

Unit-4: Accounting from Incomplete Records**INTRODUCTION**

Frequently, small sole proprietorships and partnership enterprises opt not to employ double-entry bookkeeping. Several factors contribute to this choice, such as a lack of accounting knowledge or the business's small scale, where owners prefer not to invest time or effort into maintaining comprehensive accounting records. Consequently, they may only document cash and credit transactions. Nevertheless, at the conclusion of the accounting period, these businesses seek to assess the performance and financial status. Consider a scenario, like that of a street-side vegetable vendor or a small shop owner, where formal accounting expertise may not be a requirement. Instead, the focus is on keeping records of a select few items, including:

- ❑ What is the sum he needs to settle for items acquired on credit from his supplier?
- ❑ How much cash has he garnered from the sale of those vegetables?
- ❑ If he operates a store, what amount has he disbursed for rent or electricity expenses?
- ❑ If he extends credit for certain items, what is the anticipated receivable from that customer?

Various factors can contribute to incomplete records, including:

- ❑ Accidental destruction of accounting records, such as in a fire incident.
- ❑ The absence of a crucial figure, necessitating calculation as a balancing figure (e.g., due to damage or destruction of inventory).

Every individual desires insight into the business's generated profit. Our aim is to comprehend how to utilize those records to determine the business's profit or loss and grasp its financial standing.

This chapter delves into the process of completing accounts using the available incomplete records and tackles challenges encountered in a single-entry system.

There isn't a recognized formal structure termed the Single-Entry System, as accounts are typically prepared using the Double Entry System. It is pertinent to note that the single-entry system is essentially a method involving incomplete or inadequate record-keeping.

The operation of the "Single Entry System" entails bookkeepers completing entries for certain transactions, while for others, only one aspect of the transaction is recorded. In some cases, no entry is made at all. The accountant's responsibility lies in establishing connections among the available data and finalizing these accounts.

Typically, business owners maintain records of cash receipts and payments, as well as personal accounts (receivables, payables, capital, etc.). Additionally, information from bank statements (withdrawals, deposits) is readily accessible.

Features of Single Entry System

- ❑ This method of recording business transactions is inaccurate, unscientific, and lacking in systematic structure.
- ❑ Typically, there is an absence of records for both real and nominal accounts, with a focus on maintaining records for cash transactions and personal accounts.
- ❑ The cash book often intertwines business and personal transactions of the owners.
- ❑ Uniformity in record-keeping is lacking, and the system's structure may vary from one firm to another based on the specific requirements and convenience of each entity.
- ❑ Profit determination under this system relies on estimates derived from available information, making it challenging to ascertain true and accurate profits. This limitation extends to determining the financial position due to the absence of a proper balance sheet.

TYPES OF SINGLE ENTRY SYSTEM

An examination of numerous procedures employed in record-keeping within the single-entry system reveals the presence of the following three types:

- (i) **Pure single entry:** This approach involves maintaining only personal accounts, resulting in a lack of information concerning cash and bank balances, sales, purchases, etc. Due to its inability to provide even fundamental details regarding cash, this method remains theoretical and lacks practical applicability.
- (ii) **Simple single entry:** This category involves the maintenance of (a) personal accounts and (b) a cash book. While these accounts follow the structure of the double-entry system, entries from the cash book are exclusively posted to personal accounts, with no other accounts present in the ledger. Transactions, such as cash received from debtors or cash paid to creditors, are simply recorded on the respective bills issued or received, depending on the case.

For example, The retail store operated by M/s Small Shop maintains a record of amounts receivable from individuals for items sold (such as bread, butter, milk, etc.) as follows: Mr. A - Rs. 300, Mr. B - Rs. 450, Mr. C - Rs. 260.

Notably, the business does not keep a detailed record of the specific items sold. Instead, its focus is solely on tracking the receivable amounts (personal account balances) from its customers.

Quasi single entry: In this approach: (a) personal accounts, (b) a cash book, and (c) certain subsidiary books are upheld. The primary subsidiary books maintained under this system include the Sales book, Purchases book, and Bills book. Discounts, instead of having a dedicated record, are incorporated into the personal accounts. Furthermore, some scattered information is accessible regarding essential expense items like wages, rent, rates, etc. Essentially, this method is commonly employed as an alternative to the double-entry system.

Certain businesses may also uphold additional records, such as a Bills book or Sales book, which could be necessary for taxation or other purposes. For instance, a t-shirt store might issue a bill to each customer for sales made, aiding in validating returns within a reasonable timeframe. Additionally, they might maintain a purchase book to document all purchases.

Moreover, organizations employing workers often keep records of cash wages disbursed and obtain acknowledgment from the workers for the amount received.

ASCERTAINMENT OF PROFIT BY CAPITAL COMPARISON

This method is also referred as Net Worth method or Statement of Affairs Method.

In cases where detailed insights into revenue and expenses are lacking, the preparation of a profit and loss account becomes challenging. Alternatively, focusing on gathering information about assets and liabilities facilitates the easier compilation of a balance sheet at two distinct time intervals. Therefore, when preparing accounts from incomplete records, if adequate information is not accessible, opting for the method of capital comparison proves beneficial in determining the profit or loss for the current year.

3.1 Methods of Capital Comparison

Closing capital experiences an increase in the presence of profit and decreases in the event of a loss incurred during the year. Additionally, if the proprietor/partners inject fresh investments into the business, the capital rises; conversely, any withdrawals made by them result in a reduction of capital.

The subsequent considerations are crucial when calculating profit or loss using the capital comparison method:

Particulars	₹
Capital at the end (a)	XX
Add: Drawings	XX
Less: Fresh capital introduced	XX
Capital at the beginning (b)	XX
Profit (a-b)	XX

When employing the capital comparison method, to be cognizant of both the opening and closing capital. This requires preparation through the formulation of a statement of affairs at the corresponding time intervals.

Top of Form

Capital = Assets (-) liabilities.

Hence, the compilation of a statement of affairs involves documenting the assets and liabilities along with their respective amounts. The accountant references the following sources to determine the assets and liabilities of a business enterprise:

- (i) Cash book for the cash balance
- (ii) Bank passbook for the bank balance

- (iii) Personal ledger for debtors and creditors
- (iv) Inventory, assessed through physical counting and valuation.
- (v) Concerning fixed assets, a compilation of their list is created. The proprietor aids this process by divulging the original cost and purchase date. Following the deduction of a reasonable amount of depreciation, the written-down value is incorporated into the Statement of Affairs.

Once all essential information about assets and liabilities is gathered, the subsequent task for the accountant is to formulate the statement of affairs at two distinct time intervals.

The structure of the statement of affairs mirrors that of a balance sheet, as illustrated below:

Statement of affairs as on.....

Liabilities	₹	Assets	₹
Capital (Bal. Fig.)	xx	Building	xx
Loans, Bank overdraft	xx	Machinery	xx
Sundry creditors	xx	Furniture	xx
Bills payable	xx	Inventory	xx
Outstanding expenses		Sundry debtors	xx
		Bills receivable	xx
		Loans and advances	xx
		Cash and bank	xx
		Prepaid expenses	xx
	xx		xx

From the statement of affairs crafted at two different dates, one can derive the opening and closing balances of the capital.

Difference between Statement of Affairs and Balance Sheet

Basis	Statement of affairs	Balance sheet
Source	Formulated using transactions that are partially documented in double-entry bookkeeping and partially in single-entry, this statement relies heavily on estimates, assumptions, and information retrieved from memory rather than precise records, particularly in recording the majority of assets.	Constructed solely from transactions adhering to the principles of double-entry bookkeeping, each element in the balance sheet can be corroborated by referencing the pertinent subsidiary books, ledger, and supporting documentary evidence.
Capital	In this statement, capital serves as a balancing figure, representing the surplus of assets over liabilities. Consequently, there is no requirement for assets to equate to liabilities.	Capital is sourced from the capital account in the ledger, ensuring that the sum of the assets side consistently matches the sum of the liabilities side.

Basis	Statement of affairs	Balance sheet
Omission	Given that this statement is generated from incomplete records, it becomes challenging to recognize and document any assets and liabilities that may have been omitted from the books.	The likelihood of omitting any asset or liability is eliminated as all items are accurately recorded. Additionally, identifying any missing items is straightforward, as discrepancies in the balance sheet become evident.
Basis of Valuation	Typically, assets are valued in a subjective manner, and as a result, no specific valuation method is revealed.	Assets are valued using a scientific approach, where fixed assets are presented at their original costs, reduced by accumulated depreciation up to the current date. Any alterations in the valuation method are duly disclosed.
Objective	The purpose of compiling this statement is to determine the capital figures at the commencement and conclusion of the accounting period, respectively.	The purpose of creating the balance sheet is to determine the financial position as of a specific date.

Preparation of Statement of Affairs and Determination of Profit

As mentioned in Section 3.1, the data for assets and liabilities must be gathered to create a statement of affairs.

TECHNIQUES OF OBTAINING COMPLETE ACCOUNTING INFORMATION

In cases of incomplete books of accounts, it is crucial to finalize the double-entry for all transactions. The entire accounting process needs to be meticulously executed, and a Trial Balance should be prepared.

General Techniques

In situations where a business's accounts are incomplete, it is recommended to initially convert them into the double-entry system and then proceed to formulate the Profit and Loss Account and the Balance Sheet. This approach is preferable to determining profit or loss by preparing the statement of affairs. As the incompleteness of accounts varies among different firms, providing a formula that uniformly applies for preparing final accounts is not feasible. As a general guideline, it is essential to commence ledger accounts with the opening balances of assets, liabilities, and capital. Subsequently, each original entry book should be addressed separately to complete the double entry by posting all entries into the ledger that have not been posted. For instance, if only personal accounts have been posted from the Cash Book, entries related to nominal accounts and unposted real accounts should be posted into the ledger. If there are Discount Columns in the Cash Book, the totals of discounts paid and received should be posted to Discounts Allowed and Discounts Received Accounts, respectively, to ensure a comprehensive double entry.

Subsequently, the totals of the remaining subsidiary books, such as the Purchases Day Book, Sales Day Book, Purchase Return Book, Sales Return Book, Bills Receivable, and Bills Payable, etc., should be computed and these totals should be recorded in the ledger, either as debits or credits to the corresponding nominal or real accounts, considering that the personal aspect of the transactions has already been posted.

When an accountant is tasked with posting unrecorded items from the Cash Book and other subsidiary books, several challenges may arise. Here is how some of these issues can be addressed:

1. In the Cash Book, certain receipt entries may not be related to the business but pertain to the proprietor, such as interest collected on private investments, legacies received, or amounts contributed by the proprietor from personal resources. These amounts should be credited to the proprietor's capital account. Additionally, the Cash Book might include entries for payments related to the proprietor's purchases and personal expenses, which should be debited to the proprietor's capital account as drawings.
 2. Funds belonging to the business, after collection, may have been directly used for acquiring business assets or covering certain expenses without being recorded in the Cash Book. Conversely, the proprietor may have covered some business expenses from personal resources. In such cases, the appropriate asset or expense account should be debited, and the source of obtaining funds should be credited.
 3. If there is a shortage of cash due to the proprietor withdrawing an amount without a corresponding entry in the Cash Book, the proprietor's capital account should be debited. It is necessary to debit or credit the proprietor's capital account for all unidentified amounts that cannot be adjusted elsewhere.
 4. In cases where an item of expense benefits both the proprietor and the business, the expense should be allocated between the two on a fair basis. For example, rent for premises where the proprietor resides should be allocated based on the area occupied for residence.
- Ultimately, these adjustments will allow for the preparation of a Trial Balance. It is advisable for students to create a Trial Balance as it helps identify any errors made during the adjustment process.

DERIVATION OF INFORMATION FROM CASH BOOK

Derivation of Information from Cash Book

The examination of both cash and bank receipts and payments should be thorough, organized under major categories, enabling the posting of various income and expenditure items into the ledger. Nevertheless, before entering this information into the ledger, it should be compiled in the format of an account, as demonstrated in the sample provided below:

Cash and Bank Summary Account for the year ended (assumed figures)

	Cash	Bank		Cash	Bank
	₹	₹		₹	₹
To Balance in hand (opening)	590	7,400	By Expenses (Sundry payments)	3,000	-
To Sales			By Purchases	100	6,000
To Collection from Debtors	6,500	- 10,000	By Sundry creditors	- 1,500	5,000
			By Drawings	800	-
	-		By Petty expenses	- 350	- 1,000
			By Rent	350	-
			By Electricity and water	- 990	- 1,000
			By Repairs		4,400
			By Wages		
			By Balance in Hand		
	7,090	17,400		7,090	17,400

In the context of incomplete records, it is crucial to note that a significant portion of the information may not be readily accessible and needs to be determined. A recommended practice is to create a Cash and Bank Summary, especially if the information is not available in a proper format with both sides reconciled. The concluding cash and bank balances should undergo reconciliation with the respective cash and bank books. Subsequently, the various items outlined in the Summary Statements should be entered into the ledger.

This process often unveils previously missing information. Take, for instance, the case of a firm concerning March 31, 2022.

	₹
Cash Balance on 1st April, 2021	250
Bank overdraft on 1st April, 2021	5,400
Cash purchases	3,000
Collection from Sundry debtors	45,600
Sale of old furniture	750
Purchase of Machinery	12,000
Payment of Sundry creditors	26,370
Expenses	8,450
Fresh Capital brought in	5,000
Drawings	3,230
Cash Balance on 31st March, 2022	310
Bank balance on 31st March, 2022	1,180

Now prepare the cash and Bank Summary.

Cash and Bank Summary

Dr.	₹		₹ Cr.
Cash Balance on 1-4-2021	250	Bank overdraft on 1-4-2021	5,400
Collection from Sundry debtors	45,600	Cash purchases	3,000
Sale of old furniture	750	Purchase of Machinery	12,000
Fresh Capital brought in	5,000	Payment to Sundry creditors	26,370
Balancing figure- (Cash sales)	8,340	Expenses	8,450
		Drawings	3,230
		Cash balance on 31-03-2022	310
		Bank balance on 31-03-2022	1,180
	59,940		59,940

See that debit side is short by ₹ 8,340. What may be the possible source of cash inflow? It can be cash sales.

Analysis of Sales Ledger and Purchase Ledger

Sales Ledger: It would reveal details about the initial balances of receivables, interactions conducted throughout the year, including credit sales, bills receivable issued, any dishonored bills, cash received, returns of sales, granted discounts, rebates, or other concessions, receipts against bills receivable, write-offs for bad debts, and transfers. Journal entries must be recorded by debiting or crediting relevant impersonal accounts with a contra credit or debit specified for the total receivables account.

Analysis of Sales Ledger of the year

Op. Customer Balance	Sales	Bills Disho- nored	Total Debits	Cash Recd.	Dis- counts Allw.	Bills Recd.	Sales Returns	Bad Debts	Total Credit	Balance (cl.)
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Based on the details mentioned above, it becomes feasible to compile data related to sales and other accounts, which can subsequently be posted in aggregate amounts if preferred. Additionally, the compilation of the Total Debtors account becomes achievable.

Account in the following form:

Proforma of Total Debtors Account (assumed figures)

	₹		₹
To Opening balance	5,000	By Cash/Bank	10,000
To Sales	38,000	By Discount	500
To Bills dishonoured	280	By Bills receivable	20,000
To Interest	100	By Bad debts	280
		By Closing balance	12,600
	43,380		43,380

The provided format illustrates that if any specific figure is absent, it can be readily determined as the balancing figure. This could encompass the opening balance, credit sales, cash collected, or closing balance. For instance, in the total Debtors Account presented above, if all other figures are provided, the amount of sales on a credit basis can be effortlessly ascertained.

In the absence of a comprehensive record of returns to creditors, discounts allowed by them, etc., updating the Total Creditors Account may pose challenges. In such instances, the net credit purchase can be determined as follows:

Cash paid to Creditors including on account of bills	XXX
Payable during the period	XXX
Closing balance of Creditors and Bills Payable	
Total	XXX
Less: Opening balance of Creditors and Bills Payable	XXX
Net credit purchase during the period	XXX

Alternatively	XXX
Cash paid to creditors during the period	
Add: Bills Payable issued to them	XXX
Closing balance of Creditors	XXX
Less: Opening balance of creditors	XXX
Credit Purchases during the period	XXX

Nominal Accounts: It is possible that the total expenditure indicated by the balance of nominal accounts may include expenses unrelated to the year for which accounts are being compiled. Additionally, there might be certain expenditures incurred but not yet settled, which are not accounted for in this total. Consequently, each account should be adjusted as demonstrated below (with assumed figures):

No.	Cash and Particulars	Amount Bank Payment		Paid out of Accrued	Total Private Fund		Pre Payment	Expenses for the period	
1.	2	3		4	5	(2+3+4)	6	7	(5-6)
	₹	₹		₹		₹	₹		₹
Rent & Rates	2,200		300	100		2,600	150		2,450
Salaries	4,500		500	1,000		6,000	250		5,750

Post only the sum recorded as “expenses for the period” to the relevant nominal accounts. A corresponding adjustment of nominal accounts for revenue receipts should be carried out.

Distinction between Business Expenses and Drawings

It has been previously mentioned that the differentiation between business expenses and drawings is frequently overlooked. When finalizing accounts from incomplete records, it is imperative to scrutinize business transactions thoroughly to detect the presence of drawings.

The main items of drawings are (illustrative):

- ☐ Rent of premises utilized for both residential and business purposes.
- ☐ Shared electricity and telephone bills.
- ☐ Premiums for life insurance of proprietor/partners paid from business funds.
- ☐ Household expenses covered by business funds.
- ☐ Private loans extended to friends and relatives using business funds.
- ☐ Personal gifts given to friends and relatives using business funds.
- ☐ Goods or services obtained from the business for personal use.
- ☐ Cash withdrawals for family expenses.
- ☐ Amount collected from debtors directly used for personal expenses.

Therefore, it is essential to carefully review the summary of cash transactions, business resources, and their utilization to determine the nature and amount of drawings.

Fresh Investment by proprietors/partners

Similar to drawings, fresh investments made by proprietors/partners are not always easily discernible. It becomes essential to meticulously scrutinize business transactions. Besides direct cash investments, fresh investments may manifest in the following ways:

- ❑ Funds received and infused into the business upon the maturity of proprietors' Life Insurance Policy.
- ❑ Interest and dividends from personal investments of the proprietors collected and injected into the business.
- ❑ Revenue from non-business assets gathered and utilized in the business.
- ❑ Payments to creditors made from personal funds.

Unless these transactions are correctly identified and separated, it will impact the business income, and a proper statement of affairs cannot be accurately prepared.

TEST YOUR KNOWLEDGE

True and false

1. A Trial Balance cannot be drawn up from books kept under Single Entry.

(ICAI Study Material)

Sol. True: Due to the maintenance of incomplete records, the preparation of a trial balance is not feasible.

2. Nominal Accounts are kept under Single Entry System..

(ICAI Study Material)

Sol. False: In the single-entry system of bookkeeping, typically, the cash book and personal accounts of creditors and debtors are maintained, without the use of other ledgers.

3. Single Entry System can be adopted by small firms.

(ICAI Study Material)

Sol. True: The single-entry system involves recording financial transactions as a single entry in a log, often adopted by new small businesses.

4. Profit under single entry system is always correct and accurate. (ICAI Study Material)

Sol. False: Profits under the single-entry system are merely estimates based on available information, making it challenging to determine accurate profits.

5. Profits computed under single entry system by different business entities are not comparable. (ICAI Study Material)

Sol. True, The absence of a fixed set of principles for recording financial transactions in the single-entry system results in different organizations maintaining records based on their specific needs, making their accounts non-comparable.

MULTIPLE CHOICE QUESTIONS

1. In case of net worth method, profit is determined by

(ICAI Study Material)

- (a) Preparing a trading and profit and loss account.
- (b) Comparing the capital in the beginning with the capital at the end of the accounting period.
- (c) Comparing the net assets in the beginning with the net assets at the end of the accounting period.
- (d) None of the Above

Sol. (b) Comparing the capital in the beginning with the capital at the end of the accounting period.

2. Single entry system can be followed by

(ICAI Study Material)

- (a) Small firms.
- (b) Joint stock companies.
- (c) Co-operative societies.
- (d) All of the above

Sol. (a) Small firms.

3. Closing capital is calculated as - (ICAI Study Material)

- (a) Opening capital + Additional capital - Drawings.
- (b) Opening capital + Additional capital - Drawings + Profit.
- (c) Opening capital + Additional capital + Drawings - Profit.
- (d) None of the above

Sol. (b) Opening capital + Additional capital - Drawings + Profit.

4. Under single entry system, only personal accounts are kept and, in some cases,

(ICAI Study Material)

- (a) Cash book is maintained
- (b) Fixed assets' accounts are maintained
- (c) Liabilities' accounts are maintained
- (d) All of the above

Sol. (a) Cash book is maintained

5. The closing capital of Mr. B as on 31.3.2022 was ₹4,00,000. On 1.4.2021 his capital was ₹ 3,50,000. His net profit for the year ended 31.3.2022 was ₹ 1,00,000. He introduced ₹30,000 as additional capital in February, 2022 Find out the amount drawn by Mr. B for his domestic expenses.

(ICAI Study Material)

- (a) ₹ 1,00,000;
- (b) ₹ 80,000;
- (c) ₹ 1,20,000
- (d) Rs.1,50,000

Sol. (b) ₹ 80,000;

6. Given information:

(ICAI Study Material)

Opening capital:	60,000
Drawings:	5,000
Capital introduced during the period:	10,000
Closing capital:	90,000
Profit earned during the period	?

- (a) ₹ 20,000
- (b) ₹ 25,000
- (c) ₹ 30,000
- (d) Rs.50,000

Sol. (b) ₹ 25,000

THEORETICAL QUESTIONS

1. What is meant by Single entry System? What are the types of procedures adopted for this system? (ICAI Study Material)

Sol. The single-entry system is an imprecise and unsystematic approach to recording business transactions, characterized by procedures such as Pure Single Entry, Simple Entry, and Queasy Single Entry. For details, refer para 1 and 2 of the chapter.

2. Differentiate between Statement of Affairs and Balance Sheet. (ICAI Study Material)

Sol. To grasp the distinction between the Statement of Affairs and the Balance Sheet, please consult paragraph 3.2 within the chapter.

□□□



Unit-1: Manufacturing Accounts

PRACTICAL QUESTIONS

1. Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by M/s. Suresh related to financial year 2019-20. There are certain figures missing from 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 Account

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 are 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 including 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.

[Nov, 2020, 10 Marks]

Sol.

Raw Material a/c

Particulars	Amount ₹	Particulars	Amount ₹
To Opening Stock	1,27,000	By Raw material consumed	9,15,000
To Creditors (Purchase of raw material)	14,40,000	By Closing Stock (bal. fig.)	6,52,000
Total	15,67,000	Total	15,67,000

Creditors a/c

Particulars	₹	Particulars	₹
To Bank a/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000	By Purchase of raw material (bal. fig.)	14,40,000
Total	30,10,000	Total	30,10,000

Revised Manufacturing a/c

Particulars	₹	Particulars	₹
To Raw Material a/c (Bal. fig.)	9,15,000	By Trading a/c ⁽³⁾	18,32,000
To Wages (3,65,000 - 50,000)	3,15,000		
To Depreciation ⁽¹⁾	3,95,000		
To Direct Expenses ⁽¹⁾	2,07,000		
Total	18,32,000	Total	18,32,000

Working Notes:

1. Actual Depreciation:

$$\begin{aligned}
 &= ₹2,15,000 + (12,00,000 \times 15\%) \\
 &= ₹2,15,000 + ₹1,80,000 \\
 &= ₹3,95,000
 \end{aligned}$$

2. Actual Direct Expenses:

$$\begin{aligned}
 &= 2,49,000 - (80,000 \times 25\%) \text{ (office electricity)} - 22,000 \text{ (Delivery Expense)} \\
 &= 2,49,000 - 20,000 - 22,000 \\
 &= ₹2,07,000
 \end{aligned}$$

3. Revised balance to be transferred to trading account:

Amount as per manufacturing account	17,44,000
Add: Depreciation not recorded earlier	1,80,000
Less: Wages of office	(50,000)
Less: Delivery charges wrongly added in direct expenses	(22,000)
Less: Office electricity wrongly included (80,000 × 25%)	(20,000)
	18,32,000

2. The following is the trial balance of Mr. Pandit for the year ended 31st March, 2022:

Trial Balance as on 31st March 2022

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

Particulars	₹	Particulars	₹
Power	30,000		
Interest Paid	7,000		
Discount Allowed	3,000		
Carriage Inwards	15,000		
Carriage Outwards	7,000		
Commission Paid	9,000		
	12,54,000		12,54,000

Additional Information

Stock of finished goods at the end of the year ₹1,00,000.

A provision for doubtful debts is to be created. at 5% on Sundry Debtors Depreciation on building ₹1,000 and ₹3,000 on Plant & Machinery to be provided.

Accrued commission of ₹12,500 is to be received for the year. Interest has accrued on investment ₹15,000.

Salary Outstanding ₹2,000 and Prepaid Interest ₹1,500.

You are required to prepare Manufacturing, Trading and Profit and Loss Account for the year ended 31st March, 2022. (ICAI Study Material)

Sol.

In the books of Mr. Pandit

Manufacturing Account for the year ended 31st March, 2022

Particulars		₹	Particulars	₹
To Opening Stock of Raw Materials		1,50,000	By Cost of Manufactured goods transferred to Trading A/c	8,08,000
To Purchase	5,00,000			
Less: Purchase Return	5,000	4,95,000		
To Carriage Inwards		15,000		
To Direct Wages		80,000		
To Power		30,000		
To Coal and fuel		15,000		
To Factory Rent and Rates		20,000		
To Depreciation on Machinery		3,000		
		8,08,000		8,08,000

Trading Account for the year ended 31st March, 2022

Particulars	₹	Particulars	₹
To Opening Stock of finished goods	75,000	By Sales	8,50,000
To Cost of goods transferred from Manufacturing A/c	8,08,000	Less: Sales Return	10,000
To Gross Profit c/d	57,000	By Closing Stock	1,00,000
	9,40,000		9,40,000

Profit and Loss Account for the year ended 31st March 2022

Particulars	₹	Particulars	₹
To Carriage Outward	7,000	By Gross Profit b/d	57,000
To Discount Allowed	3,000	By Accrued Commission	12,500
To Commission Paid	9,000	By Accrued Interest	15,000
To General Expenses	4,000		
To Advertisement	5,000		
To Salaries	20,000		
Add: Outstanding	2,000		
To Interest Paid	7,000		
Less: Prepaid	1,500		
To Provision for Bad & Doubtful Debts	2,000		
Add: Bad Debts	4,000		
Less: Old Provision for Doubtful Debts	2,000		
To Depreciation on Building	1,000		
To Net Profit c/d	24,000		
	84,500		84,500

Balance Sheet as at 31st March, 2022

Capital and Liabilities	₹	Assets	₹
Capital	1,00,000	Plant & Machinery	30,000
Add: Net Profit	24,000	Less: Depreciation	3,000
	1,24,000	Land & Building	1,00,000
Less: Drawings	20,000	Less: Depreciation	1,000
Bills Payable	24,000	Furniture & Fixtures	15,000

Capital and Liabilities		₹	Assets		₹
Sundry Creditors		50,000	Investments		25,000
Salary Outstanding		2,000	Closing Stock		1,00,000
Long-Term Loans		2,00,000	Loose Tools		30,000
Bank Overdraft		23,000	Sundry Debtors	40,000	
			Less: Provision for Bad & Doubtful Debts	2,000	38,000
			Bills Receivable		15,000
			Accrued Commission		12,500
			Accrued Interest		15,000
			Prepaid Interest		1,500
			Cash in Hand		20,000
			Cash at Bank		5,000
		4,03,000			4,03,000

3. Mr. Vimal runs a factory which produces soaps. Following details were available in respect of his manufacturing activities for the year ended on 31.3.2022:

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

Required:

Prepare a Manufacturing Account of Mr. Vimal for the year ended 31.3.2022.

(ICAI Study Material)

Sol. In the Books of Mr. Vimal Manufacturing

Account for the Year ended 31.3.2022

Particulars		Units	Amount ₹	Particulars	Units	Amount ₹
To Opening WIP		10,000	16,000	By Cl. WIP-	12,000	20,000
To Raw Materials Consumed:				By Trading A/c-	5,00,000	19,00,800
Opening inventory	1,70,000			cost of finished goods transferred		
Add: Purchases	8,20,000					
	9,90,000					
Closing Inventory	(1,90,000)		8,00,000			
To Direct wages - W.N (1)			4,04,800			
To Direct expenses:						
Hire charges on Machinery - W.N (2)			3,00,000			
To Indirect expenses:						
Hire charges of factory shed	2,20,000					
Repairs Maintenance	1,80,000		4,00,000			
			19,20,800			19,20,800

Working Notes:

(1) Direct Wages - 5,00,000 units @ 0.80 =	4,00,000
12,000 units @ 0.40 =	4,800
	4,04,800
(2) Hire charges on Machinery (5,00,000 units @ 0.60)	3,00,000

4. Prepare Manufacturing Trading and Profit and loss account for the year ended on 31 st March, 2023 and Balance Sheet as at that date of Shri K. Mishra, manufacturers, from the following trial Balance & information.

Sol.

Trading and Profit and loss Account for the year ended on 31.03.2023

Account Head	Dr. ₹	Cr. ₹
Advertising	3320	
Bad debts	2420	
Bad debts provision		4000
Bank charges	480	
Capital A/c of K. Mishra		140,000

Account Head	Dr. ₹	Cr. ₹
Current A/c of K. Mishra		6492
Drawing A/c of K. Mishra	32,000	
Discount		1648
Factory Power	14456	
Furniture	3600	
General expense-factory	820	
General expense-office	1384	
Insurance	3608	
Light & Heat	1928	
Plant & Machinery 1-4-2022	60000	
Plant & Machinery bought 30-9-2022	8000	
Purchases	134672	
Packing and Transport	4340	
Rent and rates	5944	
Repairs to plant	3140	
Salaries - office	14760	
Sales		316696
Stock, 1/04/22:		
(a) Raw materials	20920	
(b) Finished goods	29520	
(c) Work-in-progress	6680	
Wages - Factory	82800	
Debtors	42240	
Cash in hand	700	
Cash-at-bank	<u>15704</u>	
Creditors		24600
Total	493436	493436

Additional Information:

Stock on 31/03/2023 were:

- (a) Raw-materials ₹14,240 (b) Work-in-progress ₹6960 (c) Finished good ₹38600 (d) Packing materials ₹500

The following liabilities are to be provided for:

- (a) Factory power ₹2248 (b) Rent & Rates ₹1544 (c) Light & Heat ₹640 (d) General expenses. Factory ₹100 (e) General expenses - Office ₹160 Insurance prepaid ₹680

Provide depreciation at 10 % p.a. on Plant and machinery and 5% p.a. On Furniture. Increase Bad debts provision by ₹2,000.

5. Five sixth of Rent & Rates, Light & Heat, and Insurance are to be allocated to the Factory and 1/6 to the office.

Sol.

M/s. K. Mishra

Manufacturing Account for the year ended on 31/03/2023

Particulars		₹	Particulars	₹
To Opening stock		6680	By Cost of F.G. produce transfer to trading a/c	261856
To Raw material purchases	134672		By Closing stock of WIP	6960
(+) Addition	20920			
(-) Closing stock	<u>14240</u>	141352		
To Power	14456			
(+) Outstanding	<u>2248</u>	16704		
To General expenses	820			
(+) Outstanding	<u>100</u>	920		
To Repairs to plant		3140		
To Wages		82800		
To Depreciation		6400		
To Insurance		2440		
To Heat and light		2140		
To Rent		6240		
		<u>268816</u>		<u>268816</u>

Trading and P&L a/c for the year ended on 31/03/, 2023

Particulars		₹	Particulars	₹
To Opening stock a/c		29520	By Sales a/c	316696
To F.G. produced transfer from manufacturing a/c		261856	By Closing finished goods	38600
To Gross profit a/c		63920		
		<u>393896</u>		<u>393896</u>
To Advertising a/c		3320	By Gross profit a/c	63920
To Bad debts a/c	2420		By Discount a/c	1648
(+) Provision	<u>2,000</u>	4420		
To Bank charges a/c		480		
To General expenses a/c	1384			
(+) Outstanding	<u>160</u>	1544		
To Packing and transaction a/c	4340			
(-) Closing stock	<u>500</u>	3840		
To Salaries a/c		14760		
To Depreciation a/c		180		

Particulars		₹	Particulars	₹
To Insurance a/c		488		
To Light and heat a/c		428		
To Rent a/c		1248		
To Net profit		34860		
		<u>65568</u>		<u>65568</u>

Balance Sheet as on 31/03/2023

Particulars		₹	Particulars		₹
Capital		140000	Furniture	3600	
Current	6492		(-) Depreciation	<u>180</u>	3420
+ Net profit	34860		Plant and machinery	60,000	
(-) Drawings	<u>32000</u>	9352	(+) Addition	<u>8,000</u>	
Creditors		24600		68,000	
Outstanding (2248 + 1544 + 640 + 100 + 160)		4692	(-) Depreciation	<u>6,400</u>	61600
			Prepaid insurance		680
			Debtors	42,240	
			(-) Provision 4000		
			(-) Provision 2000	<u>6,000</u>	36240
			Bank		15704
			Cash		700
			Stock (14240 + 6960 + 38600+500)		60300
		<u>178644</u>			<u>178644</u>

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

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

Particulars	Debit	Particulars	Credit
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 31 st March, 2021 were:

Raw materials ₹1,62,000

Finished goods ₹1,81,000

Work-in-progress ₹ 78,000

Salaries and wages unpaid for the year ended 31 st March, 2021 were respectively, ₹9,000 and ₹20,000. Machinery is to be depreciated by 10% and office furniture by 7.5%. A provision for doubtful debts is to be maintained @ 1% of sales. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office. Prepare the Manufacturing Account, Trading Account and Profit and Loss Account for the year ended on 31 st March, 2021.

[Dec. 2021, 15 Marks]

Sol.

In the books of Mr. Red

Manufacturing Account for the year ended 31st March, 2021

Particulars	Amount ₹	Particulars	Amount ₹
To Raw Material Consumed:		By Closing Stock of WIP	78,000
Opening Stock 2,10,000		By Sale of Scrap	25,000
Add: Purchases 8,50,000		By Cost of goods Manufactured	11,90,000
Add: Carriage on Purchases 15,000		(Transferred to Trading a/c)	

Particulars	Amount ₹	Particulars	Amount ₹
Less: Closing Stock <u>(1,62,000)</u>	9,13,000		
To Wages 1,30,000			
Add: Outstanding <u>20,000</u>	1,50,000		
Wages			
To Repairs to Plant	11,000		
To Rent (3/4)	45,000		
To Lighting (2/3)	9,000		
To Depreciation on Plant	70,000		
To Opening Stock of WIP	95,000		
Total	12,93,000	Total	12,93,000

Trading Account for the year ended 31st March, 2020

Particulars	Amount ₹	Particulars	Amount ₹
To Opening Stock of finished goods	1,55,000	By Sales	16,72,000
To Cost of goods (trfd. from Manufacturing a/c)	11,90,000	By Closing Stock of finished goods	1,81,000
To Gross Profit c/d	5,08,000		
Total	18,53,000	Total	18,53,000

Profit and Loss Account for the year ended 31st March, 2020

Particulars	Amount ₹	Particulars	Amount ₹
To Salaries 1,00,000		By Gross Profit b/d	5,08,000
Add : Outstanding <u>9,000</u>	1,09,000	By Commission received	4,500
To Telephone & Postage	10,000		
To Repairs to furniture	3,500		
To Depreciation on furniture	7,500		
To Rent (1/4)	15,000		
To Lighting (1/3)	4,500		
To General Expenses	15,000		
To Provision for doubtful debts:			
(1% of ₹16,72,000) 16,720			
Less: Existing Provision 16,500	220		
To Net Profit	3,47,780		
Total	5,12,500	Total	5,12,500

7. Mr. Pankaj runs a factory which produces motor spares of export quality. The following details were obtained about his manufacturing expenses for the year ended on 31.3.2022.

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

You are required to prepare Manufacturing Account of Mr. Pankaj for the year ended on 31.3.2022. (ICAI Study Material)

Sol.

In the Books of Mr. Pankaj
Manufacturing Account for the year ended on March 31,2022

Particulars	₹	Amount ₹	Particulars	Amount ₹
To Opening W.I.P.		3,90,000	By Closing W-I-P	5,07,000
To Raw Material Consumed:			By by products	20,000
Opening inventory	3,02,000		By Trading A/c-Cost of finished goods transferred	17,81,000
Purchases	12,10,000			
	15,12,000			
Less: Return	(18,000)			
	14,94,000			
Less: Closing inventory	(3,10,000)	11,84,000		
To Direct Wages		2,10,000		
To Direct expenses:				

Particulars	₹	Amount ₹	Particulars	Amount ₹
Royalty		1,30,000		
To Manufacturing Overhead:				
Indirect Material	16,000			
Indirect Wages	48,000			
Repairs & Maintenance	2,30,000			
Depreciation on Factory Shed	40,000			
Depreciation on Plant & Machinery	60,000	3,94,000		
		23,08,000		23,08,000

8. 1,00,000 units were produced in a factory. Per unit material cost was ₹10 and per unit labour cost was ₹5. That apart it was agreed to pay royalty @ ₹3 per unit to the Japanese collaborator who supplied technology.

Required

Calculate Manufacturing Cost.

(ICAI Study Material)

Sol. In this case Manufacturing Cost comprises of –

Raw Material consumed	(1,00,000 × ₹10)	₹10,00,000
Direct Wages	(1,00,000 × ₹5)	₹5,00,000
Direct Expenses	(1,00,000 × ₹3)	₹3,00,000
		₹18,00,000

9. On 31st March, 2022 the Trial Balance of Mr. White were as follows:

Trial Balance as on 31st March, 2022

Particulars	Dr. ₹	Particulars	Cr. ₹
Stock on 1st April 2021			
Raw Materials	21,000	Sundry Creditors	15,000
Work in Progress	9,500	Bills Payable	7,500
Finished goods	15,500	Sale of Scrap	2,500
Sundry Debtors	24,000	Commission Received	450
Carriage on Purchases	1,500	Provision for doubtful debts	1,650

Particulars	Dr. ₹	Particulars	Cr. ₹
Bills Receivable	15,000	Capital Account	1,00,000
Wages	13,000	Sales	1,67,200
Salaries	10,000	Bank Overdraft	8,500
Telephone, Postage etc.	1,000		
Repairs to Office Furniture	350		
Cash at Bank	17,000		
Office Furniture	10,000		
Repairs to Plant	1,100		
Purchases	85,000		
Plant and Machinery	70,000		
Rent	6,000		
Lighting	1,350		
General Expenses	1,500		
	3,02,800		3,02,800

The following additional information is available:

Stocks on 31st March, 2022 were:

Raw Materials ₹16,200

Finished goods ₹18,100

Semi-finished goods ₹7,800

Salaries and wages unpaid for March 2022 were respectively, ₹900 and ₹2,000

Machinery is to be depreciated by 10% and office furniture by 7 1/2 %

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

Office premises occupy 1/4 of total area.

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

Prepare the Manufacturing Account Trading Account, Profit and Loss Account and the Balance Sheet relating to 31st March 2022. (ICAI Study Material)

Sol.

In the books of Mr. White
Manufacturing Account for the year ended 31st March, 2022

Particulars		₹	Particulars	₹
Raw material consumed:			By Closing Stock of Work in Progress	7,800
			By Sale of Scrap	
Opening Stock	21,000			2,500

Balance Sheet as at 31st March, 2022

Capital and Liabilities		₹	Assets		₹
Capital Account	1,00,000		Plant & Machinery	70,000	
Add: Net Profit	34,778	1,34,778	Less: Depreciation	7,000	63,000
Bank Loan		8,500	Office Furniture	10,000	
Sundry Creditors		15,000	Less: Depreciation	750	9,250
Bills Payable		7,500	Closing Stock		16,200
Salary Payable		900	Raw Materials		7,800
Wages Payable		2,000	Work in Progress		18,100
			Finished Goods		
			Sundry Debtors	24,000	22,328
			Less: Provision for BDD	1,672	15,000
			Bills Receivable		17,000
			Cash at Bank		
		1,68,678			1,68,678

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

Particulars	Dr.	Particulars	Cr.
Opening Stock:		Sundry Creditors	1,75,000
Raw Material	5,25,000	Purchase Return	17,500
Finished Goods	2,62,500	Capital	3,50,000
Purchase of Raw Material	17,50,000	Bills Payable	84,000
Land & Building	3,50,000	Long Term Loan	7,00,000
Loose Tools	1,05,000	Provision for bad and doubtful debts	7,000
Plant and Machinery	1,05,000	Sales	29,75,000
Investments	87,500	Bank Overdraft	80,500
Cash in Hand	70,000		
Cash at Bank	17,500		
Furniture and Fixtures	52,500		
Bills Receivables	52,500		
Sundry Debtors	1,40,000		
Drawings	70,000		
Salaries	70,000		
Coal and Fuel	52,500		
Factory rent and rates	70,000		

Particulars	Dr.	Particulars	Cr.
General Expenses	14,000		
Advertisement	17,500		
Sales Return	35,000		
Bad Debts	14,000		
Direct Wages (Factory)	2,80,000		
Power	1,05,000		
Interest paid	24,500		
Discount allowed	10,500		
Carriage inwards	52,500		
Carriage outwards	24,500		
Commission paid	17,500		
Dividend paid	14,000		
	43,89,000		43,89,000

Additional Information:

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

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

[June 2022, 20 Marks]

Sol. In the Books of Mr. A

Manufacturing a/c for the year ended 31st March, 2021

Particulars	₹	Particulars	₹
To Opening Stock of Raw Mat	5,25,000	By Cost of goods manufactured	28,17,500
To Purchases 17,50,000		(Transferred to trading a/c)	
Less: Returns (17,500)	17,32,500		
To Coal & Fuel	52,500		
To Factory Rent & Rates	70,000		
To Direct Wages	2,80,000		
To Power	1,05,000		
To Carriage inward	52,500		
Total	28,17,500	Total	28,17,500

Trading and Profit & Loss Account for the year ended 31st March, 2021

Particulars	₹	Particulars	₹
To Opening Stock of Finished Goods	2,62,500	By Sales	29,75,000
To Cost of Good Manufactured	28,17,500	Less: Sales Return	<u>(35,000)</u>
To Gross Profit c/d	2,10,000	By closing stock of Finished good	3,50,000
Total	32,90,000	Total	32,90,000
To Salaries	70,000	By Gross Profit b/d	2,10,000
Add: Outstn. Salaries	<u>7,000</u>	By Accrued Commission	43,750
To General exp.	14,000	By Accrued Int. on Investment	52,500
To Advertisement	17,500		
To Bad debts	14,000		
Add: New Prov. for	7,000		
bad & doubtful debts			
Less: Old Prov. for			
bad doubtful debts	<u>(7000)</u>		
To Interest	24,500		
Less: Prepaid Interest	<u>(5,250)</u>		
To Discount allowed	10,500		
To Carriage outward	24,500		
To Commission Paid	17,500		
To Dividend paid	14,000		
To Depreciation on:			
Building	3,500		
Machinery	10,500		
To net Profit (b/f)	84,000		
Total	3,06,250	Total	3,06,250

Balance Sheet for the year ended 31st March, 2021

Liabilities	₹	Assets	₹
Capital	3,50,000	Land & Building	3,50,000
– Drawings	(70,000)	– Depreciation	<u>(3,500)</u>
+ Net Profit	<u>84,000</u>	Loose tools	1,05,000
Creditors	1,75,000	Plant & Machinery	1,05,000
Bills payable	84,000	– Depreciation	<u>(10,500)</u>
Long term loan	7,00,000	Investment	87,500
Bank Overdraft	80,500	Cash in Hand	70,000
Outstanding Salaries	7,000	Cash at Bank	17,500
		Furniture & Fixture	52,500

Liabilities	₹	Assets	₹
		Bills Receivable	52,500
		Debtors	1,40,000
		Less: Prov. for bad & doubt. debts	<u>(7000)</u>
		Closing Stock of Finished goods	3,50,000
		Accrued Commission	43,750
		Accrued Interest	52,500
		Prepaid Interest	5,250
Total	14,10,500	Total	14,10,500

11. Mr. Shyam runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-3-2019.

Opening work-in-progress (9000 units)	26,000
Closing work-in-progress (14,000 units)	48,000
Opening inventory of Raw Materials	2,60,000
Closing inventory of Raw Materials	3,20,000
Purchases	8,20,000
Hire charges of Machinery @ ₹0.70 per unit manufactured	
Hire charges of factory	2,60,000
Direct wages-contracted @ ₹0.80 per unit manufactured and @ ₹0.40 per unit of closing W.I.P	
Repairs and maintenance	1,80,000
Units produced-5,00,000 units	

Required a Manufacturing Account of Mr. Shyam for the year ended 31-3. 2019.

[Nov. 2019, 5 Marks]

Sol.

In the books of Mr. Shyam
Manufacturing A/c
for the year ended 31st March, 2019

Particulars	Amount	Particulars	Amount
To Raw material consumed:		By Cost finished goods (Bal. Fig.)	1933600
Opening Inventory	260000		
(+) Purchases	820000		
(-) Closing Inventory	<u>320000</u>		
	760000		
To Direct Wages (1)	405600		

Particulars	Amount	Particulars	Amount
To Direct Expenses:			
Hire Charges of Machinery (2)	350000		
To Indirect Expenses:			
Hire Charges of Factory	260000		
Repairs and Maintenance	180000		
To Adjustment of work-in-progress:			
Opening 26000			
(-) Closing 48000	(22000)		
Total	1933600	Total	1933600

Working Notes:

(1) Direct Wages

500000 units @ 20.80 per unit = 400000

14000 units @ ₹0.40 per unit = $\frac{5600}{405600}$

(2) Direct Expenses

500000 units @ ₹0.70 per unit = ₹350000

12. Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by Ms. Shivi related to 2021-22. There are certain figures missing from these accounts.

Raw Material A/c

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

Creditors A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Bank A/c	22,00,000		By Balance b/d	15,00,000
	To Balance c/d	6,00,000		By Closing Stock A/c

Manufacturing A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Raw Material Consumed	By Trading A/c	17,94,000
To Wages	3,50,000		
To Depreciation	2,00,000		
To Direct Expenses	2,44,000		

Additional Information:

- (1) Purchase of machinery worth ₹10,00,000 has been omitted. Machinery are chargeable at a depreciation rate of 10%.
- (2) Wages include the following
Paid to Factory Workers - ₹3,00,000 Paid to labour at office - ₹50,000
- (3) Direct Expenses include following:
Electricity charges of ₹80,000 of which 30% pertained to office.
Fuel Charges of ₹20,000
Freight Inwards of ₹35,000
Delivery charges to customers - ₹20,000.
- You are required to prepare revised Manufacturing A/c, and Raw Material A/c.

(ICAI Study Material)**Sol.****Manufacturing A/c**

Particulars	Amount ₹	Particulars	Amount ₹
To Raw Material Consumed (Balancing Figure)		By Trading A/c (W.N. 4)	18,00,000
To Wages (W.N. 2)	10,00,000		
To Depreciation (W.N. 1)	3,00,000		
To Direct Expenses (W.N. 3)	3,00,000		
	2,00,000		
	18,00,000		18,00,000

Raw Material A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Opening Stock A/c	1,00,000		By Raw Material Consumed (from Trading A/c above)	10,00,000
	To Creditors A/c (W.N. 5)	13,00,000		By Closing Stock A/c (Balancing Figure)	4,00,000
		14,00,000			14,00,000

Working Notes:

- (1) Since purchase of Machinery worth ₹10,00,000 has been omitted. So, depreciation omitted from being charged = ₹10,00,000 × 10%
= ₹1,00,000
Correct total depreciation expense = ₹(2,00,000 + 1,00,000)
= ₹3,00,000
- (2) Wages worth ₹50,000 will be excluded from manufacturing account as they pertain to office and hence will be charged P&L A/c.

(3) Expenses to be excluded from direct expenses:

Office Electricity Charges (80,000 X 30%)	24,000
Delivery Charges to Customers	20,000
Total expenses not part of Direct Expenses	44,000

=> Revised Direct Expenses = ₹(2,44,000 - 44,000) = ₹2,00,000

Fuel charges are related to factory expenses and also freight inwards are incurred for bringing goods to factory/godown so they are part of direct expenses.

(4) Revised Balance to be transferred to Trading A/c:

Particulars	Amount ₹
Current Balance transferred	17,94,000
Add: Depreciation charges not recorded earlier	1,00,000
Less: Wages related to Office	(50,000)
Less: Office Expenses	(44,000)
Revised balance to be transferred	18,00,000

(5) Creditors A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Bank A/c	22,00,000		By Balance b/d	15,00,000
	To Balance c/d	6,00,000		By Raw Materials A/c (Bal. figure)	13,00,000
		28,00,000			28,00,000

Unit-2: Non Manufacturing Account

PRACTICAL QUESTIONS

1. The balance sheet of P on 1st April 2021 was as follows:-

Particular	Amount ₹	Particular	Amount ₹
Trade Payables	6,50,000	Furniture and Fixtures	6,50,000
Expenses Payable	75,000	Vehicle	2,75,000
Capital	22,00,000	Trade Receivable	11,00,000
		Cash at Bank	4,75,000
		Inventories	4,25,000
	29,25,000		29,25,000

During 2021-22, his Profit and Loss Account revealed a net profit of ₹6,70,000 This was after allowing for the following:

- Commission paid to selling agent ₹65,000.
 - Discount received from creditors ₹75,000.
 - Purchased a vehicle of ₹50,000 on 31st March, 2022.
 - Depreciation on Furniture and Fixtures @ 10% and on Vehicle @ 20
 - A provision for doubtful debts @ 3% of the trade receivables as at 31st March, 2022.
- But while preparing the Profit and Loss Account he had forgotten to provide for:
- prepaid expenses ₹15,000 and
 - outstanding commission ₹35,000

His current assets and liabilities on 31st March, 2022 were: Inventories ₹6,50,000. Trade Receivables ₹13,00,000 (before provision for doubtful debts) cash at Bank ₹5,50,000 and Trade Payables ₹1,46,000.

During the year he introduced further capital of ₹3,00,000 into the business You are required to prepare the balance sheet as at March 31, 2022. [Dec. 2022, 10 Marks]

Sol.

In the Books of S Balance sheet as at 31 Mar, 2022

Liabilities	Amount ₹	Assets	Amount ₹
Capital 22,00,000		Furniture & Fixture 6,50,000	
Add: Net Profit 6,50,000		Less: Depreciation @10% (65,000)	5,85,000
Add: Additional Capital 3,00,000	31,50,000	Vehicle 2,75,000	
		Less: Depreciation 20% (55,000)	
		Add: Purchased 50,000	2,70,000
Trade Payables 1,46,000		Trade Receivable 13,00,000	

Liabilities	Amount ₹	Assets	Amount ₹
Outstanding commission	35,000	Less: Provision @3% Inventories Cash at Bank Prepaid expenses	12,61,000 6,50,000 5,50,000 15,000
Total	33,31,000	Total	33,31,000

Working Note: 1

Revised Profit & Loss A/c

Particulars	₹	Particulars	₹
To Outstanding commission	35,000	By Net profit before corrections	6,70,000
To Net profit after corrections	6,50,000	By Prepaid expenses	15,000
Total	6,85,000	Total	6,85,000

Working Note: 2

Trade Receivable

Particulars	₹	Particulars	₹
To Balance b/d	13,00,000	By Provision for Doubtful Debts	39,000
		By Balance c/d (b/f)	12,61,000
	13,00,000		13,00,000

Working Note: 3

Vehicles A/c

Particulars	₹	Particulars	₹
To Balance b/d	2,75,000	By Depreciation	55,000
To Bank A/c	50,000	By Balance c/d (b/f)	2,70,000
	3,25,000		3,25,000

2. Trial Balance for the financial year (FY) ended 31st March 2022 of M/s Deepakshi shows following details:

Particulars	Debit ₹	Credit ₹
Purchase & Sales	10,00,000	12,00,000
Debtors & Creditors	5,00,000	4,00,000
Opening Stock	2,00,000	
Closing Stock	3,00,000	
Other Expenses & Incomes	7,00,000	9,00,000
Fixed Assets & Long Term Liabilities	25,00,000	6,00,000
Capital		21,00,000
	52,00,000	52,00,000

Additional Information: Creditors balance as on 1st April, 2021 is ₹3,00,000.

You are required to calculate cost of goods sold and amount paid to creditors during the year.

(ICAI Study Material)

Sol.

(i) Calculation of Cost of Goods sold:

Particulars	Amount ₹
Opening Stock	2,00,000
Add: Purchases (Closing stock is already adjusted)*	10,00,000
Cost of Goods Sold	12,00,000

* As the closing stock is included in the Trial Balance, it implies that the subsequent entry has been previously recorded in the accounting records.

Closing Stock A/c Dr. 3,00,000

To Purchases A/c 3,00,000

Hence, it's evident that the purchases have already been adjusted by the value of the unsold stock, making any further modification unnecessary for the calculation of the Cost of Goods Sold (COGS).

(ii) Calculation of the amount paid to creditors:

Date	Particulars	₹	Date	Particulars	₹
31.3.22	To Bank A/c (Balancing Figure)	12,00,000	1.4.21	By Balance b/d	3,00,000
31.3.22	To Balance c/d	4,00,000		By Purchases A/c (Note:1)	13,00,000
		16,00,000			16,00,000

Note: (1) Purchases made during the year is calculated as:

Particulars	₹
Purchases as per Trial Balance	10,00,000
Add: Closing Stock already adjusted	3,00,000
Purchases made during the year	13,00,000

if the Closing Stock is absent from the Trial Balance, it implies that both Opening Stock and Purchases listed in the Trial Balance already encompass the value of unsold stock. In accordance with the matching concept, this unsold stock should not be considered as part of the cost, and thus, it is deducted. In this scenario, to determine the Cost of Goods Sold (COGS), we need to utilize the following formula: $COGS = \text{Opening Stock} + \text{Purchases} - \text{Closing Stock} - \text{Purchase Returns}$

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

Trial Balance as on 31st March, 2022

Particulars	₹	₹
Capital		6,50,000
Sales		9,70,000
Purchases	4,30,000	
Opening Inventory	1,10,000	
Freights Inward	40,000	
Salaries	2,10,000	
Other Administration Expenses	1,50,000	
Furniture	3,50,000	
Trade receivables and Trade payables	2,10,000	1,90,000
Returns	20,000	12,000
Discounts	19,000	9,000
Bad Debts	5,000	
Investments in Government Securities	1,00,000	
Cash in Hand and Cash at Bank	1,89,000	
Input CGST	10,000	
Input SGST	10,000	
Output CGST		8,000
Output SGST		8,000
Output IGST		6,000
	18,53,000	18,53,000

Other Information:

(i) Closing Inventory was ₹1,80,000;

(ii) Depreciate Furniture @ 10% p.a.

Required

Prepare Trading and Profit and Loss Account for the year ended on 31.3.2022 and Balance Sheet of Mr. Mohan as on that date. (ICAI Study Material)

Sol.

In the books of Mr. Mohan

Trading Account for the year ended 31st March, 2022

Particulars	Amount ₹	Particulars	Amount ₹
To Opening inventory	1,10,000	By Sales	9,70,000
To Purchases	4,30,000	Less: Returns	(20,000)
Less: Returns	(12,000)	By Closing Inventory	1,80,000
To Freight Inwards	40,000		
To Gross profit	5,62,000		
	11,30,000		11,30,000

Profit and Loss Account for the year ended 31st March, 2022

Particulars	₹	Particulars	₹
To Depreciation	35,000	By Gross Profit	5,62,000
To Salaries	2,10,000	By Discount received	9,000
To Administration expenses	1,50,000		
To Discount allowed	19,000		
To Bad debts	5,000		
To Net profit	1,52,000		
	5,71,000		5,71,000

Balance Sheet as at 31st March, 2022

Liabilities	Amount ₹	Assets	Amount ₹
Capital	6,50,000	Furniture	3,50,000
Add: Net profit	1,52,000	Less: Depreciation	(35,000)
Trade payables	1,90,000	Closing Inventory	1,80,000
Output IGST	2,000	Trade receivables	2,10,000
		Investment in Govt Securities	1,00,000
		Cash in Hand and	
		Cash at Bank	1,89,000
	9,94,000		9,94,000

Working Note:

Summary of Output and Input GST liability (as per Trial Balance)

	OUTPUT GST ₹	INPUT GST ₹
IGST	6,000	
CGST	8,000	10,000
SGST	8,000	10,000

Output liability (Tax head)	Tax Payable	Paid through ITC			Tax paid in cash
		IGST	CGST	SGST	
IGST	6,000		2,000	2,000	2,000
CGST	8,000		8,000		
SGST	8,000			8,000	

In the above solution, it is assumed that balance IGST liability of ₹2,000 (after utilising CGST and SGST) is not paid off in cash.

Alternatively, students may assume that the balance liability of ₹2,000 is paid off in cash. Accordingly, Output IGST liability of ₹2,000 shall not appear under liability side of the balance sheet and amount of cash at bank is reported as ₹1,87,000

4. Revenue, Expenses and Gross Profit Balances of M/s ABC Traders for the year ended on 31st March 2022 were as follows:

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

Required

Prepare Profit and Loss Account of M/s ABC Traders for the year ended on 31st March, 2022. Show necessary closing entries in the Journal Proper of M/s. ABC Traders also.

(ICAI Study Material)

Sol. In the Books of M/s. ABC Traders

Profit and Loss A/c (for the year ended 31/03/2022)

Particulars	Amount ₹	Particulars	Amount ₹
To Salaries	1,10,000	By Gross Profit	4,20,000
To Legal Charges	25,000	By Discount received	18,000
To Consultancy Fees	32,000		
To Audit Fees	1,000		
To Electricity Charges	17,000		
To Telephone, Postage & Telegrams	12,000		
To Stationery	27,000		
To Depreciation	65,000		
To Discount Allowed	19,000		
To Bad Debts	17,000		
To Interest	70,000		
To Net Profit (b/f)	43,000		
	4,38,000		4,38,000

Journal Proper in the Books of M/s. ABC Traders (Closing Entries)

Date 2022	Particulars		Amount ₹	Amount ₹
March 31	Profit & Loss Account	Dr.	3,95,000	1,10,000
	To Salaries A/c			25,000
	To Legal Charges A/c			32,000
	To Consultancy Fees A/c			1,000
	To Audit Fees A/c			17,000
	To Electricity Charges A/c			12,000
	To Telephone, Postage & Telegrams A/c			
	To Stationery A/c			

Date 2022	Particulars		Amount ₹	Amount ₹
	To Depreciation A/c			27,000
	To Discount Allowed A/c			65,000
	To Bad Debts A/c			19,000
	To Interest A/c			17,000
	(Being the expenses transferred to P/L Account)			70,000
	Discount Received A/c	Dr.	18,000	
	To Profit & Loss A/c			18,000
	(Being discount received amount transferred to P/L A/c)			
	Gross Profit A/c	Dr.	4,20,000	
	To Profit & Loss A/c			4,20,000
	(Being gross profit transferred)			
	Profit & Loss A/c	Dr.	43,000	
	To Net Profit A/c			43,000
	(Being the net profit recognized)			
	Net Profit A/c	Dr.	43,000	
	To Capital A/c			43,000
	(Being the net profit transferred to Capital A/c)			

5. You are required, prepare a Trading and Profit and Loss Account for the year ending 31st March, 2022 and a Balance Sheet as on that date from the Trial Balance given below:

Particulars	₹	Particulars	₹
Debit Balance:			
Trade receivables	3,50,000	Salaries	2,20,000
Inventory 1st April, 2021	5,00,000	Purchases	12,50,00
Cash in Hand	5,60,000	Plant and Machinery	15,70,000
Wages	3,00,000	Credit Balance:	
Bad Debts	50,000	Capital	25,00,000
Furniture and Fixtures	1,50,000	Trade payables	9,00,000
Depreciation	1,50,000	Sales	17,00,000

On 31st March, 2022 the Inventory was valued at ₹10,00,000. (ICAI Study Material)

Sol. Trading and Profit and Loss Account for the year ending 31st March, 2022

Particulars	₹	Particulars	₹
To Opening Inventory	5,00,000	By Sales	17,00,000
To Purchases	12,50,000	By Closing Inventory	10,00,000
To Wages	3,00,000		

Particulars	₹	Particulars	₹
To Gross Profit	6,50,000	By Gross Profit	
	27,00,000		27,00,000
To Bad Debts	50,000		6,50,000
To Depreciation	1,50,000		
To Salaries	2,20,000		
To Net Profit transferred. to Capital A/c	2,30,000		
	6,50,000		6,50,000

Balance Sheet as at 31st March, 2022

Liabilities	₹	₹	Assets	₹	₹
Trade payables		9,00,000	Cash in Hand	5,60,000	
Capital:			Trade receivables	3,50,000	
Previous Balance	25,00,000		Closing Inventory	10,00,000	19,10,000
Add : Net Profit	2,30,000	27,30,000			
			Furniture & Fixtures	1,50,000	
			Plant & Machinery	15,70,000	17,20,000
		36,30,000			36,30,000

6. ABC 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 Provision nor reserve

[July 2021, 5 Marks]

Sol.

- | | | |
|-------------------------------|-----------|--|
| 1. Liability for Income Tax | ₹40,000 | - Transfer to Provision |
| 2. Retained Profit | ₹2,00,000 | - Transfer to Reserve |
| 3. Proposed Dividend | ₹20,000 | - Neither related to Provision nor reserve |
| 4. Increase in Provision for | ₹25,000 | - Transfer to Provision |
| 5. doubtful debts written off | ₹20,000 | - Neither related to Provision nor reserve |

7. On 1-1-2023 M/s B & Co. had a provision for bad debts of ₹5,440.

The bad debts during the year 2023 amounted to ₹4,520.

The debtors as at 31-12-2023 were ₹1,12,000.

Provision for bad debts @ 5% is maintained by the business.

Bad debts during 2024 and 2025 were ₹5,840 and ₹7,080 respectively.

The sundry debtors as at 31-12-2024 and 31-12-2025 were ₹1,44,000 and ₹68,000 respectively.

Prepare necessary Ledger Accounts in the books of M/s. B & Co. Also show how these would appear in the Profit and Loss Account and Balance Sheet for the years 2023 to 2025.

Sol.

Bad Debts A/c

Date	Particulars	₹	Date	Particulars	₹
31/12/2023	To Sundry Debtors A/c	4,520	31/12/2023	By Prov. for BDD	4,520
	Total	4,520		Total	4,520
31/12/2024	To Sundry Debtors A/c	5,840	31/12/2024	By Prov. for BDD	5,840
	Total	5,840		Total	5,840
31/12/2025	To Sundry Debtors A/c	7,080	31/12/2025	By Prov. for BDD	7,080
	Total	7,080		Total	7,080

Provision for bad debts A/c

Date	Particulars	₹	Date	Particulars	₹
2023			2023		
31st Dec	To Bad debt A/c	4,520	31st Dec	By Balance b/d	5,440
31st Dec	To Bal. (5% on ₹1,12,000)	5,600	31st Dec	By P&L A/c (Bal. Fig)	4,680
	Total	10,120		Total	10,120
2024			2024		
31st Dec	To Bad debt A/c	5,840	31st Dec	By Balance b/d	5,600
31st Dec	To Bal. c/d (5% on ₹1,44,000)	7,200	31st Dec	By P&L A/c (Bal. Fig)	7,440
	Total	13,040		Total	13,040
2025			2025		
31st Dec	To Bad debt A/c	7,080	31st Dec	By Balance b/d	7,200
31st Dec	To Balance c/d (5% on ₹68,000)	3,400	31st Dec	By Profits & Loss A/c	3,280
	Total	10,480		Total	10,480

Extract of P&L Account for the year ended on 31-12-2023

Dr.

Cr.

To Bad Debt A/c	4,680		
Extract of P&L Account for the year ended on 31-12-2024			
To Bad Debt A/c	7,440		
Extract of P&L Account for the year ended on 31-12-2025			
To Bad Debt A/c	3,280		
Extract of Balance Sheet as at 31st December, 2023			
	Sundry Debtors	1,12,000	1,06,400
	Less Prov. For BDD	5,600	
Extract of Balance Sheet as at 31st December, 2024			
	Sundry Debtors	1,44,000	1,36,800
	Less Prov. For BDD	7,200	
Extract of Balance Sheet as at 31st December, 2025			
	Sundry Debtors	68,000	64,600
	Less Less Prov. For BDD	3,400	

8.

Balance Sheet as at 31st March, 2022

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

From the above given balance sheet prepare the relevant opening entry. (ICAI Study Material)

Sol.

The Opening Entry on 1 april will be:-

		Dr. ₹	Cr. ₹
Cash A/c	Dr.	43,000	
Bank A/c	Dr.	2,67,500	
Trade receivables	Dr.	7,49,500	
Inventory A/c	Dr.	9,00,000	
Machinery and Equipment A/c	Dr.	6,00,000	
To Mahendra & Sons A/c			5,60,000
To Capital A/c			20,00,000
(Being the balances brought forward)		25,60,000	25,60,000

9. From the following trial balance and information, prepare Trading and Profit and Loss Account of Mr. Kunal for the year ended 31st March, 2022 and a Balance Sheet as on that date.

Particulars	Dr. ₹	Cr. ₹
Capital	-	50,000
Drawings	6,000	-
Land and Bulldings	45,000	-
Plant and Machinery	10,000	-
Furniture	2,500	-
Sales	-	70,000
Returns Outward	-	2,000
Debtors	9,200	-
Loan frum Ganesh on 1.7 .2021 @ 6 % p.a.	-	15,000
Purchases	40,000	-
Returns Inward	2,500	-
Carriage Outward	5,000	-
Sundry Expenses	300	-
Printing and Stationery	250	-
Insurance Expenses	500	-
Provision for Bad and Doubtful Debts	-	500
Provision for Discount on Debtors	-	190
Bad Debts	200	-
Profit of Textile Deptt.	-	5,000
Stock of General Goods on 1.4.2021	10,650	-
Salaries and Wages		

Particulars	Dr. ₹	Cr. ₹
Creditors	9,250	-
Trade Expenses	-	6,000
Stock of Textile Goods on 31.3 .2022	400	-
Cash at Bank	4,000	-
Cash in Hand	2,300	-
	640	-
	1,48,690	1,48,690

Additional Information:

- Stock of General goods on 31.3.2022 valued at ₹13,650.
- Fire occurred on 23rd March, 2022 and ₹5,000 worth of general goods were destroyed. The Insurance Company accepted claim for ₹3,000 only and paid the claim money on 10th April, 2022.
- Bad Debts amounting to ₹200 are to be written off. Provision for Bad and Doubtful debts is to be made at 5% and for discount at 2% on debtors Make a provision of 2% on creditors for discount.
- Received ₹3,000 worth of goods on 27th March, 2022 but the invoice of purchase was not recorded in Purchase Book.
- Kunal took away goods worth ₹1,000 for personal use but no record was made thereof.
- Charge depreciation at 2% on Land and Buildings, 20% on Plant and Machinery and 5% on Furniture:
- Insurance prepaid amounts to ₹100.

Sol.

M/s. Kunal

Trading and P&L a/c for the year ended on 31st March, 2022

Particulars			Amount	Particulars		Amount
To Opening stock a/c			10,650	By Sales a/c	70,000	
To Purchases a/c	40,000			(-) Returns	2,500	67,500
(-) Returns	2,000			By Closing stock a/c		13,650
(+) Unrecorded purchase	3,000			By Goods used a/c		1,000
(-) Good lost by fire	5,000	36,000				
To Gross profit c/d		35,500				
		82,150				82,150
To Carriage a/c (outward)		5,000		Gross Profit b/d		35,500
To Sundry expenses a/c		300		By Profit of textile department		5,000
To Printing and stationery a/c		250				
To Interest a/c (15,000 × 6% × 9/12)		675				

Particulars	Amount	Particulars	Amount
To Insurance expenses a/c			
(-) Prepaid Insurance	500	By Excess discount provision cancelled	19
	<u>100</u>	By Discount on creditors a/c	180
To Bad debts a/c			
+ Further bad debts	200		
+ New Provison (9000x5%)	200		
(-) Old Provision	450		
To Salaries and wages a/c	<u>500</u>		
	9,250		
To Trade expenses a/c			
	400		
To Loss by fire a/c	5,000		
(-) Claim	<u>3,000</u>		
	2,000		
To Depn. a/c			
(900 + 2000 + 125)	3,025		
To Net profit	19,049		
	<u>40,699</u>		<u>40,699</u>

M/s. Kunal
Balance Sheet as on 31st March, 2022

Liabilities	₹	Assets	₹
Capital	50,000	Land and building	45,000
(+) Net profit	19,049	(-) Depreciation	<u>900</u>
(-) Drawings	6,000		44,100
(-) Goods taken	<u>1,000</u>	Plant and machinery	10,000
	62,049	(-) Depreciation	<u>2,000</u>
			8,000
Loan	15,000	Furniture	2,500
Creditors:	6,000	(-) Depreciation	125
(+) Unrecorded purchases	<u>3,000</u>		2,375
	9,000	Debtors	9,200
(-) Reserve for discount	<u>180</u>	(-) Bad debt	<u>200</u>
	8,820		9,000
		(-) Prov. @5%	<u>450</u>
			8,550
Interest outstanding	675	(-) Prov. for discount	<u>171</u>
			8,379
		Stock (textile)	
		Stock (general goods)	4,000
			17,650
		Cash at bank	<u>13,650</u>
			2,300
		Cash in hand	640
		Claim receivable	3,000
		Prepaid insurance	100
	<u>86,544</u>		<u>86,544</u>

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

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

You are required to compute:

- Total income for the year 2019-20.
- Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is ₹2,55,000. [Jan. 2021, 5. Marks]

Sol.

- Total Income for the year 2019-20

Income received for 2019-20 in previous year	2,25,000
Cash Sale in Current Year	7,50,000
Total Income for 2019-20	9,75,000

- Total money received for the year ended 31st March, 2020

Cash Sales in 2019-20	7,50,000
Add: Advance received from Customers during the year 2019-20	1,80,000
Total Money Received During 2019-20	9,30,000

Working Note:

Advances from Customers a/c

Particulars	Amount ₹	Particulars	Amount ₹
To Sale a/c (Advance for current year)	2,25,000	By Balance b/d (Advances at beg. of the year)	3,00,000
To Balance c/d (Advance at end of the year)	2,55,000	By Cash a/c (bal. fig.)	1,80,000
Total	4,80,000	Total	4,80,000

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

Trial Balances as on 31st March, 2022

Particulars	Dr. ₹	Cr. ₹
Capital		8,70,000
Purchases and Sales	6,05,000	12,10,000
Opening Inventory	72,000	
Trade receivables and Trade payables	90,000	1,70,000
14% Bank Loan (loan taken at year end)		2,00,000
Overdrafts (overdraft taken at year end)		1,12,000

Salaries	2,70,000	
Advertisements	1,10,000	
Other expenses	60,000	
Returns	40,000	30,000
Furniture	4,50,000	
Building	8,90,000	
Cash in Hand	2,000	
Input CGST	9,000	
Input SGST	9,000	
Output IGST		15,000
	26,07,000	26,07,000

Closing Inventory on 31st March, 2022 was valued at ₹1,00,000.

Required

Prepare final accounts of Shri Mittal for the year ended 31st March, 2022.

(ICAI Study Material)

Sol.

In the books of Shri Mittal

Trading Account for the year ended 31st March, 2022

Particulars	Amount ₹	Particulars	Amount ₹
To Opening inventory	72,000	By Sales	12,10,000
To Purchases	6,05,000	Less: returns	(40,000)
Less: Returns	(30,000)	By Closing inventory	1,00,000
To Gross Profit	6,23,000		
	12,70,000		12,70,000

Profit and Loss Account for the year ended 31st March, 2022

Particulars	Amount ₹	Particulars	Amount ₹
To Salaries	2,70,000	By Gross profit	6,23,000
to Advertisement	1,10,000		
To Other expenses	60,000		
To Net profit	1,83,000		
	6,23,000		6,23,000

Balance Sheet as at 31st March, 2022

Liabilities	Amount ₹	Assets	Amount ₹
Capital	8,70,000	Building	8,90,000
Add: Net profit	1,83,000	Furniture	4,50,000
14% Bank Loan	2,00,000	Trade receivables	90,000
Trade payables	1,70,000	Closing inventory	1,00,000
Overdrafts	1,12,000	Cash in hand	2,000
		Input SGST (W.N)	3,000
	15,35,000		15,35,000

Note: As loan and overdraft taken at year end so no interest shown.

Working Note:

Output IGST liability is paid by utilizing Input CGST of 9,000 and Input SGST of 6,000. Thereafter, closing balance of Input SGST of 3,000 is reported in Balance Sheet.

12. Given below Trial Balance of M/s Dayal Bros. as on 31st March, 2022:

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

Required

Prepare Balance Sheet as on 31st March, 2022.

(ICAI Study Material)

Sol. In the Books of M/s Dayal Bros.

Balance Sheet as at 31st March, 2022

Liabilities		Amount ₹	Assets	Amount ₹
Capital: Balances	7,00,000		Land & Building	3,00,000
Add: Net Profit	1,00,000		Furniture	2,00,000
	8,00,000		Inventories in Trade	6,00,000
Less: Drawings	(60,000)	7,40,000	Trade receivables	4,20,000
14% Term Loan		4,00,000	Advances to Suppliers	1,00,000
(loan taken at year end)			Cash in Hand	20,000
Loan from M/s D & Co.		4,60,000		
Trade payables		40,000		
		16,40,000		16,40,000

13.

Particulars	(Dr.) Balance	(Cr.) Balance
Bad Debts	1,050	
Discount Allowed	550	
Discount Received		450
Debtors	26,500	
Creditors		20,000
Provision for Bad Debts		1,250
Provision for Discount allowed		750
Provision for Discount received	500	

Additional information

- There was a further bad debt of ₹500.
- During the year sales of ₹4,000 omitted to be recorded.
- Make a Provision for bad debts @ 5 % on debtors.
- Make a Provision for discount @ 2%.

Show the extract of Profit & Loss Account & Balance Sheet for the above adjustments.

Sol.

Profit and Loss Account (Extract)

Particulars	Amount	Particular	Amount
To Bad Debts	1,050	By Discount received	450
+ Further Bad debts	500	+ New Provision	400
	1,550	- Old Provision	500
+ New Provision (30000x5%)	1,500		350
	3,050		
- Old Provision	1,250		
To Discount allowed	550		
+ New Provision (28500 x5%)	570		
- Old Provision	750		
	370		

Balance Sheet (Extract)

Liabilities		Amount	Assets		Amount
Creditors	20,000		Debtors	26,500	
–New provision	<u>400</u>	19,600	– Further Bad debts	<u>500</u>	
				26,000	
			+ Sales not recorded	<u>4,000</u>	
				30,000	
			+ New Provision of Bad debts	<u>1500</u>	
				28,500	
			– New Position for dis. Allowed	570	27,930

14. From the following Trial Balance of Ram and additional information prepare Trading and Profit & Loss Account for the year ended 31st March, 2022 and a Balance Sheet as on that date:

Trial Balance as at 31st March, 2022

	Dr. ₹	Cr. ₹
Capital	–	50,000
Furniture	10,000	–
Purchases	75,000	–
Debtors	1,00,000	–
Interest Earned	–	2,000
Salaries	15,000	–
Sales	–	1,60,500
Purchase Returns	–	2,500
Wages	10,000	–
Rent	7,500	–
Sales Return	5,000	–
Bad Debt Written off	3,500	–
Creditors	–	60,000
Drawings	12,000	–
Provision for Bad Debts	–	3,000
Printing & Stationery	4,000	–
Insurance	6,000	–
Opening Stock	25,000	–
Office Expenses	6,000	–
Provision for Depreciation	–	1,000
	2,79,000	2,79,000

Additional Information:

1. Depreciate Furniture by 10% on original cost;
2. A provision for Doubtful Debts is to be created to the extent of 5% on Sundry Debtors;
3. Salaries for the month of March, 2016 amounting to ₹1,500 were unpaid which must be provided for. However salaries included ₹1,000 paid in advance;
4. Insurance amounting to ₹1,000 is prepaid;
5. Provide for outstanding office expenses ₹4,000 ;
6. Stock used for private purpose ₹3,000;
7. Closing Stock-in-Trade ₹30,000 .

Sol.**M/s Ram****Trading and Profit and Loss Account for the year ended on 31.3.2022**

Particulars	₹	Particulars	₹
To Opening stock	25,000	By Sales	1,60,500
To Purchases	75,000	(.) Return	<u>5,000</u>
(.) Return	<u>2,500</u>	By Goods used	3,000
To Wages	10,000	To Gross profit c/d	30,000
To Gross profit c/d	81,000		
	<u>1,88,500</u>		<u>1,88,500</u>
To Salaries	15,000	By Gross Profit b/d	81,000
(+) Outstanding Salary	1,500	By Interest	2,000
(-) Advance salary	<u>1,000</u>		
To Rent	7,500		
To Bad debts	3,500		
(+) New Provisions	<u>2,000</u>		
To Printing and Stationery	4,000		
To Insurance	6,000		
(-) Prepaid	<u>1,000</u>		
To Office expenses	6,000		
(+) Outstanding	<u>4,000</u>		
To Depreciation	1,000		
To Net Profit trf to Capital A/c	34,500		
	<u>83,000</u>		<u>83,000</u>

Balance Sheet as on 31.3.2022

Liabilities		₹	Assets		₹
Capital	50,000		Furniture	10,000	
(+) Net profit	34,500		(-) Dep. Provision: Bal. B/f	1,000	
(-) Drawings	12,000		+ Current year dep.	<u>1,000</u> 2,000	8,000
(-) Goods taken	<u>3,000</u>	69,500	Stock		30,000
Creditors		60,000	Debtors	1,00,000	
Salary payable		1,500	(-) Prov. for BDD @5%	<u>5,000</u>	95,000
Expense payable		4,000	Advance salary		1,000
			Prepaid insurance		1,000
		<u>1,35,000</u>			<u>1,35,000</u>

15. Karan decided to start business of fashion garments under the name in of M/s. Stylish 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

31 st 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 Purchase	17,00,000
Electricity Expenses paid	40,000	Telephone Charges	50,000
Carriage 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 on 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. [July 2021, 10 Marks]

Sol.

In the Books of M/s. Designer Wear
Trading & Profit & Loss A/c for the year ending 31st March, 2021

Particulars	Amount ₹	Particulars	Amount ₹
To Purchases	17,00,000	By Sales	20,00,000
To Gross Profit c/d	8,50,000	By Closing Stock	5,50,000
Total	25,50,000	Total	25,50,000
To Interest on loan	33,300	By Gross Profit b/d	8,50,000
To Electricity 40,000			
(+) Outstanding 20,000	60,000		
Electricity			
To Cartage Outward	60,000		
To Entertainment exp. To	5,000		
Misc, exp.	15,000		
To Telephone Charges To	45,000		
Travelling exp.			
To Maintenance exp.	25,000		
To Depreciation on			
Building 30,000			
Furniture 1,000	31,000		
To Net Profit	5,25,700		
Total	8,50,000	Total	8,50,000

Balance Sheet as at 31st March, 2021

Liabilities	Amount ₹	Assets	Amount ₹
Capital 3,00,000		Building 6,00,000	
Add: Additional capital 2,00,000		Less: Depreciation (30,000)	5,70,000
Less: Drawing (60,000)		Furniture 10,000	
Add: Net Profit 5,25,700	9,65,700	Less: Depreciation (1,000)	9,000
Bank Loan 3,00,000		Security Deposit	7,000
Less: Repayment (60,000)	2,40,000	Closing Stock	5,50,000
Electricity Expenses Payable 20,000		Bank (W.N.)1	89,700
Total	12,25,700	Total	12,25,700

Working Note:

Bank A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Capital	3,00,000	By Building [₹5,00,000 + ₹1,00,000]	6,00,000
To Bank Loan	3,00,000	By Bank Loan [₹15,000 × 4]	60,000
To Additional capital	2,00,000	By Interest on loan	33,300
To Sales	20,00,000	By Security Deposit	7,000
		By Furniture	10,000
		By Electricity exp.	40,000
		By Cartage Outward	60,000
		By Entertainment exp.	5,000
		By Misc, exp.	15,000
		By Purchase	17,00,000
		By Telephone Charges	50,000
		By Travelling exp.	45,000
		By Maintenance exp.	25,000
		By Drawings [₹5,000 × 12]	60,000
		By Balance c/d	89,700
Total	28,00,000	Total	28,00,000

16. The following is the Trial Balance of C. Wanchoo on 31st March, 2022.

Trial Balance on 31st March , 2022

Particulars	₹	₹
Capital Account		10,00,000
Inventories as on 1st April, 2021	2,00,000	
Cash in hand	1,44,000	
Machinery Account	7,36,000	
Purchases Account	18,20,000	
Wages Account	10,00,000	
Salaries Account	10,00,000	
Discount Allowed A/c	50,000	
Discount Received A/c		30,000
Sundry Office Expenses Account	6,00,000	
Sales Account		50,00,000
Sums owing by customer (Trade receivables)	8,50,000	
Trade payables (sums owing to suppliers)		3,70,000
Total	64,00,000	64,00,000

Value of Closing Inventory on 31st March, 2022 was ₹2,70,000

Prepare closing entries for the above items and Prepare Trading and Profit and Loss Account.
(ICAI Study Material)

Sol.

Date	Particulars	₹	₹
2022 March 31	Trading A/c Dr. To Inventory A/c To Purchase A/c To Wages A/c (Being the accounts transferred to the Trading A/c)	30,20,000	2,00,000 18,20,000 10,00,000
March 31	Sales A/c Dr. To Trading A/c (Being Sales amount transferred to Trading A/c)	50,00,000	50,00,000
March 31	Inventory (Closing) A/c Dr. To Trading A/c (Being Inventory amount transferred to trading account)	2,70,000	2,70,000
March 31	Trading A/c Dr. To Profit and Loss A/c (Being gross profit recognized)	22,50,000	22,50,000
March 31	Profit and Loss A/c Dr. To Discount Allowed Account To Salaries A/c To Sundry Office Expenses A/c (Being the accounts transferred to the P & L Account)	16,50,000	50,000 10,00,000 6,00,000
March 31	Discount Income A/c Dr. To P & L A/c (Being the credit balance of discount transferred to Profit and Loss A/c)	30,000	30,000
March 31	Profit and Loss A/c Dr. To Capital A/c (Being Net Profit transferred to the Capital Account)	6,30,000	6,30,000
		1,28,50,000	1,28,50,000

C. WANCHOO

Trading Account of the year ended March 31, 2022

Particulars	₹	Particulars	₹
To Inventory A/c	2,00,000	By Sales A/c	50,00,000
To Purchases	18,20,000	By Inventory (Closing)	2,70,000
To Wages	10,00,000		
To Gross profit transfered to P & L A/c	22,50,000		
	52,70,000		52,70,000

Profit and Loss Account for the year ended March 31, 2022

Particulars	₹	Particulars	₹
To Salaries	10,00,000	By Gross profit transferred from the Trading Account	22,50,000
To Discount Allowed	50,000	By Discount Income	30,000
To Sundry Office Expenses	6,00,000		
To Net Profit transferred to Capital A/c	6,30,000		
	22,80,000		22,80,000

17. The following is the schedule of balances as on 31.3.22 extracted from the books of Shri Gavaskar, who carries on business under the same name and style of Messrs Gavaskar Viswanath & Co., at Mumbai:

Particulars	Dr. ₹	Cr. ₹
Cash in hand	14,000	
Cash at bank	26,000	
Sundry Debtors	8,60,000	
Stock on 1.4.2021	6,20,000	
Furniture & fixtures	2,14,000	
Office equipment	1,60,000	
Buildings	6,00,000	
Motor Car	2,00,000	
Sundry Creditors		4,30,000
Loan from Viswanath		3,00,000
Provision for bad debts		30,000

Particulars	Dr. ₹	Cr. ₹
Purchases	14,00,000	
Purchase Returns		26,000
Sales		23,00,000
Sales Returns	42,000	
Salaries	1,10,000	
Rent for Godown	55,000	
Interest on loan from Viswanath	27,000	
Rates & Taxes	21,000	
Discount allowed to Debtors	24,000	
Discount received from Creditors		16,000
Freight on purchases	12,000	
Carriage Outwards	20,000	
Drawings	1,20,000	
Printing and Stationery	18,000	
Electricity Charges	22,000	
Insurance Premium	55,000	
General office expenses	30,000	
Bad Debts	20,000	
Bank charges	16,000	
Motor car expenses	36,000	
Capital A/c		16,20,000
Total	47,22,000	47,22,000

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2022 and the Balance Sheet as at that date after making provision for the following:

- Depreciate: (a) Building used for business by 5 percent; (b) Furniture and fixtures by 10 percent; One steel table purchased during the year for ₹14,000 was sold for same price but the sale proceeds were wrongly credited to Sales Account; (c) Office equipment by 15 percent; Purchase of a typewriter during the year for ₹40,000 has been wrongly debited to purchase; and (d) Motor car by 20%.
- Value of stock at the close of the year was ₹4,40,000.
- Two month's rent for godown is outstanding.
- Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2021.
- Provision for bad debts is to be maintained at 5 percent of Sundry Debtors.
- Insurance premium includes ₹40,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.2021 to 30.6.2022.

(ICAI Study Material)

Sol.

M/s Gavaskar Viswanath & Co.

Trading for the year ended 31st March, 2022

Particulars	Details	Amount ₹	Particulars	Details	Amount ₹
To opening Stock To Purchases	14,00,000	6,20,000	By Sales	23,00,000	
Less: Typewriter included in purchases	40,000		Less: Sale of furniture included in sale	14,000	
Less: Purchase Returns	26,000	13,34,000	Less: Sales Returns	42,000	22,44,000
To Freight on purchase		12,000	By Closing Stock		4,40,000
To Gross Profit c/d		7,18,000			
		26,84,000			26,84,000

M/s Gavaskar Viswanath & Co.

Profit/Loss Account for the year ended 31st March, 2022

Particular	Details	Amount ₹	Particular	Details	Amount ₹
To Salaries		1,10,000	By Gross profit b/d		7,18,000
To Rent for Godown	55,000				
Add: Outstanding	11,000	66,000	By Discount received		16,000
To provision fordoubtful debts(4)		33,000			
To Rent and Taxes		21,000			
To Discount Allowed		24,000			
To Carriage outwards		20,000			
To printing and stationery		18,000			
To Electricity charges		22,000			
To Insurance premium (1)		12,000			
To Depreciation (2)		1,20,000			
To general office expenses		30,000			
To Bank Charges		16,000			
To interest on loan	27,000				
Add: Outstanding (3)	6,000	33,000			
To Motor car expenses		36,000			
To Net Profit transferred to Capital a/c		1,73,000			
		7,34,000			7,34,000

Balance Sheet of M/s Gavaskar Vishwanath & Co. as at 31st March, 2022

Particular	Details	Amount ₹	Particular	Details	Amount ₹
Capital	16,20,000		Building	5,70,000	
Add: Net Profit	1,73,000		Less: Dep.	(30,000)	5,70,000
Less: Drawings	(1,20,000)				
Less: Insurance Premium	(40,000)	16,33,000	Motor Car	2,00,000	
Loan from Vishwanath	3,00,000		Less: Dep.	(40,000)	1,60,000
Add: Outstanding Sundry Creditors	6,000	3,06,000			
Outstanding rent		4,30,000	Office equipment	2,00,000	
		11,000	Less: Dep.	(30,000)	1,70,000
			Furniture & Fixture	2,00,000	
			Less: Dep.	(20,000)	1,80,000
			Stock in Trade		4,40,000
			Sundry Debtors	8,60,000	
			Less: Provision for doubtful debts	(43,000)	8,17,000
			Cash at hand		26,000
			Cash in bank		14,000
			Prepaid insurance (1)		3,000
		23,80,000			23,80,000

Working Notes:

(1) Insurance premium

	₹
Insurance premium as given in trial balance	55,000
Less: Personal premium	(40,000)
Less: Prepaid for 3 months $15,000 \times 3/15$	(3,000)
Transfer to Profit & Loss a/c	12,000

(2) Depreciation

Building @ 5% on 6,00,000	30,000
Motor Car @ 20% on 2,00,000	40,000
Furniture & Fittings @ 10% on 2,00,000 (2,14,000 - 14,000)	20,000
Office Equipment @ 15% on 2,00,000 (1,60,000 + 40,000)	30,000
Total	1,20,000

(3) Interest on Loan

Interest on Loan ($3,00,000 \times 12\% \times 11/12$)	33,000
Less : Interest as per Trial Balance	(27,000)
Profit & Loss account (Outstanding)	6,000

(4) Provision for bad debts a/c

Particulars	Amount ₹	Particulars	Amount ₹
To bad debts a/c	20,000	By balance b/d	30,000
To balance c/d	43,000	By P&L a/c	33,000
	63,000		63,000

(5) Purchase of a typewriter during the year for ₹40,000 which was wrongly debited to purchase added to office equipment.

18. From the following particulars extracted from the books of Ganguli, prepare trading and profit and loss account and balance sheet as at 31st March, 2022 after making the necessary adjustments:

Particulars	₹	Particulars	₹
Ganguli's capital account (Cr.) as on 1.4.2021	5,40,500	Interest received	7,250
Stock on 1.4.2021	2,34,000	Cash with Traders Bank Ltd.	40,000
Sales	14,48,000	Discounts received	14,950
Sales return	43,000	Investments (at 5%) as on 1.4.2021	25,000
Purchases	12,15,500	Furniture as on 1-4-2021	9,000
Purchases return	29,000	Discounts allowed	37,700
Carriage inwards	93,000	General expenses	19,600
Rent	28,500	Audit fees	3,500
Salaries	46,500	Fire insurance premium	3,000
Sundry debtors	1,20,000	Travelling expenses	11,650
Sundry creditors	74,000	Postage and telegrams	4,350
Loan from Dena Bank Ltd. (at 12%)	1,00,000	Cash in hand	1,900
Interest paid	4,500	Deposits at 10% as on 1-4-2021 (Dr.)	1,50,000
Printing and stationery	17,000	Drawings	50,000
Advertisement	56,000		

Adjustments:

- Value of stock as on 31st March, 2022 is ₹3,93,000. This includes goods returned by customers on 31st March, 2022 to the value of ₹15,000 for which no entry has been passed in the books.

- ii. Purchases include furniture purchased on 1st January, 2022 for ₹10,000.
- iii. Depreciation should be provided on furniture at 10% per annum.
- iv. The loan account from Dena bank in the books of Ganguli appears as follows:

		₹			₹
31.3.2022	To Balance c/d	1,00,000	1.4.2021	By Balance b/d	50,000
			31.3.2022	By Bank	50,000
		1,00,000			1,00,000

- v. Sundry debtors include ₹20,000 due from Robert and sundry creditors include ₹10,000 due to him.
 - vi. Interest paid include ₹3,000 paid to Dena bank.
 - vii. Interest received represents ₹1,000 from the sundry debtors (due to delay on their part) and the balance on investments and deposits.
 - viii. Provide for interest payable to Dena bank and for interest receivable on investments and deposits.
 - ix. Make provision for doubtful debts at 5% on the balance under sundry debtors. No such provision need to be made for the deposits.
- (ICAI Study Material)

Sol.

In the books of Ganguli

Trading and Profit & Loss Account for the year ended 31st March, 2022

	₹	₹		₹	₹
To Opening stock		2,34,000	By Sales	14,48,000	
To Purchases	12,15,500		Less: Returns	(58,000)	13,90,000
Less: Transfer to furniture A/c	(10,000)		By Closing stock		3,93,000
	12,05,500				
Less: Returns	(29,000)	11,76,500			
To Carriage inwards		93,000			
To Gross profit c/d		2,79,500			
		17,83,000			17,83,000
To Salaries		46,500	By Gross profit b/d		2,79,500
To Rent		28,500	By Interest		17,250
To Advertisement		56,000	By Discount received		14,950
To Printing & stationery		17,000			
To Interest		7,500			
To Discount allowed		37,700			

	₹	₹		₹	₹
To General expenses		19,600			
To Travelling expenses		11,650			
To Fire insurance premium		3,000			
To Postage & telegrams		4,350			
To Provision for doubtful debts (W.N.1)		4,750			
To Depreciation on furniture		1,150			
To Audit fees		3,500			
To Capital A/c (Net profit transferred)		70,500			
		3,11,700			3,11,700

Balance Sheet as at 31st March, 2022

Liabilities	₹	₹	Assets	₹	₹
Capital account:			Furniture	9,000	
Balance on 1st April, 2021	5,40,500		Additions during the year	10,000	
Add: Net profit	70,500			19,000	
	6,11,000		Less: Depreciation	(1,150)	17,850
Less: Drawings	(50,000)	5,61,000	Investments		25,000
Loan from Dena Bank Ltd.		1,00,000	Deposits		1,50,000
Insurance accrued on bank loan (W.N.2)		3,000	Interest accrued on investment & deposits (W.N.3)		10,000
Sundry creditors		64,000	Stock in trade		3,93,000
			Sundry debtors	95,000	
			Less: Provision	(4,750)	90,250
			Cash with Traders Bank Ltd.		40,000
			Cash in hand		1,900
		7,28,000			7,28,000

Working Notes:

1.	Calculation of provision for doubtful debts:	₹
	Sundry debtors as per trial balance	1,20,000
	Less: Sales returns not recorded	(15,000)
		1,05,000
	Less: Cancellation against sundry creditors	(10,000)
	Adjusted balance of sundry debtors	95,000
	Provision for doubtful debts @ 5%	4,750
2.	Accrued interest on bank loan:	
	Annual interest @12%	6,000
	Less: Interest paid to Dena bank	(3,000)
	Accrued interest	3,000
3.	Interest accrued on investments and deposits:	
	Annual interest on investments @ 5%	1,250
	Annual interest on deposits @ 10%	15,000
		16,250
	Less: Interest received on investments and deposits	(6,250)
	Accrued interest	10,000

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

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	10,000
Provision for Bad-debts		60,000
Loan from Mr. Kumar		62,000
Sundry creditors		
Motor vehicles	1,00,000	
Land and Buildings	5,00,000	
Office equipment		
Furniture and Fixtures	2,00,000	
Stock as on 31.03 .2017	50,000	
Sundry debtors	3,20,000	
Cash at Bank	2,80,000	
Cash in Hand	22,000	
	16,000	
Total	30,73,400	30,73,400

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

- Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equip ment 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 Kumar is payable @ 10% per annum. This loan w 15 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.

[May 2018, 20 Marks]

Sol.

M/s Raghuvar & Associates
Trading Account for the year ended on 31st March 2018

Particulars	₹	Particulars	₹
To Opening Stock	3,20,000	By Sales	15,00,000
To Purchases	12,00,000	Less: Sales Returns	<u>24,000</u>
Less: Purchase Returns	<u>18,000</u>	By Closing Stock	
To Freight	62,000		
To Gross Profit c/d	3,22,000		
	18,86,000		18,86,000

M/s Raghuram & Associates
Profit and Loss Account for the year ended on 31st March 2018

To Salaries		72,000	By Gross profit b/d	3,22,000
To Rent for Godown	55,000		By Discount received	12,000
Add: Outstanding	<u>5000</u>	60,000		
To Provision for Doubtful Debts (W.N.4)		16,200		
To Rent and Taxes		24,000		
To Discount Allowed		7,500		
To Carriage outwards		8,500		
To Printing and stationery		6,000		
To Electricity charges		14,000		
To Insurance premium (W.N. 1)		4,800		
To Depreciation (W.N. 2)		80,000		
To General expenses		11,000		
To Bank Charges		3,800		
To Interest on loan	4,400			
Add: Outstanding (V,V,N. 3)	<u>100</u>	4,500		
To Motor car expenses (Repairs)		13,000		
To Net Profit transferred to Capital A/c		8,700		
		3,34,000		3,34,000

Balance sheet of M/s Raghuvar & Associates as at 31st March 2018

Particulars	Amount	Particulars	Amount
Capital 14,11,400		Land & Building 5,00,000	
Add: Net Profit 8,700		Less: Depreciation 25,000	4,75,000
Less: Drawings (20,000)		Motor Vehicles 1,00,000	
Less Proprietor's Insurance Premiurn (42,000)	13,58,100	Less: Depreciation 20,000	80,000
Loan from Rajan 60,000		Office equipment 2,00,000	
Add: Outstanding Intcrest 100	60,100	Less: Depreciation 30,000	1,70,000
Sundry Creditors 62,000		Furniture & Fixture 50,000	
Outstanding rent 5,000		Less: Depreciation 5,000	45,000
		Stock in Trade	4,10,000
		Sundry Debtors 2,80,000	
		Less: Provision for doubtful debts 14,000	2,66,000
		Cash at hand	22,000
		Cash in bank	16,000
		Prepaid insurance (W.N. 1)	1,200
	14,85,200		14,85,200

Working Notes:

(1) Insurance premium Insurance premium as given in trial balance 48,000 Less: Personal premium 42,000 Less: Prepaid for 3 months $\left(\frac{6,000}{15} \times 3 \right)$ (1,200) Transfer to Profit and Loss A/c 4,800	
(2) Depreciation Building @ 5% on 5,00,000 25,000 Motor Vehicles @ 20% on 1,00,000 20,000 Furmiture & Fittings @ 10% on 50,000 5,000 Office Equipment @ 15% on 2,00,000 30,000 Total 80,000	
(3) Interest on Loan Interest on Loan 60,000 × 108 × 9/12 4,500 Less: Interest as per Trial Balance (4,400) Amount (Outstanding) 100	

20. Below is the trial balance of Sushan as on December 31, 2022:

Debit Balance	Amount	Credit Balance	Amount
Drawings	750	Capital Account	25,000
Adjusted purchases	3,49,600	Loan from Desai	
Salaries	2,250	@ 9% (taken on 1st July, 2021)	10,000
Carriage on Purchases	200	Sales	3,60,000
Carriage on sales	250	Discount	250
Rates and Insurance	200	Sundry Creditors	10,000
Buildings	13,500		
Furniture	3,000		
Sundry Debtors	4,000		
Cash on Hand	125		
Cash at Bank	750		
Stock (31st December, 2022)	30,625		
	4,05,250		4,05,250

Additional information:

1. Rates have been prepaid to the extent of ₹87.
2. Bad debts ₹250 have to be written off. A provision for doubtful debts @ 5 % on debtors is necessary.
3. Building has to be depreciated at 2% and Furniture @ 10 %.
4. The manager is entitled to a commission of 5% of net profits before charging such commission.

Sol.

**Trading and Profit and Loss Account of Sushan
for the Year ended on December 31, 2022**

Particular	Amount	Particulars	Amount
To Adjusted Purchases	3,49,600	By Sales	1,80,000
To Carriage on Purchases	200		
To Gross Profit c/d	10,200		
	3,60,000		3,60,000
To Salaries	2,250	By Gross Profit b/d	10,200
To Carriage on Sales	250	By Discount	250
To Rates & Insurance	200		
Less: Prepaid	87		
To Bad Debts written off	250		
To Provision for BDD (5% of 3750)	187		
To Depreciation:			
Buildings (2%)	270		

Particular	Amount	Particulars	Amount
Furniture (10%) <u>300</u>	570		
To Interest	900		
To Commission payable to manager (5% of ₹5,930*)	296		
To Net Profit	5,634		
	<u>10,450</u>		<u>10,450</u>

Balance Sheet of Sushan as on December 31, 2015

Liabilities	Amount ₹	Assets	Amount ₹
Capital Account 25,000		Fixed Assets:	
Add: Net Profit 5,634		Buikdings 13,500	
Less: Drawings <u>750</u>	29,884	Less: Depreciation <u>270</u>	13,230
		Furniture 3,000	
Loan from Desai 10,000		Less: Depreciation <u>300</u>	2,700
Add: Interest Due <u>900</u>	10,900	Current Assets:	
		Cash on hand	125
Sundry Creditors 10,000		Cash at Bank	750
Commission Payable 296		Sundry Debtors 3,750	
		Less: Provision for Doubtful debt <u>187</u>	3,563
		Stock	30,625
		Prepaid Rates	87
	<u>51,080</u>		<u>51,080</u>

Calculation of Manager's Commission: ₹10,450 less ₹4,520 (the total of all expenses so far), Manager is entitled to 5 % of this figure.

Note:

- (1) The trial balance gives "Adjusted Purchases". It means that entry for closing stock has already been passed by debiting the Closing Stock Account and crediting Purchases Account. Further, That is closing stock appears inside the trial balance. It will now be shown in the Balance Sheet and not in the Trading Account since purchases already stand reduced.
- (2) There is a Loan of Desai @9% taken in 2021 i.e. in last accounting year. As per accrual concept interest up to 31.12.2021 must have been provided in the last years itself. Hence, interest @9% must be provided for the whole of current year only as nothing wrt repayment is mentioned in the question.

21. Sengupta & Co. employs a team of eight workers who were paid ₹30,000 per month each in the year ending 31st March, 2021. At the start of financial year 2021-2022, the company raised salaries by 10% to ₹33,000 per month each.

On October 1, 2021 the company hired two 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 for the year ended 31st March, 2022.
- (ii) Amount actually paid as salaries during 2021-22
- (iii) Outstanding Salaries as on 31st March, 2022.

(ICAI Study Material)

Sol.

Salaries to be charged to profit and loss account for the year ended 31st March, 2022:	₹
Salaries of 8 employees for full year @ ₹33,000 per month each	31,68,000
Salaries of 2 trainees for 6 months @ ₹21,000 p.m.	2,52,000
	34,20,000
Salaries actually paid in 2021-22	
March, 2021 salaries paid in April, 2021 (8 x 30,000)	2,40,000
Salaries of 8 employees for April 2021 to March, 2022 paid in May 2021 to March 2022 @ ₹33,000 for 11 months	29,04,000
Salaries of 2 trainees for October 2021 to February 2022 paid in November 2021 to March 2022 @ ₹21,000 for 5 months	2,10,000
	33,54,000
Outstanding salaries as at 31st March, 2022	
8 employees @ ₹33,000 each for 1 month	2,64,000
2 trainees @ ₹21,000 each for 1 month	42,000
	3,06,000

23. The balance sheet of Thapar on 1st April, 2021 was as follows:

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

During 2021-22, his Profit and Loss Account revealed a net profit of ₹18,30,000. This was after allowing for the following:

- (a) Rent received from property let out ₹3,00,000.
- (b) Depreciation on Plant and Machinery @ 10% and on Furniture and Fixtures @ 5%.
- (c) A provision for Doubtful Debts @ 5% of the trade receivables as at 31st March, 2022.

But while preparing the Profit and Loss Account he had forgotten to provide for (1) outstanding expenses totaling ₹1,80,000 and (2) prepaid insurance to the extent of ₹20,000.

His current assets and liabilities on 31st March, 2022 were: Inventories ₹14,50,000; Trade receivables ₹20,00,000; Cash at Bank ₹10,35,000 and Trade payables ₹11,40,000. During the year he withdrew ₹6,00,000 for domestic use.

Required

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

(ICAI Study Material)

Sol.

Profit and Loss Account (Revised)

Particulars	₹	Particulars	₹
To Outstanding expenses	1,80,000	By Balance b/d	18,30,000
To Net profit	16,70,000	By Prepaid insurance	20,000
	18,50,000		18,50,000

Balance Sheet of Thapar as at 31st March, 2022

Liabilities		₹	Assets		₹
Capital	50,00,000		Cash at Bank		10,35,000
Add: Net Profit	16,70,000		Trade receivables	20,00,000	
	66,70,000		Less: Provision for doubtful debts	(1,00,000)	19,00,000
Less: Drawings	(6,00,000)	60,70,000	Plant and Machinery	30,00,000	
Outstanding expenses		1,80,000	Less: Depreciation	(3,00,000)	27,00,000
Trade payables		11,40,000	Furniture & Fixtures	3,00,000	
			Less: Depreciation	(15,000)	2,85,000
			Inventories		14,50,000
			Prepaid insurance		20,000
		73,90,000			73,90,000

24. 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 2022 has been given below:

On 1.4.2021 he had a balance of ₹2,00,000 advance from customers of which ₹1,50,000 is related to year 2021-22 while remaining pertains to year 2022-23. During the year 2021-22 he made cash sales of ₹5,00,000. You are required to compute:

- Total income for the year 2021-22.
- Total money received during the year if the closing balance in advance from customers account is ₹1,70,000.

(ICAI Study Material)

Sol. (i)

Computation of Income for the year 2021-22:

	₹
Money received during the year related to 2021-22	5,00,000
Add: Money received in advance during previous years	1,50,000
Total income of the year 2021-22	6,50,000

(ii) Advance from Customers A/c

Date	Particulars	₹	Date	Particulars	₹
	To Sales A/c	1,50,000	1.4.2021	By Balance b/d	2,00,000
	(Advance related to current year transferred to sales)			By Bank A/c (Balancing Figure)	1,20,000
31.3.22	To Balance c/d	1,70,000			
		3,20,000			3,20,000

So, total money received during the year is:

	₹
Cash Sales during the year	5,00,000
Add: Advance received during the year	1,20,000
Total money received during the year	6,20,000

25. From the following Trial Balance of Kartik as on 31-3-2022. Prepare Trading Account, Profit and Loss Account for the year ended 31-3.2022, and a Balance Sheet as on that date after making necessary adjustments:

Trial Balance

Particulars	Dr. ₹	Particulars	Cr. ₹
Kartik's Drawings	6,000	Kartik's Capital	30,000
Furniture & Fixtures	2,000	Returns Outward	1,000
Plant & Machinery	15,000	Sales	65,000
Opening Stock	10,000	Creditors	6,000
Purchases	40,000	Loan @ 6% p.a. taken from M. Mehta on 1-10-2021	5,000
Salaries and wages	11,200	Discount	300
Debtors	10,200		

Particulars	Dr. ₹	Particulars	Cr. ₹
Return Inward	2,500		
Postage & telegrams	750		
Rent, Rates and taxes	1,800		
Bad debts written off	200		
Trade Expenses	100		
Interest on loan from M. Mehta	75		
Insurance	400		
Travelling Expenses	250		
Sundry Expenses	150		
Cash-in-hand	1,525		
Cash-at-Bank	5,150		
	1,07,300		1,07,300

Adjustments:

- (1) Closing stock was valued at ₹10,500.
- (2) Of the debtors ₹200 are bad and should be written off. Create a reserve for bad debts at 5% on Sundry Debtors and a reserve for discount on Debtors at 2.5%.
- (3) Salaries ₹400 for March, 16 were not paid.
- (4) Interest on Capital is to be calculated at 6 % p.a. and on drawings ₹165.
- (5) Prepaid Insurance amounted to ₹50.
- (6) Depreciate Furniture & Fixture by 5% and plant and machinery by 10% .

Sol.

M/s Kartik

Trading and Profit & loss Account for the year ended on 31.03 .16

Particulars		Amount	Particulars		Amount
To Opening stock		10,000	By Sales	65,000	
To Purchase			(-) Return Inward	<u>2,500</u>	62,500
(-) Return outward		39,000	By Closing stock		10,500
To Gross profit		24,000			73,000
		73,000			24,000
To Depreciation:			By Gross Profit		
Furniture	100				
Plants & Machinery	1,500	1,600	By Discount		300
To Sundry expenses		150			
To Traveling expenses		250			
To Trade expenses		100			
To Salary & wages	11,200				

Particulars		Amount	Particulars		Amount
+ Salary payable	400	11,600			
To Postage & Telegram		750			
To Rent, Rates & Taxes		1,800			
To Bad debts	200				
+ Add Bad debts written off	200				
+ Provision for bad debts	500	700			
To Interest on loan from Mr. Mehta	75				
+ Interest payable	75	150			
To Insurance	400				
(-) Prepaid Insurance	50	350			
To Discount on debtor Provided		238			
To Net profit transferred to P&L app. A/c		6,412			
		24,300			24,300

Profit & loss Appropriation Account

Particulars	Amount	Particulars	Amount
To Interest on capital	1,800	By Net profit as per P&L account	6,412
To Balance profit transferred to capital a/c	4,777	By Interest on drawings	165
	6,577		6,577

Interest on capital, interest on drawing, salary/commission etc. to owners and transfer to reserves etc. is taken in P&L appropriation a/c.

- ❑ Loan from Mr. Mehta has been taken 6 month ago for which the interest accrued is ₹150 out of which ₹75 has already been paid and accounted balance ₹75 is payable and is accounted now.

Balance sheet as at 31.03 .22

Particulars	Amount	Particulars	Amount
Capital	30,000	Furniture & fixture	2,000
(+) Interest on Capital	1,800	(-) Depreciation	100
(-) Drawing	6,000	Plant & Machinery	15,000
(-) Interest on drawing	165	(-) Depreciation	1,500
(+) Profit transfer from P&L a/c	4,777	Debtors	10,200
	30,412	(-) Bad debt written off	200
Loan	5,000	(-) Provision for bad debt 5%	500
Interest payable	75		

Particulars		Amount	Particulars		Amount
Creditors		6,000	(-) Provision for discount 2.5%	9,500 238	9,262
Outstanding salary		400	Closing stock		10,500
			Prepaid Insurance		50
			Cash	1,525	
			Bank	5,150	6,675
		41,887			41,887

26. Following particulars are extracted from the books of Mr. Sanjay 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	Reserve for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debit Balances:		Credit Balances	
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:

- Closing stock was valued at ₹4,500
- Salary of ₹100 and Tax of ₹200 are outstanding whereas insurance ₹50 is prepaid.
- Commission received in advance is ₹100
- Interest accrued on investment is ₹210
- Interest on overdraft is unpaid ₹300
- Reserve for bad debts is to be kept at ₹1,000
- Depreciation on furniture is to be charged @ 10%

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

[May 2019, 10 Marks]

Sol.

Trading & Profit & Loss A/c
for the year ended 31st Dec. 2018

Particulars		Amount	Particulars		Amount
To Opening Stock a/c		1,400	By Sales a/c	9000	
To Purchases a/c	12,000		Less: Sales return	1000	8,000
Less: Purchase return	2,000	10,000	By Closing Stock a/c		4,500
To Gross Profit c/d		1,100			
		12,500			12,500
To Salaries a/c	2500		By Gross Profit b/d		1,000
Add: o/s salary	100	2,600	By Accrued Interest on Investment a/c		210
To o/s Interest on Overdraft a/c		300	By Commission a/c	500	
To Tax & Insurance a/c (500 +200-50)		650	Less: Received in advance	100	400
To Bad Debts a/c		500	By Net Loss t/f to Balance Sheet		2,500
To Depreciation a/c		160			
		4210			4210

Balance Sheet as at 31st Dec. 2018

Liabilities		Amount	Assets		Amount
Capital	16000		Cash		1,500
Less: Nett loss	2500		Debtors	5000	
Less Drawings	2000	11,500	Less: Reserve for Bad Debts	1000	4,000
Bank Overdraft		2,000	Furniture	1600	1,440
o/s Interest on Overdraft		300	Less Depreciation	160	4,000
Creditors		2,000	Investment		
Bills Payable		2,500	Accrued Interest on Investment		210
Unaccrued Commission		100	Bills Receivable		3,000
Outstanding Salary		100	Prepaid Insurance		50
Outstanding Tax		200	Closing Stock		4,500
		18,700			18,700

27. The balance sheet of Varun on 1st January, 2018 was as follows:

Liabilities		Amount	Assets		Amount
Trade payables		16,00,000	Plant & Machinery		31,00,000
Expenses payable		2,50,000	Furniture & Fixture		4,00,000
Capital		51,00,000	Trade receivables		14,50,00
			Cash at bank		7,00,000
			Inventories		13,00,000
		69,50,000			69,50,000

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% and on Furniture and Fixtures @ 5%.
- (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 Draw up revised Profit and Loss account and Balance Sheet at the end of the year.

[Nov. 2019, 10 Marks]

Sol.

Profit and Loss A/c

Particulars	Amount	Particulars	Amount
To Outstanding Expenses	185000	By balance b/d	1510000
To Net Profit	1350000	By prepaid Insurance	25000
Total	1535000	Total	1535000

Balance Sheet as at 31st December, 2018

Liabilities		Amount	Assets		Amount
Trade payables		1384000	Trade receivables	105000	
Outstanding expenses		185000	(-) Provision for		
Capital	5100000		Doubtful debts	105000	1995000
(+) Net profit	1350000		Cash at Bank		520000
(-) Drawings	620000		Plant & Machinery	3100000	
(+) Interest on Capital	306000	6136000	(-) Depreciation	310000	2790000
			Furniture & Fixture	400000	
			(-) Depreciation	20000	380000
			Closing Inventories		1995000
			Prepaid Insurance		25000
Total		7705000	Total		7705000

28. The Balance Sheet of Mr. Popatlal, a merchant on 31st March, 2022 stood as below:

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

Required

Show opening journal entry on 1st April, 2022 in the books of Mr. Popatlal.

(ICAI Study Material)

Sol. Opening entry

			(Dr.) ₹	(Cr.) ₹
1.4.2022	Fixed Assets A/c	Dr.	1,25,600	
	Inventories A/c	Dr.		
	Trade receivables A/c	Dr.	1,88,000	
	Cash A/c	Dr.	36,200	
	To Trade payables A/c			1,64,000
	To Bank Overdraft A/c			1,46,000
	To Provision for Doubtful Debts A/c			6,200
	To Capital A/c			2,40,000

29. On 1st April 2021 provision for Doubtful Debts existed at ₹40,000. Trade receivables on 31.03.2021 were ₹15,00,000; bad debts totaled ₹1,00,000. It is required to write off the bad debts and create a provision equal to 5% of the Trade receivables' balances.

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

(ICAI Study Material)

Sol.

Particulars	₹
Opening Provision (Cr.)	40,000
Bad Debts written off (Dr.)	1,00,000
Short Provision	60,000
Provision required (Dr.) (5% of ₹14,00,000)	70,000
Additional amount required for debit to the Profit and Loss Account (Dr.)	1,30,000

Provision for Doubtful Debts Account

Date		₹	Date		₹
March 31, 2022	To Bad Debts	1,00,000	April 1, 2021	By Balance b/d	40,000
	To Balance c/d (required)	70,000	March 31, 2022	By Profit and Loss A/c (Balancing Figure)	1,30,000
		1,70,000			1,70,000
			April 1, 2022	By Balance b/d	70,000

30. Crimpson traders profit and loss account for the year ended 31st March, 2022 includes the following information:

	₹
(i) Depreciation	57,500
(ii) Bad debts written off	21,000
(iii) Increase in provision for doubtful debts	18,000
(iv) Retained profit for the year	20,000
(v) Liability for tax	4,000

Required

State which one of the items (i) to (vi) above are – (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves. (ICAI Study Material)

Sol.

- (a) Transfer to provisions – (i), (iii), (v)
- (b) Transfer to reserves – (iv)
- (c) Neither related to provisions nor reserves – (ii).

31. Mr. Faheem 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 on 31st March, 2018

Particulars	Amount	Particulars	Amount
To Cost of Goods sold	22,00,000	By Sales	45,00,000
To Gross Profit c/d	?		
	?		45,00,000
To Salaries paid	12,00,000	By Gross Profit b/d	?
To General Expenses	6,00,000	By other Income	45,000
To Selling Expenses	?		
To Commission to Manager (On Net profit before charging such commission)	1,00,000		
To Net Profit	?		
	?		?

Selling expenses amount to 1% of total Sales.

You are required to compute the missing figure.

[Nov, 2018, 5 Marks]

Sol.

Trading & Profit & Loss A/c
(for the year ending on 31st March, 2018)

Particulars	₹	Particulars	₹
To Cost of Goods sold	22,00,000	By Sales	45,00,000
To Gross Profit c/d	23,00,000		
	45,00,000		45,00,000
To Salaries paid	12,00,000	By Gross Profit b/d	23,00,000
To General Expenses	6,00,000		
To Selling Expenses	45,000	By other Income	45,000
To Commission To Manager	1,00,000		
To Net Profit	4,00,000		
	23,45,000		23,45,000

32. Kumar & Co. employs a team of 9 worker 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 1st 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:

- Amount of salaries which would be charged to the profit and loss for the year ended 31st December, 2019.
- Amount actually paid as salaries during 2019:
- Outstanding salaries as on 31st December, 2019.

[Nov, 2020, 5 Marks]

Sol.

- Amount of Salaries which would be charged to the profit and Loss for the year ended 31st Dec. 2019

	Amount ₹
For 9 Existing workers ($9 \times ₹44,000 \times 12$)	47,52,000
For 2 New trainees ($2 \times ₹21,000 \times 6$)	2,52,000
Total	50,04,000

(ii) Amount Actually paid as Salaries during 2019

	Amount ₹
(a) For 9 workers for Dec, 2018($9 \times 40,000 \times 1$)	3,60,000
(b) For 9 workers from Jan, to Nov., 2019($9 \times 44,000 \times 11$)	43,56,000
(c) For 2 New trainees from July to Nov, 2019($2 \times ₹21,000 \times 5$)	2,10,000
Total	49,26,000

(iii) Outstanding Salaries as on 31st Dec., 2019

	Amount ₹
(a) For 9 workers for Dec, 2018(₹44,0000 × 9)	3,96,000
(b) For 2 New trainees for Dec., 2019 × ₹21,000 × 2	42,000
Total	4,38,000

33.

	₹
Opening Stock	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 Stock	2,00,000

Required

From the above information, prepare a Trading Account of M/s. ABC Traders for the year ended 31st March, 2022 and Pass necessary closing entries in the journal proper of M/s. ABC Traders
(ICAI Study Material)

Sol. In the books of M/s. ABC Traders

Trading Account (for the year ended 31/03/2022)

Particulars	Amount ₹	Particulars	Amount ₹
To Opening Stock	6,72,000	By Sales	11,00,000
To Purchases		Less: Returns Inward	(1,00,000)
Less: Returns outward	(72,000)	By Closing Stock	2,00,000

Particulars		Amount ₹	Particulars		Amount ₹
To Carriage Inwards					
To Wages					
To Gross profit (Balancing Figure)	(72,000)	6,00,000			2,00,000
		30,000			
		50,000			
		4,20,000			
		12,00,000			12,00,000

Journal Proper (in the Books of M/s. ABC Traders) (Closing entries)

Date 2022	Particulars	Amount ₹	Amount ₹
Mar. 31	Returns outward A/c Dr To Purchases A/c (Being transfer of account) to purchases	72,000	72,000
	Sales A/c Dr. To Returns Inward A/c (Being transferring the returns to sales a/c)	1,00,000	1,00,000
	Sales A/c Dr. To Trading A/c (Being the transfer of balance of sales a/c to trading a/c)	10,00,000	10,00,000
	Trading A/c Dr. To Opening Inventory A/c To Purchases A/c To Wages A/c To Carriage Inwards A/c (Being the transfer of balances of opening Inventory, purchases and wages accounts)	7,80,000	1,00,000 6,00,000 50,000 30,000
	Closing Stock A/c Dr. To Trading A/c (Being the transfer of value of closing Inventory)	2,00,000	2,00,000
	Trading A/c Dr. To Gross Profit (Being gross profit recorded)	4,20,000	4,20,000

Date 2022	Particulars	Amount ₹	Amount ₹
	Gross profit Dr.	4,20,000	
	To Profit and Loss A/c		4,20,000
	(Being the gross profit transferred to Profit and Loss Account)		

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

Trading and P&L A/c for the year ended 31st March, 2022

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

Commission is charged at the rate of 10%.

Selling Expenses amount to 1% of total sales. You are required to compute the missing figures. (ICAI Study Material)

Sol.

(A) Computation of Net Profit:

Commission Manager = Rate of Commission X Net Profit before charging such commission

So, Commission to manager = $10/100 \times \text{Net Profit before charging such commission}$

= ₹2,00,000 = $10/100 \times \text{Net Profit before charging such commission}$

= Net Profit before charging such commission = ₹20,00,000

=> Net Profit (A) = ₹(20,00,000 - 2,00,000) = ₹18,00,000

(B) Computation of Selling Expenses:

Total income appearing in P&L A/c = ₹60,00,000

Total expenses other than selling expenses = ₹(26,00,000 + 13,00,000 + 2,00,000) = ₹41,00,000

So, Selling Expenses + Remaining Expenses + Net Profit = Total Income

= Selling Expenses = ₹60,00,000 - ₹41,00,000 - ₹18,00,000

= Selling Expenses = ₹1,00,000

(C) Computation of Sales:

We have been given selling expenses amount to 1% of Sales

$$\text{So, Sales} = \text{Selling Expenses} \times 100 / 1 = 1,00,000 \times 100 / 1 = 1,00,00,000$$

(D) Computation of Gross Profit:

In Trading A/c

Particulars	₹	Particulars	₹
To COGS	45,00,000	By Sales (from C above)	100,00,000
To Gross Profit (Balancing Figure)	55,00,000		
Total (F)	100,00,000	Total (F)	100,00,000

So, Gross Profit (D) = ₹55,00,000

(E) Miscellaneous Income = Total Income in P&L - Gross Profit

$$= ₹(60,00,000 - 55,00,000) = ₹5,00,000$$

(F) = ₹100,00,000 (As computed in D above)

(G) = ₹60,00,000 (Total of both sides of P&L is equal after balancing has been done)



Particulars (Expenditure)	₹	Particulars (Income)	₹
To salary	22,800	By Interest on Govt. Securities	
To Printing & stationery	3,600	(20,000 x 8% x 6/12)	800
To Diet expenses	15,600	By Donations	8,000
To Rent & rates	1,700	By Fees from patient	4,800
To Electricity & Water	2,400	By Govt. grant for Maintenance	20,000
To Office expenses	2,000	By Net collection from benefit	6,000
To Surplus transferred to capital fund	16,000	show By Subscription	24,500
	64,100		64,100

Working notes

Subscription A/c

Particulars	Amount ₹	Particulars	Amount ₹
To opening Outstanding	6,400	By Cash A/c (Collected)	32,000
To I & E A/c A/c (Income) (Balancing Figure)	24,500	By Closing Outstanding (6400 – 5100)	1300
	2,400		
To closing Balance (Advance)	33,300		33,300

Salary A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Cash/Bank A/c (Paid)	30,000	By Balance Outstanding b/d	7,200
		By I & E A/c A/c (Expense)	22,800
	30,000		30,000

Rent Account

Particulars	Amount ₹	Particulars	Amount ₹
To Cash/Bank A/c(Paid)	2,000	By I & E A/c A/c (Bal. Figure)	1700
	2,000	By Closing Prepaid c/f	300
			2,000

Note: All the Asset and Liability will appear in Balancesheet

2. The following informations were obtained from the books of Jai club as on 31.12.2022 at the end of the first year of the Club. You are required to prepare Receipts and Payments Account for the year ended 31.12.2022:

- (i) Donations received for Building and Library Room ₹4,00,000 .
(ii) Other revenue receipts:

	Actual Receipts ₹
Entrance Fees	34,000
Subscription	38000
Locker Rents	1200
Sundry Income	2,120
Refreshment Account	32,000

- (iii) Other actual payments:s

	Actual Payments ₹
Land (cost ₹20.000)	20,000
Furniture (cost ₹2,92,000)	2,60,000
Salaries	9,600

	Actual Payments ₹
Maintenance of playgrounds	2,000
Rent	16,000
Refreshment Account	16,000

Donations to the extent of ₹50,000 were utilized for the purchase of library Books, balance was still unutilized. In order to keep it safe 9% Govt. Bonds of 3,20,000 were purchased on 31.12.2022. Remaining amount was put in the bank on 31.12.2022 under the fixed deposit

Sol.

Jai club

Receipt and payments A/c for the year ended 31/12/22

Receipts	₹	Payments	₹
To Building and library fund A/c	4,00,000	By Library book A/c	50,000
To Entrance Fees A/c	34,000	By 9% govt A/c	3,20,000
To Subscription A/c	38,000	By Fixed deposit A/c	30,000
To Locker rent A/c	1200	By Land A/c	20,000
To Sundry income A/c	2120	By Furniture A/c	2,60,000
To Refreshment A/c	32,000	By Salaries A/c	9,600
To Closing balance (overdraft balance)	2,16,280	By Maintenance of playground A/c	2,000
		By Rent A/c	16000
		By Refreshment A/c	16,000
	7,23,600		7,23,600

3. Members of a club. are paying an annual subscription of ₹1000. On 31/12/23, Subscriptions in arrears from 10 members and received in advance from 5 member subscription received during the year ended 31/12/2024 from 446 members, including from 21 members for the year 2025. Subscriptions in arrears as on 31/12/2024 from 30 members.

Calculate the amount of subscriptions income for the year ended on 31/12/2024 by preparing subscriptions A/c.

Sol.

Dr.

Subscription A/c

Cr.

Particulars	₹	Particulars	₹
To opening outstanding b/f (10 × 1000)	10000	By opening advance b/f (5 × 1000)	5,000
To I&E A/c (balancing figure) (Income for the year)	4,50,000	By cash/Bank A/c (446 × 1000) (Recived during the year)	4,46000
To closing advance e/f (21 × 1000)	21,000	By closing outstanding c/f (30 × 1000)	30,000

Particulars	₹	Particulars	₹
	4,81,000		4,81,000

Alternatively above figure can be ascertained by preparing a statement

		₹
Subscription received during the year		4,46,000
Add: opening advance.	5,000	
Closing outstanding	30,000	35,000
		4,81,000
Less: closing advance	21,000	
Opening outstanding	10,000	31,000
Subscription income for the year		4,50,000

4. On the basis of the following information related to its many premises, calculate the amount that will appear against the item 'Rent' in the income and expenditure account for the year ended 31/12/22.

Particulars	₹
Rent prepaid as on 1/1/22	24,000
Rent Payable as on 1/1/22	51,200
Amount paid for rent during the year ended 31/12/22	2,80,000
Rent prepaid as on 31/12/22	46,400
Rent payable as on 31/12/22	48,000

Sol.

Dr.

Rent A/c

Cr.

Particulars	₹	Particulars	₹
To opening prepaid b/f	24,000	By opening payable b/f	51,200
To cash/Bank A/c (paid)	2,80,000	By I&E A/c (balancing figure)	2,54,400
To closing Payable c/f	48,000	(Rent expense)	
		By closing prepaid c/f	46,400
	3,52,000		3,52,000

5. Fans library society showed the following position on 31/12/2021:

Balance sheet as on 31/12/2021

Liabilities	₹	Assets	₹
Capital fund	15,86,000	Electrical fitting	3,00,000
Expenses payable	14,000	Furniture	100,000
		Books	8,00,000
		Investment in securities	3,00,000
		Cash at bank	50,000

Liabilities	₹	Assets	₹
		Cash in hand	50,000
	16,00,000		16,00,000

The Receipt and payment amount for the year ended on 31/12/22

Particulars (Receipts)	₹	(Particulars) Payments	₹
To balance b/f		By electric charge	14,400
Cash at bank 50,000		By postage and stationary	10,000
Cash in hand 50,000	100,000	By telephone charges	10,000
To entrance fees	60,000	By books purchased	120,000
To membership subscription	4,00,000	By outstanding expenses paid	14,000
To sale proceeds of old papers	3,000	By rent	176,000
To hire of lecture hall	40,000	By investment in securities	80,000
To Interest on securities	16,000	By salaries	132,000
		By bal. c/f Cash at bank	40,000
		Cash in hand	22,600
	619,000		619,000

You are required to prepare an income and expenditure account for the year ended 31/12/2022 and a balance sheet as at 31/12/2022 after making the following adjustment.

- Membership subscription included ₹20,000 received in advance.
- provide adjustent for outstanding rent ₹8000 and salaries ₹6000
- Book are to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate
- 75% of the entrance fees will be capitalized
- Interest on securities is to be calculated @5% pa. including Purchases made on 1.07.2022 for ₹80,000

Sol.

Income and expenditure A/c

Expenditure	₹	Income	₹
To electric charges A/c	14,400	By subscription A/c	3,80,000
To postage and stamp A/c	10,000	By hire of lecture hall A/c	40,000
To Telephone charges A/c	10,000	By sale of old news A/c	3,000
To rent A/c	184,000	By Entrance fees A/c	15,000
To salary A/c	138,000	By Interest A/c	17,000
To depreciation A/c	132,000	By deficit A/c	33,400
	4,88,400		4,88,400

Balance sheet on date 31/12/2022

Liabilities	₹	Assets	₹
Capital fund		Electric fitting	3,00,000

Balance	15,86,000		(-) Depreciation	30,000	2,70,000
(+) Entrance fees	45,000		Furniture	100,000	
(-) Deficit	33,400	15,97,600	(-) Depreciation	10,000	90,000
Advance subscription		20,000	Books	8,00,000	
Expense outstanding		14,000	(+) Addition	120,000	
			(-) Depreciation	92,000	8,28,000
			Investment	3,00,000	
			(+) Addition	80,000	3,80,000
			Interest Outstanding		1000
			Bank		40,000
			cash		22,600
		16,31,600			16,31,600

Working notes:

Expenses outstanding A/c

Particulars	₹	Particulars	₹
To Cash A/c	14,000	By opening balance b/f	14,000
To Balance c/f	14,000	By Rent A/c	8,000
		By Salary A/c	6,000
	28,000		28,000

Subscription account

Particulars	₹	Particulars	₹
To I&E A/c (income)	3,80,000	By cash A/c (received)	4,00,000
To closing advance subscription ac	20,000		
	4,00,000		4,00,000

Rent account

Particulars	₹	Particulars	₹
To cash A/c (paid)	176,000	By Income & exp A/c (received)	1,84,000
To closing outstanding rent A/c	8,000		
	184,000		1,84,000

Salary account

Particulars	₹	Particulars	₹
To cash A/c (paid)	132,000	By I&E A/c (Expense)	138,000
To closing outstanding rent A/c	6,000		

	138,000		138,000
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Entrance fees account

Particulars	₹	Particulars	₹
To capital fund A/c (capitalized)	45,000	By cash A/c	60,000
To I&E A/c (income)	15,000		
	60,000		60,000

Interest account

Particulars	₹	Particulars	₹
To I&E A/c (income)	17,000	By cash A/c (Received)	16,000
		By Interest outstanding A/c	1000
	17,000		17,000

Calculating of interest on investment:

Interest for full year on opening balance	$3,00,000 \times 5\%$	= 15,000
Interest for half year on addition	$80,000 \times 5\% \times 6/12$	= 2,000
Total Interest for the year		17,000
Received during the year		16,000
Interest outstanding at end of the year		s 1000

6. CNR cricket club gives you the following information

I & E A/c account for the year ended 31/03/22

Expenditure	Amt (₹)	Income	Amt (₹)
To Remuneration to coach A/c	36,000	By Donation & Subscription	2,04,000
To Salaries & Wages A/c	48,000	Receipts	48,000
To Rent A/c	24,000	Less expenses	40,000
To Repairs A/c	22,000	By bank interest A/c	4,000
To miscellaneous expenses A/c	14,000	By hire club hall A/c	24,000
To honorarium to secretary A/c	36,000	By hire club hall A/c	24,000
To Depn. on Equipment A/c	10,000		
To Surplus A/c	50,000		
	2,40,000		2,40,000

Balance Sheet

20-21	Liabilities	21-22	20-21	Assets	21-22
96000	Capital fund	96,000	50,000	Equipment	40,000
	Entrance fees	20,000		Subscription O/s	16,000
	Surplus	50,000	12,000	Cash in hand	8,000

8,000	Subscription in advance	6,000	10,000		
	Outstanding liabilities				
3,000	Miscellaneous Exp.	2,000	5,000	cash at Bank	20,000
4,000	Salary & Wages	6,000			
6,000	Honorarium to secretly	4,000	40,000	Fixed deposit	100000
117000		184000	117000		184000

Prepare the receipt and payment account of the club for the year ended 31/12/22.

Sol.

Receipt and payment A/c

Particular (Receipt)	Amount ₹	Particular (payment)	Amount ₹
To opening Balance		By coach remuneration A/c	36,000
Cash A/c 10,000		By rent A/c	24,000
Bank A/c 5000	15,000	By repair A/c	22,000
To bar Receipt A/c	48,000	by bar expenses A/c	40,000
To Bank Interest A/c	4,000	By fixed deposit A/c	60,000
To hire club hall A/c	24,000	By salary & wages A/c	46,000
To entrance fees A/c	20,000	By misc Expenses A/c	15,000
To donation & subscription A/c	198,000	By honorarium to secretly A/c	38,000
		By Closing Bal. cash A/c 8,000	
		Bank A/c 20,000	28,000
	309000		309000

Working notes:

Salary and wages account

To cash A/c (bal. figure)	46,000	By opening outstanding b/d	4,000
To closing outstanding c/d	6,000	By I & E A/c A/c	48,000
	52,000		52,000

Miscellaneous expenses A/c

To cash A/c (bal. figure)	15,000	By opening outstanding b/d	3,000
To closing outstanding c/d	2,000	By I & E A/c A/c	14,000
	17,000		17,000

Honorarium to secretary A/c

To cash A/c (bal. figure)	38,000	By opening outstanding b/d	6,000
To closing outstanding c/d	4,000	By I & E A/c A/c	36,000
	42,000		42,000

Equipment A/c

To Opening balance	50,000	By depreciation A/c	10,000
		By balance c/d	40,000
	50,000		50,000

Fixed deposit A/cs

To Opening balance	40,000		
To cash (bal. figure) deposit made	60000	By balance c/d	100,000
	100000		100000

Subscription account

To opening outstanding	12,000	By opening advance	8,000
To I & E A/c A/c	2,04,000	By cash (bal. figure)	198,000
To closing Advance c/d	6,000	By closing outstanding c/d	16,000
	2,22,000		2,22,000

7. From the following. Find out the amount of subscriptions to be included In the income and expenditure account for the year ended 31/12/22.

Subscription were received during the year 2022 as follows:

	₹
For the year 2021	4,000
For the year 2022	60,000
For the year 2023	6,000

Subscription outstanding as on 31/12/2021 were ₹7,000 out of which ₹1000 were consider to be irrecoverable. on the same date, subscription received in advance for 2022 were ₹4,000. Subscription still outstanding as on 31/12/22 amounted to ₹12,000.

Sol.

Dr.

Subscription A/c

Cr.

Particulars	₹	Particulars	₹
To Op. outstanding subscription A/c	7,000	By Op. Advance subscription A/c	4,000
To I&E A/c (income bal figure)	74,000	By I&E (irrecoverable amount)	1000
To Closing advance subscription A/c	6,000	By cash/bank A/c for	
		2021 4,000	
		2022 60,000	
		2023 6,000	70,000
		By closing o/s subscription A/c	12,000
	87,000		87,000

8. During the year ended 31/12/22, Virat cricket club received subscription as follows:

	₹
For year ending 31st december, 2021	24,000
For year ending 31st december, 2022	12,30,000
For year ending 31st december, 2023	36,000
Total	12,90,000

There are 500 member and annual subscription is ₹3000 per member.

Ascertain the amount for the year ended 31st december 2022. Also show how the items would appear in the balance sheet as on 31st december, 2021 and the balance sheet as on 31st december, 2021 and the balance sheet as on 31st december, 2022.

Sol.

Dr.		Subscription A/c year ended 31.12.2022		Cr.	
Particulars	₹	(Particulars)			₹
To Op. Outstanding (24,000 + 30,000)	54,000	By opening advance subscription b/f			Nil
To I&E A/c (500 × 3000) (income)	15,00,000	By cash /bank A/c (received)			
For the year ended 31/12/22		For year ended 31.12.21	24,000		
To closing advance subscription c/f	36,000	For year ended 31.12.22	12,30,000		
		For year ended 31.12.23	36,000		12,90,000
		By closing outstanding (bal. figure)			
		For year ended 31.12.21	30,000		
		For year ended 31.12.22	2,70,000		3,00,000
	15,90,000				15,90,000

I & E A/c account (as extract) for the year ended 31st december, 2022

	₹		₹
		By subscription (500 member × ₹3000)	15,00,000

Balance sheet as at 31/12 2021 march (An extract).

Liabilities	₹	Assets	₹
		Subscription Receivable (30,000 + 24,000)	54,000

Balance sheet of sachin cricket club as on 31/12/22 (as extract)

Liabilities	₹	Assets	₹
Advance subscription	36,000	Outstanding subscription	

	of 2020	30,000	
	of 2021	2,70,000	3,00,000
	(15,00,000 (-) 12,30,000)		

9. On 31/12/22 Ruskin club a cultural association had the following assets and liabilities:

Liabilities	₹	Assets	₹
Trust Fund	10,00,000	Cash	6,000
Accumulated surplus in I & E A/c A/c	2,10,000	axis Bank:	
Membership fee received in Advance for year 2023	20,000	Savings A/c	14,000
Outstanding expenses	20,000	Fixed deposits	4,00,000
		Investments in Government securities	6,00,000
		Fixed assets	190,000
		Membership fee receivable	30,000
		Prepaid expenses	10,000
	12,50,000		12,50,000

Receipt and payment account for the year ended 31/12/23:

Receipts	₹	Payment	₹
Opening balance		Administrative expenses	2,50,000
Cash	6,000	Program expenses including cost printing souvenir	5,50,000
Saving with axis bank	14,000		
	20,000		
Membership fee received		Fixed deposite with axis Bank	2,50,000
Up to 2022	28000	Fixed assets purchased	160,000
For 2023	3,00,000	Investment in icici Bond	6,00,000
For 2024	32000		
	3,60,000		
Sales of entry tickets - program	50000		
Advertisement in programme souvenir	10,00,000	Closing balance	
Fixed deposit with Axis bank	150,000	Cash	5400
Interest on bank A/c		Saving with axis bank	10000
			15,400
Saving	1400		
Fixed deposit	44,000		
	45,400		
Amount received on maturity of government security include of interest ₹16,000 (COST ₹16,00,000)	2,00,000		
	18,25,400		18,25,400

The club inform you that Membership fee for 2023 due is ₹50,000 it includes ₹2,000 due from the number who has not yet paid also for 2022 provision for irrecoverable membership is to be made in respect of this number

Income receivable on 31-12-2023 on icici bond is ₹60,000 and on government securities is ₹48,000.

Prepaid expenses on 31-12-2023 amount to ₹14,000

Outstanding expenses on 31-12-2023 amount to ₹16,000

Depreciation provision is to be ₹25,000.

Programme is an annual feature.

The club asks you to prepare:

(a) income and expenditure account for the year ended 31/12/ 2023.

(b) Balance sheet as at 31/12/23

Sol.

I & E A/c Account

Expenditure	₹	Income	₹
To bad debt A/c	4,000	By membership fees A/c	3,70,000
To depreciation A/c	25,000	By bank interest A/c	45,400
To expenses A/c	2,42,000	By programme	
To surplus c/l	7,92,400	Income	10,50,000
		(-) Expenses	5,50,000
		By profit on sale	
		of Govt. security A/c	24,000
		By interest on investment A/c	124,000
	1063400		10,63,400

Balance Sheet

Liabilities	₹	Asset	₹
Trust Fund	10,00,000	Fixed Asset	3,25,000
I & E A/c	2,10,000	Fixed deposited	5,00,000
(+) surplus	7,92,400	Interest outstanding	108,000
Advance membership fees	32,000	Investment	
Expense Outstanding	16,000	ICICI Bond	6,00,000
		Govt. Securities	4,40,000
		Prepaid expenses	14,000
		Cash	5,400
		Bank	10,000
		Outstanding	
		Membership fees	52,000

Liabilities	₹	Asset	₹
		(-) Provision	4,000
	20,50,400		20,50,400

Working Notes:-

Membership fees A/c

Particular	₹	Particular	₹
To Op. Outstanding	30,000	By Op. Advance balance	20,000
To I & E A/c A/c	3,70,000	By cash/Bank A/c	3,60,000
To closing Advance Balance	32,000	By closing outstanding balance	52,000
	4,32,000		4,32,000

Expenses A/c

Particular	₹	Particular	₹
To opening prepaid balance	10,000	By opening advance balance	20,000
To cash A/c	2,50,000	By cash/Bank A/c	2,42,000
To closing Outstanding	16,000	By closing outstanding balance	14,000
	2,76,000		2,76,000

Fixed Deposit A/c

Particular	₹	Particular	₹
To opening balance	4,00,000	By cash A/c	150,000
To cash A/c	2,50,000	By Balance (c/f)	5,00,000
	6,50,000		6,50,000

Government Securities A/c

Particular	₹	Particular	₹
To opening balance	6,00,000	By cash A/c(Maturity proceed)	2,00,000
To interested to investment A/c	16,000	By Balance (c/f)	4,40,000
To profit on Govt. Security	24,000		
	6,40,000		6,40,000

Fixed Asset A/c

Particular	₹	Particular	₹
To opening balance	190,000	By depreciation A/c	25,000

To cash A/c	160,000	By Balance (c/f)	3,25,000
	3,50,000		3,50,000

Interest on investment A/c

Particular	₹	Particular	₹
To I & E A/c A/c	124,000	By Govt. Security A/c	16,000
		By closing outstanding	108,000
	124,000		124,000

10. The following is the receipt and payment account of Fatima Charitable hospital for the year ended 31st december 2023:

Receipts	₹	Payments	₹
To balance b/d	2,80,000	By payment for medicine	12,00,000
To subscription	20,00,000	By honorarium to doctor	4,00,000
To Donations	5,80,000	By salaries	11,00,000
To interest and investment		By Sunday expenses	20,000
@ 7% per annum for the year	2,80,000	By Equipment purchased	6,00,000
To charity show collection	4,00,000	By charity show expenses	40,000
		By Balance	180,000
	35,40,000		35,40,000

Additional information

	On 1.1.2022 (₹)	On 31.12.2023(₹)
Subscription due	20,000	40,000
Subscription received in advance	40,000	20,000
Stock of medicines	4,00,000	6,00,000
Creditors for medicines	320,000	4,80,000
Equipment's	840,000	12,00,000
Buildings	16,00,000	1520,000

You are required to prepare income and expenditure account for the year ended 31st december 2023 and balance sheet as at that date.

Sol.

I & E A/c A/c [p&l A/c]

Expenditure	₹	Income	₹
To honorarium to doctor A/c	4,00,000	By Donation A/c	5,80,000
To Salary A/c	11,00,000	By Interest A/c	2,80,000
To Sunday Expenses A/c	20,000	By charity show	
To medicine A/c	11,60,000	Income	4,00,000
To Description on equipment A/c	2,40,000	(-)Expenses	40,000
			3,60,000

Expenditure	₹	Income	₹
To Description on equipment A/c	80,000	By subscription A/c	20,40,000
To surplus A/c	2,60,000		
	32,60,000		32,60,000

Balance Sheet As on 31-12-2023

Liabilities	₹	Assets	₹
Trust Fund 67,80,000		Investment	40,00,000
(+) Surplus 2,60,000	70,40,000	Subscription Outstanding	40,000
Advance Subscription	20,000	Medicine stock	6,00,000
Creditor for medicine	4,80,000	Building	15,20,000
		Equipment	12,00,000
		Cash/bank	180,000
	7540000		7540000

Working Notes:-

Subscription A/c

Particular	₹	Particular	₹
To opening outstanding	20,000	By opening advance	40,000
To I & E A/c A/c	20,40,000	By Cash / Bank A/c (received)	20,00000
To Closing Balance (Advance)	20,000	By closing Outstanding balance	40,000
	20,80,000		20,80,000

Medicine A/c

Particular	₹	Particular	₹
To opening Balance (Op. Stock)	4,00,000	By I & E A/c A/c (Consumed)	11,60,000
To creditor A/c (purchase)	13,60,000	By closing Stock A/c	6,00,000
	1760000		1760000

Creditor For medicine A/c

Particular	₹	Particular	₹
To cash/Bank A/c (Payment)	12,00,000	By Opening Balance	320,000
To closing balance c/f	4,80,000	By Purchase A/c (Bal. fig.)	1360000
	16,80,000		16,80,000

Equipment A/c

Particular	₹	Particular	₹
To opening Balance	8,40,000	By depreciation A/c (Bal fig.)	2,40,000
To cash/Bank A/c (Purchase)	6,00,000	By closing Balance	12,00,000
	14,40,000		14,40,000

Building A/c

Particular	₹	Particular	₹
To opening Balance	16,00,000	By depreciation A/c (Bal. fig.)	80,000
		By closing Balance	1520000
	16,00,000		16,00,000

Balance sheet as on 31.03.2012

Liability	₹	Asset	₹
Advance subscription	40,000	Cash/bank	2,80,000
Creditors for medicine	3,20,000	Investment	40,00,000
Trust fund (Balancing figure)	67,80,000	Subscription outstanding	20,000
		Stock of medicine	4,00,000
		Equipment	8,40,000
		Building	1600,000
	71,40,000		7140000

Investment is calculated from interested Investment = $(2,80,000 / 7) \times 100 = 40,00,000$

11. The following is the receipt and payment account of Nehru garden club in respect of the year ended 31/12/2023.

Receipts	₹	Payments	₹
To balance b/d	2,05,000	By salaries	4,16,000
To subscription		By Stationary	80,000
2022 9,000		By rent	120,000
2023 4,22,000		By telephone exp	20,000
2024 15,000	4,46,000	By Investment	2,50,000
To profit on sports meet	3,10,000	By sundry expenses	185,000
To income from investment	2,00,000	By balance c/d	90,000
	11,61,000		11,61,000

Additional information:

- (i) There 450 members each Paying an annual subscription of ₹1000 on 1/01/2023, outstanding subscription was, ₹10,000
- (ii) There was an outstanding telephone bill for ₹7000 on 31/12/2023.
- (iii) outstanding sundry expenses as on 31/12/22 'totaled 14,000.
- (iv) stock of stationery:
On 31/12/ 2022 ₹10000
On 31/12/ 2023 ₹18,000
- (v) On 31/12/2022 building stood in the books at, ₹20,00,000 and it was subject to depreciation @5% per annum.
- (vi) Investment on 31/12/22 valued at ₹40,00,000.

(vii) On 31/12/2023, income accrued on the investment purchased during the year amounted to ₹7500.

Prepare an Income and Expenditure Account for the year ended 31/12/2023 and the Balance Sheet as at that date.

Sol.

Income and expenditure account for the year ended on 31/12/2023

Expenditure	₹	Income	₹
To salaries	416,000	By subscription (W.N.2)	450,000
To stationery consumed (W.N.3)	72,000	By profit on sports meet	3,10,000
To rent	120,000	By Income on investment	200000
To telephone Exp. 20,000		Add income accrued	7500
Add closing outstanding 7000	27,000		2,07500
To sundry expenses 185,000			
less opening outstanding (14,000)	171,000		
To depreciation of building	100,000		
To surplus (carried to capital fund)	61500		
	967500		967500

Balance Sheet as at 31/12/2023

Liability	Amount (₹)	Asset	Amount (₹)
Capital fund (W.N.1) 6211000		Outstanding Subscription	29000
Add surplus 61500	62,72,500	Investment 42,50,000 above 7500	
Subscription received in advance	15000	Add: Interest accrued 7500	4257500
Outstanding telephone bills	7000	Building 20,00,000	
		less: Depreciation 1,00,000	1900000
		Stock of stationery	18,000
		Cash balance	90,000
	6294500		6294500

Working notes:

(1) calculation of opening capital fund

Balance sheet at 31/12/2022

Liability	Amount (₹)	Asset	Amount (₹)
Outstanding sundry expenses	14000	Building	20,00,000
Capital fund (Balancing figure)	62,11000	Investment	40,00,000
		Stock of stationery	10000
		cash balance	2,05,000
		Outstanding subscription	10,000
	62,25,000		62,25,000

(2) Calculation of subscription accrued during the year

Subscription A/c

Particular	Amount ₹	Particular	Amount ₹
To opening outstanding	10,000	By cash A/c (9000 + 4,22,000 + 15000)	4,46,000
To I & E A/c A/c (450@ 1000)	4,50,000	By Closing Outstanding	29,000
To subscription received in advance c/f	15,000		
	475,000		475000

(3) Calculation of stationery consumed during the year

	₹
Opening stock of stationery	10,000
Add purchased	80,000
Total	90,000
Less closing stock of stationery	(18,000)
Stationery consumed	72,000

12. The accountant of Cherry club furnishes you the following receipts and payment account for the year ending 31st December, 2023

Receipts	Amount ₹	Payment	Amount ₹
Opening balance		Honorarium to secretary	19,200
Cash at bank	33,520	Mise. expenses	6,120
Subscription	42,840	Rates and taxes	5040
Sale of old newspaper	9,600	Groundsman wages	3360
Entertainment fees	17080	Printing and stationery	1880
Bank interest	920	telephone expenses	9560
Bar receipts	29,800	payment for bar purchases	23080
		Repairs	1280
		New car (less sale proceed of old car ₹12000)	50,400
		Closing balance	
		Cash at bank	13840
	133760		133760

Additional Information:

	01.1.2023 ₹	31.12.2023 ₹
(i) Subscription due (not received)	4800	3920
(ii) Cheques issued, but not presented for payment of printing	360	120

(iii) Club premises at cost	116,000	-
(iv) Depreciation on club premises provide so far	75,200	-
(v) Car at cost	48,760	-
(vi) Depreciation on car	41160	-
(vii) value of bar stock	2840	3480
(viii) Amount unpaid for bar purchases	2360	1720

(ix) Depreciation is to be provided @ 5 % p.a. on the WDV of the club premises and @ 15% p.a. on car for the full year.

Sol.

Income and expenditure account for year ended 31st December, 2023

Expenditure	Amount ₹	Income	Amount ₹
To Honorarium to secretary	19,200	By Subscription (W.N.3)	41,960
To misc. expenses	6,120	By sale of old newspaper	9,600
To rates and taxes	5040	By entertainment fees	17080
To groundsman wages	3360	By bank interest	920
To printing and stationery	1880	By bar receipts	29,800
To telephone expenses	9560	By profit on sale of car (W.N.5)	4,400
Opening bar stock	2840		
Add purchases	22,440		
	25280		
less closing bar stock	3480		
	21,800		
To repairs	1280		
To deprecation			
Club premises	2,040		
Car	9360		
	11,400		
To surplus (transferred to capital fund)	24,120		
	103760		103760

Balance Sheet of Cherry club as on 31/12/23

Liability	Amount (₹)	Asset	Amount (₹)
Capital fund (W.N.1)	87200	Club premises	38760
Add surplus	24120	Car	53040
	111320	Bar stock	3480
Creditors	1720	Outstanding subscription	3920
		Cash at bank	13840
	113040		113040

Working notes:

Balance sheet as on 1/1/23

Liability	Amount (₹)	Asset	Amount (₹)
Bar creditor	2360	Club premises	116000
Capital fund on 1.1.2023	87200	Less Depreciation	75200
(Balancing figure)		Car	48,760
		Less Depreciation	41160
		Bar stock	2840
		Outstanding subscription	4800
		Cash at bank	33,520
	89560		89560

1. Calculation of bar purchases for the year:

Bar creditor A/c

To cash/Bank A/c (paid during the year)	23080	By Op. O/s (payable)	2360
To closing outstanding c/f (payable)	1720	By I&E A/c (purchase bal. fig)	22440
	24,800		24800

2. Calculation of subscription accrued during the year:

Dr. Subscription A/c Cr.

Particular	₹	Particular	₹
To Op. O/s	4800	By cash/Bank A/c (received)	42840
To I&E A/c (Income) (bal. fig.)	41960	By Cl O/s	3920
	46760		46760

3. Description on club premises and written down value on 31/12/2023:

	₹
Written down value on 1.1.2023 (116,000 - 75200)	40,800
Less description for the year 2023 @ 5% p.a.	2040
	38760

4. Calculation of profit on sale of car:

	₹
Sale proceeds of old car	12,000
Less written down value of car	
Cost of car on 1.1.2023	48760
Less depreciation upto 1.1.2023	41160
	4400

5. Depreciation on car and written down values on 31/12/23:

	₹
Cost of new car purchased (50400 + 12,000)	62,400

Less Depreciation for the year @ 15% p.a.	9360
Written down value on 31.12.2023	53040

13. Summary of receipts and payment of Bhajan medical aid society for the year ended 31.03.2023 are follows:

Opening cash balance in hand 16000, subscription 100000, donation 30000, interest on investment @ 9% p.a. 18000, payments for medicine supply 60,000 honorarium to doctor 20000 salaries 56000 sundry expenses 2000 equipment purchase 30000 charity show expenses 3000 charity show collection 25000

Additional information:

	1.4.2022	31.03.2023
Subscription due	3000	4400
Subscription received in advance	2400	1400
Stock of medicine	20,000	30,000
Amount due for medicine supply	18,000	26,000
Value of equipment	42,000	60,000
Value of building	100,000	96,000

You are required to prepare Receipts and Payments A/c and Income: and Expenditure Account for the year ended 31.03.2023 and Balance Sheet as on 31.03.2023.

Sol.

Income and expenditure account

Particular	₹	Particular	₹
To honarium to doctors	20,000	By Donation	30,000
The salaries	56,000	By Interest on investment	18,000
To expenses	2,000	By Charity show income	25000
To Medicine Consumed	58,000	(-) Expenses	3000
To Depreciation (12,000 + 4000)	16,000	By subscription	102400
To surplus	20400		
	172400		172400

Balance Sheet on date 31.03.2023

Particular	₹	Particular	₹
General fund	360600	Equipment	60,000
(+) Surplus	20,400	Building	96,000
Advance subscription	1400	Investment	200000
Creditors for Machines	26,000	Stock	30,000
		Subscription outstanding	44,00

		Cash	18,000
	408400		408400

Receipt and payment account

Receipt	₹	Payment	₹
To opening balance	16,000	By creditor	60,000
To subscription	100,000	By honorarium to doctor	20,000
To donation	30,000	By salaries	56,000
To interested on investment	18,000	By Sundry expenses	2,000
To charity show collection	25000	By equipment	30,000
		By charity show expenses	3000
		By closing balance	18,000
	189000		189000

Working note:

Balance sheet on date 1.4.2023

Liabilities	₹	Assets	₹
General fund (bal fig)	360,600	Cash	16,000
Advance subscription	2400	Investment	2,00,000
Creditor for medicine	18,000	Subs, outstanding	3000
		Stock	20,000
		Equipment	42,000
		Building	100,000
	381,000		381000

Subscription A/c

Particular	₹	Particular	₹
To opening outstanding A/c	3,000	By opening advance Subscription A/c	2400
To I&E A/c	102400	By cash A/c	100,000
To closing advance Subscription A/c	1400	By closing outstanding Subscription A/c	4400
	106800		106800

Medicine expenditure A/c

To opening stock A/c	20,000	By I&E A/c	58000
To purchases A/c	68,000	By closing stock A/c	30,000
	88000		88000

Creditor for medicine supply A/c

To Cash A/c	60,000	By opening outstanding	18,000
To closing outstanding A/c	26,000	By purchases (bal fig) A/c	68,000
	86,000		86,000

Equipment A/c

To opening balance	42,000	By Deprecation (bal fig) A/c	12,000
To cash A/c	30,000	By closing balance	60,000
	72,000		72,000

Building A/c

To opening balance	100,000	By closing balance	96,000
		By Deprecation (bal fig) A/c	4,000
	100,000		100,000

Amount of investment = Interest + rate = $(18,000 / 9) \times 100 = 2,00,000$

14. The following information's were obtained form the books of Jamnagar club as onn 31.12.2023 at the end of the first year of the club. You are required to prepare Receipts and Payments Account, Income and Expenditure Account for the year ended 31.12.2023 and a Balance sheet as at 31.12.2023 on accrual basis;

- (i) Donatioos received for Building and Library Room 4,00,000.
(ii) Other revenue income and actual receipts:

	Revenue Income	Actual Receipts
Entrance Fees	34,000	34,000
Subscription	40,000	38,000
Locker Rents	1200	1200
Sundry Income	3200	2120
Refreshment Account	—	32,000

- (iii) Other revenue expenditure and actual payments:

	Revenue Expenditure ₹	Actual Payments ₹
Land (cost ₹20,000)	—	20,000
Furniture (cost ₹292,000)	—	260,000
Salaries	10,000	9600
Maintenance of Playgrounds	4,000	2,000
Rent	16,000	16,000
Refreshment Account	—	16,000

Donations to the extent of ₹50,000 were utilized for the purchase of Library Books, balance was still unutilized. In order to keep it safe, 9% Govt. Bonds of ₹320,000 were purchased on 31.12.2023. Remaining amount was put in the bank on same day in deposit. Depreciation provided for the year on Furniture and Library Books is 10%.

Sol.

Jamnagar Club

Income and Expenditure Account for the year ended 31st december 2023

Expenditure	₹	Income	₹
To salary A/c (9600 + 400)	10,000	By Entrance fees A/c	34,000
To Maintenance A/c (2,000+ 2,000)	4,000	By Subscription A/c (38,000 + 2,000)	40,000
To Rent A/c	16,000	By Lockers rents A/c	1200
To Depreciation A/c (29200 + 5000)	34,200	By Sundry income A/c (2120 + 1080)	3200
To Surplus	30,200	By Refreshment A/c	32,000
		(-) Expenses	16,000
	94400		94400

Balance sheet on date 31.12.2023

Liabilities	₹	Assets	₹
Capital fund:		Land	20,000
Surplus	30,200	Furniture	292,000
Building and liability fund	4,00,000	(-) Depreciation	29,200
			262,800
Creditors for furniture	32,000	Library books	50,000
		(-) Depreciation	5000
			45000
Salary outstanding	400	Subs. Outstanding	2000
Maintenance outstanding	2,000	Sundry Income outstanding	1080
Bank overdraft	216280	Investment of building fund	
		Govt. bond	3200,000
		F.D.	30000
	680880		350,000
			680880

Receipts and Payments A/c for the year 31.12.23

Receipt	₹	Payment	₹
To Building and liability fund A/c	4,00,00	By Library book A/c	50,000
To Entrance fees A/c	34,000	By Bond 9% Govt. A/c	320,000
To Subscription A/c	38,000	By Fixed deposit A/c	30,000

To Locker rent A/c	1200	By Land A/c	20,000
To Sundry income A/c	2120	By Furniture A/c	260000
To Refreshment A/c	32,000	By Salaries A/c	9600
To Bank outstanding A/c	216280	By Maintenance of playground A/c	2000
		By Rent A/c	16000
		By Refreshment A/c	16000
	723600		723600

15. The Receipts and Payments Account of Safe club prepared on 31st december, 2022 is as follows:

Receipts and Payments Account				Cr.
Dr.		₹	Payment	₹
To Balance b/d		900	By Expenses (Including payment for sports Material ₹5400)	12600
To Annual Income from Subscription	9180		By Loss on Sale of Furniture (Cost price ₹900)	360
Add: Outstanding of last year received this year	360		By Balance c/d	180900
	9540			
Less: Prepaid of last Year	180	9360		
To Other fees		3600		
To Donation for Building		180000		
		193860		193860

Additional Information:

Safe club had balances as on 1.01.2022:-

Furniture ₹3600; Investment as 5% ₹54000; Sports Materials ₹13320

Balance as on 31.12.2022: Subscription Receivable ₹540; Subscription received in advance ₹180; Stock of Sports Material ₹3600

Do you agree with above Receipts and Payment Account? If not, prepare correct Receipt and Payment Account and Income and Expenditure Account for the year ended 31st december, 2022 and Balance Sheet as on the date.

Sol.

In the books of Safe Club Corrected Receipts & Payments Account for the year ended 31/12/22

Receipt	₹	Payment	₹
To Balance b/d	900	By Expenses (₹12600 – ₹5400)	7200
To Subscription (note 2)	9000	By Sports Material	5400
To Other fees	36,00	By Balance c/d (balancing figure)	181440

To Donation for Building	180,000		
To Sale of Furniture (900 – 360)	540		
	194040		194040

I & E A/c Account

Dr.

for the year ended 31/12/22

Cr.

Expenditure	₹	Income	₹
To Sundry Expenses	7,200	By Subscription	9180
To Sports Material used (note 3)	15120	By Other fees	3600
To Loss on Sale of Furniture	360	By Interest on Investment (5% on ₹54,000)	2700
		By Excess of Expenditure over income	7200
	22680		22680

Balance sheet of Safe Club as on 31/12/22

Liabilities		₹	Assets		₹
Capital Fund:			Furniture	3600	
Opening Balance (WN1)	1200		Less: Sold	900	2700
Less: Excess of Expenditure			5% Investment		54,000
Over Income	7200	64,800	Interest Accrued on Investments		2700
Building Fund		180,000	Sports Material		3600
Subscription Received in Advance		180	Subscription Receivable		540
			Cash in Hand & Bank		181440
		244980			244980

Working Notes:

1.

Balance Sheet of Safe Club as on 1st Jan, 2022

Liabilities	₹	Assets	₹
Subscription (received on advance)	180	Furniture	3600
Capital Fund (Balancing figure)	72,000	Investment	54,000
		Sports Material	13320
		Subscription Receivable	360
		Cash in Hand & Bank	900
	72180		72180

2. Dr.

Subscription Account

Cr.

Particular	₹	Particular	₹
To Opening outstanding subscription	360	By Opening advance subscription	180
To I & E A/c (Income)	9180	By Cash/bank A/c (rec. Bal. fig.)	9000

To Closing advance subscription	180	By Closing outstanding Subscription	540
	9720		9720

3. Sports Material Stock Account

Particular	₹	Particular	₹
To Balance b/c	13320	By Material used (bal. figure)	15300
To Purchases A/c	5400	By Balance c/d	3600
	18720		18720

16. From the following particular relating to Bharat Charitable Hospital, prepare (i) Receipts and Payments Account for the year ended on 31/12/23; and (ii) Balance Sheet as on 31/12/23:

Income and Expenditure Account For the year ended 31/12/23

Expenditure	₹	Income		₹
To Medicines used	59960	By Subscriptions		112000
To Honorarium to doctors	24000	By Donations		19000
To Salaries	55000	By Interest on investment @11%		22,000
To Printing and stationery	2200	By Income from film		
To Electricity	950	Show:		
To Rent	12,000	Proceeds	22,900	
To Depreciation on furniture	4200	Less: Expenses	1560	21340
To Depreciation on equipment	6500			
To Surplus i.e, excess of income over expenditure	9530			
	174340			174340

Additional Information:

	On 1.1.2023	On 31.12.23
Subscription due	240	320
Subscription received in advance	128	200
Electricity bills outstanding	184	230
Stock of medicines	15640	19500
Estimated value of equipment	23200	27800
Furniture and fixtures	42000	37800
Land		20,000
Interest accrued on investment is 11% debentures costing ₹2,05,000 (face value; ₹2,00,000)	7500	7500

Cash in Hand	680	320
Cash at bank	18,000	?

Sol.

Receipt & Payment A/c

Receipt		₹	Payment		₹
To Opening balance			By Honorarium to doctors A/c		24,000
Cash	680		By Salary A/c		55,000
Bank	18,000	18680	By Printing & Stationery A/c		2,200
To Donation A/c		19000	By Rent A/c		12,000
To Charity show A/c		22,900	By Charity show A/c		1560
To Interest A/c		22,000	By Land A/c		20,000
To Subscription A/c		111992	By Equipment A/c		11100
			By Electricity A/c		904
			By Medicine A/c		63820
			By Closing balance		
			Cash	320	
			Bank (balancing figure)	3668	3988
		194572			194572

Balance Sheet as on 31.12.2023

Liabilities		₹	Assets		₹
Trust Fund	311948		Subscription outstanding		320
Surplus	9530	321478	Stock of Medicine		19500
Advance subscription		200	Equipment		27800
Electricity outstanding		230	Furniture		37800
			Land		20,000
			Interest (receivable)		7500
			Investment		2,05,000
			Cash		320
			Bank		3668
		321908			321908

Working Notes:

Balance Sheet as on 31.12.2022

Liabilities	₹	Assets	₹
Advance subscription	128	Subscription outstanding	240
Electricity outstanding	184	Stock of Medicine	15640
Trust Fund (Balancing figure)	311948	Equipment	23200

Liabilities	₹	Assets	₹
		Furniture	42,000
		Interest (receivable)	7500
		Investment	205000
		Cash	680
		Bank	18000
	312260		312260

Medicine A/c

Particular	₹	Particular	₹
To Opening stock A/c	15640	By I & E A/c A/c	59960
To Cash/Bank A/c	63820	By Closing stock A/c	19500
	79460		79460

Electricity A/c

Particular	₹	Particular	₹
To Cash/Bank A/c	904	By Opening outstanding	184
To Closing outstanding A/c	230	By I & E A/c A/c	950
	1134		1134

Furniture A/c

Particular	₹	Particular	₹
To Opening balance	42,000	By Depreciation A/c	4,200
		By Closing balance	37800
	42,000		42000

Equipment A/c

Particular	₹	Particular	₹
To Opening balance	23200	By Depreciation A/c	6500
To Cash/Bank A/c	11100	By Closing balance	27800
	34300		34300

Interest A/c

Particular	₹	Particular	₹
To Opening outstanding	7500	By Cash/Bank A/c	22,000
To I & E A/c A/c	22,000	By Closing outstanding	7500
	29500		29500

Subscription A/c

Particular	₹	Particular	₹
To Opening outstanding	240	By Opening advance	128
To I & E A/c A/c	112,000	By Cash/Bank A/c	111,992
To Closing advance	200	By Closing outstanding	320
	112,440		112,440

17. Following is the Income and Expenditure Account of John Club for the year ending 31/12/2023

Expenditure		₹	Income		₹
To Salaries & Wages		38,000	By Subscription		60,000
To Misc. Exp. (including insur.)		4,000	By Entrance fee Received		2,000
To Audit Fee		2,000	By Annual sports Income		
To Chief Executives Honorarium		8,000	receipts	12,000	
To Printing & Stationery		3,600	Less: Expenses	6,000	6,000
To Annual Day Cel. Exp.	12,000				
Less: Donation	8,000	4,000			
To Interest on Bank Loan		1,200			
To Depreciation on Sports Equi.		2,400			
To Excess of Income over Exp.		4,800			
		68,000			68,000

Additional Information:

	On 1.1.2023	On 31.12.2023
Subscription Outstanding	4,800	6,000
Subscription received in advance	3,600	2,160
Salaries Outstanding	3,200	3,600
Sports equipment (after deducing depreciation)	20,800	21,600
Prepaid Insurance	—	480
Cash in hand	?	12,800

- The Club owned a sports ground of ₹80,000
- The Club took a loan of ₹16,000 from a bank during the year 2022, which was not paid in 2023.
- Audit fee of 2023 was outstanding, but Audit fees of ₹1,600 for 2022 was paid in 2023

Prepare Receipts and Payments Account for the year ending 31/12/2023 and a Balance Sheet as on that date.

Sol.

In the books of John Club

Dr.

Receipts and Payments Account for the year ended on 31/12/23

Cr.

Receipt	₹	Payment		₹
To Balance b/d (Balancing figure.)	11120	By Salaries and Wages (note 4)		37600
To Subscription (note 3)	57360	By Audit fee		1600
To Donation	8,000	By Spots Equipment (note 2)		3200
To Entrance fee	2,000	By Misc. Expenses	4,000	
To Receipts for Annual sport	12,000	Add: Prepaid Insurance	480	4480
		By Chief Executive's Honorarium		8,000
		By Printing & Stationery		3600
		By Expenses on Annual Sports		6,000
		By Annual Day Cel. Expenses		12,000
		By Interest on Bank Loan		1200
		By Balance c/d		12,800
	90480			90480

Balance Sheet of John Club
As on 31/12/23

Liabilities	₹	Assets	₹
Capital Fund:		Cash	12,800
Opening Balance (note 1)	92320	Subscription Outstanding	6,000
Add: Excess of Income		Sports Equipment	20800
Over Expenditure	4800	Add: Additions	3200
Salaries Outstanding			24,000
Audit Fee Outstanding		Less: Depreciation	2,400
Bank Loan		Sports Ground	80,000
Subscription received in advance		Prepaid Insurance	480
		120880	120880

Working Notes:

1.

Balance Sheet of John Club
as on 31/12/2022

Liabilities	₹	Assets	₹
Capital Fund (Balancing figure)	92320	Cash	11120
Bank Loan	16,000	Sports Ground	80,000

Subscription received in advance	3600	Sports Equipment after Dep.	20800
Salaries Outstanding	3200	Subscription Outstanding	4800
Audit Fee Outstanding	1600		
	116720		116720

2. **Sports Equipment Account**

Particular	₹	Particular	₹
To Balance b/c	20800	By Depreciation A/c	2400
To Bank A/c (balancing figure)	3200	By Balance c/d	21600
	24000		24000

3. **Subscription Account**

Particular	₹	Particular	₹
To Opening outstanding subs.	4800	By Opening advance subs.	3600
To T&E A/c (Income)	60,000	By Cash/Bank A/c (rev. bal. fig.)	57360
To Closing advance subs.	2160	By Closing outstanding subs.	6,000
	66960		66960

4. **Salary & Wages Account**

Particular	₹	Particular	₹
To Cash/Bank A/c (Paid: Bal. fig.)	37600	By Opening outstanding b/f (Pay.)	3200
To Closing outstanding c/f (Pay.)	3600	By Income & Exp. A/c (Exp.)	38000
	41200		41200

18. The Income and Expenditure Account of Honour Sports Club for the year ended 31/12/2023 was as follows:

Expenditure	₹	Income	₹
To Salaries	240,000	By Subscription	320,000
To Printing and Stationery	12,000	By Entrance fee Received	20,000
To Rent	24,000	By Contribution for Annual Dinner	40,000
To Repairs	20,000	By Profit on Annual Sports meet	40,000
To Sundry Expenses	16,000		
To Annual Dinner Expenses	60,000		
To Interest to Bank	12,000		
To Depreciation on Sports Equi.	12,000		
To Excess of Income over Exp.	24,000		
	420,000		420,000

The above account had been prepared after the following adjustments:

	₹
Subscription outstanding on 31.3.2018	24,000
Subscription received in advance on 31.3.2018	18,000
Subscription received in advance on 31.3.2019	10800
Subscription outstanding on 31.3.2019	30,000

Salaries outstanding at the beginning and at the end of the financial year were ₹16,000 and ₹20,000 respectively. Sundry expenses included prepaid insurance expenses of 2400..

The club owned a freehold ground valued ₹4,00,000. The club has sports equipment on 01.01.2023 valued at ₹104,000. At the end of the year after depreciation the sports equipment amounted to ₹108,000. The club raised a loan of ₹80,000 from a bank on 01.10.2022 which was unpaid till 31.12.2023. On 31.12.2023 Cash in hand was ₹64,000.

Prepare Receipts and Payments account of the club for the year ended 31/12/2023 and Balance Sheet as on that date.

Sol.

Receipts and Payments Account for the year ended 31.12.2023

Receipt	₹	Payment	₹
To balance b/d (balancing figure)	5,5600	By Salaries (WN 2)	236000
To Subscriptions (WN 1)	306800	By Printing and Stationery	12,000
To Entrance fees	20,000	By Rent	24,000
To Annual Dinner Receipts	40,000	By Repairs	20,000
To Profit on Annual Sports Meet	40,000	By Sundry Expenses (8000 + Prepaid 1200)	18400
		By Annual Dinner Expenses	60,000
		By Interest to Bank	12,000
		By Sports Equipment (WN 3)	16,000
		By balance c/d (given)	64,000
	462400		462400

Balance Sheet as on 31.12.2023

Liabilities		₹	Assets	₹
Capital Fund:			Free hold Ground	4,00,000
Opening Balance (WN 4)	469600		Sports Equipment	108,000
Add: Surplus	24,000	493600	Subscription Receivable	30,000
Bank Loan		80,000	Prepaid Insurance	2400

Subs. Received in advance		10800	Cash in Hand	64,000
Salary Outstanding		20,000		
		604400		604400

Working Notes:

1. Subscription Account

Particular	₹	Particular	₹
To balance b/d (Receivable)	24,000	By balance b/d (Received in adv.)	18,000
To Income and Expenditure (Subscription Income fore the year)	320,000	By Cash/Bank A/c (Received - Balancing Figure)	306800
To Balance c/d (Advance)	10800	By balance c/d (Receivable)	30,000
	354800		354800

2. Salary Account

Particular	₹	Particular	₹
To Bank-Paid (balancing figure)	2,36,000	By Outstanding balance b/d	16,000
To Outstanding balance c/f	20,000	By Income and Expenditure A/c	2,40,000
	2,56,000		2,56,000

3. Sport Equipment Account

Particular	₹	Particular	₹
To Balance b/d	104,000	By Depreciation	12,000
To Bank-Purchase (bal. figure)	16,000	By balance c/d	108,000
	120000		120000

4. Balance Sheet as on 01.01.2024

Liabilities	₹	Assets	₹
Capital Fund: (balancing figure)	469600	Free hold Ground	4,00,000
Bank Loan	80,000	Sports Equipment	104,000
Subscription Received in Advance	18,000	Subscription Receivable	24,000
Salaries Outstanding	16,000	Cash in Hand	55600
	583600		583600

19. The Receipts and Payments Account, the Income and Expenditure Account and additional information of a Vijay Sports Club for the year ended 31/12/23 were as follows:

Receipts & Payments Account

For the year ending on 31/12/2023

Receipts	₹	Payments	₹
To Balance b/d	84,000	By Secretary Salary	20,000

Receipts	₹	Payments	₹
To Entrance Fees 2022	20,000	By Printing & Stationery	52,000
To Entrance Fee 2023	2,00,000	By Advertising	32,000
To Subscription 2022	12,000	By Fire Insurance	24,000
To Subscription 2023	300,000	By 12% Investments	
To Subscription 2024	8,000	(Purchased on 01.07.2023)	4,00,000
To Rent Received	48,000	By Furniture	40,000
To Interest Received	12,000	By Balance c/d	116,000
	684000		684,000

I & E A/c Account

For the year ending on 31/12/2023

Expenditure	₹	Income	₹
To Secretary Salary	30,000	By Entrance Fees	2,10,000
To Printing & Stationery	44,000	By Subscription	312,000
To Advertising	32,000	By Rent	56,000
To Audit Fees	10,000	By Interest on Investments	24,000
To Fire Insurance	20,000		
To Depreciation:			
Sports Equipments	180,000		
Furniture	10,000		
To Surplus	276000		
	602000		602000

Additional Information:

The assets and liabilities as on 31/12/2022 include club Grounds & Pavilion ₹8,80,000, Sports Equipment ₹500,000, Furniture & Fixtures ₹80,000, Subscription in Arrear ₹16,000, Subscription received in advance ₹4,000 and Creditors for Printing & Stationery ₹10,000. You are required to prepare the Balance Sheet of the Club as on 31/12/2023.

Sol.

Balance Sheet of Vijay Sports Club

As at 31/12/2023

Liabilities		₹	Assets		₹
Capital Fund:			Fixed Assets:		
Opening Balance (W.N.)	1566000		Club, Grounds & Pavilion		880,000
Add: Surplus	276,000	1842000	Furniture & Fixture	80,000	
Current Liabilities:			Add: Additions	60,000	
				120,000	

Liabilities		₹	Assets		₹
Outstanding Salary (30,000-20,000)		10,000	Less: Depreciation	10,000	110,000
Outstanding Audit Fees		10,000	Sport Equipments	500,000	
Creditors for Printing & Stationery			Less: Depreciation	180,000	320,000
[(44,000)-(52,000 - 10,000)]		2,000	Investments:		
Subscription received in advance		8,000	Investment (at cost)		4,00,000
			Current Assets:		
			Accrued Interest (24,000+12,000)	4,000	12,000
			Accrued rent (56,000+48,000)		8,000
			Subscription receivable		
			For 2022 (16000- 12,000)		
			For 2023 {312,000-(300,000 +4,000)}	8,000	12,000
			Entrance Fees receivables (2,10,000 - 2,00,000)		10,000
			Prepaid Insurance (24,000-20,000)		4,000
			Cash at bank		116,000
		1872000			9,36,000

Also, accounts can be prepared to calculate the missing figures.

Working Notes:

Calculation of Capital Fund as on 1st Jan, 2023

Balance Sheet of Vijay Sports Club

As at 31st december 2022

Liabilities	₹	Assets	₹
Capital Fund (balancing figure)	1566,000	Fixed Assets:	
Current Liabilities		Club, Ground & Pavilion	880,000
Subscription received in advance	4,000	Furniture & Fixture	80,000
Creditors for Printing and stat.	10,000	Sports Equipments	500,000
		Current Assets:	
		Entrance Fees receivables	20,000

		Subscription receivable	16,000
		Cash at Bank	84,000
	1580000		1580000

20. You are provided with the followings:

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	10,000		
	1,76,200		1,76,200

The Receipts and Payments accounts for the year ended on 31st March, 2018

Receipts		₹	Payments		₹
To Balance b/d			By Expenses:		
Cash in Hand			For 2017	12,000	32,000
To Subscriptions:		20,000	For 2018	20,000	40,000
For 2017	2,000		By Land		4,000
For 2018	21,000		By Interest		47,000
For 2019	1,000	24,000	By Miscellaneous Expenses		55,000
To Entrance Fees		38,000	By Balance c/d		
To Locker Rent		7,000	Cash in Hand		18,300
To Sale proceeds of old newspaper		1,000			
To Miscellaneous Income		9,000			
		99,000			99,000

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)

[Nov. 2018, 10 Marks]

Sol.

I & E A/c A/c
(for the year ending 31st March, 2018)

Particular	₹	Particular		₹
To Expenses (for 2018)	20,000	By Subscription		27,000
To Interest	4,000	By Locker rent	7,000	
To Excess of incomes over expend.	4,700	Less: Outstanding for 2016-17	2,400	4,600

To Balance c/d (Advance)	12,900	By Sale proceeds of old News.		1,000
		By Misc. Income		9,000
	46,600			46,600

Working Note:-

Subscription Account

Particular	₹	Particular	₹
To Subscription outstanding (16-17)	3,800	By Subscription in adv. (16-17)	6,000
To I & E A/c (trans.)	27,000	By Cash/Bank A/c	24,000
To Subscription in advance	1,700	By Subscription outst. (17-18)	1,800
	31,800		31,800

Balance Sheet as on 31st March, 2018

Liabilities	₹	Assets	₹
Outstanding Expenses (2016-17)	2,000	Cash	18,300
Advance Subscription	1,000	Outstanding Subscription (16-17)	1,800
Subscription received in advance	10,000	Building	1,50,000
Creditors for Printing and stat.	40,000	Land	40,000
Capital Fund	1,06,200		
Add: Entrances Fees	38,000		
Add: Surplus	12,900		
	2,10,100		2,10,100

21. From the following information supplied by C.V.B. Club prepare Receipts and Payments Account and Income and Expenditure Account for the year ended 31st March 2019.

	On 1.4.2018	On 31.3.2019
Subscription Outstanding	1,40,000	2,00,000
Advance Subscription	25,000	30,000
Salaries Outstanding	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	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 Investment was received ₹14,000. Furniture was sold for ₹8,000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports Goods and @ 10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹50,000

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

Misc. Expenses: ₹5,000

[May 2019, 10 Marks]

Sol.

Receipts & Payments A/c for the year ended 31st March, 2019

Receipts	₹	Payments	₹
To Balance b/d	1,10,000	By Sports Expenses A/c	50,000
To Subscription A/c (i)	2,45,000	By Rent A/c	22,000
To Furniture A/c	8,000	By Miscellaneous Expenses A/c	5,000
To Sale of Investments A/c (iii)	70,000	By Salaries A/c	60,000
To Interest on Investment A/c	14,000	By Machinery A/c (Purchases)	10,000
		By Sports Goods A/c (Purchases)	10,000
		By Balance c/d	2,90,000
	4,47,000		4,47,000

I & E A/c A/c for the year ended 31st March, 2019

Income	₹	Expenditure	₹
To salaries 60,000		By subscription A/c	3,00,000
Add: o/s at the end 18,000		By Interest on Investment A/c (iv)	14,000
Less: o/s in the beg. <u>15,000</u>	63,000		
To Sports Expenses A/c	50,000		
To Rent A/c 22,000			
Add: o/s at the end <u>2,000</u>	24,000		
To Miscellaneous Exp. A/c	5,000		
To depreciation A/c			
Furniture 1400			
Machinery 1500			
Sports Goods <u>2500</u>	5,150		
To Loss on Sale of Fur. A/c	6,000		
To Surplus (Trans. to capital Fund)	1,60,850		
	3,14,000		3,14,000

Working Notes:

(i) Subscription Account

Particular	₹	Particular	₹
To Outstanding Sub. A/c (at the beg.)	1,40,000	By Advance sub. at (at the beg.)	25,000

Particular	₹	Particular	₹
To Income and Expenditure A/c	3,00,000	By Cash/bank A/c (Bal. figure)	2,45,000
To Advance Sub. A/c (at the end)	30,000	Less: Outstanding sub. A/c (at the end)	2,00,000
	4,70,000		4,70,000

(ii) Loss on Sale of Furniture

Cost of Furniture sold = ₹28,000 – ₹14,000 = ₹14,000

Sale value of furniture = ₹8,000

Loss on Sale of furniture = ₹14,000 – ₹8,000 = ₹6,000

(iii) Sale Value of Investment

= 1,75,000 × 50% = 87,000 (Face value)

= 87,500 × 80% = 70,000

Therefore, there is no Profit/Loss on Sale.

(iv) It is assumed that interest received on investment of ₹14,000 is the interest of the year.

22. From the following Income and Expenditure account and the Balance sheet of a Mayur club, prepare its Receipts and Payments Account and Subscription account for the year ended 31st March, 2019:

I & E A/c Account for the year 2018-19

Particular	₹	Particular	₹
To Upkeep of ground	11,000	By Subscription	19,052
To Printing	1,100	By Sale of Newspaper (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation of furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	25,960		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	1,100	Cash in Hand	2530
	28,600	Subscription (outstanding) (18-19)	770
Less: Prizes given	2,200		
General Fund:			
Opening balance	62,062		
	26,400		

Liabilities		₹	Assets	₹
Less: Deficit	<u>2,387</u>			
	59,675			
Add: Entrance Fee	715	60390		
		86,900		86,900

The following adjustments have been made in the above accounts:

- Upkeep of ground ₹660 and printing ₹264 relating to 2017-18 were paid in 18-19
- 1/4 of entrance fee has been capitalized by transfer to General Fund
- Subscription outstanding in 2017-18 was ₹880 and for 2018-19 ₹770
- Subscription received in advance in 2017-18 was ₹220 and in 2018-19 for ₹2019-20 was ₹110
- Furniture was purchased during the year

[Nov. 2019, 10 Marks]

Sol.

Receipts and Payments A/c for the year ended 31st March, 2019

Receipts		₹	Payments	₹
To Bal. b/c (bal. fig.)		16,126	By Upkeep of ground	11,000
To Subscription	19052		(+) Outstanding at beginning	660
(-) Outstanding at the end	770		By Printing (1100+264)	1364
(+) Prepaid at the end	110		By Salaries	11100
(+) Outstanding at beginning	880		By Rent	1660
(-) Prepaid at beginning	<u>220</u>	19052	By Prizes	2200
To Sale of Newspaper (Old)		286	By Furniture (9900+1100)	11000
To Lectures (Fee)		1650	By bal. c/d	2530
To Entrance Fee (2145+715)		2860		
To Misc. Income		440		
To Interest on Prize Fund		1100		
		41,514		41,514

Subscription Account

Date	Particular	₹		Particular	₹
18 April 1	To Sub. outstanding (2017-18)	880	18 April 1	By Sub. in advance (2017-18)	220
	To I & E A/c A/c	19,052		By Cash/Bank A/c	19,052
19 Mar 31	To Sub. In advance (2018-19)	110	19 Mar 31	By Sub. outstanding (2018-19)	770
		20,042			20,042

23. From the following balances and particulars of Subhodh College, prepare I & E A/c

Account for the year ended March, 2020 and a Balance sheet as on the date:

Particular	₹	₹
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
Hostel Room Rent	-	1,65,000
Mess Receipts (Net)	-	2,05,000
College Stores - Sales	-	7,60,000
Outstanding expenses	-	2,35,000
Stock of Stores and Supplies (opening)	3,10,000	-
Purchases- Stores & Supplies	8,20,000	-
Salaries - Teaching	8,75,000	-
Salaries - Research	1,25,000	-
Scholarships	85,000	-
Students Welfare expenses	37,000	-
Games & Sports expenses	52,000	-
Other investments	12,75,000	-
Land	1,50,000	-
Building	15,50,000	-
Plant and Machinery	8,50,000	-
Furniture and Fittings	5,40,000	-
Motor Vehicle	2,40,000	-
Provision for Depreciation		-
Building	-	4,90,000
Plant & Equipment	-	5,05,000
Furniture & Fittings	-	3,26,000
Cash at Bank	3,16,000	
Library	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%

[Nov. 2020, 10 Marks]

Sol.

I & E A/c account of Subhodh College
for the year ended on 31st March, 2020

Particular	₹	Particular	₹
To Material & Supplies consumed:		By Tuition Fees	
Teaching 52,000		Received 8,10,000	
Research 1,45,000	1,97,000	+Receivable 82,000	8,92,000
To Salaries:		By Governments Grant	5,01,000
Teaching 8,75,000		By Interest & Div. on Investments	1,75,000
Research 1,25,000	10,00,000	By Hostel Room rent	1,65,000
To Games & Sports:		By Mess Receipts (Net)	2,05,000
Cash 52,000		By Profit from sale of stores	1,14,000
Material 24,000	76,000	(7,60,000 × 15%)	
To Students Welfare:			
Cash 37,000			
Material 78,000	1,15,000		
To Scholarships	85,000		
To Depreciation:			
Building 77,000			
Plant & Equipment 85,000			
Furniture & Fittings 54,000			
Motor vehicles 48,000	2,64,500		
To Surplus i.e.	3,14,500		
(Excess of Income over Expenditure)			
	20,52,000		20,52,000

Liabilities	₹	Assets	₹
Capital Fund:		Land	1,50,000
Opening 13,08,000		Building 15,15,000	
Add: Surplus 3,14,500	1622500	Less: Provision for dep. (5,67,500)	9,82,500
Security Deposit (Students)	155000	(4,90,000 + 77,500)	

Liabilities	₹	Assets	₹
Building Fund	1910000	Plant & Equipment 8,50,000	
Outstanding Expenses	235000	Less: Provision for Dep. (<u>5,90,000</u>)	2,60,000
		(5,05,000 + 85,000)	
		Furniture 5,40,000	
		Less: Provision for Dep. (<u>3,80,000</u>)	1,60,000
		Motor Vehicles 2,40,000	
		Less: Provision for Dep. (<u>48,000</u>)	1,92,000
		Library	3,20,000
		Other Investments	12,75,000
		Tuition fees receivables	82,000
		Closing Stock of Stores & Supplies	1,85,000
		Cash at Bank	3,16,000
	39,22,500		39,22,500

Working Notes:

1. Calculation of Closing Stock of Stores & Supplies:

	₹
Opening Stock	3,10,000
Add: Purchases	<u>8,20,000</u>
	<u>11,30,000</u>
Less: Material and Supplies Consumed	
Teaching	52,000
Research	1,45,000
Students Welfare	78,000
Games & Sports	<u>24,000</u>
	(2,99,000)
Less: Cost of Sales at College Stores [7,60,000 – 15% of 7,60,000]	(<u>6,46,000</u>)
Closing Stock	1,85,000

24. Dr. Gajraj 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

Receipts	₹	Payments	₹
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,08,000
		Household Furniture	25,000
		Expenses on Daughter's Marriage	2,15,000
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹30,000 of salaries are in respect of domestic servants. The stock of medicines in hand on 31st March, 2020 was valued at ₹95,000. You are required to prepare his private income and Expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets. [Jan. 2021, 10 Marks]

Sol.

Income and Expenditure A/c for the year ended 31st March, 2020

Particular	₹	Particular	₹
To Medicines consumed		By Prescription fees	6,60,000
Purchases 2,45,000		By Visiting fees	2,50,000
Less: Stock on (95,000)	1,50,000	By Fees from lectures	24,000
31.3.2020			
To Motor car expenses	80,000		
(1,20,000 × 2/3)			
To Wages and Salaries	75,000		
(1,05,000 – 30,000)			
To Rent of clinic	60,000		
To General charges	49,000		
To Interest on loan	36,000		
To Net Income from practice	4,84,000		
	9,34,000		9,34,000

Dr. Deku's Capital A/c for the year ended 31st March, 2020

Particular	₹	Particular	₹
To Drawings:		By Cash/Bank	2,00,000
Motor Car expenses	40,000	By Cash/bank (pension)	3,00,000
(1,20,000 × 1/3)		By Net income from practice	4,84,000
Household expenses	1,80,000		
Household furniture	25,000		
Daughter's marriage expenses	2,15,000		
Wages of domestic servants	30,000		
To Balance c/d	4,94,000		
	9,84,000		9,84,000

25. From the following Income and Expenditure Account and additional information of Kotak Club, prepare Receipts and Payment Accounts and Balance Sheet of the club as on 31st March, 2020.

Kotak Club
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:

	On 1.4.2019	On 31.3.2020
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600
Salaries Outstanding	24,000	32,000
Audit fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of sport Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	??	1,14,000

Sol.

Receipts and Payments A/c of Kotak Club for the year ended 31st March, 2020

Receipts	₹	Payments	₹
To Balance b/d (bal. fig.)	54,400	By Salaries (4,80,000+24,000 – 32,000)	4,72,000
To Subscription (WN-2)	6,53,600	By Printing and Stationary	24,000
To Entrance Fees	16,000	By Postage	2,000
To Misc. Income	1,44,000	By Telephone	6,000
		By Office Expenses	48,000
		By Bank Interest	22,000
		By Audit Fees (10,000+8,000 – 10,000)	8,000
		By Annual General Meeting Exp.	1,00,000
		By Purchase of Sports Equip. (2,52,000+28,000-2,80,000)	72,000
		By Balance c/d	1,14,000
	8,68,000		8,68,000

Balance Sheet of Kotak Club as at 31st March, 2020

Liabilities	₹	Assets	₹
Capital 8,82,400		Club Premises	7,60,000
Add: Surplus <u>1,20,000</u>	10,02,400	Sports Equipment 2,08,000	
Bank Loan 1,20,000		Add: Addition <u>72,000</u>	
Subscription received in advance 33,000			2,80,000
Outstanding salaries 32,000		Less: Depreciation (<u>28,000</u>)	2,52,000
Audit fee payable 10,000		Cash in Hand	1,14,000
Wages of domestic servants 30,000		Subscription outstanding	72,000
	11,98,000		11,98,000

Balance Sheet of Kotak Club as at 31st March, 2019

Liabilities	₹	Assets	₹
Capital Fund (bal. fig.)	8,82,000	Club Premises	7,60,000
Bank Loan	1,20,000	Sports Equipment	2,08,000
Subscription received in advance	52,000	Cash in Hand	54,400
Outstanding salaries	24,000	Subscription outstanding	64,000
Audit fee payable	8,000		
	10,86,600		10,86,600

Subscription A/c

Particulars	₹	Particulars	₹
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To Outstanding Sub. at beg.	64,000	By Sub. in advance at beg.	52,000
To I & E A/c A/c	6,80,000	By Cash/Bank (Bal. fig.)	6,53,600
To Sub. in advance at end	33,600	By Outstanding sub. at end	72,000
		Subscription outstanding	64,000
	7,77,600		7,77,600

26. Summary of Receipts and Payments of Central Society for the year ended 31st March, 2021 are as follow:

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

Additional Information:

	On 1.4.2020	On 31.3.2021
Subscription Due	15,000	22,000
Subscription Received in advance	12,000	7,600
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply.	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4,80,000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare:

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

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

[July 2021, 10 Marks]

Sol.

In the Books of Central Society
I & E A/c A/c
for the year ending 31st March, 2021

Expenditure	₹	Income	₹
To Medicine consumed		By Subscription	5,00,000
Op. Stock	1,00,000	Less: Op. outstanding	(15,000)
Add: Purchases(1)	3,40,000	Add: Cl. outstanding	22,000
Less: Cl. Stock	(1,50,000)	Add: Op. advance	12,000
	2,90,000		

Expenditure	₹	Income	₹
To Honorarium	1,00,000	Less: Cl. advance (7,000)	5,12,000
To Salaries	2,80,000	By Donation	1,50,000
To Sundry Expenses	10,000	By Interest on Investments	90,000
To Depreciation:		By Charity show 125000	
Equipment (2) 60,000		Collection	
Building 20,000	80,000	Less: Charity show (15000)	1,10,000
To Surplus	1,02,000	exp.	
	8,62,000		8,62,000

Balance Sheet as on 31st March, 2021

Liabilities	₹	Assets	₹
Capital Fund 18,03,000		Equipment 2,10,000	
Add: Surplus 1,02,000	19,02,400	Add: Purchases 1,50,000	
Advance Subscription 7,000			3,60,000
Due for medicine supply 1,30,000		Less: Dep. (60,000)	3,00,000
		Investment (3)	10,00,000
		Outstanding Subscription	22,000
		Stock of Medicine	1,50,000
		Building 5,00,000	
		Less: Dep. (20,000)	4,80,000
		Cash	90,000
	20,42,000		20,42,000

Working Notes:

1. Creditors for Medicine Supply A/c:

Particulars	₹	Particulars	₹
To Bank A/c	3,00,000	By Balance b/d	90,000
To Balance c/d	1,30,000	By Purchases of Med. (bal. fig.)	3,40,000
	4,30,000		4,30,000

2. Depreciation on Equipment:

	₹
Value at beginning	2,10,000
Add: Purchases during the year	1,50,000
	3,60,000
Less: Value at end	(3,00,000)
Depreciation will be	60,000

3. Value of Investment:

$$90,000 \times \frac{100}{9} = ₹10,00,000$$

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

Expenditure	₹	Income	₹
To salaries	47,500	By subscription	75,000
To general expenses	5,000	By entrance fees	2,500
To audit fee	2,500	By contribution for annual dinner	10,000
To secretary's honorarium	10,000	By annual sports meet	7,500
To stationery and printing	4,500	Receipts	
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 prepaid after the following adjustment:

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

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

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

You are required to:

Prepare the Receipts and Payments Account for the year ended on December 31,2021 and the Balance Sheet as on that date. [Dec. 2021,10 marks]

Sol. In the books of cricket club Receipts & Payment A/c for the year ending 31st Dec. 2021

Receipts		₹	Payments		₹
To balance b/d (bal. fig)		13,900	By salaries	47,500	
To subscription	75,000		Add opening outstanding	4,000	
Add: opening outstanding	6,000		less: closing outstanding	(4,500)	47,000

Less: opening advance	(4,500)		By general Exp	5,000	
Add: closing advance	2,700		Add closing advance	<u>600</u>	5,600
Less closing outstanding	(<u>7,500</u>)	71,700	by adult fees (year 2020)		2,000
To Entrance fees		2,500	By honorarium		10,000
To contribution for annual dinner		10,000	By stationery & Printing		4,500
To annual sports meet receipts		7,500	By annual dinner expensses		15,000
			By interest & bank charges		1,500
			By Purchase of sports equipment		4,000
			By balance c/d		16,000
Total		1,05,600	Total		1,05,600

Balance sheet as at 31 Dec. 2021

Liabilities	₹	Assets		₹
Capital fund 1,15,400		Sport equipment	26,000	
Add surplus <u>6,000</u>	1,21,400	Add: Purchases	4,000	
Advance subscription	2,700	Less depreciation	(<u>3,000</u>)	27,000
Outstanding salary	4,500	Freehold ground		1,00,000
Outstanding audit fees	2,500	Prepaid insurance		600
Bank loan	20,000	Outstanding subscription		7,500
		Cash		16,000
Total	1,51,100	Total		1,51,100

Balance sheet as at 1 Jan. 2021

Liabilities	₹	Assets	₹
Advance subscription	4,500	Outstanding subscription	6,000
Outstanding salary	4,000	Freehold ground	1,00,000
Unpaid audit fee	2,000	Sports equipment	26,000
Bank loan	20,000	Cash	13,900
Capital fund (balancing figure)	1,15,400		
Total	14,5,900	Total	14,5,900

Working Note 1:

Calculation of subscription recieved during the year ended 31st December, 2021

	₹
Subscription as per Income & Expenditure account	75,000

Add: Subscription outstanding at the end of 2020	6,000
Add: Subscription received in advance on 31.12.2021	2,700
	83,700
Less: Subscription received in advance on 31.12.2020	(4,500)
Less: Subscription outstanding 31.12.2021	(7,500)
	71,700

Working Note 2:

Subscription as per Income & Expenditure account	47,500
Add: Opening outstanding	4,000
Less: Closing outstanding	(4,500)
Less: Subscription outstanding 31.12.2021	(7,500)
Total Salary paid	47,000

Working Note 3:

Purchase of Sports equipment = Closing Balance + Depreciation – Opening
= 27,000 + 3,000 – 26,000 = ₹ 4,000.

28. The following is the receipts and payment account of Kanpur club for the year ended march 31, 2021:

Receipts and Payment account of Kanpur club

Receipts	Amount ₹	Payment	Amount ₹
Cash in hand	20,000	Ground man's fee	75,000
Balance at bank as per		Purchase of equipment	1,55,000
Pass book:-		Rent of ground	25,000
Saving account	1,93,000	Club night expenses	38,000
Current account	60,000	Printing and office Expenses	30,000
Bank interest	5,000	Repairs to equipment	50,000
Donation and	2,50,000	Honorarium to secretary	40,000
Subscription		(2019-20)	
Entrance fees	18,000	Balance at bank as per pass Book	
Contribution to club night	10,000	Saving account	2,04,000
Sale of equipment	8,000	Current account	20,000
Bar room receipts	20,000	Cash in hand	25,000
Proceed from club night	78,000		
	6,62,000		6,62,000

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

	01.04.20	31.03.21
Subscription due	15,000	10,000

Amount due for painting etc	10,000	8,000
Cheques unrepresented being payment for repairs	30,000	25,000
Interest not yet entered in the Pass book		2,000
Estimated value of machinery and equipment	80,000	1,75,000

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

[June 2022, 10 marks]

Sol.

In the book of Kanpur Club

I & E A/c A/c

for the year ended 31st March, 2021

Expenditure		₹	Income	₹
To Groundsman's Fee		75,000	By Donations and Subscription (W.N.2)	2,45,000
To Rent of Ground		25,000		
To Club night Expense	38,000		By Receipts from bar room	20,000
Less: Contribution	(10,000)	28,000*		
To Principle & Office Expenses (W.N. 3)		28,000	By Proceeds of club night	78,000*
To Repairs to Equipment (W.N. 4)		45,000	By Interest (5,000 + 2,000)	7,000
To Depreciation on Machinery (W.N. 5)	52,000			
To Honorarium to Secretary	60,000			
To Bonus to Groundsman	20,000			
To Excess of Income over				
Expenditure	17,000			
	3,50,000			3,50,000

Alternatively, the profits from club night can be shows as the net amount of ₹50,000 (₹78,000 – ₹28,000) on the credit side of Income and Expenditure Account.

Balance sheet as at 31 march, 2021

Liabilities	₹	Assets	₹
Capital fund 288000		Machinery & equipment	1,75,000
+ Surplus <u>35000</u>	3,23,000	Outstanding Interest	2,000
Outstanding printing & office		Outstanding	10,000
Exp	8,000	Subscription	

Bank Overdraft W.N.2	5,000	Cash	25,000
Outstanding honorarium	60,000	Saving A/c	2,04,000
Outstanding bonus	20,000		
Total	4,16,000	Total	4,16,000

Balance sheet as at 1st April,2020

Liabilities	₹	Assets	₹
Honorarium Outstanding	40,000	Cash in hand	20,000
Outstanding printing	10,000	Saving A/c	1,93,000
Capital fund (bal. fig)	2,88,000	Current account W.N.S	30,000
		Outstanding Subscription	15,000
		Machinery & Equipment	80,000
Total	3,38,000	Total	3,38,000

Working notes:-

1. Calculation of deprecation on machinery & Equipment

	₹
Opening value	80,000
+ Purchase during the year	1,55,000
- Sold	(8,000)
	2,27,000
- Closing Value	<u>1,75,000</u>
	52,000

2. calculation of current account balance as on 31st march

Current A/c	20,000
(-)Unrepresented cheques for repairs	(25,000)
Bank Overdraft	(5,000)

3. Calculation of current account Balance as on 1st April

Current A/c	60,000
Less: Unrepresented cheques for repairs	(30,000)
	30,000

29. The Income and enditure account of the Youth boys club for the year 2022 is as follows

Expenditure	₹	Income	₹
To salaries	3,750	By subscription	8,500
To general expenses	1,500	By entrance fees	250

To audit fee	250	By contribution for annual dinner	1000
To stationery and printing	450	By annual sports meet receipts	750
To annual dinner expenses	1,500		
To interest and bank charges	150		
To depreciation	400		
To surplus	1,500		
	10,500		10,500

This Account has been prepared .after the following adjustments:

	Amount (₹)
Subscription outstanding on 31st December, 2021	700
Subscription received in advance on 31st December, 2021	550
Subscription received in advance on 31st December, 2022	370
Subscription Outstanding on 31st December, 2022	750

Salaries outstanding at the beginning and at the end of 2022 were respectively ₹600 and ₹450. General Expenses include insurance prepaid to the extent of ₹150. Audit fee for 2022 is still unpaid. During 2022 audit fee for 2021 was paid amounting ₹200.

The club owned a freehold lease of ground valued at ₹20,000. The club had sports equipment on 1st January, 2022 valued at ₹2600. at the end of the year. After depreciation, the balance of equipment amounted to ₹3600. In 2021 the club raised a bank lone of ₹5000. This was outstanding thought 2022. on 31st December, 2022 cash in hand amounted to ₹1,600 you are required to prepare

- Receipts and payment account for 2022
- Balance sheet as on 31st December, 2022
- Balance sheet as on 31st December, 2021

Sol.

(i) Receipts & payment A/c for the year ending 31 Dec, 2022

Receipts	Amount ₹	Payment	Amount ₹
To balance b/d (Bal.fig)	1,580	By salaries	3750
To subscription	8,500	Add opening out	600
Add opening outstanding	700	Less closing out	(450)
Less opening advance	(550)	By general expenses	1500
Add closing advance	370	Add prepaid insurance	(150)
Less closing outstanding	(750)		
	8,270	By Audit fees (2021)	200
To Entrance fees	250	By secretary honorarium	1,000
To contribution for annual dinner	1000	By Stationary & printing	450
To annual sports meet receipts	750	By annual dinner expenses	1500
		By interest and bank chanrges	150
		By purchase of sports equipement	1400

		By balance c/d	1600
Total	11,850	Total	11,850

(ii) **Balance sheet as on 31st Dec, 2022**

Liabilities	₹	Assets	₹
Capital fund 18,530		Sports equipment 2,600	
Add surplus <u>1,500</u>	20,030	Less Depreciation (400)	
Subscription in advance 370		Add addition during the year <u>1,400</u>	3,600
Salary outstanding 450		Ground 20,000	
Audit fees outstanding 250		Subscription Outstanding 750	
Bank lone 5,000		Prepaid Insurance 150	
		Cash in hand 1,600	
Total	26,100	Total	26,100

(iii) **Balance sheet as on 31st Dec, 2021**

Liabilities	₹	Assets	₹
Subscription in advance 550		Subscription Outstanding 700	
Salary outstanding 600		Ground 20,000	
Audit fees outstanding 200		Sports equipment 2,600	
Bank lone 5,000		Cash in hand 1,580	
Capital fund 18,530			
Total	24,880	Total	24,880

30. The receipts and payments for the Swaraj Club for the year ended March 31, 2022 were: Entrance fees ₹300; Membership Fees ₹3,000; Donation for Club Pavilion ₹10,000, Foodstuff sales ₹1,200; Salaries and Wages ₹1,200 Purchase of Foodstuff ₹800; Construction of Club Pavilion ₹11,000; General Expenses ₹600; Rent and Taxes ₹400; Bank Charges ₹160.

Cash in hand—April. 1st ₹200, March. 31st ₹350 Cash in Bank—April. 1st ₹400; March. 31st ₹590. You are required to prepare Receipts and Payment Account.

(ICAI Study Material)

Sol. **Receipts and Payments A/c for the year ended 31/03/22**

Receipts	₹	Payments	₹
To Balance b/d (opening bal.) Cash in hand	200	By Salaries and Wages	1,200
To cash with bank	400	By Purchase of Foodstuff	800
To Entrance Fees	300	By Club Pavilion (Expenditure on its construction)	11,000
To Membership Fees	3,000		
To Donation Account of Club Pavilion	10,000	By Rent and taxes	400
To Sales of foodstuff	1,200	By Bank Charges	160

		By Balance c/d (closing bal)	350
		Cash in hand	
		Cash in bank	590
	15,100		15,100

31. During 2022, subscription received in cash is ₹42,000. It includes ₹1,600 for 2021 and ₹600 for 2023. Also ₹3,000 has still to be received for 2022.

Required:

Calculate the amount to be credited to Income and Expenditure Account in respect of subscription.
(ICAI Study Material)

Sol.

		₹
Amount received		42,000
Add: Outstanding on 31st Dec., 2022		3,000
		45,000
Less: Received on account of 2021	1,600	
2023	600	(2,200)
		42,800

The various accounts will appear as under:

Subscription Outstanding Account

2022		₹	2022		₹
Jan. 1	To Balance b/d (transfer)	1,600	Dec. 31	By Subscription A/c	1,600
Dec. 31	To Subscription A/c	3,000	Dec. 31	By Balance c/d	3,000
		4,600			4,600
2023					
Jan. 1	To Balance b/d	3,000			

Subscription Account

Date 2022		₹	Date 2022		₹
Dec. 31	To Subscription Outstanding A/c (transfer)	1,600	Dec. 31	By Cash A/c	42,000
Dec. 31	To Subscription received in advance A/c	600	Dec. 31	By Subscription Outstanding A/c	3,000
Dec. 31	To Income and Expenditure A/c	42,800			
		45,000			45,000

Subscription received in Advance Account

2022		₹	2022		₹
------	--	---	------	--	---

Dec. 31	To Balance c/d	600	Dec. 31	By Subscription A/c	600
			2023		
			Jan. 1	By Balance b/d	600

Outstanding subscriptions of ₹3,000 and subscriptions received in advance of ₹600 will be reflected on the assets and liabilities sides, respectively, of the balance sheet.

32. Suppose salaries paid during 2022 were ₹23,000. The following further information is available:

Salaries unpaid on 31st March,				2021	1,400
"	pre-paid on	"	"	2021	400
"	un-paid on	"	"	2022	1,800
"	pre-paid	"	"	2022	600

Required:

Calculate the amount to be debited to Income and expenditure account in respect of salaries and also show necessary ledger accounts. (ICAI Study Material)

Sol.

Salaries A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
April, 1, 2021	To Prepaid Salaries A/c	400	April 1, 2021	By Salaries Outstanding A/c	1,400
March, 31, 2022	To Cash	23,000	March, 31, 2022	By Salaries Prepaid A/c	600
	To Salaries Outstanding A/c	1,800		By Transfer to Income & Expenditure A/c	600
					23,200
		25,200			25,200

Salaries Outstanding A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
April, 1, 2021	To Salaries A/c	1,400	April, 1, 2021	By Balance b/d	1,400
March, 31, 2022	To Balance c/d	1,800	March, 31, 2022	By Salaries A/c	1,800
		3,200			3,200
			April, 1, 2022	By Balance b/d	1,800

Salaries Prepaid A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
April, 2021	To Balance b/d	400	April, 1, 2021	By Salaries A/c (transfer)	400

March, 31, 2022	To Salaries A/c	600	March, 31, 2022	By Balance c/d	600
		1,000			1,000
April, 1, 2022	To Balance b/d	600			

33. Following is the Receipts and Payments Account of New bird Forty Club for the year ended 31st March, 2022:

Dr. Receipts and payments A/c for the year ended on 31st March 2022 Cr.

Receipts	Amount (₹)	Payments	Amount (₹)
To balance b/d	2,50,000	By Salaries and wages	1,65,000
To Subscription- 2020-2021	65,000	By Office expenses	35,000
2021-2022	3,55,000	By Sports equipment	3,42,000
To Donations	55,000	By Telephone Charges	28,000
To Entrance fees	85,000	By Electricity charges	32,000
		By Travelling and conveyance	65,000
		By balance c/d	1,43,000
	8,10,000		8,10,000

Additional information:

- (a) Outstanding subscriptions for the year ended 31st March, 2022 – ₹55,000.
- (b) Outstanding salaries and wages – ₹40,000 for the year ended on 31st March 2022.
- (c) Depreciate sports equipment by 25% for the year ended on 31st March 2022.
- (d) Capitalize 50% of the entrance fees.

Prepare Income and Expenditure Account of the club from the above particulars for the year ended on 31st March 2022. (ICAI Study Material)

Sol.

In the books of New bird forty Club

Dr. Income and expenditure A/c for the year ended on 31st March 2022 Cr.

Expenditure	Amount (₹)	Income	Amount (₹)
Salaries and wages 1,65,000		By Subscriptions 4,20,000	
Add: Outstanding Salaries for 2022 40,000	2,05,000	Add: Outstanding Subscriptions for 2022 55,000	

To Office expenses	35,000	Less: Outstanding	
To Depreciation (25% × 3,42,000)	85,500	Subscriptions for 2021	65,000
To Telephone Charges	28,000	By Donations	4,10,000
To Electricity charges	32,000	By Entrance fees	55,000
To Travelling and conveyance	65,000	(50% × 85,000)	42,500
Excess of income over expenditure	57,000		
	5,07,500		5,07,500

34. From the following information of a club show the amounts of match expenses and match fund in the appropriate Financial Statements of the club for the year ended on 31st March, 2022:

Details	Amount (₹)
Match expenses paid during the year ended 31st March 2022	1,10,000
Match fund as on 01.04.2021	30,000
Donations for Match fund (received during the year)	55,000
Proceeds from the sale of the match tickets (during the year)	20,000

(ICAI Study Material)

Sol.

Balance sheet as at March 31st 2022 (extract)

Liabilities	Amt. (₹)	Assets	Amt (₹)
Match fund	30,000		
Add: Donation for match fund	55,000		
Add: Proceeds from sale of tickets	20,000		
Less: Match expenses (Note)	(1,05,000)		
	NIL		

Note: Due to the exceeding costs beyond the allocated ₹1,05,000 Match fund, we have decided to limit the expenditures to this specified amount. The remaining expenses, totaling ₹5,000 (₹1,10,000 - ₹1,05,000), will be accounted for in the Income and Expenditure Account.

35. During the year ended 31st March, 2022, the subscriptions received by the Jaipur Literary Society were ₹4,50,000. These subscriptions include ₹20,000 received for the year ended 31st March, 2021. On 31st March, 2022, subscriptions due but not received were ₹15,000. Advance subscription received for the year ending 31st March 2022 but pertaining to year 2023 amounted to ₹26,000. The Subscriptions received in advance for the year ending 31st March, 2021 includes

₹18,000 pertaining to year 2021-22. Show the subscription account in book of the society?

(ICAI Study Material)

Sol. In the books of Jaipur literary society

Dr. Subscription A/c (for the year ended on 31st March 2022)

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To outstanding subscriptions (2021)	20,000	By Advance subscriptions (2021)	18,000
To Income from Subscriptions A/c	4,37,000	By Bank A/c	
To Advance subscriptions (2023)	26,000	By Outstanding subscriptions (2022)	4,50,000
			15,000
	4,83,000		4,83,000

36. From the following information, calculate amount of subscriptions outstanding for the year ended 31st March, 2022.

A club has 350 members each paying an annual subscription of ₹1,050. The Receipts and Payments Account for the year showed a sum of ₹4,10,000 received as subscriptions. The following additional information is provided:

Subscriptions Outstanding on 31st March, 2021 – ₹45,000.

Subscriptions Received in Advance on 31st March, 2022 – ₹62,000 Subscriptions Received in Advance on 31st March, 2021 – ₹30,000 (ICAI Study Material)

Sol.

Subscription Account

Particulars	Amount (₹)	Particulars	Amount (₹)
To Outstanding subscriptions (2021)	45,000	By Advance subscriptions (2021)	30,000
To Income from subscriptions A/c (350*1050)	3,67,500	By Bank A/c	4,10,000
To Advance subscriptions (2023)	62,000	By Outstanding subscriptions (2021)	34,500
	4,74,500		4,74,500

37. The following was the Receipts and Payments Account of Exe Club for the year ended March. 31, 2022

(All the figures in thousands)

Receipts	₹	Payments	₹
Cash in hand	100	Groundsman's Fee	750
Balance at Bank as per Pass Book:		Moving Machine	1,500
Deposit Account	2,230	Rent of Ground	250
Current Account	600	Cost of Teas	250
Bank Interest	30	Fares	400
Donations and Subscriptions	2,600	Printing & Office Expenses	280
Receipts from teas	300	Repairs to Equipment	500
Contribution to fares	100	Honorarium to Secretary and Treasurer of 2021	400
Sale of Equipment	80		

Net proceeds of Variety Entertainment	780	Balance at Bank as per Pass Book: Deposit Account	3,090
Donation for forth coming Tournament	1,000	Current Account	150
		Cash in hand	250
	7,820		7,820

You are given the following additional information:

	April, 1, 2021	March, 31, 2022
	₹	₹
Subscription due	150	100
Amount due for printing etc.	100	80
Cheques unpresented being payment for repairs	300	260
Estimated value of machinery and equipment	800	1,750
Interest not yet entered in the Pass book		20
Bonus to Groundsman outstanding		300

38. For the year ended March 31, 2022, the honorarium to the Secretary and Treasurer are to be increased by a total of ₹200. Prepare the Income and Expenditure Account and Balance Sheet for period ending 31st March, 2022. (ICAI Study Material)

Sol. Income and Expenditure Account of Exe Club for the year ending 31/03/22

(all figures in 000)

Expenditure		₹	Income	₹
To Groundsman's fee		750	By Donations and Subscription	2,550
To Rent of Ground		250	By Receipts from teas	50
To Fares' Expenses	400		(Fares) less expenses	
Less : Contribution	(100)	300	(₹300 - ₹250)	
To Printing & Office Expenses		260	By Proceeds of Variety Entertainment	780
To Repairs		460	By Interest (₹30 + ₹20)	50
To Depreciation on Machinery				
Opening balance and Purchases	2,300			
Less: Closing Balance	(1,750)			
	550			
Less: Sale	(80)			
To Honorarium to Sect. & Treasurer		470		
To Bonus to Groundsman		600		
To Excess of income over Expenditure		300		
		40		

		3,430		3,430
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Balance Sheet of Exe Club as on 31/03/22

Liabilities		₹	Assets	₹
Outstanding Expenses:				
Groundsman Bonus		300	Cash in hand	250
Printing		80	Cash in Deposit A/c	3,090
Honorarium		600	Subscription Due Interest Due	100
Bank Overdraft (₹260 - ₹150)		110		20
Capital Fund: Opening	3,080		Machinery & Equipments	1,750
Add: Surplus for the year	40	3,120		
Tournament Fund (Donation)		1,000		
		5,210		5,210

Balance Sheet as on 1/04/21

Liabilities		₹	Assets	₹
Outstanding Expenses and			Cash in hand	100
Honorarium (₹100 + ₹400)		500	Cash in Deposit A/c	2,230
Capital Fund (Balancing Figure)		3,080	Cash in Current A/c	300
			Subscription Due	150
			Machinery	800
		3,580		3,580

39. The Sportwriters Club gives the following Receipts and Payments Account for the year ended March 31, 2022:

Receipts and Payments Account

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

Figures of other assets and liabilities are furnished as follows:

	As at March 31	
	₹	₹
	2021	2022
Salaries outstanding	710	170
Outstanding rent & electricity	864	973
Outstanding for magazines and newspapers	226	340
Fixed Deposit (10%) with bank	20,000	20,000
Interest accrued thereon	500	500
Subscription receivable	1,263	1,575
Prepaid expenses	417	620
Furniture	9,600	
Sports equipments	7,200	
Library books	5,000	

The closing values of furniture and sports equipments are to be determined after charging depreciation at 10% and 20% p.a. respectively inclusive of the additions, if any, during the year. The Club's library books are revalued at the end of every year and the value at the end of March 31, 2022 was ₹5,250.

Required

From the above information you are required to prepare:

- The Club's Balance Sheet as at March 31, 2021;
- The Club's Income and Expenditure Account for the year ended March 31, 2022.
- The Club's Closing Balance Sheet as at March 31, 2022 (ICAI Study Material)

Sol.

Sportswriters Club

Balance Sheet as on 31st March, 2021

Liabilities	₹	₹	Assets	₹
Outstanding expenses:			Furniture	9,600
Salaries	710		Library Books	5,000
Rent & Electricity	864		Sports Equipment	7,200
Magazines & Newspapers	226	1,800	Fixed Deposit	20,000
Capital Fund (Balancing figure)		47,000	Cash in hand & at Bank	4,820
			Prepaid Expenses	417
			Subscription receivable	1,263
			Interest accrued	500
		48,800		48,800

Income and Expenditure Account for the year ending 31st March, 2022

Expenditure		₹	Income	₹
To Salaries		11,460	By. Subscription	28,912
To Rent & Electricity		7,329	By. Interest on Fixed	2,000
To Magazines & Newspapers		2,286	By. Deposit Misc. Income	700
To Sundry Expenses		10,075	By. Excess of expenditure over income	2,888
To Depreciation:				
Furniture	960			
Sports Equipment	1,640			
Library Books	750	3,350		
		34,500		34,500

Balance Sheet of Sports Writers Club as on 31st March, 2022

Liabilities	₹	₹	Assets	₹	₹
Outstanding Expenses:			Furniture		
Salaries	170		Cost	9,600	
Rent & Electricity	973		Less: Depreciation	(960)	8,640
Newspapers	340	1,483	Magazines & Sport		
Capital Fund:			Equipment:		
Opening balance	47,000		Opening balance	7,200	
Less : Excess of			Addition	1,000	
exp. over income	(2,888)	44,112		8,200	
			Less: Depreciation	(1,640)	6,560
			Library Books:		
			Opening Balance	5,000	
			Addition	1,000	
				6,000	
			Less: Depreciation	(750)	5,250
			Fixed Deposit		20,000
			Cash in hand & at bank		2,450
			Prepaid Expenses		620
			Subscription Receivable		1,575
			Interest accrued		500
		45,595			45,595

Working Notes:

(i) Expenses	Salaries ₹	Rent & Electricity ₹	Magazines & News-Papers ₹	Sundry Expenses ₹
Paid during the year	12,000	7,220	2,172	10,278
Add : Outstanding on 31.3.2022	170	973	340	—
Add : Prepaid on 31.3.2021	—	—	—	417
Less : Outstanding on 31.3.2021	12,170	8,193	2,512	10,695
Less : Prepaid on 31.3.2022	—	—	—	—
Expenditure for the year	11,460	7,329	2,286	10,075
(ii) Depreciation				₹
(a) Furniture @10% on ₹9,600				960
(b) Sports Equipment @ 20% on ₹8,200				1,640
(c) Library books - book value Revalued at			6,000 (5,250)	750
(iii) Subscription				28,600
Received in cash				1,575
Add: Receivable on 31.3.2022				30,175
Less: Receivable on 31.3.2021				(1,263)
				28,912

40. The Income and Expenditure Account of the Youth Club for the Year 2022 is as follows:

Expenditure	₹	Income	₹
To salaries	4750	By Subscription	7,500
To General Expense	500	By Entrance Fees	250
To Audit Fee	250	By Contribution for and dinner	1000
To Secretary's Honorarium	1,000	By Annual Sports meet receipts	750
To Stationery & Printing	450		
To Annual Dinner Expenses	1,500		
To Interest & Bank Charges	150		
To Depreciation	300		
To Surplus	600		
	9,500		9,500

This account had been prepared after the following adjustments:

	₹
Subscription outstanding at the end of 2021	600
Subscription received in advance on 31st December, 2021	450
Subscription received in advance on 31st December, 2022	270
Subscription outstanding on 31st December, 2022	750

Salaries Outstanding at the beginning and the end of 2022 were respectively ₹400 and ₹450. General Expenses include insurance prepaid to the extent of ₹60. Audit fee for 2022 is as yet unpaid. During 2022 audit fee for 2021 was paid amounting to ₹200. The Club owned a freehold lease of ground valued at ₹10,000. The club had sports equipment on 1st January, 2022 valued at ₹2,600. At the end of the year, after depreciation, this equipment amounted to ₹2,700. In 2021, the Club has raised a bank loan of ₹2,000. This was outstanding throughout 2022. On 31st December, 2022 cash in hand amounted to ₹1,600.

Required:

Prepare the Receipts and Payments Account for 2022 and Balance Sheet as at the end of the year. (ICAI Study Material)

Sol.

The Youth Club
Receipts and Payments Account for the year ended 31/12/22

Receipts	₹	₹	Payments	₹	₹
To Balance b/d (balancing figure)		1,390	By Salaries	4,750	
To. Subscriptions as per Income & Expenditure Account			Add: Paid for 2021		
Add: 2021's Received 2023's Received					
Less: 2022's Received in 2021			By Less: Unpaid for 2022		
	7500		By General Expenses Add: Paid for 2023		
			By Audit fee (2022) Secy. Honorarium	400	
			By Stationery & Printing		
	600			5,150	
	270			(450)	4,700
	8,370			500	
	(450)			60	560
					200
					1,000
	7,920				450

Less: 2022's Outstanding		(750)	7,170	By Annual Dinner Expenses	1,500
To. Entrance Fees			250	By. Interest & Bank Charges	
To. Contribution annual dinner	for		1,000	By. Sports Equipments	
To. Annual sport receipt	meet		750	By. [2700 - (2600 - 300)]	150
			10,560	Balance c/d	400
To. Balance b/d			1,600		1,600
					10,560

Balance Sheet of Youth Club as on 31/12/22

Liabilities	₹	₹	Assets	₹	₹
Subscription received in advance		270	Freehold Ground Sport Equipment:		10,000
Audit Fee Outstanding		250	As per last Balance Sheet		
Salaries Outstanding Bank Loan		450	Additions	2,600	
Capital Fund :		2,000	Less : Depreciation	400	
Balance as per previous Balance Sheet				3,000	
Add : Surplus for 2022	11,540		Subscription Outstanding	(300)	2,700
	600	12,140	Insurance Prepaid		750
			Cash in hand		60
		15,110			1,600
					15,110

Balance Sheet of Youth Club as on 31/12/21

Liabilities	₹	Assets	₹
Subscriptions received in advance	450	Freehold Ground	10,000
Salaries outstanding	400	Sports Equipment	2,600
Audit fees unpaid	200	Subscriptions Outstanding	600
Bank Loan	2,000	Cash in hand	1,390
Capital Fund (balancing figure)	11,540		
	14,590		14,590

41. Smith Library Society showed the following position on 31st March, 2021:

Balance Sheet as on 31st March, 2021

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

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

The receipts and payment account for the year ended on 31st March, 2022 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 25,000	50,000	By Telephone charges	5,000
To Entrance fee	30,000	By Books purchased	60,000
To Membership subscription	2,00,000	By Outstanding expenses paid	7,000
To Saleproceedsof old papers	1,500	By Rent	88,000
To Hire of lecture hall	20,000	By Investment in securities	40,000
To Interest on securities.	8,000	By Salaries	66,000
		By Balance c/d	
		Cash at bank	20,000
		Cash in hand	11,300
	3,09,500		3,09,500

You are required to prepare income and expenditure account for the year ended 31st March, 2022 and a balance sheet as at 31st, March, 2022 after making the following adjustments:

Membership subscription included ₹10,000 received in advance and 75% of the entrance fees is to be capitalized. Rent for ₹4,000 and salaries for ₹3,000 are outstanding.

Books are to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2021 for ₹40,000.

(ICAI Study Material)

Sol.

Smith Library Society Income and Expenditure A/c for the year ended 31/03/2022

Dr.					Cr.
Expenditure	₹	₹	Income		₹

To Electric charges		7,200	By Entrance fee (25% of ₹30,000)		7,500
To Postage and stationary		5,000	By Membership subscription	2,00,000	
To Telephone charges		5,000	Less: Received in advance	<u>10,000</u>	1,90,000
To Rent	88,000		By Sale proceeds of old papers		1,500
Add: Outstanding	<u>4,000</u>	92,000	By Hire of lecture hall		20,000
To Salaries	66,000		By Interest on securities(W.N.2)	8,000	
Add: Outstanding	<u>3,000</u>	69,000	Add: Receivable By Deficit- excess of Expenditure over income	<u>500</u>	8,500
To Depreciation (W.N.1)					16,700
Electrical fittings	15,000				
Furniture	5,000				
Books	<u>46,000</u>	66,000			
		<u>2,44,200</u>			<u>2,44,200</u>

Balance Sheet of Smith Library Society as on 31/03/22

Less: Excess of expenditure over income		7,98,800	Less: Depreciation Books	(<u>5,000</u>)	45,000
	(<u>16,700</u>)		Less Depreciation Investment: Securities	4,60,000	
Outstanding expenses:			Accrued interest	(<u>46,000</u>)	4,14,000
Rent	4,000		Cash at bank	1,90,000	
Salaries	3,000	7,000	Cash in hand	<u>500</u>	1,90,500
Membership subscription in advance					20,000
		10,000			11,300
		<u>8,15,800</u>			<u>8,15,800</u>

Working Notes:

1. Depreciation		₹
Electrical fittings 10% of ₹1,50,000		15,000
Furniture 10% of ₹50,000		5,000
Books 10% of ₹4,60,000		46,000
2. Interest on Securities		
Interest @ 5% p.a. on ₹1,50,000 for full year	7,500	
Interest @ 5% p.a. on ₹40,000 for half year	<u>1,000</u>	8,500
Less: Received Receivable		(<u>8,000</u>)
		500

42. The following is the Receipts and Payments Account of Lion Club for the year ended 31st March, 2020.

Receipts	₹	Payments	₹
Opening balance:		Salaries	1,20,000

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

The assets and liabilities as on 1.4.2019 were as follows:

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

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

- (i) Subscription received in advance as on 31st March, 2020 was ₹18,000.
- (ii) Outstanding subscription as on 31st March, 2020 was ₹7,000.
- (iii) Outstanding expenses are salaries ₹8,000 and electricity ₹15,000.
- (iv) 50% of the entrance donation was to be capitalized. There was no pending membership as on 31st March, 2020.
- (v) The cost of assets sold net as on 1.4.2019 was ₹10,000.
- (vi) Depreciation is to be provided at the rate of 10% on assets.
- (vii) A sum of ₹20,000 received in October 2019 as entrance donation from an applicant was to be refunded as he has not fulfilled the requisite membership qualifications. The refund was made on 3.6.2020.
- (viii) Purchases made during the year amounted ₹15,00,000.
- (ix) The value of closing stock was ₹2,10,000.

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

You are required to prepare an Income and Expenditure Account for the year ended 31st March, 2020 and the Balance Sheet as on 31st March, 2020 along with necessary workings.
(ICAI Study Material)

Sol.

Expenditure	₹	Income	₹
To Salaries	1,28,000	By Subscription	1,94,750
To Printing and stationary	70,000	By Entrance donation	90,000
To Postage	40,000	By Interest	60,000
To Garden upkeep	8,000		
To Membership fees	4,000		
To Insurance	6,000		
To Electricity charges	43,000		
To Loss on sale of assets	2,000		
To Depreciation	49,000		
	4,76,000		4,76,000

Balance Sheet of Lion Club as on 31st March, 2020

Liabilities	₹	Assets	₹
Capital fund	10,89,600	Fixed assets Stock Investments	4,41,000
Gratuity fund Sundry creditors	1,50,000	Subscription outstanding	2,10,000
Subscription received in advance Entrance donation refundable Outstanding expenses	92,000	Interest accrued	5,00,000
	18,000	Bank	7,000
	20,000	Cash	2,000
	23,000		2,24,600
			8,000
	13,92,600		13,92,600

Working Notes:

Opening Balance Sheet Balance Sheet of Lion Club as on 1st April, 2019

Liabilities	₹	Assets	₹
Sundry creditors	1,12,000	Fixed assets	5,00,000
Subscription received in advance	15,000	Stock	3,80,000
Entrance donation received in advance	1,00,000	Investments	5,00,000
Gratuity fund	1,50,000	Subscription outstanding	12,000
Capital fund (balance figure)	10,29,850	Prepaid expenses	1,000
		Cash	10,000

		Bank	3,850
	14,06,850		14,06,850

Subscription

	₹
Subscription received during the year	2,02,750
Add: Outstanding subscription on 31.3.2020	<u>7,000</u>
	2,09,750
Add: Received in advance as on 1.4.2019	<u>15,000</u>
	2,24,750
Less: Outstanding subscription as on 1.4.2019	<u>(12,000)</u>
	2,12,750
Less: Received in advance as on 31.3.2020	<u>(18,000)</u>
	1,94,750

Entrance donation

	₹
Entrance donation received during the year	1,00,000
Add: Received in advance as on 1.4.2019	<u>1,00,000</u>
	2,00,000
Less: Entrance donation in respect of ineligible member	<u>(20,000)</u>
	1,80,000
Less: 50% capitalized	<u>(90,000)</u>
Taken to income and expenditure account	90,000

Loss on sale of asset

	₹
Cost of asset sold	10,000
Less: Sale proceeds	<u>(8,000)</u>
Loss on sale of asset	2,000

Depreciation

	₹
Fixed asset as per trial balance	5,00,000
Less: Cost of asset sold	<u>(10,000)</u>
	4,90,000
Depreciation on ₹4,90,000 @ 10%	49,000

Salaries

	₹
Salary paid during the year	1,20,000

Add: Outstanding as on 31.3.2020	8,000
	1,28,000

Electricity charges

	₹
Electricity charges paid during the year	28,000
Add: Outstanding as on 31.3.2020	15,000
	43,000

Interest

	₹
Interest on 12% Government securities investment (₹5,00,000 @ 12% p.a.)	60,000
Less: Interest received during the year	(58,000)
Interest accrued	2,000
Interest credited to Income and Expenditure Account	60,000

Profit from operations

	₹
Cost of goods sold:	
Opening stock	3,80,000
Add: Purchases	<u>15,00,000</u>
	18,80,000
Less: Closing stock	(2,10,000)
Cost of goods sold (A)	16,70,000
Receipts from operations:	
Receipts from coffee room	10,70,000
Receipts from soft drinks	5,10,000
Receipts from swimming pool	80,000
Receipts from tennis court	1,02,000
Total receipts (B)	<u>17,62,000</u>
Profits from operations (B-A)	92,000

Insurance

	₹
Insurance paid during the year	5,000
Add: Prepaid insurance as on 1.4.2019	<u>1,000</u>
	6,000

Sundry creditors

	₹
Opening balance as on 1.4.2019	1,12,000
Add: Purchases made during the year	<u>15,00,000</u>

	16,12,000
Less: Payments made during the year	(15,20,000)
Closing balance as on 31.3.2020	92,000

Outstanding expenses

	₹
Outstanding salaries	8,000
Outstanding electricity charges	15,000
Outstanding expenses	23,000

Fixed assets

	₹
Fixed assets as on 1.4.2019	5,00,000
Less: Cost of assets sold	(10,000)
	4,90,000
Less: Depreciation	(49,000)
Fixed assets as on 31.3.2020	4,41,000

Capital fund

	₹
Capital fund as on 1.4.2019	10,29,850
Add: Entrance donation capitalised	90,000
	11,19,850
Less: Excess of expenditure over income	(30,250)
Balance as on 31.3.2020	10,89,600

43. During the year ended 31st March, 2020, Sachin Cricket Club received subscriptions as follows:

	₹
For year ending 31st March, 2019	12,000
For year ending 31st March, 2020	6,15,000
For year ending 31st March, 2021	18,000
Total	6,45,000

There are 500 members and annual subscription is ₹1,500 per member.

On 31st March, 2020, a sum of ₹15,000 was still in arrears for subscriptions for the year ended 31st March, 2019.

Ascertain the amount of subscriptions that will appear on the credit side of Income and Expenditure Account for the year ended 31st March, 2020. Also show how the items would appear in the Balance Sheet as on 31st March, 2019 and the Balance Sheet as on 31st March, 2021.

(ICAI Study Material)

Sol.

I & E A/c Account (An extract) of Sachin Cricket Club For the year ended 31st March, 2020

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

Balance Sheet of Sachin Cricket Club as on 31st March, 2019 (An extract)

Liabilities	₹	Assets	₹
		Subscription Receivable (₹15,000 + ₹12,000)	27,000

Balance Sheet of Sachin Cricket Club as on 31st March, 2020 (An extract)

Liabilities	₹	Assets	₹	₹
Unearned Subscription	18,000	Outstanding Subscription of 2018-19 of 2019-20 ₹(7,50,000 - 6,15,000)	15,000 1,35,000	1,50,000

44. Summary of receipts and payments of Bombay Medical Aid society for the year ended 31.12.2020 are as follows:

Opening cash balance in hand ₹8,000, subscription ₹50,000, donation ₹15,000 (raised for meeting revenue expenditure), interest on investments @ 9% p.a. ₹9000, payments for medicine supply ₹30,000 Honorarium to doctor ₹10,000, salaries ₹28,000, sundry expenses ₹1,000, equipment purchase ₹15,000, charity show expenses ₹1,500, charity show collections ₹12,500. Additional information:

	1.1.2020	31.12.2020
Subscription due	1,500	2,200
Subscription received in advance	1,200	700
Stock of medicine	10,000	15,000
Amount due for medicine supply	9,000	13,000
Value of equipment	21,000	30,000
Value of building	50,000	48,000

You are required to prepare receipts and payments account and income and expenditure account for the year ended 31.12.2020 and balance sheet as on 31.12.2020.

Sol. Receipts and Payments Account of Bombay Medical Aid Society for the year ended 31st December, 2020

Receipts	₹	Payments	₹
To Cash in hand (opening)	8,000	By Medicine supply	30,000
To Subscription	50,000	By Honorarium to doctors	10,000
To Donation	15,000	By Salaries	28,000
To Interest on investment	9,000	By Sundry expenses	1,000

To Charity show collections	12,500	By Purchase of equipment	15,000
		By Charity show expenses	1,500
		By Cash in hand (closing)	9,000
	94,500		94,500

Income and Expenditure Account of Bombay Medical Aid Society for the year ended 31st December, 2020

Expenditure		₹	Income		₹
To Medicine consumed		29,000	By Subscription		51,200
To Honorarium to doctors		10,000	By Donation		15,000
To Salaries		28,000	By Interest on investments		9,000
To Sundry expenses		1,000	By Profit on charity show:		
To Depreciation on Equipment	6,000		Show collections	12,500	
Building	<u>2,000</u>	8,000	Less: Show expenses	(1,500)	11,000
To Surplus-excess of income over expenditure		10,200			
		86,200			86,200

Balance Sheet of Bombay Medical Aid Society as on 31st December, 2020

Liabilities		₹	₹	Assets		₹	₹
Capital fund:				Building	50,000		
Opening balance	1,80,300			Less: Depreciation	(2,000)	48,000	
Add: Surplus	<u>10,200</u>	1,90,500		Equipment	21,000		
Subscription received in advance		700		Add: Purchase	<u>15,000</u>		
Amount due for medicine supply		13,000			36,000		
				Less: Depreciation	(6,000)	30,000	
				Stock of medicine		15,000	
				Investments		1,00,000	
				Subscription receivable		2,200	
				Cash in hand		9,000	
			2,04,200			2,04,200	

Working Notes:

Subscription for the year ended 31st December, 2020:		₹
Subscription received during the year		50,000
Less: Subscription receivable on 1.1.2020	1,500	
Less: Subscription received in advance on 31.12.2020	700	(2,200)
Add: Subscription receivable on 31.12.2020	2,200	47,800
Add: Subscription received in advance on 1.1.2020	1,200	<u>3,400</u>
		51,200
Purchase of medicine:		
Payment for medicine supply		30,000
Less: Amounts due for medicine supply on 1.1.2020		(9,000)
		21,000
Add: Amounts due for medicine supply on 31.12.2020		<u>13,000</u>
		<u>34,000</u>
Medicine consumed:		
Stock of medicine on 1.1.2020		10,000
Add: Purchase of medicine during the year		34,000
		44,000
Less: Stock of medicine on 31.12.2020		(15,000)
		29,000
Depreciation on equipment:		
Value of equipment on 1.1.2020		21,000
Add: Purchase of equipment during the year		<u>15,000</u>
		36,000
Less: Value of equipment on 31.12.2020		(30,000)
Depreciation on equipment for the year		<u>6,000</u>

Balance Sheet of Medical Aid Society as on 1st January, 2020

Liabilities	₹	Assets	₹
Capital fund (balancing figure)	1,80,300	Building	50,000
Subscription received in advance	1,200	Equipment	21,000
Amount due for medicine supply	9,000	Stock of medicine	10,000
		Investments (₹9,000 x 100/9)	1,00,000
		Subscription receivable	1,500
		Cash in hand	8,000
	<u>1,90,500</u>		<u>1,90,500</u>

Unit-4: Accounting of Incomplete Records

PRACTICAL QUESTIONS

1. Raju does not maintain proper records of his business. However, he provides the following information:

Opening capital 10,000, Closing capital 12,500

Drawings during the year 3000, Capital added during the year 3750

Calculate profit/loss for the year.

(ICAI Study Material)

Sol.

Computation of Profit or Loss during the year	₹
Closing Capital	12,500
Add: Drawings during the year	3,000
	15,500
Less: Additional capital during the year	(3,750)
Less: opening capital	(10,000)
Net Profit for the year	1,750

Alternatively, Profit or Loss can also be calculated as balancing figure by preparing the capital a/c as follows:

Particulars	₹	Particulars	₹
To drawings	3,000	By Balance b/d	10,000
To Balance c/d	12,500	By additional capital	3,750
		By Net Profit (Bal Fig)	1,750
	15,500		15,500

The preceding discussion underscores the necessity, when employing the capital comparison method, to be cognizant of both the opening and closing capital. This requires preparation through the formulation of a statement of affairs at the corresponding time intervals.

Capital = Assets (-) liabilities.

2. Rakeh started his business on 1st of April 2021. He invested a capital of ₹1,00,000. On 31st March 2022, he has the following information available as per the Single-entry system

Maintained by Him.	₹
Cash balance (counted)	3,200

Maintained by Him.	₹
Inventory (physically verified)	34,800
Receivable from Ajay against credit sales	31,000
Machine	85,000
Payable to Vinod towards credit purchase	12,000

Loan taken from Bank 10,000

Drawings made during the year 24,000

You are required to calculate the profit or loss earned by Rakesh for the year ended 31st March 2022.
(ICAI Study Material)

Sol:

Statement of Affairs as on 31st March, 2022

Liabilities	Amount	Assets	Amount
Sundry Creditors	12,000	Cash balance	3,200
Loan from bank	10,000	Inventory	34,800
Capital (Bal fig)	1,32,000	Sundry Debtors	31,000
		Machine	85,000
	1,54,000		1,54,000

Statement of profit or loss for the year ended 31st March, 2022

Capital as at 31st March 2022	1,32,000
Add: Drawings made during the year	24,000
Total	1,56,000
Less: Opening Capital as at 1st April 2021	(1,00,000)
Profit for the year ended 31st March 2022	56,000

3. Assets and Liabilities of Mr. X as on 31-03-2021 and 31-03-2022 are as follows:

	31-03-2021 (₹)	31-03-2022 (₹)
Assets		
Building	100000	

	31-03-2021 (₹)	31-03-2022 (₹)
Furniture	50000	?
Inventory	120000	270000?
Sundry Debtor	40000	90000
Cash at bank	70000	85000
Cash in hand	1200	3200

Liability		
Liabilities		
Loans	1,00,000	80,000
Sundry creditors	40,000	70,000

Decided to depreciate building by 2.5%p.a. and furniture by 10% p.a. One Life Insurance Policy of the Proprietor was matured during the period and the amount ₹40,000 is retained in the business. Proprietor took @ ₹2,000 p.m. for meeting family expenses.

(i) Prepare Statement of Affairs as on 31-03-2021 and 31-03-2022.

(ICAI Study Material)

(ii) Calculate profits for the year.

Sol: (i)

Statement of Affairs
as on 31-03-2021 & 31-03-2022

Liabilities	31-03-2021 (₹)	31-03-2022 (₹)	Assets	31-03-2021 (₹)	31-03-2022 (₹)
Capital	2,41,200	4,40,700	Building	1,00,000	97,500
Loans	1,00,000	80,000	Furniture	50,000	45,000
Sundry creditors	40,000	70,000	Inventory	1,20,000	2,70,000
			Sundry debtors	40,000	90,000
			Cash at bank	70,000	85,000
			Cash in hand	1,200	3,200
	3,81,200	5,90,700		3,81,200	5,90,700

(ii) Determination of Profit by applying the method of the capital comparison

	₹
Capital Balance as on 31-03-2022	4,40,700

	₹
Less: Fresh capital introduced	(40,000)
	4,00,700
Add: Drawings (₹2000 × 12)	24,000
	4,24,700
Less: Capital Balance as on 31-03-2021 Profit	(2,41,200)
	1,83,500

Note:

- ❑ Closing capital is increased because capital is introduced, so it is reduced.
- ❑ Closing capital was reduced due to drawings by proprietor; so it is added back in the amount.

ALTERNATIVELY

Capital a/c can be prepared as follows:

Particulars	₹	Particulars	₹
To drawings	24,000	By Balance b/d	2,41,200
To Balance c/d	4,40,700	By additional capital	40,000
		By Net Profit (Bal Fig)	1,83,500
	4,64,700		4,64,700

4. The Income Tax Officer, on assessing the income of Shri Moti for the financial years 2020-2021 and 2021-2022 feels that Shri Moti has not disclosed the full income. He gives you the following particulars of assets and liabilities of Shri Moti as on 1st April, 2020 and 1st April, 2022.

Date			₹
1-4-2020	Assets:	Cash in hand	25,500
		Inventory	56,000
		Sundry debtors	41,500
		Land and Building	1,90,000
		Wife's Jewellery	75,000
	Liabilities:	Owing to Moti's Brother	40,000
		Sundry creditors	35,000
1-4-2020	Assets:	Cash in hand	16,000
		Inventory	91,500

Date			₹
		Sundry debtors	52,500
		Land and Building	1,90,000
		Motor Car	1,25,000
		Wife's Jewellery	1,25,000
		Loan to Moti's Brother	20,000
	Liabilities:	Sundry creditors	55,000

During the two years the domestic expenditure was ₹4,000 p.m. The declared incomes of the financial years were ₹1,05,000 for 2020-2021 and ₹1,23,000 for 2021-2022 respectively. State whether the Income-tax Officer's contention is correct. Explain by giving your workings. (ICAI Study Material)

Sol:

Calculation of Capital of Shri Moti

		₹	1-4-2020 (₹)	₹	1-4-2022 (₹)
Assets:					
Cash in hand			25,500		16,000
Inventory			56,000		91,500
Sundry debtors			41,500		52,500
Land & Building			1,90,000		1,90,000
Wife's Jewellery			75,000		1,25,000
Motor Car			—		1,25,000
Loan to Moti's Brother			—		20,000
			3,88,000		6,20,000
Liabilities:					
Owing to Moti's Brother	40,000			—	
Sundry creditors	35,000		75,000	55,000	55,000
Capital			3,13,000		5,65,000
Income during the two years:					
Capital as on 1-4-2022					5,65,000
					96,000
Add: Drawings – Domestic Expenses for the two years (₹4,000 × 24 months)					6,61,000

	₹	1-4-2020 (₹)	₹	1-4-2022 (₹)
Less: Capital as on 1-4-2020				(3,13,000)
Income earned in 2020-2021 and 2021-2022 Income declared (₹,05,000 + ₹1,23,000)				3,48,000 2,28,000
Suppressed Income				1,20,000

The Income-tax officer's statement that Shri Moti has not declared his accurate income is correct. Shri Moti's accurate income is in excess of the presented income by ₹1,20,000 based on the details available

5. Calculate the bad debts from the below information: (ICAI Study Material)

Opening balance of Debtors	₹	5,00,000
Closing balance of Debtors	₹	7,00,000
Amount received in Cash	₹	6,00,000
Discount allowed	₹	10,000
Credit Sales	₹	11,40,000
Bills Receivable	₹	3,00,000
Bad Debts	₹	???

Sol.

Debtors Account

Particulars	Amount	Particulars	Amount
Balance b/f	5,00,000	Cash A/c	6,00,000
Credit Sales	11,40,000	Discount allowed	10,000
		Bills Receivable	3,00,000
		Bad Debts (Bal fig)	30,000
		Balance c/f	7,00,000
	16,40,000		16,40,000

6. Calculate the credit purchases from the below information: (ICAI Study Material)

Opening balance of creditors	₹4,00,000
Closing balance of creditors	₹5,00,000
Payments made in Cash	₹8,50,000
Discount received	₹20,000

Sol:

Total Creditors Account 1,83,500

Particulars	Amount	Particulars	Amount
Cash paid	8,50,000	Balance b/d	4,00,000
Discount received	20,000	Credit Purchases (Bal. fig)	970000
Balance c/d	5,00,000		
	13,70,000		13,70,000

7. A. Adamjee keeps his books on single entry basis. The analysis of the cash book for the year ended on 31st March, 2022 is given below: (ICAI Study Material)

Receipts	₹	Payments	₹
Bank Balance as on 1st April, 2021	2,800	Payments to Sundry creditors	35,000
Received from Sundry Debtors	48,000	Salaries	6,500
Cash Sales	11,000	General expenses	2,500
Capital brought during the year	6,000	Rent and Taxes	1,500
Interest on Investments	200	Drawings	3,600
		Cash purchases	12,000
		Balance at Bank on 31st March, 2022	6,400
		Cash in hand on 31st March, 2022	500
	68,000		68,000

Particulars of other assets and liabilities are as follows:

	1st April, 2021 (₹)	31st March, 2022 (₹)
Sundry debtors	14,500	17,600
Sundry creditors	5,800	7,900
Machinery	7,500	7,500
Furniture	1,200	1,200
Inventory	3,900	5,700
Investments	5,000	5,000

Prepare final accounts for the year ending 31st March, 2022 after providing depreciation at 10 per cent on machinery and furniture and ₹800 against doubtful debts.

Sol:

A. Adamjee

Trading Account for the year ended 31st March 2022

		₹		₹
To Opening Inventory		3,900	By Sales	62,100
To Purchases		49,100	By Closing Inventory	5,700
To Gross profit c/d (b.f.)		14,800		
		67,800		67,800

Profit & Loss Account for the year ended 31st March 2022

₹		₹		₹
To Salaries		6,500	By Gross Profit b/d	14,800
To Rent and Taxes		1,500	By Interest on investment	200
To General expenses		2,500		
To Dep:				
Machinery@ 10%	750			
Furniture @ 10%	120	870		
To Provision for doubtful debts		800		
To Net profit carried to Capital A/c (b.f.)		2,830		
		15,000		15,000

Balance Sheet as on 31st March 2022

Liabilities	₹	₹	Assets	₹	₹
A. Adamjee's Capital on 1st April, 2021	29,100		Machinery	7,500	
Add: Fresh Capital	6,000		Less: Depreciation	(750)	6,750
Add: Profit for the year	2,830		Furniture	1,200	
	37,930		Less: Depreciation	(120)	1,080
Less: Drawings	(3,600)	34,330	Inventory-in-trade		5700
		79,00	Sundry debtors	17,600	
			Less: Provision for Doubt debts	(800)	16,800
			Investments		5,000
			Cash at bank		6,400
			Cash in hand		500
		42,230			42,230

Working Notes:

- ❑ Balance sheet of A. Adamjee as on 1st April 2021

Liabilities	₹	Assets	₹
Sundry creditors	5,800	Machinery	7,500
A. Adamjee's capital (balancing figure)	29,100	Furniture	1,200
		Inventory	3,900
		Sundry debtors	14,500
		Investments	5,000
		Bank balance (from Cash statement)	2,800
	34,900		34,900

- ❑ Ledger Accounts

A. Adamjee's Capital Account

Date		₹	Date		₹
31.03.22	To Drawings	3,600	01.04.21	By Balance b/d	29,100
			31.03.22	By Net Profit	2,830
31.03.22	To Balance c/d (b.f.)	34,330	31.03.22	By Cash	6,000
		37,930			37,930

Sales Account

Date		₹	Date		₹
31.03.22	To Trading A/c (b.f.)	62,100	31.03.22	By Cash	11,000
			31.03.22	By Total Debtors Account (Credit Sales)	51,100
		62,100			62,100

Total Debtors Account

Date		₹	Date		₹
01.04.21	To Balance b/d	14,500	31.03.22	By Cash	48,000
31.03.22	To Credit sales (Balancing figure)	51,100	31.03.22	By Balance c/d	17,600
		65,600			65,600

Purchases Account

Date		₹	Date		₹
31.03.22	To Cash A/c	12,000	31.03.22	By Trading Account (b.f.)	49,100
	To total Creditors A/c (credit Purchases)	37,100			
		49,100			49,10

Total Creditors Account

Date		₹	Date		₹
31.03.22	To Cash	35,000	01.04.21	By Balance b/d	5,800
31.03.22	To Balance b/d	7,900	31.03.22	By Credit Purchases (Balancing figure)	37,100
		42,900			42,900

8. From the following data furnished by Mr. Manoj, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2022 and Balance Sheet as at that date. All workings should form part of your answer.

(ICAI Study Material)

Assets and Liabilities	As on 1st April 2021 (₹)	As on 31st March 2022 (₹)
Creditors	15,770	12,400
Sundry expenses outstanding	600	330
Sundry Assets	11,610	12,040
Inventory in trade	8,040	11,120
Cash in hand and at bank	6,960	8,080
Trade debtors	?	17,870
Details relating to transactions in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400

Assets and Liabilities	As on 1st April 2021 (₹)	As on 31st March 2022 (₹)
Additional capital-paid into Bank		8,500
Realisations from debtors-paid into Bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from Bank		3,180
Cash paid into Bank		5,000
Cash drawn from Bank		9,240
Cash in hand on 31-3-2022		1,200
Cheques issued to trade creditors		60,270

Sol:

In the books of Mr. Manoj
Trading Account for the year ending 31st March, 2022

	₹	₹		₹	₹
To Opening Inventory To Purchases (58,000 + 1,030) Less: Returns To Gross profit c/d	59,030 (400)	8,040 58,630 14,810	By Sales Cash Credit Less: Returns By Closing inventory	4,600 67,210 71,810 (1,450)	70,360 11,120
		81,480			81,480

Profit & Loss Account for the year ending 31st March, 2022

	₹		₹
To Sundry expenses (W.N.(v))	9,300	By Gross profit b/d	14,810
To Discount	1,500	By Discount	700
To Bad Debts	420		
To Net Profit transfer to Capital	4,290		
	15,510		15,510

Balance Sheet of Mr. Manoj as on 31st March, 2022

Liabilities	₹	₹	Assets	₹
Capital			Sundry assets	12,040
Opening balance	26,770		Inventory in trade	11,120
Add: Addition	8,500		Sundry debtors	17,870
Net Profit	4,290		Cash in hand & at bank	8,080
	39,560			
Less: Drawings	(3,180)	36,380		
Sundry creditors		12,400		
Outstanding expenses		330		
		49,110		49,110

❑ **Cash sales**

Combined Cash & Bank Account

	₹		₹
To Balance b/d	6,960	By Sundry creditors	60,270
To Sundries (Contra)	5,000	By Sundries (Contra)	5,000
To Sundries (Contra)	9,240	By Sundries (Contra)	9,240
To Sundry debtors	62,500	By Drawings	3,180
To Capital A/c	8,500	By Machinery	430
To Sales (Cash Sales-Balancing Figure)	4,600	By Sundry expenses	9,570
		By Purchases	1,030
		By Balance c/d	8,080
	96,800		96,800

Total Debtors A/c

	₹		₹
To Balance b/d (bal. fig.)	16,530	By Bank	62,500
To Sales (71,810-4,600)	67,210	By Discount(64,000 - 62,500)	1,500
		By Return Inward	1,450
		By Bad Debts	420
		By Balance c/d	17,870
	83,740		83,740

Total Creditors Account Total Debtors A/c

	₹		₹
To Bank	60,270	By Balance b/d (bal. fig.)	15,770
To Discount	700	By Purchases	58,000
To Return Outward	400		
To Balance c/d	12,400		
	73,770		73,770

Balance Sheet as on 1st April, 2021

Liabilities	₹	Assets	₹
Capital (bal. fig.)	26,770	Sundry Assets	11,610
Sundry Creditors	15,770	Inventory in Trade	8,040
Outstanding Expenses	600	Sundry Debtors (from total debtors A/c)	16,530
		Cash in hand & at bank	6,960
	43,140		43,140

Expenses paid in Cash	9,570
Add: Outstanding on 31-3-2022	330
	9,900
Less: Outstanding on 1-4-2021	(600)
	9,300

- ❑ depreciation is not been provided on fixed assets because no information is given.

9. Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balances:

	31st March 2021 (₹)	31st March 2022 (₹)
Sundry debtors	70,000	92,000
Bills receivable	15,000	6,000
Bills payable	12,000	14,000
Sundry creditors	40,000	56,000
Inventory	1,10,000	1,90,000
Bank	90,000	87,000
Cash	5,200	5,300

Summary of cash transactions during the year 2021- 2022

- (i) Deposited to bank after payment of shop expenses @ ₹600 p.m., salary @ ₹9,200 p.m. and personal expenses @ ₹1,400 p.m. ₹7,62,750.
- (ii) Cash Withdrawn from bank ₹1,21,000.
- (iii) Cash payment to suppliers ₹77,200 for supplies and ₹25,000 for furniture.
- (iv) Cheques collected from customers but dishonoured ₹5,700.
- (v) Bills accepted by customers ₹40,000.
- (vi) Bills endorsed ₹10,000.
- (vii) Bills discounted ₹20,000, discount ₹750.
- (viii) Bills matured and duly collected ₹16,000.
- (ix) Bills accepted ₹24,000.
- (x) Paid suppliers by cheque ₹3,20,000.
- (xi) Received ₹20,000 on maturity of one LIC policy of the proprietor by cheque.
- (xii) Rent received ₹14,000 by cheque for the premises owned by proprietor.
- (xiii) A building was purchased on 30-11-2021 for opening a branch for ₹3,50,000 and some expenses were incurred on this building, details of which are not maintained.
- (xiv) Electricity and telephone bills paid by cash ₹18,700, due ₹2,200.

Other transactions

- (i) Claim against the firm for damage ₹1,55,000 is under legal dispute. Legal expenses
- (ii) ₹17,000. The firm anticipates defeat in the suit.
- (iii) Goods returned to suppliers ₹4,200.
- (iv) Goods returned by customers ₹1,200.
- (v) Discount offered by suppliers ₹2,700.
- (vi) Discount offered to the customers ₹2,400.
- (vii) The business is carried on at the rented premises for an annual rent of 20,000 which is outstanding at the year end.

Prepare Trading and Profit & Loss Account of Mr. Anup for the year ended 31st March 2022 and Balance Sheet as on that date. (ICAI Study Material)

Sol. Trading Account of Mr. Anup for the year ended 31st March 2022

	₹	₹		₹	₹
To Opening In- ventory		1,10,000	By Sales	9,59,750	
To Purchases	4,54,100		Less: Sales Return	(1,200)	9,58,550
Less: Purchases Return	(4,200)	4,49,900	By Closing Inven- tory		1,90,000
To Gross Profit (b.f.)		5,88,650			
		11,48,550			11,48,550

Profit & Loss Account of Mr. Anup for the year ended 31st March 2022

	₹		₹
To salary (9,200 x 12)	1,10,400	By Gross Profit	5,88,650
To Electricity & Tel. Charges (18,700 + 2,200)	20,900	By Discount	2,700
To Legal expenses	17,000		
To Discount (2,400 + 750)	3,150		
To Shop exp. (600 x 12)	7,200		
To Provision for claims for damages	1,55,000		
To Shop Rent	20,000		
To Net Profit (b.f.)	2,57,700		
	5,91,350		5,91,350

Balance Sheet as on 31st March 2022

Liabilities	₹		Assets	₹
Capital A/c (W.N.vi)	2,38,200		Building (from summary cash and bank A/c)	3,72,000
Add: Fresh capital introduced				
Maturity value from LIC	20,000		Furniture	25,000
Rent	14,000		Inventory	1,90,000
Add: Net Profit	2,57,700		Sundry debtors	92,000
	5,29,900		Bills receivable	6,000
Less: Drawing (14,00 x 12)	(16,800)	5,13,100	Cash at Bank	87,000
Rent outstanding		20,000	Cash in Hand	5,300
Sundry creditors		56,000		
Bills Payable		14,000		
Outstanding expenses				
Legal Exp.	17,000			
Electricity &				
Telephone charges	2,200	19,200		
Provision for claims damages		1,55,000		
		7,77,300		7,77,300

(i) Sundry Debtors A/c

	₹		₹
To Balance b/d	70,000	By Bill Receivable A/c	
To Bill receivable A/c-Bills dishonoured	3,000	Bills accepted by customers	40,000
To Bank A/c-Cheque dishonoured	5,700	By Bank A/c- Cheque received	5,700
To Credit sales (Balancing Figure)	9,59,750	By Cash (from summary cash and bank account)	8,97,150
		By Return inward A/c	1,200
		By Discount A/c	2,400
		By Balance c/d	92,000
	10,38,450		10,38,450

(ii) Bills Receivable A/c

	₹		₹
To Balance b/d	15,000	By Sundry creditors A/c	
To Sundry Debtors A/c	40,000	(Bills endorsed)	10,000
(Bills accepted)		By Bank A/c (20,000 - 750)	19,250
		By Discount A/c	750
		(Bills discounted)	
		By Bank	
		Bills collected on maturity	16,000
		By Sundry debtors	
		Bills dishonoured (Bal. Fig)	3,000
		By Balance c/d	6,000
	55,000		55,000

(iii) Sundry Creditors Account

	₹		₹
To Bank	3,20,000	By Balance c/d	40,000
To Cash	77,200	By Credit purchase (Balancing figure)	4,54,100
To Bill Payable A/c	24,000		
To Bill Receivable A/c	10,000		
To Return Outward A/c	4,200		
To Discount Received A/c	2,700		
To Balance b/d	56,000		
	4,94,100		4,94,100

(iv) Bills Payable A/c

	₹		₹
To Bank A/c (Balance figure)	22,000	By Balance b/d	12,000
To Balance c/d	14,000	By Sundry creditors A/c Bills accepted	24,000
	36,000		36,000

(v) Summary Cash and Bank A/c

	Cash (₹)	Bank (₹)		Cash (₹)	Bank (₹)
To Balance b/d	5,200	90,000	By Bank	7,62,750	
To Sundry debtors (Bal. Fig)	8,97,150		By Shop exp. (600 x 12)	7,200	1,21,000
To Cash		7,62,750	By Salary (9,200 x 12)	1,10,400	
To Bank	1,21,000		By Drawing A/c (1,400 x 12)	16,800	
To Sundry Debtors		5,700	By Bills Payable		
To Bills receivable		19,250	By Sundry creditors		22,000
To Bills receivable		16,000	By Furniture		
To Capital (maturity value of LIC policy)		20,000	By Sundry Debtors	77,200	3,20,000
To Capital (Rent received)		14,000	By Electricity & Tel. Charges	25,000	
			By Building (Bal. fig)		5,700
			By Balance c/d	18,700	
					3,72,000
				5,300	87,000
	10,23,350	9,27,700		10,23,350	9,27,700

Liabilities	₹	Assets	₹
Sundry Creditors	40,000	Inventory	1,10,000

Liabilities	₹	Assets	₹
Bills Payable	12,000	Debtors	70,000
Capital (Balancing figure)	2,38,200	Bills receivable	15,000
		Cash at Bank	90,000
		Cash in Hand	5,200
	2,90,200		2,90,200

10. A Firm sold 20% of the goods on cash basis and the balance on credit basis. Debtors are allowed 1½ month's credit and their balance as on 31.03.2021 is ₹1,25,000. Assume that the sale is uniform throughout the year. Calculate the credit sales and total sales of the company for the year ended 31.03.2022. (ICAI Study Material)

Sol. Calculation of Credit Sales and Total sales

$$\begin{aligned}
 \text{Credit Sales for the year ended 2021-22} &= \text{Debtors} \times \frac{12 \text{ Months}}{1.5 \text{ Months}} \\
 &= ₹ 1,25,00 \times \frac{12 \text{ months}}{1.5 \text{ months}} \\
 &= 10,00,000 \\
 \text{Total sales for the year ended 2021-22} &= \text{Credit sales} \times \frac{100\%}{80\%} \\
 &= 10,00,000 \times \frac{100\%}{80\%} \\
 &= 12,50,000
 \end{aligned}$$

11. Mr. A runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 2021 was as follows:

Liabilities	₹	Assets	₹
A's capital a/c	4,04,000	Furniture	40,000
Creditors	82,000	Stock	2,80,000
		Debtors	1,00,000
		Cash in hand	28,000
		Cash at bank	38,000
	4,86,000		4,86,000

You are furnished with the following information:

- ❑ His sales, for the year ended 31st March, 2022 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.
- ❑ Total sales during the year 2020-21 were ₹5,00,000.
- ❑ Payments for all the purchases were made by cheques only.
- ❑ Goods were sold for cash and credit both. Credit customers pay by cheques only.
- ❑ Depreciation on furniture is to be charged 10% p.a.
- ❑ Mr. A sent to the bank the collection of the month at the last date of the each month after paying salary of ₹2,000 to the clerk, office expenses ₹1,200 and personal expenses ₹500.

Analysis of bank pass book for the year ending 31st March 2022 disclosed the following:

	₹
Payment to creditors	3,00,000
Payment of rent up to 31st March, 2022	16,000
Cash deposited into the bank during the year	80,000

The following are the balances on 31st March, 2022:

	₹
Stock	1,60,000
Debtors	1,20,000
Creditors for goods	1,46,000

On the evening of 31st March 2022, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2022 and Balance Sheet as on that date. All the workings should form part of the answer.

(ICAI Study Material)

Sol.

In the books of Mr. A

Trading Account for the year ending 31st March, 2022

Particulars	₹	Particulars	₹
To Opening stock	2,80,000	By Sales (W.N. 3)	
To Purchases (W.N. 1)	3,64,000	Credit 4,80,000	
To Gross profit (b.f.)	1,16,000	Cash 1,20,000	6,00,000
		By Closing stock	1,60,000
	7,60,000		7,60,000

Profit and Loss Account for the year ending 31st March, 2022

Particulars	₹	Particulars	₹
To Salary (2,000 x 12)	24,000	By Gross profit	1,16,000
To Rent	16,000		
To Office expenses (1,200 x 12)	14,400		
To Loss of cash (W.N. 6)	23,600		
To Depreciation on furniture	4,000		
To Net Profit (b.f.)	34,000		
	1,16,000		1,16,000

Balance Sheet as on 31st March, 2022

Liabilities	₹	Assets	₹
A's Capital	4,04,000	Furniture	40,000
Add: Net Profit	34,000	Less: Depreciation	(4,000)
Less: Drawings		Stock	1,60,000
(500 x 12)	(6,000)	Debtors	1,20,000
Creditors	1,46,000	Cash at bank	2,62,000
	5,78,000		5,78,000

Working Notes:

1. Calculation of Purchases

Creditors Account

Particulars	₹	Particulars	₹
To Bank A/c To Balance c/d	3,00,000	By Balance b/d	82,000
	1,46,000	By Purchases (Bal. fig.)	3,64,000
	4,46,000		4,46,000

2. Calculation of total sales

	₹
Sales for the year 2020-21	5,00,000
Add: 20% increase	1,00,000
Total sales for the year 2021-22	6,00,000

3. Calculation of credit sales

	₹
Total sales	6,00,000
Less: Cash sales (20% of total sales)	(1,20,000)
	4,80,000

4. Calculation of cash collected from debtors

Debtors Account

Particulars	₹	Particulars	₹
To Balance b/d To Sales A/c	1,00,000	By Bank A/c (Bal. fig.) By	4,60,000
	4,80,000	Balance c/d	1,20,000
	5,80,000		5,80,000

5. Calculation of closing balance of cash at Bank

Bank Account

Particulars	₹	Particulars	₹
To Balance b/d	38,000	By Creditors A/c	3,00,000
To Debtors A/c	4,60,000	By Rent A/c	16,000
To Cash A/c	80,000	By Balance c/d (b.f.)	2,62,000
	5,78,000		5,78,000

6. Calculation of the amount of cash defalcated by the cashier

	₹
Cash balance as on 1 st April 2021	28,000
Add: Cash sales during the year	1,20,000
	1,48,000

Less: Salary (₹2,000 x 12)	24,000	
Office expenses (₹1,200 x 12)	14,400	
Drawings of A (₹500 x 12)	6,000	
Cash deposited into bank during the year	80,000	(1,24,400)
Cash balance as on 31 st March 2022 (defalcated by the cashier)		23,600

12. Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	As on 1.4.2021	As on 31.3.2022
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?
Ram's capital	3,00,000	?

13. Analysis of his bank pass book reveals the following information:

- Payment to creditors ₹7,00,000
- Payment for business expenses ₹1,20,000
- Receipts from debtors ₹7,50,000
- Loan ₹1,00,000 taken on 1.10.2021 at 10% per annum
- Cash deposited in the bank ₹1,00,000

He informs you that he paid creditors for goods ₹20,000 in cash and salaries ₹40,000 in cash. He has drawn ₹80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales. All purchases are on credit basis.

You are required to prepare Trading and Profit and Loss Account for the year ended 31.3.2022 and Balance Sheet as at 31st March, 2022. (ICAI Study Material)

Sol.

Trading Account of Ram for the year ended 31st March, 2022

	₹		₹
To Opening stock	2,80,000	By Sales	
To Purchases	7,70,000	Cash 2,40,000	
To Gross Profit @ 25%	3,10,000	Credit 10,00,000	12,40,000
		By Closing Stock (bal. fig.)	1,20,000
	13,60,000		13,60,000

Profit and Loss Account of Ram for the year ended 31st March, 2022

	₹		₹
To Salaries	40,000	By Gross Profit	3,10,000
To Business expenses	1,20,000		
To Interest on loan (10% of 1,00,000 x 6/12)	5,000		
To Net Profit	1,45,000		
	3,10,000		3,10,000

Balance Sheet of Ram as at 31st March, 2022

Liabilities	₹	₹	Assets	₹
Ram's capital:			Cash in hand	10,000
Opening	3,00,000		Cash at Bank	80,000
Add: Net Profit	1,45,000		Sundry Debtors	3,50,000
	4,45,000		Stock in trade	1,20,000
Less: Drawings	(80,000)	3,65,000		
Loan (including interest due)		1,05,000		
Sundry Creditors		90,000		
		5,60,000		5,60,000

1. Sundry Debtors Account

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

2. Sundry Creditors Account

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

3. Cash and Bank Account

	Cash (₹)	Bank (₹)		Cash (₹)	Bank (₹)
To Balance b/d	10,000		By Balance b/d		50,000
To Sales (bal. fig)	2,40,000		By Bank A/c (C)	1,00,000	
To Cash (C)		1,00,000	By Salaries	40,000	
To Debtors		7,50,000	By Creditors	20,000	7,00,000
To Loan		1,00,000	By Drawings	80,000	
			By Business expenses		1,20,000
			By Balance c/d	10,000	80,000
	2,50,000	9,50,000		2,50,000	9,50,000

