

## 101 IMPORTANT QUESTIONS FOR SUCCESS

BY CA Rakesh Kalra

### NON-PROFIT ORGANISATION

#### Question 1

ABC sports club had the following income and expenditure account for the year ended 31st Dec 2022.  
Income and Expenditure Account for the year ended 31st Dec, 2022.

Particulars	Amount ₹	Particulars	Amount ₹
To salaries	2,35,000	By Subscriptions	2,50,000
To Stationary Expenses	30,000	By Interest	90,000
To Rent and Taxes	5,000	By Donations	40,000
To Insurance	2,000	By Misc. Receipts	3,000
To Office Expenses	8,000		
To Depreciation			
Building	37,500		
Furniture	1,200		
Sports Equipment	1,000		
To Excess of Income over Expenditure	63,300		
	3,83,000		3,83,000

Additional information:

	31-12-2021 ₹	31-12-2022 ₹
Govt. securities	18,00,000	18,00,000
Subscription outstanding	70,000	1,00,000
Subscription received in advance	2,000	6,000
Salaries unpaid	10,000	15,000
Furniture	20,000	19,800
Land and Building	20,00,000	19,62,500
Sports Equipment	35,000	39,000
Stock of stationary	3,000	5,500

Cash in hand and Cash at bank as on 31-12-2021 is ₹ 1, 08,000.

You are required to prepare Receipts and Payments Account for the period ending 31.12.2022 and Balance Sheet as on 31.12.2022.

#### Question 2

Following is the Receipts and Payments account of Pune Medical Aid Society for the year ended 31.12.2022.

Receipts and Payments Account for the year ended 31.12.2022

Receipts	Amount ₹	Payments	Amount ₹
To Opening cash in hand	12,000	By Medicine supply	35,000
To Subscription	65,000	By Honorarium to Doctors	15,000
To Donations	25,000	By Salaries	36,000
To Interest on Investment (10%)	10,000	By Sundry expenses	950
To Charity show collection	16,500	By Purchase of Medical equipment	25,000
		By Charity show expenses	2,750

		By Closing Cash in hand	13,800
	1,28,500		1,28,500

The following is the additional information provided.

	01-01-2022	31-12-2022
	Amount ₹	Amount ₹
Subscription due	2,500	3,100
Subscription received in advance	1,800	1,400
Stock of medicine	12,500	17,250
Amount due for medicine supply	12,000	16,500
Value of equipment	21,500	37,200
Value of building	65,000	61,750

You are required to prepare Income and Expenditure account and Balance sheet as on 31-12-2022.

### **Question 3**

The Income and Expenditure Account of the Young Boys Club for the year 2022 is as follows :

Expenditure	Amount ₹	Income	Amount ₹
To Salaries	3,750	By Subscription	8,500
To General Expenses	1,500	By Entrance Fees	250
To Audit fees	250	By Contribution for Annual dinner	1,000
To Secretary's Honorarium	1,000	By Annual sports meet receipts	750
To Stationery and Printing	450		
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 to ₹ 200.

The club owned a freehold lease of ground valued at ₹ 20,000. The club had sports equipment on 1st January, 2022 valued at ₹ 2,600. At the end of the year, after depreciation, the balance of equipment amounted to ₹ 3,600. In 2021, the club raised a bank loan of ₹ 5,000. This was outstanding throughout 2022. On 31st December, 2022 cash in hand amounted to ₹ 1,600.

You are required to prepare:

- (i) Receipts and Payments Account for 2022
- (ii) Balance Sheet as on 31st December, 2022
- (iii) Balance Sheet as on 31st December, 2021.

### **Question 4**

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

Expenditure	₹	Income	₹
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's Honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500	By Annual Sports Meet 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 prepared after the following adjustments:

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

Salaries outstanding at the beginning and end of the year 2021 were respectively ₹ 4,000 and ₹4,500. General Expenses include insurance prepaid to the extent of ₹ 600. Audit fee for the year 2021 is as yet unpaid. During the year 2021 audit fee for the year 2020 was paid amounting to ₹2,000. The Club owned a freehold lease of ground valued at ₹ 1,00,000. The club had sports equipment on 1st January, 2021 valued at ₹ 26,000. At the end of the year 2021, after depreciation, this equipment amounted to ₹ 27,000. In the year 2020, the Club had raised a bank loan of ₹20,000. This was outstanding throughout the year 2021. On 31st December, 2021 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.

### **INCOMPLETE RECORDS**

#### **Question 1**

Stevie and Alicia are in partnership sharing profits and losses equally. They maintain their books on Single Entry System. The following balances are available from their books as on 31.3.2021 and 31.3.2022:

Particulars	31.3.2021 ₹	31.3.2022 ₹
Building	3,00,000	3,00,000
Equipment	4,80,000	5,44,000
Furniture	50,000	50,000
Debtors	?	2,00,000
Creditors	1,30,000	?
Stock	?	1,40,000
Bank loan	90,000	70,000
Cash	1,20,000	?

The transactions during the year ended 31.3.2022 were the following:

	₹
Collection from Debtors	7,60,000
Payment to Creditors	5,00,000
Expenses Paid	80,000
Drawings by Stevie	60,000
Discount allowed	11,000
Discount received	9,600

Other information:

- i. On 1.4.2021, an equipment of book value ₹ 40,000 was sold for ₹ 30,000. On 1.10.2021, some more equipment were purchased.
- ii. Cash sales amounted to 10% of total sales.
- iii. Credit sales amounted to ₹ 9,00,000.
- iv. Credit purchases were 80% of total purchases.
- v. Cash Purchases amounted to ₹ 1,30,000.
- vi. The firm sells goods at cost plus 25%.
- vii. Outstanding expenses were ₹ 6,000 as on 31.3.2022.
- viii. Capital of Stevie as on 31.3.2021 was ₹ 30,000 more than the capital of Alicia, equipment and furniture to be depreciated at 10% p.a. and building @ 2% p.a. (apply depreciation of new equipment for 1/2 year)

You are required to prepare:

- (i) Trading and Profit and Loss Account for the year ended 31.3.2022 and;
- (ii) The Balance Sheet as on that date.

### **Question 2**

A Company sold 20% of the Goods on Cash Basis and the balance on Credit basis. Debtors are allowed 1.5 month's credit and their balance as on 31st March, 2021 is ₹1,50,000. Assume that sale is evenly spread throughout the year.

Purchases during the year ₹ 9,50,000.

Closing stock is ₹10,000 less than the Opening Stock. Average stock maintained during the year ₹ 60,000.

Direct Expenses amounted to ₹35,000.

Calculate Credit sales, Total sales and Gross profit for the year ended 31st March, 2021.

### **Question 3**

Mr. Arun runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 2020 was as follows:

Liabilities	₹	Assets	₹
Capital A/C	5,05,000	Furniture	50,000
Creditors	1,02,500	Closing stock	3,50,000
		Debtors	1,25,000
		Cash in Hand	35,000
		Cash at Bank	47,500
	6,07,500		6,07,500

You are furnished with following information:

- (1.) His sales, for the year ended 31st March, 2021 were 20% higher than the sales of Previous year, out of which 20% sales was cash sales. Total Sales during the year 2019-20 were ₹ 6,25,000.
- (2.) Payments for all the purchases were made by cheques only.
- (3.) Goods were sold for cash and credit both. Credit customers pay by cheques only.
- (4.) Depreciation on furniture is to be charged 10% p.a.

(5.) Mr. Arun sent to the bank the collection of the month at the last date of each month after paying salary of ₹ 2,500 to the clerk, office expenses ₹ 1,500 and personal expenses 625.

Analysis of bank pass book for the year ending 31st March, 2021 disclosed the following:

	₹
Payment to creditors	3,75,000
Payment to rent up to 31 <sup>st</sup> March, 2021	20,000
Cash deposited into bank during the year	1,00,000

The following are the balances on 31st March, 2021:	
	₹
Stock	2,00,000
Debtors	1,50,000
Creditors for goods	1,82,500

On the evening of 31st March, 2021, 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, 2021 and Balance Sheet as on that date. All the working should form part of the answer.

#### **Question 4**

Mr. Prakash furnishes following information for his ready- made garments business :

#### Receipts and Payments during 2019-20:

Receipts	Amount (₹)	Payments	Amount (₹)
Bank Balance as on 1-4-2019	16,250	Payment to Sundry Creditors	3,43,000
Received from Sundry Debtors	4,81,000	Salaries	75,000
Cash sales	1,70,800	General Expenses	22,500
Capital brought in the business during the year	50,000	Rent and Taxes	11,800
Interest on Investment Received	9,750	Drawings	96,000
		Cash Purchases	1,22,750
		Balance at Bank on 31.03.2020	36,600
		Cash in Hand on 31.03.2020	20,150
	7,27,800		7,27,800

Particulars of other Assets and Liabilities are as follows:

	1 <sup>st</sup> April, 2019 (₹)	31 <sup>st</sup> March, 2020 (₹)
Machinery	85,000	85,000
Furniture	24,500	24,500
Trade Debtors	1,55,000	?
Trade Creditors	60,200	?
Stock	38,600	55,700
12% investment	85,000	85,000
Outstanding Salaries	12,000	14,000

Additional information:

(1.) 20% of Total sales and 20% of total purchases are in cash.

- (2.) Of the Debtors, a sum of ₹ 7,200 should be written off as Bad debt and further a Reserve for doubtful debts is to be provided @2%.
- (3.) Provide depreciation @ 10% p.a. on Machinery and Furniture.

You are required to prepare Trading and Profit & Loss account for the year ended 31st March, 2020, and Balance Sheet as on that date.

### REDEMPTION OF DEBENTURES

#### Question 1

A Company had issued 25,000, 12% Debentures of 100 each on 1st April, 2018. The Debentures were due for redemption on 1st July, 2020. The terms of issue of Debentures provided that they will be redeemable at a premium of 5% and also conferred option to convert 20% of their holding into equity Shares (Nominal value 10 each) at a price of Rs.20 per share.

Debenture holders holding 5,000 Debentures did not exercise the option. Calculate the number of Equity shares to be allotted to the debenture holders exercising the option to the maximum.

#### Question 2

AB Limited (a listed company) recently made a public issue in respect of which the following information is available:

- (i) No. of partly convertible 8% debentures issued ₹ 3,00,000; face value and issue price ₹ 100 per debenture.
- (ii) Convertible portion per debenture- 60%, date of conversion- on expiry of 7 months from the date of closing of issue.
- (iii) Date of closure of subscription lists 1-5-2020, date of allotment 1-6- 2020, rate of interest on debenture 8% payable from the date of allotment, market value of equity share as on date of conversion Rs.60 (Face Value ₹ 10).
- (iv) Underwriting Commission 1%
- (v) No. of debentures applied for 2,50,000.
- (vi) Interest payable on debentures half-yearly on 30th September and 31st March.

Write relevant journal entries for all transactions arising out of the above during the year ended 31st March, 2021 (including cash and bank entries)

#### Question 3

Sumit Ltd. (an unlisted company other than AIFI, Banking company, NBFC and HFC) had 8,000, 9% debentures of ₹ 100 each outstanding as on 1st April, 2019, redeemable on 31st March, 2020.

On 1st April, 2019, the following balances appeared in the books of accounts:

- Investment in 1,200, 7% secured Govt. bonds of ₹100 each, ₹ 1,20,000.
- Debenture Redemption Reserve is ₹ 50,000.

Interest on investments is received yearly at the end of financial year. On 31st March, 2020, the investments were realized at par and the debentures were redeemed. You are required to write up the following accounts for the year ended 31st March, 2020:

- (1) 9% Debentures Account.
- (2) Debenture Redemption Reserve Account.
- (3) DRR Investment Account.
- (4) Interest On 9% Debenture Account.

#### Question 4

A company had issued 40,000, 12% debentures of ₹100 each on 1st April, 2015. The debentures are due for redemption on 1st March, 2019. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holding into equity shares (nominal value ₹10) at a predetermined price of ₹ 15 per share and the payment in cash, 50 debentures holders holding totally 5,000 debentures did not exercise the option.

Calculate the number of equity shares to be allotted to the debenture holders and the amount to be paid in cash on redemption.

### **REDEMPTION OF PREFERENCE SHARES**

#### **Question 1**

Given below are the extracts of Balance Sheet of Sea Chemicals Limited as on 31st March, 2022:

Particulars	Amount in ₹
9% Redeemable Preference Share Capital	10,00,000
Calls in arrears (Redeemable Preference Shares)	20,000
General Reserve	7,00,000
Securities Premium	80,000

It is provided that:

- (1) Preference Shares are of ₹ 100 each fully-called, due for immediate redemption at a premium of 5%.
- (2) Calls-in-arrears are on account of final call on 1000 shares held by four members whose whereabouts are not known.
- (3) Balance of General Reserve and Securities Premium to be fully utilised for the purposes of redemption and the shortfall to be made good by issue of equity shares of ₹ 10 each at par.
- (4) The redemption of preference shares was duly carried out.

You are required to pass the necessary journal entries (narration not required) to give effect to the above redemption.

#### **Question 2**

Given below is the extracts of Balance Sheet of Daisy Limited as at 31st March, 2021.

Particulars	₹
15% 650 Redeemable Preference Shares of 100 each, Rs 80 per share paid up	52,000
22,500 Equity Shares of ₹ 10 each, 9.50 per share paid up	2,13,750
Revaluations Reserve	45,000
Capital Reserve (realized in cash)	500
General Reserve	40,000
Securities Premium	500
Profit & Loss Account	40,500
Current Liabilities	1,07,750
Fixed Assets (PPE)	3,71,500
Non-Current Investments [Face value ₹50,000]	1,00,000
Bank Balance	28,500

The following information are provided:

- (1) On 1st April, 2021, the Board of Directors decided to make a final call of ₹ 20 on Redeemable Preference Shares and to redeem the same at a premium of 10% on 1st June, 2021.
- (2) The investments of the face value of ₹20,000 are sold at the market price which was 150% of the face value.
- (3) It is decided to issue sufficient number of Equity Shares of 10 each at a premium of 25% after leaving a balance of ₹ 50,000 in bank account.
- (4) It was also decided to convert the partly paid-up Equity shares into fully paid up without requiring the shareholders to pay for the same.
- (5) On 1st July, 2021 the Board decided to issue fully paid bonus shares to the equity shareholders in the ratio of one for five.

You are required to pass the necessary journal entries for the above.

**Question 3**

The Capital structure of a company BK Ltd., consists of 30,000 Equity Shares of ₹ 10 each fully paid up and 2,000 9% Redeemable Preference Shares of ₹100 each fully paid up as on 31.03.2020. The other particulars as at 31.03.2020 are as follows:

	Amount (₹)
General Reserve	1,20,000
Profit & Loss Account	60,000
Investment Allowance Reserve (not free for distribution as dividend)	15,000
Cash at bank	1,95,000

Preference Shares are to be redeemed at a premium of 10%. For the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilizing the undistributed reserve & surplus, subject to the conditions that a sum of ₹40,000 shall be retained in General Reserve and which should not be utilized.

Company also sold investment of 4500 Equity Shares in G Ltd., costing ₹ 45,000 at ₹ 9 per share.

Pass Journal entries to give effect to the above arrangements and also show how the relevant items will appear in the Balance Sheet as at 31.03.2020 of BK Ltd., after the redemption carried out.

**BONUS AND RIGHT ISSUE****Question 1**

Following items appear in the Trial Balance of Star Ltd. as on 31st March, 2019:

Particulars	(₹)
80,000 Equity shares of ₹ 10 each, 8 paid-up	6,40,000
Capital Reserve (including 45,000 being profit on sale of Machinery)	1,10,000
Revaluation Reserve	80,000
Capital Redemption Reserve	75,000
Securities Premium	60,000
General Reserve	2,10,000
Profit & Loss Account (Cr. Balance)	1,00,000

On 1st April, 2019, the Company has made final call on Equity shares @₹ 2 per share. The entire money was received in the month of April, 2019.

On 1st June, 2019, the Company decided to issue to Equity shareholders bonus shares at the rate of 2 shares for every 5 shares held and for this purpose, it decided that there should be minimum reduction in free reserves.

Pass necessary journal entries in the Books of Star Ltd.

**Question 2**

Following is the extract of the Balance Sheet of K Ltd. (unlisted company) as at 31st March, 2020

Particulars	₹
Authorized capital :	
3,00,000 Equity shares of ₹ 10 each	30,00,000
	<u>30,00,000</u>
Issued and Subscribed capital:	
2,00,000 Equity shares of ₹ 10 each, 8 paid up	16,00,000
Reserves and surplus:	

General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Security premium (not realised in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 2020, the Company has made final call @ ₹ 2 each on 2,00,000 equity shares. The call money was received by 25th April, 2020. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue.

### **Question 3**

Following is the extract of Balance Sheet of Prem Ltd. as at 31st March, 2018:

Authorized capital	₹
3,00,000 equity shares of 10 each	30,00,000
25,000, 10% preference shares of 10 each	2,50,000
	32,50,000
Issued and subscribed capital:	
2,70,000 equity shares of 10 each fully paid up	27,00,000
24,000, 10% preference shares of ₹ 10 each fully paid up	2,40,000
	29,40,000
Reserves and surplus:	
General reserve	3,60,000
Capital redemption reserve	1,20,000
Securities premium (in cash)	75,000
Profit and loss account	6,00,000
	11,55,000

On 1st April, 2018, the company decided to capitalize its reserves by way of bonus at the rate of two shares for every five shares held. Show necessary journal entries in the books of the company and prepare the extract of the balance sheet after bonus issue.

### **RECTIFICATION OF ERRORS**

#### Question 1

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

1. Goods of the value of ₹ 15,000 returned by Mr. X were entered in the Sales Day Book and posted therefrom to the credit of his account;
2. An amount of ₹ 22,500 entered in the Sales Returns Book, has been posted to the debit of Mr. Shiv, who returned the goods;
3. A sale of ₹ 60,000 made to Mr. Amit was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Sumit as ₹ 6,000;
4. Bad Debts aggregating ₹ 45,000 were written off during the year in the Sales ledger but were not adjusted in the General Ledger; and
5. The total of "Discount Allowed" column in the Cash Book for the month of October, 2022 amounting to ₹ 37,500 was not posted.

#### Question 2

Mr. Anirudh was unable to agree the Trial Balance last year and wrote off the difference to the profit and loss account of that year. On verifying the old books by a Chartered Accountant next year, the following mistakes were found.

1. Purchase account was undercast by ` 16,000.
2. Sale of goods to Mr. Rahim for ` 5,000 was omitted to be recorded.
3. Receipt of cash from Mr. Ashok was posted to the account of Mr. Anubhav
4. ` 1,200.
5. Amount of ` 4,167 of sales was wrongly posted as ` 4,617.
6. Repairs to Machinery was debited to Machinery Account ` 6,100.
7. A credit purchase of goods from Mr. Paul for ` 3,000 entered as sale. Suggest the necessary rectification entries.

#### Question 3

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

1. ` 35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
2. Goods returned by customer for ` 5,000. The same have been taken into stock but no entry passed in the books of accounts.
3. An amount of ` 4,500 received on account of Interest was credited to Commission account.
4. A sale of ` 2,760 was posted from Sales Book to the Debit of M/s Sobha Traders at ` 2,670

#### Question 4

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

- i. Return outward book was under cast by ` 100.
- ii. ` 1,500 being the total of discount column on the credit side of the cash book was not posted.
- iii. ` 6,000 being the cost of purchase of office furniture was debited to Purchase A/c.
- iv. A credit sale of ` 760 was wrongly posted as ` 670 to the customers' A/c. in the sales ledger.

- v. The Sales of ` 10,000 was omitted to be recorded.  
Pass rectification entries in the next year

### **BANK RECONCILIATION STATEMENT**

#### Question 1

On 30th September, 2022, the bank account of Vikrant, according to the bank column of the Cash- Book, was overdrawn to the extent of ` 8,124. On the same date the bank statement showed a debit balance of ` 41,516 in favour of Vikrant. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ` 26,28,000 deposited on 29th September, 2022 was credited by the bank only on 3rd October, 2022
2. A payment by cheque for ` 32,000 has been entered twice in the Cash Book.
3. On 29th September, 2022, the bank credited an amount of ` 2,34,800 received from a customer of Vikrant, but the advice was not received by Vikrant until 1st October, 2022.
4. Bank charges amounting to ` 1,160 had not been entered in the Cash Book.
5. On 6th September, 2022, the bank credited ` 40,000 to Vikrant in error.
6. A bill of exchange for ` 2,80,000 was discounted by Vikrant with his bank. This bill was dishonoured on 28th September, 2022 but no entry had been made in the books of Vikrant.

7. Cheques issued upto 30th September, 2022 but not presented for payment upto that date totalled ` 26,52,000.

You are required:

to show the appropriate rectifications required in the Cash Book of Vikrant, to arrive at the correct balance on 30th September, 2022 and to prepare a bank reconciliation statement as on that date.

### Question 2

On 31<sup>st</sup> October, 2022, the Cash Book of Mr. Shankar showed an overdrawn position of ` 13,530 although his Bank Statement showed only ` 9,600 overdrawn. An examination of the two records showed the following errors:

1. The debit side of the Cash Book was undercast by ` 1,200.
2. A cheque for ` 4,800 in favour of Hari suppliers Ltd. was omitted by the bank from the statement, the cheque was debited to another customer's Account.
3. A cheque for ` 561 drawn for payment of telephone bill was recorded in the Cash Book as ` 516 but was shown correctly in the Bank Statement.
4. A cheque for ` 1,275 from Mr. Satpal paid into bank was dishonoured and shown as such on the Bank Statement, although no entry relating to the dishonoured cheque was made in the Cash Book.
5. The Bank had debited a cheque for ` 450 to Mr. Shankar Account by mistake, it should have been debited by them to Mr. Kar's Account.
7. A dividend of ` 300 was collected by the bank but not entered in the Cash Book.
8. Cheques totalling ` 3,900 drawn on October was not presented for payment.
9. Cheque for ` 3,600 deposited on 30th October was not credited by the Bank
10. Interest amounting to ` 900 was debited by the Bank but yet to be entered in the Cash Book.

You are required to prepare a Bank Reconciliation Statement on 31<sup>st</sup> October, 2022.

### Question 3

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

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

- ix. Insurance premium ` 3,024 paid directly by bank under a standing order. No entry made in cash-book.
- x. A bill receivable for `6,120 discounted for ` 6,000 with the bank had been dishonoured

on 30<sup>th</sup> March, 2022, but advice was received on 1<sup>st</sup> April, 2022.

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

Prepare Bank Reconciliation Statement on 31<sup>st</sup> March, 2022.

#### Question 4

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

Bank overdraft as per Pass Book as on 31<sup>st</sup> March, 2021 was ₹ 8,800

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

### INVENTORIES

#### Question 1

Stock taking of ABC Stores for the year ended 31<sup>st</sup> March, 2023 was completed by 10<sup>th</sup> April,

2023, the valuation of which showed a stock figure of ₹ 3,35,000 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for ₹ 13,750, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to ₹ 18,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark-up price of ₹ 600 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing ₹ 2,250 which should be taken at ₹ 1,050 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing ₹ 3,100 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be ₹ 2,500 on 31<sup>st</sup> March, 2023.

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31<sup>st</sup> March, 2023. Closing stock is valued by ABC Stores on generally accepted accounting principles.

#### Question 2

Raj Ltd. prepared their accounts financial year ended on 31<sup>st</sup> March 2022. Due to unavoidable circumstances actual stock has been taken on 10<sup>th</sup> April 2022, when it was ascertained at ₹ 5,00,000. It has been found that;

- i. Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.
- ii. Purchases are entered in the Purchase Book on the day the Invoices are received.
- iii. Sales between 1<sup>st</sup> April 2022 to 9<sup>th</sup> April 2022 amounting to ₹ 80,000 as per Sales Day

Book.

- iv. Free samples for business promotion issued during 1st April 2022 to 9th April 2022 amounting to ` 16,000 at cost.
- v. Purchases during 1st April 2022 to 9th April 2022 amounting to ` 40,000 but goods

amounts to ₹ 8,000 not received till the date of stock taking.

- vi. Invoices for goods purchased amounting to ₹ 80,000 were entered on 28th March 2022 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost. Ascertain the value of Stock as on 31st March, 2022.

### Question 3

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

- i. Sales ₹ 2,05,000 (including cash sales ₹ 50,000)
- ii. Purchases ₹ 25,170 (including cash purchases ₹ 9,950)
- iii. Sales Return ₹ 5,000
- iv. On 15th March, goods of the sale value of ₹ 50,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April
- v. The trader had also received goods costing ₹ 40,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15<sup>th</sup> April. These sales are not included in above sales.

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

You are required to ascertain the value of Inventory as on 31st March, 2022

### Question 4

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

- i. Sales ₹ 1,23,000 (including cash sales ₹ 30,000)
- ii. Purchases ₹ 15,102 (including cash purchases ₹ 5970)
- iii. Sales Return ₹ 3,000.
- iv. On 15th March, goods of the sale value of ₹ 30,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
- v. The trader had also received goods costing ₹ 24,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15th April. These sales are not included in above sales.
- vi. Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of Inventory as on 31st March, 2021.

## DEPRECIATION

### Question 1

A Firm purchased an old Machinery for ₹ 37,000 on 1<sup>st</sup> January, 2019 and spent ₹ 3,000 on its

overhauling. On 1<sup>st</sup> July 2020, another machine was purchased for ₹ 10,000. On 1<sup>st</sup> July 2021,

the machinery which was purchased on 1st January 2019, was sold for ₹ 28,000 and the

same day a new machinery costing ₹ 25,000 was purchased. On 1<sup>st</sup>

July, 2022, the machine which was purchased on 1 July, 2020 was sold for ₹ 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the

method and adopted diminishing balance method with effect from 1<sup>st</sup> January, 2020 and the

rate was increased to 15% per annum. The books are closed on 31<sup>st</sup> December every year.

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

#### Question 2

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

#### Question 3

A Firm purchased an old Machinery for ` 37,000 on 1<sup>st</sup> January, 2019 and spent ` 3,000 on

its overhauling. On 1 July 2020, another machine was purchased for ` 10,000. On 1 July

2021, the machinery which was purchased on 1st January 2019, was sold for

` 28,000 and the same day a new machinery costing ` 25,000 was purchased. On 1<sup>st</sup>

July, 2022, the machine which was purchased on 1 July, 2020 was sold for ` 2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the

method and adopted diminishing balance method with effect from 1<sup>st</sup> January, 2020 and the

rate was increased to 15% per annum. The books are closed on 31<sup>st</sup> December every year.

Prepare Machinery account for four years from 1 January, 2019

#### Question 4

M/s. Seven Seas purchased a second-hand machine on 1st April, 2017 for ` 1,60,000. Overhauling and erection charges amounted to ` 40,000. Another machine was purchased for ` 80,000 on 1 Oct, 2017.

On 1st Oct, 2019, the machine installed on 1st April, 2017 was sold for ` 1,00,000. Another

machine for ` 30,000 was purchased and was installed on 31<sup>st</sup> December, 2019. Under the existing practice the company provides depreciation @ 10% p.a. on original cost.

However, from 1<sup>st</sup> April, 2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2021.

### **BILLS OF EXCHANGE**

#### Question 1

Mr. Y accepted a bill for ` 40,000 drawn on him by Mr. X on 1<sup>st</sup> August, 2022 for 3 months. This

was for the amount which Y owed to X. On the same date Mr. A got the bill discounted at his bank for ` 39,200.

On the due date, Y approached X for renewal of the bill. Mr. X agreed on condition that

` 8,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Y should accept a new bill for 3 months. These arrangements were carried through. On 31<sup>st</sup> December, 2022, Y became insolvent and his estate paid 40%.

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

Question 2

Priya owed ₹5,00,000 to Pratika. On 1st October, 2022, Priya accepted a bill drawn by Pratika for the amount at 3 months. Pratika got the bill discounted with his bank for ₹4,95,000 on 3rd October, 2022. Being unable to pay the amount on due date, Priya approached Pratika for renewal of the bill. Pratika agreed on the conditions that ₹2,50,000 be paid immediately together with interest on the remaining amount at 10% per annum for 3 months and for the balance, Priya should accept a new bill at three months. These arrangements were carried out. But afterwards, Priya became insolvent and 60% of the amount could be recovered from his estate.  
Pass journal entries (with narration) in the books of Pratika.

### Question 3

Mr. Tanu accepted a bill for ₹1,00,000 drawn on him by Mr. Manu on 1<sup>st</sup> August, 2021 for 3 months. This was for the amount which Tanu owed to Manu. On the same date Mr. Manu got the bill discounted at his bank for ₹98,000. On the due date, Tanu approached Manu for renewal of the bill. Mr. Manu agreed on condition that ₹20,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Tanu should accept a new bill for 3 months. These arrangements were carried through. On 31<sup>st</sup> December, 2021, Tanu became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. Manu

### Question 4

On 1<sup>st</sup> January 2021, Swapnil draws two bills of exchange for ₹32,000 and ₹50,000. The bill of exchange for ₹32,000 is for two months while the bill of exchange for ₹50,000 is for three months. These bills are accepted by Vishal. On 4<sup>th</sup> March, 2021, Vishal requests Swapnil to renew the first bill with interest at 15% p.a. for a period of two months. Swapnil agreed to this proposal. On 25<sup>th</sup> March, 2021, Vishal retires the acceptance for ₹50,000, the interest rebate i.e. discount being ₹500. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate. Show the Journal Entries (with narrations) in the books of Swapnil

**FINAL ACCOUNTS**

Question 1

The following are the balances extracted from the books of Shri Shrinivas as on 31.03.2023, who carries on business under the name and style of M/s Shrinivas and Associates at Chennai:

Particulars	Debit ( ` )	Credit ( ` )
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent of Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	

Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs the Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Buildings	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2022	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	<u>16,000</u>	
<b>Total</b>	<b><u>30.73.400</u></b>	<b><u>30.73.400</u></b>

Prepare Trading and Profit and Loss Account for the year ended 31.03.2023 and the Balance Sheet as at that date after making provision for the following:

1. Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
2. Value of stock at the close of the year was ₹ 4,10,000.
3. One month rent for godown is outstanding.
4. Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2022
5. Reserve for bad debts is to be maintained at 5% of Sundry debtors.
6. Insurance premium includes ₹ 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2022 to 30.06.2023.

Question 2

The following is the trial balance of Prakesh as at 31st December, 2022:

	<i>Dr.</i>	<i>Cr.</i>
	`	`
Prakesh's capital account		3,83,450
<sup>st</sup> Stock 1 January, 2022	2,34,000	-
Sales	-	19,48,000
Returns inward	43,000	-
Purchases	16,08,500	-
Returns outward	-	29,000

Carriage inwards	98,000	-
Rent & taxes	23,500	-
Salaries & wages	46,500	-
Sundry debtors	1,20,000	-
Sundry creditors	-	74,000
Bank loan @ 14% p.a.	-	1,00,000
Bank interest	5,500	-
Printing and stationary expenses	72,000	-
Bank balance	40,000	-
Discount earned	-	22,200
Furniture & fittings	25,000	-
Discount allowed	9,000	-
General expenses	57,250	-
Insurance	6,500	-
Postage & telegram expenses	11,650	-
Cash balance	1,900	-
Travelling expenses	4,350	-
Drawings	<u>1,50,000</u>	-
	<u>25,56,650</u>	<u>25,56,650</u>

The following adjustments are to be made:

- Included amongst the debtors is ₹ 15,000 due from Ravi and included among the creditors ₹ 5,000 due to him.
- Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- Depreciation on furniture & fittings @ 10% shall be written off.
- Personal purchases of Prakash amounting to ₹ 3,000 had been recorded in the purchases day book.
- Interest on bank loan shall be provided for the whole year.
- A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- Credit purchase invoice amounting to ₹ 2,000 had been omitted from the books.
- Stock on 31.12.2022 was ₹ 3,93,000.

Prepare (i) Trading & profit and loss account for the year ended 31.12.2022 and (ii) Balance sheet as on 31<sup>st</sup> December, 2022.

### Question 3

The following is the Trial Balance of Mr. T on 31<sup>st</sup> March, 2022:

	Dr.	Cr.

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

Stock on 31<sup>st</sup> March, 2022 was valued at ₹ 3,00,000. Depreciation is to be provided at 10% per annum on fixed assets purchased during the year. A scrutiny of the books of account revealed the following matters:

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

Give the necessary Journal Entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31<sup>st</sup> March, 2022

#### Question 4

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

Particulars	Dr.	Cr.
-------------	-----	-----

	,	,
--	---	---

Capital	-	16,000
Opening stock	17,500	-
Closing stock	-	18,790
Drawings	3,305	-
Returns inward	-	550
Carriage inward	1,240	-
Deposit with X	-	1,400
Returns outward	840	-
Carriage outward	-	725
Rent paid	800	-
Rent outstanding	150	-
Purchases	13,000	-
Sundry debtors	5,000	-
Sundry creditors	-	2,200
Furniture	1,500	-
Sales	-	29,000
Wages	850	-
Cash	1,370	-
Advertisement	<u>950</u>	<u>        </u>
	<u>46,505</u>	<u>68,665</u>

Adjustments:

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

### **PARTNERSHIP ACCOUNTING**

Question 1

Ved, Jain and Agrawal are in partnership sharing profit and losses at the ratio of 2:5:3. The Balance Sheet of the partnership as on 31.12.2022 was as follows:

Balance Sheet of M/s Ved, Jain & Agrawal

Liabilities	₹	Assets	₹
Capital A/cs		Sundry fixed assets	15,00,000
Ved	2,55,000	Inventory	3,00,000
Jain	9,45,000	Trade receivables	1,50,000
Agrawal	6,75,000	Bank	15,000
Trade payables	<u>90,000</u>		
	19,65,000		<u>19,65,000</u>

The partnership earned profit ₹ 6,00,000 in 2022 and the partners withdrew ₹ 4,50,000 during the year. Normal rate of return 30%. You are required to calculate the value of goodwill on the basis of 5 years' purchase of super profit. For this purpose, calculate super profit using average capital employed.

Question 2

A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31<sup>st</sup> March, 2023 stood as:

Liabilities		Assets	
Capital Accounts		Building	10,00,000
A	8,00,000	Furniture	2,40,000
B	4,20,000	Office equipments	2,80,000
C	<u>4,00,000</u>	Stock	2,50,000
Sundry Creditors		Sundry debtors	3,00,000
General Reserves		Less: Provision for Doubtful debts	<u>30,000</u> 2,70,000
		Joint life policy	1,60,000
		Cash at Bank	<u>1,50,000</u>
			23,50,000
			23,50,000

B retired on 1<sup>st</sup> April, 2023 subject to the following conditions:

- Office Equipment's revalued at ₹ 3,27,000.
- Building revalued at ₹ 15,00,000. Furniture is written down by ₹ 40,000 and Stock is reduced to ₹ 2,00,000 .
- Provision for Doubtful Debts is to be created @ 5% on Debtors.
- Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is ₹ 1,50,000
- Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	Profit
2019	90,000
2020	1,40,000
2021	1,20,000
2022	1,30,000

Amount due to B is to be transferred to his Loan Account. Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement.

Question 3

P, Q and R were partners in a firm sharing profits in the ratio of 1:2:2. After division of the profits for the year ended 3.03.2022 their capitals were: P Rs. 1,50,000. Q Rs. 1,80,000 and R Rs. 2,10,000. During the year they withdraw Rs. 20,000 each. The profit of the year was Rs. 60,000. The partnership deed provided that interest on capital will be allowed @ 10% p.a. While preparing the final accounts, interest on partners' capital was not allowed. You are required to pass the necessary adjustment entry for providing interest on capital.

#### Question 4

The profits and losses for the previous years are: 2019 Profit ₹ 15,000, 2020 Loss ₹ 25,500, 2021 Profit ₹ 75,000, 2022 Profit ₹ 1,12,500. The average Capital employed in the business is ₹ 3,00,000. The rate of interest expected from capital invested is 10%. The remuneration from alternative employment of the proprietor ₹ 9,000 p.a. Calculate the value of goodwill on the basis of 3 years' purchases of Super Profits based on the average of 4 years.

#### Question 5

Shyam, Sunder and Girdhar are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31<sup>st</sup> March, 2022 is as below:

Liabilities	(₹)	Assets	(₹)
Trade payables	56,250	Land & Buildings	92,500
Outstanding Liabilities	5,500	Furniture & Fixtures	18,000
General Reserve	19,500	Closing stock	31,500
Capital Accounts:		Trade Receivables	26,750
Dinesh 37,500		Cash in hand	7,000
Ramesh 37,500		Cash at Bank	5,500
Naresh <u>25,000</u>	1,00,000		
	<u>1,81,250</u>		<u>1,81,250</u>

The partners have agreed to take Hari as a partner with effect from 1<sup>st</sup> April, 2022 on the following items:

- Hari shall bring ₹ 20,000 towards his capital.
- The value of stock to be increased to ₹ 35,000 and Furniture & Fixtures to be depreciated by 10%
- Provision for bad and doubtful debts should be provided at 2% of the trade receivables.
- The value of Land & Buildings to be increased by ₹ 14,000 and the value of the goodwill be fixed at ₹ 45,000.
- The new profit sharing ratio shall be divided equally among the partners.
- The outstanding liabilities include ₹ 1,750 due to Aman which has been paid by Shyam. Necessary entries were not made in the books.

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

#### Question 6

A, B and C entered into partnership on 1.1.2021 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than ₹ 90,000 in any year. Capitals of A, B and C were ₹ 9,60,000, ₹ 6,00,000 and ₹ 4,80,000 respectively.

Profits for the year ending 31.12.2021 before providing for interest on partnerscapital was `

4,77,000.

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

#### Question 7

Ashu and Suhan are partners in a firm. Their capital are Ashu ` 15,00,000 and Suhan `

10,00,000. During the year ended 31<sup>st</sup> March, 2022 the firm earned a profit of ` 7,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm:

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

#### Question 8

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

Liabilities	`	Assets	`
Capital Account:		Land and Building	1,20,000
Mr. Aadi	80,000	Plant and Machinery	80,000
Mr. Arnav	1,20,000	Stock of goods	48,000
Mr. Aarush	80,000	Sundry debtors	44,000
Sundry Creditors	<u>40,000</u>	Cash and Bank Balances	<u>28,000</u>

On 1<sup>st</sup> April, 2022, Aadi desired to retire from the firm and remaining partners decided to carry

on the business. It was agreed to revalue the assets and liabilities on that date on the following basis:

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

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

#### Question 9

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

to a Reserve Account. Prepare Profit & Loss Appropriation Account for the year ended 31st

March, 2021 and show Capital and Current Accounts of the Partners for the year.

Question 10

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

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

Question 11

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

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

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

- i. Goodwill is to be valued at ₹ 3 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- ii. Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹ 45,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- iii. In the reconstituted firm, the total capital will be ₹ 6 lakhs which will be contributed by Mr. A, Mr. B and Mr. C in their new profit sharing ratio, which is 2:2:1.
  - a) The surplus funds, if any, will be used for repaying bank overdraft.
  - b) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare

- A. Revaluation account;
- B. Partners capital accounts;
- C. Bank account; and

D. Balance sheet of the reconstituted firm as on 1st April, 2021.

**NPO**

Question 1

From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2022, and Balance Sheet as at that date of the Amar Leela Hospital:

Receipts and Payments Account for the year ended 31 December, 2022

<b>RECEIPTS</b>	`		<b>PAYMENTS</b>		`
To Balance b/d			By Salaries:		
Cash	2,400		(` 21,600 for 2021)		93,600
Bank	<u>15,600</u>	18,000	By Hospital Equipment		51,000
To Subscriptions:	<u>0</u>		By Furniture purchased		18,000
For 2021		15,300	By Additions to Building		150,000
For 2022		73,500	By Printing and Stationery		7,200
For 2023		7200	By Diet expenses		46,800
To Government Grant:			By Rent and rates		
For building		2,40,000	(` 900 for 2023)		6,000
For maintenance		60,000	By Electricity and water		
Fees from sundry			charges		7,200
Patients		14,400			

To Donations (not to be capitalized)	24,000	By office expenses	6,000
To Net collections from benefit shows	18,000	By Investments	60,000
		By Balances:	
		Cash	4,200
		Bank	<u>20,400</u>
	<u>4,70,40</u>		<u>24,600</u>
	<u>0</u>		<u>4,70,40</u>
			<u>0</u>
<b>Additional information:</b>			
Value of building under construction as on 31.12.2022			4,20,000
Value of hospital equipment on 31.12.2022			1,53,000
Building Fund as on 1.1. 2022			2,40,000
Subscriptions in arrears as on 31.12.2021			19,500
Investments in 8% Govt. securities were made on 1st July, 2022.			

## Question 2

A Doctor Ankur after retiring from Govt. service, started private practice on 1<sup>st</sup> April, 2021 with ₹ 1,50,000 of his own and ₹ 2,25,000 borrowed at an interest of 12% per annum on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

<i>Receipts</i>	₹	<i>Payments</i>	₹
Own capital	1,50,000	Medicines purchased	1,83,750
Loan	2,25,000	Surgical equipments	1,87,500
Prescription fees	4,95,000	Motor car	2,40,000
Visiting fees	1,87,500	Motor car expenses	90,000
Fees from lectures	18,000	Wages and salaries	78,750
Pension received	2,25,000	Rent of clinic	45,000
		General charges	36,750
		Household expenses	1,35,000
		Household Furniture	18,750

		Expenses on daughter's marriage	1,61,250
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	Interest on loan	27,000
	Balance at bank	82,500
	Cash in hand	14,250

One-third of the motor car expense may be treated as applicable to the private use of car and ` 22,500 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31<sup>st</sup> March, 2022 was valued at ` 71,250.

You are required to prepare his capital account and income and expenditure account for the year ended 31<sup>st</sup> March, 2022 and balance sheet as on that date. Ignore depreciation of fixed assets.

Question 3

From the following information supplied by ABC. Club, prepare Receipts and Payments

Account and Income and Expenditure Account for the year ended 31<sup>st</sup> March 2022.

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

Subscription for the year amount to ` 18,00,000/-. Salaries paid ` 3,60,000. Face value of the Investment was ` 10,50,000, 50% of the Investment was sold at 80% of Face Value.

Interest on investments was received ` 84,000. Furniture was sold for ` 48,000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture. Following Expenses were made during the year:

Sports Expenses: ` 3,00,000

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

Misc. Expenses: ` 30,000

Question 4

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

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

	33,700		33,700
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The following adjustments are to be made while drawing up the accounts:

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

### COMPANY ACCOUNTS

#### Question 1

Laxman Prasad Limited registered with an authorised equity capital of `8,00,000 divided into 8,000 shares of `100 each, issued for subscription of 4,000 shares payable at `25 per share on application, `30 per share on allotment, `20 per share on first call and the balance as and when required. Application money on 4,000 shares was duly received and allotment was made to them. The allotment amount was received in full, but when the first call was made, one shareholder failed to pay the amount on 400 shares held by him and another shareholder with 200 shares, paid the entire amount on his shares. The company did not make any other call. Give the necessary journal entries in the books of the company to record these transactions.

#### Question 2

On January 2022 Samar Ltd. issued 10% debentures of the face value of `20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2022.

#### Question 3

Finopolis Limited is a company with an authorized share capital of `4,00,00,000 in equity shares of `10 each, of which 30,00,000 shares had been issued and fully paid on 30<sup>th</sup> June, 2022. The

company proposed to make a further issue of 2,60,000 shares of 10 each at a price of `12 each, the arrangements for payment being:

- i. `2 per share payable on application, to be received by 1<sup>st</sup> July, 2022;
  - ii. Allotment to be made on 10<sup>th</sup> July, 2022 and a further `5 per share (including the premium) to be payable;
  - iii. The final call for the balance to be made, and the money received by 31<sup>st</sup> March, 2023.
- Applications were received for 8,40,000 shares and were dealt with as follows:
- i. Applicants for 40,000 shares received allotment in full;
  - ii. Applicants for 2,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
  - iii. Applicants for 6,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

iv. The money due on final call was received on the due date.  
You are required to record these transactions (including cash items) in the journal of Finopolis

limited.

#### Question 4

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

- i. Avtar Ltd. forfeited 900 shares of ₹ 10 each fully called up, held by Varun for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Nitesh for ₹ 8 per share.
- ii. X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for ₹ 6 per share.

#### Question 5

Somya Limited issued 30,000 12% Debentures of the nominal value of ₹ 15,00,00,00 as follows:

- i. To sundry persons for cash at 90% of nominal value of ₹ 75,00,000.
- ii. To a vendor for purchase of fixed assets worth ₹ 30,00,000 – ₹ 37,50,000 nominal value.
- iii. To the banker as collateral security for a loan of ₹ 30,00,000 – ₹ 37,50,000 nominal value.

You are required to prepare necessary journal entries Journal Entries.

#### Question 6

Radha Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each. The amounts were payable as follows:

On application - ₹ 3 per share

On allotment - ₹ 5 per share

On first and final call - ₹ 2 per share

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

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

#### Question 7

Pure Ltd. issues 5,00,000 12% Debentures of ₹ 10 each at ₹ 9.40 on 1<sup>st</sup> January, 2022. Under

the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue. Calculate the amount of discount to be written-off in each of the 5 years

#### Question 8

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

₹ 20 on application;

₹ 20 on allotment;

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

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

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

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

#### Question 9

Delta Ltd. forfeited 600 shares of ` 10 each issued at a premium of 10% to W for non- payment

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

#### Question 10

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

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

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

### **THEORY OF ACCOUNTING**

#### Question 1

Write short notes on the following:

- i. Rules of posting of journal entries into Ledger.
- ii. Importance of bank reconciliation statement to an industrial unit.
- iii. Bill of exchange and various parties to it.
- iv. Fundamental Accounting Assumptions.
- v. Accounting conventions.

#### Question 2

- (a) Distinguish between money measurement concept and matching concept.
- (b) Differentiate between provision and contingent liability

#### Question 3

- (a) Discuss the limitations which must be kept in mind while evaluating the Financial Statements.
- (b) Distinguish between Going concern and cost concept.

#### Question 4

Write short notes on the following:

- i. Accounting conventions.
- ii. Trade bill vs. Accommodation bill.
- iii. Machine Hour Rate method of calculating depreciation
- iv. Journal
- v. Periodic Inventory System Vs Perpetual Inventory System

#### Question 5

Write short notes on the following:

- i. Going Concern concept.
- ii. Objectives of preparing Trial Balance.
- iii. Retirement of bills of exchange.
- iv. Over-riding Commission.
- v. Trade bill vs. Accommodation bill.

#### Question 6

Write short notes on:

- i. Noting Charges.
- ii. Objective of Accounting Standards.
- iii. Retirement of bills of exchange.
- iv. Over-riding Commission

### **TRUE AND FALSE**

#### Question 1

State with reasons, whether the following statements are true or false:

- i. Goods worth ` 600 taken by the proprietor for personal use should be credited to Capital Account.
- ii. M/s Raj Yog & Co. runs a cafe. They renovated. some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 25 to 28. The total expenditure incurred was ` 50,000 and was treated as a revenue expenditure.
- iii. If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called error of principle.
- iv. Depreciation is a non-cash expense and does not result in any cash outflow.
- v. There are two ways of preparing an account current.
- vi. The additional commission paid to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
- vii. A Partnership firm cannot own any Assets.
- viii. Goodwill is intangible asset therefore it cannot be valued.
- ix. Fees received for Life Membership is a revenue receipt as it is of recurring nature.
- x. When shares are forfeited, the share capital account is debited with called up capital of shares forfeited and the share forfeiture account is credited with calls in arrear of shares forfeited.

#### Question 2

State with reasons, whether the following statements are true or false:

- i. Prior period items need not be separately disclosed in the current statement of profit and

- loss.
- ii. "Salary paid in advance" is not an expense because it neither reduces assets nor increases liabilities.
  - iii. If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.
  - iv. The sale value of by-product is credited to Trading Account.
  - v. In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.
  - vi. The problem of red-ink interest arises when the due date of a transaction falls after the closing date of account current.
  - vii. Net income in case of persons practicing vocation is determined by preparing profit and loss account.
  - viii. "Listed company" means a company which has its securities only listed with National stock exchange.
  - ix. Partners can share profits or losses in their capital ratio, when there is no agreement.

### Question 3

State with reasons, whether the following statements are true or false:

- i. The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
- ii. The debit notes issued are used to prepare Sales Return Book.
- iii. Bank reconciliation statement is prepared to arrive at the bank balance.
- iv. If Closing Stock appears in the Trial Balance then the closing inventory is not entered in Trading Account. It is shown only in the balance sheet.
- v. Depreciation is a non-cash expense and does not result in any cash outflow.
- vi. Discount at the time of retirement of a bill is a gain for the drawee.
- vii. In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.
- viii. A withdrawal of cash from the business by the proprietor should be charged to profit and loss account as an expense.
- ix. Partners can share profits or losses in their capital ratio, when there is no agreement.
- x. Fees received for Life Membership is a revenue receipt as it is of recurring nature .
- xi. Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

### Question 4

State with reasons, whether the following statements are true or false:

- i. The gain from sale of capital assets need not be added to revenue to ascertain the net profit of a business.
- ii. Sale of office furniture should be credited to Profit and Loss Account.
- iii. The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
- iv. A partnership firm can acquire fixed assets in the name of the firm.
- v. Debenture holders enjoy the voting rights in the company.

## **CAPITAL EXPENDITURE AND REVENUE EXPENDITURE**

### Question 1

Classify the following expenditures as capital or revenue receipt or capital or revenue expenditure:

- i. Traveling expenses of the chief executive officer for trips abroad for purchase of capital assets.
- ii. Amount spent on making a few more exists in a Cinema Hall to comply with Government orders.
- iii. Insurance claim received on account of inventory damaged by fire.
- iv. Amount paid for removal of stock to a new site.
- v. Cost of repairs on second-hand car purchased to bring it into working condition.

#### Question 2

Classify the following expenditures as capital or revenue expenditure:

- i. Insurance claim received on account of inventory damaged by fire.
- ii. Amount spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the plaintiff's land.
- iii. Travelling expenses of the chief financial officer on trips abroad for purchase of special machinery.
- iv. Dividend received from XYZ limited during the year.

#### Question 3

Classify the following expenditures as capital or revenue expenditure:

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

#### Question 4

Classify the following expenditures as capital or revenue expenditure:

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