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CA , CS , DISA , DIRM , LLB (P) , B.COM

A Chartered Accountant & A Company Secretary By
Profession & A Educator By Passion.

Teaching Financial Accounting & Financial
Management to CA Students Since Last 10 years.



RETIFICATION OF ERROR PYP , RTP & MTP

ILLUSTRATION 1 - PYP MAY 2018 (4 MARKS)

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

- (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 Jyothy 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- (iv) An amount of ₹ 10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.

ILLUSTRATION 2 - PYP MAY 2018 (10 MARKS)

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. Asok was posted to the account of Mr. Anbu ₹ 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.

ILLUSTRATION 3 - PYP NOV 2018 (10 MARKS)

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

ILLUSTRATION 4 - PYP MAY 2019 (4 MARKS)

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.

ILLUSTRATION 5 - PYP NOV 2019 (10 MARKS)

Correct the following errors (i) without opening a Suspense Account and (ii) with opening a Suspense Account:

- (1) The sales book has been totalled ₹ 2,100 short.
- (2) Goods worth ₹ 1,800 returned by Gaurav & Co. have not been recorded anywhere.
- (3) Goods purchased ₹ 2,250 have been posted to the debit of the supplier Sen Brothers.
- (4) Furniture purchased from Mary Associates, ₹ 15,000 has been entered in the purchase Daybook.
- (5) Discount received from Black and White ₹ 1,200 has not been entered in the books.
- (6) Discount allowed to Radhe Mohan & Co. ₹ 180 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted.

ILLUSTRATION 6 - PYP NOV 2020 (5 MARKS)

M/s. Applied Laboratories were unable to agree the Trial Balance as on 31st March, 2020 and have raised a suspense account for the difference. Next year the following errors were discovered:

- (i) Repairs made during the year were wrongly debited to the building A/c - ₹ 12,500.
- (ii) The addition of the 'Freight' column in the purchase journal was short by ₹ 1,500.
- (iii) Goods to the value of ₹ 1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.
- (iv) Sundry items of furniture sold for ₹ 30,000 had been entered in the sales book, the total of which had been posted to sales account.
- (v) A bill of exchange (received from Raja & Co.) for ₹ 20,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

You are required to pass journal entries to rectify the above mistakes.

ILLUSTRATION 7 - PYP JAN 2021 (10 MARKS)

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

- (i) The total of the Purchases Book of one page, ₹ 5,615 was carried forward to the next page as ₹ 6,551.*
- (ii) A sale of ₹ 281 was entered in the Sales Book as ₹ 821 and posted to the credit of the customer.*
- (iii) A return to creditor, ₹ 295 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.*
- (iv) Cash received from Senu, ₹ 895 was posted to debit of Sethu.*
- (v) Goods worth ₹ 1,400 were dispatched to a customer before the close of the year but no invoice was made out.*

- (vi) Goods worth ₹ 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.*
- (vii) ₹ 600 due from Mr. Q was omitted to be taken to the trial balance.*
- (viii) Sale of goods to Mr. R for ₹ 3,000 was omitted to be recorded.*

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

ILLUSTRATION 8 - PYP JULY 2021 (10 MARKS)

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

- (i) Purchase of a scooter was debited to conveyance account ₹ 30,000. Mr. Ratan charges 10% depreciation on scooter.*
- (ii) Purchase account was over cast by ₹ 1,00,000.*
- (iii) A credit purchase of goods from Mr. X for ₹ 20,000 was entered as sale.*
- (iv) Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar ₹ 10,000.*
- (v) Receipt of cash from Mr. Chandu was posted to the debit of his account, ₹ 5,000.*

- (vi) ₹ 5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.*
 - (vii) Sale of goods to Mr. Ram for ₹ 20,000 was omitted to be recorded.*
 - (viii) Amount of ₹ 23,950 of purchase was wrongly posted as ₹ 25,930.*
- Suggest the necessary rectification entries.*

ILLUSTRATION 9 - PYP DEC 2021 (5 MARKS)

Pass the journal entries to rectify the following errors detected during preparation of the Trial balance :

1. Wages paid for construction of office building debited to wages account Rs. 20,000.
2. A credit sale of goods Rs. 1,200 to Ramesh has been wrongly passed through the Purchase Book.
3. An amount of Rs. 20,000 due from Mahesh Chand which had been written off as a bad debts in the previous year was unexpectedly recovered and has been posted to the personal account of Mahesh Chand.
4. Goods (Costing being Rs. 5,000 and Sales price being Rs. 6,000) distributed as free samples among prospective costumers were not recorded anywhere.
5. Goods worth Rs. 1,500 returned by Green have not been recorded anywhere.

ILLUSTRATION 10 - RTP MAY 2018

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 Accounts.

ILLUSTRATION 11 - RTP NOV 2018

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 recored in subsidiary books.
- (iii) Credit sale wrongly passed through the Purchase Book.
- (iv) Machinery sold on credit to Mohan recorded in Journal Proper but omitted to be posted.
- (v) Goods worth ₹ 5,000 purchased on credit from Ram recorded in the Purchase Book as ₹ 500.

ILLUSTRATION 12 - RTP MAY 2019

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, 2018 amounting to ₹25,000 was not posted.

ILLUSTRATION 13 - RTP NOV 2019

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

ILLUSTRATION 14 - RTP MAY 2020

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.

ILLUSTRATION 15 - RTP NOV 2020

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 Accounts.

ILLUSTRATION 16 - RTP MAY 2021

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

- (1) Goods of the value of ₹5,000 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;
- (2) An amount of ₹7,500 entered in the Sales Returns Book, has been posted to the debit of Mr. Hari, who returned the goods;
- (3) A sale of ₹20,000 made to Mr. Amit was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Sumit as ₹ 2,000;
- (4) Bad Debts aggregating ₹15,000 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 ₹12,500 was not posted.

ILLUSTRATION 17 - RTP DEC 2021

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) Machinery sold on credit to Mohan recorded in Journal Properly but omitted to be posted.
- (iii) Goods worth ₹ 5,000 purchased on credit from Ram recorded in the Purchase Book as ₹ 500.
- (iv) Purchase worth ₹ 4,500 from Mr. X not recorded in subsidiary books.
- (v) Credit sale wrongly passed through the Purchase Book.

ILLUSTRATION 18 - MTP NOV 2019 (4 MARKS)

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

- (i) Sale of furniture credited to Sales Account.
- (ii) Purchase worth Rs. 500 from M not recorded in subsidiary books.
- (iii) Credit sale wrongly passed through the Purchase Book.
- (iv) Machinery sold on credit to Mohan recored in Journal Proper but omitted to be posted.
- (v) Goods worth Rs. 5,000 purchased on credit from Ram recorded in the Purchase Book as Rs. 500.

ILLUSTRATION 19 - MTP MAY 2021 SERIES 1 (4 MARKS)

The following errors were committed by the Accountant of Hari Om Toys.

- (i) Purchase of Rs. 1620 from Anupam & Co. passed through Sales Day Book as Rs. 1260
- (ii) Credit sale of Rs. 1600 to Soni & Co. was posted to the credit of their account.

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 Accounts.

ILLUSTRATION 20 - MTP MAY 2021 SERIES 2 (10 MARKS)

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) A Bill Receivable for Rs. 1,550 was passed through Bills Payable Book. The Bill was given by Ram.
- (ii) Cash received from Manan was debited to Tapan Rs. 7,500.
- (iii) General expenses Rs. 2600 was posted in the General Ledger as Rs. 6200.
- (iv) Sales Day Book was overcast by Rs. 5,000.
- (v) Legal Expenses Rs. 7,670 paid to Mr. Gupta was debited to her personal account.
- (vi) A sale of Rs. 25,000 to Tina was wrongly debited to the Account of Hina.

- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of Rs. 1,690 was written as Rs. 1,960.
- (viii) Rs 7,000 due to Mr. Somdev was omitted to be taken to trial balance.

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

ILLUSTRATION 21 - MTP DEC 2021 SERIES 1 (4 MARKS)

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 ₹ 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 ₹ 5000 purchased on credit from Ram recorded in the Purchase Book as ₹ 500.

ILLUSTRATION 22 - MTP DEC 2021 SERIES 2 (10 MARKS)

The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:

- (i) Sales Day Book was overcast by Rs. 5,000.
- (ii) A sale of Rs. 25,000 to Ram was wrongly debited to the Account of Shyam.
- (iii) General expenses Rs. 360 was posted in the General Ledger as Rs. 630.
- (iv) A Bill Receivable for Rs. 1,550 was passed through Bills Payable Book. The Bill was given by Hari.
- (v) Legal Expenses Rs. 2,910 paid to Mrs. Neetu was debited to her personal account.
- (vi) Cash received from Aman was debited to Vimal Rs. 3,200.
- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of Rs. 1,235 was written as Rs. 1,325.

Find out the nature and amount of the Suspense Account and Pass entries for the rectification of the above errors in the subsequent year's books.



BANK RECONCILIATION STATEMENT PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2018 (10 MARKS)

The Bank Pass Book of Account No.5678 of Mrs. Rani showed an overdraft of ₹ 33,575 on 31st March 2018. On going through the Pass Book, the accountant found the following:

- (i) A Cheque of Rs,1,080 credited in the pass book on 28th March 2018 being dishonoured is debited again in the pass book on 1st April 2018. There was no entry in the cash book about the dishonour of the cheque until 15th April 2018.
- (ii) Bankers had credited her account with ₹ 2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.
- (iii) Out of ₹ 20,500 paid in by Mrs. Rani in cash and by cheques on 31st March 2018 cheques amounting to ₹ 7,500 were collected on 7th April, 2018.
- (iv) Out of Cheques amounting to ₹ 7,800 drawn by her on 27th March, 2018 a cheque for ₹ 2,500 was encashed on 3rd April, 2018.

- (v) Bankers seems to have given here wrong credit for ₹ 500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹ 300 against her account No.8765.
- (vi) A cheque for ₹ 1,000 entered in Cash Book but omitted to be banked on 31st March, 2018.
- (vii) A Bill Receivable for ₹ 5,200 previously dishonoured (Discount ₹ 200) with the Bank had been dishonoured but advice was received on 1st April, 2018.
- (viii) A Bill for ₹ 10,000 was retired /paid by the bank under a rebate of ₹ 175 but the full amount of the bill was credited in the bank column of the Cash Book.
- (ix) A Cheque for ₹ 2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.

Prepare Bank Reconciliation Statement as on 31st March, 2018.

ILLUSTRATION 2 - PYP NOV 2018 (10 MARKS)

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

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

ILLUSTRATION 3 - PYP MAY 2019 (10 MARKS)

Prepare the Bank Reconciliation Statement of M/s. R.K. Brothers on 30th June 2018 from the particulars given below:

- (i) The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2018.
- (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, 2018.
- (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, 2018, ₹ 14,000
 - (2) Cheques collected on 10th July, 2018, ₹ 4,000
 - (3) Cheques collected on 12th July, 2018, ₹ 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.

ILLUSTRATION 4 - PYP NOV 2019 (10 MARKS)

On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of ₹ 8,062. An examination of the Cash book and Bank Statement reveals the following:

- (i) A cheque for ₹ 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
- (ii) A payment by cheque for ₹ 18,000 has been entered twice in the Cash book.
- (iii) On 29th September, 2018, the bank credited an amount of ₹ 1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.
- (iv) Bank charges amounting to ₹ 280 had not been entered in the cash book.
- (v) On 6th September 2018, the bank credited ₹ 30,000 to XYZ in error.
- (vi) A bill of exchange for ₹ 1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.

- (vii) Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled ₹ 13,46,000.
- (viii) 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.

You are required:

To show the appropriate rectifications required in the cash book of XYZ, to arrive at the correct balance on 30th September, 2018 and to prepare a Bank Reconciliation Statement as on that date.

ILLUSTRATION 5 - PYP NOV 2020 (10 MARKS)

On 31-3-2020, Mahesh's Cash Book Showed a Bank overdraft of ₹ 98,700. On comparison he finds the following :

- (1) Out of the total cheques of ₹ 8,900 issued on 27th March, one cheque of ₹ 7,400 was presented for payment on 4th April and the other cheque of ₹ 1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.
- (2) Out of total cash and cheques of ₹ 6,800 deposited in the Bank on 24th March, one cheque of ₹ 2,600 was cleared on 3rd April and the other cheque of ₹ 500 was returned dishonoured by the bank on 4th April.
- (3) Bank charges ₹ 35 and Bank interest ₹ 2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.
- (4) A cheque deposited in his another account of ₹ 1,550 wrongly credited to this account by the bank.

- (5) A cheque of ₹ 800, drawn on this account, was wrongly debited in another account by the bank.
- (6) A debit of ₹ 3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.
- (7) The bank allowed interest on deposit ₹ 1,000.
- (8) A customer who received a cash discount of 4% on his account of ₹ 1,00,000 paid a cheque on 20th March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

Prepare Bank Reconciliation Statement as on 31-3-2020.

ILLUSTRATION 6 - PYP JAN 2021 (4 MARKS)

Prepare a Bank Reconciliation Statement from the following particulars as on 31st December, 2020 :

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

ILLUSTRATION 7 - PYP JULY 2021 (5 MARKS)

From the following information, ascertain the Cash Book balance of Mr. Bajaj as on 31st March, 2021:

- (i) Debit balance as per Bank Pass Book ₹ 3,500.
- (ii) A cheque amounting to ₹ 2,500 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.
- (iii) During March, two bills amounting to ₹ 2,500 and ₹ 500 were collected by the Bank but no entry was made in the Cash Book.
- (iv) A bill for ₹ 5,000 due from Mr. Balaji previously discounted for ₹ 4,800 was dishonored. The Bank debited the account, but no entry was passed in the Cash Book.
- (v) A Cheque for ₹ 1,500 was debited twice in the cash book.

ILLUSTRATION 8 - PYP DEC 2021 (10 MARKS)

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

1. Cheque amounting to Rs. 60,000 issued to creditors have not been presented for payment till the date.
2. Cheques paid into bank amounting to Rs. 1,10,500, out of which cheques amounting to Rs. 55,000 only collected by the bank up to 30th June 2021.
3. A dividend of Rs. 4,000 and rent amounting to Rs. 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.
4. Insurance premium (up to 31st December, 2021) paid by the bank Rs. 2,700 not entered in the cash book.
5. The payment side of the cash book had been under cast by Rs. 500.
6. Bank charges Rs. 150 shown in the pass book had not been entered in the cash book.
7. A bill payable of Rs. 20,000 had been paid by the bank but was not entered in the cash book and bills receivable for Rs. 6,000 had been discounted with the bank at a cost of Rs. 100 which had also not been recorded in cash book.

You are required :

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

ILLUSTRATION 9 - RTP MAY 2018

The Cash-book of M/s ABC shows ₹ 27,570 as the balance at Bank as on 31st March, 2017. But this does not agree with balance as per the Bank Statement. On scrutiny following discrepancies were found:

- (i) Subsidy ₹ 10,250 received from the government directly by the bank, but not advised to the company.
- (ii) On 15th March, 2017 the payments side of the Cash-book was under cast by ₹ 350.
- (iii) On 20th March, 2017 the debit balance of ₹ 2,156 as on the previous day, was brought forward as credit balance in Cash-book.
- (iv) A customer of the M/s ABC, who received a cash discount of 5% on his account of ₹ 2,000, paid to M/s ABC a cheque on 24th March, 2017. The cashier erroneously entered the gross amount in the Cash-Book.

- (v) On 10th March, 2017 a bill for ₹ 5,700 was discounted from the bank, entered in Cash-book, but proceeds credited in Bank Statement amounted to ₹ 5,500 only.
- (vi) A cheque issued amounting to ₹ 1,725 returned marked 'out of date'. No entry made in Cash-book.
- (vii) Insurance premium ₹ 756 paid directly by bank under a standing order. No entry made in cash-book.
- (viii) A bill receivable for ₹ 1,530 discounted for ₹ 1,500 with the bank had been dishonoured on 30th March, 2017, but advice was received on 1st April, 2017.
- (ix) Bank recorded a Cash deposit of ₹ 1,550 as ₹ 1,505.

Prepare Bank Reconciliation Statement on 31st March, 2017.

ILLUSTRATION 10 - RTP NOV 2018

Prepare a Bank Reconciliation Statement of Shri Hari as on 31st March, 2018:

- (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).
- (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).

ILLUSTRATION 11 - RTP MAY 2019

On 30th November, 2018, 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:

- (i) The debit side of the Cash Book was undercast by ₹ 400.
- (ii) 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.
- (iii) 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.
- (iv) 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.

- (v) 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.
- (vi) A dividend of ₹ 100 was collected by the bank but not entered in the Cash Book.
- (vii) Cheques totalling ₹ 1,300 drawn on November was not presented for payment.
- (viii) Cheque for ₹ 1,200 deposited on 30th November was not credited by the Bank.
- (ix) 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, 2018.

ILLUSTRATION 12 - RTP NOV 2019

On 30th September, 2019, the bank account of Neel, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹ 8,124. On the same date the bank statement showed a debit balance of ₹ 41,516 in favour of Neel. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹ 26,28,000 deposited on 29th September, 2019 was credited by the bank only on 3rd October, 2019
2. A payment by cheque for ₹ 32,000 has been entered twice in the Cash Book.
3. On 29th September, 2019, the bank credited an amount of ₹ 2,34,800 received from a customer of Neel, but the advice was not received by Neel until 1st October, 2019.
4. Bank charges amounting to ₹ 1,160 had not been entered in the Cash Book.
5. On 6th September, 2019, the bank credited ₹ 40,000 to Neel in error.

6. A bill of exchange for ₹ 2,80,000 was discounted by Neel with his bank. This bill was dishonoured on 28th September, 2019 but no entry had been made in the books of Neel.
7. Cheques issued upto 30th September, 2019 but not presented for payment upto that date totalled ₹ 26,52,000.

You are required:

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

ILLUSTRATION 13 - RTP MAY 2020

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

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

ILLUSTRATION 14 - RTP NOV 2020

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).
- (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).

ILLUSTRATION 15 - RTP MAY 2021

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.

ILLUSTRATION 16 - RTP DEC 2021

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

Cheques issued to 'X' for ₹ 60,000 and to 'Y' for ₹ 3,84,000 were not yet presented for payment.

Bank charged ₹ 350 for bank charges and 'Z' directly deposited ₹ 1,816 into the bank account, which were not entered in the cash book.

Two cheques-one from 'A' for ₹ 5,15,000 and another from 'B' for ₹ 12,500 were collected in the first week of April, 2021 although they were banked on 25.03.2021.

Interest allowed by bank ₹ 4,500.

Prepare a bank reconciliation statement as on 31st March, 2021.

ILLUSTRATION 17 - MTP MAY 2019 SERIES 1 (5 MARKS)

From the following particulars, **prepare** a Bank Reconciliation Statement for Pathak Ltd. As on 31.3.2017

- (1) Balance as per cash book is Rs. 1,20,000.
- (2) Cheques issued but not presented in the bank amounts to Rs. 68,000.
- (3) Bank charges amounts to Rs. 300.
- (4) Interest credited by bank amounts to Rs. 1,500.

ILLUSTRATION 18 - MTP MAY 2019 SERIES 2 (10 MARKS)

On 30th Sept. 2018 my Cash Book (Bank Column of Account No. 1) shows a Bank Overdraft of Rs. 49,350. On going through the Bank Pass book for reconciling the Balance, I found the following:

- (a) Out of cheques drawn on 26th Sept, those for Rs. 3,700 were cashed by the bankers on 2nd October.
- (b) A crossed cheque for Rs. 750 given to Abdul was returned by him and a bearer cheque was issued to him in lieu on 1st Oct.
- (c) Cash and cheques amounting to Rs. 3,400 were deposited in the Bank on 29th Sept., but cheques worth Rs. 1,300 were cleared by the Bank on 1st Oct., and one cheque for Rs. 250 was returned by them as dishonoured on the latter date.

- (d) According to my standing instructions, the bankers have on 30th Sept, paid Rs. 320 as interest to my creditors, paid quarterly premium on my policy amounting to Rs. 160 and have paid a second call of Rs. 600 on shares held by me and lodged with the bankers for safe custody. They have also received Rs. 150 as dividend on my shares and recovered an Insurance Claim of Rs. 800, as their charges and commission on the above being Rs. 15. On receipt of information of the above transaction, I have passed necessary entries in my Cash Book on 1st Oct.
- (e) My bankers seem to have given me a wrong credit for Rs. 500 paid in by me in No. 2 account and wrong debit in respect of a cheque for Rs. 300 drawn against my No. 2 account.

Prepare a Bank Reconciliation Statement as on 30th September, 2018.

ILLUSTRATION 19 - MTP NOV 2019 (10 MARKS)

On 30th September, 2017, the bank account of Neel, according to the bank column of the Cash-Book, was overdrawn to the extent of Rs. 8,124. On the same date the bank statement showed a credit balance of Rs. 41,516 in favour of Neel. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for Rs. 26,28,000 deposited on 29th September, 2017 was credited by the bank only on 3rd October, 2017
2. A payment by cheque for Rs. 32,000 has been entered twice in the Cash Book.
3. On 29th September, 2017, the bank credited an amount of Rs. 2,34,800 received from a customer of Neel, but the advice was not received by Neel until 1st October, 2017.
4. Bank charges amounting to Rs. 1,160 had not been entered in the Cash Book.
5. On 6th September, 2017, the bank credited Rs. 40,000 to Neel in error.

6. A bill of exchange for Rs. 2,80,000 was discounted by Neel with his bank. This bill was dishonoured on 28th September, 2017 but no entry had been made in the books of Neel.
7. Cheques issued upto 30th September, 2017 but not presented for payment upto that date totalled Rs. 26,52,000.

You are required :

- (a) to show the appropriate rectifications required in the Cash Book of Neel, to arrive at the correct balance on 30th September, 2017 and
- (b) to prepare a bank reconciliation statement as on that date.

ILLUSTRATION 20 - MTP MAY 2020 (10 MARKS)

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 Rs. 25,000 on 30th June, 2020.
- (ii) A cheque worth Rs. 400 directly deposited into Bank by customer but no entry was made in the Cash Book.
- (iii) Out of cheques issued worth Rs. 34,000, cheques amounting to Rs. 20,000 only were presented for payment till 30th June, 2020.
- (iv) A cheque for Rs. 4,000 received and entered in the Cash Book but it was not sent to the Bank.
- (v) Cheques worth Rs. 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, Rs. 14,000
 - (2) Cheques collected on 10th July, 2020, Rs. 4,000
 - (3) Cheques collected on 12th July, 2020, Rs. 2,000.

- (vi) The Bank made a direct payment of Rs. 600 which was not recorded in the Cash Book.
- (vii) Interest on Overdraft charged by the bank Rs. 1,600 was not recorded in the Cash Book.
- (viii) Bank charges worth Rs. 80 have been entered twice in the cash book whereas Insurance charges for Rs. 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 Rs. 2,000.

ILLUSTRATION 21 - MTP NOV 2020 (10 MARKS)

On 31st March 2020, the bank account of Chandan, 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 Chandan. An examination of the Cash Book and Bank statement reveals the following:

1. A cheque for ₹ 13,14,000 deposited on 29th March, 2020 was credited by the bank only on 4th April, 2020
2. A payment by cheque for ₹ 16,000 has been entered twice in the Cash Book.
3. On 29th March, 2020, the bank credited an amount of ₹ 1,17,400 received from a customer of Chandan, but the advice was not received by Chandan until 1st April, 2020.
4. Bank charges amounting to ₹ 580 had not been entered in the Cash Book.
5. On 6th March, 2020, the bank credited ₹ 20,000 to Chandan in error.

6. A bill of exchange for ₹ 1,40,000 was discounted by Chandan with his bank. This bill was dishonoured on 28th March, 2020 but no entry had been made in the books of Chandan.
7. Cheques issued upto 31st March, 2020 but not presented for payment upto that date totalled ₹ 13,26,000.

You are required :

- (a) to show the appropriate rectifications required in the Cash Book of Chandan, to arrive at the correct balance on 31st March, 2020 and
- (b) to prepare a bank reconciliation statement as on that date.

ILLUSTRATION 22 - MTP MAY 2021 SERIES 2 (10 MARKS)

On 30th September, 2020, the bank account of Sameer, according to the bank column of the Cash-Book, was overdrawn to the extent of Rs. 16,248. On the same date the bank statement showed a credit balance of Rs. 83,032 in favour of Sameer. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for Rs. 52,56,000 deposited on 29th September, 2020 was credited by the bank only on 3rd October, 2020
2. A payment by cheque for Rs. 64,000 has been entered twice in the Cash Book.
3. On 29th September, 2020, the bank credited an amount of Rs. 4,69,600 received from a customer of Sameer, but the advice was not received by Sameer until 1st October, 2020.
4. Bank charges amounting to Rs. 2,320 had not been entered in the Cash Book.
5. On 6th September, 2020, the bank credited Rs. 80,000 to Sameer in error.

6. A bill of exchange for Rs. 5,60,000 was discounted by Sameer with his bank. This bill was dishonoured on 28th September, 2020 but no entry had been made in the books of Sameer.
7. Cheques issued upto 30th September, 2020 but not presented for payment upto that date totalled Rs. 53,04,000.

You are required :

- (a) to show the appropriate rectifications required in the Cash Book of Sameer, to arrive at the correct balance on 30th September, 2020 and
- (b) to prepare a bank reconciliation statement as on that date.

ILLUSTRATION 23 - MTP DEC 2021 SERIES 1 (10 MARKS)

Prepare a Bank Reconciliation statement for Satyam Traders as on 31st March, 2021

The cash book of Satyam Traders shows a debit balance of ₹ 4,12,200 at bank as on 31st March, 2021, but you find that it does not agree with the balance as per Pass Book. After checking you find the following:

1. On 12th March, 2021 the payment side of the Cash Book was under cast by ₹ 12,000/-
2. A cheque of ₹ 85,000 issued on 20th March, 2021 was not taken in the bank column.
3. On 22nd March, 2021 the debit balance of ₹ 18,500 as on the previous day, was brought forwards as credit balance.
4. Out of the total cheques amounting to ₹ 42,000 issued in, the last week of March, 2021, cheques aggregating ₹ 28,500 were encashed in March, 2021.
5. Dividends of ₹ 35,000 collected by the Bank and Fire insurance premium of ₹ 20,000 paid by it were not recorded in the cash book.

6. One cheque issued to a Creditor of ₹ 1,29,000 was recorded twice in the Cash book.
7. A debtor Mr. A has deposited the Cheque for ₹ 32,000 into the bank directly in the month of March, 2021 without intimating to Satyam Traders and the same cheque was dishonored by the bank due to insufficient funds in the month of March itself.
8. A cheque from customer for ₹ 5,000 was deposited in bank on 28th March,2021 but was dishonored and advice received from bank on 3rd April, 2021.
9. Bank paid credit card bill of ₹ 2,500 which is not recorded in cash book.
10. Bank wrongly credited cheque of ₹ 25,000 of other customer in our account.
11. Bank credited cheque of ₹ 2,000 in savings account of proprietor of Satyam Traders instead of crediting cheque in current account of Satyam Traders.
12. ₹ 500 discount received wrongly entered in bank column in cash book.
13. Bank debited charges ₹ 200 on 25th March for which no intimation received till 31st March.

ILLUSTRATION 24 - MTP DEC 2021 SERIES 2 (4 MARKS)

From the following particulars, prepare a Bank Reconciliation Statement for Ayodhya Ltd. as on 31.3.2021

- (1) Balance as per cash book is Rs. 3,60,000.
- (2) Cheques issued but not presented in the bank amounts to Rs. 2,04,000.
- (3) Bank charges amounts to Rs. 900.
- (4) Interest credited by bank amounts to Rs. 4,500.



BILL OF EXCHANGE PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2019 (5 MARKS)

On 1st January 2018, 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, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for ₹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.

ILLUSTRATION 2 - PYP NOV 2020 (10 MARKS)

Suresh draws a bill for ₹15,000 on Anup on 15th April, 2020 for 3 months, which is returned by Anup to Suresh after accepting the same. Suresh gets it discounted with the bank for ₹14,700 on 18th April, 2020 and remits one-third amount to Anup. On the due date Suresh fails to remit the amount due to Anup, but he accepts bill of ₹17,500 for 3 months, which Anup discounts for ₹17,100 and remits ₹2,825 to Suresh. Before the maturity of the renewed bill Suresh becomes insolvent and only 50% was realized from his estate on 31st October, 2020.

Pass necessary Journal entries for the above transactions in the books of Suresh.

ILLUSTRATION 3 – PYP DEC 2021 (10 MARKS)

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

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

However, on 16th August, 2020 it was agreed between A and B that B would immediately pay Rs. 8,020 in cash and accept a new bill at 3 months for Rs. 12,480 which included interest for postponement of the part payment of the dishonored bill. A immediately sent new acceptance to it's bank for collection on the due date.

On 1st October, 2020 B approached A offering Rs. 12,240 for retirement of his acceptance. A accepted the request.

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

ILLUSTRATION 4 - RTP MAY 2018

Mr. B accepted a bill for ₹ 10,000 drawn on him by Mr. A on 1st August, 2017 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for ₹ 9,800.

On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that ₹ 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2017, B became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. A

ILLUSTRATION 5 - RTP NOV 2018

Prepare Journal entries for 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.
- (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.

ILLUSTRATION 6 - RTP MAY 2019

Rita owed ₹1,00,000 to Siriman. On 1st October, 2018, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for ₹99,000 on 3rd October, 2018. Before 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.

ILLUSTRATION 7 - RTP NOV 2019

Mr. B accepted a bill for ₹ 10,000 drawn on him by Mr. A on 1st August, 2017 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for ₹ 9,800.

On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that ₹ 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2017, B became insolvent and his estate paid 40%.

You are required to prepare Journal Entries in the books of Mr. A

ILLUSTRATION 8 - RTP MAY 2020

On 1st January 2018, 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, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for ₹ 25,000, the interest rebate i.e. discount being ₹ 250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Akshay.

ILLUSTRATION 9 - RTP NOV 2020

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. Before 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

ILLUSTRATION 10 - RTP MAY 2021

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

- (i) Samarth's acceptance to Aarav for ₹ 1,250 discharged by a cash payment of ₹ 500 and a new bill for the balance plus ₹ 25 for interest.
- (ii) G. Gupta's acceptance for ₹ 4,000 which was endorsed by Samarth to Sahni was dishonoured. Sahni paid ₹ 20 noting charges. Bill withdrawn against cheque.
- (iii) Harshad retires a bill for ₹ 5,000 drawn on him by Samarth for ₹ 20 discount.
- (iv) Samarth's acceptance to Patel for ₹ 19,000 discharged by Sandeep Chadha's acceptance to Samarth for a similar amount.

ILLUSTRATION 11 - RTP DEC 2021

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

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

ILLUSTRATION 12 - RTP JUNE 22

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

The bill of exchange for ₹ 32,000 is for two months while the bill of exchange for ₹ 50,000 is for three months. These bills are accepted by Vishal. On 4th March, 2021, Vishal requests Swapnil to renew the first bill with interest at 15% p.a. for a period of two months. Swapnil agreed to this proposal. On 25th March, 2021, Vishal retires the acceptance for ₹ 50,000, the interest rebate i.e. discount being ₹ 500. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Swapnil.

ILLUSTRATION 13 - MTP MAY 2019 SERIES 1 (10 MARKS)

Mr. B accepted a bill for Rs. 10,000 drawn on him by Mr. A on 1st August, 2017 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for Rs. 9,800.

On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that Rs. 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2017, B became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. A

ILLUSTRATION 14 - MTP NOV 2019 (5 MARKS)

Prepare Journal entries for the following transactions in K. Katrak's books.

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

ILLUSTRATION 15 - MTP MAY 2021 SERIES 1 (10 MARKS)

Mr. Z accepted a bill for Rs. 50,000 drawn on him by Mr. Y on 1st August, 2020 for 3 months. This was for the amount which Z owed to Y. On the same date Mr. Y got the bill discounted at his bank for Rs. 49,000.

On the due date, Z approached Y for renewal of the bill. Mr. Y agreed on condition that Rs. 10,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Z should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2020, Z became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. Y.

ILLUSTRATION 16 - MTP DEC 2021 SERIES 1 (10 MARKS)

Mr. Q accepted a bill for ₹ 10,000 drawn on him by Mr. P on 1st August, 2020 for 3 months. This was for the amount which Q owed to P. On the same date Mr. P got the bill discounted at his bank for ₹ 9,800.

On the due date, Q approached P for renewal of the bill. Mr. P agreed on condition that ₹ 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Q should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2020, Q became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. P



INVENTORY VALUATION

PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2019 (5 MARKS)

Raj Ltd. prepared their accounts financial year ended on 31st March 2019. Due to unavoidable circumstances actual stock has been taken on 10th April 2019, when it was ascertained at ₹ 1,25,000. It has been found that;

- (i) Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.*
- (ii) Purchases are entered in the Purchase Book on the day the Invoices are received.*
- (iii) Sales between 1st April 2019 to 9th April 2019 amounting to ₹ 20,000 as per Sales Day Book.*
- (iv) Free samples for business promotion issued during 1st April 2019 to 9th April 2019 amounting to ₹ 4,000 at cost.*

- (v) Purchases during 1st April 2019 to 9th April 2019 amounting to ₹ 10,000 but goods amounts to ₹ 2,000 not received till the date of stock taking.
- (vi) Invoices for goods purchased amounting to ₹ 20,000 were entered on 28th March 2019 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost.

Ascertain the value of Stock as on 31st March 2019.

ILLUSTRATION 2 - PYP NOV 2020 (10 MARKS)

Physical verification of stock in a business was done on 23rd February, 2020. The value of the stock was ₹ 28,00,000. The following transactions took place from 23rd February to 29th February, 2020 :

- (1) Out of the goods sent on consignment, goods at cost worth ₹ 2,30,000 were unsold.*
- (2) Purchases of ₹ 3,00,000 were made out of which goods worth ₹ 1,20,000 were delivered on 5th March, 2020.*
- (3) Sales were ₹ 13,60,000 which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 29th February, 2020, but no information is available regarding the remaining goods.*
- (4) Goods are sold at cost plus 25%. However goods costing ₹ 2,40,000 had been sold for ₹ 1,50,000.*

Determine the value of stock on 29th February, 2020.

ILLUSTRATION 3 - PYP JAN 2021 (5 MARKS)

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

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

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

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

ILLUSTRATION 4 - PYP JUL 2021 (5 MARKS)

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

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

ILLUSTRATION 5 – PYP DEC 2021 (4 MARKS)

The following are the details of the spare parts of an Oil Mill :

1-1-2021	Opening Inventory	Nil
1-1-2021	Purchases	10 Units @ Rs. 300 per unit
15-1-2021	Issued for consumption	5 Units
1-2-2021	Purchases	20 Units @ Rs. 400 per unit
15-2-2021	Issued for consumption	10 Units
20-2-2021	Issued for consumption	10 Units

Find out the value of Inventory as on 31-3-2021, if the company follows Weighted Average Method

ILLUSTRATION 6 - RTP MAY 2018

Closing stock is valued by XYZ Stores on generally accepted accounting principles.

Stock taking for the year ended 31st March, 2017 was completed by 10th April, 2017, 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, 2017.

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2017.

ILLUSTRATION 7 - RTP NOV 2018

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

- (i) The cost of stock on 31st December, 2017 as shown by the inventory sheet was ₹ 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, 2018 totalled ₹ 70,000. Out of this ₹ 3,000 related to goods received prior to 31st December, 2017. Invoices entered in April 2018 relating to goods received in March, 2018 totalled ₹ 4,000.
- (iv) Sales invoiced to customers totalled ₹ 90,000 from January to March, 2018. Of this ₹ 5,000 related to goods dispatched before 31st December, 2017. Goods dispatched to customers before 31st March, 2018 but invoiced in April, 2018 totalled ₹ 4,000.
- (v) During the final quarter, credit notes at invoiced 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, 2018.

ILLUSTRATION 8 - RTP MAY 2019

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

- (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.

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

ILLUSTRATION 9 - RTP NOV 2019

Stock taking of XYZ Stores for the year ended 31st March, 2019 was completed by 10th April, 2019, the valuation of which showed a stock figure of ₹ 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, 2019.

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2019. Closing stock is valued by XYZ Stores on generally accepted accounting principles.

ILLUSTRATION 10 - RTP MAY 2020

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

- (i) The cost of stock on 31st December, 2017 as shown by the inventory sheet was ₹ 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, 2018 totalled ₹ 70,000. Out of this ₹ 3,000 related to goods received prior to 31st December, 2017. Invoices entered in April 2018 relating to goods received in March, 2018 totalled ₹ 4,000.
- (iv) Sales invoiced to customers totalled ₹ 90,000 from January to March, 2018. Of this ₹ 5,000 related to goods dispatched before 31st December, 2017. Goods dispatched to customers before 31st March, 2018 but invoiced in April, 2018 totalled ₹ 4,000.
- (v) During the final quarter, credit notes at invoiced 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, 2018. Transfer of ownership takes place at the time of delivery of goods.

ILLUSTRATION 11 - RTP NOV 2020

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 godown 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.

ILLUSTRATION 12 - RTP MAY 2021

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

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

ILLUSTRATION 13 - RTP DEC 2021

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

- (i) The cost of stock on 30th September, 2020 as shown by the inventory sheet was ₹ 2,40,000.
- (ii) On 30th September, stock sheet showed the following discrepancies:
 - (a) A page total of ₹ 15,000 had been carried to summary sheet as ₹ 16,000.
 - (b) The total of a page had been undercast by ₹ 600.

- (iii) Invoice of purchases entered in the Purchase Book during the quarter from October,2020 to March,2021 totaled ₹ 2,10,000. Out of this ₹ 9,000 related to goods received prior to 30thSeptember, 2020. Invoices entered in April,2021 relating to goods received in March, 2021 totaled ₹12,000.
- (iv) Sales invoiced to customers totaled ₹2,70,000 from September,2020 to March, 2021. Of this ₹ 15,000 related to goods dispatched before 30th September, 2020. Goods dispatched to customers before 31st March, 2021 but invoiced in April, 2021 totaled ₹ 12,000.
- (v) During the final quarter, credit notes at invoiced value of ₹ 3,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2021.

ILLUSTRATION 14 - MTP MAY 2019 SERIES 1 (10 MARKS)

M/s Kedar, Profit and loss account showed a net profit of Rs. 8,00,000, after considering the closing stock of Rs. 7,50,000 on 31st March, 2017. Subsequently the following information was obtained from scrutiny of the books:

- (i) Purchases for the year included Rs. 30,000 paid for new electric fittings for the shop.
- (ii) M/s Kedar gave away goods valued at Rs. 80,000 as free samples for which no entry was made in the books of accounts.
- (iii) Invoices for goods amounting to Rs. 5,00,000 have been entered on 27th March, 2017, but the goods were not included in stock.
- (iv) In March, 2017 goods of Rs. 4,00,000 sold and delivered were taken in the sales for April, 2017.
- (v) Goods costing Rs. 1,50,000 were sent on sale or return in March, 2017 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2017 these were taken as sales for March, 2017.

You are required to **determine** the adjusted net profit for the year ended on 31.3.2017 and calculate the value of stock on 31st March, 2017.

ILLUSTRATION 15 - MTP MAY 2019 SERIES 2 (4 MARKS)

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

- (i) Sales Rs. 41,000 (including cash sales Rs. 10,000)
- (ii) Purchases Rs. 5,034 (including cash purchases Rs. 1,990)
- (iii) Sales Return Rs. 1,000.
- (iv) On 15th March, goods of the sale value of Rs. 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.

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

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

ILLUSTRATION 16 - MTP NOV 2019 (4 MARKS)

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

- (i) The cost of stock on 31st December, 2017 as shown by the inventory sheet was ₹ 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, 2018 totalled ₹ 70,000. Out of this ₹ 3,000 related to goods received prior to 31st December, 2017. Invoices entered in April 2018 relating to goods received in March, 2018 totalled ₹ 4,000.
- (iv) Sales invoiced to customers totalled ₹ 90,000 from January to March, 2018. Of this ₹ 5,000 related to goods dispatched before 31st December, 2017. Goods dispatched to customers before 31st March, 2018 but invoiced in April, 2018 totalled ₹ 4,000.
- (v) During the final quarter, credit notes at invoiced 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, 2018. Transfer of ownership takes place at the time of delivery of goods.

ILLUSTRATION 17 - MTP MAY 20 (5 MARKS)

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 godown came to Rs. 50,000. The following facts were established between 31st March and 15th April, 2020.

- (i) Sales Rs. 41,000 (including cash sales Rs. 10,000)
- (ii) Purchases Rs. 5,034 (including cash purchases Rs. 1,990)
- (iii) Sales Return Rs. 1,000.
- (iv) On 15th March, goods of the sale value of Rs. 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
- (v) The trader had also received goods costing Rs. 8,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by 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.

ILLUSTRATION 18 - MTP NOV 20 (10 MARKS)

Physical verification of stock in a business was done on 14th June, 2020. The value of the stock was ₹96,00,000. The following transactions took place between 14th June to 30th June, 2020:

- (i) Out of the goods sent on consignment, goods at cost worth ₹ 4,80,000 were unsold.
- (ii) Purchases of ₹ 8,00,000 were made out of which goods worth ₹ 3,20,000 were delivered on 5th July, 2020.
- (iii) Sales were ₹27,20,000, which include goods worth ₹ 6,40,000 sent on approval. Half of these goods were returned before 30th June, 2020, but no information is available regarding the remaining goods.
- (iv) Goods are sold at cost plus 25%. However goods costing ₹ 4,80,000 had been sold for ₹ 2,40,000.

You are required to determine the value of stock on 30th June, 2020.

ILLUSTRATION 19 - MTP MAY 2021 SERIES 1 (10 MARKS)

Universe 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, 2021 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2021 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2021 with the stock figure as on 31st December, 2020 and some other information is available to you:

- (i) The cost of stock on 31st December, 2020 as shown by the inventory sheet was Rs. 2,40,000.
- (ii) On 31st December, stock sheet showed the following discrepancies:
 - (a) A page total of Rs. 15,000 had been carried to summary sheet as Rs. 18,000.
 - (b) The total of a page had been undercast by Rs. 600.

- (iii) Invoice of purchases entered in the Purchase Book during the quarter from January to March, 2021 totalled Rs. 2,10,000. Out of this Rs. 9,000 related to goods received prior to 31st December, 2020. Invoices entered in April, 2021 relating to goods received in March, 2021 totalled Rs. 12,000.
- (iv) Sales invoiced to customers totalled Rs. 2,70,000 from January to March, 2021. Of this Rs. 15,000 related to goods dispatched before 31st December, 2020. Goods dispatched to customers before 31st March, 2021 but invoiced in April, 2021 totalled Rs. 12,000.
- (v) During the final quarter, credit notes at invoiced value of Rs. 3,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2021.



CONSIGNMENT PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2018 (10 MARKS)

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

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

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

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

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

ILLUSTRATION 2 – PYP NOV 2018 (10 MARKS)

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*
- (iii) Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.*

ILLUSTRATION 3 – PYP NOV 2019 (10 MARKS)

Anand of Bangalore consigned to Raj of Pune, goods to be sold at invoice price which represents 125% of cost. Raj is entitled to a commission of 10% on sales at invoice price and 25% of any excess realized over invoice price. The expenses on freight and insurance incurred by Anand were ₹ 12,000. The account sales received by Anand shows that Raj has effected sales amounting to ₹ 1,20,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹ 9,600 10% of consignment goods of the value of ₹ 15,000 were destroyed in fire at the Pune godown and the insurance company paid ₹ 12,000 net of salvage. Raj remitted the balance in favour of Anand.

You are required to prepare Consignment Account and the account of Raj in the books of Anand along with the necessary calculations.

ILLUSTRATION 4 - PYP NOV 2020 (5 MARKS)

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.

ILLUSTRATION 5 - PYP JAN 2021 (10 MARKS)

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

	Cost price	Selling price	Qty consigned
5 Kg. Tin	₹ 100 each	₹ 150 each	1,000 Tins
10 Kg. Tin	₹ 180 each	₹ 250 each	1,000 Tins

- (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.

ILLUSTRATION 6 - PYP JUL 2021 (10 MARKS)

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

Show the Consignment Account.

ILLUSTRATION 7 - RTP MAY 2018

Mr. A of Assam sent on 18th February, 2017 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, 2017, 600 DVD players @ ₹160 per DVD player and again on 20th May, 2017, 300 DVD players @ ₹170 each.

B is entitled to a commission of ₹25 per DVD player sold plus $\frac{1}{4}$ 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, 2017.

You are required to prepare the consignment account and B's account in the books of A.

ILLUSTRATION 8 - RTP NOV 2018

On 1.1.2018, Mr. Jill of Mumbai consigned to Mr. Jack of Chennai goods for sale at invoice price. Mr. Jack is entitled to a commission of 5% on sales at invoice price and 20% of any surplus price realized over and above the invoice price. Goods costing ₹ 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 31.3.2018, 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.

ILLUSTRATION 9 - RTP MAY 2019

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.

ILLUSTRATION 10 - RTP NOV 2019

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 has 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 godown. Kiran remitted the balance in favour of Manoj.

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

ILLUSTRATION 11 - RTP MAY 2020

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:

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.

ILLUSTRATION 12 - RTP NOV 2020

Mr. A of Assam sent on 18th February, 2020 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, 2020, 600 DVD players @ ₹ 160 per DVD player and again on 20th May, 2020, 300 DVD players @ ₹ 170 each.

B is entitled to a commission of ₹ 25 per DVD player sold plus $\frac{1}{4}$ 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, 2020.

You are required to prepare the consignment account and B's account in the books of A.

ILLUSTRATION 13 - RTP MAY 2021

Mr. Divik of Jaipur purchased, 5,000 pieces of sarees at ₹ 500 per saree. Out of these 3,000 sarees were sent on consignment to Mr. Manoj of Pillani at the selling price of ₹ 600 per saree. The consignor paid ₹ 30,000 for packing and freight. Mr. Manoj sold 2,500 sarees at ₹ 625 per saree and incurred ₹ 10,000 for selling expenses and remitted ₹ 5,00,000 to Jaipur on account of Mr. Divik. Mr. Manoj is entitled to a commission of 5% on total sales plus a further commission at 20% of surplus price realized over invoice price.

You are required to prepare Consignment Account in the books of Mr. Divik and Mr. Divik's account in the books of agent Mr. Manoj.

ILLUSTRATION 14 - RTP DEC 2021

Shikha of Delhi consigned to Reema of Mumbai, goods to be sold at invoice price which represents 125% of cost. Reema is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Shikha were ₹ 45,000. The account sales received by Shikha shows that Reema has effected sales amounting to ₹ 4,50,000 in respect of 75% of the consignment. Her selling expenses to be reimbursed were ₹ 36,000. 10% of consignment goods of the value of ₹ 56,250 were destroyed in fire at the Mumbai godown. Reema remitted the balance in favour of Shika.

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

ILLUSTRATION 15 - MTP MAY 2019 SERIES 2 (10 MARKS)

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

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

ILLUSTRATION 16 - MTP NOV 2019 (10 MARKS)

Gagan of Mumbai consigns 2,000 cases of goods costing Rs. 1,000 each to Kumar of Chennai. Gagan pays the following expenses in connection with consignment:

	Rs.
Carriage	20,000
Freight	60,000
Loading charges	20,000
Kumar sells 1,400 cases at Rs. 1,400 per case and incurs the following expenses:	
Clearing charges	17,000
Warehousing and storage charges	34,000
Packing and selling expenses	12,000

It is found that 100 cases have been lost in transit and 200 cases are still in transit.

Kumar is entitled to a commission of 10% on gross sales. You are required to prepare the Consignment Account and Kumar's Account in the books of Gagan.

ILLUSTRATION 17 - MTP MAY 20 (10 MARKS)

Raj of Gwalior consigned 15,000 kgs of Ghee at Rs. 30 per kg to his agent Siraj at Delhi. He spent Rs. 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. Rs. 9,000 was paid to consignor directly by the Insurance company as Insurance claim.

Siraj sold 7,500 kgs. at Rs. 60 per kg. He spent Rs. 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
- (iii) Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.

ILLUSTRATION 18 - MTP NOV 20 (12 MARKS)

Gagandeep of Delhi consigned to Mandeep of Ludhiana, goods to be sold at invoice price which represents 125% of cost. Mandeep 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 Gagandeep were ₹ 15,000. The account sales received by Gagandeep shows that Mandeep has 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 Ludhiana godown. Mandeep remitted the balance in favour of Gagandeep.

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

ILLUSTRATION 19 - MTP MAY 2021 SERIES 2 (10 MARKS)

Mr. Devender of Dehradun sent on 16th February, 2020 a consignment of 500 Pen drives to Mr. Satender of Bengal costing Rs. 100 each. Expenses of Rs. 750 were met by the consignor. Satender spent Rs. 1,500 for clearance and selling expenses were Rs. 20 per Pen Drive.

Satender sold on 15th March, 2020, 300 Pen drives @ Rs. 160 per Pen drive and again on 20th May, 2020, 150 Pen drives @ Rs. 170 each.

Satender is entitled to a commission of Rs. 25 per Pen drive sold plus $\frac{1}{4}$ of the amount by which the gross sale proceeds less total commission thereon exceeded a sum calculated @ Rs. 125 per Pen drive sold. Satender sent the amount due to Devender on 30th September, 2020.

You are required to prepare the consignment account and Satender's account in the books of Devender.

ILLUSTRATION 20 - MTP DEC 2021 SERIES 2 (10 MARKS)

Deepankar of Vijay Nagar consigns 500 cases of goods costing Rs. 3,000 each to Sandeep of Udaipur. Deepankar pays the following expenses in connection with the consignment:

Particulars	Rs.
Carriage	30,000
Freight	90,000
Loading Charges	30,000

Sandeep sells 350 cases at Rs. 4,200 per case and incurs the following expenses:

Clearing charges	36,000
Warehousing and Storage charges	50,000
Packing and selling expenses	14,000

It is found that 50 cases were lost in transit and another 50 cases were in transit. Sandeep is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Sandeep's Account in the books of Deepankar.



DEPRECIATION

PYP , RTP & MTP

ILLUSTRATION 1 – PYP NOV 2018 (4 MARKS)

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

ILLUSTRATION 2 – PYP MAY 2019 (10 MARKS)

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 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.

ILLUSTRATION 3 – PYP NOV 2019 (4 MARKS)

X purchased a machinery on 1st January 2017 for ₹ 4,80,000 and spent ₹ 20,000 on its installation. On July 1, 2017 another machinery costing ₹ 2,00,000 was purchased. On 1st July, 2018 the machinery purchased on 1st January, 2017 having become scrapped and was sold for ₹ 2,90,000 and on the same date fresh machinery was purchased for ₹ 5,00,000. Depreciation is provided annually on 31st December at the rate of 10% p.a. on written down value. Prepare Machinery account for the years 2017 and 2018.

ILLUSTRATION 4 - PYP JAN 2021 (10 MARKS)

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

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

ILLUSTRATION 5 - PYP JUL 2021 (4 MARKS)

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

ILLUSTRATION 6 - PYP DEC 2021 (5 MARKS)

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

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

ILLUSTRATION 7 - RTP MAY 2018

The M/s LG Transport purchased 10 trucks at ₹ 45,00,000 each on 1st April 2014. On October 1st, 2016, one of the trucks is involved in an accident and is completely destroyed and ₹ 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.

You are required to prepare the motor truck account for two year ending 31 Dec, 2017.

ILLUSTRATION 8 - RTP NOV 2018

M/s. Green Channel purchased a second-hand machine on 1st January, 2015 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000.

Another machine was purchased for ₹ 80,000 on 1st July, 2015.

On 1st July, 2017, the machine installed on 1st January, 2015 was sold for ₹ 1,00,000. Another machine amounted to ₹ 30,000 was purchased and was installed on 30th September, 2017.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2018 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2015 to 2018.

ILLUSTRATION 9 - RTP NOV 2019

M/s. Green Channel purchased a second-hand machine on 1st January, 2015 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000.

Another machine was purchased for ₹ 80,000 on 1st July, 2015.

On 1st July, 2017, the machine installed on 1st January, 2015 was sold for ₹ 1,00,000. Another machine amounted to ₹ 30,000 was purchased and was installed on 30th September, 2017.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2018 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2015 to 2018.

ILLUSTRATION 10 - RTP MAY 2020

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

ILLUSTRATION 11 - RTP NOV 2020

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.

ILLUSTRATION 12 - RTP MAY 2021

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.

ILLUSTRATION 13 - RTP DEC 2021

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

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

ILLUSTRATION 14 - MTP MAY 2019 SERIES 1 (10 MARKS)

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

You are required to prepare the motor truck account for two year ending 31 Dec, 2017.

ILLUSTRATION 15 - MTP MAY 2020 (5 MARKS)

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

ILLUSTRATION 16 - MTP NOV 2020 (6 MARKS)

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.

ILLUSTRATION 17 - MTP MAY 2021 SERIES 1 (10 MARKS)

M/s. JP Wires Co. purchased a second-hand machine on 1st January, 2017 for Rs. 3,20,000. Overhauling and erection charges amounted to Rs. 80,000.

Another machine was purchased for Rs. 1,60,000 on 1st July, 2017.

On 1st July, 2019, the machine installed on 1st January, 2017 was sold for Rs. 1,60,000. Another machine amounted to Rs. 60,000 was purchased and was installed on 30th September, 2019.

Under the existing practice the company provides depreciation @ 20% 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.

ILLUSTRATION 18 - MTP MAY 2021 SERIES 2 (4 MARKS)

A Plant & Machinery costing Rs. 40,00,000 is depreciated on straight line basis assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by Rs. 1,60,000. The remaining useful life was reassessed at 8 years. Calculate Depreciation for the fifth year.

ILLUSTRATION 19 - MTP DEC 2021 SERIES 1 (5 MARKS)

A Plant & Machinery costing ₹ 50,00,000 is depreciated on straight line assuming 10 year working life and zero residual value, for four years. At the end of the fourth year, the machinery was revalued upwards by ₹ 2,00,000. The remaining useful life was reassessed at 8th year. Calculate Depreciation for the fifth year.

ILLUSTRATION 20 - MTP DEC 2021 SERIES 2 (10 MARKS)

Anirudh and Associates purchased an old Machinery for Rs. 74,000 on 1st January, 2017 and spent Rs. 6,000 on its overhauling. On 1st July 2018, another machine was purchased for Rs. 20,000. On 1st July 2019, the machinery which was purchased on 1st January 2017, was sold for Rs. 56,000 and the same day a new machinery costing Rs. 50,000 was purchased. On 1st July, 2020, the machine which was purchased on 1st July, 2018 was sold for Rs. 4,000.

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, 2018 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January, 2017.



AVERAGE DUE DATE PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2018 (5 MARKS)

Mr. Alok owes Mr. Chirag ₹ 650 on 1st January 2018. 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, 2018 together with interest @ 6% per annum.
Calculate the interest by average due date method.

ILLUSTRATION 2 – PYP NOV 2018 (5 MARKS)

Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.23018 and the total amount due is ₹ 1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a.

- (i) On average due date
- (ii) On 28th August, 2018
- (iii) On 29th July, 2018

ILLUSTRATION 3 – PYP MAY 2019 (5 MARKS)

Two Traders Yogesh and Yusuf buy goods from one another, each allowing the others, one month's credit. At the end of 3 months the accounts rendered are as follows:

	Goods sold by Yogesh to Yusuf (₹)		Goods sold by Yusuf to Yogesh (₹)
April, 18	12,000	April, 23	10,600
March, 15	14,000	May, 24	10,000
June, 16	16,000		

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

ILLUSTRATION 4 – PYP NOV 2019 (5 MARKS)

The following amounts are due to X by Y. Y wants B to pay on 10th July, 2019.

Interest rate of 9% p.a. is taken into consideration.

Due dates	₹
10th January	750
26th January (Republic Day)	1,200
23rd March	3,300
18th August (Sunday)	4,100

Determine average due date and the amount to be paid on 10th July, 2019. Assume 10th January as base date.

ILLUSTRATION 5 - PYP NOV 2020 (5 MARKS)

Rakesh had the following bills receivable and bills payable against Mukesh.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
1 st June	3,400	3 month	29 th May	2,500	2 month
5 th June	2,900	3 month	3 rd June	3,400	3 month
9 th June	5,800	1 month	9 th June	5,700	1 month
12 th June	1,700	2 month			
20 th June	1,900	3 month			

15th August was a public holiday. However, 6th September, was also declared as sudden holiday.

Calculate the average due date, when the payment can be received or made without any loss of interest to either party.

ILLUSTRATION 6 - PYP JAN 2021 (5 MARKS)

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

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
12-06-20	5,000	3 months	27-05-20	3,700	3 months
10-07-20	6,200	1 month	07-06-20	4,000	3 months
15-07-20	3,500	3 months	10-07-20	5,000	1 month
12-06-20	1,500	2 months			
28-06-20	2,500	2 months			

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

ILLUSTRATION 7 - PYP JUL 2021 (5 MARKS)

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

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

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

ILLUSTRATION 8 - PYP DEC 2021 (5 MARKS)

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

	Rs.		Rs.
Purchases by Grow from Green		Sales by Grow to Green	
6th January 2021	60,000	6th January 2021	66,000
2nd February 2021	28,000	9th March 2021	24,000
31st March 2021	20,000	20th March 2021	5,000

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

ILLUSTRATION 9 - RTP MAY 2018

Calculate average due date from the following information:

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

ILLUSTRATION 10 - RTP NOV 2018

Mehnaaz accepted the following bills drawn by Shehnaaz.

On 8th March, 2018 ₹ 4,000 for 4 months.

On 16th March, 2018 ₹ 5,000 for 3 months.

On 7th April, 2018 ₹ 6,000 for 5 months.

On 17th May, 2018 ₹ 5,000 for 3 months.

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

ILLUSTRATION 11 - RTP MAY 2019

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

<i>Transaction Date</i>	<i>₹</i>	<i>Due Date</i>
March 5	300	April 08
April 15	200	May 18
May 10	275	June 13
June 5	400	July 10

Calculate Average due date.

ILLUSTRATION 12 - RTP NOV 2019

Mehnaaz accepted the following bills drawn by Shehnaaz.

On 8th March, 2018 ₹ 4,000 for 4 months.

On 16th March, 2018 ₹ 5,000 for 3 months.

On 7th April, 2018 ₹ 6,000 for 5 months.

On 17th May, 2018 ₹ 5,000 for 3 months.

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

ILLUSTRATION 13 - RTP MAY 2020

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

Date of bill	Amount	Usance of bill
9th April 2018	₹ 3,000	for 4 months
18th April 2018	₹ 5,500	for 3 months
25th May 2018	₹ 3,000	for 6 months
5th June 2018	₹ 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 2018-2019.

ILLUSTRATION 14 - RTP MAY 2021

From the following details calculate the average due date:

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

ILLUSTRATION 15 - RTP DEC 2021

Calculate average due date from the following information:

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

ILLUSTRATION 16 - MTP NOV 2019 (5 MARKS)

From the following details calculate the average due date:

Date of Bill	Amount (Rs.)	Usance of Bill
28 th January, 2018	5,000	1 month
20 th March, 2018	4,000	2 months
12 th July, 2018	7,000	1 month
10 th August, 2018	6,000	2 months

ILLUSTRATION 17 - MTP MAY 2021 SERIES 1 (5 MARKS)

Meera purchases goods on credit. His due dates for payments are given below. You are required to calculate average due date.

<i>Transaction Date</i>	<i>Rs.</i>	<i>Due Date</i>
August 5	600	Sept. 08
Sept. 15	400	Oct. 18
Oct. 10	550	Nov. 13
Nov. 5	800	Dec. 10

ILLUSTRATION 18 - MTP MAY 2021 SERIES 2 (5 MARKS)

Hari accepted the following bills drawn by Vinny:

On 8th March, 2020 Rs. 12,000 for 4 months.

On 16th March, 2020 Rs. 15,000 for 3 months.

On 7th April, 2020 Rs. 18,000 for 5 months.

On 17th May, 2020 Rs. 15,000 for 3 months.

He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 9 % p.a. and Hari wants to save Rs. 471 by way of interest. Calculate the date on which he has to effect the payment to save interest of Rs. 471.

ILLUSTRATION 19 - MTP DEC 2021 SERIES 1 (5 MARKS)

Calculate average due date from the following information:

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

ILLUSTRATION 20 - MTP DEC 2021 SERIES 2 (5 MARKS)

Amar accepted the following bills drawn by Pawan.

On 8th March, 2021 Rs. 16,000 for 4 months.

On 16th March, 2021 Rs. 20,000 for 3 months.

On 7th April, 2021 Rs. 24,000 for 5 months.

On 17th May, 2021 Rs. 20,000 for 3 months.

He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 18% p.a. and Amar wants to save Rs. 628 by way of interest. Calculate the date on which he has to effect the payment to save interest of Rs. 628.



ACCOUNT CURRENT PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2018 (5 MARKS)

From the following prepare an account current, as sent by Avinash to Bhuvanesh on 31st March, 2018 by means of products method charging interest @ 5% per annum:

Date	Particulars	Amount (₹)
2018 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 drawn by Avinash for one month	1,500
March 11	Sold goods to Bhuvanesh	720
March 14	Received cash from Bhuvanesh	800

ILLUSTRATION 2 – PYP NOV 2018 (5 MARKS)

From the following particulars prepare an account current, as sent by Mr. AB to Mr. XY as on 31st October, 2018 by means of product method charging interest @ 5% p.a.

Date	Particulars	(₹)
1 st July	Balance due from XY	1,500
20 th August	Sold goods to XY	2,500
28 th August	Goods returned by XY	400
25 th September	XY paid by cheque	1,600
20 th October	Received cash form XY	1,000

ILLUSTRATION 3 – PYP NOV 2019 (5 MARKS)

Ramesh has a Current Account with Partnership firm. He had a debit balance of ₹ 85,000 as on 01-07-2018. He has further deposited the following amounts:

Date	Amount (₹)
------	------------

14-07-2018	1,23,000
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18-08-2018	21,000
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He withdrew the following amounts:

Date	Amount (₹)
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29-07-2018	92,000
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09-09-2018	11,500
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Show Ramesh's A/c in the books of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September, 2018 by means of product of balances method.

ILLUSTRATION 4 - PYP NOV 2020 (5 MARKS)

From the following particulars prepare an account current, as sent by Mr. Raju to Mr. Sunil as on 31st October 2020 by means of product method charging interest @ 12% p.a.

2020	Particulars	Amount (₹)
1 st July	Balance due from Sunil	840
15 th August	Sold goods to Sunil	1,310
20 th August	Goods returned by Sunil	240
22 nd September	Sunil paid by cheque	830
15 th October	Received cash from Sunil	560

ILLUSTRATION 5 - PYP JAN 2021 (5 MARKS)

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

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

ILLUSTRATION 6 - PYP DEC 2021 (5 MARKS)

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

2021	Particulars	Rs.
Jan.1	Balance due from B	600
Jan.11	Sold goods to B	520
Jan.18	B returned 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

ILLUSTRATION 7 - RTP MAY 2018

Mr. A owed ₹ 4,000 on 1st January, 2016 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.

	₹
15 January, 2016 Mr. X sold goods to Mr. A	2,230
29 January, 2016 Mr. X bought goods from Mr. A	1,200
10 February, 2016 Mr. A paid cash to Mr. X	1,000
13 March, 2016 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, 2016.

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

ILLUSTRATION 8 - RTP NOV 2018

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

2017		₹	2017		₹
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			

ILLUSTRATION 9 - RTP MAY 2019

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

2017		₹
Oct.1	Balance due to G by H	3,000
Oct 18	Goods sold by G to H	2,500
Nov. 16	Goods sold by H to G (invoice dated November, 26)	4,000
Dec.7	Goods sold by H to G (invoice dated December, 17)	3,500

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

ILLUSTRATION 10 - RTP NOV 2019

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

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

They agree to settle their complete accounts by one single payment on 15th March, 2019.

Prepare Mr. A in Account Current with Mr. X and ascertain the amount to be paid. Ignore days of grace. Assume 1 year = 366 Days.

ILLUSTRATION 11 - RTP MAY 2020

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, 2019. Interest is to be charged and/or allowed @ 12% p.a. (Take 365 days in year)

2019		₹
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

ILLUSTRATION 12 - RTP NOV 2020

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
<p>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.(1 year =365 Days)</p>		

ILLUSTRATION 13 - RTP MAY 2021

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

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

March	01	Kamal sold goods to Vimal	16,800
March	18	Vimal sold goods to Kamal	27,600
March	23	Kamal sold goods to Vimal	12,000

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

ILLUSTRATION 14 - RTP DEC 2021

Mr. P owed ₹ 12,000 on 1st January, 2021 to Mr. Q. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

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

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

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

ILLUSTRATION 15 - MTP MAY 2020 (5 MARKS)

Mr. A owed Rs. 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.

	Rs.
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.

ILLUSTRATION 16 - MTP NOV 2020 (8 MARKS)

On 1st January, 2020, Ankur account in Varun ledger showed a debit balance of ₹ 2,500. The following transactions took place between Varun and Ankur during the quarter ended 31st March, 2020:

2020		₹
Jan. 11	Varun sold goods to Ankur	3,000
Jan. 24	Varun received a promissory note from Ankur due after 3 months	2,500
Feb. 01	Ankur sold goods to Varun	5,000
Feb. 04	Varun sold goods to Ankur	4,100
Feb. 07	Ankur returned goods to Varun	500

March 01	Ankur sold goods to Varun	2,800
March 18	Varun sold goods to Ankur	4,600
March 23	Ankur sold goods to Varun	2,000

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

ILLUSTRATION 17 - MTP DEC 2021 SERIES 1 (5 MARKS)

Mr. Lalit owed ₹ 4,000 on 1st January, 2021 to Mr. Sumit. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

	₹
15 January, 2021 Mr. Sumit sold goods to Mr. Lalit	2,230
29 January, 2021 Mr. Sumit bought goods from Mr. Lalit	1,200
10 February, 2021 Mr. Lalit paid cash to Mr. Sumit	1,000
13 March, 2021 Mr. Lalit accepted a bill drawn by Mr. Sumit for one month	2,000

They agree to settle their complete accounts by one single payment on 15th March, 2021. Prepare Mr. Lalit in Account Current with Mr. Sumit and ascertain the amount to be paid. Ignore days of grace.

ILLUSTRATION 18 - MTP DEC 2021 SERIES 2 (5 MARKS)

The following are the transactions that took place between A and B during the period from 1st October, 2020 to 31st March, 2021:

2020		Rs.
Oct.1	Balance due to A by B	3,000
Oct 18	Goods sold by A to B	2,500
Nov. 16	Goods sold by B to A (invoice dated November, 26)	4,000
Dec.7	Goods sold by B to A (invoice dated December, 17)	3,500

2021		Rs.
Jan. 3	Promissory note given by A to B, at three months	5,000
Feb. 4	Cash paid by A to B	1,000
Mar. 21	Goods sold by A to B	4,300
Mar.28	Goods sold by B to A (invoice dated April, 8)	2,700
<p>Draw up an Account Current up to March 31st, 2021 to be rendered by A to B, charging interest at 10% per annum. Interest is to be calculated to the nearest rupee.</p>		



SALES OF GOODS ON APPROVAL BASIS PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2018 (5 MARKS)

Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2017.

December 2nd - Sent goods to customers on sale or return basis at cost plus 25% - ₹ 80,000

December 10th - Goods returned by customers ₹ 35,000

December 17th - Received letters from customers for approval ₹ 35,000

December 23rd - Goods with customers awaiting approval ₹ 15,000

Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Badhri assuming that the accounting year closes on 31st Dec. 2017.

ILLUSTRATION 2 - PYP NOV 2018 (5 MARKS)

Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2018, the Trade Receivables balance stood at ₹ 75,000 which included ₹ 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to-

Mr. Adhitya ₹ 3,900 and Mr. Bakkiram ₹ 2,600.

Mr. Adhitya sent intimation of acceptance on 25th April, 2018 and Mr. Bakkiram returned the goods on 15th April, 2018.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March, 2018. Show also the entries to be made during April, 2018. Value of Closing Inventories as on 31st March, 2018 was ₹ 50,000.

ILLUSTRATION 3 - PYP NOV 2019 (5 MARKS)

A firm sends good on "Sale or Return basis. Customers have the choice of returning the goods within a month. During May 2018, the following are the details of goods sent:

Date (May)	2	8	12	18	20	27
Customers	P	B	Q	D	E	R
Value (₹)	17,000	22,000	25,000	5,500	2,000	28,000

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 Q for Sale or Return Account as on 15th June 2019.

ILLUSTRATION 4 - PYP JAN 2021 (5 MARKS)

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

- (1) 100 units of goods costing ₹ 500 each sent to XYZ Limited on Sales or Return Basis @ ₹ 750 per unit. This transaction was however treated as actual sales in the books of accounts.*
- (2) Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ ₹ 700 per unit. No information was received about acceptability of balance units by the year end.*

ILLUSTRATION 5 - PYP JUL 2021 (5 MARKS)

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

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

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

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

- (i) Goods on sale or return, sold and returned day books*
- (ii) Goods on sales or return total account*

ILLUSTRATION 6 - RTP MAY 2018

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

Date of dispatch	Party's name	Amount ₹	Remarks
10.12.2017	M/s ABC Co.	10,000	No information till 31.12.2017
12.12.2017	M/s DEF Co	15,000	Returned on 16.12.2017
15.12.2017	M/s GHI Co	12,000	Goods worth ₹ 2,000 returned on 20.12.2017
20.12.2017	M/s DEF Co	16,000	Goods Retained on 24.12.2017
25.12.2017	M/s ABC Co	11,000	Good Retained on 28.12.2017
30.12.2017	M/s GHI Co	13,000	No information till 31.12.2017

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, 2017.

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

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

Goods on sales or return total account.

ILLUSTRATION 7 - RTP MAY 2019

On 31st December, 2018 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.

ILLUSTRATION 8 - RTP NOV 2019

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

Date of dispatch	Party's name	Amount ₹	Remarks
10.12.2019	M/s ABC Co.	10,000	No information till 31.12.2019
12.12.2019	M/s DEF Co	15,000	Returned on 16.12.2019
15.12.2019	M/s GHI Co	12,000	Goods worth ₹ 2,000 returned on 20.12.2019
20.12.2019	M/s DEF Co	16,000	Goods Retained on 24.12.2019
25.12.2019	M/s ABC Co	11,000	Good Retained on 28.12.2019
30.12.2019	M/s GHI Co	13,000	No information till 31.12.2019

Goods are to be returned within 15 days from the dispatch, failing which it will be treated as sales. The books of 'X' are closed on the 31st December, 2019.

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

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

Goods on sales or return total account.

ILLUSTRATION 9 - RTP MAY 2020

Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2018, the Trade Receivables balance stood at ₹ 75,000 which included ₹ 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to-

Mr. Adhitya ₹ 3,900 and Mr. Bakkiram ₹ 2,600.

Mr. Adhitya sent intimation of acceptance on 25th April, 2018 and Mr. Bakkiram returned the goods on 15th April, 2018.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March, 2018. Show also the entries to be made during April, 2018. Value of Closing Inventories as on 31st March, 2018 was ₹ 50,000.

ILLUSTRATION 10 - RTP NOV 2020

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

Date of dispatch	Party's name	Amount ₹	Remarks
10.12.2019	M/s ABC Co.	10,000	No information till 31.12.2019
12.12.2019	M/s DEF Co	15,000	Returned on 16.12.2019
15.12.2019	M/s GHI Co	12,000	Goods worth ₹ 2,000 returned on 20.12.2019
20.12.2019	M/s DEF Co	16,000	Goods Retained on 24.12.2019
25.12.2019	M/s ABC Co	11,000	Good Retained on 28.12.2019
30.12.2019	M/s GHI Co	13,000	No information till 31.12.2019

Goods are to be returned within 15 days from the dispatch, failing which it will be treated as sales. The books of 'X' are closed on the 31st December, 2019.

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

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

Goods on sales or return total account.

ILLUSTRATION 11 - RTP MAY 2021

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

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

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

Prepare the following accounts in the books of Madhu.

- (a) Goods on “sales or return, sold and returned day books”.
- (b) Goods on sales or return total account.

ILLUSTRATION 12 - RTP DEC 2021

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

ILLUSTRATION 13 - MTP MAY 2020 (5 MARKS)

Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2019.

December 2nd - Sent goods to customers on sale or return basis at cost plus 25% - Rs. 80,000

December 10th - Goods returned by customers Rs. 35,000

December 17th - Received letters from customers for approval Rs. 35,000

December 23rd - Goods with customers awaiting approval Rs. 15,000

Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Badhri assuming that the accounting year closes on 31st Dec. 2019. Considered that the transaction values are at involve price (including profit margin).

ILLUSTRATION 14 - MTP MAY 2021 SERIES 1 (5 MARKS)

On 31st March, 2021 goods sold at a sale price of Rs. 30,000 were lying with customer, Sapan to whom these goods were sold on 'sale or return basis' were recorded as actual sales. Since no consent has been received from Sapan, you are required to pass adjustment entries presuming goods were sent on approval at a profit of cost plus 25%. Present market price is 20% less than the cost price.

ILLUSTRATION 15 - MTP MAY 2021 SERIES 2 (5 MARKS)

A firm sends good on "Sale or Return basis. Customers have the choice of returning the goods within a month. During October,2020 the following are the details of goods sent:

Date (Oct)	2	8	12	18	20	27
Customers	U	V	W	X	Y	Z
Value (Rs.)	10,000	15,000	18,000	5,500	2,000	21,000

Within the stipulated time, U and W returned the goods and V, X and Y signified that they have accepted the goods.

Show in the books of the firm, the Sale or Return Account and Customer W for Sale or Return Account as on 15th November 2020.

ILLUSTRATION 16 - MTP DEC 2021 SERIES 2 (5 MARKS)

On 31st December, 2020 goods sold at a sale price of Rs. 18,000 were lying with customer, Mansi to whom these goods were sold on 'sale or return basis' were recorded as actual sales. Since no consent has been received from Mansi, 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.



PARTNERSHIP BASICS

PYP , RTP & MTP

ILLUSTRATION 1 - PYP DEC 2021 (5 MARKS)

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

As per the provision of partnership deed:

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

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

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

ILLUSTRATION 2 - RTP MAY 2018

A, B and C entered into partnership on 1.1.2017 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than ₹ 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 31.12.2017 before providing for interest on partners capital was ₹ 1,59,000.

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

ILLUSTRATION 3 - RTP MAY 2020

A, B and C entered into partnership on 1.1.2019 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than ₹ 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 partners capital was ₹ 1,59,000.

You required to prepare the Profit and Loss Appropriation Account.

ILLUSTRATION 4 - RTP MAY 2021

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

ILLUSTRATION 5 - RTP DEC 2021

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

Profits for the year ending 31.12.2020 before providing for interest on partners capital was ₹ 79,500.

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



PARTNERSHIP – VALUATION OF GOODWILL PYP , RTP & MTP

ILLUSTRATION 1 - RTP MAY 2018

J and K are partners in a firm. Their capital are J ₹ 3,00,000 and K ₹ 2,00,000. During the year ended 31st March, 2017 the firm earned a profit of ₹ 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:

- (i) By Capitalization Method; and
- (ii) By Super Profit Method if the goodwill is valued at 2 years' purchase of Super Profit.

ILLUSTRATION 2 - RTP NOV 2018

Vasudevan, Sunderarajan and Agrawal are in partnership sharing profit and losses at the ratio of 2:5:3. The Balance Sheet of the partnership as on 31.12.2017 was as follows:

Balance Sheet of M/s Vasudevan, Sunderarajan & Agrawal

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

The partnership earned profit ₹ 2,00,000 in 2017 and the partners withdrew ₹ 1,50,000 during the year. Normal rate of return 30%.

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

ILLUSTRATION 3 - RTP MAY 2019

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

ILLUSTRATION 4 - RTP NOV 2019

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

Balance Sheet of M/s Vasudevan, Sunderarajan & Agrawal

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

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

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

ILLUSTRATION 5 - RTP NOV 2019

J and K are partners in a firm. Their capitals are: J ₹ 3,00,000 and K ₹ 2,00,000. During the year ended 31st March, 2019 the firm earned a profit of ₹ 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:

- (i) By Capitalization Method; and
- (ii) By Super Profit Method if the goodwill is valued at 2 years' purchase of Super Profit.

ILLUSTRATION 6 - RTP MAY 2020

J and K are partners in a firm. Their capital are J ₹ 3,00,000 and K ₹ 2,00,000. During the year ended 31st March, 2019 the firm earned a profit of ₹ 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:

- (i) By Capitalization Method; and
- (ii) By Super Profit Method if the goodwill is valued at 2 years' purchase of Super Profit.

ILLUSTRATION 7 - RTP NOV 2020

J and K are partners in a firm. Their capitals are: J ₹ 3,00,000 and K ₹ 2,00,000. During the year ended 31st March, 2019 the firm earned a profit of ₹ 1,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:

- (i) By Capitalization Method; and
- (ii) By Super Profit Method if the goodwill is valued at 2 years' purchase of Super Profit.

ILLUSTRATION 8 - RTP MAY 2021

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

ILLUSTRATION 9 - RTP DEC 2021

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

Balance Sheet of M/s Amar, Akbar, Anthony

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

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

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



PARTNERSHIP – ADMISSION OF PARTNER PYP , RTP & MTP

ILLUSTRATION 1 – PYP NOV 2018 (15 MARKS)

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

Liabilities	(₹)	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			
Ramesh 15,000			
Naresh <u>10,000</u>	40,000		
		Cash in hand	2,800
		Cash at Bank	<u>2,200</u>
	<u>72,500</u>		<u>72,500</u>

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 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) Reserve 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.

ILLUSTRATION 2 - PYP DEC 2021 (10 MARKS)

A and B are partners, sharing profit and losses in the proportion of $\frac{3}{4}$ th and $\frac{1}{4}$ th. As at 31st March, 2021, following is the balance sheet of A and B:

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

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

- i. Goodwill is to be valued at Rs. 2,00,00. C is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to A and B for their sacrifice in favor of C through C's current account.
- ii. C pays Rs. 1,40,000 as his capital for 1/5th share in the future profits.
- iii. Stock and Furniture be reduced by 10%.
- iv. A provision @5% for doubtful debts be created on debtors.
- v. Land and Building be appreciated by 20%.
- vi. Capital Accounts of the partners be readjusted on the basis of their profits-sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts.

ILLUSTRATION 3 - RTP MAY 2019

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

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

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

- (i) He is admitted for $\frac{1}{6}$ th share in 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, partners therefore, decide to raise goodwill account in the books of the firm. They further decide to calculate goodwill on the basis of 'C's share in the profits and the capital contribution made by him to the firm.
- (iv) Furniture is to be written down by ₹ 870 and Stock to be depreciated by 5%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for ₹ 1,560. The value of Buildings having appreciated be brought upto ₹ 29,200. The value of investment is increased by ₹ 450.

(v) It is found that the creditors included a sum of ₹ 1,400, which is not to be paid off.

Prepare the following:

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

ILLUSTRATION 4 - RTP MAY 2021

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 $\frac{1}{5}$ th 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 account.
4. Balance Sheet after admission

ILLUSTRATION 5 - MTP MAY 2019 SERIES 1 (12 MARKS)

The Balance Sheet of a Partnership Firm M/s AB & Co consisted of two partners A and B who were sharing Profits and Losses in the ratio of 5 : 3 respectively. The position as on 31-03-2018 was as follows:

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
A's Capital	4,10,000	Land & Building	3,80,000
B's Capital	3,30,000	Plant & Machinery	1,70,000
Profit & Loss A/c	1,12,000	Furniture	1,09,480
Trade Creditors	54,800	Stock	1,45,260
		Sundry debtors	60,000
		Cash at Bank.	42,060
	9,06,800		9,06,800

On the above date, C was admitted as a partner on the following terms:

- (a) C should get $\frac{1}{5}$ th of share of profits.
- (b) C brought Rs. 2,40,000 as his capital and Rs. 32,000 for his share of Goodwill.
- (c) Plant and Machinery would be depreciated by 15% and Land & Buildings would be appreciated by 40%.

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

An unrecorded liability of Rs. 6,000 for repairs to Buildings would be recorded in the books of accounts.

- (d) Immediately after C's admission, Goodwill brought by him would be adjusted among old partners. Thereafter, the capital accounts of old partners would be adjusted through the current accounts of partners in such a manner that the capital accounts of all the partners would be in their profit sharing ratio.

Prepare Revaluation A/c, Capital Accounts of the partners, New profit sharing ratio and Balance Sheet of the Firm after the admission of C.

ILLUSTRATION 6 - MTP NOV 2020 (15 MARKS)

P and Q are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of P and Q as on 31.3.2020 was as follow:

Liabilities	Amount ₹	Assets		Amount ₹
Sundry Creditors	25,800	Building		52,000
Bill Payable	8,200	Furniture		11,600
Bank Overdraft	18,000	Stock-in-Trade		42,800
Capital Accounts:		Debtors	70,000	
P 88,000		Less: Provision	<u>400</u>	69,600
Q <u>72,000</u>	1,60,000	Investment		5,000
		Cash		<u>31,000</u>
	<u>2,12,000</u>			<u>2,12,000</u>

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

- (i) He is admitted for $\frac{1}{6}$ th share in future profits and to introduce a Capital of ₹ 50,000.
- (ii) The new profit sharing ratio of P, Q and R will be 3 : 2 : 1 respectively.
- (iii) 'R' is unable to bring in cash for his share of goodwill, partners therefore, decide to raise goodwill account in the books of the firm. They further decide to calculate goodwill on the basis of 'R's share in the profits and the capital contribution made by him to the firm.
- (iv) Furniture is to be written down by ₹ 1,740 and Stock to be depreciated by 5%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for ₹3,120. The value of Buildings having appreciated be brought upto ₹ 58,400. The value of investment is increased by ₹ 900.
- (v) It is found that the creditors included a sum of ₹ 2,800, which is not to be paid off.

Prepare the following:

- (i) Revaluation Account.
- (ii) Partners' Capital Accounts.
- (iii) Balance Sheet of New Partnership firm after admission of 'R'.

ILLUSTRATION 7 - MTP MAY 2021 SERIES 2 (15 MARKS)

Alpha and Beta are partners in a firm, sharing Profits and Losses in the ratio of 3 : 2. The Balance Sheet of Alpha and Beta as on 1.1.2021 was as follows:

Liabilities	Amount Rs.	Assets		Amount Rs.
Sundry Creditors	25,800	Building		52,000
Bill Payable	8,200	Furniture		11,600
Bank Overdraft	18,000	Stock-in-Trade		42,800
Capital Account:		Debtors	70,000	
Alpha 88,000		Less: Provision	<u>400</u>	69,600
Beta <u>72,000</u>	1,60,000	Investment		5,000
		Cash		<u>31,000</u>
	<u>2,12,000</u>			<u>2,12,000</u>

‘Gama’ was admitted to the firm on the above date on the following terms:

- (i) He is admitted for 1/6th share in future profits and to introduce a Capital of Rs. 50,000.
- (ii) The new profit sharing ratio of Alpha, Beta and Gama will be 3 : 2 : 1 respectively.
- (iii) ‘Gama’ is unable to bring in cash for his share of goodwill, partners therefore, decide to raise goodwill account in the books of the firm. They further decide to calculate goodwill on the basis of ‘Gama’s share in the profits and the capital contribution made by him to the firm. Later, the goodwill was written off among all the partners in the new profit sharing ratio.
- (iv) Furniture is to be written down by Rs. 1,740 and Stock to be depreciated by 10%. A provision is required for Debtors @ 5% for Bad Debts. A provision would also be made for outstanding wages for Rs. 3,120. The value of Buildings having appreciated be brought upto Rs. 58,400. The value of investment is increased by Rs. 900.
- (v) It is found that the creditors included a sum of Rs. 2,800, which is not to be paid off.

Prepare the following:

- (i) Revaluation Account.
- (ii) Partners' Capital Accounts.
- (iii) Balance Sheet of New Partnership firm after admission of 'Gama'.

ILLUSTRATION 8 - MTP DEC 2021 SERIES 2 (10 MARKS)

Moscow and Danial are partners of the firm MD & Co., from 1.4.2017. Initially both of them contributed Rs. 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 31.3.2021 were finalized, the partners decided to share profits and losses equally with effect from 1.4.2017.

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 31 st March	2018	2019	2020	2021
	Rs.	Rs.	Rs.	Rs.
Profit as per accounts prepared and finalized	70,000	1,30,000	1,60,000	1,80,000
Expenses not provided for (as at 31 st March)	15,000	10,000	18,000	12,000
Incomes not taken into account (as at 31 st March)	9,000	7,500	6,000	10,500

The partners decided to admit Spinny as a partner with effect from 1.4.2021. It was decided that Spinny would be allotted 20% share in the firm and he must bring 20% of the combined capital of Moscow and Danial.

Following is the Balance sheet of the firm as on 31.3.2021 before admission of Spinny and before adjustment of revised profits between Moscow and Danial.

Balance Sheet of MD & Co. as at 31.3.2021

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Plant and machinery	30,000
Moscow	1,05,750	Cash on hand	5,000
Danial	75,750	Cash at bank	2,500
Trade Payables	1,13,500	Stock in trade	1,55,000
		Trade Receivables	1,02,500
	2,95,000		2,95,000

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 Spinny.



**PARTNERSHIP –
RETIREMENT OF PARTNER
PYP , RTP & MTP**

ILLUSTRATION 1 – PYP MAY 2018 (10 MARKS)

A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2018 stood as:

Liabilities	₹		Assets	₹	
Capital Accounts			Building		10,00,000
A	8,00,000		Furniture		2,40,000
B	4,20,000		Office equipments		2,80,000
C	<u>4,00,000</u>	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	<u>30,000</u>	2,70,000

			Joint life policy		1,60,000
			Cash at Bank		<u>1,50,000</u>
		<u>23,50,000</u>			23,50,000

B retired on 1st April, 2018 subject to the following conditions:

- (i) Office Equipments revalued at ₹ 3,27,000.
- (ii) Building revalued at ₹ 15,00,000. Furniture is written down by ₹ 40,000 and Stock is reduced to Rs,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
- (v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	₹
2014	90,000
2015	1,40,000
2016	1,20,000
2017	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.

ILLUSTRATION 2 – PYP NOV 2020 (10 MARKS)

M/s. TB 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:

Liabilities	Amount (₹)	Assets	Amount (₹)
A's Capital A/c	1,24,000	Land	1,20,000
B's Capital A/c	96,000	Building	2,20,000
C's Capital A/c	1,60,000	Plant & Machinery	4,00,000
Long Term Loan	4,20,000	Investments	42,000
Bank Overdraft	64,000	Inventories	1,36,000
Trade Payables	<u>2,13,000</u>	Trade Receivables	<u>1,59,000</u>
	10,77,000		10,77,000

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, following adjustments are to be made:

- (a) Goodwill of the firm is to be valued at ₹ 3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.
- (b) Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹ 46,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.
- (c) In the reconstituted firm, the total capital will be 4 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.

You are required to prepare Revaluation Account and Partners' Capital Accounts after reconstitution, along with working notes.

ILLUSTRATION 3 – PYP JULY 2021 (5 MARKS)

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

2017	Nil
2018	₹ 900
2019	₹ 2,000
2020	₹ 3,600

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

ILLUSTRATION 4 - RTP MAY 2018

On 31st March, 2017, the Balance Sheet of P, Q and R sharing profits and losses in proportion to their Capital stood as below:

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

On 1st April, 2017, P desired to retire from the firm and remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities on that date on the following basis:

- (i) Land and Building be appreciated by 20%.
- (ii) Plant and Machinery be depreciated by 30%.
- (iii) Stock of goods to be valued at ₹10,000.
- (iv) Old credit balances of Sundry creditors, ₹2,000 to be written back.
- (v) Provisions for bad debts should be provided at 5%.
- (vi) Joint life policy of the partners surrendered and cash obtained ₹ 7,550.
- (vii) Goodwill of the entire firm is valued at ₹14,000 and P's share of the goodwill is adjusted in the A/cs of Q and R, who would share the future profits equally. No goodwill account being raised.
- (viii) The total capital of the firm is to be the same as before retirement. Individual capital is in their profit sharing ratio.
- (ix) Amount due to Mr. P is to be settled on the following basis:
50% on retirement and the balance 50% within one year.

Prepare (a) Revaluation account, (b) The Capital accounts of the partners, (c) Cash account and (d) Balance Sheet of the new firm M/s Q & R as on 1.04.2017.

ILLUSTRATION 5 - RTP NOV 2018

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

Liabilities		₹	Assets	₹
Capitals:			Land	10,000
Mr. P	80,000		Buildings	2,00,000
Mr. Q	20,000		Plant and machinery	1,30,000
Mr. R	30,000	1,30,000	Furniture	43,000
Reserves			Investments	12,000
(un-appropriated profit)		20,000	Inventories	1,30,000

Long Term Debt		3,00,000	Trade receivables	1,39,000
Bank Overdraft		44,000		
Trade payables		1,70,000		
		6,64,000		6,64,000

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

- (a) Goodwill is to be valued at ₹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. P, Mr. R and Mr. T in their new profit sharing ratio, which is 2:2:1.
- (i) The surplus funds, if any, will be used for repaying bank overdraft.
- (ii) The amount due to retiring partner shall be transferred to his loan account.

Required:

Prepare

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

ILLUSTRATION 6 - RTP NOV 2020

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

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

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

- (i) Land and Building be appreciated by 20%.
- (ii) Plant and Machinery be depreciated by 30%.
- (iii) Stock of goods to be valued at ₹10,000.
- (iv) Old credit balances of Sundry creditors, ₹2,000 to be written back.
- (v) Provisions for bad debts should be provided at 5%.
- (vi) Joint life policy of the partners surrendered and cash obtained ₹ 7,550.
- (vii) Goodwill of the entire firm is valued at ₹14,000 and P's share of the goodwill is adjusted in the A/cs of Q and R, who would share the future profits equally. No goodwill account being raised.
- (viii) The total capital of the firm is to be the same as before retirement. Individual capital is in their profit sharing ratio.
- (ix) Amount due to Mr. P is to be settled on the following basis:
50% on retirement and the balance 50% within one year.

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

ILLUSTRATION 7 - MTP MAY 2019 SERIES 2 (10 MARKS)

Neha & Co. is a partnership firm with partners Mr. P, Mr. Q and Mr. R, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2019 is as under:

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

It was mutually agreed that Mr. Q will retire from partnership and in his place Mr. T will be admitted as a partner with effect from 1st April, 2019. For this purpose, the following adjustments are to be made:

- (a) Goodwill is to be valued at Rs.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 Rs.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 Rs. 2 lakhs which will be contributed by Mr. P, Mr. R and Mr. T in their new profit sharing ratio, which is 2:2:1.
 - (i) The surplus funds, if any, will be used for repaying bank overdraft.
 - (ii) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare

- (a) Revaluation account;
- (b) Partners' capital accounts;
- (c) Bank account;

ILLUSTRATION 8 - MTP DEC 2021 SERIES 1 (15 MARKS)

Superior & Co. is a partnership firm with partners Mr. Sam, Mr. Tim and Mr. Lee, 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. Sam	80,000		Buildings	2,00,000
Mr. Tim	20,000		Plant and machinery	1,30,000
Mr. Lee	30,000	1,30,000	Furniture	43,000
Reserves			Investments	12,000
(un-appropriated profit)		20,000	Inventories	1,30,000
Long Term Debt		3,00,000	Trade receivables	1,39,000
Bank Overdraft		44,000		
Trade payables		1,70,000		
		6,64,000		6,64,000

It was mutually agreed that Mr. Tim will retire from partnership and in his place Mr. Ben 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. Sam, Mr. Lee and Mr. Ben 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.

You are required to prepare

- (a) Revaluation account;
- (b) Partners' capital accounts; and
- (c) Bank account;



PARTNERSHIP – DEATH OF PARTNER PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2019 (10 MARKS)

Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally.

Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 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 2018, 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:*

2018	2017	2016	2015	2014
25,000	20,000	22,500	35,000	28,750

You are required to prepare:

- (1) Revaluation account*
- (2) Capital accounts of the partners and*
- (3) Balance sheet of the Firm as at 1st July 2018.*

ILLUSTRATION 2 – PYP NOV 2019 (10 MARKS)

Arup and Swarup were partners. The partnership deed provides inter alia:

- (i) That the annual accounts be balanced on 31st December each year;*
- (ii) That the profits be allocated as follows:*
Arup: One-half; Swarup: 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:*
 - (1) The capital to his credit at the date of death;*
 - (2) His proportionate share. of profit to date of death based on the average profits of the last three completed years; and*
 - (3) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years.*

Trial Balance as on 31st December, 2018

<i>Particulars</i>	<i>Debit (₹)</i>	<i>Credit (₹)</i>
<i>Arup's Capital</i>		<i>90,000</i>
<i>Swarup's Capital</i>		<i>60,000</i>
<i>Reserve</i>		<i>45,000</i>
<i>Bills receivable</i>	<i>50,000</i>	
<i>Investment</i>	<i>55,000</i>	
<i>Cash</i>	<i>1,10,000</i>	
<i>Trade payables</i>		<i>20,000</i>
<i>Total</i>	<i>2,15,000</i>	<i>2,15,000</i>

The profits for the three year were 2016: ₹ 51,000; 2017: ₹ 39,000 and 2018: ₹ 45,000. Swarup died on 1st May 2019.

Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executor Account as would appear in the firms' ledger transferring the amount to the Loan account.

ILLUSTRATION 3 – PYP JAN 2021 (10 MARKS)

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

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

(v) That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.

(vi) That the partnership books to be closed annually on 31st December.

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

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

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

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

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

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

ILLUSTRATION 4 – PYP JULY 2021 (10 MARKS)

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

- (i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.*
- (ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.*

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

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

Firm profits were for the year ended

- 31 st March, 2017	₹ 70,400
- 31 st March, 2018	₹ 56,320
- 31 st March, 2019	₹ 48,160
- 31 st March, 2020	₹ 17,408

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

ILLUSTRATION 5 - RTP NOV 2019

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

Balance Sheet as at 31st December, 2017

Liabilities		₹	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	<u>600</u>	8,400
		33,100			33,100

N died on 3rd January, 2018 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, 2018.
- (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.

ILLUSTRATION 6 - RTP MAY 2020

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

Liabilities	(₹)	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 <u>10,000</u>	<u>40,000</u>		
	<u>72,500</u>		<u>72,500</u>

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 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

ILLUSTRATION 7 - RTP NOV 2019

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

Balance Sheet as at 31st March, 2021

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

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

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

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

ILLUSTRATION 8 - MTP MAY 2020 (8 MARKS)

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 Rs. 1,75,000
- (ii) Debtors were all good, no provision is required
- (iii) Stock is valued at Rs. 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 required to prepare: (1) Revaluation account and (2) Capital accounts of the partners as at 1st July 2020.

ILLUSTRATION 9 - MTP MAY 2021 SERIES 1 (12 MARKS)

The following is the Balance Sheet of M/s. Krishna Bros as at 31st March, 2021, they share profit and losses equally:

Balance Sheet as at 31st March, 2021

Liabilities		Rs.	Assets	Rs.
Capital	Amit	24,600	Machinery	30,000
	Lalit	24,600	Furniture	16,800
	Sumit	27,000	Fixture	12,600
General Reserve		9,000	Cash	9,000
Trade payables		14,100	Inventories	5,700
			Trade receivables	27,000
			Less: Provision for	<u>1,800</u>
			Doubtful debts	25,200
		99,300		99,300

Sumit died on 1st April, 2021 and the following agreement was to be put into effect.

- (a) Assets were to be revalued: Machinery to Rs. 35,100; Furniture to Rs. 13,800; Inventory to Rs. 4,500.
- (b) Goodwill was valued at Rs. 18,000 and was to be credited with his share, without using a Goodwill Account.
- (c) Rs. 6,000 is to be paid to the executors of the dead partner on 5th April, 2021.
- (d) After death of Sumit, Amit and Lalit share profit equally.

You are required to prepare:

- (i) Journal Entry for Goodwill adjustment.
- (ii) Revaluation Account and Capital Accounts of the partners.



PARTNERSHIP – CHANGE IN PSR PYP , RTP & MTP

ILLUSTRATION 1 - MTP NOV 2020 (20 MARKS)

A, B and C are partners in a firm sharing profits and losses as 8:5:3. Their balance sheet as at 31st December, 2018 was as follows:

	Rs.		Rs.
Sundry creditors	1,50,000	Cash	40,000
General reserve	80,000	Bills receivable	50,000
Partners' loan accounts:		Sundry debtors	60,000
A	40,000	Stock	1,20,000
B	30,000	Fixed assets	2,80,000
Partners' capital accounts:			
A	1,00,000		
B	80,000		
C	<u>70,000</u>		
	<u>5,50,000</u>		<u>5,50,000</u>

From 1st January, 2019 they agreed to alter their profit-sharing ratio as 5:6:5. It is also decided that:

- (a) the fixed assets should be valued at Rs. 3,31,000;
- (b) a provision of 5% on sundry debtors to be made for doubtful debts;
- (c) the goodwill of the firm at this date be valued at three years' purchase of the average net profits of the last five years before charging insurance premium; and
- (d) the stock be reduced to Rs. 1,12,000.

There is a joint life insurance policy for Rs. 2,00,000 for which an annual premium of Rs. 10,000 is paid, the premium being charged to profit and loss account. The surrender value of the policy on 31st December, 2018 was Rs. 78,000.

The net profits of the firm for the last five years were Rs. 14,000, Rs. 17,000, Rs. 20,000, Rs. 22,000 and Rs. 27,000.

Goodwill and the surrender value of the joint life policy was not to appear in the books.

Draft journal entries necessary to adjust the capital accounts of the partners and prepare the revised balance sheet.



**COMPANY ACCOUNTS AND
ACCOUNTING OF SHARES
PYP , RTP & MTP**

ILLUSTRATION 1 – PYP MAY 2018 (10 MARKS)

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, 2017. 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, 2017;*
- (ii) Allotment to be made on 10th July, 2017 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 30th April, 2018.*

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.

ILLUSTRATION 2 – PYP NOV 2018 (10 MARKS)

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.

ILLUSTRATION 3 – PYP MAY 2019 (10 MARKS)

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.

ILLUSTRATION 4 – PYP NOV 2019 (15 MARKS)

B Limited issued 50,000 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 these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.

Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company.

ILLUSTRATION 5 - PYP NOV 2020 (10 MARKS)

ABC Limited issued 20,000 equity shares of ₹ 10 each payable as:

₹ 2 per share on application

₹ 3 per share on allotment

₹ 4 per share on first call

₹ 1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All these 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of ₹ 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.

ILLUSTRATION 6 - PYP JAN 2021 (15 MARKS)

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

- (i) ₹ 2 per share payable on application, to be received by 31st May, 2020;*
- (ii) Allotment to be made on 10th June, 2020 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 December, 2020.*

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

- (1) Applicants for 10,000 shares received allotment in full;*

- (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;*
- (3) Applicants for 5,00,000 shares 'received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and*
- (4) The money due on final call was received on the due date.*

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

ILLUSTRATION 7 - PYP JUL 2021 (15 MARKS)

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

- ₹ 9 per share (including premium) on application and allotment
- Balance on the First and Final Call

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

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

ILLUSTRATION 8 - PYP DEC 2021 (15 MARKS)

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

- | | |
|-----------------------------|-------------------|
| 1. On Application | - Rs. 1 per share |
| 2. On Allotment | - Rs. 2 per share |
| 3. On First call | - Rs. 3 per share |
| 4. On Second and Final call | - Rs. 4 per share |

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

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

ILLUSTRATION 9 - RTP MAY 2018

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.

ILLUSTRATION 10 - RTP MAY 2018

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 reissued 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.

ILLUSTRATION 11 - RTP NOV 2018

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

By 20th May, 60,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 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, 2018.

ILLUSTRATION 12 - RTP NOV 2018

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.

ILLUSTRATION 13 - RTP MAY 2019

Konica Limited registered with an authorised 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.

ILLUSTRATION 14 - RTP MAY 2019

Kumar 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 reissued 3,000 of such shares to Lal 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.

ILLUSTRATION 15 - RTP NOV 2019

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

By 20th May, 60,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 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, 2018.

ILLUSTRATION 16 - RTP NOV 2019

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 reissued 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.

ILLUSTRATION 17 - RTP MAY 2020

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, 2018. 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, 2018;
- (ii) Allotment to be made on 10th July, 2018 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 30th April, 2019.

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

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

- (2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

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

ILLUSTRATION 18 - RTP MAY 2020

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.

ILLUSTRATION 19 - RTP NOV 2020

Konica Limited registered with an authorised 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.

ILLUSTRATION 20 - RTP MAY 2021

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.

ILLUSTRATION 21 - RTP MAY 2021

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. Robert 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.

ILLUSTRATION 22 - RTP DEC 2021

On 1st April, 2020, States Ltd. issued 1,80,000 shares of ₹ 10 each payable as follows: ₹ 2 on application, ₹ 3 on allotment, ₹ 2 on First call 1st October, 2020; and ₹ 3 on Final call 1st February, 2021.

By 20th May, 1,50,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 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, 2021.

ILLUSTRATION 23 - RTP DEC 2021

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

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

ILLUSTRATION 24 - MTP MAY 2019 SERIES 1 (10 MARKS)

Mohan Ltd. invited applications for 15 lakhs shares of Rs. 100 each payable as follows :

	Rs.
On Application	20
On Allotment (on 1st June, 2017)	30
On First Call (on 1st Nov., 2017)	30
On Final Call (on 1st March., 2018)	20

All the shares were applied for and allotted. A shareholder holding 30,000 shares paid the whole of the amount due along with allotment.

You are required to **prepare** the journal entries for the above-mentioned transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st March, 2018.

ILLUSTRATION 25 - MTP MAY 2019 SERIES 2 (10 MARKS)

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

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

ILLUSTRATION 26 - MTP NOV 2019 (10 MARKS)

On 1st April, 2017, A Ltd. issued 43,000 shares of Rs. 100 each payable as follows:

Rs. 20 on application;

Rs. 30 on allotment;

Rs. 25 on 1st October, 2017; and

Rs. 25 on 1st February, 2018.

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, 2018.

ILLUSTRATION 27 - MTP MAY 20 (10 MARKS)

Give necessary journal entries for the forfeiture and re-issue of shares:

- (i) X Ltd. forfeited 300 shares of Rs. 10 each fully called up, held by Ramesh for non-payment of allotment money of Rs. 3 per share and final call of Rs. 4 per share. He paid the application money of Rs. 3 per share. These shares were re-issued to Suresh for Rs. 8 per share.
- (ii) Mr. P, who was the holder of 2,500 preference shares of Rs. 100 each, on which Rs. 70 per share has been called up, could not pay his dues on Allotment and First call each at Rs. 20 per share. The Directors forfeited the above shares and reissued 2,000 of such shares to Mr. Q at Rs. 60 per share paid-up as Rs. 70 per share.

ILLUSTRATION 28 - MTP NOV 20 (10 MARKS)

Alpha Limited registered with an authorized equity capital of ₹ 4,00,000 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, two shareholders failed to pay the amount on 100 shares each held by them and another shareholder with 100 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.

ILLUSTRATION 29 - MTP MAY 2021 SERIES 1 (10 MARKS)

Deepak Chemicals Ltd. invited applications for 10 lakhs shares of Rs. 100 each payable as follows:

	Rs.
On Application	10
On Allotment (on 1st June, 2020)	30
On First Call (on 1st Nov., 2020)	30
On Final Call (on 1st March., 2021)	30

All the shares were applied for and allotted. A shareholder holding 15,000 shares paid the whole of the amount due along with allotment.

You are required to prepare the journal entries for the above-mentioned transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st March, 2021.

ILLUSTRATION 30 - MTP MAY 2021 SERIES 2 (10 MARKS)

Daniel Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 20 each.

The amounts were payable as follows:

On application	- Rs. 6 per share
On allotment	- Rs. 10 per share
On first and final call	- Rs. 4 per share

Applications were received for 1,50,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. X, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid-up @ Rs. 16 per share.

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

ILLUSTRATION 31 - MTP DEC 2021 SERIES 1 (10 MARKS)

Give necessary journal entries for the forfeiture and re-issue of shares:

- (i) Suresh 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 Mahesh for ₹ 8 per share.
- (ii) 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.

ILLUSTRATION 32 - MTP DEC 2021 SERIES 2 (10 MARKS)

Hament applies for 2,000 shares of Rs. 10 each at a premium of Rs. 2.50 per share. He was allotted 1,000 shares. After having paid Rs. 3 per share on application, he did not pay the allotment money of Rs. 4.50 per share (including premium) and on his subsequent failure to pay the first call of Rs. 2 per share, his shares were forfeited. These shares were reissued at Rs. 8 per share, his shares were forfeited.

At the time of re-issue of forfeited shares of Mr. Hament, final call money amount all other shareholders were duly called up.

You are required to pass journal entries to record forfeiture and reissue of shares.



COMPANY ACCOUNTS AND ACCOUNTING OF SHARES PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2018 (10 MARKS)

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, 2017. 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, 2017;*
- (ii) Allotment to be made on 10th July, 2017 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 30th April, 2018.*

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.

Working Note for Adjustment & Refund								
Category	No. of Shares Applied	No. of Shares Allotted	Amount received on Application	Amount required on Application	Amount adjusted in Allotment	Refund	Amount Due on Allotment	Amount Received on Allotment
(i)								
(ii)								
(iii)								
Total								

ILLUSTRATION 2 – PYP NOV 2018 (10 MARKS)

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.

ILLUSTRATION 3 – PYP MAY 2019 (10 MARKS)

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.

In The Books of X Ltd
Journal Entries

Sr.No	Particulars	LF	Debit	Credit
1	Bank A/c.....Dr (300000 Shares * 3)		900000	
	To Equity Share Application A/c			900000
	(Being application Money received for 300000 Shares)			
2	Equity Share Application A/c.....Dr		900000	
	Equity Share Allotment A/c.....Dr (200000*5)		1000000	
	To Equity Share Capital A/c (200000*8)			1600000
	To Equity Share Allotment A/c (100000*3)			300000
	(Being 200000 Shares Allotted Excess money Received on 100000 Shares adjusted in Allotment)			

Sr.No	Particulars	LF	Debit	Credit
3	Bank A/c.....Dr		700000	
	To Equity Share allotment A/c			700000
	(Being Balance Allotment money Received)			
4	Equity Share First & Final call A/c.....Dr (200000*2)		400000	
	To Equity Share capital A/c			400000
	(Being First & Final call Due)			

Sr.No	Particulars	LF	Debit	Credit
5	Bank A/c.....Dr (197000*2)		394000	
	To Equity Share First & Final Call A/c			394000
	(Being First & Final call Amount Received Except 3000 Shares of Mr. B)			
6	Equity Share Capital A/c....Dr (3000*10)		30000	
	To Forfeited Shares A/c (3000*8)			24000
	To Equity Share First & Final Call A/c			6000
	(Being 3000 Shares of Mr.B Forfeited on non payment of First & Final Call Money as per Boards resolution.....dated.....)			

Sr.No	Particulars	LF	Debit	Credit
7	Bank A/c.....Dr (2500*6)		15000	
	Forfeited Shares A/c....Dr (2500*4)		10000	
	To Equity Share Capital A/c (2500*10)			25000
	(Being 2500 Forfeited Shares Reissued at Rs. 6)			
8	Forfeited Shares A/c.....Dr (2500*4)		10000	
	To Capital Reserve A/c			10000
	(Being Profit on Reissue of Forfeited Shares transferred to capital Reserve)			

ILLUSTRATION 4 – PYP NOV 2019 (15 MARKS)

B Limited issued 50,000 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 these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.

Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company.

In The Books of B Ltd Journal Entries

Sr.No	Particulars	LF	Debit	Credit
1	Bank A/c.....Dr (50000 Shares * 3)		150000	
	To Share Application A/c			150000
	(Being application received for 50000 Shares)			
2	Share Application A/c.....Dr		150000	
	Share Allotment A/c....Dr (50000*5)		250000	
	To Equity Share Capital A/c (50000*6)			300000
	To Securities Premium A/c (50000*2)			100000
	(Being 50000 Shares Allotted)			

Sr.No	Particulars	LF	Debit	Credit
3	Bank A/c....Dr (49000*5)		245000	
	To Share Allotment A/c			245000
	(Being Money received on Alottment)			
4	Share Call A/c...Dr (50000*4)		200000	
	To Equity Share Capital A/c			200000
	(Being Share call due)			

Sr.No	Particulars	LF	Debit	Credit
5	Bank A/c....Dr (47000 Shares * 4)		188000	
	To Share Call A/c			188000
	(Being Share call amount received)			
6	Equity Share Capital A/c...Dr (1000*10)		10000	
	Securities Premium A/c...Dr (1000*2)		2000	
	To Forfeited Shares A/c (1000*3)			3000
	To Share Allotment A/c (1000*5)			5000
	To Share Call A/c (1000*4)			4000
	(Being X's 1000 Shares Forfieted)			

Balance Sheet of B Ltd as on....

Particulars	Notes. No.	Rs.
Equity and Liabilities		
Shareholders' Funds		
Share Capital	1	498000
Reserve and surplus	2	105000
Total		603000
Assets		
Current Assets		
Cash and Cash equivalents (Bank)		603000
Total		603000

WN 1 – Ascertainment of Amount To be transferred to Capital Reserve

X's Shares = (Profit on forfeiture - Loss on Reissue) * No. of shares Reissued
X's Shares = (3-2)*1000 = 1000

Y's Shares = (Profit on forfeiture - Loss on Reissue) * No. of shares Reissued
Y's Shares = (6-2)*1500 = 6000

ILLUSTRATION 5 - PYP NOV 2020 (10 MARKS)

ABC Limited issued 20,000 equity shares of ₹ 10 each payable as:

₹ 2 per share on application

₹ 3 per share on allotment

₹ 4 per share on first call

₹ 1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All these 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of ₹ 2 per share.

Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.

In The Books of ABC Ltd Journal Entries

Sr.No	Particulars	LF	Debit	Credit
1	Bank A/c....Dr (20000*2)		40000	
	To Equity Share Application A/c			40000
	(Being Application Received for 20000 Shares)			
2	Equity Share Application A/c.....Dr		40000	
	Equity Share Allotment A/c.....Dr (20000*3)		60000	
	To Equity Share Capital A/c (20000*5)			100000
	(Being 20000 Shares Allotted & Allotment money called for)			

Sr.No	Particulars	LF	Debit	Credit
3	Bank A/c.....Dr		60000	
	To Equity Share Allotment A/c			60000
	(Being Allotment Money Received)			
4	Equity First call A/c.....Dr (20000*4)		80000	
	To Equity Share Capital A/c			80000
	(Being First Call made)			

Date	Particulars	LF	Debit	Credit
5	Bank A/c.....Dr (19700*4)		78800	
	Calls in Arrears A/c.....Dr (300*4)		1200	
	To Equity Share First call A/c			80000
	(being First Call Amount Received Except on 300 Shares Held by Mr. Bird)			
6	Equity Share Final Call A/c.....Dr (20000*1)		20000	
	To Equity Share Capital A/c			20000
	(Being Final Call Made Due)			

Date	Particulars	LF	Debit	Credit
7	Bank A/c....Dr (19700*1)		19700	
	Calls in Arrears A/c (300*1)		300	
	To Equity Final Call A/c			20000
	(Being Final Call amount Received Except on 300 Shares held by Mr. Bird)			
8	Equity Share Capital A/c (300*10)		3000	
	To Forfeited Shares A/c (300*5)			1500
	To Calls in Arrears A/c			1500
	(Being 300 Shares Forfeited for non Payment of First & final call)			

Date	Particulars	LF	Debit	Credit
9	Bank A/c....Dr (300*8)		2400	
	Forfeited Shares A/c.....Dr (300*2)		600	
	To Equity Share Capital A/c (300*10)			3000
	(Being 300 Forfeited Shares Reissued)			
10	Forfeited Shares A/c.....Dr (300*3)		900	
	To Capital Reserve A/c			900
	(Being Profit on Reissue of Forfeited Shares Credited to Capital Reserve)			

Note – Amount Not Received on First Call & Final Call transferred to calls in Arrears)

ILLUSTRATION 6 - PYP JAN 2021 (15 MARKS)

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

- (i) ₹ 2 per share payable on application, to be received by 31st May, 2020;*
- (ii) Allotment to be made on 10th June, 2020 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 December, 2020.*

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

- (1) Applicants for 10,000 shares received allotment in full;*

- (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;*
- (3) Applicants for 5,00,000 shares 'received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and*
- (4) The money due on final call was received on the due date.*

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

Working Note for Adjustment & Refund								
Category	No. of Shares Applied	No. of Shares Allotted	Amount received on Application	Amount required on Application	Amount adjusted in Allotment	Refund	Amount Due on Allotment	Amount Received on Allotment
(i)								
(ii)								
(iii)								
Total								

ILLUSTRATION 7 - PYP JUL 2021 (15 MARKS)

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

- ₹ 9 per share (including premium) on application and allotment
- Balance on the First and Final Call

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

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

In The Books of X Ltd
Journal Entries

Sr.No	Particulars	LF	Debit	Credit
1	Bank A/c.....Dr (300000 Shares * 9)		2700000	
	To Equity Share Application & Allotment A/c (Being application Money received for 300000 Shares)			2700000
2	Equity Share Application & Allotment A/c.....Dr		2700000	
	To Equity Share Capital A/c (75000*4)			300000
	To Securities Premium Reserve A/c (75000*5)			375000
	To Bank A/c (200000*9)			1800000
	To Equity Share First & Final Call A/c (25000*9)			225000
	(Being 75000 Shares Allotted Excess money Received on 25000 Shares adjusted in First & Final call & Application money on 200000 Shares)			

Sr.No	Particulars	LF	Debit	Credit
3	Equity Share First & Final Call A/c.....Dr (75000*6)		450000	
	To Equity Share Capital A/c (75000*6)			450000
	(Being First & Final call Made)			
4	Bank A/c.....Dr (450000-225000-3375)		221625	
	Calls in Arrears A/c.....Dr (WN 1)		3375	
	To Equity Share First & Final call A/c			225000
	(Being Final call amount Received except from raj who held 1125 Shares)			

Sr.No	Particulars	LF	Debit	Credit
5	Equity Share Capital A/c....Dr (1125*10)		11250	
	To Forfeited Shares A/c (13500-5625)			7875
	To Calls in Arrears A/c			3375
	(Being 1125 Shares Forfeited)			
6	Bank A/c....Dr (1125*6)		6750	
	Forfeited Shares A/c....Dr (1125*4)		4500	
	To Equity Share capital A/c (1125*10)			11250
	(Being 1125 Forfeited Shares Reissued)			

Sr.No	Particulars	LF	Debit	Credit
7	Forfeited Shares A/c...Dr (7875-4500)		3375	
	To Capital Reserve A/c			3375
	(Being profit on Reissue credited to capital Reserve)			

Note – Amount Not Received on First & Final Call transferred to calls in Arrears)

WN 1 – Ascertainment of Calls in Arrears of Mr. Raj

Sr.No	Particulars	No./Amount
A	Shares Applied by Raj	1500
B	Application Money Received from Raj (1500*9)	13500
C	Shares Allotted to Raj (1500/10*7.50)	1125
D	Application Money that Should have been received on the Basis of Shares Allotted (1125*9)	10125
E	Excess Money to be Adjusted in First & Final call (B-D)	3375
F	First & Final Call Amount Receivable from Raj (1125*6)	6750
G	Calls in arrears of Raj (F-E)	3375

ILLUSTRATION 8 - PYP DEC 2021 (15 MARKS)

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

1. On Application - Rs. 1 per share
2. On Allotment - Rs. 2 per share
3. On First call - Rs. 3 per share
4. On Second and Final call - Rs. 4 per share

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

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

ILLUSTRATION 9 - RTP MAY 2018

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.

ILLUSTRATION 10 - RTP MAY 2018

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 reissued 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.

ILLUSTRATION 11 - RTP NOV 2018

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

By 20th May, 60,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 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, 2018.

ILLUSTRATION 12 - RTP NOV 2018

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.

ILLUSTRATION 13 - RTP MAY 2019

Konica Limited registered with an authorised 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.

ILLUSTRATION 14 - RTP MAY 2019

Kumar 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 reissued 3,000 of such shares to Lal 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.

ILLUSTRATION 15 - RTP NOV 2019

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

By 20th May, 60,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 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, 2018.

ILLUSTRATION 16 - RTP NOV 2019

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 reissued 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.

ILLUSTRATION 17 - RTP MAY 2020

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, 2018. 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, 2018;
- (ii) Allotment to be made on 10th July, 2018 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 30th April, 2019.

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

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

- (2) Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

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

Working Note for Adjustment & Refund								
Category	No. of Shares Applied	No. of Shares Allotted	Amount received on Application	Amount required on Application	Amount adjusted in Allotment	Refund	Amount Due on Allotment	Amount Received on Allotment
(i)								
(ii)								
(iii)								
Total								

ILLUSTRATION 18 - RTP MAY 2020

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.

ILLUSTRATION 19 - RTP NOV 2020

Konica Limited registered with an authorised 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.

ILLUSTRATION 20 - RTP MAY 2021

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.

ILLUSTRATION 21 - RTP MAY 2021

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. Robert 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.

ILLUSTRATION 22 - RTP DEC 2021

On 1st April, 2020, States Ltd. issued 1,80,000 shares of ₹ 10 each payable as follows: ₹ 2 on application, ₹ 3 on allotment, ₹ 2 on First call 1st October, 2020; and ₹ 3 on Final call 1st February, 2021.

By 20th May, 1,50,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 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, 2021.

ILLUSTRATION 23 - RTP DEC 2021

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

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

ILLUSTRATION 24 - MTP MAY 2019 SERIES 1 (10 MARKS)

Mohan Ltd. invited applications for 15 lakhs shares of Rs. 100 each payable as follows :

	Rs.
On Application	20
On Allotment (on 1st June, 2017)	30
On First Call (on 1st Nov., 2017)	30
On Final Call (on 1st March., 2018)	20

All the shares were applied for and allotted. A shareholder holding 30,000 shares paid the whole of the amount due along with allotment.

You are required to **prepare** the journal entries for the above-mentioned transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st March, 2018.

ILLUSTRATION 25 - MTP MAY 2019 SERIES 2 (10 MARKS)

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

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

ILLUSTRATION 26 - MTP NOV 2019 (10 MARKS)

On 1st April, 2017, A Ltd. issued 43,000 shares of Rs. 100 each payable as follows:

Rs. 20 on application;

Rs. 30 on allotment;

Rs. 25 on 1st October, 2017; and

Rs. 25 on 1st February, 2018.

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, 2018.

ILLUSTRATION 27 - MTP MAY 20 (10 MARKS)

Give necessary journal entries for the forfeiture and re-issue of shares:

- (i) X Ltd. forfeited 300 shares of Rs. 10 each fully called up, held by Ramesh for non-payment of allotment money of Rs. 3 per share and final call of Rs. 4 per share. He paid the application money of Rs. 3 per share. These shares were re-issued to Suresh for Rs. 8 per share.
- (ii) Mr. P, who was the holder of 2,500 preference shares of Rs. 100 each, on which Rs. 70 per share has been called up, could not pay his dues on Allotment and First call each at Rs. 20 per share. The Directors forfeited the above shares and reissued 2,000 of such shares to Mr. Q at Rs. 60 per share paid-up as Rs. 70 per share.

ILLUSTRATION 28 - MTP NOV 20 (10 MARKS)

Alpha Limited registered with an authorized equity capital of ₹ 4,00,000 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, two shareholders failed to pay the amount on 100 shares each held by them and another shareholder with 100 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.

ILLUSTRATION 29 - MTP MAY 2021 SERIES 1 (10 MARKS)

Deepak Chemicals Ltd. invited applications for 10 lakhs shares of Rs. 100 each payable as follows:

	Rs.
On Application	10
On Allotment (on 1st June, 2020)	30
On First Call (on 1st Nov., 2020)	30
On Final Call (on 1st March., 2021)	30

All the shares were applied for and allotted. A shareholder holding 15,000 shares paid the whole of the amount due along with allotment.

You are required to prepare the journal entries for the above-mentioned transactions, assuming all sums due were received. Interest was paid to the shareholder concerned on 1st March, 2021.

ILLUSTRATION 30 - MTP MAY 2021 SERIES 2 (10 MARKS)

Daniel Ltd. invited applications for issuing 1,00,000 equity shares of Rs. 20 each.

The amounts were payable as follows:

On application	- Rs. 6 per share
On allotment	- Rs. 10 per share
On first and final call	- Rs. 4 per share

Applications were received for 1,50,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. X, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid-up @ Rs. 16 per share.

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

ILLUSTRATION 31 - MTP DEC 2021 SERIES 1 (10 MARKS)

Give necessary journal entries for the forfeiture and re-issue of shares:

- (i) Suresh 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 Mahesh for ₹ 8 per share.
- (ii) 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.

ILLUSTRATION 32 - MTP DEC 2021 SERIES 2 (10 MARKS)

Hament applies for 2,000 shares of Rs. 10 each at a premium of Rs. 2.50 per share. He was allotted 1,000 shares. After having paid Rs. 3 per share on application, he did not pay the allotment money of Rs. 4.50 per share (including premium) and on his subsequent failure to pay the first call of Rs. 2 per share, his share were forfeited. These share were reissued at Rs. 8 per share, his shares were forfeited.

At the time of re-issue of forfeited shares of Mr. Hament, final call money amount all other shareholders were duly called up.

You are required to pass journal entries to record forfeiture and reissue of shares.



ISSUE OF DEBENTURES PYP , RTP & MTP

ILLUSTRATION 1 – PYP NOV 2018 (5 MARKS)

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.

Calculate the amount of discount to be written-off in each of the 5 years.

ILLUSTRATION 2 – PYP MAY 2019 (5 MARKS)

On 1st January 2018 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 year period at 5% premium.

Pass necessary journal entries for the accounting year 2018.

ILLUSTRATION 3 - PYP NOV 2020 (5 MARKS)

Y Company Limited issue 10,000 12% Debentures of the nominal value of ₹ 60,00,000 as follows :

- (i) To a vendor for purchase of fixed assets worth ₹ 13,00,000 - ₹ 15,00,000 nominal value.*
- (ii) To sundry persons for cash at 90% of nominal value of ₹ 30,00,000.*
- (iii) To the banker as collateral security for a loan of ₹ 14,00,000 - ₹ 15,00,000 nominal value,*

You are required to pass necessary Journal Entries.

ILLUSTRATION 4 - RTP MAY 2018

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 Journal Entries.

ILLUSTRATION 5 - RTP NOV 2018

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.

ILLUSTRATION 6 - RTP MAY 2019

Suvidha Ltd. purchased machinery worth ₹1,98,000 from Hemant Ltd. The payment was made by issue of 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

ILLUSTRATION 7 - RTP NOV 2019

Pihu Ltd. issued 50,00,000, 9% debentures of ₹ 100 each at a discount of 10% redeemable at par at the end 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.

ILLUSTRATION 8 - RTP MAY 2020

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.

Calculate the amount of discount to be written-off in each of the 5 years.

ILLUSTRATION 9 - RTP NOV 2020

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.

ILLUSTRATION 10 - RTP MAY 2021

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

₹ 4 on application

₹ 5 on allotment

Record necessary journal entries regarding issue of debenture.

ILLUSTRATION 11 - RTP DEC 2021

Avantika Ltd. purchased machinery worth ₹9,90,000 from Avneet Ltd. The payment was made by issue of 10% debentures of ₹100 each. Pass the necessary journal entries for the purchase of machinery and issue of debentures when: (i) Debentures are issued at par; (ii) Debentures are issued at 20 % discount; and (iii) Debentures are issued at 20% premium.

ILLUSTRATION 12 - MTP MAY 2019 SERIES 1 (5 MARKS)

Riya Limited issued 20,000 14% Debentures of the nominal value of Rs.1,00,00,000 as follows:

- (a) To sundry persons for cash at 90% of nominal value of Rs. 50,00,000.
- (b) To a vendor for purchase of fixed assets worth Rs. 20,00,000 – Rs. 25,00,000 nominal value.
- (c) To the banker as collateral security for a loan of Rs. 20,00,000 – Rs. 25,00,000 nominal value.

You are required to prepare necessary journal entries Journal Entries.

ILLUSTRATION 13 - MTP MAY 2019 SERIES 2 (5 MARKS)

Pihu Ltd. issued 300 lakh 8% debentures of Rs.100 each at a discount of 6%, redeemable at a premium of 5% after 3 years payable as : Rs. 50 on application and Rs. 44 on allotment.

You are required to prepare the necessary journal entries for issue of debentures.

ILLUSTRATION 14 - MTP NOV 2019 (5 MARKS)

Simmons Ltd. issued 1,00,000, 12% Debentures of Rs.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.

ILLUSTRATION 15 - MTP MAY 20 (5 MARKS)

Pure Ltd. issues 1,00,000 12% Debentures of Rs. 10 each at Rs. 9.40 on 1st January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue.

Calculate the amount of discount to be written-off in each of the 5 years.

ILLUSTRATION 16 - MTP NOV 20 (5 MARKS)

Aditya Limited issued 20,000 9% 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 Journal Entries.

ILLUSTRATION 17 - MTP MAY 2021 SERIES 1 (5 MARKS)

Tim Tim Limited issued 10,000 8% Debentures of the nominal value of Rs.10,00,000 as follows:

- (a) To sundry persons for cash at 90% of nominal value of Rs. 5,00,000.
- (b) To a vendor for purchase of fixed assets worth Rs. 2,00,000 – Rs. 2,50,000 nominal value.
- (c) To the banker as collateral security for a loan of Rs. 2,00,000 – Rs. 2,50,000 nominal value.

You are required to prepare necessary Journal Entries.

ILLUSTRATION 18 - MTP MAY 2021 SERIES 2 (5 MARKS)

On 1st January 2020 Pigeon Ltd. issued 12% debentures of the face value of Rs. 40,00,000 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 year period at 5% premium.

Pass necessary journal entries for the accounting year 2020.

ILLUSTRATION 19 - MTP DEC 2021 SERIES 1 (5 MARKS)

On 1st April, 2020, Sky Ltd. took over assets of ₹ 4,50,000 and liabilities of ₹ 60,000 of Universe Ltd. for the purchase consideration of ₹ 4,40,000. It paid the purchase consideration by issuing 8% debentures of ₹ 100 each at 10% premium. On the same date it issued another 3,000, 8% debentures of ₹ 100 at discount of 10% redeemable at the premium of 5% after 5 years. According to the terms of the issue ₹ 30 is payable on application and the balance on the allotment of debenture.

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

Date	Particulars	LF	Debit	Credit

Date	Particulars	LF	Debit	Credit

Date	Particulars	LF	Debit	Credit

Date	Particulars	LF	Debit	Credit

Date	Particulars	LF	Debit	Credit

ILLUSTRATION 20 - MTP DEC 2021 SERIES 2 (10 MARKS)

On 1st January, 2020 Simon Ltd. issued 10% debentures of the face value of Rs. 10,00,000 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 year period at 5% premium.

Pass necessary journal entries for the year ending December, 2020.



FINAL ACCOUNTS OF NPO PYP , RTP & MTP

ILLUSTRATION 1 – PYP NOV 2018 (10 MARKS)

You are provided with the following:

Balance Sheet as on 31st March, 2017

Liabilities	(₹)	Assets	(₹)
Capital Fund	1,06,200	Building	1,50,000
Subscription received in Advance	6,000	Outstanding Subscription	3,800
Outstanding Expenses	14,000	Outstanding Locker Rent	2,400
Loan	40,000	Cash in hand	20,000
Sundry Creditors	<u>10,000</u>		—
Total	<u>1,76,200</u>		<u>1,76,200</u>

**The Receipts and Payment Account for the year
ended on 31st March, 2018**

Receipts	(₹)	Payment	(₹)
To Balance b/d		<u>By Expenses:</u>	
Cash in Hand	20,000	For 2017 12,000	
<u>To Subscriptions:</u>		For 2018 <u>20,000</u>	32,000
For 2017 2000		By Land	40,000
For 2018 21,000		By Interest	4,000
For 2019 <u>1,000</u>	24,000	By Miscellaneous Expenses	4,700
To Entrance Fees	38,000	By Balance c/d	
To Locker Rent	7,000	Cash in Hand	18,300
To Sale proceeds of old newspapers	1,000		
To Miscellaneous Income	<u>9,000</u>		
	<u>99,000</u>		<u>99,000</u>

You are required to prepare Income and Expenditure account for the year ended 31st March, 2018 and a Balance Sheet as at 31st March, 2018 (Workings should form part of your answer).

ILLUSTRATION 2 – PYP MAY 2019 (10 MARKS)

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 2019.

	01.04.2018 ₹	31.03.2019 ₹
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

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% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹ 50,000

Rent: ₹ 24,000 out of which ₹ 2,000 outstanding

Misc. Expenses: ₹ 5,000

In The Books of MBS Club			
Receipts & payment A/c			
for the year ended 31St March 2019			
Receipts	Amount	Payments	Amount
To Bal B/d			
Cash in Hand & at Bank	110000	By Salary	60000
To Sale of 10% Investments	70000	By Sports Expenses	50000
To Interest on 10% Investments	14000	By Misc Expenses	5000
To Sale of Furniture	8000	By Sports Goods	10000
To Subscription	245000	By Machinery	10000
		By Rent	22000
		By Bal C/d	
		Cash in Hand & at Bank	290000
	447000		447000

Income & Expenditure A/c			
for the year ended 31St March 2019			
Expenditure	Amount	Income	Amount
To Depreciation		By Subscription	300000
Machinery 1500		By Interest on Investment	17500
Sports Goods 2250			
Furniture 1400	5150		
To Sports Expenses	50000		
To Rent	24000		
To Misc Expenses	5000		
To Loss on Sale of Furniture	6000		
To Salary	63000		
To Surplus	164350		
	317500		317500

Working Notes

Subscription A/c

Particulars	Amount	Particulars	Amount
To bal B/d	140000	By Bal B/d	25000
To Income & Exp A/c	300,000	By Cash /Bank (Bal Fig)	245,000
To Bal C/d	30000	By Bal C/d	200,000
	470,000		470,000

Salary A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	15000
To Cash/Bank A/c	60,000	By Income & Exp a/c (Bal Fig)	63,000
To Bal C/d	18000		
	78,000		78,000

10% Investment

Particulars	Amount	Particulars	Amount
To Bal B/d	140000		
		By Cash/Bank A/c (175000*50%*80%)	70,000
		By Bal C/d	70,000
	140,000		140,000

Furniture A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	28000	By Cash/Bank A/c	8000
		By Loss on Sale of Furniture (Bal Fig)	6,000
		By Depreciation	1,400
		By Bal C/d (14000-1400)	12,600
	28,000		28,000

ILLUSTRATION 3 - PYP NOV 2019 (10 MARKS)

From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March, 2019:

Income & Expenditure Account for the year 2018-19

Particulars	₹	Particulars	₹
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	<u>2,387</u>
	<u>25,960</u>		25,960

Balance sheet as at 31st March 2019

Liabilities		₹	Assets	₹
Subscription in advance (2019-20)		110	Furniture	9,900
Prize fund:			Ground and Building	51,700
Opening balance	27,500		Prize Fund Investment	22,000
Add: Interest	<u>1,100</u>		Cash in Hand	2,530
	28,600		Subscription (outstanding)	770
Less: Prizes given	<u>2,200</u>	26,400	(2018-2019)	
General Fund:				
Opening balance	62,062			
Less: Deficit	<u>2,387</u>			
	59,675			
Add: Entrance Fee	<u>715</u>	<u>60,390</u>		
		86,900		<u>86,900</u>

The following adjustments have been made in the above accounts:

- (i) Upkeep of ground ₹ 660 and printing ₹ 264 relating to 2017-18 were paid in 2018-19.
- (ii) One fourth of entrance fee has been capitalized by transfer to General Fund.
- (iii) Subscription outstanding in 2017-18 was ₹ 880 and for 2018-19 ₹ 770.
- (iv) Subscription received in advance in 2017-18 was ₹ 220 and in 2018-19 for 2019-20 was ₹ 110.
- (v) Furniture was purchased during the year.

ILLUSTRATION 4 - PYP NOV 2020 (10 MARKS)

From the following balances and particulars of AS College, prepare Income & Expenditure Account for the year ended March, 2020 and a Balance Sheet as on the date :

Particulars	Amount (₹)	Amount (₹)
Security Deposit - Students	-	1,55,000
Capital Fund	-	13,08,000
Building Fund		19,10,000
Tuition Fee Received		8,10,000
Government Grants		5,01,000
Interest & Dividends on Investments	-	1,75,000

<i>Hostel Room Rent</i>	-	1,65,000
<i>Mess Receipts (Net)</i>		2,05,000
<i>College Stores - Sales</i>	-	7,60,000
<i>Outstanding expenses</i>	-	2,35,000
<i>Stock of Stores and Supplies (opening)</i>	3,10,000	-
<i>Purchases - Stores & Supplies</i>	8,20,000	-
<i>Salaries - Teaching</i>	8,75,000	-
<i>Salaries - Research</i>	1,25,000	-
<i>Scholarships</i>	85,000	-
<i>Students Welfare expenses</i>	37,000	-
<i>Games & Sports expenses</i>	52,000	-
<i>Other investments</i>	12,75,000	-
<i>Land</i>	1,50,000	-
<i>Building</i>	15,50,000	-

<i>Plant and Machinery</i>	8,50,000	-
<i>Furniture and Fittings</i>	5,40,000	-
<i>Motor Vehicle</i>	2,40,000	-
<i>Provision for Depreciation :</i>		-
<i>Building</i>	-	4,90,000
<i>Plant & Equipment</i>	-	5,05,000
<i>Furniture & Fittings</i>	-	3,26,000
<i>Cash at Bank</i>	3,16,000	-
<i>Library</i>	3,20,000	
	75,45,000	75,45,000

Adjustments :

(a) *Materials & Supplies consumed (From college stores):*

Teaching ₹ 52,000.

Research - ₹ 1,45,000

Students Welfare - ₹ 78,000

Games or Sports - ₹ 24,000

(b) *Tuition fee receivable from Government for backward class Scholars ₹ 82,000.*

(c) *Stores selling prices are fixed to give a net profit of 15% on selling price:*

(d) *Depreciation is provided on straight line basis at the following rates:*

Building 5%

Plant & Equipment 10%

Furniture & Fixtures 10%

Motor Vehicle 20%

In The Books of AS College
Income & Expenditure A/c
For the Year Ended 31st March 2020

Expenditure	Amount	Income	Amount
To Salaries		By Government Grants	501000
Teaching 875000		By Interest & Dividend on Investments	175000
Research <u>125000</u>	1000000	By Hostel room Rent	165000
To Scholarship	85000	By Mess Reciepts (net)	205000
To Student Welfare Expenses	37000	By Tution Fees	8,92,000
To Games & Sports Expenses	52000	By Profit from Stores	1,14,000
To Material Consumed			
Teaching 52000			
Research 145000			
Student Welfare 78000			
Games or Sports 24000	299000		

Expenditure	Amount	Income	Amount
To Depreciation			
Building 77500			
Plant & Equipment 85000			
Furniture 54000			
Motor Vehicle <u>48000</u>	264500		
To Surplus	314500		
	2052000		2052000

Balance Sheet (Closing) As on 31 st March 2020			
liability	Amount	Assets	Amount
Capital Fund 1308000		Land	150000
Add - Surplus <u>314500</u>	1622500	Building 1550000	
		Less - Provision for Depn <u>567500</u>	982500
Outstanding Expenses 235000		Plant & Equipment 850000	
Building Fund 1910000		Less - Provision for Dep <u>590000</u>	260000
Security Deposit 155000		Furniture & Fittings 540000	
		Less - Provision for Depn <u>380000</u>	160000
		Motor vehicle 240000	
		Less - Depn at 20% <u>48000</u>	192000
		Other Investments	1275000
		Cash at Bank	316000
		Library	320000
		Tution Fees recievable From Govt	82000
		Stock at Stores	185000
	39,22,500		39,22,500

Working Notes

Stores & Supplies A/c

Particulars	Amount	Particulars	Amount
To Opening Stock	310000	By Sales	760000
To Purchases	8,20,000	By material Consumed	299000
		By Closing Stock	185000
To Profit from Stores (Bal Fig)	1,14,000		
	12,44,000		12,44,000

Tution Fees A/c

Particulars	Amount	Particulars	Amount
		By cash /Bank A/c	8,10,000
To Income & Exp A/c (Bal Fig)	8,92,000	By Bal C/d	82,000
	8,92,000		8,92,000

Provision for Depreciation on Building A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	490000
		By Depreciation	77,500
To Bal C/d (Bal Fig)	5,67,500		
	5,67,500		5,67,500

Provision for Depreciation on Plants & Equipment A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	505000
		By Depreciation	85,000
To Bal C/d (Bal Fig)	5,90,000		
	5,90,000		5,90,000

Provision for Depreciation on Furniture & Fixture A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	326000
		By Depreciation	54,000
To Bal C/d (Bal Fig)	3,80,000		
	3,80,000		3,80,000

Ascertainment of Cost of Closing Stock at Stores

Sr.No	Particulars	Amount
A	Opening Stock	310000
B	Purchases	820000
C	Total goods Available for Sale	1130000
D	Material Consumed	299000
E	Cost of Goods Sold (SP-Profit) (760000-114000)	646000
F	Closing Stock (C-D-E)	185000

ILLUSTRATION 5 - PYP JAN 2021 (10 MARKS)

Dr. Deku started private practice on 1st April, 2019 with ₹ 2,00,000 of his own fund and ₹ 3,00,000 borrowed at an interest of 12 p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	₹	Payments	₹
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000

<i>Pension Received</i>	<i>3,00,000</i>	<i>Rent of Clinic</i>	<i>60,000</i>
		<i>General Charges</i>	<i>49,000</i>
		<i>Household Expenses</i>	<i>1,80,000</i>
		<i>Household Furniture</i>	<i>25,000</i>
		<i>Expenses on Daughter's Marriage</i>	<i>2,15,000</i>
		<i>Interest on Loan</i>	<i>36,000</i>
		<i>Balance at Bank</i>	<i>1,10,000</i>
		<i>Cash in Hand</i>	<i>19,000</i>
	<i>17,34,000</i>		<i>17,34,000</i>

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

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

ILLUSTRATION 6 - PYP JAN 2021 (10 MARKS)

From the following Income and Expenditure Account and additional information of A TK Club, prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2020.

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

Expenditure	₹	Income	₹
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		

To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

Additional Information:

Particulars	As on 31st March, 2019	As on 31st March, 2020
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600

<i>Salaries Outstanding</i>	24,000	32,000
<i>Audit Fees Payable</i>	8,000	10,000
<i>Bank Loan</i>	1,20,000	1,20,000
<i>Value of Sports Equipment</i>	2,08,000	2,52,000
<i>Value of Club Premises</i>	7,60,000	7,60,000
<i>Cash in Hand</i>	?	1,14,000

ILLUSTRATION 7 - PYP JUL 2021 (10 MARKS)

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

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

<i>Additional Information:</i>		
<i>Particulars</i>	<i>01.04.2020</i>	<i>31.03.2021</i>
<i>Subscription due</i>	15,000	22,000
<i>Subscription received in advance</i>	12,000	7,000
<i>Stock of medicine</i>	1,00,000	1,50,000
<i>Amount due for medicine supply</i>	90,000	1,30,000
<i>Value of equipment</i>	2,10,000	3,00,000
<i>Value of building</i>	5,00,000	4'80 '000
<i>Cash Balance</i>	80,000	90,000
<i>Opening Balance of Capital Fund</i>	18,03,000	
<i>You are required to prepare:</i>		
<i>(i) Income and Expenditure Account for the year ended 31st March, 2021.</i>		
<i>(ii) Balance Sheet as on 31st March, 2021</i>		

In The Books of AMA Society Income & Expenditure A/c For the Year Ended 31 st March 2021			
Expenditure	Amount	Income	Amount
To Medicine Consumed	290000	By Subscription	512000
To Honararium to Doctor	100000		
To Salaries	280000	By Donation	150000
To Sundry Expenses	10000	By Interest on Investments	90000
To Depreciation		By Charity Show Collection	125000
Equipment 60000		Less - Charity Show Expenses	15000
Building <u>20000</u>	80000		110000
To Surplus Trf to Capital Fund	102000		
	862000		862000

Balance Sheet (Closing)
As on 31st March 2021

Liability	Amount	Assets	Amount
Capital Fund	1803000	Equipment	300000
Add - Surplus	<u>102000</u>	Building	480000
Creditors for Medicine Supply	130000	9% Investments	1000000
Subscription Received in Advance	7000	Outstanding Subscription	22000
		Stock of Medicine	150000
		Cash in Hand	90000
	20,42,000		20,42,000

Working Notes
Subscription A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	15000	By Bal B/d	12000
To Income & Exp A/c (Bal Fig)	5,12,000	By Cash/Bank A/c	5,00,000
To Bal C/d	7000	By Bal C/d	22,000
	5,34,000		5,34,000

Medicine A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	100000		
To Purchase of Medicine	3,40,000	By Income & Exp A/c (Bal Fig)	2,90,000
		By Bal C/d	1,50,000
	4,40,000		4,40,000

Creditors for Medicine A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	90000
To Cash/Bank A/c	3,00,000	By Purchase of Medicine (Bal Fig)	3,40,000
To Bal C/d	130000		
	4,30,000		4,30,000

Equipment A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	210000		
To Cash/Bank A/c	1,50,000	By Depreciation (Bal Fig)	60,000
		By Bal C/d	3,00,000
	3,60,000		3,60,000

Building A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	500000		
		By Depreciation (Bal Fig)	20,000
		By Bal C/d	4,80,000
	5,00,000		5,00,000

ILLUSTRATION 8 - PYP DEC 2021 (10 MARKS)

The Income and Expenditure Account of the Women Club for the year ended on December 31, 2021 is as follows:

Expenditure	Rs.	Income	Rs.
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's Honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500		

To Annual Dinner Expenses	15,000		
To Interest and Bank Charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

This account had been Prepared after the following adjustments :

	Rs.
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31 st December, 2020	4,500
Subscription received in advance on 31 st December, 2021	2,700
Subscription outstanding on 31 st December, 2021	7,500

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

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

You are required to :

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

ILLUSTRATION 9 - RTP MAY 2018

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

Balance Sheet as on 31st March, 2017

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
	<u>8,00,000</u>		<u>8,00,000</u>

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

	₹		₹
To Balance b/d		By Electric charges	7,200
Cash at bank 25,000		By Postage and stationary	5,000
Cash in hand <u>25,000</u>	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	<u>11,300</u>
	<u>3,09,500</u>		<u>3,09,500</u>

You are required to prepare income and expenditure account for the year ended 31st March, 2018 and a balance sheet as at 31st, March, 2018 after making the following adjustments:

Membership subscription included ₹ 10,000 received in advance.

Provide for outstanding rent ₹ 4,000 and salaries ₹ 3,000.

Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

75% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2017 for ₹ 40,000.

ILLUSTRATION 10 - RTP NOV 2018

The following information of M/s. TT Club are related for the year ended 31st March, 2018:

Balances	As on 01-04-2017 (₹)	As on 31-3-2018 (₹)
Stock of Sports Material	75,000	1,12,500
Amount due for Sports Material	67,500	97,500
Subscription due	11,250	16,500
Subscription received in advance	9,000	5,250
(2) Subscription received during the year		₹ 3,75,000
(3) 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 & Expenditure Account for the year ended 31.03.2018 and
- (B) Also show how these items would appear in the Balance Sheet as on 31.03.2018.

ILLUSTRATION 11 - RTP MAY 2019

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

Receipts and Payments Account

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

Additional information:

Trustwell club had balances as on 1.4.2017 : -

Furniture ₹ 1,800; Investment at 5% ₹ 27,000;

Sports material ₹ 6,660;

Balance as on 31.3.2018 : 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, 2018 and Balance Sheet on that date.

In The Books of Trustwell Club			
Receipts & payment A/c			
for the year ended 31St March 2018			
Receipts	Amount	Payments	Amount
To Bal B/d	450		
To Other Fees	1800	By Expenses	3600
To Donation for Building	90000	By Sports Material A/c	2700
To Sale of Furniture	270		
To Subscription	4500	By Bal C/d (Bal Fig)	90720
	97020		97020

Income & Expenditure A/c			
for the year ended 31St March 2018			
Expenditure	Amount	Income	Amount
		By Subscription	4590
To Expenses	3600	By Other Fees	1800
To Loss on Sale of Furniture	180	By Interest on Investments	1350
To Sports Material Used	7560		
		By Deficit (Bal Fig)	3600
	11340		11340

Balance Sheet (Closing)			
As on 31st March 2018			
Liabilities	Amount	Assets	Amount
Capital Fund	36000	Furniture	1350
Less - Deficit	<u>3600</u>	Sports Material	1800
		Cash in Hand	90720
		Interest Accrued on Investment	1350
Building Donation	90000	5% Investments	27000
Subscription Received in Advance	90	Outstanding Subscription	270
	122,490		122,490

Working Notes			
Balance Sheet (Opening)			
As on 1st April 2017			
Liabilities	Amount	Assets	Amount
		Furniture	1800
		Sports Material	6660
Capital Fund (Bal Fig)	36,000	5% Investments	27000
Subscription Received in Advance	90	Cash in Hand	450
		Outstanding Subscription	180
	36,090		36,090

Subscription A/c			
Particulars	Amount	Particulars	Amount
To Bal B/d	180	By Bal b/d	90
To Income & Exp A/c	4,590	By Cash/Bank A/c (Bal Fig)	4,500
To Bal C/d	90	By Bal C/d	270
	4,860		4,860
Sports Material A/c			
Particulars	Amount	Particulars	Amount
To Bal B/d	6660		
To Cash/Bank A/c	2,700	By Income & Exp A/c (Bal Fig)	7,560
		By Bal C/d	1,800
	9,360		9,360

Furniture A/c			
Particulars	Amount	Particulars	Amount
To Bal B/d	1800		
		By Cash/Bank A/c	270
		By Loss on Sale of Furniture	180
		By Bal C/d (Bal Fig)	1,350
	1,800		1,800
Interest on Investment A/c			
Particulars	Amount	Particulars	Amount
To Income & Exp A/c (27000*5%)	1,350	By Bal C/d (Bal Fig) (Interest Accrued)	1,350
	1,350		1,350

ILLUSTRATION 12 - RTP NOV 2019

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

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

RECEIPTS	₹		PAYMENTS		₹
To Balance b/d			By Salaries:		
Cash	800		(₹ 7,200 for 2018)		31,200
Bank	<u>5,200</u>	6,000	By Hospital Equipment		17,000
To Subscriptions:			By Furniture purchased		6,000
For 2018		5,100	By Additions to Building		50,000
For 2019		24,500	By Printing and		2,400
For 2020		2,400	Stationery		

To Government Grant:			By Diet expenses		15,600
For building		80,000	By Rent and rates		2,000
For maintenance		20,000	(₹ 300 for 2020)		
Fees from sundry			By Electricity and water		2,400
Patients		4,800	charges		2,000
To Donations (not to be		8,000	By office expenses		20,000
capitalized)			By Investments		
To Net collections from			By Balances:		
benefit shows		6,000	Cash	1,400	
			Bank	<u>6,800</u>	<u>8,200</u>
		<u>1,56,800</u>			<u>1,56,800</u>

Additional information:

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	80,000
Subscriptions in arrears as on 31.12.2018	6,500
Investments in 8% Govt. securities were made on 1st July, 2019.	

In The Books of Jeevan Hospital
Income & Expenditure A/c
For the Year Ended 31st December 2019

Expenditure	Amount	Income	Amount
To Rent	1700	By Fees From Patients	4800
To Printing & Stationary	2400	By Subscription	24500
To Diet Expenses	15600	By Government Grant	20000
To Electricity & Water Charges	2400	By Donation	8000
To Office Expenses	2000	By Net Collection from Benefit Shows	6000
To Salaries	24000	By Interest on Investments	800
To Surplus Trf to Capital Fund	16000		
	64100		64100

Balance Sheet (Closing)
As on 31st December 2019

liability	Amount	Assets	Amount
Capital Fund	49300	Building	140000
Add - Surplus	<u>16000</u>	Furniture	6000
		Hospital Equipment	51000
		Cash in Hand	1400
Building Fund	160000	Bank Balance	6800
Subscription Received in Advance	2400	Investments	20000
		Prepaid Rent	300
		Interest Accrued on Investment	800
		Oustanding Subscription	1400
	2,27,700		2,27,700

Working Notes
Balance Sheet (Opening)
As on 1st Jan 2019

Liability	Amount	Assets	Amount
		Building	90000
Capital Fund (Bal Fig)	49300	Hospital Equipment	34000
		Cash in Hand	800
Building Fund	80000	Bank Balance	5200
Outstanding Salary	7200	Outstanding Subscription	6500
	1,36,500		1,36,500

Subscription A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	6500		
To Income & Exp A/c (Bal Fig)	24,500	By Cash/Bank A/c	32,000
To Bal C/d	2400	By Bal C/d	1,400
	33,400		33,400

Salaries A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	7200
To Cash/Bank A/c	31,200	By Income & Exp A/c (Bal Fig)	24,000
	31,200		31,200

Hospital Equipment A/c

Particulars	Amount	Particulars	Amount
To Bal B/d (Bal Fig)	34,000		
To Cash/Bank A/c	17,000		
		By Bal C/d	51,000
	51,000		51,000

Furniture A/c

Particulars	Amount	Particulars	Amount
To Cash/Bank A/c	6,000		
		By Bal C/d	6,000
	6,000		6,000

Building A/c

Particulars	Amount	Particulars	Amount
To Bal B/d (Bal Fig)	90000		
To Cash/Bank A/c	50,000		
		By Bal C/d	1,40,000
	1,40,000		1,40,000

Rent A/c

Particulars	Amount	Particulars	Amount
To Cash/ Bank A/c	2,000	By Income & Exp A/c (Bal Fig)	1,700
		By Bal C/d	300
	2,000		2,000

Building Fund A/c			
Particulars	Amount	Particulars	Amount
		By Bal B/d	80000
		By Cash/Bank A/c	80,000
To Bal C/d (Bal Fig)	160000		
	1,60,000		1,60,000

ILLUSTRATION 13 - RTP MAY 2020

Doctor Dinesh after retiring from Govt. service, started private practice on 1st April, 2018 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:

Receipts	₹	Payments	₹
Own capital	1,00,000	Medicines purchased	1,22,500
Loan	1,50,000	Surgical equipments	1,25,000
Prescription fees	3,30,000	Motor car	1,60,000
Visiting fees	1,25,000	Motor car expenses	60,000
Fees from lectures	12,000	Wages and salaries	52,500
Pension received	1,50,000	Rent of clinic	30,000

	General charges	24,500
	Household expenses	90,000
	Household Furniture	12,500
	Expenses on daughter's marriage	1,07,500
	Interest on loan	18,000
	Balance at bank	55,000
	Cash in hand	9,500

One-third of the motor car expense may be treated as applicable to the private use of car and ₹ 15,000 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2019 was valued at ₹ 47,500.

You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2019 and balance sheet as on that date. Ignore depreciation of fixed assets.

In The Books of Dinesh			
Income & Expenditure A/c			
for the year ended 31 st March 2019			
Expenditure	Amount	Income	Amount
		By Prescription Fees	330000
To Motor Car Expenses (60000*2/3)	40000	By Visiting Fees	125000
To Salaries 52500		By Fees from Lectures	12000
Less - Personal Expenses <u>15000</u>	37500		
To Rent of Clinic	30000		
To General charges	24500		
To Interest on Loan	18000		
To Medicines Consumed	75000		
To Surplus Trf. To Capital A/c	242000		
	467000		467000

Balance Sheet (Closing)			
As on 31st March 2019			
Liabilities	Amount	Assets	Amount
Capital	247000	Surgical Equipments	125000
Loan	150000	Motor car	160000
		Stock of Medicine	47500
		Cash at Bank	55000
		Cash in Hand	9500
	397,000		397,000

Capital A/c			
Particulars	Amount	Particulars	Amount
		By Cash/Bank A/c	100000
To Motor Car Expenses (60000*1/3)	20000	By Pension Recieved	150000
To Salaries	15000	By Surplus	242000
To Household Expenses	90000		
To Household Furniture	12,500		
To Expenses on Daughter's Marriage	107500		
To Bal C/d (Bal Fig)	247,000		
	492,000		492,000

ILLUSTRATION 14 - RTP NOV 2020

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

Balances	As on 01-04-2019 (₹)	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
(2) Subscription received during the year		₹ 3,75,000
(3) 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 & 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.

Subscription A/c

Particulars	Amount	Particulars	Amount
TO BAL B/D (Opening Sub Rec.)	11250	BY BAL B/D (Op. Sub rec in advance)	9000
TO INCOME & EXP A/C (BAL FIG)	384,000	BY CASH/BANK A/C	375,000
TO BAL C/D (Cl. Sub rec in adv)	5250	BY BAL C/D (Cl. Subs rec.)	16,500
	400500		400500

Sports Material A/c

Particulars	Amount	Particulars	Amount
TO BAL B/D	75000		
TO CREDITORS FOR SPORTS MAT.	255,000	BY Income & Exp A/c (BAL FIG)	217,500
		BY BAL C/D	112,500
	330,000		330,000

Creditors for Sports Material A/c

Particulars	Amount	Particulars	Amount
		BY BAL B/D	67500
TO CASH/BANK A/C	225,000	BY SPORTS MATERIAL A/C (PUR)	255,000
TO BAL C/D	97500	(BAL)	
	322,500		322,500

Balance Sheet of M/s. TT Club For the year Ended 31st March 20 (Extract)

Liabilities	Amount	Assets	Amount
Subscription Received in Advance	5250	SPORTS MATERIAL	112500
Creditors for Sports material	97,500	OUTSTANDING SUBSCRIPTION	16,500

ILLUSTRATION 15 - RTP MAY 2021

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	Amount (₹)	Payments	Amount (₹)
To balance b/d	8,450	By Salaries and wages	12,250
To Subscription	23,000	By Supply of refreshment	18,250
To Sale of refreshments	22,000	By Sports equipment	27,500
To Entrance fees	26,000	By Telephone Charges	2,800
To interest on investments @ 7%	4,550	By Electricity charges	15,600
		By Honorarium charges	6,500
		By balance c/d	1,100
	84,000		84,000

Additional information:

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.

ILLUSTRATION 16 - RTP DEC 2021

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

Receipts and Payments Account

Receipts	₹	Amount ₹	Payments	Amount₹
To Balance b/d		900	By Expenses (including Payment for sports material ₹ 5,400)	12,600
To Annual Income from Subscription	9,180		By Loss on Sale of Furniture (cost price ₹ 900)	360
To Add: Outstanding of last year received this year	<u>360</u>		By Balance c/d	1,80,900
	9,540			

Less: Prepaid of last year	<u>180</u>	9,360		
To Other fees		3,600		
To Donation for Building		<u>1,80,000</u>		
		<u>1,93,860</u>		<u>1,93,860</u>

Additional information:

Peppapig club had balances as on 1.4.2020 : -

Furniture ₹ 3,600; Investment at 5% ₹ 54,000;

Sports material ₹ 13,320;

Balance as on 31.3.2021 : Subscription Receivable ₹ 540;

Subscription received in advance ₹ 180;

Stock of sports material ₹ 3,600.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2021 and Balance Sheet on that date.

ILLUSTRATION 17 - MTP MAY 2019 SERIES 1 (15 MARKS)

A doctor, after retiring from govt. service, started private practice on 1st April, 2017 with Rs. 20,000 of his own and Rs. 30,000 borrowed at an interest of 15% 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:

	Rs.		Rs.
Own capital	20,000	Medicines purchased	24,500
Loan	30,000	Surgical equipments	25,000
Prescription fees	52,500	Motor car	32,000
Gifts from patients	13,500	Motor car expenses	12,000
Visiting fees	25,000	Wages and salaries	10,500
Fees from lectures	2,400	Rent of clinic	6,000

Pension received	30,000	General charges	4,900
		Household expenses	18,000
		Household Furniture	2,500
		Expenses on daughter's marriage	21,500
		Interest on loan	4,500
		Balance at bank	11,000
		Cash in hand	<u>1,000</u>
	<u>1,73,400</u>		<u>1,73,400</u>

You are required to prepare his capital account and income and expenditure account for the year ended 31st March, 2018 and balance sheet as on that date. One-third of the motorcar expense may be treated as applicable to the private use of car and Rs. 3,000 of the wages and salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2018 was valued at Rs. 9,500.

ILLUSTRATION 18 - MTP MAY 2019 SERIES 2 (20 MARKS)

Smith Library Society showed the following position on 31st March, 2018:

Balance Sheet as on 31st March, 2018

Liabilities	Rs.	Assets	Rs.
Capital fund	7,93,000	Electrical fittings	1,50,000
Expenses payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	<u>25,000</u>
	<u>8,00,000</u>		<u>8,00,000</u>

The receipts and payment account for the year ended on 31st March, 2019 is given below:

	Rs.		Rs.
To Balance b/d		By Electric charges	7,200
Cash at bank 25,000		By Postage and stationary	5,000
Cash in hand <u>25,000</u>	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	<u>11,300</u>
	<u>3,09,500</u>		<u>3,09,500</u>

You are required to prepare income and expenditure account for the year ended 31st March, 2019 and a balance sheet as at 31^s, March, 2019 after making the following adjustments:

Membership subscription included Rs. 10,000 received in advance.

Provide for outstanding rent Rs. 4,000 and salaries Rs. 3,000.

Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

75% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2018 for Rs. 40,000.

ILLUSTRATION 19 - MTP NOV 2019 (12 MARKS)

From the following receipts and payments account of Mumbai Club, prepare income and expenditure account for the year ended 31.12.2018 and its balance sheet as on that date:

Receipts	Rs.	Payments	Rs.
Cash in hand	4,000	Salary	2,000
Cash at bank	10,000	Repair expenses	500
Donations	5,000	Purchase of furniture	6,000
Subscriptions	12,000	Misc. expenses	500
Entrance fees	1,000	Purchase of investments	6,000
Interest on investments	100	Insurance premium	200
Interest received from bank	400	Billiard table	8,000

Sale of old newspaper	150	Paper, ink etc.	150
Sale of drama tickets	1,050	Drama expenses	500
		Cash in hand (closing)	2,650
		Cash at bank (closing)	<u>7,200</u>
	<u>33,700</u>		<u>33,700</u>

Information:

- Subscriptions in arrear for 2018 Rs. 900 and subscriptions in advance for 2019 Rs. 350.
- Insurance premium outstanding Rs. 40.
- Misc. expenses prepaid Rs. 90.
- 50% of donation is to be capitalized.
- Entrance fees are to be treated as revenue income.
- 8% interest has accrued on investment for five months.
- Billiard table costing Rs. 30,000 was purchased during the last year and Rs. 22,000 were paid for it.

ILLUSTRATION 20 - MTP MAY 20 (15 MARKS)

Smith Library Society showed the following position on 31st March, 2019:

Balance Sheet as on 31st March, 2019

Liabilities	Rs.	Assets	Rs.
Capital fund	7,93,000	Electrical fittings	1,50,000
Expenses payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	<u>25,000</u>
	<u>8,00,000</u>		<u>8,00,000</u>

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

	Rs.		Rs.
To Balance b/d		By Electric charges	7,200
Cash at bank 25,000		By Postage and stationary	5,000
Cash in hand <u>25,000</u>	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	<u>11,300</u>
	<u>3,09,500</u>		<u>3,09,500</u>

You are required to prepare income and expenditure account for the year ended 31st March, 2020 after making the following adjustments:

Membership subscription included Rs. 10,000 received in advance.

Provide for outstanding rent Rs. 4,000 and salaries Rs. 3,000.

Books to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

75% of the entrance fees is to be capitalized.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2019 for Rs. 40,000.

In The Books of Smith Library Society			
Income & Expenditure A/c			
for the year ended 31 st March 2020			
Expenditure	Amount	Income	Amount
		By Subscription	190000
To Electric Charges	7200	By Entrance Fees (30000*25%)	7500
To Postage & Stationary	5000	By Sale Proceeds of Old papers	1500
To Telephone Charges	5000	By Hire Of Lecture Hall	20000
To Depreciation		By Interest on Securities	8500
Books	46000		
Electrical Equipment	15000	By Deficit Transferred to capital Fund	16700
Furniture	5000		
To Salary	69000		
To Rent	92000		
	244200		244200

Working Notes
Subscription A/c

Particulars	Amount	Particulars	Amount
To Income & Exp A/c (bal Fig)	190,000	By Cash/Bank A/c	200,000
To bal C/d	10000		
	200,000		200,000

Books A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	400000		
To Cash/Bank A/c	60,000	By Depreciation (460000*10%)	46,000
		By Bal C/d (Bal Fig)	414,000
	460,000		460,000

Investment A/c

Particulars	Amount	Particulars	Amount
To bal B/d	150000		
To Cash/bank A/c	40,000		
		By Bal C/d (Bal Fig)	190,000
	190,000		190,000

Rent A/c

Particulars	Amount	Particulars	Amount
To Cash/bank A/c	88,000	By Income & Exp A/c (Bal fig)	92,000
To Bal C/d	4000		
	92,000		92,000

Salary A/c			
Particulars	Amount	Particulars	Amount
To Cash/bank A/c	66,000	By Income & Exp A/c (Bal fig)	69,000
To Bal C/d	3000		
	69,000		69,000
Interest on Securities A/c			
Particulars	Amount	Particulars	Amount
To Income & Exp A/c (150000*5%) + (40000*5%/12*6)	8,500	By Cash/Bank A/c	8,000
		By Bal C/d (Bal Fig)	500
	8,500		8,500

ILLUSTRATION 21 - MTP NOV 20 (5 MARKS)

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

Balances	As on 01-04-2019 (₹)	As on 31-3-2020 (₹)
Stock of Sports Material	2,25,000	3,37,500
Amount due for Sports Material	2,02,500	2,92,500
Subscription due	33,750	49,500
Subscription received in advance	27,000	15,750

(2) Subscription received during the year ₹ 11,25,000

(3) Payments for Sports Material during the year ₹ 6,75,000

You are required to ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2020.

ILLUSTRATION 22 - MTP MAY 2021 SERIES 1 (20 MARKS)

From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2020, and Balance Sheet as at that date of the New Max Hospital:

Receipts and Payments Account for the year ended 31 December, 2020

RECEIPTS	Rs.		PAYMENTS		Rs.
To Balance b/d			By Salaries:		
Cash	400		(Rs. 3,600 for 2019)		15,600
Bank	<u>2,600</u>	3,000	By Hospital Equipment		8,500
To Subscriptions:			By Furniture purchased		3,000
For 2019		2,550	By Additions to Building		25,000
For 2020		12,250	By Printing and Stationery		1,200
For 2021		1,200	By Diet expenses		7,800

To Government Grant:			By Rent and rates (Rs. 150 for 2021)		1,000
For building		40,000	By Electricity and water charges		1,200
For maintenance		10,000	By Office expenses		1,000
Fees from sundry Patients		2,400	By Investments		10,000
To Donations (not to be capitalized)		4,000	By Balances:		
Net collections from benefit shows		3,000	Cash	700	
			Bank	<u>3,400</u>	4,100
		<u>78,400</u>			<u>78,400</u>

Additional information :

Value of building under construction as on 31.12.2020	Rs. 70,000
Value of hospital equipment on 31.12.2020	25,500
Building Fund as on 1.1. 2020	40,000
Subscriptions in arrears as on 31.12.2019	3,250
Investments in 8% Govt. securities were made on 1st July, 2020.	

ILLUSTRATION 23 - MTP MAY 2021 SERIES 2 (15 MARKS)

From the following information supplied by New Punjabi Bagh Club, prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31st March 2021.

	01.04.2020 Rs.	31.03.2021 Rs.
Outstanding subscription	70,000	1,00,000
Advance subscription	12,500	15,000
Outstanding salaries	7,500	9,000
Cash in Hand and at Bank	55,000	?
10% Investment	70,000	35,000
Furniture	14,000	7,000
Machinery	5,000	10,000
Sports goods	7,500	12,500

Subscription for the year amount to Rs. 1,50,000/-. Salaries paid Rs. 30,000. Face value of the Investment was Rs. 87,500, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received Rs. 7,000. Furniture was sold for Rs. 4000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses:	Rs. 25,000
Rent:	Rs. 12,000 out of which Rs. 1,000 outstanding
Misc. Expenses:	Rs. 2,500

ILLUSTRATION 24 - MTP DEC 2021 SERIES 1 (20 MARKS)

From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2020, and Balance Sheet as at that date of the Rex Speciality Hospital:

Receipts and Payments Account for the year ended 31 December, 2020

RECEIPTS	₹		PAYMENTS		₹
To Balance b/d			By Salaries:		
Cash	1,600		(₹ 14,400 for 2019)		62,400
Bank	<u>10,400</u>	12,000	By Hospital Equipment		34,000
To Subscriptions:			By Furniture purchased		12,000
For 2019		10,200	By Additions to Building		1,00,000
For 2020		49,000	By Printing and		4,800
For 2021		4,800	Stationery		

To Government Grant:			By Diet expenses		31,200
For building		1,60,000	By Rent and rates		4,000
For maintenance		40,000	(₹ 600 for 2021)		
Fees from sundry			By Electricity and water		4,800
Patients		9,600	charges		4,000
To Donations (not to be		16,000	By office expenses		40,000
capitalized)			By Investments		
To Net collections from			By Balances:		
benefit shows		12,000	Cash	2,800	
			Bank	<u>13,600</u>	<u>16,400</u>
		<u>3,13,600</u>			<u>3,13,600</u>

Additional information :

Value of building under construction as on 31.12.2020	2,80,000
Value of hospital equipment on 31.12.2020	1,02,000
Building Fund as on 1.1. 2020	1,60,000
Subscriptions in arrears as on 31.12.2019	13,000
Investments in 8% Govt. securities were made on 1st July, 2020.	

ILLUSTRATION 25 - MTP DEC 2021 SERIES 2 (10 MARKS)

The following information of M/s. Missionary Club are related for the year ended 31st March, 2021:

Balances	As on 01-04-2020 (Rs.)	As on 31-3-2021 (Rs.)
Stock of Sports Material	2,25,000	3,37,500
Amount due for Sports Material	2,02,500	2,92,500
Subscription due	33,750	49,500
Subscription received in advance	27,000	15,750
(2) Subscription received during the year		
		Rs. 11,25,000
(3) Payments for Sports Material during the year		
		Rs. 6,75,000

You are required to:

- (A) Ascertain the amount of Subscription and Sports Material that will appear in Income & Expenditure Account for the year ended 31.03.2021 and
- (B) Also show how these items would appear in the Balance Sheet as on 31.03.2021.

ILLUSTRATION 26 – ADDITIONAL QUESTIONS FROM ICAI

Following information has been given for Bharat Sports club, Delhi for the year ending 31.12.2016 and 31.12.2017.

	31.12.2016	31.12.2017
Building (subject to 10% depreciation for the current year)	60,000	?
Furniture (subject to 10% depreciation for the current year)	-	20,000
Stock of Sports Materials	5,000	2,000
Prepaid Insurance	3,000	6,000
Subscription receivable	12,000	8,000
Advance Subscription	6,000	4,000

Locker rent receivable	-	6,000
Advance Locker Rent received	-	2,000
Outstanding Rent for Godown	6,000	3,000
12% General fund Investments	2,00,000	2,00,000
Accrued interest on above	-	4,000
Cash balance	1,000	64,000
Bank Balance	2,000	-
Bank Overdraft	-	2,000

Additional Information:

1. Entrance Fees received Rs.20,000, Life membership fees received Rs.20,000 during the year.
2. Surplus from Income and expenditure Account Rs.60,000.
3. It is policy of the club to treat 60% of entrance fees and 40% of life membership fees as revenue nature.

4. The furniture was purchased on 01.01.2017.

Prepare Opening and closing Balance sheet of Bharat sports Club on 31st December, 2016 and 31st December, 2017 respectively.

ILLUSTRATION 27 – ADDITIONAL QUESTIONS FROM ICAI

Elite club (Not registered under the companies Act, 2013) has 200 members with an annual subscription of Rs.3,600 payable by every member. An analysis of subscriptions received by the club during the accounting year ended on 31st March, 2015 revealed the following:

	Rs.
For the year 2013-14	25,200
For the year 2014-15	6,98,400
For the year 2015-16	7,200
	7,30,800

On 31st March, 2015 it was noted that a sum of Rs.3,600 was still in arrears for the year ended 31st March, 2014. Calculate the amount of subscription that will appear on the credit side of the club's Income and expenditure Account for the year ended 31st March, 2015. Also show how items relating to the subscriptions will appear in the Balance Sheet dated 31st March, 2015.

ILLUSTRATION 28 – ADDITIONAL QUESTIONS FROM ICAI

The following is the income and expenditure Account Gama Club for the year ended 31st March, 2017:

Income and Expenditure Account for the year ended 31st March, 2017.

	Rs.		Rs.
To Salaries	19,500	By Subscription	68,000
To Rent	4,500	By Donation	5,000
To Printing	750		
To Insurance	500		
To Audit Fees	750		
To Games & sports	3,500		
To Subscription Written off	350		

To Miscellaneous Expenses	14,500		
To Loss on sale of Furniture	2,500		
To Depreciation:			
Sports Equipment	6,000		
Furniture	3,100		
To Excess of income over Expenditure	17,050		
	73,000		73,000

Additional Information:

	31/03/2016	31/03/2017
	Rs.	Rs.
Subscription in arrears	2,600	3,700
Advance Subscriptions	1,000	1,500
Outstanding Expenses:		

Rent	500	800
Salaries	1,200	350
Audit Fee	500	750
Sports Equipment less Depreciation	25,000	24,000
Furniture less Depreciation	30,000	27,900
Prepaid Insurance	-	150

Book value of furniture sold is Rs.7,000. Entrance fees capitalized Rs.4,000. On 1st April, 2016 there was no cash in hand but overdraft was for Rs.15,000. On 31st March, 2017. Cash in hand amounted to Rs.850 and the rest was Bank Balance.

Prepare the Receipts and Payments Account of the club for the year ended 31st March,2017.

In The Books of Gama Club
Receipts & Payments A/c
For the Year Ended 31st March 2017

Receipts	Amount	Payments	Amount
		By Bal B/d	
To Subscription	67050	Bank O/d	15000
To Donation	5000	By Printing	750
To Sale of Furniture	4500	By Games & Sports	3500
To Entrance Fees	4000	By Misc. Expenses	14500
		By Insurance	650
		By Furniture	8000
		By Sports Equipment	5000
		By Audit Fees	500
		By Salaries	20350
		By Rent	4200
		By Bal C/d	
		Cash in Hand	850
		Cash at Bank	7,250
	80550		80550

Working Notes
Subscription A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	2600	By Bal B/d	1000
To Income & Exp A/c	68000	By I & E A/c (Subscription W/off)	350
		By Cash/Bank A/c (Bal Fig)	67,050
To Bal C/d	1500	By Bal C/d	3,700
	72,100		72,100

Rent A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	500
To Cash/Bank A/c (Bal Fig)	4,200	By Income & Exp A/c	4,500
To Bal C/d	800		
	5,000		5,000

Salaries A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	1200
To Cash/Bank A/c (Bal Fig)	20,350	By Income & Exp A/c	19,500
To Bal C/d	350		
	20,700		20,700

Audit Fees A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	500
To Cash/Bank A/c (Bal Fig)	500	By Income & Exp A/c	750
To Bal C/d	750		
	1,250		1,250

Sports Equipment A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	25000		
To Cash/Bank A/c (Bal Fig)	5000	By Depreciation	6,000
		By Bal C/d	24,000
	30,000		30,000

Furniture A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	30000		
		By Cash/Bank A/c	4500
To Cash/Bank A/c (Bal Fig)	8000	By Loss on Sale of Furniture	2500
		By Depreciation	3,100
		By Bal C/d	27,900
	38,000		38,000

Insurance A/c

Particulars	Amount	Particulars	Amount
To Cash/Bank A/c (Bal Fig)	650	By Income & Exp A/c	500
		By Bal C/d	150
	650		650



FINAL ACCOUNTS OF NON MANUFACTURING ENTITIES

PYP , RTP & MTP

ILLUSTRATION 1 – PYP MAY 2018 (20 MARKS)

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

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	
Carriage Outwards	8,500	
Rent of Godown	55,000	

<i>Rates and Taxes</i>	24,000	
<i>Salaries</i>	72,000	
<i>Discount allowed</i>	7,500	
<i>Discount received</i>		12,000
<i>Drawings</i>	20,000	
<i>Printing and Stationery</i>	6,000	
<i>Insurance premium</i>	48,000	
<i>Electricity charges</i>	14,000	
<i>General expenses</i>	11,000	
<i>Bank charges</i>	3,800	
<i>Bad debts</i>	12,200	
<i>Repairs the Motor vehicle</i>	13,000	
<i>Interest on loan</i>	4,400	

<i>Provision for Bad-debts</i>		10,000
<i>Loan from Mr. Rajan</i>		60,000
<i>Sundry creditors</i>		62,000
<i>Motor vehicles</i>	1,00,000	
<i>Land and Buildings</i>	5,00,000	
<i>Office equipment</i>	2,00,000	
<i>Furniture and Fixtures</i>	50,000	
<i>Stock as on 31.03.2017</i>	3,20,000	
<i>Sundry debtors</i>	2,80,000	
<i>Cash at Bank</i>	22,000	
<i>Cash in Hand</i>	<u>16,000</u>	
Total	<u>30,73,400</u>	<u>30,73,400</u>

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

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

ILLUSTRATION 2 – PYP NOV 2018 (5 MARKS)

Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P&L account is as follows:

Trading and P&L A/c for the year ended 31st March, 2018

Particulars	(₹)	Particulars	(₹)
To Cost of Goods sold	<u>22,00,000</u>	By Sales	45,00,000
To Gross Profit C/d	<u>?</u>		<u>45,00,000</u>
		By Gross Profit B/d	<u>?</u>
To Salaries paid	12,00,000	By Other Income	45,000
To General Expenses	6,00,000		
To Selling Expenses	?		

To Commission to Manager (On net profit before charging such commission)	<u>1,00,000</u>		<u> </u>
To Net Profit	<u> ?</u>		<u> </u>
	<u> ?</u>		<u> ?</u>

Selling expenses amount to 1% of total Sales
You are required to compute the missing figures.

ILLUSTRATION 3 – PYP MAY 2019 (10 MARKS)

Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2018.

Particulars	Amount	Particulars	Amount
Debit Balances:	₹	Credit Balances:	₹
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

<i>Debtors</i>	<i>5,000</i>	<i>Commission</i>	<i>500</i>
<i>Investments</i>	<i>4,000</i>	<i>Bills payable</i>	<i>2,500</i>
<i>Opening stock</i>	<i>1,400</i>		
<i>Drawings</i>	<i>2,000</i>		
<i>Furniture</i>	<i>1,600</i>		
<i>Bills receivables</i>	<i>3,000</i>		
	<i>35,000</i>		<i>35,000</i>

Other information :

- (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.*
- (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.

ILLUSTRATION 4 - PYP NOV 2019 (10 MARKS)

The balance sheet of Mittal on 1st January, 2018 was as follows:

<i>Liabilities</i>	<i>Amount ₹</i>	<i>Assets</i>	<i>Amount ₹</i>
<i>Trade payables</i>	<i>16,00,000</i>	<i>Plant & Machinery</i>	<i>31,00,000</i>
<i>Expenses payable</i>	<i>2,50,000</i>	<i>Furniture & Fixture</i>	<i>4,00,000</i>
<i>Capital</i>	<i>51,00,000</i>	<i>Trade receivables</i>	<i>14,50,000</i>
		<i>Cash at bank</i>	<i>7,00,000</i>
		<i>Inventories</i>	<i>13,00,000</i>
	<i>69,50,000</i>		<i>69,50,000</i>

During 2018, his profit and loss account revealed a net profit of ₹ 15,10,000. This was after allowing for the following:

- (i) Interest on capital @ 6% p.a.*
- (ii) Depreciation on plant and machinery @ 10% p.a. and on Furniture and Fixtures @ 5% p.a..*
- (iii) A provision for Doubtful debts @ 5% of the trade receivables as at 31st December 2018.*

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totalling ₹ 1,85,000 and (2) prepaid insurance to the extent of ₹ 25,000.

His current assets and liabilities on 31st December, 2018 were: Trade receivables ₹ 21,00,000; Cash at bank ₹ 5,20,000 and Trade payables ₹ 13,84,000. During the year he withdrew ₹ 6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the year-end.

You are required to draw up revised Profit and Loss account and Balance Sheet at the end of the year.

ILLUSTRATION 5 - PYP NOV 2020 (5 MARKS)

Max & Co. employs a team of 9 workers who were paid ₹ 40,000 per month each in the year ending 31st December, 2018. At the start of 2019, the company raised salaries by 10% to ₹ 44,000 per month each.

On 1 July, 2019 the company hired 2 trainees at salary of ₹ 21,000 per month each. The work force are 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 account for the year ended 31st December, 2019.
- (ii) Amount actually paid as salaries during 2019.
- (iii) Outstanding salaries as on 31st December, 2019.

ILLUSTRATION 6 - PYP JAN 2021 (5 MARKS)

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

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

You are required to compute :

- (i) Total income for the year 2019-20.
- (ii) Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is ₹ 2,55,000.

ILLUSTRATION 7 - PYP JUL 2021 (10 MARKS)

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

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

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

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

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

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

Other Information:

(i) She withdrew ₹ 5,000 by cheque each month for her personal expenses.

(ii) Depreciation on building @ 5% p.a. and oil furniture @ 10% p.a.

(iii) Closing stock in hand as on 31st March, 2021: ₹ 5,50,000

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

ILLUSTRATION 8 - PYP JUL 2021 (5 MARKS)

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

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

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

ILLUSTRATION 9 - RTP MAY 2018

The following are the balances as at 31st March, 2017 extracted from the books of Mr. XYZ.

	₹		₹
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300
Purchases	1,60,000	Carriage inward	1,125
Opening Stock	32,250	Carriage outward	1,350
Wages	12,165	Sales	2,15,300

Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		Interest paid on loan	3,000

Additional Information:

- Purchases include sales return of ₹ 2,575 and sales include purchases return of ₹ 1,725.
- Goods withdrawn by Mr. XYZ for own consumption ₹ 3,500 included in purchases.
- 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% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2017 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2017, and a Balance Sheet as on that date. Also show the rectification entries.

ILLUSTRATION 10 - RTP NOV 2018

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

	<i>Dr.</i>	<i>Cr.</i>
	₹	₹
Hari's capital account	-	76,690
Stock 1 st January, 2017	46,800	-
Sales	-	3,89,600
Returns inward	8,600	-
Purchases	3,21,700	-
Returns outward	-	5,800
Carriage inwards	19,600	-

Rent & taxes	4,700	-
Salaries & wages	9,300	-
Sundry debtors	24,000	-
Sundry creditors	-	14,800
Bank loan @ 14% p.a.	-	20,000
Bank interest	1,100	-
Printing and stationary expenses	14,400	-
Bank balance	8,000	-
Discount earned	-	4,440
Furniture & fittings	5,000	-
Discount allowed	1,800	-
General expenses	11,450	-
Insurance	1,300	-

Postage & telegram expenses	2,330	-
Cash balance	380	-
Travelling expenses	870	-
Drawings	<u>30,000</u>	<u> </u>
	<u>5,11,330</u>	<u>5,11,330</u>

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 purchases day book.
- (5) Interest on bank loan shall be provided for the whole year.
- (6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- (7) Credit purchase invoice amounting to ₹ 400 had been omitted from the books.
- (8) Stock on 31.12.2017 was ₹ 78,600.

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

ILLUSTRATION 11 - RTP MAY 2019

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

	<i>Dr.</i> ₹	<i>Cr.</i> ₹
Capital	-	6,00,000
Drawings	70,000	-
Fixed Assets (Opening)	1,40,000	-
Fixed Assets (Additions 01.10.2018)	2,00,000	-
Opening Stock	60,000	-
Purchases	16,00,000	-
Purchases Returns	-	69,000

Sales	-	22,00,000
Sales Returns	99,000	-
Debtors	2,50,000	-
Creditors	-	2,20,000
Expenses	50,000	-
Fixed Deposit with Bank	2,00,000	-
Interest on Fixed Deposit	-	20,000
Cash	-	8,000
Suspense A/c	-	2,000
Depreciation	14,000	-
Rent (17 months upto 31.8.2018)	17,000	-
Investments 12% (01.8.2017)	2,50,000	-

Bank Balance	<u>1,69,000</u>	<u>-</u>
	<u>31,19,000</u>	<u>31,19,000</u>

Stock on 31st March, 2018 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 :

- (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 upto 31.03.2018, 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, 2018.

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

ILLUSTRATION 12 - RTP NOV 2019

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

	₹		₹
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300
Purchases	1,60,000	Carriage inward	1,125
Opening Stock	32,250	Carriage outward	1,350

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

Additional Information:

- Purchases include sales return of ₹ 2,575 and sales include purchases return of ₹ 1,725.
- 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% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2019 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

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

ILLUSTRATION 13 - RTP MAY 2020

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

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	
Carriage Outwards	8,500	

Rent of Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs the Motor vehicle	13,000	

Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Building	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2017	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	<u>16,000</u>	
Total	<u>30,73,400</u>	<u>30,73,400</u>

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

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

ILLUSTRATION 14 - RTP NOV 2020

The following is the Trial Balance of T on 31st March, 2019 :

	<i>Dr.</i> ₹	<i>Cr.</i> ₹
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 upto 31.8.2019)	17,000	-
Investments 12% (01.8.2018)	2,50,000	-

Bank Balance	<u>1,69,000</u>	<u>-</u>
	<u>31,19,000</u>	<u>31,19,000</u>

Stock on 31st March, 2019 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 :

- (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 upto 31.03.2019, 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, 2019.

Give the necessary Journal Entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31st March, 2019.

ILLUSTRATION 15 - RTP MAY 2021

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

	<i>Dr.</i>	<i>Cr.</i>
	₹	₹
Manan's capital account	-	1,53,380
Stock 1st April, 2019	93,600	-
Sales	-	7,79,200
Returns inward	17,200	-
Purchases	6,43,400	-
Returns outward	-	11,600
Carriage inwards	39,200	-

Rent & taxes	9,400	-
Salaries & wages	18,600	-
Sundry debtors	48,000	-
Sundry creditors	-	29,600
Bank loan @ 14% p.a.	-	40,000
Bank interest	2,200	-
Printing and stationary expenses	28,800	-
Bank balance	16,000	-
Discount earned	-	8,880
Furniture & fittings	10,000	-
Discount allowed	3,600	-
General expenses	22,900	-
Insurance	2,600	-

Postage & telegram expenses	4,660	-
Cash balance	760	-
Travelling expenses	1740	-
Drawings	<u>60,000</u>	<u> </u>
	<u>10,22,660</u>	<u>10,22,660</u>

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 purchases day book.

- (5) Interest on bank loan shall be provided for the whole year.
- (6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- (7) Credit purchase invoice amounting to ₹ 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 and (ii) Balance sheet as on 31st March, 2020.

ILLUSTRATION 16 - RTP DEC 2021

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

	₹		₹
Plant and Machinery	78,200	Bad debts recovered	1800
Furniture and Fittings	41,000	Salaries	90,200
Bank Overdraft	3,20,000	Salaries payable	9,800
Capital Account	2,60,000	Prepaid rent	1,200
Drawings	32,000	Rent	17,200
Purchases	6,40,000	Carriage inward	4,500
Opening Stock	1,29,000	Carriage outward	5,400
Wages	48,660	Sales	8,61,200

Provision for doubtful debts	12,800	Advertisement Expenses	13,400
Provision for Discount on debtors	5,500	Printing and Stationery	5,000
Sundry Debtors	4,80,000	Cash in hand	5,800
Sundry Creditors	1,90,000	Cash at bank	12,500
Bad debts	4,400	Office Expenses	40,640
		Interest paid on loan	12,000

Additional Information:

- Purchases include sales return of ₹ 10,300 and sales include purchases return of ₹ 6,900.
- Goods withdrawn by Mr. Satender for own consumption ₹ 14,000 included in purchases.
- Wages paid in the month of April for installation of plant and machinery amounting to ₹ 1,800 were included in wages account.

4. Free samples distributed out of purchases for publicity costing ₹ 3,300.
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 @ 20% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2020 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2021, and a Balance Sheet as on that date. Also show the rectification entries.

ILLUSTRATION 17 - MTP MAY 2019 SERIES 1 (8 MARKS)

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 2017 has been given below:

On 1.4.2016 he had a balance of Rs.2,00,000 advance from customers of which Rs.1,50,000 is related to year 2016-17 while remaining pertains to year 2017-18. During the year 2016-17 he made cash sales of Rs. 5,00,000. You are required to compute:

- (i) Total income for the year 2016-17.
- (ii) Total money received during the year if the closing balance in Advance from customers Account is Rs. 1,70,000.

ILLUSTRATION 18 - MTP NOV 2019 (4 MARKS)

From the below mentioned information, prepare a Trading Account of M/s. Ketan Traders for the year ended 31st March, 2019:

	<i>Rs.</i>
Opening Inventory	1,50,000
Purchases	10,08,000
Carriage Inwards	45,000
Wages	75,000
Sales	16,50,000
Returns inward	1,50,000
Returns outward	1,08,000
Closing Inventory	3,00,000

ILLUSTRATION 19 - MTP MAY 20 (12 MARKS)

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

Particulars	Amount	Particulars	Amount
Debit Balances:	Rs.	Credit Balances:	Rs.
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 information :

- (i) Closing stock was valued at Rs. 4,500.
- (ii) Salary of Rs. 100 and Tax of Rs. 200 are outstanding whereas insurance Rs. 50 is prepaid.
- (iii) Commission received in advance is Rs. 100.

- (iv) Interest accrued on investment is Rs. 210.
- (v) Interest on overdraft is unpaid Rs. 300.
- (vi) Provision for bad debts is to be kept at Rs. 1,000 .
- (vii) Depreciation on furniture is to be charged @ 10%.

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

ILLUSTRATION 20 - MTP MAY 20 (5 MARKS)

Following information is provided for M/s. Kumar Traders for the year ended 31st March, 2019:

	Rs.
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

You are required to pass necessary closing entries in the journal proper of M/s. Kumar Trade.

ILLUSTRATION 21 - MTP NOV 20 (14 MARKS)

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

	₹		₹
Plant and Machinery	39,100	Bad debts recovered	900
Furniture and Fittings	20,500	Salaries	45,100
Bank Overdraft	1,60,000	Salaries payable	4,900
Capital Account	1,30,000	Prepaid rent	600
Drawings	16,000	Rent	8,600
Purchases	3,20,000	Carriage inward	2,250
Opening Stock	64,500	Carriage outward	2,700
Wages	24,330	Sales	4,30,600

Provision for doubtful debts	6,400	Advertisement Expenses	6,700
Provision for Discount on debtors	2,750	Printing and Stationery	2,500
Sundry Debtors	2,40,000	Cash in hand	2,900
Sundry Creditors	95,000	Cash at bank	6,250
Bad debts	2,200	Office Expenses	20,320
		Interest paid on loan	6,000

Additional Information:

1. Purchases include sales return of ₹ 5,150 and sales include purchases return of ₹ 3,450.
2. Goods withdrawn by Mr. Sanjeev for own consumption ₹ 7,000 included in purchases.
3. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
4. Free samples distributed for publicity costing ₹ 1,650.

5. Wages paid in the month of April for installation of plant and machinery amounting to ₹ 900 were included in wages account.
6. 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.
7. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.

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

ILLUSTRATION 22 - MTP MAY 2021 SERIES 1 (12 MARKS)

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

Particulars	Rs.	Particulars	Rs.
Plant and Machinery	39,100	Bad debts recovered	900
Furniture and Fittings	20,500	Salaries	45,100
Bank Overdraft	1,60,000	Salaries payable	4,900
Capital Account	1,30,000	Prepaid rent	600
Drawings	16,000	Rent	8,600
Purchases	3,20,000	Carriage inward	2,250
Opening Stock	64,500	Carriage outward	2,700
Wages	24,330	Sales	4,30,600
Provision for doubtful debts	6,400	Advertisement Expenses	6,700

Provision for Discount on debtors	2,750	Printing and Stationery	2,500
Sundry Debtors	2,40,000	Cash in hand	2,900
Sundry Creditors	95,000	Cash at bank	6,250
Bad debts	2,200	Office Expenses	20,320
		Interest paid on loan	6,000

Additional Information:

- Purchases include sales return of Rs. 5,150 and sales include purchases return of Rs. 3,450.
- Free samples distributed for publicity costing Rs. 1,650.
- Goods withdrawn by Mr. Vijay for own consumption Rs. 7,000 included in purchases.
- Wages paid in the month of April for installation of plant and machinery amounting to Rs. 900 were included in wages account.

5. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
6. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
7. Closing stock as on 31st March, 2021 is Rs. 2,50,000.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2021, and a Balance Sheet as on that date.

ILLUSTRATION 23 - MTP MAY 2021 SERIES 2 (5 MARKS)

Following information is provided for M/s. Ritu Manufacturers for the year ended 31st Dec, 2020:

	Rs.
Opening Inventory	3,00,000
Purchases	20,16,000
Carriage Inwards	90,000
Wages	1,50,000
Sales	33,00,000
Returns inward	3,00,000
Returns outward	2,16,000
Closing Inventory	6,00,000

You are required to pass necessary closing entries in the journal proper of M/s. Ritu Manufacturers.

ILLUSTRATION 24 - MTP DEC 2021 SERIES 1 (5 MARKS)

Following information is provided for M/s. Rishi traders for the year ended 31st March, 2021:

	₹
Opening Inventory	3,00,000
Purchases	20,16,000
Carriage Inwards	90,000
Wages	1,50,000
Sales	33,00,000
Returns inward	3,00,000
Returns outward	2,16,000
Closing Inventory	6,00,000

You are required to pass necessary closing entries in the journal proper of M/s. Rishi traders.

ILLUSTRATION 25 - MTP DEC 2021 SERIES 2 (10 MARKS)

Following particulars are extracted from the books of Mr. Vaid for the year ended 31st March, 2021.

Particulars	Amount	Particulars	Amount
Debit Balances:	Rs.	Credit Balances:	Rs.
Cash in hand	3,000	Capital	32,000
Purchase	24,000	Bank overdraft	4,000
Sales return	2,000	Sales	18,000
Salaries	5,000	Purchase return	4,000
Tax and Insurance	1,000	Provision for Bad debts	2,000
Bad debts	1,000	Creditors	4,000

Debtors	10,000	Commission	1,000
Investments	8,000	Bills payable	5,000
Opening stock	2,800		
Drawings	4,000		
Furniture	3,200		
Bills receivables	6,000		
	70,000		70,000

Other information :

(i) Closing stock was valued at Rs. 9,000.

Goods withdrawn by Mr. Vaid for own consumption Rs. 4000 included in purchases.

(ii) Salary of Rs. 200 and Tax of Rs. 400 are outstanding whereas insurance Rs. 100 is prepaid.

(iii) Commission received in advance is Rs. 200.

(iv) Interest accrued on investment is Rs. 420.

(v) Interest on overdraft is unpaid Rs. 600.

(vi) Provision for bad debts is to be kept at Rs. 2,000.

(vii) Depreciation on furniture is to be charged @ 10%.

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



**FINAL ACCOUNTS OF
MANUFACTURING ENTITIES**

— **PYP , RTP & MTP** —

ILLUSTRATION 1 - PYP NOV 2019 (5 MARKS)

Mr. Shyamal runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2019. ·

<i>Opening work-in-progress (9000 units)</i>	<i>26,000</i>
<i>Closing work-in-progress (14,000 units)</i>	<i>48,000</i>
<i>Opening inventory of Raw Materials</i>	<i>2,60,000</i>
<i>Closing inventory of Raw Materials</i>	<i>3,20,000</i>
<i>Purchases</i>	<i>8,20,000</i>
<i>Hire charges of Machinery @ ₹0.70 per unit manufactured</i>	
<i>Hire charges of factory</i>	<i>2,60,000</i>
<i>Direct wages-contracted@ ₹0.80 per unit manufactured</i>	
<i>and @ ₹0.40 per unit of closing W.I.P.</i>	

<i>Repairs and maintenance</i>	<i>1,80,000</i>
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Units produced - 5,00,000 units

You are required to prepare a Manufacturing Account of Mr. Shyamal for the year ended 31-03-2019.

ILLUSTRATION 2 - PYP NOV 2020 (10 MARKS)

Following are the Manufacturing A/c, Creditors A/c and Raw Material A/c provided by M/s. Shivam related to financial year 2019-20. There are certain figures missing in these accounts.

Raw Material A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	
To Creditors A/c	-	By Closing Stock	-

Creditors A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		-

Manufacturing A/c

Particulars	Amount (₹)	Particulars	Amount (₹)
To Raw Material A/c	-	By Trading A/c	17,44,000
To Wages	3,65,000		
To Depreciation	2,15,000		
to Direct Expenses	2,49,000		

Additional Information:

(i) Purchase of machinery worth ₹ 12,00,000 on 1st April; 2019 has been omitted, Machinery is chargeable at a depreciation rate of 15%.

(ii) Wages include the following:

Paid to factory workers - ₹ 3,15,000

Paid to labour at office - ₹ 50,000

(iii) Direct expenses included the following :

Electricity charges - ₹ 80,000 of which 25% pertained to office

Fuel charges - ₹ 25,000

Freight inwards - ₹ 32,000

Delivery charges to customers - ₹ 22,000

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

ILLUSTRATION 3 - PYP DEC 2021 (15 MARKS)

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

Particulars	Debit Rs.	Particulars	Credit Rs.
Stock on 1/4/2020 :		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payable	75,000
Work-in-progress	95,000	Sale of scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful debts	16,500
Carriages on Purchases	15,000	Capital account	10,00,000
Bills Receivable	1,50,000	Sales	16,72,000

Wages	1,30,000	Bank overdraft	85,000
Salaries	1,00,000		
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plant and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

The following additional information is available :

Stocks on 31st March, 2021 were :	Rs.
Raw Materials	1,62,000
Finished Goods	1,81,000
Work-in-progress	78,000

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

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

ILLUSTRATION 4 - MTP MAY 2021 SERIES 2 (5 MARKS)

Mr. Surya runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2021.

Opening work-in-progress (27,000 units)	78,000
Closing work-in-progress (42,000 units)	1,44,000
Opening inventory of Raw Materials	7,80,000
Closing inventory of Raw Materials	9,60,000
Purchases	24,60,000
Hire charges of Machinery @ Rs. 0.70 per unit manufactured	
Hire charges of factory	7,80,000
Direct wages-contracted @ Rs. 0.80 per unit manufactured and @ Rs. 0.40 per unit of closing W.I.P.	

Repairs and maintenance	5,40,000
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Units produced - 15,00,000 units

You are required to prepare a Manufacturing Account of Mr. Surya for the year ended 31-03-2021.



thank you!