Including Bills Receivable ₹ 20,000)	
Reserve	10,000	Bank	50,000
Trade payables	50,000		
	3,20,000		3,20,000

Fand G agree to share profits and losses in the ratio of 3: 2 in future. Value of Goodwill is taken to be ₹ 50,000. Sundry Fixed Assets are revalued upward by ₹30,000 and Inventories by ₹10,000. Bills Receivable dishonoured ₹5,000 on 31.12.2019 but not recorded in the books. Dishonour of bill was due to insolvency of the customer. F and G agree to bring sufficient cash to discharge claim of K and to make their capital proportionate. Also they wanted to maintain ₹75,000 bank balance for working capital.

Required: -

Pass necessary journal entries and draft the Balance Sheet of M/s F & G. Also prepare capital accounts of partners and draft the Balance Sheet of Ms/ F & G after K's retirement.

(ICAI SM)

3. A, B & C were in partnership sharing profits in the proportions of 5:4:3. The balance sheet of the firm as on 31st March, 2020 was as under: -

Liabilities	(₹)	Assets	(₹)
Capital accounts: -		Goodwill	40,000
A	1,35,930	Fixtures	8,200
B	95,120	Inventories	1,57,300
C	61,170	Trade receivables	93,500
Trade payables	41,690	Cash	34,910
	3,33,910		3,33,910

A had been suffering from ill-health and gave notice that he wished to retire. An agreement was, therefore, entered into as on 31st March, 2020, the terms of which were as follows: -

i) The profit and loss account for the year ended 31st March, 2020 which showed a net profit of ₹48,000 was to be re-opened. B was to be credited with ₹4,000 as bonus, in consideration of the extra work which had devolved upon him during the year. The profit sharing was to be revised from 1st April, 2019, as 3:4:4.

ii) Goodwill was to be valued at two years' purchase of the average profits of the preceding five years. The fixtures were to be valued by an independent valuer. A provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book values.

G.D #6

The valuations arising out of the above agreement were goodwill ₹56,800 and fixtures ₹10,980. B and C agreed, as between themselves, to continue the business, sharing profits in the ratio of 3:2 and decided to eliminate goodwill from the balance sheet, to retain the fixtures on the books at the revised value, and to increase the provision for doubtful debts to 6%.

Required: -

Submit the journal entries necessary to give effect to the above arrangements and to draw up the capital account of the partners after carrying out all adjusting entries as stated above.

(ICAI SM)

4. K, L & M are partners sharing profits and losses in the ratio 5:3:2. Due to illness, L wanted to retire from the firm on 31.3.2020 and admit his son N in his place.

Balance Sheet of K, L and M as on 31.3.2020

Liabilities		(₹)	Assets	(₹)
Capital:			Goodwill	30,000
K	40,000		Furniture	20,000
L	60,000		Trade receivables	50,000
M	30,000	1,30,000	Inventory in Trade	50,000
Reserve		50,000	Cash and Bank Balances	50,000
Trade payables		20,000		
		2,00,000		**2,00,000**

On retirement of L assets were revalued: Goodwill ₹50,000, furniture ₹10,000 and Inventory in trade ₹30,000. 50% of the amount due to L was paid out in cash and the balance was retained in the firm as capital of N. On admission of the new partner, goodwill has been written out. M is paid out his extra balance to make capital proportionate.

You are required to give: -

i) Necessary journal entries; ii) Balance sheet of M/s K, M and N as on 1.4.2020; iii) Capital accounts of partners.

(ICAI SM)

5. Dowell & 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, 2020 is as under: -

Liabilities		(₹)	Assets	(₹)
Capitals:			Land	10,000
Mr.A	80,000		Buildings	2,00,000
Mr.B	20,000		Plant and Machinery	1,30,000
Mr.C	30,000	1,30,000	Furniture	43,000
Reserves (un-appropriated profit)		20,000	Investments	12,000
Long Term Debt		3,00,000	Inventories	1,30,000
Bank Overdraft		44,000	Trade receivables	1,39,000
Trade payables		1,70,000		
		6,64,000		**6,64,000**

G.D #7

It was mutually agreed that Mr. B will retire from partnership and in his place Mr. D will be admitted as a partner with effect from 1st April, 2020. For this purpose, the following adjustments are to be made: -

a) Goodwill is to be valued at ₹1 lakh but the same will not appear as an asset in the books of the reconstituted firm.

b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.

c) In the reconstituted firm, the total capital will be ₹2 lakhs which will be contributed by Mr. A, Mr. C and Mr. D in their new profit-sharing ratio, which is 2:2:1.
   i) The surplus funds, if any, will be used for repaying bank overdraft.
   ii) The amount due to retiring partner shall be transferred to his loan account.

Required: -
Prepare
a) Revaluation account;
b) Partners' capital accounts;
c) Bank account; and
d) Balance sheet of the reconstituted firm as on 1st April, 2020.

(ICAI SM, Nov. 2018 RTP)

6. M/s X is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June 2020, was as under: -

Balance Sheet of M/s. X
as on 30.06.2020

Liabilities	(₹)	Assets	(₹)
A's Capital A/c	1,04,000	Land	1,00,000
B's Capital A/c	76,000	Building	2,00,000
C's Capital A/c	1,40,000	Plant and Machinery	3,80,000
Long Term Loan	4,00,000	Investments	22,000
Bank Overdraft	44,000	Inventories	1,16,000
Trade payables	1,93,000	Trade receivables	1,39,000
	9,57,000		9,57,000

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2020. For this purpose, the following adjustments are to be made: -

a) Goodwill of the firm is to be valued at ₹2 lakhs due to the firm's locational advantage but the same will not appear as an asset in the books of the reconstituted firm.
b) Buildings and plant and machinery are to be valued at 90% and 85% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹25,000. Trade receivables are considered good only up to 90% of balance sheet figure. Balance be considered bad.
c) In the reconstituted firm, the total capital will be ₹3 lakhs, which will be contributed by A, C and D in their new profit-sharing ratio, which is 3:4:3.
d) The amount due to retiring partner shall be transferred to his loan account.

Required: -
Prepare Revaluation Account and Partners' Capital Accounts.

(ICAI SM)

7. Red, White and Black shared profits and losses in the ratio of 5:3:2. They took out a joint life Policy in 2016 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: 2016 nil; 2017 ₹900; 2018 ₹2,000; 2019 ₹3,600.
Black retires on 15th April, 2020.

G&P #8

Required: -
Prepare ledger accounts assuming no Joint Life Policy Account is maintained.

(ICAI SM)

8. Red, White and Black shared profits and losses in the ratio of 5: 3: 2. They took out a Joint Life Policy in 2012 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: 2016 Nil; 2017 ₹900: 2018 ₹2,000; 2019 ₹3,600.
Black retires on 15th April, 2020.

G&P #8

Required: -
Prepare ledger accounts assuming Joint Life Policy Account is maintained on surrender value basis.

(ICAI SM)

9. A, B and C are in partnership sharing profits and losses at the ratio of 5:3: 2. The balance sheet of the firm on 31.12.2019 was as follows: -

Balance Sheet

Liabilities	(₹)	Assets	(₹)
Capital A/cs:		Sundry Fixed Assets	80,000
A	50,000	Inventories	50,000
B	40,000	Trade receivables	30,000
C	30,000	Joint Life Policy	20,000
Bank Loan	40,000	Bank	10,000
Trade payables	30,000		
	1,90,000		**1,90,000**

On 1.1.2020, A wants to retire, B and C agreed to continue at 2:1. Joint Life Policy was taken on 1.1.2014 for ₹1,00,000 and its surrender value as on 31.12.2019 was ₹25,000. For the purpose of A's retirement goodwill was raised for ₹1,00,000. Sundry Fixed Assets was revalued for ₹1,10,000. But B and C did not prefer to show such increase in assets in the Balance Sheet. Also, they agreed to bring necessary cash to discharge 50% of the A's claim, to make the bank balance ₹25,000 and to make their capital proportionate.

G.P 9 *

Required: -

Prepare necessary journal entries.

(ICAI SM)

10. On 31st March, 2020, the balance sheet of M/s Ram, Rahul and Rohit sharing profits and losses in proportion to their capital, stood as follows: -

Liabilities		(₹)	Assets	(₹)
Capital accounts:			Land & building	2,00,000
Ram	3,00,000		Machinery	2,00,000
Rahul	2,00,000		Closing stock	1,00,000
Rohit	1,00,000	6,00,000	Sundry debtors	2,00,000
Sundry creditors		2,00,000	Cash and bank balances	1,00,000
		8,00,000		**8,00,000**

On 31st March, 2020, Ram desired to retire from the firm and the remaining partners decided to carry on. It was agreed to revalue the assets and liabilities on that date on the following basis: -

1) Land and buildings be appreciated by 30%.
2) Machinery be depreciated by 20%.
3) Closing stock to be valued at ₹80,000.
4) Provision for bad debts be made at 5%.
5) Old credit balances of sundry creditors ₹10,000 be written back.
6) Joint life policy of the partners surrendered and cash obtained ₹60,000.
7) Goodwill of the entire firm be valued at ₹1,80,000 and Ram's share of the goodwill be adjusted in the accounts of Rahul and Rohit who share the future profits equally. No goodwill account being raised.
8) The total capital of the firm is to be the same as before retirement. Individual capital be in their profit-sharing ratio.
9) Amount due to Ram is to be settled on the following basis: - 50% on retirement and the balance 50% within one year.

Prepare revaluation account, capital account of partners: Rahul & Rohit, loan account of Ram, cash account and balance sheet as on 1.4.2020 of M/s Rahul and Rohit.

[ICAI SM/May 2018 RTP/ Nov. 2020(Modified)]

11. A, B, C were in partnership sharing profits and losses in the ratio of 3:2:1. The balance sheet of the firm as on 31.3.2020 was as under: -

Liabilities		(₹)	Assets	(₹)
Capital accounts: -			Goodwill	40,000
A	1,50,000		Fixtures	30,000
B	1,00,000		Stock	1,70,000
C	50,000	3,00,000	Sundry debtors	90,000
Sundry creditors		40,000	Cash	10,000
		3,40,000		**3,40,000**

A, on account of ill-health, gave notice that he wished to retire from the firm. A retirement agreement was, therefore, entered as on 31.3.2020, the terms of which were as follows: -

a) The profit and loss account for the year ended 31.3.2020, which showed a net profit of ₹ 42,000 was to be re-opened. B was to be credited with ₹ 6,000 as bonus, in consideration of the extra work, which had devolved upon him during the year. The profit-sharing basis was to be revised and the revised ratio is to be 2:3:1 as and from 1st April 2019.

b) Goodwill was to be valued at two years' purchase of the average profits of five years. Profits for these five years ending on 31st March were as under: -

Date	(₹)
31.3.2016	15,000
31.3.2017	23,000
31.3.2018	25,000
31.3.2019	35,000
31.3.2020	42,000

c) Fixtures are to be valued at ₹39,800 and a provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book value.

d) That the amount payable to A shall be paid by B.

B and C agreed, as between themselves, to continue the business, sharing profits and losses in the ratio of 3:1 and decided to eliminate goodwill from balance sheet, to retain fixtures in the books at the revised value and increase the provision for doubtful debts to 6 %. Total capital of the firm will be ₹3 lakhs as before to be maintained in the new ratio as between B and C.

You are required to give the necessary entries to give effect to the above arrangements. Prepare capital accounts of partners, cash account and balance sheet of B and C after giving effect to the above arrangements on the retirement of A.

(ICAI SM)

12. A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2020 stood as: -

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

B retired on 1st April, 2020 subject to the following conditions: -

i) Office Equipment revalued at ₹ 3,27,000.

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

	iii) Provision for Doubtful Debts is to be created @ 5% on Debtors.
	iv) Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is ₹ 1,50,000. [10,000 On Revaluation] (1,50,000 Balance sheet)
	v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	(₹)
2016	90,000
2017	1,40,000
2018	1,20,000
2019	1,30,000

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

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement.

13. **(May 2018)**

Antoo, Bantoo and Chintoo were in partnership sharing profits and losses 3:4:3 respectively. The accounts of the firm are made up to 31st March every year. The Partnership provided, that: On the retirement of a partner the goodwill was to be valued at three years' purchase of average profits of the past four years up to the date of the retirement after deducting interest @ 12% p.a. on capital employed and remuneration of ₹ 2,000 p.m. to each partner. On 1st April 20X5, Antoo retired and it was agreed on his retirement to adjust goodwill in the capital accounts without showing any amount of goodwill in the balance sheet. It was agreed that the capital employed would be ₹ 6,50,000. Bantoo and Chintoo were to Continue the partnership, sharing profits and losses equally after the retirement of Antoo. The following were the amounts of profits of earlier years before charging salary to partners and interest on capital employed.

Year	Profit
20X1-X2	2,60,000
20X2-X3	2,75,000
20X3-X4	2,65,000
20X4-X5	2,80,000

You are required to compute the value of goodwill and show the adjustment there of in the books of the firm.

14. **(ICAI SM)**

Satyam, Shivam & Sundaram are partners of M/s. Great Stationers sharing profits and losses in the ratio of 1:1:2.

On 31st March 20X1 their Balance Sheet was as under:

Liabilities		(₹)	Assets	(₹)
Capitals;			Goodwill	60,000
– Satyam	1,95,000		Building	2,50,000
– Shivam	1,48,000		Plant	1,60,000
– Sundaram	1,12,000	4,55,000	Investments	85,000
General Reserve		80,000	Stock	45,280
Loan from Satyam		94,000	Trade Receivables	68,000
Sundry Creditors		75,000	Bank	35,720
		7,04,000		**7,04,000**

On 1st April 20X1 Shivam retired on the following terms: -

1) Goodwill appearing in the Balance Sheet on 31st March, 20X1 as it was purchased goodwill is to be revalued at ₹ 1,20,000 but the same will not appear as an asset in the books of the reconstituted firm.
2) Building is to be appreciated by 20% and Plant is to be depreciate by 10%.
3) Investments are to be taken over by the Satyam in full settlement of his loan. (9,000) Cr side revaluation
4) Provision of 5% is to be made on Trade receivables to cover doubtful debts.
5) In the reconstituted firm, the total capital will be ₹ 3,00,000/- which will be contributed by Satyam and Sundaram in their new profit-sharing ratio, which is 3:2.
6) The amount due to retiring partner shall be transferred to his loan account.

You are required to given Journal entries to record above adjustments and also prepare Balance Sheet thereafter.

(ICAI SM)

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Death of Partner (Basic Assignment)

Q. No	Questions
1.	The following was the Balance Sheet of Om & Co. in which X, Y, Z were partners sharing profits and losses in the ratio of 1:2:2 as on 31.3.2020. Mr. Z died on 31st December, 2020. His account has to be settled under the following terms. -

Balance Sheet of Om & Co. as on 31.3.2020

Liabilities		(₹)	Assets	(₹)
Trade payables		20,000	Goodwill	30,000
Bank loan		50,000	Building	1,20,000
General reserve		30,000	Computers	80,000
Capital accounts:			Inventories	20,000
X	40,000		Trade receivables	20,000
Y	80,000		Cash at bank	20,000
Z	80,000	2,00,000	Investments	10,000
		3,00,000		3,00,000

Goodwill is to be calculated at the rate of two years purchase on the basis of average of three years' profits and losses. The profits and losses for the three years were detailed as below: -

Year ending on	Profit/Loss
31.3.2020	30,000
31.3.2019	20,000
31.3.2018	(10,000) Loss

Profit for the period from 1.4.2020 to 31.12.2020 shall be ascertained proportionately on the basis ofaverage profits and losses of the preceding three years.

During the year ending on 31.3.2020 a car costing ₹40,000 was purchased on 1.4.2019 and debited to traveling expenses account on which depreciation is to be calculated at 20% p.a. This asset is to be brought into account at the depreciated value.

Other values of assets were agreed as follows:

Inventory at ₹16,000, building at ₹1,40,000, computers at ₹50,000; investments at ₹6,000. Trade receivables were considered good.

Required: -

- **i)** Calculate goodwill and Z's share in the profits of the firm for the period 1.4.2020 to 31.12.2020.
- **ii)** Prepare revaluation account assuming that other items of assets and liabilities remained the same.
- **iii)** Prepare partners' capital accounts and balance sheet of the firm Om & Co. as on 31.12.2020

2. **(ICAI SM)**

The partnership agreement of a firm consisting of three partners - A, B and C (who share profits in proportion of ½, ¼ and ¼ and whose fixed capitals are ₹10,000; ₹6,000 and ₹4,000 respectively) provides as follows: -

- **a)** That partners be allowed interest at 10 per cent per annum on their fixed capitals, but no interest be allowed on undrawn profits or charged on drawings.
- **b)** That upon the death of a partner, the goodwill of the firm be valued at two years' purchase of the average net profits (after charging interest on capital) for the three years to 31st December preceding the death of a partner.
- **c)** That an insurance policy of ₹10,000 each to be taken in individual names of each partner, the premium is to be charged against the profit of the firm.
- **d)** Upon the death of a partner, he is to be credited with his share of the profits, interest on capital etc. calculated upon 31st December following his death.
- **e)** That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.
- **f)** That the partnership books be closed annually on 31st December.

A died on 30th September 2020, the amount standing to the credit of his current account on 31st December, 2019 was ₹450 and from that date to the date of death he had withdrawn ₹3,000 from the business.

An unrecorded liability of ₹2,000 was discovered on 30th September, 2020. It was decided to record it and be immediately paid out.

The trading result of the firm (before charging interest on capital) had been as follows: 2017 Profit ₹9,640; 2018 Profit ₹6,720; 2019 Loss ₹640; 2020 Profit ₹3,670.

Assuming the surrender value of the policy to be 20 percent of the sum assured.

Required: -

Prepare an account showing the amount due to A's legal representative as on 31st December, 2020.

(ICAI SM/ January 2021)

3. The following is the Balance Sheet of M/s. ABC Bros. as at 31st December, 2019.

Balance Sheet as at 31st December, 2019

Liabilities	(₹)	Assets		(₹)
Capital: -		Machinery		5,000
A	4,100	Furniture		2,800
B	4,100	Fixture		2,100
C	4,500	Cash		1,500
General Reserve	1,500	Inventories		950
Trade payables	2,350	Trade receivables	4,500	
		Less: Provision for Doubtful debts	300	4,200
	16,550			**16,550**

C died on 3rd January, 2020 and the following agreement was to be put into effect.

a) Assets were to be revalued: Machinery to ₹5,850; Furniture to ₹2,300; Inventory to ₹750.

b) Goodwill was valued at ₹3,000 and was to be credited with his share, without using a Goodwill Account

c) ₹1,000 was to be paid away to the executors of the dead partner on 5th January, 2020.

Required to show: -

i) The journal entry for goodwill adjustment.

ii) The Revaluation Account and Capital Accounts of the partners.

iii) Which account would be debited and which account credited if the provision for doubtful debts in the Balance Sheet was to be found unnecessary to maintain at the death of C. Provision for DD To Revaluation A/c

(ICAI SM)

4. B and N were partners. The partnership deed provides inter alia:

i) That the accounts be balanced on 31st December each year.

ii) That the profits be divided as follows:

B: One-half; N: One-third; and carried to Reserve Account: One-sixth

iii) That in the event of death of a partner, his executor will be entitled to the following: **(a)** the capital to his credit at the date of death; **(b)** his proportion of profit to date of death based on the average profits of the last three completed years; **(c)** his share of goodwill based on three years' purchases of the average profits for the three preceding completed years.

Trial Balance on 31st December, 2019

Particulars	Dr. (₹)	Cr. (₹)
B's Capital		90,000
N's Capital		60,000
Reserve		30,000
Bills receivable	50,000	
Investments	40,000	
Cash	1,10,000	
Trade payables		20,000
Total	**2,00,000**	**2,00,000**

	The profits for the three years were 2017: ₹42,000; 2018: ₹39,000 and 2019: ₹45,000. N died on 1st May, 2020. Show the calculation of N (i) Share of Profits; (ii) Share of Goodwill; (iii) Draw up N's Executors Account as would appear in the firms' ledger transferring the amount to the Loan Account.

[ICAI SM/Nov. 2019(Modified)]

5. The Balance Sheet of Seed, Plant and Flower as at 31st December, 2019 was as under: -

Liabilities		(₹)	Assets	(₹)
Trade payables		20,000	Fixed Assets	40,000
General Reserve		5,000	Debtors	10,000
Capital:			Bills Receivable	4,000
Seed	25,000		Inventories	16,000
Plant	15,000		Cash at Bank	10,000
Flower	15,000	55,000		
		80,000		**80,000**

The profit-sharing ratio was: Seed 5/10, Plant 3/10 and Flower 2/10. On 1st May, 2020 Plant died. It was agreed that: -

a) Goodwill should be valued at 3 years purchase of the average profits for 4 years. The profits were: -

2016	₹10,000	2018	₹12,000
2017	₹13,000	2019	₹15,000

b) The deceased partner to be given share of profits up to the date of death on the basis of the previous year.

c) Fixed Assets were to be depreciated by 10%. A bill for ₹ 1,000 was found to be worthless. These are not to affect goodwill.

d) A sum of ₹7,750 was to be paid immediately, the balance was to remain as a loan with the firm at 9% p.a. as interest.

Seed and Flower agreed to share profits and losses in future in the ratio of 3: 2.

Give necessary journal entries.

(ICAI SM)

6. The following is the Balance Sheet of M/s. LMN Bros. as at 31st December, 2019, they share profit equally: -

Balance Sheet as at 31st December, 2019

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

N died on 3rd January, 2020 and the following agreement was to be put into effect.

a) Assets were to be revalued: Machinery to ₹ 11,700; Furniture to ₹ 4,600; Inventory to ₹ 1,500.

b) Goodwill was valued at ₹ 6,000 and was to be credited with his share, without using a Goodwill Account.

c) ₹ 2,000 was to be paid away to the executors of the dead partner on 5th January, 2020.

d) After death of N, L and M share profit equally.

You are required to prepare: -

i) Journal Entry for Goodwill adjustment.

ii) Revaluation Account and Capital Accounts of the partners.

(Nov. 2019 RTP)

7. Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally. Zoya died on 30th June 2020. The Balance Sheet of Firm as at 31st March 2020 stood as: -

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

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

i) Land and Building be valued at ₹ 1,75,000.
ii) Debtors were all good, no provision is required.
iii) Stock is valued at ₹ 13,500.
iv) Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.
v) Zoya's share of profit from 1st April 2020, to the date of death be calculated on the basis of average profit of preceding three years.
vi) The profit of the preceding five years ended 1st March were: -

2020	2019	2018	2017	2016
25,000	20,000	22,500	35,000	28,750

You are to Prepare: -
Required: -

1) Revaluation account
2) Capital accounts of the partners and
3) Balance sheet of the firm as at 1st July 2020.

(May 2019)

8. The Balance Sheet of Amitabh, Abhishek and Amrish as at 31.12.2019 stood as follows: -

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital: -			Land & Building		74,000
Amitabh	60,000		Investments		10,000
Abhishek	40,000		Advertisement suspense		37,800
Amrish	40,000	1,40,000	Life Policy (at surrender value):		
Creditors		25,800	Amitabh		2,500
General Reserve		8,000	Abhishek		2,500
Investment Fluctuation Reserve		2,400	Amrish		1,000
			Stock		20,000
			Debtors	20,000	
			Less: Provision for doubtful debts	(1,600)	18,400
			Cash & bank balance		10,000
		1,76,200			**1,76,200**

Amrish died on 31st March 2020, due to this reason the following adjustments were agreed upon: -

i) Land and Buildings be appreciated by 50%.
ii) Investment is valued at 6% less than the cost.
iii) All debtors (except 20% which are considered as doubtful) were good.

iv) Stock to be reduced to 94%.

v) Goodwill to be valued at one year's purchase of the average profits of the past five years.

vi) Amrish's share of profit to the date of death be calculated on the basis of average profits of the three completed years immediately preceding the year of death.

The profits for the last five years are as follows:

Year	(₹)
2015	23,000
2016	28,000
2017	18,000
2018	16,000
2019	20,000
	1,05,000

The life policies have been shown at their surrender values representing 10% of the sum assured in each case. The annual premium of ₹ 1,000 is payable every year on 1st August.

You are required to pass necessary journal entries in the books of account of the reconstituted firm.

9. **(Oct. 2018 MTP)**

Diya Riya & Kiya are partners of M/s. DRK Fabrics sharing profits and losses in the ratio of 2:1:2.

On 31st March 20X6 their Balance Sheet was as under:

Liabilities	(₹)	Assets	(₹)
Capitals;		Goodwill	80,000
Diya	1,50,000	Land & Building	1,65,000
Riya	1,80,000	Furniture	75,000
Kiya	70,000	Joint life Policy	60,000
General Reserve	1,40,000	Inventory	88,740
Trade payables	60,000	Trade Receivable	96,750
		Bank	34,510
	6,00,000		**6,00,000**

Kiya died on 30th September, 20X6.

The partnership deed provides as follows;

a) That partner be allowed interest at 12% p.a. on their capitals, but no interest be charged on drawings.

Goodwill appearing in the Balance Sheet on 31st March, 20X6 as it was purchased goodwill. That upon the death of a partner, the goodwill of the firm be valued at one year's purchase of the average net profits (after charging interest on capital) for the four years to 31st March preceding the death of a partner. The profits of the firm before charging interest on capital were;

20X2-X3 – 1,62,000
20X3-X4 – 1,99,000
20X4-X5 – 1,87,000
20X5-X6 – 1,96,000

Average Capital during preceding four years may be assumed as ₹ 3,00,000.

b) Profits till the date of death to be ascertained on the basis of average profit of previous four years

c) Upon the death of a partner, she is to be credited with her share of the profits, interest on capitals etc. calculated till the date of death

After death of Kiya;

1) ₹ 2,00,000 was received from insurance company against Joint life Policy.
2) Land & Building was appreciated by 20%, Furniture to be depreciated by 10%, inventory to be revalued at ₹ 80,000, Bad debts amounted ₹ 1760.
3) Amount payable to Kiya was transferred to executor account.

You are required to prepare;

1) Revaluation A/c
2) Partners' Capital A/c
3) Balance Sheet as on 30th September 20X6, assuming other Assets and liabilities remaining the same.

(ICAI SM)

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Retirement and Death of a Partner (Trickery Assignment)

Q. No	Questions
1.	On 31st March, 20X1, the balance sheet of M/s Raman, Harish & Manish sharing profits and losses in the ratio of 2:3:2, stood as follows: -

Liabilities	(₹)	Assets	(₹)
Capital Accounts: -		Land & Building	20,00,000
Raman	20,00,000	Machinery	34,00,000
Harish	30,00,000	Closing stock	10,00,000
Manish	20,00,000	Sundry debtors	12,00,000
Sundry creditors	10,00,000	Cash and Bank	4,00,000
	80,00,000		**80,00,000**

On 31st March, 20X1, Harish desired to retire from the firm and the remaining partners decided to carry on. It was agreed to revalue the assets and liabilities on that date on the following basis: -

a) Closing stock to be valued at ₹ 9,00,000;
b) Machinery be depreciated by 20%;
c) Old credit balance of sundry creditors ₹ 1,00,000 be written back;
d) Joint life policy of the partners surrendered and cash obtained ₹ 7,00,000;
e) Goodwill of the entire firm be valued at ₹ 12,60,000 and Harish's share of goodwill be adjusted in the accounts of Raman and Manish who share the future profits and losses in the ratio of 3:2. No goodwill account being raised;
f) Amount due to Harish is to be settled on the following basis:
50% on retirement and the balance 50% within one year.
g) The total capital of the firm is to be the same as before retirement. Individual capital be in their profit-sharing ratio;
h) Land & Buildings be appreciated by 30 %; and
i) Provision for doubtful debts be made at 5%.

Prepare revaluation account, capital accounts of partners, cash account and the balance sheet as on 1-4-20X1 of M/S Raman and Manish.

2.	Vinay & Co. is a partnership firm with partners Mr. X, Mr. Y and Mr. Z, sharing profits and losses in the ratio of 5:3:2. The balance sheet of the firm as at 31st March, 20X1 is as under: -

Liabilities	(₹)	Assets	(₹)
X's capital	1,60,000	Land	20,000
Y's capital	40,000	Buildings	4,00,000
Z's capital	60,000	Plant & Machinery	2,60,000
Reserves (Unappropriated profit)	40,000	Furniture	86,000
Long term debt	6,00,000	Investments	24,000

Bank overdraft			
Trade creditors	88,000	Stock	2,60,000
	3,40,000	Debtors	2,78,000
	13,28,000		**13,28,000**

It was mutually agreed that Mr. 'Y' will retire from partnership and in his place Mr. 'W' will be admitted as a partner with effect from 1st April, 20X1. For this purpose, the following adjustments are to be made: -

i) In the reconstituted firm, the total capital will be ₹ 4 lakh which will be contributed by Mr. X, Mr. Z and Mr. W in their new profit-sharing ratio, which is 2:2:1.
ii) Goodwill is to be valued at ₹ 2 lakh but the same will not appear as an asset in the books of the reconstituted firm.
iii) Buildings and Plant and Machinery are to be depreciated by 5 percent and 20 percent respectively. Investments are to be taken over by the retiring partner at ₹ 30,000. Provision of 20 percent is to be made on debtors to cover doubtful debts.
iv) The surplus fund, if any, will be used for repaying the bank overdraft.
v) The amount due to the retiring partner shall be transferred to his loan account.

You are required to prepare: -
a) Revaluation account;
b) Partner's capital accounts;
c) Bank account;
d) Balance sheet of the reconstituted firm as at 1st April, 20X1.

3. X, Y & Z were in partnership sharing profits and losses in the ratio of 2:2:1. The Balance Sheet of the partnership as on 31st March 20X3 was as follows: -

Liabilities	(₹)	Assets	(₹)
X's Capital A/c	2,40,000	Fixed Assets	3,60,000
Y's Capital A/c	1,92,000	Stock	1,20,000
Z's Capital A/c	1,44,000	Debtors	96,000
Sundry Creditors	1,44,000	Cash in Hand	1,44,000
	7,20,000		**7,20,000**

'X' wants to retire on 1st April 20X3. It was agreed that: -
1) Value of goodwill is arrived at ₹ 2,00,000.
2) Fixed assets are revalued at ₹ 4,40,000.
3) Provision for doubtful debts is to be created @ 10%.
4) A contingent liability for damage amounting to ₹ 60,000 is to be provided for.

It was found that on 1st Jan. 20X1 a machine was purchased for ₹ 40,000. It was wrongly entered in purchase book. Depreciation on machinery is provided @ 10% p.a. as per diminishing balance method.

Y & Z will continue as partners sharing profits & losses in the ratio of 3:1. They will bring necessary cash after utilizing existing balance in discharge X's 80% claim and to make their capital proportionate. X agrees to give loan to the firm for the remaining 20% @ 12% Interest p.a.

Prepare necessary ledger account in the books of the firm and opening balance sheet of Y & Z.

4. On 31st March, 20X2, the Balance Sheet of M/s Karan, Kabul and Kiran sharing profits and losses in proportionate to their capitals, stood as follows: -

Liabilities	(₹)	Assets	(₹)
Capital Accounts:		Land & Building	4,00,000
Karan	6,00,000	Machinery	4,00,000
Kabul	4,00,000	Closing stock	2,00,000
Kiran	2,00,000	Sundry debtors	4,00,000
Sundry creditors	4,00,000	Cash and Bank	2,00,000
	16,00,000		**16,00,000**

On 31st March, 20X2, Karan desired to retire from the firm and the remaining partners decided to carry on. It was agreed to revalue the assets and liabilities on that date on the following basis.
a) Machinery be depreciated by 20%.

	b) Closing stock to be valued at 80%. **c)** Land & Buildings be appreciated by 30%. **d)** Provision for doubtful debts to be made at 5%; **e)** Old credit balances of sundry creditors ₹ 20,000 be written back; **f)** Joint life policy of the partners surrendered and cash obtained ₹ 1,20,000; **g)** Goodwill of the entire firm be valued at ₹ 3,60,000 and Karan's share of the goodwill be adjusted in the Accounts of Kabul and Kiran who share the future profits equally. No goodwill account being raised; **h)** The total capital of the firm is to be the same as before retirement, Individual capitals be in their profit-sharing ratio; **i)** Amount due to Karan is to be settled on the following basis: 50% on retirement and the balance 50% within one year. Prepare Revaluation Account, Capital Accounts of Partners, Kabul & Kiran. Loan Account of Karan. Cash Account and the Balance Sheet as at 31st March, 20X2 of M/s Kabul and Kiran.

5. Raghav, Madhav and Mohan were in partnership sharing profits and losses in the proportions of 3:2:1. On 1st January, 20X4, Madhav retires from the firm. On that date, their Balances Sheet was as follows: -

Liabilities		(₹)	Assets		(₹)
Trade Creditors		3,000	Cash in hand		9,000
Bills Payable		2,700	Debtors	16,000	
Expenses Owing		4,500	*Less:* Provision	1,000	15,000
Reserve Fund		10,500	Stock		12,000
Workmen's Compensation Fund		4.800	Factory Premises		22,500
Capital;			Investment		8,000
Raghav	20,000		Loose Tools		4,000
Madhav	15,000				
Mohan	10,000	45,000			
		70,500			**70,500**

The terms were: -

1) Goodwill of the firm to be valued at 2 times of Average Super Profits of last three years. Taking into consideration the risk of the business normal profits of the firm are estimated at ₹ 50,000 every year, But actual profits of last three were as20X1- 60,000, 20X2- 55,000, 20X3 – ₹ 57,500.
2) Expense owing to be brought down to ₹ 3,750.
3) Investments are revalued at ₹ 7,200. Raghav took over investments at this value.
4) Factory premises is to be revalued at ₹ 24,300; and loose tools at ₹ 3,600.
5) Provision for doubtful debts to be increased by ₹ 1,950.
6) Claim on account of workmen's compensation is ₹ 1,800.
7) Madhav to be paid ₹ 5,000 in cash and balance due to him treated as a loan carrying interest @ 6% per annum.

Show Journal entry for goodwill adjustment. Prepare necessary ledger accounts and opening balance sheet of the continuing partners.

6. A, B & C carried on business in partnership, profits being divisible to A ½; to B 1/3 and to C 1/6.

The balance sheet on 31st December, 20X1 showed their capitals to be:

A ₹ 40,000: B ₹ 30,000: C ₹ 20,000

On 31st March 20X2, A died; and you are instructed to prepare an account for presentation to his executors having regard to the following facts: -

a) Capital carried interest at 6 per cent per annum.
b) A's drawings from 1st January, 20X2 to the date of his death amounted to ₹ 7,000.
c) The firm had insured the partners' lives severally, A for ₹ 20,000; B for ₹ 15,000 and C ₹ 10,000. The premiums have been charged to Profit and Loss Account and the surrender value on 31st March, 20X2 amounted in each case to one half of the sum assured.
d) A's share of profits for the portion of the current financial year for which r` was to be taken at the sum calculated on the average of the last three completed years and goodwill was to be raised on the basis of two years purchase of the average profit of those three years. The annual profits were ₹ 15,000; ₹ 16,000 and ₹ 18,000 respectively.

Pass the journal entries and show the account of the Executors of A.

7. The following is the balance sheet of the firm of PQR as on 31-12-20X4. Their profits sharing ratio is 3:2:1.

Capital & Liabilities		(₹)	Assets	(₹)
Capital A/c's			Fixed Assets	80,000
P		32,000	Sundry debtors	64,000
Q		24,000	Insurance policy on Joint	
R		20,000	Life of Partners	12,000
Current A/c's			Stock	48,000
P		8,000	Bank	18,000
Q		6,000	Cash	6,000
R		2,000		
Reserve		36,000		
P & L A/c				
Opening Balance	12,000			
Profit for the year	28,000	40,000		
Creditors		40,000		
Bank O/D		20,000		
		2,28,000		**2,28,000**

Q died on 31-3-20X5. His account has to be settled and paid. For the year 20X5, proportionate profit of 20X4 is to be taken into account. For 20X4, a bad debt of ₹ 4,000 has to be adjusted. Goodwill has to be calculated 3 times of the four years average profits. A Policy is taken on the joint life of partners for ₹ 70,000 and the annual premium of ₹ 4,000 has to be paid on February 1 every year. The profits for 20X3 ₹ 32,000; 20X2 ₹ 40,000 and 20X1 are ₹ 24,000 Goodwill account need not be kept in the accounts.

Calculate the amount payable to Q's share. Show necessary ledger of all partners and other detailed calculations.

8. Raj, Wasim and Binod shared profits and losses in the ratio of 5:3:2. They took out a joint life policy in 20X0 for ₹ 1,00,000, a premium of ₹ 6,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows: 20X0 nil; 20X1 ₹ 1,800; 20X2 ₹ 4,000; 20X3 ₹ 7,200.

Binod died on 15th April, 20X4.

Prepare ledger accounts assuming: -

1) No joint life policy account is maintained.

2) A joint life policy account is maintained on surrender value basis.

9. The following figures were extracted from the Account Books of Raymond & Co. a partnership firm having partners Mr. Amar and Mr. Anthony who were sharing profits and losses in equal ratio as on 31st March 20X4: -

Particulars	Dr. (₹)	Cr. (₹)
Mr. Amar's Capital Account		92,000
Mr. Anthony's Capital Account		52,000
Mr. Amar's Drawing Account	18,000	
Mr. Anthony's Drawing Account	14,000	
Gross Profit		67,200
Salaries	30,000	
Rent, Rates and Taxes	8,000	
Other Overheads	8,000	
Discount received		800
Fixed Assets	1,30,000	
Current Assets	4,000	

	2,12,000	2,12,000

The partnership deed provides that: -

i) The deceased partner shall be entitled to his share of goodwill of the firm calculated at two and half years purchase of the average profits of the preceding three completed years profits prior to the date of death of a partner.

ii) Assets are to be taken at their book value on the date of death.

iii) On the death of a partner the surviving partner shall pay out of the interest of the deceased partner.

iv) Interest at 5% per annum is to be allowed on capitals, but no interest is to be charged on drawings. (From 1-1-20X4 to 31-3-20X4)

v) Mr. Amar died on 31st March 20X4.

The profits of the preceding three years ending on 31-12-20X1, 31-12-20X2 and 31-12-20X3 respectively were ₹ 60,000 ₹ 50,000 and ₹ 70,000. The accounts were closed on 31st December each year.

Prepare the Profit and Loss Account and the account to be produced to the executors of Mr. Amar showing the amount due to his estate.

10. X, Y and Z were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st December, 20X3 their balance sheet stood as under: -

Liabilities		(₹)	Assets	(₹)
Sundry Creditors		27,500	Goodwill	12,500
Reserve Fund		15,000	Building	50,000
Capital A/cs :			Patents	15,000
X	75,000		Machinery	75,000
Y	62,000		Stock	25,000
Z	37,500	1,75,000	Debtors	20,000
			Bank	20,000
		2,17,500		**2,17,500**

Adjustments: -

Z died on 1st May,20X4, it was agreed that:

a) Goodwill be valued at $2^1/_2$ years purchase of the average profit of last four years, which were- 20X0 ₹ 32,500 ; 20X1 ₹ 30,000; 20X2 ₹ 40,000 and 20X3 ₹ 37500.

b) Machinery will be valued at ₹ 70,000; Patents at ₹ 20,000 and Buildings at ₹ 62,500.

c) For the purpose of calculating Z's share in profits of 20X4, the profits in 20X4 should be taken to have been earned on the same scale as on 20X3.

d) A Sum of ₹ 10,500 is to be paid immediately to the executors of Z and the balance to be paid in four equal half yearly instalments together with interest @ 10% p.a.

Prepare Journal entries to record the transaction and Z's Capital A/c and Executor's A/c for 20X4.

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True and False

Journal Entry		
Q. No.	**Questions**	**Marks**
1.	**In accounting equation approach, equity + long term liabilities = fixed assets + current assets – current liabilities.**	**2**
Ans.	**True: -** **Reason:** As per the modern accounting equation approach – it is the basic formula in the accounting process.	
2.	**In the traditional approach a debtor becomes receiver.**	**2**
Ans.	**False: -** **Reason:** In the traditional approach a debtor becomes giver.	
3.	**The rule of nominal account states that all expenses & losses are recorded on credit side.**	**2**
Ans.	**False: -** **Reason:** The rule of nominal account states that all expenses & losses are recorded on debit side.	
4.	**Journal proper is also called a subsidiary book.**	**2**
Ans.	**True: -** **Reason:** It is one of the book where in the transaction not entered in the other books are entered in this book.	
5.	**Capital account has a debit balance.**	**2**
Ans.	**False: -** **Reason:** Capital account has a credit balance.	
6.	**Purchase account is a nominal account.**	**2**
Ans.	**True: -** **Reason:** As it is considered as an expense.	
7.	**All the personal & real account are recorded in profit and loss A/c.**	**2**
Ans.	**False: -** **Reason:** All the personal & real account are recoded in the balance sheet.	
8.	**Assets side of balance sheet contains all the personal & nominal accounts.**	**2**
Ans.	**False: -** **Reason:** Assets side of the balance sheet contains all the personal & real account.	
9.	**Capital account is a personal account.**	**2**
Ans.	**True: -** **Reason:** As it is in the name of the proprietor who is bringing in the capital to the business.	
10.	**Journal is also known as the books of original entry.**	**2**
Ans.	**True: -** **Reason:** As the transaction are entered first in this book as first-hand record.	

11.	**Goods worth ₹600 taken by the proprietor for personal use should be credited to capital account.**	2
Ans.	**False: -** **Reason:** Goods taken by the proprietor for the personal use should be credited to purchase account as less goods are left in the business for sale. **	

Ledger

Q. No.	Questions	Marks
1.	**A ledger is also known as the principle book of accounts.**	2
Ans.	**True: -** **Reason:** Since it classifies all the amount relates to a particulars account and then it is used as the base for preparing the trail balance.	
2.	**Cash account has a debit balance.**	2
Ans.	**True: -** **Reason:** Being an asset under the modern equation approach.	
3.	**Posting is the process of transferring the accounts form ledger to journal.**	2
Ans.	**False: -** **Reason:** Posting is the process of transferring the balances from journal to ledger.	
4.	**At the end of the accounting year, all the nominal account of the ledger book are balanced.**	2
Ans.	**False: -** **Reason:** At the end of the accounting year, all the nominal accounts of the ledger book are totaled and transferred to profit and loss account.	
5.	**Ledger records the transaction in a chronological order.**	2
Ans.	**False: -** **Reason:** Ledger records the transaction in analytical order. But journal records the transaction in a chronological order.	
6.	**If the total debit side is greater than the total of credit side, we get a credit balance.**	2
Ans.	**False: -** **Reason:** If the total debit side is greater than the total of credit side, we get a debit balance as the opening balance.	
7.	**Ledger accounts of assets will always be debited when they are increased.**	2
Ans.	**True: -** **Reason:** The increase to an asset shall be debited since the original balance is also debit. **	

Q. No.	Trial balance Questions	Marks
1	**Preparing trial balance is the third phase of accounting process.**	2
Ans.	**True: -** **Reason:** Which forms the base for the preparation of the final account.	
2.	**Trail balance forms a base for the preparation of financial statements.**	2
Ans.	**True: -** **Reason:** Yes, only based on the trial balance we can prepare the financial statements.	
3.	**Agreement of trail balance is a conclusive proof of accuracy.**	2
Ans.	**False: -** **Reason:** Agreement of trail balance gives only arithmetical accuracy, there can still be errors in preparing the trail balance,	
4.	**A trail balance will tally in case of compensating errors.**	2
Ans.	**True: -** **Reason:** Since compensating errors cancel out due to their compensating nature of amounts hence here is no problem in the trail balance.	
5.	**A trail balance can find the missing entry from the journal.**	2
Ans.	**False: -** **Reason:** A trail balance cannot find the missing entry from the journal,	
6.	**Suspense account opened in a trail balance is a permanent account.**	2
Ans.	**False: -** **Reason:** Suspense account opened in a trial balance is a temporary account.	
7.	**The balance of purchase returns account has a credit balance.**	2
Ans.	**True: -** **Reason:** As purchase is debited any return shall be credited (treated in opposite way),	
8.	**Tallying of the trial balance only proves arithmetically accuracy.**	2
Ans.	**True: -** **Reason:** Trial balance help to establish the arithmetical accuracy of ledger books. A tallied trial balance will not reveal errors of principle and compensating errors.	
9.	**A tallied trial balance means that the books of accounts have been prepared as per accepted accounting process.**	2
Ans.	**False: -** **Reason:** Trial balance only checks the arithmetical accuracy of books. Errors of principle and errors of omission will not affect the agreement of the trail balance.	
10.	**Trail balance is an absolute proof of the accuracy of the books of accounts.**	2
Ans.	**False: -** **Reason:** Agreement of trial balance is not an absolute proof of the accuracy because there may be some errors like errors of principle, compensating errors etc. which do not effect the agreement of trail balance.	

11.	**Closing stock will never appear in the trail balance.**	2
Ans.	**False: -** **Reason:** When cost of goods sold or gross profit are given in the trail balance. Closing stock will appear in the trail balance. **	

Subsidiary Books

S. No.	Questions	Marks
1.	**Transaction recorded in the purchase book include only purchase on credit transactions.**	2
Ans.	**True: -** **Reason:** Since cash purchase are taken to the cash book, it is only credit transaction that are recorded in the purchase book.	
2.	**Transaction regarding the purchase of fixed assets are recorded in the purchase book.**	2
Ans.	**False: -** **Reason:** Transaction regarding the purchase of fixed assets are not recorded in the purchase book, only the credit purchase of goods are recorded in it.	
3.	**Cash sales are recorded in the sales books.**	2
Ans.	**False: -** **Reason:** Credit sales are recorded in the sales book. Cash sales are recorded in cash book.	
4.	**Subsidiary books are also known as the books of original entry.**	2
Ans.	**True: -** **Reason:** They are maintained as an alternate to the journal.	
5.	**Bills receivable book is a subsidiary book.**	2
Ans.	**True: -** **Reason:** Yes, it is one of the subsidiary books.	
6.	**Return inwards book is known as purchase return book.**	2
Ans.	**False: -** **Reason:** Return inwards book is known as sales return book.	
7.	**Purchase of a second-hand machinery will be recorded in purchase book.**	2
Ans.	**False: -** Reason: Purchase of a second-hand machinery will not be recorded in purchase book. It is recorded in machinery account.	
8.	**Total of sales return book is posted to the debit side of sales account.**	2
Ans.	**True: -** **Reason:** Since it is reduction from the total sales value, it is debited in the sales account	

9.	**If the sales are on a frequent basis, the transaction are recorded in the sales book.**	
Ans.	**True: -** **Reason:** Yes, when there are numerous transactions then there are subsidiary books like the sales book where there are recorded instead of regular journal entries.	2
10.	**The purchase day book is part of ledger.**	
Ans.	**False: -** **Reason:** Purchase Day book is a prime entry and hence it is part of the journal.	2
11.	**The sales day is a part of ledger.**	
Ans.	**False: -** **Reason:** Sales day book is a book of prime entry and hence it is a part of the journal.	2
12.	**Purchase books records all credit purchase of goods.**	
Ans.	**True: -** **Reason:** All credit purchase of goods deal in or of a materials and store used in the factory are recorded in purchase book.	2
13.	**Wrong casting of subsidiary books does affects the agreement of trail balance.**	2
Ans.	**False: -** **Reason:** Wrong casting of subsidiary books not affects the agreement of trial balance.	
14.	**The debit notes issued are to prepare sales return book.**	2
Ans.	**False: -** **Reason:** The source document for this book is credit note. When goods are received along with the debit note. The seller acknowledgment the same by sending the credit note to the customer.	
15.	**The return of goods by a customer should be debited to return outward account.**	2
Ans.	**False: -** **Reason:** It is debited to return inwards account. **	

Cash Book

Q. No.	Questions	Marks
1.	**Cash book is a subsidiary book as well as principal book.**	2
Ans.	**True: -** **Reason:** Since the balance is taken to the trial balance.	
2.	**Two column cash book consists of two columns cash column and bank column.**	2
Ans.	**False: -** **Reason:** Two column cash book consist of two column cash column and discount column.	

3.	**Discount column of cash book is never balanced.**	
Ans.	**True: -** **Reason:** It is totaled and transferred to the discount allowed or received account.	2
4.	**Contra entry is passed in a two column cash book.**	
Ans.	**False: -** **Reason:** Contra entry is passed in a three column cash book in bank and cash column.	2
5.	**If the bank column is showing the opening balance in credit side, it is an overdraft.**	
Ans.	**True: -** **Reason:** Usually the debit side of opening balance shows a favorable balance, where there is unfavorable overdraft then it should be shown on the credit side.	2
6.	**A cash book records cash transaction as well as credit transactions.**	
Ans.	**False: -** **Reason:** A cash book records only cash transaction.	2
7.	**Discount column of cash book records the trade discount.**	
Ans.	**False: -** **Reason:** Discount column of cash book records the cash discount. Trade discount is not shown in the books of accounts.	2
8.	The balance in the cash book shows net income.	
Ans.	**False: -** **Reason:** The balance in the cash book shows cash in hand.	2
9.	The balance in the petty cash books represents the amount spent.	
Ans.	**False: -** **Reason:** The balance in the petty cash books represents cash balance lying with the petty cashier.	2
10.	Bank column of the cash book will show only a debit balance.	
Ans.	**False: -** **Reason:** Bank column of the cash book will show credit balance if the bank account has an overdraft balance. **	2

Rectification of Errors

Q. No.	Questions	Marks
1.	**The method of rectification of errors depends on the stage at which the errors are detected.**	2
Ans.	**True: -** **Reason:** There are 3 different stages when the mistake is identified and then the rectification depends on the stage of identification.	
2.	**In case of errors of complete omission, the trial balance does not tally.**	2
Ans.	**False: -** **Reason:** In case of errors of complete omission, the trial balance tallies.	

3.	**When errors are detected after preparation of trial balance suspense account is opened.**	2
Ans.	**True: -** **Reason:** To balance the difference of balance in the trail balance.	
4.	**When purchase of an assets is treated as an expense it is known as error of principle.**	2
Ans.	**True: -** **Reason:** Where the accounts being debited is principally incorrect it is termed as error of principle.	
5.	**Trial balance agrees in case of compensating errors.**	2
Ans.	**True: -** **Reason:** Compensating errors cancel out each other when trial balance is prepared as the mistake pertains to the same amounts being credit and later debited on account of two different mistake.	
6.	**When amount is written on wrong side, it is known as an error of principle.**	2
Ans.	**False: -** **Reason:** When amount is written on wrong side, it is known as an error of commission.	
7.	**On purchase of furniture the amount spent on repair should be debited to repairs accounts.**	2
Ans.	**False: -** **Reason:** On purchase of furniture, the amount spent on repairs should be debited to furniture account as it is a capital expense.	
8.	**Profit and loss adjustment account is opened to rectify the errors detected in the current accounting period.**	2
Ans.	**False: -** **Reason:** Profit and loss adjustment account is opened to rectify the errors detected in the next accounting period.	
9.	**Rent paid to land lord of the proprietor house, must be debited to rent account.**	2
Ans.	**False: -** **Reason:** Rent paid to land lord of the proprietor house, must be debited to drawing account.	
10.	**If the errors are detected after preparing trial balance, then all the errors are rectified through suspense accounts.**	2
Ans.	**False: -** **Reason:** If the errors are detected after preparing trial balance, then all the errors are not rectified through suspense account. There may be principle errors which can be rectified without opening a suspense account.	
11.	**Any type of error affects the agreement of trail balance.**	2
Ans.	**False: -** **Reason:** Any type of errors does not affect the agreement of trail balance.	

12.	**Purchase of office furniture has been debited to general expense account. It is compensating errors.**	
Ans.	**False: -** **Reason:** Recording the transaction in a fundamentally wrong manner in contravention of accounting principle is an error of principle.	2
13.	**Error of carry forward of totals of purchase journal affects two accounts.**	
Ans.	**False: -** **Reason:** Error of carry forward of totals of purchase journal will affect only one account.	2
14.	**If the amount is posted in the wrong side or to a wrong account is called error of commission.**	
Ans.	**True: -** **Reason:** Posting an amount on the wrong side or to a wrong account is called errors of commission. **	2

Bills of Exchange

Q. No.	Questions	Marks
1.	**Bills payable account is a nominal account.**	
Ans.	**False: -** **Reason:** Bills payable account is a liability account.	2
2.	**Promise to pay is included in a bill of exchange**	
Ans.	**False: -** **Reason:** Bills of exchange contain an order to pay the required amount and not a mere promise to pay.	2
3.	**Days of rebate are added to the due date to arrive at the maturity date.**	2
Ans.	**False: -** **Reason:** 3 days of grace are added to the due date to arrive at the maturity date.	
4.	**There are always 2 parties to the bills of exchange**	2
Ans.	**False: -** **Reason:** There can be more than 2 parties namely the drawer, acceptor and the payee of the bill.	
5.	**Foreign bill is drawn in the country and payable outside the country.**	2
Ans.	**True: -** **Reason:** When a bill is drawn in the country and is payable outside the country it is termed as a foreign bill.	
6.	**Promissory note is different from that of a bill of exchange where the amount is paid by the maker in case of former and by the acceptor in the later.**	2
Ans.	**True: -** **Reason:** In the promissory note, it is generally the maker who makes the payment but in case of the bills of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill.	

7.	**In case of bills of exchange the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.**	2
Ans.	**False: -** **Reason:** In case of bills of exchange the drawer and the payee may be the same person but in case of a promissory note, the maker and the payee cannot be the same person. ***	

Bank Reconciliation Statement

Q. No.	Questions	Marks
1.	**Bank reconciliation is the process of reconciling cash column of the cash book and bank column of the cash book.**	2
Ans.	**False: -** **Reason:** Bank reconciliation statement reconcile bank column of cash book with the balance in the pass book.	
2.	**There are 3 types of difference between cash book and pass book namely timing. Transaction &errors.**	2
Ans.	**True: -** **Reason:** These are 3 board categories.	
3.	**Adjusting the cash book for any errors and/ or omission before preparing bank reconciliation is optional when the reconciliation is done at the end of the financial year.**	2
Ans.	**False: -** **Reason:** Adjusting the cash book is mandatory when bank reconciliation is done at the end of the financial year.	
4.	**Debit balance in cash book is same as overdraft as per pass book.**	2
Ans.	**False: -** **Reason:** Debit balance as per cash book should be represented by credit or favorable balance in pass book.	
5.	**Bank charges debited by the bank is an example of timing difference for the purpose of bank reconciliation.**	2
Ans.	**False: -** **Reason:** Bank charges are example of the transaction that bank carries out by itself and the same has not been recorded in the cash book until statement is obtained from the bank.	
6.	**Overcasting of debit side of the cash book is an example of a different that is due of error.**	2
Ans.	**True: -** **Reason:** Overcasting is an example of an error.	
7.	**When we start bank reconciliation with a debit balance in cash book then cheque issue but not yet presented should be added back to arrive at the balance as per pass book.**	2
Ans.	**True: -** **Reason:** Since the cheque issued would have been recorded as payment and bank balance was credited in cash book, we need to add it back as the same is not yet deducted from our bank balance.	

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8.	**The bank charges charged by the bank should be deducted when the bank reconciliation statement is being prepared starting from a credit balance of pass book.**	2
Ans.	**False: -** **Reason:** Bank charges should be added when we start with credit or favorable balance in pass book as bank would have debited the charges.	
9.	**When the cause of difference between pass book balance and cash book is not known, then the bank reconciliation statement can be prepared by matching the two books and identifying any unticked items in both sets.**	2
Ans.	**True: -** **Reason:** Since, we don't know the causes of difference matching the two statement is only efficient way to identify the difference.	
10.	**While preparing the bank reconciliation statement starting with debit balance as per pass book or bank statement the deposited cheques that are not yet cleared need not be adjusted.**	2
Ans.	**False: -** **Reason:** Cheque deposit but not yet cleared should be subtracted from debit or unfavorable balance in pass book.	
11.	**Cash book shows a debit balance of 50,000 and the only difference from the balance as shown in pass book relates to cheque issued for 60,000 but not yet presented for payment. The balance as per pass book should be 1,10,000.**	2
Ans.	**True: -** **Reason:** Cheques issued but not yet presented should be added back to a debit balance in cash book to arrive at pass book balance.	
12.	**Overcasting of credit side of cash book shall result in a higher bank balance in cash book when compared with pass book balances.**	2
Ans.	**False: -** **Reason:** Overcasting of credit side means excessive payment are recorded and hence would lower the bank balance.	
13.	**A cheque for 25,000 that was issued and was also presented for payment in same month but erroneously recorded on debit side of the cash book would cases a difference of 50,000 from the balance in the pass book.**	2
Ans.	**True: -** **Reason:** 25,000 payment is recorded as a receipt and hence it will have to be adjusted twice (once to nullify and then once to recoded actual payment) hence causing the difference of double amount.	
14.	**A direct debit by bank on account of any payment as may be instructed by customer should be recorded on credit side of cash book.**	2
Ans.	**True: -** **Reason:** It is an example of a payment instructed by customer to be directly debited by bank and hence credited in the cash book.	
15.	**Bank reconciliation statement can be prepared in two formats- balance presentation and plus & minus presentation.**	2
Ans.	**True: -** **Reason:** Bank reconciliation statement can be prepared in two formats.	

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16.	**The difference between cash book and pass book that relates to error are those mostly made by bank.**	2
Ans.	**False: -** **Reason:** Bank rarely makes mistake and hence difference that relates to error are generally made in cash book.	
17.	**A cheque of ₹80,000 that was discounted from bank was dishonored and the bank charged ₹1,600 as the charge on account of same. While starting with debit balance in the cash book for preparing bank reconciliation statement we need to deduct ₹78,400 to reconcile with pass book.**	2
Ans.	**False: -** **Reason:** We need to deduct ₹81,600 from debit balance in cash book to arrive at balance as per pass book.	
18.	**Interest on saving bank that is allowed or credited by bank is generally recorded in cash book prior to it being recorded by bank.**	2
Ans.	**False: -** **Reason:** Interest allowed by bank is mostly recorded in cash book after the entry has been made in the pass book or bank statement.	
19.	**A regular bank reconciliation discourages the accountants to be involved in any kind of funds embezzlement.**	2
Ans.	**True: -** **Reason:** In absence of any reconciliation, the accountants can mis-utilize the funds temporarily by recording the entry without actual depositing the cash.	
20.	**Timing difference relates the transaction that are recorded in the same period in the both cash book and also the bank pass book.**	2
Ans.	**False: -** **Reason:** Timing difference related to the transaction that are recorded in the cash book and pass book in two different periods.	
21.	**If the balance as per cash book and pass book are the same. There is no need to prepare a reconciliation statement.**	2
Ans.	**True: -** **Reason:** The reconciliation statement is prepared only when any difference in the balance arises.	
22.	**Bank reconciliation is not prepared to arrive at the bank balance.**	2
Ans.	**True: -** **Reason:** Object of preparation of BRS is to reconcile the pass book balance and the cash book balance in order to find out the cause of difference between these two books on a particulars date.	
23.	**Direct collection received by the bank on behalf of its customer will increase the balance as per the bank pass book as compared to the balance as per the cash book.**	2
Ans.	**True: -** **Reason:** Direct collection received by the bank on behalf of its customer will increase the balance as per the bank pass book as compared to the balance as per the cash book, Till the customer gets an intimation from the bank.	

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Depreciation

Q. No.	Questions	Marks
1.	**Increase in market value of fixed asset is one of the reasons for depreciation being charged.**	2
Ans.	**False: -** **Reason;** It is the decrease in market value as one of the reasons for depreciation charged. Increase in market value may result in Revaluation.	
2.	**Depreciation of an asset begins when it is available for use in the location & condition necessary for it to be capable of being operated.**	2
Ans.	**True: -** **Reasons;** It is not necessary that the asset must be used to be depreciated, thus depreciation may start once it is brought in the location & condition required to be used.	
3.	**Cost of Property, Plant and Equipment includes purchase price, refundable taxes & import duties after deducting any discount or rebate.**	2
Ans.	**False: -** **Reasons;** Non-Refundable taxes & duties from part of the cost.	
4.	**Cost of fixed asset should also include cost of opening a new facility such as inauguration costs.**	2
Ans.	**False: -** **Reasons;** Inauguration costs shouldn't be part of cost.	
5.	**Depreciation is charged with a constant amount under straight line method and charged with a constant percentage under diminishing balance method.**	2
Ans.	**True: -** **Reasons;** SLM method results in same amount and Declining method involves same rate of depreciation.	
6.	**In Case an item of Property, Plant & Equipment is revalued, whole class of assets to which that asset being revalued belongs should be revalued.**	2
Ans.	**True: -** **Reasons;** Revaluation should be done for the whole class of the asset.	
7.	**In case the carrying amount of an asset is decreased due to revaluation, such decrease should always be recognized in the Profit and Loss account.**	2
Ans.	**False: -** **Reasons;** Any decrease in value of asset on account of revaluation should be first debited to Revaluation Reserve, if any, and then to Profit & Loss account.	
8.	**Akash purchased a machine for ₹ 12,00,000. Estimated useful life is 10 years and scrap value is ₹ 1,00,000. Depreciation for the first year using sum of the year digit method shall be ₹ 2,00,000.**	2
Ans.	**True: -** **Reasons;** Sum of years digit method depreciation is calculated as 10/55 × (12,00,000−1,00,000) = 2,00,000.	

9.	**Depletion is the allocation of the cost of intangible assets such as patents and copyrights.**	2
Ans.	**False: -** **Reasons;** Depletion relates to allocation of cost of natural resources.	
10.	**Providing for depreciation also helps in providing for accumulation of funds to facilitate the replacement at the end of its useful life.**	2
Ans.	**True: -** **Reasons;** Depreciation being non-cash expense reduces the distributable profits and hence facilitates replacement of asset when required.	
11.	**If the equipment account has a balance of ₹ 12,50,000 and the accumulated depreciation account has a balance of ₹ 4,00,000, the written down value of same shall be ₹ 16,50,000.**	2
Ans.	**False: -** **Reasons;** WDV = ₹ 12,50,000 − ₹ 4,00,000 = ₹ 8,50,000.	
12.	**Sum of the years digit method is an example of accelerated method of charging depreciation.**	2
Ans.	**True: -** **Reasons;** Higher depreciation is charged in earlier years under sum of the years digit method.	
13.	**Over the life of an asset subject to depreciation, the accelerated method will result in less Depreciation Expenses in early years and more depreciation in later years of its life.**	2
Ans.	**False: -** **Reasons;** It is vice versa as under diminishing balance method; higher depreciation is charged in beginning.	
14.	**While depreciating Land Cost, Straight line method shall give more depreciation than the written down value.**	2
Ans.	**False: -** **Reasons;** Land is not depreciated.	
15.	Provision for depreciation account is debited at the time of recording the depreciation on an asset.	2
Ans.	**False: -** **Reasons;** Provision for Depreciation account is credited while charging the depreciation.	
16.	**If adequate maintenance expenditure is incurred with relation to running repairs of an asset, we need not charge any depreciation.**	2
Ans.	**False: -** **Reasons;** Depreciation is allocation of the cost of an asset over its useful life. Regular repairs may be required during its life are expensed and depreciation has to be charged anyways.	
17.	**When a property, plant or equipment is sold then provision for depreciation account is debited, asset account is credited and any gain or loss is recorded to profit and loss account.**	2
Ans.	**True: -** **Reasons;** At the time of sale of an asset, respective asset account is credited with provision for depreciation account being debited and any resulting gain or loss being charged to profit & loss account.	

18.	**While calculating the depreciation as per diminishing balance method, the salvage value of the asset at the end of its life is reduced from its cost.**	2
Ans.	**False: -** **Reasons;** Under diminishing balance method, salvage value is not considered initially as it assumes that at the end of the asset's life the remaining value shall be its salvage value.	
19.	**Any change in the estimated useful life of an asset should be accounted for as a change in an accounting estimate in accordance with Accounting Standards.**	2
Ans.	**True: -** **Reasons;** Any change in useful life of an asset is accounted for as a change in estimate.	
20.	**Whenever any depreciable asset is sold during the year, depreciation is charged on it for that entire year.**	2
Ans.	**False: -** **Reasons;** Whenever any depreciable asset is sold during the year, depreciation is charged on it for the period it has been used in the sale year. **	

Final Accounts of Manufacturing Entities

Q. No.	Questions	Marks
1.	**By-products valued at cost or net reliasable value whichever is lower.**	2
Ans.	**False: -** **Reasons;** By-Products generally have insignificant value as compared to the value of main product. Therefore, they are generally valued at net realizable value.	
2.	**The manufacturing account is prepared to ascertain the profit or loss on the goods produced.**	2
Ans.	**False: -** **Reasons;** The objective of preparing Manufacturing Account is to determine manufacturing costs of finished goods for assessing the cost effectiveness of manufacturing activities.	
3.	**If there remain unfinished goods at the beginning and at the end of the accounting period, cost of such unfinished goods is shown in the Manufacturing Account.**	2
Ans.	**True: -** **Reasons;** Manufacturing account deals with the raw material, and work in progress.	
4.	**Raw Material Consumed = Opening inventory of Raw materials + Purchase – Closing inventory of Raw Materials.**	2
Ans.	**True: -** **Reasons;** Raw Material consumed is arrived at after adjustment of opening and closing inventory of raw materials and purchases.	

5.	**The Trading Account will show the quantities of finished goods, raw materials and work-in-progress.**	2
Ans.	**False: -** **Reasons;** The Trading Account will show the quantities of finished goods manufactured and sold and the opening and closing inventory. It will not show the quantity of raw materials or work-in-progress.	
6.	**Overhead is defined as total cost of direct material, direct wages and direct expenses.**	2
Ans.	**False: -** **Reasons;** Overheads is defined as total cost of indirect material, indirect wages and indirect expenses. **	

Final Accounts of Non-Manufacturing Entities

Q. No.	Questions	Marks
1.	**The income statement shows either net profit or net loss for a particular period.**	2
Ans.	**True: -** **Reasons;** Profit and loss account shows either net profit or net loss for a particular period.	
2.	**Gains from the sale or exchange of assets are not considered as the revenue of the business.**	2
Ans.	**False: -** **Reasons;** Gains from the sale or exchange of assets are considered as the revenue of the business, but this revenue not in the ordinary course of business so it is capital receipts.	
3.	**The Salary paid in advance is not an expense because it neither reduces assets or nor increase liabilities.**	2
Ans.	**True: -** **Reasons;** The Salary paid in advance is an asset it is not an expense because it neither reduces assets or nor increase liabilities.	
4.	**A loss is an expenditure which does not bring any benefit to the concern.**	2
Ans.	**True: -** **Reasons;** A loss is an expenditure of the business which does not bring any gain to the business.	
5.	**All liabilities which become due for payment in one year are classified as long-term liabilities.**	2
Ans.	**False: -** **Reasons;** All liabilities which become due for payment in one year are classified as current liabilities.	
6.	**The term current asset is used to designate cash and other assets or resources which are reasonably expected to be realized or sold or consumed within one year.**	2
Ans.	**True: -** **Reasons;** Current assets are all the assets which are expected to be realized or sold or consumed within one year.	

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7.	**An asset gives rise to expenditure when it is acquired and to an expense when it is consumed.**	2
Ans.	**True: -** **Reasons;** When an asset is purchase capital, expenditure is incurred and when the asset is put to use expenses are incurred in consumption. ***	
8.	**If the balance of an account on the debit side of the trial balance where the benefit has already expired then it is treated as an expenses.**	2
Ans.	**True: -:-** **Reasons;** Debit balance of accounts are treated as expenses whose benefit is already received or expired.	
9.	**Sales less cost of goods sold = gross profit.**	
Ans.	**True: -** **Reasons;** Gross profit is obtained by deducting cost of goods sold from sales.	2
10.	**If the debit side of the trading account exceeds its credit side then the balance is termed as gross profit.**	2
Ans.	**False: -** **Reasons;** If the debit side of the trading account exceeds its credit side, then the balance is termed as gross loss.	
11.	**The provision for bad debts is debited to Sundry Debtors Account.**	2
Ans.	**False: -** **Reasons;** The provision for bad debts is debited to debited to Profit and loss Account, in Balance Sheet it is shown either on liability side or deducted from the head Debtors.	
12.	**The provision for discount on creditors is often not provided in keeping with the principle of conservatism.**	2
Ans.	**True: -** **Reasons;** According to the provision of conservatism provision is maintained for the losses to be incurred in future. Discount on creditors is an income so provision in not maintained.	
13.	**The debts written off as bad, if recovered subsequently are credited to Debtors Account.**	2
Ans.	**False: -** **Reasons;** The debts written off as bad, if recovered subsequently are credited to Bad Debts Recovered Account and becomes an income.	
14.	**The adjustment entry in respect of income received in advance is debit income received in advance account and credit income account.**	2
Ans.	**False: -** **Reasons;** Income received in advance is reduces it from the concerned income in profit and loss account, And, it is shows it as a liability in the current balance sheet under the head Current Liabilities.	

15.	**Premium paid on the life policy of a proprietor is debited to profit and loss account.**	2
Ans.	**False: -** **Reasons;** Premium paid on the life policy of a proprietor is to be debited to capital account, as it is personal expense.	
16.	**Depreciation account appear in the trial balance is taken only to profit and loss account.**	2
Ans.	**True: -** **Reasons;** Depreciation is charge on each of the asset on a certain percentage. Depreciation is a charge to profit and loss account and should be debited to profit & loss account by crediting the respective assets, if it appears in trial balance then it is taken only to profit and loss account.	
17.	**Personal purchases included in the purchases day book are added to the sales account in the Trading account.**	2
Ans.	**False: -** **Reasons;** Personal purchases included in the purchase's day book are deducted from the purchases account in the Trading Account.	
18.	**Medicines given to the office staff by a manufacturer of medicines will be debited to salaries account.**	2
Ans.	**True: -** **Reasons;** Any benefit given to the staff is debited to the salary account.	
19.	**Goods worth ₹ 600 taken by the proprietor for personal use should be credited to Capital Account.**	2
Ans.	**False: -** **Reasons;** Goods taken by the proprietor for personal use should be credited to Purchase Account as less goods are left in the business for sale.	
20.	**If Closing Stock appears in the Trial Balance, the Closing inventory is then not entered in Trading Account. It is only shown in the Balance Sheet.**	2
Ans.	**True: -** **Reasons;** The Closing Stock appears in the trial balance only when it is adjusted against purchases by passing the entry. In this case, Closing Stock is not entered in Trading Account and is shown only in Balance Sheet. **	

Sales of Goods on Approval Basis

S. No.	Questions	Marks
1.	**Goods sold on approval basis are not recorded as credit sales initially when they are sent out.**	2
Ans.	**False: -** **Reason:** They are recorded as sales irrespective of whether the customer might accept or reject the goods at the end of the period for the approval.	

2.	**The customer retains the goods even after the expiry of the mentioned term, but this act does not confirm to sale of goods as there is no expense consent given.**	2
Ans.	**False: -** **Reason:** As per the sale of goods act when the goods are retained by the customer after the given time and no express intimation is given with regard to rejection, they are deemed sales.	
3.	**At the end of the year those goods on approval basis awaiting approval from the customer are shown as part of sales in the books of the seller.**	2
Ans.	**False: -** **Reason:** At the end of the accounting period-if there are goods sold on approval or return basis without any information then the accounting treatment to reverse the same from the sale and to add it with the existing closing stock at cost price.	
4.	**No entry need to be passed in the book of the seller when the customer rejects the goods awaiting approval after the closing of the books of the seller.**	2
Ans.	**True: -** **Reason:** At the end, already the entries pertaining to the reversal of the sale and the addition to the closing stock would have been passed. If subsequently if the customer rejects the goods, no further entry needs to be passed.	
5.	**The period within which the customer has to reject or accept is fixed by the buyer.**	2
Ans.	**False: -** **Reason:** It is the seller who fixes the term of the period within which the customer has to get back with the answer of rejection or accepting the goods.	
6.	**Mere transfer of the possession of the goods from the seller to the customer under sale on approval basis, also ensure transfer of ownership to customer**	2
Ans.	**False: -** **Reason:** Only upon accepting the goods expressly or doing some act inconsistent with the title of goods the ownership and risk associated with the goods pass on to the buyer. Mere transfer of possession does no convey ownership. **	

Financial Statement of Not-for-Profit Organization

S. No.	Questions	Marks
1.	**The Receipts and payment account for a non-profit organization follows the accrual concept of accounting.**	2
Ans.	**False: -** **Reasons;** It depicts the cash system of accounting rather than the accrual system, as the cash receipts and payments pertaining to any year are entered in the Receipts and payments account. The principle of accrual is not followed with regard to the receipts and payments account of a non-profit organization.	

2.	**Both the revenue and capital nature transactions are recorded in the income and expenditure account.**	2
Ans.	**False: -** **Reason;** The income and expenditure account records only the revenue income and expenditure. The capital transactions are being recorded in the Balance Sheet.	
3.	**Sale of grass by a sports club is to be treated as sale of an asset.**	2
Ans.	**False: -** **Reasons;** The grass for a sports club is not a capital item, hence the sale of such grass shall be treated as a revenue receipt.	
4.	**Subscriptions Outstanding for the current year are disclosed under the Fixed assets side of the Balance Sheet.**	2
Ans.	**False: -** **Reason;** They are disclosed under the current assets of the Balance sheet as they will be paid within the next year and not to be treated as non-current assets.	
5.	**Receipts and payments account gives the details about the expenses outstanding for the year.**	2
Ans.	**False: -** **Reason;** Receipts and payments account gives information about the expenses paid in cash for the current year. Previous or the next year. It is only from the additional information we identify the outstanding expenses.	
6.	**Adjustments in the form of additional information shall be adjusted in the final accounts of a Non-profit organization only in one place.**	2
Ans.	**False: -** **Reasons;** Additional information means that information which has been identified just before the preparation of the final Accounts. As NPO follows the double entry system of book keeping, there shall be 2 effects for each of the additional information.	
7.	**Tournament expenses incurred are more than the Tournament fund, then the excess to be shown as an asset in the closing Balance sheet.**	2
Ans.	**False: -** **Reasons;** The excess of expenditure over the tournament fund shall be debited to the income and expenditure account and not taken to the closing balance sheet.	
8.	**For an Non-profit organization, Excess of income over expenditure in the Income and Expenditure account is termed as profit.**	2
Ans.	**False: -** **Reasons;** The excess of the income over the expenditure is called as Surplus and not profit for a Non-profit organization.	
9.	**Surplus of non-profit organizations is distributed among its members.**	2
Ans.	**False: -** **Reasons;** The Non-profit organization credits the surplus earned in a year to the general fund maintained by it.	

10.	**Tournament fund, building fund, library fund is based on the fund based accounting.**	2
Ans.	**True: -** **Reasons;** It is Fund based accounting that records the fund balances in the balance sheet.	
11.	**Subscription fees refers to the one-time fees paid by the memberships to get admission to the benefits of the club.**	2
Ans.	**False: -** **Reasons;** Subscription is a regular fees paid by the members to keep the membership alive.	
12.	**Token payment made to a person, who voluntarily undertakes a service which would normally be paid in case of profitable organization is termed as Honorarium.**	2
Ans.	**True: -** **Reasons;** Honorarium refers to the nominal amount paid for the services with a non-commercial intent.	
13.	**An Insurance company is an example of non-profit organization.**	2
Ans.	**False: -** **Reasons;** Insurance Company has a profit motive; hence it is not a non-profit organization.	
14.	**Part amount of entrance fees which is to be capitalized shall be disclosed in the income and expenditure account.**	2
Ans.	**False: -** **Reasons;** It shall be shown in the Balance Sheet. Where it is to be capitalized.	
15.	**Both the income and expenditure of the current and the previous year are recorded in the income and expenditure account.**	2
Ans.	**False: -** **Reasons;** It is only the current year income and expenditure which is recorded in the income and Expenditure account as per the accrual concept.	
16.	**Amount received as donation by a Non-profit organization under the will of a deceased person is termed as legacy.**	2
Ans.	**True: -** **Reasons;** While on the death bed, if there is any will be written that the assets of a person shall be donated to any NPO-then such a donation to the NPO, is termed as LEAGACY.	
17.	**Where a Non-profit organization has a separate trading activity, the profit/loss from the trading account shall be transferred to Income and Expenditure Account at the time of Consolidation.**	2
Ans.	**True: -** **Reasons;** Where in case of the trading activities, the profit/loss from such activity to be transferred to the income and expenditure account in case of consolidated accounts.	
18.	**Not for profit concerns concentrate their efforts to maximize the profit earning avenues.**	2
Ans.	**False: -** **Reasons;** The Non-profit organization has its very existence to the main base line of serving the members and the society. Profit earning shall never be its motive.	

19.	**All the receipts are of revenue nature in case Non-profit organization.**	2
Ans.	**False: -** **Reasons;** Receipts can be both of revenue as well as capital nature. Receipts of both the nature are recorded in the receipts and payments account.	
20.	**There is opening balance of Income and expenditure account.**	2
Ans.	**False: -** **Reason;** It represents a nominal account and is prepared in accordance with the accrual concept, hence there can be no opening balances. **	

Consignment

S. No.	Questions	Marks
1.	**Value of the abnormal loss is debited to the consignment account.**	2
Ans.	**False: -** **Reason:** The abnormal loss is credited to the consignment account since it is a reduction in the value of the stock. Alternatively, it can be credited to the trading account of the consignor too as there is reduction from the stock of the goods.	
2.	**Sales account and account sales are one and the same.**	2
Ans.	**False: -** **Reason:** The sales account shows the balance receivable account of the sales-both cash and credit sales, whereas the account sale statement is given by the consignee to the consignor on a periodical basis detailing the transaction done by the former.	
3.	**The consignment stock is at the risk of the consignor**	2
Ans.	**True: -** **Reason:** The consignor is the owner of the goods sent on consignment.	
4.	**Normal commission is paid to the consignee to bear the risk of the bad debts on sale of the consigned stock.**	2
Ans.	**False: -** **Reason:** The del-credre commission paid to the consignee for bearing the loss of the bad debt if any.	
5.	**There is no entry passed by the consignee in his books for the remaining stock of goods lying with him.**	2
Ans.	**True: -** **Reason:** It is the consignor who has to record the closing stock of the consigned goods since he is the owner of the goods. There is no entry passed in the books of the consignee.	
6.	**Consignment account is a representative personal account.**	2
Ans.	**False: -** **Reason:** It is a nominal account recording the expense on the debit and the income on the credit side balance being the profit/loss on the consignment account to the trading account.	

7.	**Proforma invoice is sent by the consignee to the consignor giving details about the stock of goods sent on consignment and their cost invoice price etc.**	2
Ans.	**False: -** **Reason:** Proforma invoice is given by the consignor to the consignee with regards to the goods sent or consignment and their price.	
8.	**The bad debt in case of del credre commission shall be debited to the consignment account.**	2
Ans.	**False: -** **Reason:** If del-credere commission is given to the consignee then, the bad debt is taken into the accounts of the consignee. It will not appear in the consignment account.	
9.	**Abnormal loss is created out of uncontrollable situation and circumstances.**	2
Ans.	**False: -** **Reason:** Abnormal loss occurs due to unforeseen circumstance, but if necessary, steps are taken they can be controlled it is only the natural loss which cannot be controlled since it occurs due to nature of the product.	
10.	**The relationship between the consignor and his consignee is that of a seller and a buyer.**	2
Ans.	**False: -** **Reason:** The relationship between the consignor and the consignee is that of a principle and agent. It is mere arrangement for sale of goods on behalf of the consignor. **	

Inventories

S. No.	Questions	Marks
1.	**Inventories are stock of goods and material that are maintained for mainly the purpose of revenue generation.**	2
Ans.	**True: -** **Reason:** Inventory refer to stock of goods and material that are maintained for mainly the purpose of revenue generation.	
2.	**A building is considered inventory in a construction business**	2
Ans.	**True: -** **Reason:** For a construction business a building under construction will be inventory. The building is being built in the normal course of business and will eventually be sold as well as inventory.	
3.	**Inventory is valued as carrying cost less percentage decreases.**	2
Ans.	**False: -** **Reason:** Inventory is valued at lower of cost or net realizable value.	
4.	**Management has daily information about the quantity and valuation of closing stock under physical inventory system.**	2
Ans.	**False: -** **Reason:** Under perpetual inventory system management have daily information of closing stock.	

5.	**Period inventory system is more suitable for small enterprises.**	2
Ans.	**True: -** **Reason:** A Period inventory system is more suitable for small enterprises.	
6.	**When closing inventory is over stated, net income for the accounting period will be understated.**	2
Ans.	**False: -** **Reason:** When closing inventory is overstated net income for the accounting period will be overstated.	
7.	**Closing inventory = opening inventory + purchase + direct expense + cost of goods sold.**	2
Ans.	**False: -** **Reason:** Closing stock = COGS-(opening inventory+ purchase+ direct expense).	
8.	**Cost of inventory should comprise all cost of purchase.**	
Ans.	**False: -** **Reason:** Cost of inventory should comprise all cost of conversion and other cost incurred in bringing the inventories to their present location and condition.	2
9.	**Cost of conversion of inventory includes cost directly related to the units of production. They include allocation of fixed overheads only.**	2
Ans.	**False: -** **Reason:** Cost of conversion of inventories includes cost directly related to the units of production. They also include a systematic allocation of fixed and variable overheads.	
10.	**Abnormal amounts of wasted materials, labor or other production overheads expense are included in the cost of inventories.**	2
Ans.	**False: -** **Reason:** Abnormal amounts of wasted materials labor or other production overheads expense are generally not included in the cost of inventories.	
11.	**Perpetual system requires closure of business for counting of inventory.**	2
Ans.	**False: -** **Reason:** Periodic system requires closure of business for counting of inventory	
12.	**Periodic inventory system is a method of ascertain inventory by taking an actual physical count.**	2
Ans.	**True: -** **Reason:** Under Periodic inventory system is a method of ascertain inventory by taking an actual physical count.	
13.	**The value of ending inventory under simple average method is realistic as compare to LIFO**	2
Ans.	**True: -** **Reason:** Value of ending inventory under simple average method is realistic as compare to LIFO.	
14.	**The value of stock is shown as on the asset side of balance sheet as fixed assets**	2
Ans.	**False: -** **Reason:** The value of stock is shown on the asset side of the balance sheet as current assets. As it is realizable within 12 months	

15.	**Under inflationary condition, FIFO will not show lowest value of cost of goods sold.**	2
Ans.	**False: -** **Reason:** Under inflationary condition, valuation of inventory is based on the assumption that costs are charged against revenue in the order in which they occur.	
16.	**Under LIFO valuation of inventory is based on the assumption that cost are charged against revenue in the order in which they occur.**	2
Ans.	**False: -** **Reason:** Under FIFO, valuation of inventory is based on the assumption that costs are charged against revenue in the order in which they occur.	
17.	**Valuation of inventory at cost or net realizable value whichever less, is based on the principle of conversation.**	2
Ans.	**True: -** **Reason:** The Valuation of inventory at cost or net realizable value whichever less, is based on the principle of conversation.	
18.	**Finished goods are normally valued at cost or market price whichever is higher.**	2
Ans.	**False: -** **Reason:** Finished goods are normally valued at cost or market price whichever is lower.	
19.	**Inventory of by-product should be valued at net realizable value where cost of by-product can be separate determined**	2
Ans.	**False: -** **Reason:** Inventory of by-product the cost of which cannot be separately determined should be valued at net realizable value. **	

Average Due Date

S. No.	Questions	Marks
1.	**The specific due date excludes the addition of grace day to arrive at the due date.**	2
Ans.	**True: -** **Reason:** Where the due date is specifically given, then there is no need of further addition of 3 days grace to it.	
2.	**Payment made before the average due date entitles rebate to the customer.**	2
Ans.	**True: -** **Reason:** The rebate is given to the customer who make payment early to the average due date.	
3.	**Average due date result in loss to the party making payment exactly on the average due date.**	2
Ans.	**False: -** **Reason:** It is single weighted average date calculated in such a way that it does not create any profit/loss to both the parties involved.	

4.	**It is always the date of any transaction which is considered as base date.**	2
Ans.	**False: -** **Reason:** The date of the earlier or most initial transaction that is considered as the base date for the purpose of arriving at the average due date.	
5.	**Interest has to be paid by the party making payment exactly on the average due date.**	2
Ans.	**False: -** **Reason:** If payment made on the average due date, then there is no need to pay interest or provide rebate as it is a date resulting in no profit/loss to either party.	
6.	**Where the due date is a public holiday and the preceding day is a sudden holiday, then the due date falls on the preceding the sudden holiday.**	2
Ans.	**True: -** **Reason:** This can be understood from the example-where august 15th is the due date, then the revised due date is 14th-which is considered as sudden holiday, then the due date becomes 13th (preceding working day) ***	

Account Current

S. No.	Questions	Marks
1.	**Current account and account current are one and the same.**	2
Ans.	**False: -** **Reason:** Account current statement of running transaction between two parties to ascertain the amount along with interest payable. Current account is an account type to be maintained with the bank. In both the interest is calculated, but then different methods to calculate the interest.	
2.	**The account current is an extension of the average due date concept**	2
Ans.	**True: -** **Reason:** An extension of the counter transaction between two parties' type under the average due date where in the date of the initial transaction is considered as the base date from which the no. of days to the date of rendering the account is calculated.	
3.	**Date of transaction or the due date whichever is earlier is considered for computation of the number of days.**	2
Ans.	**False: -** **Reason:** The due date is considered for the purpose of calculation of number of days and not the date of transaction.	
4.	**A is in account current with B. the person rendering the account current is Mr. A.**	2
Ans.	**False: -** **Reason:** It is B who is preparing and rendering the account current to Mr. A	
5.	**The honored bills of exchange will not be recorded in the account current.**	2
Ans.	**True: -** **Reason:** The bill of exchange which is honored will not appear in the account current, only in case of dishonor, it will be appearing in the account current.	

6.	**The interest charged by banker to customer on overdrawn account is called red ink interest.**	2
Ans.	**False: -** When the due date of any transaction falls after the date on which account current is prepared interest in respect of such transaction is written in red ink being a negative item. Since it is written in red ink, it is called red ink interest.	

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Issue Forfeiture and Re-Issue of Shares

S. No.	Questions	Marks
1.	**Liability of a holder of shares is limited to the face value of shares acquired by them.**	2
Ans.	**False: -** **Reason;** Liability of the holder of shares is limited to the issue price of shares acquired by them.	
2.	**Authorized Capital appears in the balance Sheet at face Value.**	2
Ans.	**True: -** **Reason;** Authorized Capital is the amount of Capital Mentioned in 'capital clause' of the 'Memorandum of Association'. Authorized capital is considered only as presentation and not considered in total of balance sheet.	
3.	**The rate of dividend on preference shares may vary from year to year.**	2
Ans.	**False: -** **Reason;** Rate of preference dividend is always fixed.	
4.	**A Company may issue shares at a discount to the public in general.**	2
Ans.	**False: -** **Reason;** According to Section 53 of the Companies Act, 2013, Company cannot issue shares at a discount except in the case of issue of sweat equity shares (Issued to employees and directors). Thus any issue of shares at discount shall be void.	
5.	**Sweat equity Shares are those which are issued to employees & directors at a discount.**	2
Ans.	**True: -** **Reason;** According to Section 53 of the Companies Act, 2013, a Company cannot issue shares at a discount except in the case of issue of sweat equity shares (Issued to employees and directors).	
6.	**As per Table F, rate of interest on calls in arrears is 12%.**	2
Ans.	**False: -** **Reason;** As per table F, rate of interest on calls in arrears is 10%.	
7.	**As per Table F, rate of interest on calls in advance is 10%.**	2
Ans.	**False: -** **Reason;** As per Table F, rate of interest on calls in advance is 12%.	
8.	**Non-participating preference shareholders enjoy voting rights.**	2
Ans.	**False: -** **Reason;** A Share on which only a fixed rate of dividend is paid every year, without any accompanying additional rights in profits and in the surplus on winding-up, is called 'non-participating preference shares, non-participating preference shareholders do not enjoy voting rights.	

9.	**A forfeited shares is available to the company for the purpose of resale.**	2
Ans.	**True: -** **Reason;** Reissue of forfeited shares is not allotment of shares but only a sale.	
10.	**Loss on reissue should exceed the forfeited amount.**	2
Ans.	**False: -** **Reason;** Loss on re-issue should not exceed the forfeited amount. **	

Issue of Debentures

Q. No.	Questions	Marks
1.	**Debenture holder are the owners of the company.**	2
Ans.	**False: -** **Reasons;** Debenture holder are the creditors of the company.	
2.	**Perpetual debentures are payable at the time of liquidation of the company.**	2
Ans.	**True: -** **Reasons;** Perpetual debentures, also known as irredeemable debentures are not repayable during the life time of the company.	
3.	**Registered debentures are transferable by delivery.**	2
Ans.	**False: -** **Reason;** Registered debentures are not easily transferable by delivery. Bearer debentures are transferrable by delivery.	
4.	**When Companies issue their own debentures as collateral security for a loan, the holder of such debenture is entitled to interest only on the amount of loan and not on the debentures**	2
Ans.	**True: -** **Reasons;** In Case the company cannot repay its loan & the interest there on the due date, the lender becomes debenture holder & them only he is entitled to interest on debentures.	
5.	**Debenture's suspense account appears on liability side of balance sheet.**	2
Ans.	**False: -** **Reasons;** Debenture's suspense account appears on asset side of balance sheet under non-current asset.	
6.	**If a company incurs loss, then it does not pay interest to the debenture holders.**	2
Ans.	**False: -** **Reason;** Even if the company incurs losses. It has to pay the interest on debentures.	
7.	**At the time of liquidation, debenture holders are paid off after the shareholders.**	2
Ans.	**False: -** **Reasons;** At the time of liquidation, debentures holders are paid off before shareholders on priority basis.	

8.	**Convertible debentures can be converted into equity shares.**	2
Ans.	True: - **Reasons;** Yes, convertible debentures can be converted into equity shares.	
9.	**Redeemable debentures are not payable during the life time of the company.**	2
Ans.	False: - **Reason;** These debentures are repayable as per the terms of issue, for example, after 8 years from the date of issue.	
10.	**Debentures can be issued for a consideration other than for cash, such as for purchasing land, machinery etc.**	2
Ans.	True: - **Reason;** Debentures can be issued for a consideration other than for cash, such as for purchasing land, machinery etc. **	

Introduction to Partnership Accounts

Q. No.	Questions	Marks
1.	**In absence of any agreement partners share profits of the business in the ratio of their capital contribution.**	2
Ans.	False: - **Reasons;** In absence of any agreement partners share profits equally and not in capital contribution ratio.	
2.	**Profit sharing ratio and capital contribution ratio need not be same.**	2
Ans.	True: - **Reasons;** Profit sharing can be different from the that of the capital introduced by each of the partner. Not necessary that partner contributing more capital should have a higher profit-sharing ratio and vice versa.	
3.	**Every Partnership firm must register itself with Registrar of firms.**	2
Ans.	False: - **Reasons;** Registration of firms is not compulsory under Indian Partnership Act 1932.	
4.	**A partner can advance loan to the partnership firm in addition to capital contributed by him.**	2
Ans.	True: - **Reasons;** Yes, loan is given to the firm at a cost, where the partnership deed is absent, then the interest shall be paid at a minimum of 6% per annum. So the interest on the loan to be paid to the partner.	
5.	**A partner can demand interest on capital even if it is not provided in the partnership deed.**	2
Ans.	False: - **Reasons;** Interest on capital can be paid only if it is provided in the partnership deed.	

6.	**If a partner does not take part in day-to-day business activities of the firm, then he is not entitled to any share of profit.**	2
Ans.	**False: -** **Reasons;** Every partner need not take part in the business. Even if a partner does not take part in the business he is entitled for his share of profit.	
7.	**Interest should be paid @ 6% p.a. on partners' loan even if it is not provided in the partnership deed.**	2
Ans.	**True: -** **Reasons;** Yes, as per the provisions of the law-it is necessary that the interest on loan at 6% per annum shall be paid to the concerned partner.	
8.	**Husband and wife cannot be partners in the same firm.**	2
Ans.	**False: -** **Reasons;** Husband and wife can be partners in the same firm.	
9.	**One Senior partner is Principal and other partners are his agents.**	2
Ans.	**True: -** **Reasons;** There is no senior or junior partner. Every partner is agent/principal of other partners.	
10.	**Partners are the agents of the firm and each other.**	2
Ans.	**True: -** **Reasons;** Concept of agency applies to every partner and the firm as well. So, each partner is a principal to and agent of every other partner and to the firm. **	

Admission of Partner

Q. No.	Questions	Marks
1.	**A new admitted partner does not have some rights as old partner.**	2
Ans.	**False: -** **Reason:** All the partners have same right at all times, unless contrary is provided in the partnership deed/or agreed by the partner.	
2.	**When a new partner is admitted, old partner have to forego certain share in profit of the firm this is called as sacrificing ratio.**	2
Ans.	**True: -** **Reason:** With every new partner remaining old partner have to forgone a proportionate in their share which is called sacrificing ratio.	
3.	**Revaluation account is also called as profit and loss adjustment account.**	2
Ans.	**True: -** **Reason:** Revaluation is also called as profit and loss adjustment account	
4.	**Any appreciation in the value of an assets is credited to revaluation account.**	2
Ans.	**True: -** **Reason:** Increase in assets is an income hence credited to revaluation account.	
5.	**All the partner may decide not to change the values of assets and liabilities in the books of accounts.**	2
Ans.	**True: -** **Reason:** This can be done by opening memorandum revaluation account.	

6.	**New partner is entitled to have share in reserve appearing in the balance sheet prior to his admission.**	2
Ans.	**False: -** **Reason:** New partner is not entitled to have any share in the reserve of the firm prior to his admission such reserve is distributed to old partner in their old profit-sharing ratio.	
7.	**Any reserve appearing in the balance sheet is credited to existing partner equally.**	2
Ans.	**False: -** **Reason:** Any reserve appearing in the balance sheet is credited to existing partners in their old profit sharing ratio and not equally.	
8.	**If revaluation accounts show credit balance, then it represents profit and therefore it is credited to all partners equally.**	2
Ans.	**False: -** **Reason:** If revaluation account shows credit balance, then it represents profit and therefore it is credited to all partners in their profit-sharing ratio and not equally.	
9.	**New partner brings in necessary amount as his capital.**	2
Ans.	**True: -** **Reason:** Every incoming partner shall bring in some amount of capital for the firm.	
10.	**New partners are entitled to share in revaluation profit.**	2
Ans.	**False: -** **Reason:** New partner is not entitled to profit on revaluation, it belonging to old partners in their profit-sharing ratio.	

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Retirement of a Partner

Q. No.	Questions	Marks
1.	**Business of a partnership has to be closed if any one partner retires.**	2
Ans.	**False: -** **Reasons;** Business of a partnership is not closed if any one partner retires, remaining partners continue to carry on the business.	
2.	**At the time of retirement of a partner no special treatment is required for any reserves appearing in the Balance Sheet.**	2
Ans.	**False: -** **Reasons;** At the time of retirement of a partner all the reserves appearing in the balance sheet are transferred to all the partners in their profit-sharing ratio.	
3.	**After retirement of a partner, profit sharing ratio of continuing partners remains the same.**	2
Ans.	**False: -** **Reasons;** After retirement of a partner, profit sharing ratio of continuing partners does not remain the same.	
4.	**If any partner wants to retire from the business, he must retire on 1st day of the accounting year.**	2
Ans.	**False: -** **Reasons;** A partner can retire on any day as per his wish.	

5.	**Retiring partner has to forego his share of goodwill in the firm.**	2
Ans.	**False: -** **Reasons;** Retiring partner is entitled to his share of goodwill in the firm.	
6.	**If a partner retires in between the accounting year then he is not entitled to any profit from the date of beginning of the year till his date of retirement.**	2
Ans.	**False: -** **Reasons;** If a partner retires in between the accounting year then he is certainly entitled to the profit from the date of beginning of the year till his date of retirement.	
7.	**If the firm has taken any joint life policy then it is to be surrendered on retirement of a partner.**	2
Ans.	**True: -** **Reasons;** Yes, the firm is eligible for the surrender value on the JLP taken on the partners.	
8.	**Any joint life policy reserve appearing in the Balance Sheet is credited to all the partners in their old profit-sharing ratio.**	2
Ans.	**True: -** **Reasons;** As per the surrender policy method, the JLP reserve is distributed to the partners in their old profit-sharing ratio through capital account.	
9.	**No revaluation account is necessary on retirement of a partner.**	2
Ans.	**False: -** **Reason;** Revaluation account is necessary on retirement of a partner.	
10.	**Profit on revaluation is credited to continuing partners, retiring partner is not entitled to any profit on revaluation.**	2
Ans.	**False: -** **Reasons;** Profit on Revaluation is credited to all the partners in their profit-sharing ratio.	

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Death of Partner

Q. No.	Questions	Marks
1.	**Business of partnership comes to an end on death of a partner.**	2
Ans.	**False: -** **Reasons;** Surviving partners continue to carry on the business.	
2.	**Legal heir of a deceased partner automatically becomes partner in the firm.**	2
Ans.	**False: -** **Reasons;** Legal heirs of deceased partners are entitled to dues of the deceased partner. They cannot become partner in the business.	
3.	**A revaluation account is opened in the books of accounts on death of a partner.**	2
Ans.	**True: -** **Reasons;** To find out the actual values of the assets and liabilities, revaluation account is prepared.	

4.	**Any reserve appearing in the balance sheet on the date of death of a partner is transferred to all partners' capital account in their profit-sharing ratio.**	2
Ans.	**True: -** **Reasons;** Reserves belong to the partners in the same manner the capital contributed by them. Hence it is distributed to them through the capital account.	
5.	**Legal heirs of a deceased partner are entitled to his capital account balance only.**	2
Ans.	**False: -** **Reasons;** Legal heirs of a deceased partner are entitled to all the dues of deceased partner.	
6.	**It is not necessary to adjust goodwill on death of a partner.**	2
Ans.	**False: -** **Reasons;** It is very much necessary to adjust goodwill on death of a partner.	
7.	**On death of a partner continuing partners can agree to change their capital contribution and profit-sharing ratio.**	2
Ans.	**True: -** **Reasons;** Yes, it can be continued in the earlier share or in new share-in-either case it leads to computing a new profit-sharing ratio.	
8.	**On death of a partner, the firm gets surrender value of the Joint life policy.**	2
Ans.	**False: -** **Reasons;** On death of a partner the firm gets full value of sum assured of the joint life policy.	
9.	**Only legal heirs of deceased partner are entitled to amount received from Joint life Policy.**	2
Ans.	**False: -** **Reasons;** All the partners are entitled to amount received from joint life policy. ***	

Notes

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Notes

TOP 3 RANKERS OF GEA

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