



# CA Darshan Jain

B.Com , CA , CS , LLB , DISA , DIRM

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

Teaching Financial Accounting & Financial management to CA Students Since Last 12 years.



**Darshan Jain** is a Commerce Graduate & Fellow Member of The Institute of Chartered Accountants of India. He has Also Completed His Diploma in System Audit & Diploma in Insurance & Risk Management Conducted by ICAI. He is a Qualified Company Secretary as well & Has Also Completed his LLB From Dr. Babasaheb Ambedkar Marathwada University.

- ▶ Practicing Chartered Accountant For Past 12 years in the field of Audit, Direct & Indirect taxes & Management Consultancy.
- ▶ Elected as Convenor of the Jalna CA CPE Chapter of WIRC of ICAI For 2 Consecutive Years of 20-21 & 21-22.
- ▶ He has Successfully Completed & Qualified Following Certificate Courses Conducted By ICAI -
  1. Forensic Accounting & Fraud Detection
  2. Concurrent Audit of Banks
  3. Goods & Services Tax (GST)
  4. Public Finance & Accounting
  5. Drafting & Pleading Before the Authorities
  6. Wealth Management & Financial Planning



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**75**

# SUPER 75

SR.NO	NAME OF TOPIC	NO. OF QUE
1	RECTIFICATION OF ERRORS	4
2	BANK RECONCILIATION STATEMENT	3
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4	INVENTORY VALUATION	6
5	DEPRECIATION	4
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10	PARTNERSHIP – BASICS	2
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13	PARTNERSHIP - RETIREMENT OF PARTNER	2
14	PARTNERSHIP - DEATH OF PARTNER	3
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17	ISSUE , FORFEITURE & REISSUE OF SHARES	6
18	ISSUE OF DEBENTURES	3
19	ACCOUNTING FOR BONUS ISSUE & RIGHT ISSUE	3
20	REDEMPTION OF DEBENTURES	3
21	REDEMPTION OF PREFERENCE SHARES	4
	TOTAL	75

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# RECTIFICATION OF ERRORS

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## QUESTION 1

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

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



*If a Suspense Account is not opened.*

Sr.No	Rectification of Error
1	The Said Error Needs to be Rectified By crediting the Sales Account by 2100 as "By Wrong Totaling of the Sales Book"
2	Sales Return A/c.....Dr 1800 To Gaurav & Co A/c           1800
3	The Said Error needs to rectified by Crediting Sen Brothers by Rs. 4500 as "By Errors in Posting"
4	Furniture A/c....Dr 15000 to Purchase A/c           15000
5	Black & White A/c....Dr 1200 To Discount A/c           1200
6	The Said Error needs to be Rectified by Debiting Discount Account by Rs. 180 as " To Omission of Entry in Cash Book "

**If a Suspense Account is opened :**

Sr.No	Particulars	LF	Debit	Credit
1	Suspense A/c...		2100	
	To Sales			2100
	(Being Sales A/c Undercasted Earlier Now Rectified			
2	Sales Return A/c...		1800	
	To Gaurav & Co. A/c			1800
	(Being Sales return By Gaurav & Co Not recorded Earlier , Now Recorded			

Sr.No	Particulars	LF	Debit	Credit
3	Suspense A/c....Dr		4500	
	To Sen Brothers A/c			4500
	(Being Purchase of Goods From Sen Brothers Earlier Debited to his A/c Wrongly , Now Rectified)			
4	Furniture A/c...		15000	
	To Purchase A/c			15000
	(Being Furniture Purchased Debited to Purchase Earlier Wrongly , Now Rectified)			
5	Black & Co. A/c.....Dr		1200	
	To Discount A/c			1200
	(Being Discount Received Earlier Not Recorded			

Sr.No	Particulars	LF	Debit	Credit
	In Books , Now Rectified)			
6	Discount A/c.....Dr		180	
	To Suspense A/c			180
	(Being Discount not Entered in Cash Book Earlier , Now Rectified)			

## QUESTION 2

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

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

How would you rectify the errors assuming that :

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

(i)

## Before Preparation of Trial Balance

Sales A/c.....Dr      1260  
Purchase A/c.....Dr   1620  
    To Anupam & Co. A/c   2880

## After Preparation of Trial Balance

Sales A/c.....Dr      1260  
Purchase A/c.....Dr   1620  
    To Anupam & Co. A/c   2880

## After Preparation of Final Accounts

Profit & Loss Adjustment A/c.....Dr   2880  
    To Anupam & Co. A/c                      2880

(ii)

## Before Preparation of Trial Balance

The Said Error will be Rectified by Debiting Soni & Co. A/c by Rs. 3200 as “To Errors in Posting”

## After Preparation of Trial Balance

Soni & Co. A/c.....Dr	3200
To Suspense A/c	3200

## After Preparation of Final Accounts

Soni & Co. A/c.....Dr	3200
To Suspense A/c	3200

## QUESTION 3

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

- (1) Purchase of a scooter was debited to conveyance account ₹3,000.*
- (2) Purchase account was over-cast by ₹10,000.*
- (3) A credit purchase of goods from Mr. P for ₹2,000 entered as a sale.*
- (4) Receipt of cash from Mr. A was posted to the account of Mr. B ₹1,000.*
- (5) Receipt of cash from Mr. C was posted to the debit of his account, ₹500.*
- (6) ₹ 500 due by Mr. Q was omitted to be taken to the trial balance.*
- (7) Sale of goods to Mr. R for ₹2,000 was omitted to be recorded.*
- (8) Amount of ₹2,395 of purchase was wrongly posted as ₹2,593.*

*Mr. Roy used 10% depreciation on vehicles. Suggest the necessary rectification entries.*



## Journal Entries in the books of Mr. Roy

Date	Particulars	LF	Amount	Amount
1	Motor Vehicles A/c.....Dr		2700	
	To Profit & Loss Adjustment A/c			2700
	(Being Purchase of Scooter wrongly debited to conveyance account now rectified) 3000 -10% Depreciation = 2700			
2	Suspense A/c.....Dr		10000	
	To Profit & Loss Adjustment A/c			10000
	(Being Purchase Account Over casted Earlier now Rectified)			

Date	Particulars	LF	Amount	Amount
3	Profit & Loss Adjustment A/c.....Dr		4000	
	To P A/c			4000
	(being Credit Purchase Recorded as Credit Sales Earlier , Now Rectified)			
4	B A/c.....Dr		1000	
	To A A/c			1000
	(Being Cash Received from A Posted to B Earlier , Now Rectified)			
5	Suspense A/c.....Dr		1000	
	To C A/c			1000
	(Being Amount Received from C was wrongly debited to his account earlier , Now Rectified)			

Date	Particulars	LF	Amount	Amount
6	Trade Receivables A/c.....Dr		500	
	To Suspense A/c			500
	(Being Balance of Due from Q Was omitted to be taken to Trial Balance Earlier , Now Rectified)			
7	R A/c...		2000	
	To Profit & Loss Adjustment A/c			2000
	(Being Sale to R not Recorded Earlier , Now Recorded)			

Date	Particulars	LF	Amount	Amount
8	Suspense A/c.....Dr		198	
	To Profit & Loss Adjustment A/c			198
	(Being Purchase Wrongly Posted as 2593 instead of 2395 Earlier , Now Rectified)			
9	Profit & Loss Adjustment A/c.....Dr		10898	
	To Roy's Capital A/c			10898
	(Being Balance of P/L adjustment Account transferred to Roy's Capital A/c)			
10	Roy's Capital A/c.....Dr		10698	
	To Suspense A/c			10698
	(Being balance of Suspense A/c transferred to Roy's Capital A/c as it was written to P/L Account in last Year)			

## Profit & Loss Adjustment A/c

Particulars	Amount	Particulars	Amount
To P A/c	4000	By Motor Vehicle A/c	2700
		By Suspense A/c	10000
To Roy's Capital A/c (Bal Fig)	10898	By R A/c	2000
		By Suspense A/c	198
	<b>14898</b>		<b>14898</b>

## Suspense A/c

Particulars	Amount	Particulars	Amount
To Profit & Loss Adjustment A/c	10000	By Trade Receivables A/c	500
To C A/c	1000		
To Profit & Loss Adjustment A/c	198	By Roy's Capital A/c (Bal Fig)	10698
	<b>11198</b>		<b>11198</b>

## QUESTION 4

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

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

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

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

# Journal Entries

Sr.No	Particulars	LF	Debit	Credit
(i)	Suspense A/c....Dr		936	
	To Profit & Loss Adjustment A/c			936
	(Being purchase book Carried Forward Wrongly			
	Earlier , Now Rectified)			
(ii)	Profit & Loss Adjustment A/c....Dr		540	
	Customer's Ac....Dr		1102	
	To Suspense A/c			1642
	(Being Error Rectified)			



Date	Particulars	LF	Debit	Credit
(iii)	Suspense A/c....Dr		590	
	To P/L Adjustment A/c			590
	(Being Error Rectified)			
(iv)	Suspense A/c....Dr		1790	
	To Senu A/c			895
	To Sethu A/c			895
	(Being Cash Received From Senu Posted to Sethu Earlier , now Rectified)			

Date	Particulars	LF	Debit	Credit
(v)	Customer's A/c....Dr		1400	
	To profit & Loss Adjustment A/c			1400
	(Being Sales made Earlier not Recorded , Now Recorded)			
(vi)	Profit & Loss Adjustment A/c....Dr		1600	
	To Customer A/c			1600
	(Being Reversal of Sale For goods Sent on Approval Basis)			
(vii)	Stock With Customer on Approval Basis With			
	Customer A/c....Dr		1280	
	To Profit & Loss Adjustment A/c			1280

Date	Particulars	LF	Debit	Credit
	(Being Goods Sent on Approval basis included In Stock)			
(viii)	Trade Receivable A/c....Dr		600	
	To Suspense A/c			600
	(600 Due From Q not taken in trial Balance , Now Rectified)			
(ix)	R A/c....Dr		3000	
	To profit & Loss Adjustment A/c			3000
	(Goods Sold To R Not Recorded Earlier , Now Rectified)			

Date	Particulars	LF	Debit	Credit
(x)	Profit & loss Adjustment A/c....Dr		5066	
	To Joshi capital A/c			5066
	(Being profit & loss Adjustment A/c's Balance transferred to Capital A/c			

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# **BANK RECONCILIATION STATEMENT**

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## QUESTION 5

Prepare a Bank Reconciliation statement for Satyam Traders as on 31<sup>st</sup> March, 2021

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

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

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

**CASE A – Books are closed on 31<sup>st</sup> March 2021**

**CASE B - Books are closed on 31<sup>st</sup> Dec 2021**

CASE A			
Cash Book (Amended Bank Column)			
Particulars	Amount	Particulars	Amount
To Bal B/d	412200	By Under Casting of Cash Book	12000
To Error of carrying Forward	37000	By party A/c	85000
To Dividend A/c	35000	By Insurance Premium A/c	20000
To Party A/c (Twice Recorded)	129000	By Party A/c (Cheque Dishonor)	5000
To Discount Received	500	By Credit Card A/c	2500
		By Bank charges	200
		By Bal C/d (Bal Fig)	489000
	<b>613700</b>		<b>613700</b>



## Satyam Traders

### Bank Reconciliation Statement as at 31-03-2021

Sr.No	Particulars	Amount	Amount
A	Balance as Per Adjusted Cash Book		489000
B	<b>Add -</b>		
	Cheques issued But Not Yet Presented	13500	
	Wrong Credit Given By Bank	25000	38500
C	<b>Less-</b>		
	Cheque Deposited Credited in Saving Account		2000
D	Balance as Per Pass Book (A+B-C)		525500

No Effect in BRS for Cheque Deposited of Rs, 32000 & Dishonored in the Same Month.

Note - In The Absence of Information It is Assumed that Books of Accounts are Being Closed on 31<sup>st</sup> March 2021 & Accordingly BRS is Being Prepared With Adjusted Cash Book.

**CASE B**  
**Satyam Traders**

**Bank Reconciliation Statement as on 31-3-2021**

<b>Sr.No</b>	<b>Particulars</b>	<b>Amount</b>	<b>Amount</b>
A	Balance As Per cash Book		412200
B	Add -		
	Debit Balance carried Forward as credit Balance	37000	
	Cheques issued but Not presented	13500	
	Dividend Collected By bank Not recorded in Cash Book	35000	
	Cheque issued Recorded Twice in Cash Book	129000	
	Wrong Credit Given By Bank	25000	
	Discount Received Wrongly Credited in cash Book	500	240000

Sr.No	Particulars	Amount	Amount
C	Less –		
	Under casting of Payment Side of cash Book	12000	
	Cheque issued Not taken to bank Column	85000	
	Fire Insurance premium Paid By Bank Not Recorded in Cash Book	20000	
	Cheque Deposited Dishonoured	5000	
	Credit card Bill Not Paid Not Recorded in Cash Book	2500	
	Cheque Credited in Saving Account Instead of Current A/c	2000	
	Bank Charges Not Recorded in Cash book	200	126700
D	Balance As Per Pass Book (A+B-C)		525500

**Note - No Effect in BRS for Cheque Deposited of Rs, 32000 & Dishonored in the Same Month.**

## QUESTION 6

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

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

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

Prepare a Bank Reconciliation Statement as on 30<sup>th</sup> September, 2018.

Bank Reconciliation Statement as on 30-9-2018			
Sr.No	Particulars	Amount	Amount
A	Overdraft As Per Cash Book		49350
B	Add -		
	Cheque Deposited But Not Cleared	1300	
	Cheque Deposited Dishonored not Recorded in Cash Book	250	
	Interest paid to Creditors not Recorded in cash book	320	
	Policy Premium paid By Bank Not Recorded in Cash Book	160	
	Calls on Shares paid By Bank Not Recorded in Cash Book	600	
	Bank Charges & Commission Charged by Bank not Recorded in Cash Book	15	
	Wrong Debit Given By Bank	300	2945
C	Less -		
	Cheque issued But Not presented	3700	
	Cheque issued By Abdul Returned by Him	750	
	Dividend Received By Bank Not recorded in Cash Book	150	
	Insurance Claim Received By Bank Not Recorded in cash Book	800	
	Wrong credit Given By Bank	500	5900
D	Overdraft As per Pass Book (A+B-C)		46395

## QUESTION 7

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

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

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

***Prepare Bank Reconciliation Statement as on 31<sup>st</sup> March, 2018.***



**Mrs. Rani****Bank Reconciliation Statement as on 31st March,2018**

<b>Sr.No</b>	<b>Particulars</b>	<b>Amount</b>	<b>Amount</b>
A	Balance as per Bank Pass Book (Overdraft)		33575
B	Add :		
	No entry in cash book for interest collection by bank	2800	
	Cheque issued but not yet Presented	2500	
	wrong credit given by Bank	500	
	Rebate on bill retired not entered in cash book	175	
	cheques deposited in bank not yet recorded in cash book	2400	8375
C	Less :		
	Cheque Deposited but not yet Collected	7500	
	wrong Debit given by Bank	300	
	Cheque of Rs.1000 entered in cash book but omitted to be Banked	1000	
	Discounted Bill dishonoured but no entry in Cash Book	5200	14000
D	Balance as per Cash book (overdraft) (A+B-C)		27950

A Cheque of 1080 credited in Pass book on March 28th has no effect on BRS on 31-3-2018

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# **BILLS OF EXCHANGE**

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## QUESTION 8

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

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

Prepare Journal Entries in the books of Mr. P

## In The Books of P Journal Entries

Date	Particulars	LF	Debit	Credit
01-08-20	Bills Receivable A/c....Dr		10000	
	To Q A/c			10000
	(Being Drawn on Q)			
01-08-2020	Bank A/c Dr.		9800	
	Discount A/c Dr.		200	
	To Bills Receivable A/c			10,000
	(Being discounting of bill)			

Date	Particulars	LF	Debit	Credit
04-11-20	Q A/c.....Dr		10000	
	To Bank A/c			10000
	(Being the bill cancelled up due to Q's inability to pay it )			
04-11-20	Q A/c....Dr		240	
	To Interest A/c			240
	(Being Interest on Renewed Bill			

Date	Particulars	LF	Debit	Credit
4-11-20	Cash A/c....Dr		2240	
	To Q A/c			2240
	(Being Part Payment received)			
01-08-20	Bills Receivable A/c....Dr		8000	
	To Q A/c			8000
	(Being Drawn on Q)			

Date	Particulars	LF	Debit	Credit
31-12-20	Q A/c.....Dr		8000	
	To Bills Receivable A/c			8000
	(Being Bill Dishonored Due to Insolvency)			
31-12-20	Bank A/c.....Dr		3200	
	Bad Debts A/c....Dr		4800	
	To Q A/c			8000
	(Being Final Dividend received from Q's Estate)			

## QUESTION 9

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

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

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

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

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



## In The Books of A Journal Entries

Date	Particulars	LF	Debit	Credit
12-5-20	B's A/c.....Dr		36470	
	To Sales A/c			36470
	(Being Goods Sold			
12-5-20	Bills Receivable 1 A/c....Dr		16470	
	Bills Receivable 2 A/c....Dr		20000	
	To B's A/c			36470
	(Being Bills Drawn			

Date	Particulars	LF	Debit	Credit
5-6-20	Bill For Collection A/c....Dr		36470	
	To Bills Receivable 1 A/c			16470
	To Bills Receivable 2 A/c			20000
	(Being Bill Sent To Bank For Collection)			
15-6-20	Bank A/c.....Dr		16470	
	To Bill For Collection A/c			16470
	(being First Bill Honored)			

Date	Particulars	LF	Debit	Credit
14-8-20	B's A/c.....Dr		20020	
	To Bill For Collection A/c			20000
	To Bank A/c			20
	(Being 2 <sup>nd</sup> Bill Dishonor on Due Date)			
16-8-20	B's A/c....Dr		480	
	To Interest A/c			480
	(Being Interest Receivable on Renewal of Bill)			

Date	Particulars	LF	Debit	Credit
16-8-20	Bank A/c.....Dr		8020	
	To B's A/c			8020
	(Being Part payment Received)			
16-8-20	Bills Receivable 3 A/c....Dr		12480	
	To B's A/c			12480
	(Being New Bill Drawn)			

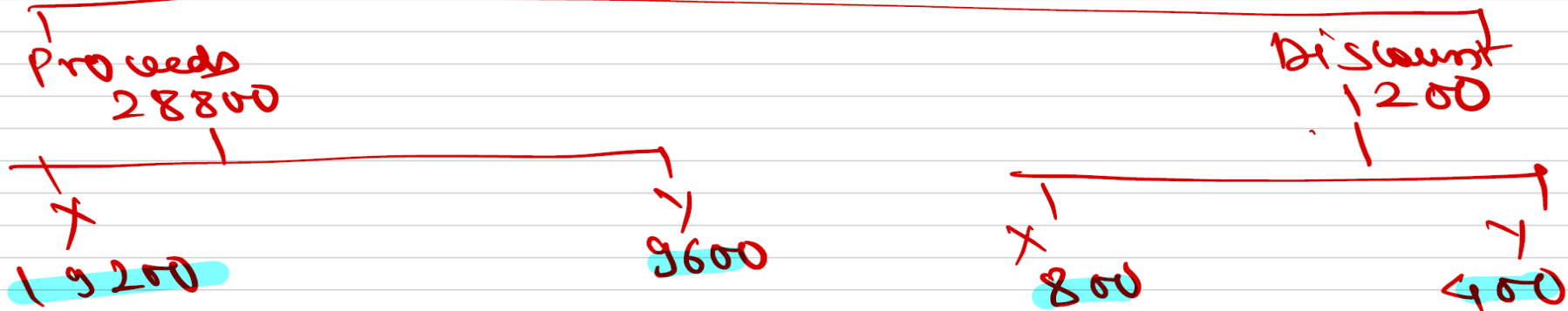
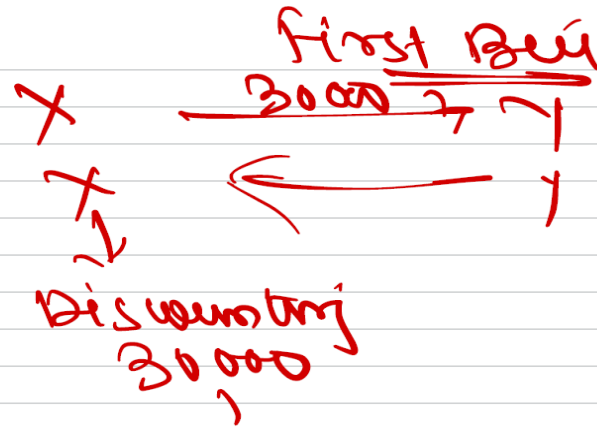
Date	Particulars	LF	Debit	Credit
16-8-20	Bill For Collection A/c...Dr		12480	
	To Bills Receivable 3 A/c			12480
	(Being Bill Sent To Bank For Collection)			
1-10-20	Bank A/c....Dr		12240	
	Rebate A/c...Dr		240	
	To Bill For Collection A/c			12480
	(Being Bill Retired )			

## QUESTION 10

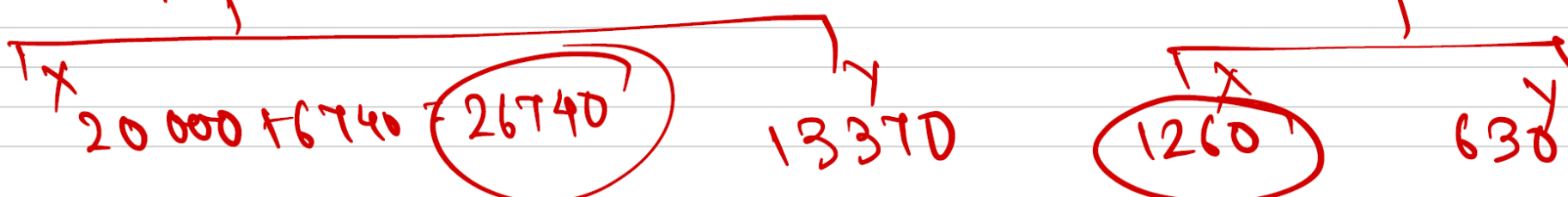
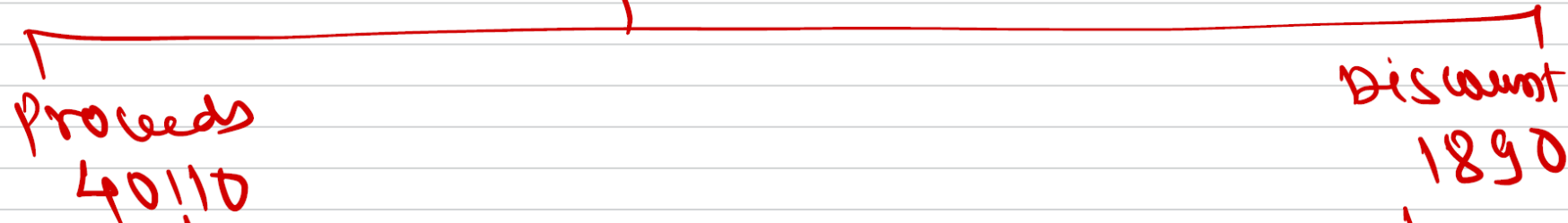
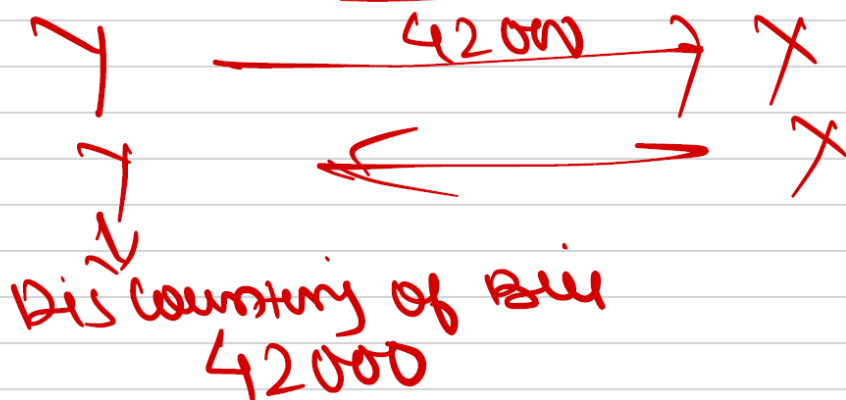
X draws on Y a bill of exchange for Rs 30,000 on 1st April, 2020 for 3 months. Y accepts the bill and sends it to X who gets it discounted for Rs 28,800. X immediately remits Rs 9,600 to Y. On the due date, X, being unable to remit the amount due, accepts a bill for Rs 42,000 for three months which is discounted by Y for Rs 40,110. Y sends Rs 6,740 to X. Before the maturity of the bill X becomes bankrupt, his estate paying fifty paise in the rupee. Give the journal entries in the books of X and Y.

# Working Note

## Ascertainment of Discount to Be Borne By Parties to Bill of Exchange



Second Bill





## In The Books of X Journal Entries

Date	Particulars	LF	Debit	Credit
01-04-2020	Bills Receivable A/c <span style="float: right;">Dr.</span>		30,000	
	To Y A/c			30,000
	(Being acceptance received for Mutual accomodation)			
01-04-2020	Bank A/c <span style="float: right;">Dr.</span>		28,800	
	Discount A/c <span style="float: right;">Dr.</span>		1,200	
	To Bills Receivable A/c			30,000
	(Being discounting of bill)			

Date	Particulars	LF	Debit	Credit
01-04-2020	Y A/c Dr.		10,000	
	To Cash/Bank A/c			9,600
	To Discount A/c			400
	(Being 1/3 proceeds of the bill transfer to the Y's A/c)			
04-07-2020	Y A/c Dr.		42,000	
	To Bills Payable A/c			42,000
	(Being acceptance of bill given)			

Date	Particulars	LF	Debit	Credit
04-07-2020	Cash/Bank A/c <span style="float: right;">Dr.</span>		6,740	
	Discount A/c <span style="float: right;">Dr.</span>		1,260	
	To Y A/c			8,000
	(Being amount received from Y against 2nd Bill)			
	Bills Payable A/c <span style="float: right;">Dr.</span>		42,000	
	To Y A/c			42,000
	(Being dishonour of bill due insolvency)			

Date	Particulars	LF	Debit	Credit
	Y A/c Dr.		28,000	
	To Bank A/c			14,000
	To Deficiency A/c			14,000
	(Being Final Settlement at 50 Paise in A Rupee due to			
	Insolvency)			

## In The Books of Y Journal Entries

Date	Particulars	LF	Debit	Credit
01-04-2020	X A/c.....Dr		30,000	
	To Bills Payable			30,000
	(Being acceptance Given for Mutual accomodation)			
01-04-2020	Cash/Bank A/c.....Dr		9,600	
	Discount A/c.....Dr		400	
	To X A/c			10,000
	(Being Proceeds Received from X and Share of Discount Debited)			

Date	Particulars	LF	Debit	Credit
04-07-2020	Bills Recievable A/c.....Dr		42,000	
	To X A/c			42,000
	(Being Bill Drawn on X)			
04-07-2020	Bank A/c.....Dr		40,110	
	Discount A/c.....Dr		1,890	
	To Bills Recievable A/c			42,000
	(Being Bill Discounted with Bank)			

Date	Particulars	LF	Debit	Credit
	X A/c....Dr		8,000	
	To Discount A/c			1,260
	To Cash/Bank A/c			6,740
	(being 6740 Paid to X After Discounting of 2nd Bill)			
	Bills Payable A/c.....Dr		30,000	
	To Cash/Bank A/c			30,000
	(Being First Bill Honored)			

Date	Particulars	LF	Debit	Credit
	X A/c....Dr		42,000	
	To Bank A/c			42,000
	(Being Bill Dishonored Due to Insolvency)			
	Cash/Bank A/c...Dr		14,000	
	Bad Debts A/c....Dr		14,000	
	To X A/c			28,000
	(Being Final Settlement at 50 Paise in A Rupee due to Insolvency)			



## QUESTION 11

Journalize the following in the books of Don:

- (i) Bob informs Don that Ray's acceptance for ₹ 3,000 has been dishonoured and noting charges are ₹ 40. Bob accepts ₹ 1,000 cash and the balance as bill at three months at interest of 10%. Don accepts from Ray his acceptance at two months plus interest @ 12% p.a.
- (ii) James owes Don ₹ 3,200; he sends Don's own acceptance in favour of Ralph for ₹ 3,160; in full settlement.
- (iii) Don meets his acceptance in favour of Singh for ₹ 4,500 by endorsing John's acceptance for ₹ 4,450 in full settlement.
- (iv) Ray's acceptance in favour of Don retired one month before due date, interest is taken at the rate of 6% p.a.

**In the Books of Don**

<b>Sr.No</b>	<b>Particulars</b>	<b>Debit</b>	<b>Amount</b>
<b>1</b>	<b>Ray's A/c.....Dr</b>	<b>3,040</b>	
	<b>To Bob's A/c</b>		<b>3,040</b>
	<b>(Being Endorsed Bill Dishonored and Noring charges paid)</b>		
	<b>Bob's A/c....Dr</b>	<b>3,040</b>	
	<b>Interest A/c....Dr</b>	<b>51</b>	
	<b>To Cash A/c</b>		<b>1,000</b>
	<b>To Bills payable A/c</b>		<b>2,091</b>
	<b>(being first bill paid in part &amp; new bill accepted)</b>		
	<b>Bills recievable A/c...Dr</b>	<b>3,101</b>	
	<b>To Interest</b>		<b>61</b>
	<b>To ray's A/c</b>		<b>3040</b>
	<b>(Being bill drawn on ray for 3 months for 3040 plus interest)</b>		
<b>2</b>	<b>Bills payable A/c....Dr</b>	<b>3,160</b>	
	<b>Discount A/c....dr</b>	<b>40</b>	
	<b>To James A/c</b>		<b>3200</b>
	<b>(Being bill received from James in full Settlement)</b>		

<b>3</b>	<b>Bills payable A/c....Dr</b>	<b>4,500</b>	
	<b>To Bills recievable A/c</b>		<b>4,450</b>
	<b>To Discount A/c</b>		<b>50</b>
	<b>(being Bills payable to singh paid by endorsing john's acceptance in full settlement)</b>		
<b>4</b>	<b>Cash/Bank A/c....dr</b>	<b>3,085</b>	
	<b>Rebate on Bills A/c....dr</b>	<b>16</b>	
	<b>To Bills recievable A/c</b>		<b>3,101</b>
	<b>(Being Bill retired by Ray one month before due date)</b>		

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# INVENTORY VALUATION

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## QUESTION 12

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

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

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

# Estimated Trading A/c Assuming All Goods Sold

Particulars		Amount	Particulars		Amount
To Purchase	1575500		By Sales A/c		2480500
Less – Trade Discount @3%	<u>47265</u>		(2245500+235000)		
	1528235		By Closing Stock		NIL
Add –Sales Tax @ 11%	168106	1696341			
To Packing & Transportation Charges		87500			
To Gross Profit		<b>696659</b>			
		<b>2480500</b>			<b>2480500</b>

## Computation of GP Margin Of Business

$$\begin{aligned}\text{GP Margin} &= \text{GP}/\text{Assumed Sales} \times 100 \\ &= 696659/2480500 \times 100 \\ &= 28.09\%\end{aligned}$$

## Value of Closing Stock at Cost

$$\begin{aligned}\text{Cost of Closing Stock} &= \text{Sale Value of Closing Stock} - \text{GP margin} \\ &= 235000 - 28.09\% \\ &= 168989\end{aligned}$$

## QUESTION 13

From the following information, ascertain the value of stock as on 31.3.2020:

	₹
Value of stock on 1.4.2019	7,00,000
Purchases during the period from 1.4.2019 to 31.3.2020	34,60,000
Manufacturing expenses during the above period	7,00,000
Sales during the same period	52,20,000

At the time of valuing stock on 31.3.2019 a sum of ₹ 60,000 was written off a particular item which was originally purchased for ₹ 2,00,000 and was sold for ₹ 1,60,000. But for the above transaction the gross profit earned during the year was 25% on cost.



## TRADING A/C

PARTICULARS	NORMAL	ABNORMAL	TOTAL	PARTICULARS	NORMAL	ABNORMAL	TOTAL
To Opening Stock	560000	140000	700000	By Sales	5060000	160000	5220000
To Purchases	3460000	-	3460000				
To manufacturing Expenses	700000	-	700000	By Closing Stock (BF)	672000	-	672000
To Gross Profit	1012000	20000	1032000				
	(20% of 5060000)						
	<b>5732000</b>	<b>160000</b>	<b>5892000</b>		<b>5732000</b>	<b>160000</b>	<b>5892000</b>

Value of Closing Stock = 672000

## QUESTION 14

*Inventory taking for the year ended 31st March, 2020 was completed by 10th April 2020, the valuation of which showed a inventory figure of ₹ 16,75,000 at cost as on the completion date. After the end of the accounting year and till the date of completion of inventory taking, sales for the next year were made for ₹ 68,750, profit margin being 33.33 percent on cost. Purchases for the next year included in the inventory amounted to ₹ 90,000 at cost less trade discount 10 percent. During this period, goods were added to inventory at the mark up price of ₹ 3,000 in respect of sales returns. After inventory taking it was found that there were certain very old slow-moving items costing ₹ 11,250, which should be taken at ₹ 5,250 to ensure disposal to an interested customer. Due to heavy flood, certain goods costing ₹ 15,500 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 ₹ 12,500 on 31st March. Compute the value of inventory for inclusion in the final accounts for the year ended 30th March, 2020.*

## STATEMENT SHOWING COMPUTATION OF STOCK AS ON 30-3-2020

SR.NO	PARTICULARS	AMOUNT	AMOUNT
<b>A</b>	<b>Stock as on 10-4-2020</b>		<b>1675000</b>
<b>B</b>	<b>Add -</b>		
	Cost of Goods Sold (68750-25%)		51563
<b>C</b>	<b>Less -</b>		
	Cost of Goods purchased (90000-10%)	81000	
	Cost of Goods returned by Customer (3000-25%)	2250	
	Reduction in Value of Slow Moving Item	6000	
	Reduction in Value of Stock due to Refusal by Customer	3000	<b>92250</b>
<b>D</b>	<b>Value of Stock as on 30-3-2020</b>		<b>1634313</b>

## QUESTION 15

Physical verification of stock in a business was done on 23rd June, 2020. The value of the stock was ₹ 48,00,000. The following transactions took place between 23rd June to 30th June, 2020:

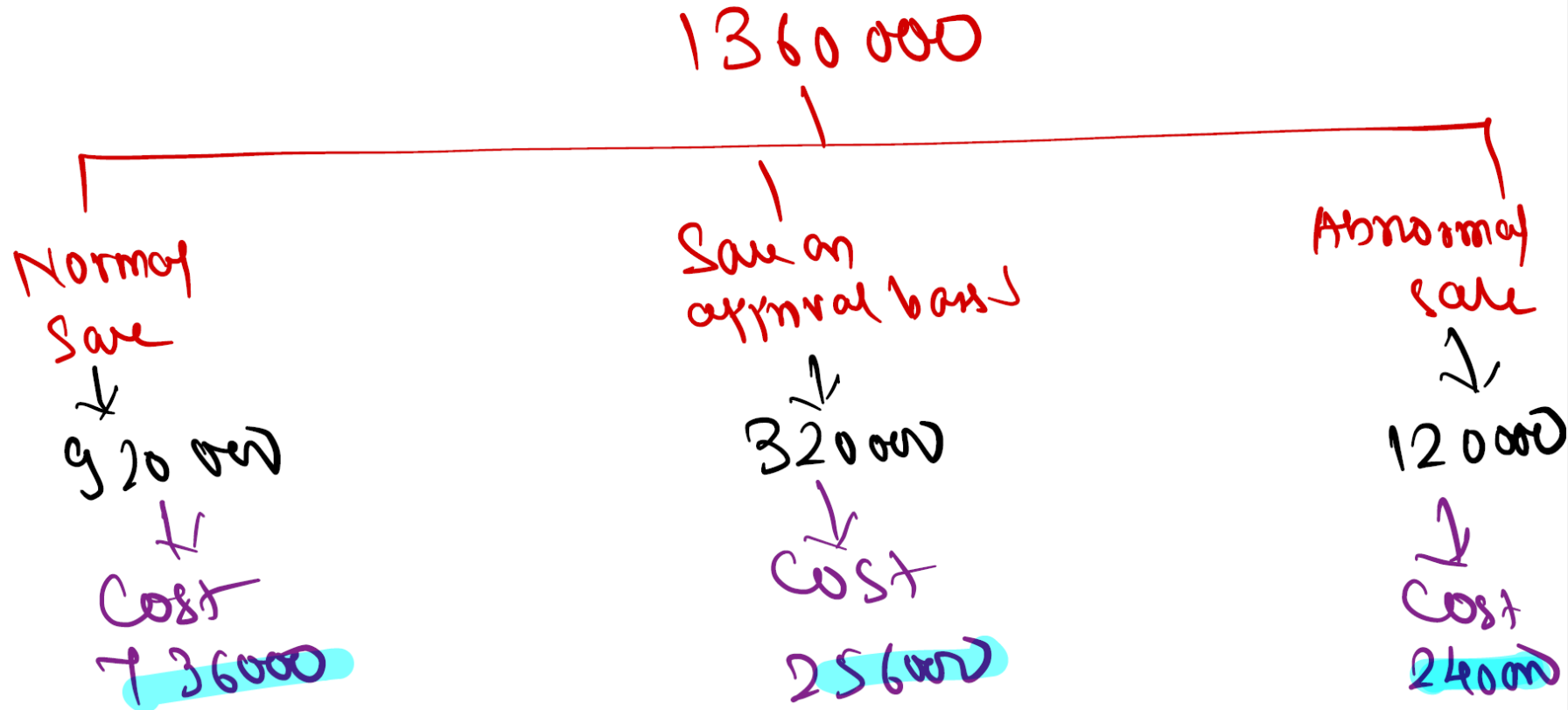
- (i) Out of the goods sent on consignment, goods at cost worth ₹ 2,40,000 were unsold.
- (ii) Purchases of ₹ 4,00,000 were made out of which goods worth ₹ 1,60,000 were delivered on 5th July, 2020.
- (iii) Sales were ₹ 13,60,000, which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 30th June, 2020.
- (iv) Goods are sold at cost plus 25%. However, goods costing ₹ 2,40,000 had been sold for ₹ 1,20,000.

Determine the value of stock on 30th June, 2020.

## STATEMENT SHOWING COMPUTATION OF STOCK AS ON 30-6-2020

SR. NO	PARTICULARS	AMOUNT	AMOUNT
<b>A</b>	<b>Stock as on 23-06-2020</b>		<b>4800000</b>
<b>B</b>	<b>Add -</b>		
	Goods lying with Consignee	240000	
	Cost of Goods Purchased & Received	240000	
	Cost of Goods in Transit	160000	
	50% of Goods Returned by Customer to whom Goods Sent on Approval	128000	
	50% of Goods lying with Customer to whom Goods Sent on Approval	128000	896000
<b>C</b>	<b>Less -</b>		
	Cost of Normal Goods Sold	736000	
	Cost of Goods on Approval Basis	256000	
	Cost of Abnormal Goods	240000	1232000
<b>D</b>	<b>Value of Stock as on 30-6-2020</b>		<b>4464000</b>

# Working Note - Bifurcation of Sales & Its Cost



## QUESTION 16

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

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

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

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



## STATEMENT SHOWING COMPUTATION OF STOCK AS ON 31-3-2021

SR.NO	PARTICULARS	AMOUNT	AMOUNT
A	<b>Stock as on 30-09-2020</b>		<b>240000</b>
B	<b>Add -</b>		
	Under casting of Stock Sheet	600	
	Purchases (210000-9000+12000)	213000	
	Cost of Goods Returned (3000*80%)	2400	<b>216000</b>
C	<b>Less -</b>		
	overcasting of Stock Sheet	1000	
	Cost of Goods Sold (270000-15000+12000) * 80%	213600	<b>214600</b>
D	<b>Value of Stock as on 31-3-2021</b>		<b>241400</b>

## QUESTION 17

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

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

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

### STATEMENT SHOWING COMPUTATION OF STOCK AS ON 31-3-2017

SR.NO	PARTICULARS	AMOUNT
A	Stock As on 31 <sup>st</sup> March 2017 (Given)	750000
B	Add – Goods Purchased But Not Included in Stock	500000
C	Add – Goods Sent To Customers on Approval Basis At Cost	150000
D	Value of Closing Stock as on 31 <sup>st</sup> march 2017 (A+B+C)	1400000

# Adjusted Profit & Loss Account

Particulars	Amount	Particulars	Amount
To Advertisement (Free Sample)	80000	By Net profit	800000
To Sales (Goods Sent on Approval Wrongly treated As Sale) (150000+1/3 of 150000)	200000	By Electric Fittings	30000
		By Goods Distributed as Free Sample	80000
To Adjusted Net Profit (Bal Fig)	1680000	By Sales to Be recorded in March	400000
		By Increase in Closing Stock (1400000-750000)	650000
	1960000		1960000

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# DEPRECIATION

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## QUESTION 18

The Machinery Account of a Factory showed a balance of ₹ 19,00,000 on 1st January, 2019. Its accounts were made up on 31<sup>st</sup> December each year and depreciation is written off at 10% p.a. under the Diminishing Balance Method.

On 1st June 2019, a new machinery was acquired at a cost of ₹ 2,80,000 and installation charges incurred in erecting the machine works out to ₹ 8,920 on the same date. On 1<sup>st</sup> June, 2019 a machine which had cost ₹ 4,37,400 on 1<sup>st</sup> January 2017 was sold for ₹ 75,000. Another machine which had cost ₹ 4,37,000 on 1<sup>st</sup> January, 2018 was scrapped on the same date and it realised nothing.

Write a plant and machinery account for the year 2019, allowing the same rate of depreciation as in the past calculating depreciation to the nearest multiple of a Rupee.

# Machinery A/c

Date	Particulars	Amount	Date	Particulars	Amount
1-1-19	To Bank A/c (354294 + 393300 + 1152406)	1900000	1-6-19	By Depreciation ON Machine Sold A/c	14762
1-6-19	To Bank A/c	280000	1-6-19	By Bank A/c	75000
1-6-19	To Bank A/c	8920	1-6-19	By P/L A/c	264532



Date	Particulars	Amount	Date	Particulars	Amount
			1-6-19	By Depreciation on Machine Scrapped A/c	16388
			1-6-19	By P/L A/c	376912
			31-12-19	By Depreciation A/c (115241 + 16854)	132095
			31-12-19	By Bal C/d (BF)	1309231
		<b>2188920</b>			<b>2188920</b>

## WN 1 - Calculation of Profit/Loss on Sale of Machinery 1

Sr.No	Particulars	Amount
A	Cost on 1-1-17	437400
B	Depreciation for 2017	43740
C	WDV as on 1-1-18	393660
D	Depreciation for 2018	39366
E	WDV as on 1-1-19	354294
F	Depreciation for For 5 Months of 2019	14762
G	WDV Before Sale as on 1-6-2019	339532
H	Sale Value	75000
I	Loss on Sale (G-H)	264532

## WN 2 - Calculation of Profit/Loss on Sale of Machinery 2

Sr.No	Particulars	Amount
A	Cost on 1-1-18	437000
B	Depreciation for 2018	43700
C	WDV as on 1-1-19 (A-B)	393300
D	Depreciation for 2019 for 5 Months	16388
E	WDV Before Sale as on 1-6-2019 (C-D)	376912
F	Sale Value	0
G	Loss on Sale (E-F)	376912

## QUESTION 19

M/s. Green Channel purchased a second-hand machine on 1st January, 2017 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000.

Another machine was purchased for ₹ 80,000 on 1<sup>st</sup> July, 2017.

On 1st July, 2019, the machine installed on 1st January, 2017 was sold for ₹ 1,00,000. Another machine amounted to ₹ 30,000 was purchased and was installed on 30<sup>th</sup> September, 2019.

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

# Machinery A/c

Date	Particulars	Amount	Date	Particulars	Amount
1-1-17	To Bank A/c	160000	31-12-17	By Depreciation A/c (20000+4000)	24000
1-1-17	To Bank A/c	40000	31-12-17	By Bal C/d (BF) (180000+76000)	256000
1-7-17	To Bank A/c	80000			
		<b>280000</b>			<b>280000</b>

Date	Particulars	Amount	Date	Particulars	Amount
1-1-18	To Bal B/d (180000+76000)	256000	31-12-18	By Depreciation A/c (20000 + 8000)	28000
			31-12-18	By Bal C/d (BF) (160000+68000)	228000
		<b>256000</b>			<b>256000</b>

Date	Particulars	Amount	Date	Particulars	Amount
1-1-19	To Bal B/d (160000+68000)	228000	1-7-19	By Depreciation on Machine Sold A/c	10000
30-9-19	To Bank A/c	30000	1-7-19	By Bank A/c	100000
			1-7-19	By P/L A/c	50000
			31-12-19	By Depreciation A/c (8000 + 750)	8750
			31-12-19	By Bal C/d (BF) (60000 + 29250)	89250
		<b>258000</b>			<b>258000</b>

Date	Particulars	Amount	Date	Particulars	Amount
1-1-20	To Bal B/d (60000+29250)	89250	31-12-20	By Depreciation A/c (9000 + 4388)	13388
			31-12-20	By Bal C/d (BF) (51000+24862)	75862
		<b>89250</b>			<b>89250</b>



## QUESTION 20

Amazing group had Property, Plant & Equipment (PP&E) with a book value of ₹ 35,00,000 on 31st December 2019. The balance in Revaluation Surplus on that date was ₹ 3,00,000. As part of their practice of revaluing the assets on yearly basis, another revaluation was carried out on 31st December 2019. Evaluate the impact of Revaluation if the Fair Value as a result of Revaluation done on 31st December 2019 was (a) ₹ 37,00,000 (b) ₹ 33,00,000 and (c) ₹ 31,00,000. Also, give the journal entries.

### Case A

Property Plant & Equipment A/c.....Dr	200000	
To Revaluation Surplus A/c		200000

### Case B

Revaluation Surplus A/c.....Dr	200000	
To Property Plant & Equipment A/c		200000

### Case C

Revaluation Surplus A/c.....Dr	300000	
Profit & Loss A/c.....Dr	100000	
To Property Plant & Equipment A/c		400000

## QUESTION 21

*On April 1, 2018 Shubra Ltd. purchased a machinery for ₹ 12,00,000. On Oct 1, 2020, a part of the machinery purchased on April 1, 2018 for ₹ 80,000 was sold for ₹ 45,000 and a new machinery at a cost of ₹ 1,58,000 was purchased and installed on the same date. The company has adopted the method of providing 10% p.a. depreciation on the written down value of the machinery.*

**Prepare Necessary Accounts Assuming provision For Depreciation Account is being Maintained**

# Machinery A/c

Date	Particulars	Amount	Date	Particulars	Amount
01/04/2018	To Bank A/c	12,00,000	31/03/2019	By Balance c/d (BF)	12,00,000
		<b>12,00,000</b>			<b>12,00,000</b>
01/04/2019	To Balance b/d	12,00,000	31/03/2020	By Balance c/d	12,00,000
		<b>12,00,000</b>			<b>12,00,000</b>

Date	Particulars	Amount	Date	Particulars	Amount
01/04/2020	To Balance b/d	12,00,000	01/10/2020	By Machinery Disposal A/c	80,000
01/10/2020	To Bank A/c	1,58,000	31/03/2021	By Balance c/d (BF)	12,78,000
		<b>13,58,000</b>			<b>13,58,000</b>

# Provision for Depreciation A/c

Date	Particulars	Amount	Date	Particulars	Amount
31/03/2019	To Balance c/d (BF)	120000	31/03/2019	By Depreciation A/c	120000
		<b>120000</b>			<b>120000</b>
31/03/2020	To Balance c/d (BF)	2,28,000	01/04/2019	By Balance b/d	120000
			31/03/2020	By Depreciation A/c	108000
		<b>2,28,000</b>			<b>2,28,000</b>

Date	Particulars	Amount	Date	Particulars	Amount
01/10/2020	To Machinery Disposal A/c	18,440	01/04/2020	By Balance b/d	2,28,000
			01/10/2020	By Depreciation A/c (Asset sold)	3,240
31/03/2021	To Balance c/d (BF)	3,11,420	31/03/2021	By Balance c/d (BF) (90720+7900)	98,620
		<b>3,29,860</b>			<b>3,29,860</b>

# Machinery Disposal A/c

Date	Particulars	Amount	Date	Particulars	Amount
01/10/2020	To Machinery A/c	80,000	01/10/2020	By Cash /Bank A/c	45,000
			01/10/2020	By Provision for Depreciation A/c	18,440
			31/03/2021	By P&L A/c (loss)	16,560
		<b>80,000</b>			<b>80,000</b>



# Depreciation A/c

Date	Particulars	Amount	Date	Particulars	Amount
31/03/2019	To Provision for Depreciation A/c	120000	31/03/2019	By P&L A/c	120000
		<b>120000</b>			<b>120000</b>
31/03/2020	To Provision for Depreciation A/c	1,08,000	31/03/2020	By P&L A/c	1,08,000
		<b>1,08,000</b>			<b>1,08,000</b>
01/10/2020	To Provision for Depreciation A/c	3,240	31/03/2021	By P&L A/c	1,01,860
31/03/2021	To Provision for Depreciation A/c (90720+7900)	98,620			
		<b>1,01,860</b>			<b>1,01,860</b>

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**FINAL ACCOUNTS  
OF  
NON MANUFACTURING ENTITY**

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## QUESTION 22

The balance sheet of Thapar on 1st April, 2019 was as follows:

<b>Liabilities</b>	<b>Amount ₹</b>	<b>Assets</b>	<b>Amount ₹</b>
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 2019-20, 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, 2020.

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, 2020 were: Inventories ₹ 14,50,000; Trade receivables ₹ 20,00,000; Cash at Bank ₹ 10,35,000 and Trade payables ₹ 11,40,000.

During the year he withdrew ₹ 6,00,000 for domestic use.

### **Required**

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

Balance Sheet as on 31st March 2020					
Liabilities		Amount	Assets		Amount
Capital	5000000		Plant & Machinery	3000000	
Less - Drawings	600000		Less -Depreciation at 10%	<u>300000</u>	2700000
Add - Net profit	<u>1670000</u>	6070000	Furniture & Fixture	300000	
			Less -Depreciation at 5%	<u>15000</u>	285000
			Trade Recievables	2000000	
			Less - RDD at 5%	<u>100000</u>	1900000
			Cash at Bank		1035000
			Inventories		1450000
			Prepaid Insurance		20000
Trade Payables		1140000			
Outstanding Expenses		180000			
		<b>7390000</b>			<b>7390000</b>
<b>Working Notes</b>					
<b>Profit &amp; Loss A/c (Revised)</b>					
Particulars	Amount	Particulars	Amount		
To Expenses	180000	By Bal B/d	1830000		
To NP Trf to Capital A/c (Bal Fig)	16,70,000	By Insurance	20000		
	<b>18,50,000</b>				<b>18,50,000</b>

## QUESTION 23

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

Particulars	Dr.	Cr.
	₹	₹
Cash in hand	14,000	
Cash at bank	26,000	
Sundry Debtors	8,60,000	
Stock on 1.4.2019	6,20,000	
Furniture & fixtures	2,14,000	
Office equipment	1,60,000	
Buildings	6,00,000	
Motor Car	2,00,000	

<i>Sundry Creditors</i>		<i>4,30,000</i>
<i>Loan from Viswanath</i>		<i>3,00,000</i>
<i>Provision for bad debts</i>		<i>30,000</i>
<i>Purchases</i>	<i>14,00,000</i>	
<i>Purchase Returns</i>		<i>26,000</i>
<i>Sales</i>		<i>23,00,000</i>
<i>Sales Returns</i>	<i>42,000</i>	
<i>Salaries</i>	<i>1,10,000</i>	
<i>Rent for Godown</i>	<i>55,000</i>	
<i>Interest on loan from Viswanath</i>	<i>27,000</i>	
<i>Rates &amp; Taxes</i>	<i>21,000</i>	
<i>Discount allowed to Debtors</i>	<i>24,000</i>	
<i>Discount received from Creditors</i>		<i>16,000</i>
<i>Freight on purchases</i>	<i>12,000</i>	

<i>Carriage Outwards</i>	20,000	
<i>Drawings</i>	1,20,000	
<i>Printing and Stationery</i>	18,000	
<i>Electricity Charges</i>	22,000	
<i>Insurance Premium</i>	55,000	
<i>General office expenses</i>	30,000	
<i>Bad Debts</i>	20,000	
<i>Bank charges</i>	16,000	
<i>Motor car expenses</i>	36,000	
<i>Capital A/c</i>		16,20,000
<b>TOTAL</b>	<b>47,22,000</b>	<b>47,22,000</b>

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



1. Depreciate: (a) Building used for business by 5 percent; (b) Furniture and fixtures by 10 percent; One steel table purchased during the year for ₹ 14,000 was sold for same price but the sale proceeds were wrongly credited to Sales Account; (c) Office equipment by 15 percent; Purchase of a typewriter during the year for ₹ 40,000 has been wrongly debited to purchase; and (d) Motor car by 20%.
2. Value of stock at the close of the year was ₹ 4,40,000.
3. Two month's rent for godown is outstanding.
4. Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2019.
5. Provision for bad debts is to be maintained at 5 percent of Sundry Debtors.
6. Insurance premium includes ₹ 40,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.2019 to 30.6.2020.

Trading & Profit & Loss Account					
For the year Ended 31-03-20					
Particulars		Amount	Particulars		Amount
To Opening Stock		620000	By Sales		2300000
To Purchases		1400000	Less - Returns		42000
Less - Pur of Typewriter		40000	Less - Sale of Furniture		<u>14000</u>
Less - Returns		<u>26000</u>	By Closing Stock		440000
To Freight on Purchase		12000			
To Gross profit Carried to P/l A/c		718000			
		<b>2684000</b>			<b>2684000</b>

To Salaries		110000	By Gross Profit B/d	718000
To Rent Godown	55000		By Discount Received from Creditors	16000
Add - O/s Rent	<u>11000</u>	66000		
To Interest on Loan	27000			
Add - O/s Interest	<u>6000</u>	33000		
To Rates & Taxes		21000		
To Discount Allowed to Debtors		24000		
To RDD	43000			
Less - Old RDD	<u>30000</u>	13000		
To Carriage Outwards		20000		
To Printing & Stationary		18000		
To Electricity Charges		22000		
To Insurance Premium	55000			
Less - Life insurance of Proprietor	40000			
Less - Prepaid Insurance	<u>3000</u>	12000		
To General Office Expenses		30000		
To Bad Debts		20000		
To Bank Charges		16000		
To Motor Car Expenses		36000		
To Depreciation				
Furniture & Fixture	20000			
Office Equipment	30000			
Building	30000			
Motor Car	<u>40000</u>	120000		
To Net Profit Transferred to Capital A/c		173000		
		<b>734000</b>		<b>734000</b>

Balance Sheet as on 31-03-20					
Liabilities		Amount	Assets		Amount
Capital	1620000		Furniture & Fixtures	214000	
Less - Drawings	120000		Less - Included on Sales	14000	
Less - Life Insurance Premium	40000		Less - Depreciation at 10%	<u>20000</u>	180000
Add - Net Profit	<u>173000</u>	1633000	Office Equipment	160000	
			Add - Typewriter	<u>40000</u>	
				200000	
			Less - Depreciation @15%	<u>30000</u>	170000
Vishwanath Loan	300000		Building	600000	
Add - Outstanding Interest	<u>6000</u>	306000	Less - Depreciation @5%	30000	570000
Sundry Creditors		430000	Motor Car	200000	
Outstanding Rent		11000	Less - Depreciation @20%	<u>40000</u>	160000
			Sundry Debtors	860000	
			Less - Provision For RDD@5%	<u>43000</u>	817000
			Prepaid Insurance		3000
			Closing Stock		440000
			Cash in Hand		14,000
			Cash at Bank		26,000
		2380000			2380000

## QUESTION 24

From the following particulars extracted from the books of Ganguli, prepare trading and profit and loss account and balance sheet as at 31st March, 2020 after making the necessary adjustments:

	₹		₹
Ganguli's capital account (Cr.)	5,40,500	Interest received	7,250
Stock on 1.4.2019	2,34,000	Cash with Traders Bank Ltd.	40,000
Sales	14,48,000	Discounts received	14,950
Sales return	43,000	Investments (at 5%) as on 1.4.2019	25,000
Purchases	12,15,500	Furniture as on 1-4-2019	9,000
Purchases return	29,000	Discounts allowed	37,700
Carriage inwards	93,000	General expenses	19,600
Rent	28,500	Audit fees	3,500
Salaries	46,500	Fire insurance premium	3,000

Sundry debtors	1,20,000	Travelling expenses	11,650
Sundry creditors	74,000	Postage and telegrams	4,350
Loan from Dena Bank Ltd. (at 12%)	1,00,000	Cash in hand	1,900
Interest paid	4,500	Deposits at 10% as on 1-4-2019 (Dr.)	1,50,000
Printing and stationery	17,000	Drawings	50,000
Advertisement	56,000		

### Adjustments:

- (1) Value of stock as on 31st March, 2020 is ₹ 3,93,000. This includes goods returned by customers on 31st March, 2020 to the value of ₹ 15,000 for which no entry has been passed in the books.
- (2) Purchases include furniture purchased on 1st January, 2020 for ₹10,000.
- (3) Depreciation should be provided on furniture at 10% per annum.
- (4) The loan account from Dena bank in the books of Ganguli appears as follows:

		₹			₹
31.3.2020	To Balance c/d	1,00,000	1.4.2019	By Balance b/d	50,000
			31.3.2020	By Bank	50,000
		1,00,000			1,00,000

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

**In The Books of Mr. Ganguli  
Trading & Profit & Loss Account  
For the year Ended 31-03-2020**

<b>Particulars</b>	<b>Amount</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>	<b>Amount</b>
To Opening Stock		234000	By Sales	1448000	
To Purchases	1215500		Less - Sales Return (43000+15000)	<u>58000</u>	1390000
Less - Returns	<u>29000</u>		By Closing Stock		393000
	1186500				
Less - Furniture Purchased	<u>10000</u>	1176500			
To Carriage Inward		93000			
To Gross Profit		279500			
		<b>1783000</b>			<b>1783000</b>
To Postage & Telegram		4350	By Gross profit B/d		279500
To Travelling Expenses		11650	By Interest Received	7250	
To Depreciation on Furniture		1150	Add - O/s Interest on Deposit & Investment	<u>10000</u>	17250
To Rent		28500	By Discount received		14,950
To Salaries		46500			
To RDD		4,750			
To Interest Paid	4500				
Add - O/s Interest on loan from Dena Bank	<u>3000</u>	7500			
To Printing & Stationary		17000			
To Advertisement		56,000			
To Discount Allowed		37,700			
To General Expenses		19,600			
To Audit Fees		3,500			
To Fire Insurance Premium		3,000			
To Net Profit		70,500			
		<b>3,11,700</b>			<b>3,11,700</b>



**Balance Sheet as on 31-03-2020**

<b>Liabilities</b>	<b>Amount</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>	<b>Amount</b>
Ganguli's Capital	540500		Furniture	9000	
Less - Drawings	50000		Add - Furniture Purchased on 1-1-20	10000	
Add - Net Profit	<u>70,500</u>	5,61,000		19000	
			Less - Depreciation at 10%	<u>1150</u>	17850
Loan from Dena Bank		100000	5% Investments		25000
Interest O/s on Dena Bank Loan		3000	10% Deposit		150000
Sundry Creditors	74000		O/s Interest on Deposit & Investments		10000
Less - Adjusted against Debtors	<u>10000</u>	64000			
			Closing Stock		393000
			Debtors	120000	
			Less - Sales Return	<u>15000</u>	
				105000	
			Less - Creditors adjusted	<u>10000</u>	
				95000	
			Less - 5% RDD	<u>4750</u>	90250
			Cash at Bank		40000
			Cash in Hand		1900
		<b>728000</b>			<b>728000</b>

## QUESTION 25

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

	₹		₹
Plant and Machinery	78,200	Bad debts recovered	1800
Furniture and Fittings	41,000	Salaries	90,200
Bank Overdraft	3,20,000	Salaries payable	9,800
Capital Account	2,60,000	Prepaid rent	1,200
Drawings	32,000	Rent	17,200
Purchases	6,40,000	Carriage inward	4,500
Opening Stock	1,29,000	Carriage outward	5,400
Wages	48,660	Sales	8,61,200

Provision for doubtful debts	12,800	Advertisement Expenses	13,400
Provision for Discount on debtors	5,500	Printing and Stationery	5,000
Sundry Debtors	4,80,000	Cash in hand	5,800
Sundry Creditors	1,90,000	Cash at bank	12,500
Bad debts	4,400	Office Expenses	40,640
		Interest paid on loan	12,000

#### Additional Information:

1. Purchases include sales return of ₹ 10,300 and sales include purchases return of ₹ 6,900.
2. Goods withdrawn by Mr. Satender for own consumption ₹ 14,000 included in purchases.
3. Wages paid in the month of April for installation of plant and machinery amounting to ₹ 1,800 were included in wages account.

4. Free samples distributed out of purchases for publicity costing ₹ 3,300.
5. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
6. Depreciation is to be provided on plant and machinery @ 20% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2020 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2021, and a Balance Sheet as on that date. Also show the rectification entries.

## Rectification Entries

Sr.No	Particulars	LF	Amount	Amount
1	Sales Return A/c.....Dr		10300	
	To Purchase A/c			10300
	(Being Sales return Included in Purchase , now			
	Rectified)			
2	Sales A/c.....Dr		6900	
	To Purchase Return A/c			6900
	(Being Purchase Return Included in Sales , Now			
	Rectified)			

Sr.No	Particulars	LF	Amount	Amount
3	Drawings A/c.....Dr		14000	
	To Purchase A/c			14000
	(Being goods Withdrawn included in purchase ,			
	Now Rectified)			
4	Plant & Machinery A/c....dr		1800	
	To Wages A/c			1800
	(Being wages paid for installation of P & M was			
	debited to wages , now rectified)			

Sr.No	Particulars	LF	Amount	Amount
5	Advertisement A/c.....Dr		3300	
	To Purchase A/c			3300
	(Being Entry Recorded)			

In the Books of Satender					
Trading and Profit & loss A/c					
For the year ended 31-03-2021					
Particulars		Amount	Particulars		Amount
To Opening Stock		1,29,000	By Sales	8,54,300	8,44,000
			Less - Returns	<u>(10,300)</u>	
To Purchases	6,12,400	6,05,500	By Closing Stock		5,00,000
Less – Returns	<u>(6,900)</u>		(3,20,000/80%) = 4,00,000/80%		
To Wages		46,860			
To Carriage Inward		4,500			
To Gross profit		5,58,140			
		<b><u>13,44,000</u></b>			<b><u>13,44,000</u></b>



Particulars		Amount	Particulars	Amount
To Interest on loan		12,000	By Gross Profit	5,58,140
To Advertisement		16,700		
To Bad Debts		4,400		
To Depreciation			By Bad Debts Recovered	1,800
-Plant & Machinery	16,000		By Provisions for Doubtful	
-Furniture & Fixture	<u>4,100</u>	20,100	Debts(Old)	12,800
			By Provisions for Discount on	
To Salaries		90,200	Debtors (Old)	5,500
To Rent		17,200		
To Carriage Outward		5,400		
To Provisions for Doubtful Debts (New)		24,000		
To Provisions for Discount on Debtors (New)		11,400		
To Printing & Stationary		5,000		
To Office Expenses		40,640		
To Net Profit		3,31,200		
		<u>5,78,240</u>		<u>5,78,240</u>

## Balance Sheet as on 31st March 2021

Liabilities		Amount	Assets		Amount
Capital	2,60,000		Plant & Machinery	80,000	
Less – Drawings	(46,000)		Lees – Depreciation @20%	<u>(16,000)</u>	
Add Profit	<u>3,31,200</u>	5,45,200			64,000
			Furniture & Fixatures	41,000	
			Lees – Depreciation @10%	<u>(4,100)</u>	36,900
Salary Payable		9,800	Prepaid Rent		1,200
Bank Overdraft		3,20,00	Closing Stock		5,00,000
Sundry Creditors		1,90,000	Sundry Debtors	4,80,000	
			Less - Provisions for Doubtful Debts @5%	<u>24,000</u>	
				456000	
			Less - Provisions for Discount on Debtors @25%	11400	4,44,600
			Cash in Hand		5,800
			Cash at Bank		12,500
		<b>10,65,000</b>			<b>10,65,000</b>

## QUESTION 26

*Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1<sup>st</sup> 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:*

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

*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:*

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

*Other Information:*

- (i) She withdrew ₹ 5,000 by cheque each month for her personal expenses.*
- (ii) Depreciation on building @ 5% p.a. and oil furniture @ 10% p.a.*
- (iii) Closing stock in hand as on 31<sup>st</sup> 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.*

## In The Books of M/s. Designer Wear

### Trading and Profit & loss A/c

For the Year Ended 31-03-2021

Particulars	Amount	Particulars	Amount
To Purchases	17,00,000	By Sales	20,00,000
		By Closing Stock	5,50,000
To Gross Profit (BF)	8,50,000		
	<b>25,50,000</b>		<b>25,50,000</b>

Particulars		Amount	Particulars	Amount
To Travelling Exp		45,000	By Gross profit	8,50,000
To Telephone Charges		50,000		
To Carriage Outward		60,000		
To Depreciation				
-Building	30,000			
-Furniture	<u>1,000</u>	31,000		
To Entertainment Exp		5,000		
To Misc. Exp		15,000		
To Interest On Loan		33,300		
To Electricity Exp		40,000		
Add – O/s	<u>20,000</u>	60,000		
To Maintenance Exp		25,000		
To Net Profit		5,25,700		
		<b>8,50,000</b>		<b>8,50,000</b>

## Balance Sheet as on 31st March 2021

Liabilities		Amount	Assets		Amount
Capital Introduced	3,00,000	9,65,700	Building	6,00,000	5,70,000
Add- Additional Capital	2,00,000		Less – Depreciation @5%	(30,000)	
Less – Drawings	(60,000)				
Add – Profit	<u>5,25,700</u>				
			Furniture	10,000	
			Less – Depreciation @10%	(1,000)	9,000
Bank Loan	3,00,000				
Less – Repaid	(60,000)	2,40,000	Closing Stock		5,50,000
O/s Electricity Charges		20,000	Security Deposit for Telephone Connection		7,000
			Cash at Bank		89,700
		<b>12,25,700</b>			<b>12,25,700</b>



## Bank Account

	PARTICULARS	RS.		PARTICULARS	RS.
To	Capital	3,00,000	By	Building	6,00,000
To	Further capital	2,00,000	By	Furniture	10,000
To	Bank loan	3,00,000	By	Bank loan repaid	60,000
To	Sales	20,00,000	By	Interest	33,300
			By	Security deposit	7,000
			By	Drawings	60,000
			By	Purchase	17,00,000
			By	Telephone charges	50,000
			By	Travelling expenses	45,000
			By	Maintenance expenses	25,000

			By	Entertainment expenses	5,000
			By	Electricity	40,000
			By	Carriage outward	60,000
			By	Misc. expenses	15,000
			By	Balance c/d	<u>89,700</u>
		<u>28,00,000</u>			28,00,000

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**FINAL ACCOUNTS  
OF  
MANUFACTURING ENTITY**

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## QUESTION 27

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

			₹
W.I.P.	- Opening		3,90,000
	- Closing		5,07,000
Raw Materials	- Purchases		12,10,000
	- Opening		3,02,000
	- Closing		3,10,000
	- Returned		18,000
	- Indirect material		16,000
Wages	- direct		2,10,000
	- indirect		48,000

Direct expenses	- Royalty on production	1,30,000
	- Repairs and maintenance	2,30,000
	- Depreciation on factory shed	40,000
	- Depreciation on plant & machinery	60,000
By-product at selling price		20,000

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

**In The Books of Mr. PANKAJ**  
**Manufacturing A/c**  
**For the year Ended 31-03-2020**

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
To Opening Work In Progress	390000		
To Raw Material Consumed (WN 1)	1184000	By By-Products	20000
		By Closing Work in Progress	507000
To Direct Wages	210000	By Cost of Production Trf to Trading Account	1781000
		(Bal Fig)	
To Direct Manufacturing Expenses			
Royalty On Production	130000		
<b>To Indirect Manufacturing Expenses</b>			
Indirect Material	16000		
Indirect Wages	48000		
Repairs & Maintenance	230000		
Dep on Factory Shed	40000		
Dep on P & M	60000		
	394000		
	2308000		2308000

**Working Note 1 - Calculation of RM Consumed**  
 RAW Material Consumed = Opening Stock of RM + Purchase of RM - Return of RM - Closing Stock of RM  
 RAW Material Consumed = 302000+1210000-18000-310000  
                                   = 1184000

# QUESTION 28

Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by Ms. Shivi related to 2019-20. 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			

## 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.

In The Books of M/s. Shivi			
Manufacturing A/c			
For the year Ended 31-03-2020			
Particulars	Amount	Particulars	Amount
To RM Consumed (Bal Fig)	1000000		
To Wages	350000		
Less - Wages for Office	<u>50000</u>	300000	
		By Trading Account (WN 2)	1800000
To Direct Manufacturing Expenses	244000		
Less - Electricity expenses of office	24000		
Less - Delivery Charges to customer	<u>20000</u>	200000	
To Indirect Manufacturing Expenses			
Depreciation (200000+100000)	300000		
	<b>1800000</b>		<b>1800000</b>
Raw Material A/c			
For the year Ended 31-03-2020			
Particulars	Amount	Particulars	Amount
To Opening Stock	100000	By RM Consumed	1000000
To Creditors (WN 1)	1300000	By Closing Stock (Bal Fig)	400000
	1400000		1400000

## Working Notes

### WN - 1 Creditors A/c

For the year Ended 31-03-2020

Particulars	Amount	Particulars	Amount
To Bank A/c	2200000	By Bal B/d	1500000
		By Purchases (Bal Fig)	1300000
To Bal C/d	600000		
	<b>2800000</b>		<b>2800000</b>

### WN - 2 CALCULATION OF REVISED COST OF PRODUCTION

PARTICULARS	AMOUNT
Cost of Production as Per Manufacturing Account	1794000
Add - Depreciation on Plant	100000
Less - Electricity Expenses	24000
Less - Delievery Charges to customer	20000
Less - Wages of Office labour	50000
Revised Cost of Production	1800000

## QUESTION 29

The following is the trial balance of Mr. Pandit for the year ended 31<sup>st</sup> March, 2020:

### Trial Balance as on 31<sup>st</sup> March 2020

Particulars	Dr. ₹	Particulars	Cr. ₹
Opening Stock:			
Raw Materials	1,50,000	Sundry Creditors	50,000
Finished goods	75,000	Purchase Returns	5,000
Purchase of Raw Materials	5,00,000	Capital	1,00,000
Land & Building	1,00,000	Bills Payable	24,000
Loose tools	30,000	Long-Term Loan	2,00,000
Plant & Machinery	30,000	Provision for Bad and Doubtful Debts	2,000
Investments	25,000	Sales	8,50,000
Cash in Hand	20,000	Bank Overdraft	23,000

Cash at Bank	5,000
Furniture & Fixtures	15,000
Bills Receivable	15,000
Sundry Debtors	40,000
Drawings	20,000
Salaries	20,000
Coal and Fuel	15,000
Factory rent & rates	20,000
General Expenses	4,000
Advertisement	5,000
Sales Return	10,000
Bad Debts	4,000
Direct Wages (Factory)	80,000
Power	30,000

Interest Paid	7,000	
Discount Allowed	3,000	
Carriage Inwards	15,000	
Carriage Outwards	7,000	
Commission Paid	5,000	
Dividend Paid	4,000	
	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. at 5% on Sundry Debtors. Depreciation on building ₹ 1,000 and ₹ 3,000 on Machinery to be provided.

Accrued commission ₹ 12,500. 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 31<sup>st</sup> March, 2020.

In The Books of Mr. Pandit					
Manufacturing A/c					
For the year Ended 31-03-2020					
Particulars		Amount	Particulars		Amount
To Opening Stock of RM		150000			
To Purchase		500000	By cost of Production trf to trading A/c (Bal Fig)		808000
Less - Returns		<u>5000</u>	495000		
To Coal & Fuel		15000			
To factory Rent & rates		20000			
To Direct Wages		80000			
To Depreciation on Plant & Machinery		3000			
To Power		30000			
to carriage inward		15000			
		<b>808000</b>			<b>808000</b>

Trading & P/L A/c					
For the year Ended 31-03-2020					
Particulars		Amount	Particulars		Amount
To opening Stock of FG		75000	By Sales		850000
to Cost of Production		808000	Less - Sales return		<u>10000</u>
			By Closing Stock		100000
To Gross profit (bal Fig)		57000			
		<b>940000</b>			<b>940000</b>
To Interest paid		7000	By Gross profit		57000
Less - Prepaid		<u>1500</u>	5500	By Old RDD	
To Salary		20000	By Commission		12500
Add - O/s Salary		<u>2000</u>	22000	By interest on Investments	
To RDD		2000			
To Depreciation on Land & Building		1000			
to general Expenses		4000			
To Advertisement		5000			
To bad Debts		4000			
to Discount Allowed		3000			
To carriage outward		7000			
To Commision Paid		5000			
To Dividend paid		4000			
To Net profit		<b>24000</b>			
		<b>86500</b>			<b>86500</b>



BALANCE SHEET					
AS ON 31-03-2020					
Particulars		Amount	Particulars		Amount
Capital	100000		Land & Building	100000	
Less - drawings	20000		Less - Depreciation	<u>1000</u>	99000
Add - Net profit	<u>24000</u>	104000	Plant & machinery	30000	
			Less - Depreciation	<u>3000</u>	27000
			Prepaid interest		1500
			Loose Tools		30000
			Sundry Debtors		
			40000		
			Less - RDD	<u>2000</u>	
Sundry Creditors	50000		Investments		25000
Outstanding Salary	2000		Cash in hand		20000
Bills payable	24000		Cash at Bank		5000
Long Term loan	200000		Furniture & Fixtures		15000
bank Overdraft	23000		Bills Receivable		15000
			Closing Stock		100000
			Accrued Commission		12500
			Accrued interest		15000
		<b>403000</b>			<b>403000</b>

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# FINANCIAL STATEMENTS OF NPO

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# QUESTION 30

The Sportwriters Club gives the following Receipts and Payments Account for the year ended March 31, 2020:

## Receipts and Payments Account

<b>Receipts</b>	<b>₹</b>	<b>Payments</b>	<b>₹</b>
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
	<b>36,120</b>		<b>36,120</b>

Figures of other assets and liabilities are furnished as follows:

	<b>As at March 31</b>	
	₹	₹
	<b>2019</b>	<b>2020</b>
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, 2020 was ₹ 5,250.

## **Required**

From the above information you are required to prepare:

- (a) The Club's Balance Sheet as at March 31, 2019;
- (b) The Club's Income and Expenditure Account for the year ended March 31, 2020.
- (c) The Club's Closing Balance Sheet as at March 31, 2020.

In The Books of Sportswriters Club  
Income & Expenditure A/c  
For the Year Ended 31<sup>st</sup> March 2020

Expenditure	Amount	Income	Amount
		By Subscription	28912
To Sundry Expenses	10075	By Misc. Income	700
To Magazine & Newspaper	2286	By Interest on FD	2000
To Rent & Electricity	7329		
To Salaries	11460	By Deficit transferred to Capital Fund	2888
<b>To Depreciation</b>			
Furniture	960		
Sports Equipment	1640		
Library Books	<u>750</u>		
	3350		
	<b>34500</b>		<b>34500</b>

## Balance Sheet As on

Liability	31-3-20	31-3-19	Assets	31-3-20	31-3-19
Capital Fund	47000		Furniture	9600	9600
Less - Deficit	<u>2888</u>		Less - Dep at 10%	<u>960</u>	
Outstanding Salary	170	710	Library Books	5250	5000
Outstanding Rent & Electricity	973	864	Sports Equipments	6560	7200
Outstanding Magazine & Newspaper	340	226	Fixed Deposit	20000	20000
			Cash in Hand	2450	4820
			Interest Accrued on FD	500	500
			Oustanding Subscription	1575	1263
			Prepaid Expenses	620	417
	<b>45,595</b>	<b>48,800</b>		<b>45,595</b>	<b>48,800</b>

## Working Notes

### Subscription A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	1263		
To Income & Exp A/c (Bal Fig)	28,912	By Cash/Bank A/c	28,600
		By Bal C/d	1,575
	<b>30,175</b>		<b>30,175</b>

### Interest on FD A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	500		
To Income & Exp A/c	2,000	By Bank A/c	2,000
		By Bal C/d	500
	<b>2,500</b>		<b>2,500</b>



### Salary A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	710
To Cash/Bank A/c	12,000	By Income & Exp A/c (Bal Fig)	11,460
To Bal C/d	170		
	<b>12,170</b>		<b>12,170</b>

### Rent & Electricity A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	864
To Cash/Bank A/c	7,220	By Income & Exp A/c (Bal Fig)	7,329
To Bal C/d	973		
	<b>8,193</b>		<b>8,193</b>

### Magazine & Newspaper A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	226
To Cash/Bank A/c	2,172	By Income & Exp A/c (Bal Fig)	2,286
To Bal C/d	340		
	<b>2,512</b>		<b>2,512</b>

### Sundry Expenses A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	417		
To Cash/Bank A/c	10,278	By Income & Exp A/c (Bal Fig)	10,075
		By Bal C/d	620
	<b>10,695</b>		<b>10,695</b>

### Library Books A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	5000		
To Cash/Bank A/c	1,000	By Depreciation (Bal Fig)	750
		By Bal C/d	5,250
	<b>6,000</b>		<b>6,000</b>

### Sports Equipment A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	7200		
To Cash/Bank A/c	1,000	By Depreciation (8200*20%)	1,640
		By Bal C/d (Bal Fig)	6,560
	<b>8,200</b>		<b>8,200</b>

## QUESTION 31

The Income and Expenditure Account of the Youth Club for the Year 2020 is as follows:

<b>Expenditure</b>	<b>₹</b>	<b>Income</b>	<b>₹</b>
To Salaries	4,750	By Subscription	7,500
To General Expenses	500	By Entrance Fees	250
To Audit Fee	250	By Contribution for	
To Secretary's Honorarium	1,000	annual dinner	1,000
To Stationery & Printing	450	By Annual Sport meet	
To Annual Dinner Expenses	1,500	receipts	750
To Interest & Bank Charges	150		
To Depreciation	300		
To Surplus	600		
	9,500		9,500

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

	₹
<i>Subscription outstanding at the end of 2019</i>	600
<i>Subscription received in Advance on 31st December, 2019</i>	450
<i>Subscription received in advance on 31st December, 2020</i>	270
<i>Subscription outstanding on 31st December, 2020</i>	750

*Salaries Outstanding at the beginning and the end of 2020 were respectively ₹ 400 and ₹450. General Expenses include insurance prepaid to the extent of ₹60. Audit fee for 2020 is as yet unpaid. During 2020 audit fee for 2019 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, 2020 valued at ₹ 2,600. At the end of the year, after depreciation, this equipment amounted to ₹2,700. In 2019, the Club has raised a bank loan of ₹ 2,000. This was outstanding throughout 2020. On 31st December, 2020 cash in hand amounted to ₹1,600.*

### **Required**

Prepare the Receipts and Payments Account for 2020 and Balance Sheet as at the end of the year.

In The Books of Youth Club  
 Receipt & payment A/c  
 For the Year Ended 31<sup>st</sup> Dec 2020

Receipts	Amount	Payment	Amount
To Bal B/d (Bal Fig)	1390	By Audit Fees	200
To Subscription	7170	By Honararium to Secretary	1000
To Entrance Fees	250	By Printing & Stationary	450
To Contribution for Annual Dinner	1000	By Annual Dinner Expenses	1500
To Annual Sports Meet Receipts	750	By Interest & Bank charges	150
		By Salary	4700
		By Sports Equipment	400
		By General Expenses	560
		By Bal C/d	1,600
	<b>10560</b>		<b>10560</b>

## Balance Sheet

Liability		31-12-20	31-12-19	Assets		31-12-20	31-12-19
Capital Fund	11540		11540	Freehold Ground		10000	10000
Add - Surplus	<u>600</u>	12140		Sports Equipment		2700	2600
Oustanding Salary		450	400	Cash in Hand		1600	1390
Subscription Received in Advance		270	450	Prepaid Insurance		60	
Bank Loan		2000	2000	Outstanding Subscription		750	600
Oustanding Audit Fees		250	200				
		<b>15,110</b>	14,590			<b>15,110</b>	14590

## Subscription A/c

Particulars	Amount	Particulars	Amount
To Bal B/d (Opening O/S Sub)	600	By Bal B/d (op. sub recd in adv)	450
To Income & Exp A/c	7500	By Cash/Bank A/c (Bal Fig)	7,170
To Bal C/d (Cl. Sub recd in adv)	270	By Bal C/d (cl.o/s sub)	750
	<b>8,370</b>		<b>8,370</b>

## General Expenses A/c

Particulars	Amount	Particulars	Amount
To Cash / Bank A/c (Bal Fig)	560	By Income & Exp A/c	500
		By Bal C/d (Prepaid Insurance)	60
	<b>560</b>		<b>560</b>



### Audit Fees A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d (Bal Fig)	200
To Cash/Bank A/c	200	By Income & Exp A/c	250
To Bal C/d	250		
	<b>450</b>		<b>450</b>

### Sports Equipment A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	2600		
To Cash/Bank (Bal Fig)	400	By Depreciation	300
		By bal C/d	2,700
	<b>3,000</b>		<b>3,000</b>

## Salary A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	400
To Cash/Bank A/c (Bal Fig)	4,700	By Income & Expenditure A/c	4,750
To bal C/d	450		
	<b>5,150</b>		<b>5,150</b>

## QUESTION 32

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:

	<b>1.1.2020</b>	<b>31.12.2020</b>
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.

In The Books of Bombay Aid Medical Society  
 Receipt & payment A/c  
 For the Year Ended 31<sup>st</sup> Dec 2020

Reciepts	Amount	Payment	Amount
To Bal B/d			
Cash in Hand	8000		
		By Creditors for Medicine Supply	30000
To Subscription	50000	By Honararium to Doctor	10000
To Donation	15000	By Salaries	28000
To Interest on Investments	9000	By Sundry Expenses	1000
To Charity Show Collections	12500	By Equipment Purchase	15000
		By Charity Show Expenses	1500
		By Bal C/d	
		Cash in Hand (Bal Fig)	9000
	<b>94500</b>		<b>94500</b>

Income & Expenditure A/c  
For the Year Ended 31<sup>st</sup> Dec 2020

Expenditure	Amount	Income	Amount
To Medicine Consumed	29000	By Subscription	51200
To Honararium to Doctor	10000		
To Salaries	28000	By Donation	15000
To Sundry Expenses	1000	By Interest on Investments	9000
<b>To Depreciation</b>		By Charity Show Collection	
Equipment		12500	
6000		Less - Charity Show Expenses	
Building		<u>1500</u>	11000
<u>2000</u>	8000		
To Surplus Trf to Capital Fund	10200		
	<b>86200</b>		<b>86200</b>

## Balance Sheet

liability		31-12-20	31-12-19	Assets		31-12-20	31-12-19
Capital Fund	180300			Equipment		30000	21000
Add - Surplus	<u>10200</u>	190500	1,80,300	Building		48000	50000
Creditors for Medicine Supply		13000	9000	9% Investments		100000	100000
Subscription Received in Advance		700	1200	Outstanding Subscription		2200	1500
				Stock of Medicine		15000	10000
				Cash in Hand		9000	8000
		<b>2,04,200</b>	<b>1,90,500</b>			<b>2,04,200</b>	<b>1,90,500</b>

## Working Notes

### Subscription A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	1500	By Bal B/d	1200
To Income & Exp A/c (Bal Fig)	51,200	By Cash/Bank A/c	50,000
To Bal C/d	700	By Bal C/d	2,200
	<b>53,400</b>		<b>53,400</b>

### Medicine A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	10000		
To Purchase of Medicine	34,000	By Income & Exp A/c (Bal Fig)	29,000
		By Bal C/d	15,000
	<b>44,000</b>		<b>44,000</b>

## Creditors for Medicine A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	9000
To Cash/Bank A/c	30,000	By Purchase of Medicine (Bal Fig)	34,000
To Bal C/d	13000		
	<b>43,000</b>		<b>43,000</b>

## Equipments A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	21000		
To Cash/Bank A/c	15,000	By Depreciation (Bal Fig)	6,000
		By Bal C/d	30,000
	<b>36,000</b>		<b>36,000</b>



## Building A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	50000		
		By Depreciation (Bal Fig)	2,000
		By Bal C/d	48,000
	<b>50,000</b>		<b>50,000</b>

## QUESTION 33

From the following data, prepare an Income and Expenditure Account for the year ended 31st December 2019, and Balance Sheet as at that date of the Jeevan Hospital:

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

RECEIPTS		₹		PAYMENTS		₹
To	Balance b/d			By	Salaries:	
	Cash	800			(₹ 7,200 for 2018)	31,200
	Bank	<u>5,200</u>	6,000	By	Hospital Equipment	17,000
To	Subscriptions:			By	Furniture purchased	6,000
	For 2018		5,100	By	Additions to Building	50,000
	For 2019		24,500	By	Printing and	2,400
	For 2020		2,400		Stationery	

To	Government Grant:		By	Diet expenses		15,600
	For building	80,000	By	Rent and rates		
	For maintenance	20,000		(₹ 300 for 2020)		2,000
	Fees from sundry		By	Electricity and water		
	Patients	4,800		charges		2,400
To	Donations (not to be	8,000	By	office expenses		2,000
	capitalized)		By	Investments		20,000
To	Net collections from		By	Balances:		
	benefit shows	6,000		Cash	1,400	
				Bank	<u>6,800</u>	<u>8,200</u>
		<u>1,56,800</u>				<u>1,56,800</u>

<b>Additional information:</b>	₹
Value of building under construction as on 31.12.2019	1,40,000
Value of hospital equipment on 31.12.2019	51,000
Building Fund as on 1.1. 2019	80,000
Subscriptions in arrears as on 31.12.2018	6,500
Investments in 8% Govt. securities were made on 1st July, 2019.	

In The Books of Jeevan Hospital  
Income & Expenditure A/c  
For the Year Ended 31<sup>St</sup> December 2019

Expenditure	Amount	Income	Amount
To Rent	1700	By Fees From Patients	4800
To Printing & Stationary	2400	By Subscription	24500
To Diet Expenses	15600	By Government Grant	20000
To Electricity & Water Charges	2400	By Donation	8000
To Office Expenses	2000	By Net Collection from Benefit Shows	6000
To Salaries	24000	By Interest on Investments	800
To Surplus Trf to Capital Fund	16000		
	<b>64100</b>		<b>64100</b>

Balance Sheet  
As on

liability	31-12-19	01-01-19	Assets	31-12-19	01-01-19
Capital Fund	49300	49300	Building	140000	90000
Add - Surplus	<u>16000</u>	65300	Furniture	6000	
Building Fund	160000	80000	Hospital Equipment	51000	34000
Subscription Received in Advance	2400		Cash in Hand	1400	800
Outstanding Salary		7200	Bank Balance	6800	5200
			Investments	20000	
			Prepaid Rent	300	
			Interest Accrued on Investment	800	
			Outstanding Subscription	1400	6500
	<b>227700</b>	<b>136500</b>		<b>227700</b>	<b>136500</b>

## Subscription A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	6500		
To Income & Exp A/c (Bal Fig)	24,500	By Cash/Bank A/c	32,000
To Bal C/d	2400	By Bal C/d	1,400
	<b>33,400</b>		<b>33,400</b>

## Salaries A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	7200
To Cash/Bank A/c	31,200	By Income & Exp A/c (Bal Fig)	24,000
	<b>31,200</b>		<b>31,200</b>

## Hospital Equipment A/c

Particulars	Amount	Particulars	Amount
To Bal B/d (Bal Fig)	34,000		
To Cash/Bank A/c	17,000		
		By Bal C/d	51,000
	<b>51,000</b>		<b>51,000</b>

## Furniture A/c

Particulars	Amount	Particulars	Amount
To Cash/Bank A/c	6,000		
		By Bal C/d	6,000
	<b>6,000</b>		<b>6,000</b>

## Building A/c

Particulars	Amount	Particulars	Amount
To Bal B/d (Bal Fig)	90000		
To Cash/Bank A/c	50,000		
		By Bal C/d	1,40,000
	<b>1,40,000</b>		<b>1,40,000</b>

## Rent A/c

Particulars	Amount	Particulars	Amount
To Cash/ Bank A/c	2,000	By Income & Exp A/c (Bal Fig)	1,700
		By Bal C/d	300
	<b>2,000</b>		<b>2,000</b>



## Building Fund A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	80000
		By Cash/Bank A/c	80,000
To Bal C/d (Bal Fig)	160000		
	<b>1,60,000</b>		<b>1,60,000</b>

## QUESTION 34

From the following information supplied by M.B.S. Club, prepare Receipts and Payments account and Income and Expenditure Account for the year ended 31<sup>st</sup> March 2019.

	01.04.2018 ₹	31.03.2019 ₹
<i>Outstanding subscription</i>	1,40,000	2,00,000
<i>Advance subscription</i>	25,000	30,000
<i>Outstanding salaries</i>	15,000	18,000
<i>Cash in Hand and at Bank</i>	1,10,000	?
<i>10% Investment</i>	1,40,000	70,000
<i>Furniture</i>	28,000	14,000
<i>Machinery</i>	10,000	20,000
<i>Sports goods</i>	15,000	25,000

Subscription for the year amount to ₹ 3,00,000/-. Salaries paid ₹ 60,000. Face value of the Investment was ₹ 1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received ₹ 14,000. Furniture was sold for ₹ 8000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

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

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

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

## Working Notes

### Subscription A/c

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

### Salary A/c

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

## 10% Investment

Particulars	Amount	Particulars	Amount
To Bal B/d	140000		
		By Cash/Bank A/c (175000*50%*80%)	70,000
		By Bal C/d	70,000
	<b>140,000</b>		<b>140,000</b>

## Furniture A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	28000	By Cash/Bank A/c	8000
		By Loss on Sale of Furniture (Bal Fig)	6,000
		By Depreciation	1,400
		By Bal C/d (14000-1400)	12,600
	<b>28,000</b>		<b>28,000</b>

## Interest on Investment A/c

Particulars	Amount	Particulars	Amount
To Income & Expenditure A/c (17500*10%)	17500	By Bank A/c	14000
		By Bal C/d (Bf)	<b>3500</b>
	<b>17500</b>		<b>17500</b>



# QUESTION 35

The following was the Receipts and Payments Account of Exe Club for the year ended March. 31, 2020

All the figures in thousands

<b>Receipts</b>	<b>₹</b>	<b>Payments</b>	<b>₹</b>
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	
Sale of Equipment	80	Treasurer of 2019	400
Net proceeds of Variety		Balance at Bank as per Pass Book:	
Entertainment	780	Deposit Account	3,090
Donation for forth coming		Current Account	150
Tournament	1,000	Cash in hand	250
	<b>7,820</b>		<b>7,820</b>

You are given the following additional information:

	<b>April, 1, 2019</b>	<b>March, 31, 2020</b>
	₹	₹
<i>Subscription due</i>	150	100
<i>Amount due for printing etc.</i>	100	80
<i>Cheques unpresented being payment for repairs</i>	300	260
<i>Estimated value of machinery and equipment</i>	800	1,750
<i>Interest not yet entered in the Pass book</i>		20
<i>Bonus to Groundsman o/s.</i>		300

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

### **Required**

Prepare the Income and Expenditure Account for period ending 31-03-2020 and the relevant Balance Sheet.

In The Books of Exe Club  
Income & Expenditure A/c  
For the Year Ended 31<sup>St</sup> March 2020

(Rs. In 000)

Expenditure	Amount	Income	Amount
		By Donation & Subscription	2550
To Fares	400	By Receipts From Teas	300
Less - Contribution	<u>100</u>	Less - Cost Of Teas	<u>250</u>
	300	By Net Proceeds of Variety Entertainment	780
To Groundsmen Fees	750	By Bank Interest	50
To Rent of Ground	250		
To Honararium to Secretary & Treasurer	600		
To Bonus to Groundsmen	300		
To Repairs	460		
To Printing & office Expenses	260		
To Depreciation on Equipment	470		
To Surplus Trf to Capital Fund	40		
	<b>3430</b>		<b>3430</b>

## Balance Sheet As on 31<sup>st</sup> March

Liability	31-3-20	31-3-19	Assets	31-3-20	31-3-19
Capital Fund	3080		Equipment	1750	800
Add - Surplus	<u>40</u>	3120			3080
Secretaries Honararium Payable	600	400			
Donation for Forthcoming Tournament	1000		Interest accrued	20	
Amount due for Printing	80	100	Outstanding Subscription	100	150
Balance In Current A/c (Overdraft)	110		Cash in Hand	250	100
Bonus Payable To Groundsmen	300		Balance In Deposit A/c	3090	2230
			Balance in Current A/c		300
	<b>5210</b>	3580		<b>5210</b>	<b>3580</b>

## Bank Interest A/c

Particulars	Amount	Particulars	Amount
To Income & Exp A/c (Bal Fig)	50	By Bank A/c	30
		By Bal C/d (Interest accrued)	20
	<b>50</b>		<b>50</b>

## Donation & Subscription A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	150		
To Income & Exp A/c (Bal Fig)	2,550	By Cash/Bank A/c	2,600
		By Bal C/d	100
	<b>2,700</b>		<b>2,700</b>

## Equipment A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	800	By Depreciation (Bal Fig)	470
To Cash/Bank A/c	1,500	By Cash/Bank A/c	80
		By Bal C/d	1,750
	<b>2,300</b>		<b>2,300</b>

## Printing & Office Expenses A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	100
To Cash/Bank A/c	280	By Income & Exp A/c (Bal Fig)	260
To Bal C/d	80		
	<b>360</b>		<b>360</b>

## Repairs A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	300
To Cash/Bank A/c	500	By Income & Exp A/c (Bal Fig)	460
To Bal C/d	260		
	<b>760</b>		<b>760</b>

## Honararium to Secretary & Treasurer A/c

Particulars	Amount	Particulars	Amount
		By Bal B/d	400
To Cash/Bank A/c	400	By Income & Exp A/c	600
To Bal C/d (Bal Fig)	600		
	<b>1,000</b>		<b>1,000</b>

## Bonus to Groundsmen A/c

Particulars	Amount	Particulars	Amount
		By Income & Exp A/c (Bal Fig)	300
To Bal C/d	300		
	<b>300</b>		<b>300</b>



**BRS as on 31-03-2019**

<b>Particulars</b>	<b>Amount</b>
<b>A. Balance as Per Pass Book</b>	<b>600</b>
<b>B. Less - Cheque Issued but Not Presented</b>	<b>300</b>
<b>C. Balance as Per Cash Book</b>	<b>300</b>

**BRS as on 31-03-2020**

<b>Particulars</b>	<b>Amount</b>
<b>A. Balance as Per Pass Book</b>	<b>150</b>
<b>B. Less - Cheque Issued but Not Presented</b>	<b>260</b>
<b>C. Balance as Per Cash Book (Overdraft)</b>	<b>-110</b>

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**ACCOUNTS FROM  
INCOMPLETE RECORDS  
(SINGLE ENTRY SYSTEM)**

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## QUESTION 36

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.

			₹	
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

1-4-2022	Assets	:	Cash in hand	16,000
			Inventory	91,500
			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.

# STATEMENT OF AFFAIRS AS ON

LIABILITIES	01-04-20	01-04-22	ASSET	01-04-20	01-04-22
Capital (BF)	3,13,000	5,65,000	Loan to Moti's brother	-	20,000
Moti's brother	40,000		Cash-in-hand	25,500	16,000
Sundry Creditors	35,000	55,000	Inventory	56,000	91,500
			Debtors	41,500	52,500
			Land & building	1,90,000	1,90,000
			Wife's Jewelry	75,000	1,25,000
			Motor Car	-	1,25,000
	<b>3,88,000</b>	<b>6,20,000</b>		<b>3,88,000</b>	<b>6,20,000</b>

# STATEMENT SHOWING COMPUTATION OF RPROFIT

SR.NO	PARTICULARS	AMOUNT
A	Closing Capital	5,65,000
B	Add- Drawings (4,000 x 12 months x 2 years)	96,000
C	Closing adjusted capital	6,61,000
D	Less- Opening capital	3,13,000
E	Profit for 20-21 & 21-22	3,48,000

Actual income = 3,48,000

Income declared = 105000+123000  
= 2,28,000

Income suppressed = 348000- 228000  
= 1,20,000

Conclusion:- Income tax officers contention is correct, Moti has declared his income less by 1,20,000

## QUESTION 37

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.

<b>Assets and Liabilities</b>	<b>As on 1st April 2021</b>	<b>As on 31st March 2022</b>
	₹	₹
<i>Creditors</i>	15,770	12,400
<i>Sundry expenses outstanding</i>	600	330
<i>Sundry Assets</i>	11,610	12,040
<i>Inventory in trade</i>	8,040	11,120
<i>Cash in hand and at bank</i>	6,960	8,080
<i>Trade debtors</i>	?	17,870



*Details relating to transactions in the year:*

<i>Cash and discount credited to debtors</i>	<i>64,000</i>
<i>Sales return</i>	<i>1,450</i>
<i>Bad debts</i>	<i>420</i>
<i>Sales (cash and credit)</i>	<i>71,810</i>
<i>Discount allowed by trade creditors</i>	<i>700</i>
<i>Purchase returns</i>	<i>400</i>
<i>Additional capital-paid into Bank</i>	<i>8,500</i>
<i>Realisations from debtors-paid into Bank</i>	<i>62,500</i>
<i>Cash purchases</i>	<i>1,030</i>
<i>Cash expenses</i>	<i>9,570</i>
<i>Paid by cheque for machinery purchased</i>	<i>430</i>

<i>Household expenses drawn from Bank</i>		<i>3,180</i>
<i>Cash paid into Bank</i>		<i>5,000</i>
<i>Cash drawn from Bank</i>		<i>9,240</i>
<i>Cash in hand on 31-3-2022</i>		<i>1,200</i>
<i>Cheques issued to trade creditors</i>		<i>60,270</i>

In the books of Mr. Manoj			
Trading and Profit & loss A/c			
For the year ended 31 <sup>st</sup> March 2022			
Particulars	Amount	Particulars	Amount
To Opening stock	8,040	By Sales	
To Purchases		Cash	4,600
Cash	1,030	Credit	<u>67,210</u>
Credit	<u>58,000</u>		

Particulars	Amount	Particulars	Amount
		By Gross profit	14,810
To Bad debts	420		
To Discount on debtors	1,500	By Discount received	700
To Expenses	9,300		
To Net Profit (BF)	4,290		
	<b>15,510</b>		<b>15,510</b>

## Balance Sheet as on

Liability		31-3-22	01-04-21	Assets		31-3-22	01-04-21
Capital	26,770		26,770	Sundry Assets		12,040	11,610
Add- Additional	8,500			Debtors		17,870	16,530
Less- Drawings	3,180			Stock		11,120	8,040
Add- Profit	<u>4,290</u>	36,380		Cash & bank balance		8,080	6,960
O/S expenses		330	600				
Creditors		12,400	15,770				
		<b>49,110</b>	<b>43,140</b>			<b>49,110</b>	<b>43,140</b>

## Working Notes

### Cash & Bank A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	6,960	By Purchase	1,030
To Capital	8,500	By Expenses	9,570
To Debtors	62,500	By Machinery	430
To Cash	5,000	By Drawing's	3,180
To Bank	9,240	By Bank	5,000
To Sales A/c (BF) (Cash Sale)	4,600	By Cash	9,240
		By Creditors	60,270
		By Balance c/d	8,080
	<b>96,800</b>		<b>96,800</b>

## Debtor's A/c

Particulars	Amount	Particulars	Amount
To Balance b/d (BF)	16,530	By Sales return	1,450
To sales A/c (71,810 - 4,600)	67,210	By Bank	62,500
		By Bad debts	420
		By Discount (64,000-62,500)	1,500
		By Balance c/d	17,870
	<b>83,740</b>		<b>83,740</b>

## Creditor's A/c

Particulars	Amount	Particulars	Amount
To Bank	60,270	By Balance b/d	15,770
To Discount	700	By Purchases (BF)	58,000
To Purchase return	400		
To Balance c/d	12,400		
	<b>73,770</b>		<b>73,770</b>

# Expenses A/c

Particulars	Amount	Particulars	Amount
To Cash A/c	9,570	By Balance b/d	600
To Balance	330	By P/L A/c (BF)	9,300
	<b>9,900</b>		<b>9,900</b>



## QUESTION 38

*Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balances:*

	<b>31<sup>st</sup> March 2021</b>	<b>31<sup>st</sup> March 2022</b>
<i>Sundry debtors</i>	70,000	92,000
<i>Bills receivable</i>	15,000	6,000
<i>Bills payable</i>	12,000	14,000
<i>Sundry creditors</i>	40,000	56,000
<i>Inventory</i>	1,10,000	1,90,000
<i>Bank</i>	90,000	87,000
<i>Cash</i>	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 ₹ 17,000. The firm anticipates defeat in the suit.*
- (ii) *Goods returned to suppliers ₹ 4,200.*
- (iii) *Goods returned by customers ₹ 1,200.*
- (iv) *Discount offered by suppliers ₹ 2,700.*
- (v) *Discount offered to the customers ₹ 2,400.*

(vi) *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 31<sup>st</sup> March 2022 and Balance Sheet as on that date.*

In the books of Anup			
Trading and Profit & loss A/c			
For the year ended 31 <sup>st</sup> March 2022			
Particulars	Amount	Particulars	Amount
To Opening stock	1,10,000	By Sales	
To Purchases	4,54,100	9,59,750	
Less- Return	<u>4,200</u>	Less- Return	<u>1,200</u>
	4,49,900		9,58,550
To Gross profit (BF)	5,88,650	By Closing stock	1,90,000
	<b>11,48,550</b>		<b>11,48,550</b>

Particulars		Amount	Particulars		Amount
To Rent		20,000	By Gross profit		5,88,650
To Shop expenses		7,200	By Discount on creditors		2,700
To Salary		1,10,400			
To Bill discounting charges		750			
To Electricity/ telephone exp		18,700			
Add- O/S		<u>2,200</u>			
		20,900			
To Discount on debtors		2,400			
To Provision for claim against damage		15,500			
To Legal expenses		17,000			
To Net profit (BF)		2,57,700			
		<b>5,91,350</b>			<b>5,91,350</b>

## Balance Sheet as on

Liability	31-3-22	01-04-21	Assets	31-3-22	01-04-21
Capital	2,38,200		Furniture	25,000	
Less- Drawings	16,800		Building	3,72,000	
Add- LIC matured	20,000		Stock	1,90,000	1,10,000
Add- Rent	14,000		Bills receivable	6,000	15,000
Add- Profit	<u>2,57,700</u>	5,13,100	Debtors	92,000	70,000
Provision for claim	1,55,000		Bank balance	87,000	90,000
Creditors	56,000	40,000	Cash balance	5,300	5,200
Bills payable	14,000	12,000			
O/S Telephone & Electricity	2,200				
Legal Expenses O/S	17,000				
O/S Rent	20,000				
	<b>7,77,300</b>	<b>2,90,200</b>		<b>7,77,300</b>	<b>2,90,200</b>

## Debtor's A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	70,000	By Cash A/c	8,97,150
To Bank A/c (dishonor)	5,700	By B/R A/c	40,000
To B/R A/c (dishonor)	3,000	By Return	1,200
To Sale's (BF)	9,59,750	By Discount	2,400
		By Bank	5,700
		By Balance c/d	92,000
	<b>10,38,450</b>		<b>10,38,450</b>

## Bills Receivables A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	15,000	By Creditors (endorsed)	10,000
To Debtors	40,000	By Bank A/c	19,250
		By Discount	750
		By Bank	16,000
		By Debtors (BF) (dishonor)	3,000
		By Balance c/d	6,000
	<b>55,000</b>		<b>55,000</b>



## Creditor's A/c

Particulars	Amount	Particulars	Amount
To Returns	4,200	By Balance b/d	40,000
To B/R A/c (endorsed)	10,000	By Purchase (BF)	4,54,100
To Cash A/c	77,200		
To B/P	24,000		
To Bank	3,20,000		
To Discount	2,700		
To Balance c/d	56,000		
	<b>4,94,100</b>		<b>4,94,100</b>

## Bills Payable A/c

Particulars	Amount	Particulars	Amount
To Bank A/c (BF)	22,000	By Balance b/d	12,000
To Balance c/d	14,000	By Creditors	24,000
	<b>36,000</b>		<b>36,000</b>

# Cash Book

Particulars	Cash	Bank	Particulars	Cash	Bank
To Balance b/d	5,200	90,000	By Shop exp	7,200	
To Cash A/c		7,62,750	By Salary	1,10,400	
To Bank A/c	1,21,000		By Drawings	16,800	
To B/R		19,250	By Bank A/c	7,62,750	
To B/R		16,000	By Cash A/c		1,21,000
To LIC matured		20,000	By Creditors	77,200	3,20,000
To Capital A/c (rent)		14,000	By Furniture	25,000	
To Debtors		5,700	By Debtors		5,700
To Debtors (BF)	8,97,150		By Electricity & Telephone	18,700	
			By B/P		22,000
			By Building (BF)		3,72,000
			By Balance c/d	5,300	87,000
	<b>10,23,350</b>	<b>9,27,700</b>		<b>10,23,350</b>	<b>9,27,700</b>

## QUESTION 39

Mr. A runs a business of readymade garments. He closes the books of accounts on 31<sup>st</sup> March. The Balance Sheet as on 31<sup>st</sup> March, 2021 was as follows:

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
<i>A's capital a/c</i>	<i>4,04,000</i>	<i>Furniture</i>	<i>40,000</i>
<i>Creditors</i>	<i>82,000</i>	<i>Stock</i>	<i>2,80,000</i>
		<i>Debtors</i>	<i>1,00,000</i>
		<i>Cash in hand</i>	<i>28,000</i>
		<i>Cash at bank</i>	<i>38,000</i>
	<i>4,86,000</i>		<i>4,86,000</i>

*You are furnished with the following information:*

*(1) His sales, for the year ended 31<sup>st</sup> 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.*

*(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. 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 31<sup>st</sup> March 2022 disclosed the following:*

	₹
<i>Payment to creditors</i>	<i>3,00,000</i>
<i>Payment of rent up to 31<sup>st</sup> March, 2022</i>	<i>16,000</i>
<i>Cash deposited into the bank during the year</i>	<i>80,000</i>

*The following are the balances on 31<sup>st</sup> March, 2022:*

	₹
<i>Stock</i>	<i>1,60,000</i>
<i>Debtors</i>	<i>1,20,000</i>
<i>Creditors for goods</i>	<i>1,46,000</i>

*On the evening of 31<sup>st</sup> 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 31<sup>st</sup> March, 2022 and Balance Sheet as on that date. All the workings should form part of the answer.*

In the books of A			
Trading and Profit & loss A/c			
For the year ended 31 <sup>st</sup> March 2022			
Particulars	Amount	Particulars	Amount
To Opening stock	2,80,000	<b>By sales</b>	
To Purchase	3,64,000	Cash	1,20,000
To Gross profit (BF)	1,16,000	Credit	<u>4,80,000</u>
		By closing stock	1,60,000
	<b>7,60,000</b>		<b>7,60,000</b>

Particulars	Amount	Particulars	Amount
To depreciation on furniture	4,000	By gross profit	1,16,000
To salary to check	24,000		
To office expenses	14,400		
To rent	16,000		
To loss of cash	23,600		
To net profit (BF)	34,000		
	<b>1,16,000</b>		<b>1,16,000</b>

## Balance Sheet as on 31-3-22

Liability		Amount	Assets		Amount
Capital	4,04,000		Furniture	40,000	
Less- drawings	6,000		Less- dep @10%	<u>4,000</u>	36,000
Add- profit	34,000	4,32,000	Closing stock		1,60,000
Creditors		1,46,000	Debtors		1,20,000
			Bank balance		2,62,000
		<b>5,78,000</b>			<b>5,78,000</b>



## Working Notes

### Cash A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	28,000	By Salary to Clerk	24,000
To Sale A/c	1,20,000	By Office Expenses	14,400
		By Drawings	6,000
		By Bank	80,000
		By Loss of Cash (BF)	23,600
	<b>1,48,000</b>		<b>1,48,000</b>

## Debtor's A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	1,00,000	By Bank A/c (BF)	4,60,000
To Sales A/c	4,80,000	By Balance c/d	1,20,000
	5,80,000		5,80,000

## Bank A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	38,000	By Creditors	3,00,000
To Cash	80,000	By Rent	16,000
To Debtors	4,60,000	By Balance c/d (BF)	2,62,000
	5,78,000		5,78,000

## Creditor's A/c

Particulars	Amount	Particulars	Amount
To Bank A/c	3,00,000	By Balance b/d	82,000
To Balance c/d	1,46,000	By Purchase (BF)	3,64,000
	<b>4,46,000</b>		<b>4,46,000</b>

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# **PARTNERSHIP BASICS**

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## QUESTION 40

Weak, Able and Lazy are in partnership sharing profits and losses in the ratio of 2:1:1. It is agreed that interest on capital will be allowed @ 10% per annum and interest on drawings will be charged @ 8 % per annum. (No interest will be charged/allowed on Current Accounts).

The following are the particulars of the Capital and Drawings Accounts of the partners:

	Weak	Able	Lazy
	₹	₹	₹
Capital (1.1.2019)	75,000	40,000	30,000
Current Account (1.1.2019)	10,000	5,000	(Dr.) 5,000
Drawings	15,000	10,000	10,000

The draft accounts for 2019 showed a net profit of ₹ 60,000 before taking into account interest on capitals and drawings and subject to following rectification of errors:

The draft accounts for 2019 showed a net profit of ₹ 60,000 before taking into account interest on capitals and drawings and subject to following rectification of errors:

- (a) Life Insurance premium of Weak amounting to ₹ 750 paid by the firm on 30th June, 2019 has been charged to Miscellaneous Expenditure A/c.
- (b) Repairs of Machinery amounting to ₹ 10,000 has been debited to Plant Account and depreciation thereon charged @ 20%.
- (c) Travelling expenses of ₹ 3,000 of Able for a pleasure trip to U.K. paid by the firm on 30th June, 2019 has been debited to Travelling Expenses Account.

You are required to prepare the Profit and Loss Appropriation Account, Current Accounts of partners Weak, Able and Lazy for the year ended 31st December, 2019.

# Profit & Loss Appropriation A/c

Particulars		Amount	Particulars		Amount
<b>To Interest on Capital</b>			By Profit & Loss A/c		55750
Weak	7500		(60000+750-8000+3000)		
Able	4000		<b>By Interest on Drawings</b>		
Lazy	<u>3000</u>	14500	Weak	630	
			Able	520	
<b>To Profit trf to Current A/c</b>			Lazy	<u>400</u>	1550
Weak	21400				
Able	10700				
Lazy	<u>10700</u>	42800			
		<b>57300</b>			<b>57300</b>

# Partners Current A/c

Particulars	Weak	Able	Lazy	Particulars	Weak	Able	Lazy
To Balance B/d	-	-	5,000	By Balance B/d	10000	5000	-
To Cash (Drawings)	15,000	10,000	10,000	By Interest on Capital	7,500	4000	3,000
To Drawings	750	3000	-	By p/L Appropriation A/c	21,400	10700	10,700
To Interest on Drawings	630	520	400	By Balance C/d (Bal Fig)	-	-	1,700
To Balance C/d (Bal Fig)	22,520	6,180	-				
	<b>38,900</b>	<b>19,700</b>	<b>15,400</b>		<b>38,900</b>	<b>19,700</b>	<b>15,400</b>



## QUESTION 41

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

As per the provision of partnership deed:

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

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

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

Particulars	A	B	C	Total Profit of firm
I. Amount already credited:				
Share of profit (in the ratio of 1:1:1) (2019-20,2020-21)	26,000	26,000	26,000	78,000
II. Amount which should have been credited:				
C's Salary (2019-20,2020-21)			10,000	
Interest on Capital (2019-20,2020-21)	5,000	2,500	2,500	
Share of Profit	29,000	14,500	14,500	58,000
	34,000	17,000	27,000	
Net effect (I-II)	(8,000)	9,000	(1,000)	-

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# **PARTNERSHIP VALUATION OF GOODWILL**

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## QUESTION 42

The following particulars are available in respect of the business carried on by Rathore

		₹
(1)	Capital Invested	1,50,000
(2)	Trading Results:	
	2016	Profit 40,000
	2017	Profit 36,000
	2018	Loss 6,000
	2019	Profit 50,000
(3)	Market Rate of interest on investment	10%
(4)	Rate of risk return on capital invested in business	2%
(5)	Remuneration from alternative employment of the proprietor (if not engaged in business).	₹ 6,000 per annum

*You are required to compute the value of goodwill on the basis of 5years' purchase of super profit of the business calculated on the average profits of the last four years.*

**Value of Firm's Goodwill = Super Profit of last 4 years \* 5 year Purchase**

**Super Profits = Average Profit of last 4 years - Normal Profit**

$$= [(40000+36000-6000+50000)/4 \text{ Years}] - 150000*12\%$$

$$= (30000-6000) - 18000$$

$$= 24000 - 18000$$

$$= 6000$$

**Value of Goodwill = 6000\*5**

$$= 30000$$

## QUESTION 43

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

Balance Sheet of M/s Vasudevan, Sunderarajan & Agrawal

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

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

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



**Value of Goodwill = 5 years X Super Profits**

**Super Profit = Average profit - Normal Profit**

**Average Profit (Given) = 200000**

**Average capital Employed =  $\frac{\text{capital as on 31-12-18} + \text{Capital as on 31-12-19}}{2}$**

**=  $\frac{(625000-50000)+625000}{2}$**

**= 600000**

**Normal Profit = Average Capital Employed X NRR**

**=  $600000 \times 30\% = 180000$**

**Super Profit =  $200000 - 180000 = 20000$**

**Value of Goodwill = 5 years \* 20000 = 100000**

**Thus Value of Goodwill is 100000**

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# **PARTNERSHIP**

## **ADMISSION OF PARTNER**

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## QUESTION 44

The following is the Balance Sheet of Yellow and Green as at 31st December, 2019:

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Trade payables	20,000	Cash at Bank	10,000
Capital:		Sundry Assets	55,000
Yellow	25,000		
Green	20,000		
	65,000		65,000

The partners shared profits and losses in the ratio 3:2. On the above date, Black was admitted as partner on the condition that he would pay ₹ 20,000 as Capital. Goodwill was to be valued at 3 years' purchase of the average of four years' profits which were:

	₹		₹
2016	9,000	2018	12,000
2017	14,000	2019	13,000

*The new profit sharing ratio is 6:5:5.*

**Give Journal Entries & Balance Sheet under Below Situations**

- A. If Goodwill is Paid Privately**
- B. If Goodwill is Brought In Cash**
- C. If Goodwill is Brought in Cash & Withdrawn By Partners**
- D. If Goodwill is Adjusted Through Partners Capital A/c**

# Calculation of Value of Goodwill

Value of Goodwill = 3 Yrs Purchase \* 4 Years Average Profit

Average Profit For Last 4 Years =  $9000+14000+12000+13000/4$

Average Profit For Last 4 Years = 12000

Value of Goodwill = 3 Yrs Purchase \* 12000

Value of Goodwill = 36000

Black's Share's in Goodwill =  $36000*5/16 = 11250$

## Calculation of Sacrificing Ratio

$$\text{Yellow} = 3/5 - 6/16 = 18/80$$

$$\text{Green} = 2/5 - 5/16 = 7/80$$

$$\text{Sacrificing Ratio} = 18:7$$

## Case B

Date	Particulars	LF	Amount	Amount
1	Bank A/c....Dr		11250	
	To Yellow's Capital A/c			8100
	To Greens's Capital A/c			3150
	(Being Goodwill Bought in Cash By Black Distributed to Sacrificing Partners in Sacrificing ratio)			

# Balance Sheet

Liabilities		Amount	Assets		Amount
Trade Payables		20000	Cash at Bank		41250
<b>Capital</b>			Sundry Assets		55000
Yellow	33100				
Green	23150				
Black	<u>20000</u>	76250			
		<b>96250</b>			<b>96250</b>



# Case C

Date	Particulars	LF	Amount	Amount
1	Bank A/c....Dr		11250	
	To Yellow's Capital A/c			8100
	To Greens's Capital A/c			3150
	(Being Goodwill Bought in Cash By Black Distributed to Sacrificing Partners in Sacrificing ratio)			
2	Yellow's Capital A/c.....Dr		8100	
	Green's Capital A/c....Dr		3150	
	To Bank A/c			11250
	(Being Goodwill Withdrawn By Partners)			

# Balance Sheet

Liabilities		Amount	Assets		Amount
Trade Payables		20000	Cash at Bank		30000
<b>Capital</b>			Sundry Assets		55000
Yellow	25000				
Green	20000				
Black	<u>20000</u>	65000			
		<b>85000</b>			<b>85000</b>

## Case D

Date	Particulars	LF	Amount	Amount
1	Black's Capital A/c....Dr		11250	
	To Yellow's Capital A/c			8100
	To Greens's Capital A/c			3150
	(Being Goodwill Adjusted)			

# Balance Sheet

Liabilities	Amount	Assets	Amount
Trade Payables	20000	Cash at Bank	30000
<b>Capital</b>		Sundry Assets	55000
Yellow	33100		
Green	23150		
Black	<u>8750</u>		
	<b>85000</b>		<b>85000</b>

## QUESTION 45

A and B are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31.3.2020 is given below:

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Trade payables	50,000	Freehold premises	2,00,000
Capital Accounts:		Plant	40,000
A	2,00,000	Furniture	20,000
B	1,00,000	Office equipment	25,000
		Inventories	30,000
		Trade receivables	25,000
		Bank	10,000
	3,50,000		3,50,000

On 1.4.2020 they admit C on the following terms:

- (1) C will bring ₹ 50,000 as a capital and ₹ 10,000 for goodwill for 1/5 share;
- (2) Provision for doubtful debts is to be made on Trade receivables @ 2%

- (3) *Inventory to be written down by 10%.*
- (4) *Freehold premises is to be revalued at ₹2,40,000, plant at ₹ 35,000, furniture ₹ 25,000 and office equipment ₹ 27,500.*
- (5) *Partners agreed that the values of the assets and liabilities remain the same and, as such, there should not be any change in their book values as a result of the above mentioned adjustments.*

*You are required to make necessary adjustment in the Capital Accounts of the partners and show the Balance Sheet of the New Firm.*

**In The Books of Firm  
Balance Sheet**

<b>Liabilities</b>		<b>Amount</b>	<b>Assets</b>		<b>Amount</b>
Trade Payables		50,000	Freehold Premises		2,00,000
			Plant		40,000
<b>Capital</b>			Furniture		20,000
A	2,10,680		Office Equipments		25,000
B	1,07,120		Inventory		30,000
C	<u>42,200</u>	3,60,000	Trade Receivables		25,000
			Bank (10,000+50,000+10,000)		70,000
		<b>4,10,000</b>			<b>4,10,000</b>

# Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
To A, B & C Capital A/c			7,800	By Balance b/d	2,00,000	1,00,000	
				By Bank A/c			50,000
				By Bank A/c (Goodwill)	6,000	4,000	
To Balance C/d (BF)	2,10,680	1,07,120	42,200	By C's Capital	4,680	3,120	
	<b>2,10,680</b>	<b>1,07,120</b>	<b>50,000</b>		<b>2,10,680</b>	<b>1,07,120</b>	<b>50,000</b>



# Working Notes

## Memorandum Revaluation A/c

Particulars	Amount	Particulars	Amount
To Plant	5,000	By Freehold Premises	40,000
To Inventory	3,000	By Furniture	5,000
To Provision for doubtful debts	500	By Office Equipments	2,500
To Profit on Revaluation	39,000		
	<b>47,500</b>		<b>47,500</b>

# Distribution of Profit

C's Capital A/c	7,800	
(39,000 X 1/5)		
To A's Capital		4,680
To B's Capital		3,120

## QUESTION 46

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

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

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

1. He shall bring ₹ 1,50,000 as capital and goodwill.
2. He shall get  $\frac{1}{5}$ <sup>th</sup> share in future profits, to be acquired equally from Ramu and Mamu.
3. Goodwill of the firm to be valued at ₹ 2,50,000. It was agreed that goodwill shall not appear in the books of accounts.
4. Land & Building is to be appreciated by 50% and inventory is revalued at ₹ 60,000
5. Machinery to be depreciated by 20%. Debtors of ₹ 2,800 are to be written off as bad debts and a Reserve for doubtful debts should be created @ 5% of debtors.
6. Furniture to be reduced to ₹40,000.
7. After admission of Damu, capitals of the partners' to be adjusted in their new profit sharing ratio, taking Damu's capital as base.

You are required to prepare:

1. Revaluation account
2. Partners' capital accounts.
3. Cash and bank account.
4. Balance Sheet after admission

# Revaluation A/c

Particulars		Amount	Particulars		Amount
To Machinery		36000	By Land & Building		75000
To Furniture		4000			
To Bad Debts		2800			
To RDD		2000			
To Inventory		5200			
<b>To Profit Transferred to Capital A/c</b>					
Ramu	15000				
Mamu	<u>10000</u>	25000			
		<b>75000</b>			<b>75000</b>

# Partners Capital A/c

Particulars	Ramu	Mamu	Damu	Particulars	Ramu	Mamu	Damu
To Ramu's & Mamu's Capital A/c			50000	By Bal B/d	210000	190000	
				By General Reserve A/c	36000	24000	
To Bank A/c (BF)	36000	99000		By Bank A/c			150000
				By Damu's Capital A/c	25000	25000	
To Bal C/d	250000	150000	100000	By Revaluation A/c	15000	10000	
	<b>286000</b>	<b>249000</b>	<b>150000</b>		<b>286000</b>	<b>249000</b>	<b>150000</b>

# Bank A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	24000	By Ramu's Capital A/c	36000
To Damu's Capital A/c	150000	By Mamu's Capital A/c	99000
		By Bal C/d (BF)	39000
	<b>174000</b>		<b>174000</b>



**Balance Sheet  
as on 1-4-20**

Liabilities		Amount	Assets		Amount
<b>Capital</b>			Land & Building		225000
Ramu	250000		Machinery		144000
Mamu	150000		Furniture		40000
Damu	<u>100000</u>	500000	Trade Receivables	42800	
			Less – Bad Debts	<u>2800</u>	
				40000	
Loan from LFC Bank		25000	Less – RDD at 5%	<u>2000</u>	38000
Trade Payables		21000	Inventory		60000
			Bank		39000
		<b>546000</b>			<b>546000</b>

# Working Notes

## 1. Calculation of Sacrificing Ratio & New PSR

$$\text{Ramu} = \frac{3}{5} - \left(\frac{1}{5} * \frac{1}{2}\right) = \frac{3}{5} - \frac{1}{10} = \frac{5}{10}$$

$$\text{Mamu} = \frac{2}{5} - \left(\frac{1}{5} * \frac{1}{2}\right) = \frac{2}{5} - \frac{1}{10} = \frac{3}{10}$$

$$\text{Damu} = \frac{1}{5} \text{ That is } = \frac{2}{10}$$

Therefore New PSR = 5:3:2

SR = 1:1

# Working Notes

## 2. Treatment of Goodwill

Value of Firms Goodwill = 250000

Damu's Share in Goodwill =  $250000 * 1/5 = 50000$

### Adjustment Entry

Damu's Capital A/c....Dr 50000

To Ramu's Capital A/c                      25000

To Mamu's Capital A/c                      25000

# Working Notes

## 3. Capital Adjustment After Admission of Damu

Amount Brought in By Damu	150000
Less – Amount of Goodwill	50000
Therefore, Amount of Capital	100000

**Total Capital of Firm =  $100000 \times 5/1 = 500000$**

**New Capital of All partners in Their New PSR Shall be  
Ramu = 250000 , Mamu = 150000 & Damu = 100000**

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# **PARTNERSHIP RETIREMENT OF PARTNER**

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## QUESTION 47

*Dowell & Co. is a partnership firm with partners Mr. A, Mr. B and Mr., C, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2020 is as under:*

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

*It was mutually agreed that Mr. B will retire from partnership and in his place Mr. D will be admitted as a partner with effect from 1st April, 2020. For this purpose, the following adjustments are to be made:*

- (a) Goodwill is to be valued at ₹1 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- (b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- (c) In the reconstituted firm, the total capital will be ₹2 lakhs which will be contributed by Mr. A, Mr. C and Mr. D in their new profit sharing ratio, which is 2:2:1.
- (i) The surplus funds, if any, will be used for repaying bank overdraft.
- (ii) The amount due to retiring partner shall be transferred to his loan account.

**Required:**

Prepare

- (a) Revaluation account;
- (b) Partners' capital accounts;
- (c) Bank account; and
- (d) Balance sheet of the reconstituted firm as on 1st April, 2020.

# Revaluation A/c

Particulars	Amount	Particulars	Amount
To Building A/c	10,000	By Investment	3,000
To Plant & Machinery A/c	26,000	By Loss Transferred to Capital A/c	
To Provision for Doubtful Debts A/c	27,800	A	30,400
		B	18,240
		C	<u>12,160</u>
	<b>63,800</b>		<b>63,800</b>



## Partners Capital A/c

Particulars	A	B	C	D	Particulars	A	B	C	D
To Investment		15,000			By Balance b/d	80,000	20,000	30,000	
To A & B Capital A/c			20,000	20,000	By Reserves A/c	10,000	6,000	4,000	
To Revaluation A/c	30,400	18,240	12,160	-	By C & D Capital A/c	10,000	30,000		
To B's Loan A/c (BF)		22,760			By Bank A/c (BF)	10,400	-	78,160	60,000
To Balance c/d	80,000	-	80,000	40,000					
	<b>1,10,400</b>	<b>56,000</b>	<b>1,12,160</b>	<b>60,000</b>		<b>1,10,400</b>	<b>56,000</b>	<b>1,12,160</b>	<b>60,000</b>

# Bank A/c

Particulars	Amount	Particulars	Amount
To A's Capital A/c	10,400	By Balance b/d	44,000
To C's Capital A/c	78,160		
To D's Capital A/c	60,000	By Balance c/d (BF)	1,04,560
	<b>1,48,560</b>		<b>1,48,560</b>

**Balance Sheet of Dowell & Co.**  
**As on 1-4-20**

Liabilities		Amount	Assets		Amount
Capital			Land		10,000
A	80,000		Building		1,90,000
C	80,000		Plant & Machinery		1,04,000
D	<u>40,000</u>	2,00,000	Furniture		43,000
B's Loan		22,760	Inventory		1,30,000
Long Term Debt		3,00,000	Trade Receivables	1,39,000	
			Less : Provision	<u>27,800</u>	1,11,200
Trade Payables		1,70,000	Bank		1,04,560
		<b>6,92,760</b>			<b>6,92,760</b>

# Working Notes

## 1. Calculation of Gaining & Sacrificing Ratio

A	$2/5 - 5/10$	$= (1/10)$	Sacrificing
B	$- - 3/10$	$= (3/10)$	Sacrificing
C	$2/5 - 2/10$	$= 2/10$	Gaining
D	$1/5 - 0$	$= 2/10$	Gaining

C's Capital A/c.....Dr.	20,000	
(1,00,000 X 2/10)		
D's Capital A/c.....Dr.	20,000	
(1,00,000 X 2/10)		
To A's Capital		10,000
(1,00,000 X 1/10)		
To B's Capital		30,000
(1,00,000 X 3/10)		

## QUESTION 48

A,B,C were in partnership sharing profits and losses in the ratio of 3:2:1. The balance sheet of the firm as on 31.2.2020 was as under:

Liabilities		₹	Assets	₹
Capital accounts:				
A	1,50,000		Fixtures	30,000
B	1,00,000		Stock	1,70,000
C	50,000	3,00,000	Sundry debtors	90,000
Sundry creditors		40,000	Cash	50,000
		3,40,000		3,40,000

A, on account of ill-health, gave notice that he wished to retire from the firm. A retirement agreement was, therefore, entered as on 31.3.2020, the terms of which were as follows:

(a) The profit and loss account for the year ended 31.3.2020, which showed a net profit of ₹ 42,000 was to be re-opened. B was to be credited with ₹ 6,000 as bonus, in consideration of the extra work, which had devolved upon him during the year. The profit sharing basis was to be revised and the revised ratio is to be 2:3:1 as and from 1st April 2019.

(b) Goodwill was to be valued at two years' purchase of the simple average profits of five years. Profits for these five years ending on 31st March were as under:

	₹
31.3.2016	15,000
31.3.2017	23,000
31.3.2018	25,000
31.3.2019	35,000
31.3.2020	42,000

(c) Fixtures are to be valued at ₹ 39,800 and a provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book value.

(d) That the amount payable to A shall be paid by B.

B and C agreed, as between themselves, to continue the business, sharing profits and losses in the ratio of 3:1 and decided to retain fixtures in the books at the revised value and increase the provision for doubtful debts to 6 %. Total capital of the firm will be ₹ 3 lakhs as before to be maintained in the new ratio as between B and C.

You are required to give the necessary entries to give effect to the above arrangements. Prepare capital accounts of partners, cash account and balance sheet of B and C after giving effect to the above arrangements on the retirement of A.

# Journal Book

Date	Particulars	LF	Amount	Amount
	Fixtures A/c Dr.		9,800	
	To Revaluation A/c			9800
	(Being Fixtures revalued)			
	Revaluation A/c Dr.		1,800	
	To RDD A/c			1800
	(Being Provision Made on debtors at 2%)			



Date	Particulars	LF	Amount	Amount
	A's Capital A/c Dr.		21,000	
	B's Capital A/c Dr.		14,000	
	C's Capital A/c Dr.		7,000	
	To Profit and Loss Adjustment A/c			42,000
	(Being Profit written back for Adjustments)			
	Profit and Loss Adjustment A/c Dr.		6,000	
	To B's Capital A/c			6,000
	(Being Bonus credited to B's Capital A/c)			

Date	Particulars	LF	Amount	Amount
	Profit and Loss Adjustment A/c Dr.		36,000	
	To A's Capital A/c			12,000
	To B's Capital A/c			18,000
	To C's Capital A/c			6,000
	(Being distribution of profits in the new ratio)			
	B Capital A/c.....Dr (6/24*56000)		14000	
	C Capital A/c.....Dr (2/24*56000)		4667	
	To A's Capital A/c (2/6*56000)			18667
	(Being Goodwill Adjusted in partners Capital A/c)			

Date	Particulars	LF	Amount	Amount
	Revaluation A/c Dr.		8000	
	To A's Capital A/c			2,667
	To B's Capital A/c			4,000
	To C's Capital A/c			1,333
	(Being profit on revaluation Distributed)			
	A's Capital A/c Dr.		162,334	
	To B's Capital A/c			162,334
	(Being Amount payable to A paid by B)			

Date	Particulars	LF	Amount	Amount
	B's Capital A/c Dr.		2,700	
	C's Capital A/c Dr.		900	
	To RDD A/c			3600
	(Being Provision on Debtors increased to 6%)			
	Cash A/c Dr.		30234	
	To C's Capital A/c			30234
	(Being Cash received from C)			

Date	Particulars	LF	Amount	Amount
	B's Capital A/c <span style="float: right;">Dr.</span>		34624	
	To Cash A/c			34624
	(Being Cash Paid to B)			

# Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
To P&L Adj A/c	21,000	14,000	7,000	By Balance b/d	1,50,000	1,00,000	50,000
To A's Capital A/c		14,000	4,667	By P&L Adj. A/c	-	6,000	-
To RDD A/c	-	2,700	900	By P&L Adj. A/c	12,000	18,000	6,000
				By B & C Capital A/c	18,667		
To B's Capital A/c (Bal Fig)	162,334	-	-	By Revaluation A/c	2,667	4,000	1,333
To Cash A/c (Bal Fig)	-	34,634	-	By A's Capital A/c	-	162,334	-
To Balance c/d	-	2,25,000	75,000	By Cash A/c (Bal Fig)	-	-	30,234
	183334	290334	87,567		183334	290334	87,567

# Cash A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	50000	By B's Capital A/c	34634
To C's Capital A/c	30234	By Balance c/d (bal Fig)	45600
	80234		80234

**Balance Sheet of B & C**  
**As on 31-3-20 (After Retirement of A)**

Liabilities		Amount	Assets		Amount
<b>Capital</b>			Fixtures		39800
B	225000		Stock		170000
C	<u>75000</u>	300000	Sundry Debtors	90000	
			Less – RDD	<u>5400</u>	84600
Sundry creditors		40000	Cash		45600
		<b>340000</b>			<b>340000</b>



# Working Notes

## 1. Valuation of Firm's Goodwill

Average of Last five year's profit =  $15000+23000+25000+35000+42000/5$  years

= 28000

value of Goodwill = 2yrs Purchase of Average profits of Last 5 years

= 2 x 28000

= 56000

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# **PARTNERSHIP DEATH OF PARTNER**

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## QUESTION 49

On 31st March, 2020, the balance sheet of M/s Ram, Rahul and Rohit sharing profits and losses in proportion to their capital, stood as follows:

Liabilities	₹	₹	Asset	₹
Capital accounts:			Land & building	2,00,000
Ram	3,00,000		Machinery	2,00,000
Rahul	2,00,000		Closing stock	1,00,000
Rohit	<u>1,00,000</u>	6,00,000	Sundry debtors	2,00,000
Sundry creditors		2,00,000	Cash and bank balances	1,00,000
		8,00,000		8,00,000

On 31st March, 2020, Ram desired to retire from the firm and the remaining partners decided to carry on. It was agreed to revalue the assets and liabilities on that date on the following basis:-

1. Land and buildings be appreciated by 30%.

1. Land and buildings be appreciated by 30%.
2. Machinery be depreciated by 20%.
3. Closing stock to be valued at ₹ 80,000.
4. Provision for bad debts be made at 5%.
5. Old credit balances of sundry creditors ₹ 10,000 be written off.
6. Joint life policy of the partners surrendered and cash obtained ₹ 60,000.
7. Goodwill of the entire firm be valued at ₹ 1,80,000 and Ram's share of the goodwill be adjusted in the accounts of Rahul and Rohit who share the future profits equally. No goodwill account being raised.
8. The total capital of the firm is to be the same as before retirement. Individual capital be in their profit sharing ratio.
9. Amount due to Ram is to be settled on the following basis:-  
50% on retirement and the balance 50% within one year

Prepare revaluation account, capital account of partners: Rahul & Rohit, loan account of Ram, cash account and balance sheet as on 1.4.2020 of M/s Rahul and Rohit.



# Partners Capital A/c

Particulars	Ram	Rahul	Rohit	Particulars	Ram	Rahul	Rohit
To Ram's Capital A/c		30000	60,000	By Bal B/d	3,00,000	2,00,000	1,00,000
				By Insurance Co. (JLP)	30,000	20,000	10,000
To Ram's Loan A/c	4,20,000			By Rahul's Capital A/c	30,000		
				By Rohit's Capital A/c	60000		
				By Cash/Bank A/c		1,10,000	2,50,000
To Balance C/d		300000	300000				
	<b>420000</b>	<b>330000</b>	<b>360000</b>		<b>420000</b>	<b>330000</b>	<b>3,60,000</b>

# Ram's Loan A/c

Particulars	Amount	Particulars	Amount
		By Ram's Capital A/c	420000
To Bank A/c	210000		
To Balance C/d	210000		
	<b>420000</b>		<b>420000</b>

# Cash A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	100000	By Ram's Loan A/c	210000
To Insurance Co.	60000		
To Rahul's Capital A/c	110000		
To Rohit's Capital A/c	250000	By Balance C/d	310000
	<b>520000</b>		<b>520000</b>



**Balance Sheet of M/s. Rahul & Rohit  
As On 1-4-20**

<b>Liabilities</b>		<b>Amount</b>	<b>Assets</b>		<b>Amount</b>
<b>Capital</b>			Land & Building		260000
Rahul	300000		Machinery		160000
Rohit	<u>300000</u>	600000	Closing Stock		80000
			Sundry Debtors		200000
Ram's Loan A/c		210000	Less -		<u>10000</u>
			Bank		310000
Sundry Creditors	200000				
Less - W/off	<u>10000</u>	190000			
		<b>1000000</b>			<b>1000000</b>

# Working Notes

## 1. Calculation of Gaining & Sacrificing Ratio

$$\text{Rahul} - 1/2 - 1/3 = 1/6$$

$$\text{Rohit} - 1/2 - 1/6 = 4/12 \text{ that is } 1/3$$

**GR SHALL BE IN RATIO OF 1:2**

## QUESTION 50

Diya, Riya & Kiya are partners of M/s. DRK Fabrics sharing profits and losses in the ratio of 2:1:2. On 31st March 2020 their Balance Sheet was as under:

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capitals :		Land & Building	1,65,000
Diya	1,50,000	Furniture	75,000
Riya	1,80,000	Joint life Policy	60,000
Kiya	70,000	Inventory	88,740
General Reserve	1,40,000	Trade Receivable	96,750
Trade payables	60,000	Bank	1,14,510
	6,00,000		6,00,000

Kiya died on 30th September, 2020.

The partnership deed provides as follows:

- (a) *That partners be allowed interest at 12% p.a. on their capitals, but no interest be charged on drawings.*
- (b) *Upon the death of a partner, the goodwill of the firm be valued at one years' purchase of the average net profits (after charging interest on capital) for the four years to 31st March preceding the death of a partner. The profits of the firm before charging interest on capitals were*

2016-17	1,62,000
2017-18	1,99,000
2018-19	1,87,000
2019-20	1,96,000

*Average capital during preceding four years may be assumed as ₹ 3,00,000*

- (c) *Profits till the date of death to be ascertained on the basis of average profit of previous four years*
- (d) *Upon the death of a partner, she is to be credited with her share of the profits, interest on capitals etc. calculated till the date of death*

*After the death of Kiya*

- 1. ₹ 2,00,000 was received from insurance company against Joint life Policy.*
- 2. Land & Building was appreciated by 20%, Furniture to be depreciated by 10%, inventory to be revalued at ₹ 80,000. Bad debts amounted ₹ 1760.*
- 3. Amount payable to Kiya was paid in cash.*

*You are required to prepare*

- 1. Revaluation A/c*
- 2. Partners' Capital A/c*
- 3. Balance Sheet as on 30th September 2020, assuming other Assets and liabilities remaining the same.*

# Revaluation A/c

Particulars		Amount	Particulars		Amount
To furniture		7500	By Land & Building		33000
To Inventory		8740			
To Bad Debts		1760			
To Profit Trf to Capital A/c					
Diya	6000				
Riya	3000				
Kiya	<u>6000</u>	15000			
		<b>33000</b>			<b>33000</b>

# Partners Capital A/c

Particulars	Diya	Riya	Kiya	Particulars	Diya	Riya	Kiya
				By Bal B/d	1,50,000	180000	70,000
To Kiya Capital A/c	40,000	20,000		By General Reserve	56,000	28,000	56,000
				By JLP	56,000	28,000	56,000
				By Interest on Capital			4,200
To Bank A/c (BF)			2,79,800	By Riya & Diya Capital			60,000
To Bal C/d (Bal Fig)	2,28,000	2,19,000		By P/L Suspense A/c			27,600
				By Revaluation A/c	6,000	3,000	6,000
	<b>268000</b>	<b>239000</b>	<b>279800</b>		<b>268000</b>	<b>239000</b>	<b>279800</b>

**Balance Sheet**  
**As On 30-09-2020**

Liabilities		Amount	Assets	Amount
<b>Capital</b>			Land & Building	198000
Diya	228000		Furniture	67500
Riya	<u>219000</u>	447000	Inventory	80000
			Trade Receivables	94990
			By P/L Suspense A/c	31800
Trade Payables		60000	(4200 +27600)	
			Bank A/c	34710
		<b>507000</b>		<b>507000</b>



# Working Notes

## 1. Bank A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	114510	By Kiya Capital A/c	279800
To JLP	200000		
		By Bal C/d (Bal Fig)	34710
	<b>314510</b>		<b>314510</b>

## 2. Ascertainment of Value of Firm's Goodwill & Its Treatment

value of Goodwill = 1Years Purchase of Average profits of Last 4 Years

$$\begin{aligned}\text{Average Profit of Last 4 Years} &= (162000 - 36000) + (199000 - 36000) + (187000 - 36000) \\ &\quad (196000 - 36000) / 4 \text{ years} \\ &= 150000\end{aligned}$$

$$\text{Value of Goodwill} = 1 * 150000 = 150000$$

Diya A/c.....Dr	40000	
Riya A/c.... Dr	20000	
To Kiya A/c (150000*2/5)		60000

### 3. Ascertainment of Deceased partner's Share in Profit Upto The Date of Death & its Treatment

Average Profit of Last 4 Years before Int =  $162000 + 199000 + 187000 + 196000 / 4 \text{ years} = 186000$

Net profit After After Interest on capital =  $186000 - (400000 * 12\%) = 138000$

Profit of the Firm upto Death of Death & Kiya's Share in it =  $138000 / 12M * 6M * 2/5 = 27600$

## QUESTION 51

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

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

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

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

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

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

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

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

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

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

# P's Capital A/c

Particulars	Amount	Particulars	Amount
To Drawings	30,000	By Bal B/d	30,000
To Revaluation A/c (6000*2/4)	3000	By Interest on Capital A/c	2,400
		By P's Current A/c	5,000
To P's Executor A/c (Bal Fig)	38,465	By Q's & R's Capital A/c (Goodwill)	11,830
		By P/L Suspense A/c (profit)	4,735
		By Share in SLP	17,500
	<b>71,465</b>		<b>71,465</b>

# Working Notes

## 1. Ascertainment of Value of Firm's Goodwill & P's Share in it

Value of Goodwill = 2 Years Purchase of Average profits of Last 3 Years

$$\begin{aligned}\text{Average Profit of Last 3 Years} &= (29340 - 4000) + (26470 - 4000) - (8320 - 4000) / 3 \text{ years} \\ &= 11830\end{aligned}$$

$$\text{Value of Goodwill} = 11830 * 2 \text{ Years} = 23660$$

$$\text{Share of P in Firm's Goodwill} = 23660 * 2/4 = 11830$$

## 2. Ascertainment of Share of Profit to be credited to deceased Partner

Profit for 2020 after debiting interest on Capital =  $13470 - 4000 = 9470$

Share of P in Profit for 2020 =  $9470 * 2/4 = 4735$



# 3. Adjustment on Account of SLP

$$\begin{aligned}\text{Amount of SLP to be Adjusted} &= 25000 \text{ of P's Policy} + 20\% \text{ of } 25000 \text{ of Q's policy} \\ &\quad + 20\% \text{ of } 25000 \text{ of R's Policy} \\ &= 35000\end{aligned}$$

$$\text{P's Share in SLP} = 35000 * \frac{2}{4} = 17500$$

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**PARTNERSHIP  
CHANGE IN PSR**

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## QUESTION 52

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

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

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

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

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

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

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

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

# Journal Entries

Date	Particulars	LF	Amount	Amount
01-01-2019	General Reserve A/c.....Dr		80000	
	To A's Capital A/c			40000
	To B's Capital A/c			25000
	To C's Capital A/c			15000
	(Being General Reserve Distributed to all Partners in Old ratio)			
01-01-2019	Revaluation.....Dr		3000	
	To RDD A/c			3000
	(Being Provision Created on Debtors at 5%)			

Date	Particulars	LF	Amount	Amount
01-01-2019	Revaluation.....Dr		8000	
	To Stock A/c			8000
	(Being Value of Stock Reduced)			
01-01-2019	Fixed Assets A/c.....Dr		51000	
	To Revaluation A/c			51000
	(Being Fixed assets Revalued)			
01-01-2019	B's capital A/c.....Dr		5625	
	C's capital A/c.....Dr		11250	
	To A's Capital A/c			16875
	(Being Godwill Adjusted in Partners Capital A/c)			

Date	Particulars	LF	Amount	Amount
01-01-2019	B's capital A/c.....Dr		4875	
	C's capital A/c.....Dr		9750	
	To A's Capital A/c			14625
	(Being Surrender Value of JLP Adjusted in Partner's Capital A/c)			
01-01-2019	Revaluation A/c.....Dr		40000	
	To A's Capital A/c			20000
	To B's Capital A/c			12500
	To C's Capital A/c			7500
	(Being Revaluation profit Distributed to Partners in Old ratio)			

## Balance Sheet

Liabilities		Amount	Assets		Amount
<b>Partners Capital A/c</b>			Cash		40000
A	191500		Bills Recievable		50000
B	107000		Debtors	60000	
C	<u>71500</u>	370000	Less - RDD	<u>3000</u>	57000
<b>Partners Loan A/c</b>			Stock		112000
A	40000		Fixed Assets		331000
B	<u>30000</u>	70000			
Sundry Creditors		150000			
		<b>590000</b>			<b>590000</b>



# WN 1 - Revaluation A/c

Particulars		Amount	Particulars		Amount
To RDD		3000	By Fixed Assets		51000
To Stock		8000			
To Revaluation profit					
A	20000				
B	12500				
C	<u>7500</u>	40000			
		<b>51000</b>			<b>51000</b>

## WN 2 - Partners Capital A/c

Particulars	A	B	C	Particulars	A	B	C
To A's Capital A/c	-	5625	11,250	By Bal B/d	1,00,000	80,000	70,000
To A's Capital A/c	-	4,875	9,750	By General Reserve	40,000	25,000	15,000
	-			By B & C's Capital (G/W)	16,875		
				By B & C's Capital (JLP)	14,625		
To bal C/d (Bal Fig)	1,91,500	1,07,000	71,500	By Revaluation A/c	20000	12,500	7,500
	<b>1,91,500</b>	<b>1,17,500</b>	<b>92,500</b>		<b>1,91,500</b>	<b>1,17,500</b>	<b>92,500</b>

# WN 3 - Calculation of Gaining & Sacrificing Ratio

$$A = 8/16 - 5/16 = 3/16 \quad (\text{Sacrifice})$$

$$B = 5/16 - 6/16 = (1/16) \quad (\text{Gain})$$

$$C = 3/16 - 5/16 = (2/16) \quad (\text{Gain})$$

# WN 4 - Ascertainment of Value of Firm's Goodwill & Its Treatment

Average profit of Last 5 Years after Charging Insurance Premium

i.e  $14000+17000+20000+22000+27000/5 \text{ Years} = 20000$

Average profit of last 5 Years Before Charging Insurance Premium =  $20000 + \text{Insurance Premium per Year}$   
=  $20000 + 10000$   
=  $30000$

Value of Goodwill =  $3\text{Yrs Purchase} * \text{Average profit Before Charging Insurance Premium}$   
=  $3 * 30000$   
=  $90000$

## Accounting Entry For Goodwill Adjustment

B's Capital A/c.....Dr (1/16*90000)	5625	
C's Capital A/c.....Dr (2/16*90000)	11250	
To A's Capital A/c (3/16*90000)		16875

# WN 5 - Treatment of Surrender Value of JLP

B's Capital A/c.....Dr (1/16*78000)	4875	
C's Capital A/c.....Dr (2/16*78000)	9750	
To A's Capital A/c (3/16*78000)		14625

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**PARTNERSHIP  
DISSOLUTION OF PARTNERSHIP FIRMS &  
LLP**

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## QUESTION 53

*Amit, Sumit, and Kumar are partners sharing profit and losses in the ratio 2:2:1. The partners decided to dissolve the partnership on 31<sup>st</sup> March 2022 when their Balance Sheet was as under:*

<b>Liabilities</b>	<b>Amount</b>	<b>Assets</b>	<b>Amount</b>
<i>Capital Accounts:</i>		<i>Land &amp; Building</i>	<i>1,35,000</i>
<i>Amit</i>	<i>55,200</i>	<i>Plant &amp; Machinery</i>	<i>45,000</i>
<i>Sumit</i>	<i>55,200</i>	<i>Furniture</i>	<i>25,500</i>
<i>General Reserve</i>	<i>61,500</i>	<i>Investments</i>	<i>15,000</i>
<i>Kumar's Loan A/c</i>	<i>15,000</i>	<i>Book Debts</i>	<i>60,000</i>
<i>Loan from D</i>	<i>1,20,000</i>	<i>Less: Prov. for bad debts</i>	<i><u>(6,000)</u></i>
<i>Trade Creditors</i>	<i>30,000</i>	<i>Stock</i>	<i>36,000</i>
<i>Bills Payable</i>	<i>12,000</i>	<i>Bank</i>	<i>13,500</i>
<i>Outstanding Salary</i>	<i>7,500</i>	<i>Capital Withdrawn:</i>	
		<i>Kumar</i>	<i>32,400</i>
	<i>3,56,400</i>		<i>3,56,400</i>

The following information is given to you:

- (i) Realization expenses amounted to ₹ 18,000 out of which ₹ 3,000 was borne by Amit.
- (ii) A creditor agreed to takeover furniture of book value ₹ 12,000 at ₹ 10,800. The rest of the creditors were paid off at a discount of 6.25%.
- (iii) The other assets realized as follows:

Furniture - Remaining taken over by Kumar at 90% of book value

Stock - Realized 120% of book value

Book Debts - ₹ 12,000 of debts proved bad, remaining were fully realized

Land & Building - Realized ₹ 1,65,000

Investments - Taken over by Amit at 15% discount

- (iv) For half of his loan, D accepted Plant & Machinery and ₹ 7,500 cash. The remaining amount was paid at a discount of 10%.



(v) Bills payable were due on an average basis of one month after 31st March 2022, but they were paid immediately on 31st March @ 6% discount "per annum".

Prepare the Realization Account, Bank Account and Partners' Capital Accounts in the books of Partnership firm.

# Realisation A/c

Particulars	Amount	Particulars	Amount
To Land & Building A/c	1,35,000	By Loan From D A/c	1,20,000
To Plant & Machinery A/c	45,000	By Trade creditors A/c	30,000
To Furniture A/c	25,500	By Bills payable A/c	12,000
To Investment A/c	15,000	By O/S Salary A/c	7,500
To Book Debts A/c	60,000	By Provision for Doubtful Debts A/c	6,000
To Stock A/c	36,000	By Kumar A/c (furniture) [(25,500-12000) X 90%]	12,150
To Cash A/c (exp)	15,000	By Cash A/c (Stock)	43,200
To Amit A/c (exp)	3,000	By Cash A/c (Debtors)	48,000
To Cash A/c (creditor) [(30,000-10,800)-6.25%]	18,000	By Cash A/c (land & Building)	1,65,000



# Partners Capital A/c

Particulars	Amit	Sumit	Kumar	Particulars	Amit	Sumit	Kumar
To Balance B/d			32,400	By Balance b/d	55,200	55,200	
To Realisation A/c			12,150	By General Reserve A/c	24,600	24,600	12,300
To Realisation A/c	12,750			By Kumar loan A/c			15,000
				By Realisation A/c	3,000		
				By Realisation A/c	9,264	9,264	4,632
To Bank (BF)	79,314	89,064		By Bank A/c (BF)			12,618
	<b>92,064</b>	<b>89,064</b>	<b>44,550</b>		<b>92,064</b>	<b>89,064</b>	<b>44,550</b>

# Cash A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	13,500	By Realisation A/c (exp)	15,000
To Realisation A/c (stock)	43,200	By Realisation A/c (creditors)	18,000
To Realisation A/c (Debtors)	48,000	By Realisation A/c (D's loan)	61,500
To Realisation A/c (Land & Building)	1,65,000	By Realisation A/c (salary)	7,500
To Kumar's capital A/c	12,618	By Amit's capital A/c	79,314
		By Sumit's capital A/c	89,064
		By Realisation A/c (BP)	11,940
	<b>2,82,318</b>		<b>2,82,318</b>

## QUESTION 54

*A, B, C, and D sharing profits in the ratio of 4:3:2:1 decided to dissolve their partnership on 31st March 2022 when their balance sheet was as under:*

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Creditors	15,700	Bank	535
Employees Provident Fund	6,300	Debtors	15,850
Capital Accounts:		Stock	25,200
A      40,000		Prepaid Expenses	800
B <u>20,000</u>	60,000	Plant & Machinery	20,000
		Patents	8,000
		C's Capital A/c	3,200
		D's Capital A/c	8,415
	82,000		82,000

Following information is given to you: -

1. One of the creditors took some of the patents whose book value was ₹ 5,000 at a valuation of ₹ 3,200. Balance of the creditors were paid at a discount of ₹ 400.
2. There was a joint life policy of ₹ 20,000 (not mentioned in the balance sheet) and this was surrendered for ₹ 4,500.
3. The remaining assets were realized at the following values: - Debtors ₹ 10,800; Stock ₹ 15,600; Plant and Machinery ₹ 12,000; and Patents at 60% of their book-values. Expenses of realization amounted to ₹ 1,500.

D became insolvent and a dividend of 25 paise in a rupee was received in respect of the firm's claim against his estate. Prepare necessary ledger accounts.

# Realisation A/c

Particulars	Amount	Particulars	Amount
To Debtor's A/c	15,850	By Sundry Creditors A/c	15,700
To Stock A/c	25,200	By Employee's provident Fund A/c	6,300
To Prepaid Exp A/c	800	By Bank A/c (JLP)	4,500
To Plant & Machinery A/c	20,000	<u>By Bank A/c</u>	
To Patents A/c	8,000	Debtors	10,800
To Cash A/c (Creditors) (15700-3200-400)	12,100	Stock	15,600
To Cash A/c (EPF)	6,300	Plant & Machinery	1,200
		Patent	40,200
		<u>1,800</u>	
		(20000-5000-3000-1000)	



Particulars	Amount	Particulars	Amount
		By Loss Transferred to capital A/c	
		A	9,220
		B	6,195
		C	4,610
		D	23,050
		<u>2,305</u>	
	<b>89,750</b>		<b>89,750</b>

# Partners Capital A/c

Particulars	A	B	C	D	Particulars	A	B	C	D
To Balance b/d			3,200	8,415	By Balance b/d	40,000	20,000		
To Realisation A/c	9,220	6,915	4,610	2,305	By Cash A/c (25% of to 720)				2,680
To D's Capital A/c	5,360	2,680			By A & B Capital A/c				8,040
To Bank A/c (BF)	25,420	10,405			By Cash A/c (BF)			7,810	
	<b>40,000</b>	<b>20,000</b>	<b>7,810</b>	<b>10,720</b>		<b>40,000</b>	<b>20,000</b>	<b>7,810</b>	<b>10,720</b>

# Bank A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	535	By Creditors A/c	12,100
To Realisation A/c (JLP)	4,500	By Realisation A/c (exp)	1,500
To Realisation A/c	40,200	By Realisation A/c (EPF)	6,300
To D Capital A/c	2,680	By A's capital A/c	25,420
To C Capital A/c	7,810	By B's capital A/c	10,405
	<b>55,725</b>		<b>55,725</b>



## QUESTION 55

The following is the Balance Sheet of A, B, C on 31st December, 2022 when they decided to dissolve the partnership:

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Creditors	2,000	Sundry Assets	48,500
A's Loan	5,000	Cash	500
Capital Accounts:			
A	15,000		
B	18,000		
C	<u>9,000</u>		<u>          </u>
	49,000		49,000

*The assets realized the following sums in installments:*

<i>I</i>	<i>1,000</i>
<i>II</i>	<i>3,000</i>
<i>III</i>	<i>3,900</i>
<i>IV</i>	<i>6,000</i>
<i>V</i>	<u><i>20,100<sup>1</sup></i></u>
	<u><i>34,000</i></u>

*The expenses of realization were expected to be ₹ 500 but ultimately amounted to ₹ 400 only. Show how at each stage the cash received should be distributed between partners. They share profits in the ratio of 2:2:1.*

## STATEMENT OF DISTRIBUTION OF CASH

PARTICULARS	AMOUNT REALISED	REALISATION EXPENSES	CREDITORS	A'S LOAN	PARTNERS CAPITAL			
					A	B	C	TOTAL
<b>BALANCE DUE</b>		500	2000	5000	15000	18000	9000	42000
CASH AVAILABLE	500	500	0	0	0	0	0	0
<b>BALANCE DUE</b>		0	2000	5000	15000	18000	9000	42000
AMOUNT REALISED IN FIRST INSTALLMENT	1000		1000	0				
<b>BALANCE DUE</b>			1000	5000	15000	18000	9000	42000
AMOUNT REALISED IN SECOND INSTALLMENT	3000		1000	2000				
<b>BALANCE DUE</b>			0	3000	15000	18000	9000	42000
AMOUNT REALISED IN THIRD INSTALLMENT	3900			3000	0	0	0	0
<b>BALANCE DUE BEFORE ALLOCATING 900 SURPLUS</b>					15000	18000	9000	42000
MPL OF 41100 (42000-900) TO BE DISTRIBUTED IN 2:2:1					-16440	-16440	-8220	-41100
AMOUNT AT CREDIT					-1440	1560	780	900
DEFICIENCY OF A TO W/OFF AGAINST B & C IN CAPITAL RATIO OF 18000:9000)					1440	-960	-480	0
AMOUNT PAID					0	600	300	900
<b>BALANCE DUE</b>					15000	17400	8700	41100

PARTICULARS	AMOUNT REALISED	REALISATION EXPENSES	CREDITORS	A'S LOAN	PARTNERS CAPITAL			
					A	B	C	TOTAL
AMOUNT REALISED IN FOURTH INSTALLMENT	6000							
MPL OF 35100 (41100-6000) TO DISTRIBUTED IN 2:2:1					-14040	-14040	-7020	-35100
AMOUNT AT CREDIT & PAID					960	3360	1680	6000
<b>BALANCE DUE</b>					14040	14040	7020	35100
AMOUNT REALISED IN FIFTH INSTALLMENT	20100							
MPL OF 15000 (35100-20100) TO DISTRIBUTED IN 2:2:1					-6000	-6000	-3000	-15000
AMOUNT AT CREDIT & PAID					8040	8040	4020	20100
<b>BALANCE DUE LEFT UNPAID</b>					6000	6000	3000	15000



## QUESTION 56

A partnership firm was dissolved on 30<sup>th</sup> June, 2022. Its Balance Sheet on the date of dissolution was as follows:

<i>Liabilities</i>	₹	₹	<i>Assets</i>	₹
<i>Capitals:</i>			<i>Cash</i>	10,800
<i>A</i>	76,000		<i>Sundry Assets</i>	1,89,200
<i>B</i>	48,000			
<i>C</i>	36,000	1,60,000		
<i>Loan A/c – B</i>		10,000		
<i>Sundry Creditors</i>		30,000		
		2,00,000		2,00,000

The assets were realized in instalments and the payments were made on the proportionate capital basis. Creditors were paid ₹ 29,000 in full settlement of their account. Expenses of realization were estimated to be ₹ 5,400 but actual amount spent was ₹ 4,000. This amount was paid on 15<sup>th</sup> September. Draw up a statement showing distribution of cash, which was realized as follows:

	₹
On 5 <sup>th</sup> July, 2022	25,200
On 30 <sup>th</sup> August, 2022	60,000
On 15 <sup>th</sup> September, 2022	80,000

The partners shared profits and losses in the ratio of 2 : 2 : 1. Prepare a statement showing distribution of cash amongst the partners by 'Highest Relative Capital' method.

## STATEMENT OF DISTRIBUTION OF CASH

PARTICULARS	AMOUNT REALISED	REALISATI ON EXPENSES	CREDITORS	B'S LOAN	PARTNERS CAPITAL			
					A	B	C	TOTAL
<b>BALANCE DUE</b>		5400	29000	10000	76000	48000	36000	160000
CASH AVAILABLE	10800	5400	5400	0	0	0	0	0
<b>BALANCE DUE</b>		0	23600	10000	76000	48000	36000	160000
AMOUNT REALISED IN FIRST INSTALLMENT	25200		23600	1600				
<b>BALANCE DUE</b>			0	8400	76000	48000	36000	160000
AMOUNT REALISED IN SECOND INSTALLMENT	60000			8400				
BALACE OF 51600 TO BE ALLOCATED AS PER WN 1					32640	4640	14320	51600
<b>BALANCE DUE</b>			0	0	43360	43360	21680	108400
AMOUNT REALISED IN THIRD INSTALLMENT + SAVING IN REALISATION EXP (80000+1400) TO DISTRIBUTED IN PSR	81400				32560	32560	16280	81400
<b>AMOUNT REMAINING UN PAID</b>					10800	10800	5400	27000

## WN 1 DISTRIBUTION OF 51600 OF 2ND INSTALLMENT AMONG PARTNERS

SR.NO	PARTICULARS	PARTNERS CAPITAL		
		A	B	C
A	CAPITAL BALANCE	76000	48000	36000
B	PSR	2	2	1
C	CAPITAL PER UNIT (A/B)	38000	24000	36000
D	PROPORTIONATE CAPITAL TAKING B'S CAPITAL AS BASE	48000	48000	24000
E	EXCESS CAPITAL (A-D)	28000	0	12000
F	PSR	2	0	1
G	CAPITAL PER UNIT (E/F)	14000		12000
H	PROPORTIONATE CAPITAL TAKING C'S CAPITAL AS BASE	24000		12000
I	EXCESS CAPITAL (E-H)	4000		0
J	PAYMENT TO A	4000		
K	CAPITAL BALANCE (A-J)	72000	48000	36000
L	PSR	2	2	1
M	CAPITAL PER UNIT (K/L)	36000	24000	36000
N	PROPORTIONATE CAPITAL TAKING B'S CAPITAL AS BASE	48000	48000	24000
O	EXCESS CAPITAL (K-N)	24000	0	12000
P	PAYMENT TO A & C	24000		12000
Q	CAPITAL BALANCE (K-P)	48000	48000	24000
R	BALANCE 11600 TO BE PAID IN PSR	4640	4640	2320
S	TOTAL PAID	32640	4640	14320

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**ISSUE , FORFEITURE**

**&**

**— REISSUE OF SHARES —**

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## QUESTION 57

*Rashmi Limited issued at par 1,00,000 Equity shares of ₹10 each payable ₹2.50 on application; ₹3 on allotment; ₹2 on first call and balance on the final call. All the shares were fully subscribed. Mr. Nair who held 10,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 1000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Nair. Give journal entries to record these transactions.*

## In The Books of Rashmi Ltd

### Journal Entries

Sr.No	Particulars	LF	Debit	Credit
1	Bank A/c....Dr (100000*2.50)		250000	
	To Share Application A/c			250000
	(being Application Money received on			
	100000 Shares)			
2	Share Application A/c....Dr		250000	
	Share Allotment A/c...Dr (100000*3)		300000	
	To Equity Share Capital A/c (100000*5.50)			550000
	(Being Shares allotted and allotment money			
	due)			

Sr.No	Particulars	LF	Debit	Credit
3	Bank A/c....Dr		300000	
	To Share Allotment A/c			300000
	(Being Amount received on allotment)			
4	Share First Call A/c....Dr (100000*2)		200000	
	To Equity Share Capital A/c			200000
	(Being Amount on First Call Due)			



Sr.No	Particulars	LF	Debit	Credit
5	Bank A/c.....Dr		225000	
	To Share First Call A/c			200000
	To Calls in Advance (10000*2.50)			25000
	(Being Amount received on first call and			
	Calls in advance received from Mr. nair)			
6	Share Final Call A/c....Dr (100000*2.50)		250000	
	To Equity Share Capital A/c			250000
	(Being Amount due on Final Call)			

Sr.No	Particulars	LF	Debit	Credit
7	Bank A/c.....Dr		222500	
	Calls in Arrears A/c....Dr (1000*2.50)		2500	
	Calls in Advance A/c....Dr		25000	
	To Share Final Call A/c			250000
	(Being amount received on Final Call)			
8	Interest on Calls in Advance A/c....Dr		750	
	To Mr. Nair A/c			750
	(Being Interest on Calls in Advance Payable			
	to Mr. Nair Calculated as $25000 * 12\% * 3/12$ )			

Sr.No	Particulars	LF	Debit	Credit
9	Mr. Nair A/c....Dr		750	
	To Bank A/c			750
	(Being interest on Calls			
10	Shareholder A/c....Dr		41.67	
	To Interest on calls in Arrears			41.67
	(Being Interest recoverable from Shareholder Calculated as $2500 * 10\% * 2/12$ )			

Sr.No	Particulars	LF	Debit	Credit
11	Bank A/c....Dr		2541.67	
	To Calls in Arrears A/c			2500
	To Shareholder A/c			41.67
	(Being Amount received on calls in Arrears with			
	Interest)			

## QUESTION 58

*B Limited issued 50,000 equity shares of ₹ 10 each payable as ₹ 3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.*

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

## In The Books of B Ltd

### Journal Entries

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

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

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



Sr.No	Particulars	LF	Debit	Credit
7	Equity Share Capital A/c...Dr (2000*10)		20000	
	To Forfeited Shares A/c (2000*6)			12000
	To Share Call A/c (2000*4)			8000
	(Being Y's 1000 Shares Forfieted)			
8	Bank A/c....Dr (2500*8)		20000	
	Forfeited Shares A/c....Dr (2500*2)		5000	
	To Equity Share Capital A/c (2500*10)			25000
	(Being 2500 Shares Reissued)			

Sr.No	Particulars	LF	Debit	Credit
9	Forfeited Shares A/c...Dr (WN 1)		7000	
	To Capital Reserve A/c			7000
	(Being profit Transferred to Capital Reserve)			

## Balance Sheet of B Ltd as on....

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

## Note 1 – Share Capital

Particulars	Amount
<b>Equity share capital</b>	
<b>Issued share capital</b>	
50,000 Equity shares of Rs.10 each	5,00,000
<b>Subscribed, Called up and paid up share capital</b>	
49,500 equity shares of Rs.10 each	4,95,000
Add: Forfeited Shares	<u>3,000</u>
	4,98,000

## Note 2 – Reserves & Surplus

<b>Particulars</b>	<b>Amount</b>
Securities Premium	98,000
Capital Reserve	<u>7,000</u>
	1,05,000

## WN 1 - Ascertainment of Amount To be transferred to Capital Reserve

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

$$\text{X's Shares} = (3-2) * 1000 = 1000$$

Y's Shares = (Profit on forfeiture - Loss on Reissue) \* No. of shares Reissued

$$\text{Y's Shares} = (6-2) * 1500 = 6000$$

## QUESTION 59

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

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

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

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

## In The Books of X Ltd

### Journal Entries

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



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

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

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

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

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

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

## QUESTION 60

*JHP Limited is a company with an authorised share capital of ₹10,00,000 in equity shares of ₹10 each, of which 6,00,000 shares had been issued and fully paid on 30th June, 2020. The company proposed to make a further issue of 1,00,000 of these ₹10 shares at a price of ₹14 each, the arrangements for payment being:*

- (a) ₹ 2 per share payable on application, to be received by 1st July, 2020;*
- (b) Allotment to be made on 10th July, 2020 and a further ₹ 5 per share (including the premium) to be payable;*
- (c) The final call for the balance to be made, and the money received by 30th April, 2021.*

*Applications were received for 3,55,000 shares and were dealt with as follows:*

- (i) Applicants for 5,000 shares received allotment in full;*

- (ii) Applicants for 30,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;*
- (iii) Applicants for 3,20,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and*
- (iv) the money due on final call was received on the due date.*

*You are required to record these transactions (including cash items) in the Journal of JHP Limited.*

Working Note for Adjustment & Refund								
Category	No. of Shares Applied	No. of Shares Allotted	Amount received on Application	Amount required on Application	Amount adjusted in Allotment	Refund	Amount Due on Allotment	Amount Received on Allotment
(i)	5000	5000	10000	10000	-	-	25000	25000
(ii)	30000	15000	60000	30000	30000	-	75000	45000
(iii)	320000	80000	640000	160000	400000	80000	400000	-
<b>Total</b>	<b>355000</b>	<b>100000</b>	<b>710000</b>	<b>200000</b>	<b>430000</b>	<b>80000</b>	<b>500000</b>	<b>70000</b>

## In The Books of JHP Ltd Journal Entries

Sr.No	Particulars	LF	Debit	Credit
1	Bank A/c.....Dr		710000	
	To Share Application A/c			710000
	(Being Amount Received on Application as			
	per Working Note)			



Sr.No	Particulars	LF	Debit	Credit
2	Share Application A/c....Dr		710000	
	Share Allotment A/c....Dr (100000 * 5)		500000	
	To Equity Share Capital A/c (100000*3)			300000
	To Share Allotment A/c			430000
	To Bank A/c			80000
	To Securities Premium (100000*4)			400000
	(Being Shares allotted , excess amount			
	refunded as per working Note)			

Sr.No	Particulars	LF	Debit	Credit
3	Bank A/c.....Dr		70000	
	To Share Alottment A/c			70000
	(Being Amount received on Allotment as			
	per Working Note)			
4	Share Final call A/c....Dr (100000*7)		700000	
	To Equity Share Capital A/c (100000*7)			700000
	(Being Final call Due)			

Sr.No	Particulars	LF	Debit	Credit
5	Bank A/c....Dr		700000	
	To Share Final call A/c			700000
	(Being Amount on Final call Recieved)			

## QUESTION 61

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

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

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

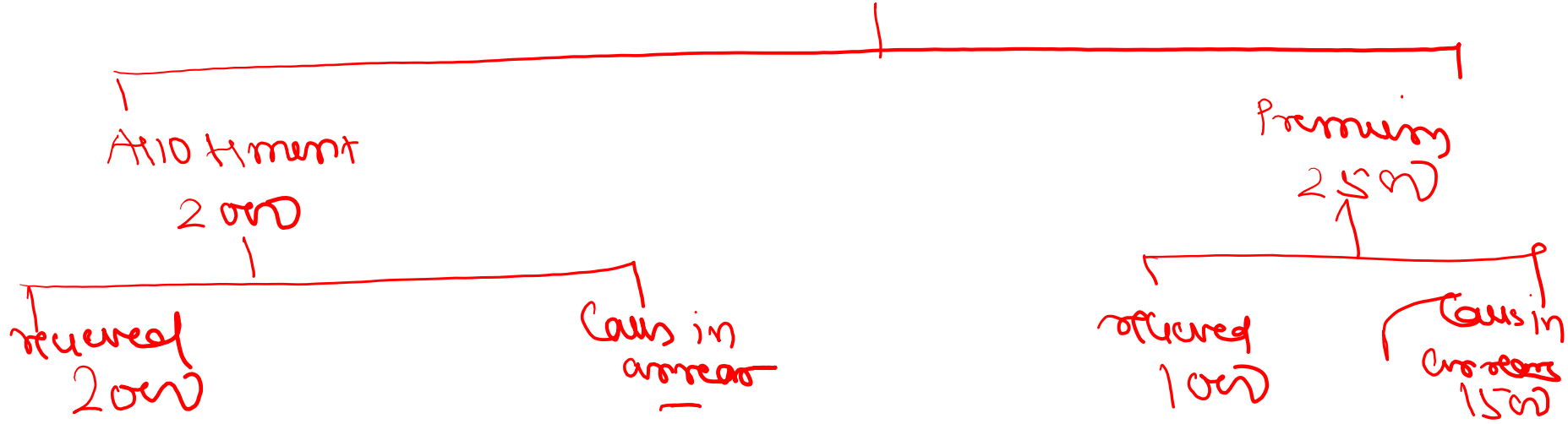
## Journal Entries

Sr.No	Particulars	LF	Debit	Credit
1	Share Capital A/c	Dr.	7,000	
	Securities Premium Reserve A/c	Dr.	1,500	
	To Forfeited Share A/c			5,000
	To Share Allotment A/c			1,500
	To Share First Call A/c			2,000
	(Being 100 shares forfeited for non-payment of allotment money and first call)			
2	Bank A/c	Dr.	8,000	
	Forfeited Shares A/c	Dr.	2,000	

Sr.No	Particulars	LF	Debit	Credit
	To Share Capital A/c			10,000
	(Being 1000 forfeited shares reissued as fully paid up for Rs. 8 per share)			
3	Forfeited Shares A/c	Dr.	3,000	
	To Capital Reserve A/c			3,000
	(Being the transfer of gain on reissue)			

W/N Ascertainment of Amount due on allotment & its receipt

Amt due on Allotment  
 $1000 \times 4.50$   
 $= 4500$



## QUESTION 62

B Ltd. issued 20,000 equity shares of ₹100 each at a premium of ₹20 per share payable as follows: on application ₹50; on allotment ₹50 (including premium); on final call ₹20. Applications were received for 24,000 shares. Letters of regret were issued to applicants for 4,000 shares and shares were allotted to all the other applicants. Mr. A, the holder of 150 shares, failed to pay the allotment and call money, the shares were forfeited. Show the Journal Entries and Cash Book in the books of B Ltd.



# In the Books of B Ltd.

## JOURNAL ENTRIES

Date	Particulars	LF	Debit	Credit
1	Equity Share Application A/c		1000000	
	Equity Share Allotment A/c		1000000	
	To Equity Share Capital A/c			1600000
	To Securities Premium Reserve A/c			400000
	(Being Shares allotted & Allotment Money Due)			
2	Calls In Arrears A/c.....Dr		7500	
	To Equity Share Allotment A/c			7500
	(Being Allotment Money Not Received on 150 Shares at Rs. 50 Each Transferred to Calls in Arrears)			

Date	Particulars	LF	Debit	Credit
3	Equity Share First & Final call A/c.....Dr		400000	
	To Equity Share Capital A/c			400000
	(Being Share First & Final call Due)			
4	Calls In Arrears A/c.....Dr		3000	
	To Equity Share First & Final call A/c			3000
	(Being First & Final call Not Received on 150 Shares at Rs. 20 Each Transferred to Calls in Arrears)			
5	Equity Share Capital A/c.....Dr (150*100)		15000	
	Securities Premium A/c....Dr (150*20)		3000	
	To Forfeited Shares A/c (150*50)			7500
	To Call in Arrear's A/c			10500
	(Being 150 Shares Forfeited for non payment of allotment & Final call Money)			

**In The Books of B Ltd****Cash Book**

<b>Particulars</b>	<b>Amount</b>	<b>Particulars</b>	<b>Amount</b>
<b>To Equity Share Application A/c</b>	<b>1200000</b>	<b>By Equity Share Application A/c</b>	<b>200000</b>
<b>To Equity Share Allotment A/c</b>	<b>992500</b>		
		<b>By Balance C/d (Bal Fig)</b>	<b>2389500</b>
<b>To Equity Share First &amp; Final call A/c</b>	<b>397000</b>		
	<b>2589500</b>		<b>2589500</b>

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**ISSUE  
OF  
DEBENTURE**

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## QUESTION 63

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

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

## In the Books of Sky Ltd Journal Entries

Date	Particulars	LF	Debit	Credit
1-4-20	Sundry Assets A/c <span style="float: right;">Dr.</span>		4,50,000	
	Goodwill A/c <span style="float: right;">Dr.</span>		50,000	
	To Sundry Liabilities A/c			60,000
	To Universe Ltd A/c			4,40,000
	(Being business purchased)			
1-4-20	Universe Ltd A/c <span style="float: right;">Dr.</span>		4,40,000	
	To 8% Debenture Ac			4,00,000
	To Securities Premium Reserve A/c (4,000 x 10)			40,000
	(Being .....			

Date	Particulars	LF	Debit	Credit
1-4-20	Bank A/c (3,000 x 30) Dr.		90,000	
	To Debenture Application A/c			90,000
	(Being application received for 3,000 debentures)			
1-4-20	Debenture Application A/c Dr.		90,000	
	Debenture Allotment A/c (3,000 x 60) Dr.		1,80,000	
	Loss on Issue of Debenture A/c (3,000 x 15) Dr.		45,000	
	To 8% Debentures A/c (3,000 x 100)			3,00,000
	To Debenture Redemption Premium A/c (3,000 x 5)			15,000
	(Being 3,000 debentures allotted)			

Date	Particulars	LF	Debit	Credit
1-4-20	Bank A/c (3,000 x 30) Dr.		1,80,000	
	To Debenture Allotment A/c			1,80,000
	(Being debentures allotment money received)			
1-4-20	Securities Premium Reserve A/c Dr.		40,000	
	Profit & Loss A/c Dr.		5,000	
	To Loss on Issue of Debentures A/c			45,000
	(Being loss on issue of debentures written off)			

**Note:**

- 1) No entry for Interest on Debentures passed as necessary information not provided.
- 2) Securities Premium Reserve used to set off Loss on Issue of Debentures as per section 52 of The Companies Act, 2013.



## QUESTION 64

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

## Journal Entries

Sr.No	Particulars	LF	Debit	Credit
1	Machinery A/c	Dr.	9,90,000	
	To Avneet Ltd			9,90,000
	(Being Machinery Purchased)			
	Case 1			
2	Avneet Ltd A/c	Dr.	9,90,000	
	To 10% Debentures A/c			9,90,000
	(Being 10% Debentures Issued to Avneet Ltd)			

Sr.No	Particulars	LF	Debit	Credit
	Case 2			
3	Avneet Ltd A/c	Dr.	9,90,000	
	Discount on Issue of Debenture A/c	Dr.	2,47,500	
	To 10% Debentures A/c			12,37,500
	(Being 10% Debentures Issued to Avneet Ltd at 20% Discount)			

Sr.No	Particulars	LF	Debit	Credit
	Case 3			
4	Avneet Ltd A/c	Dr.	9,90,000	
	To 10% Debentures A/c			8,25,000
	To Premium on Issue of Debentures A/c			1,65,000
	(Being 10% Debentures Issued to Avneet Ltd at 20% Premium)			

**Working Note****Statement Showing No of Debentures to be issued**

<b>SR.NO</b>	<b>PARTICULARS</b>	<b>CASE A</b>	<b>CASE B</b>	<b>CASE C</b>
A	Consideration Payable in Debentures	<b>990000</b>	<b>990000</b>	<b>990000</b>
B	Issue Price Per Debenture	<b>100</b>	<b>80</b>	<b>120</b>
C	No. Of Debentures to be Issued	<b>9900</b>	<b>12375</b>	<b>8250</b>
	(A/B)	<b>Deb</b>	<b>Deb</b>	<b>Deb</b>

## QUESTION 65

*A company issued 12% debentures of the face value of ₹10,00,000 at 10% discount on 1-1-2017. Debenture interest after deducting tax at source @ 10% was payable on 30th June and 31st of December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.*

*Pass journal entries for the accounting year 2020.*

## JOURNAL BOOK

DATE	PARTICULARS	L.F	DEBIT	CREDIT
30-06-2020	Interest on Debentures A/c.....Dr		60000	
	To Debentureholders A/c			60000
	(Being Interest on debentures payable)			
30-06-2020	Debentureholders A/c....Dr		60000	
	To TDS Payable A/c			6000
	To Bank A/c			54000
	(Being interest paid to debentureholders net of TDS)			
30-06-2020	TDS payable A/c...Dr		6000	
	To Bank A/c			6000
	(Being TDS Paid to Government)			

31-12-2020	Interest on Debentures A/c.....Dr		60000	
	To Debentureholders A/c			60000
	(Being Interest on debentures payable)			
31-12-2020	Debentureholders A/c....Dr		60000	
	To TDS Payable A/c			6000
	To Bank A/c			54000
	(Being interest paid to Debentureholders net of TDS)			
31-12-2020	TDS payable A/c...Dr		6000	
	To Bank A/c			6000
	(Being TDS Paid to Government)			
31-12-2020	P/L A/c....Dr		150000	
	To Loss on Issue of Debentures A/c			30000
	To Interest on Debentures A/c			120000
	(Being Loss & Interest on Debentures transferred to P/L A/c)			



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# ACCOUNTING FOR BONUS ISSUE & RIGHT ISSUE

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## QUESTION 66

Following notes pertain to the Balance Sheet of Solid Ltd. as at 31st March, 2022:

		₹
<i>Authorised capital :</i>		
10,000	12% Preference shares of ₹ 10 each	1,00,000
1,00,000	Equity shares of ₹ 10 each	<u>10,00,000</u>
		<u>11,00,000</u>
<i>Issued and Subscribed capital:</i>		
8,000	12% Preference shares of ₹ 10 each fully paid	80,000
90,000	Equity shares of ₹ 10 each, ₹ 8 paid up	7,20,000
<i>Reserves and Surplus :</i>		
	General reserve	1,60,000

<i>Revaluation reserve</i>	<i>35,000</i>
<i>Securities premium (collected in cash)</i>	<i>20,000</i>
<i>Profit and Loss Account</i>	<i>2,05,000</i>
<i>Secured Loan:</i>	
<i>12% Debentures @ ₹ 100 each</i>	<i>5,00,000</i>

*On 1st April, 2022 the Company has made final call @ ₹ 2 each on 90,000 equity shares. The call money was received by 20th April, 2022. 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 assuming that the company has passed necessary resolution at its general body meeting for increasing the authorised capital.*



Date	Particulars	LF	Debit	Credit
20-4-22	Securities Premium A/c Dr.		20,000	
	General Reserve A/c Dr.		1,60,000	
	Profit & Loss A/c Dr.		45,000	
	To Bonus to Shareholder's A/c			2,25,000
	(Being bonus declared in the ratio 1:4)			
20-4-22	Bonus to Shareholder's A/c Dr.		2,25,000	
	To Equity Share Capital A/c			2,25,000
	(Being 22,500 equity shares issued as bonus)			

## Balance Sheet as 30-4-22 (Extract) (After Bonus)

PARTICULARS	NOTE NO	AMOUNT
EQUITY AND LIABILITIES		
Shareholders Fund		
Share Capital	1	12,05,000
Reserves & Surplus	2	1,95,000
Non Current Liabilities		
Long Term Borrowings	3	5,00,000
<b>Total</b>		<b>19,00,000</b>

## Note 1 – Share Capital

PARTICULARS	AMOUNT	AMOUNT
<u>Authorised Share Capital</u>		
10,000, 12% Preference Shares of 10 each	1,00,000	
1,12,500 Equity Shares of 10 each	11,25,000	
<u>Issued, Subscribed, Called up &amp; Paid up Capital</u>		
8,000, 12% Preference Shares of 10 each Fully Paid	80,000	
1,12,500 Equity Shares of 10 each Fully Paid	<u>11,25,000</u>	12,05,000
(Out of the above 22,500 equity shares of 10 each issued by way of bonus)		
<b>Total</b>		<b>12,05,000</b>

## Note 2 – Reserves and Surplus

PARTICULARS	AMOUNT	AMOUNT
General Reserve	1,60,000	
Less : Utilised for Bonus Issue	<u>1,60,000</u>	-
Revaluation Reserve		35,000
Securities Premium	20,000	
Less : Utilised for Bonus Issue	<u>20,000</u>	-
Profit & Loss A/c	2,05,000	
Less : Utilised for Bonus Issue	45,000	1,60,000
<b>Total</b>		<b>1,95,000</b>



## Note 3 – Long Term Borrowing

PARTICULARS	AMOUNT	AMOUNT
12% Debentures of 100 each		5,00,000
<b>Total</b>		<b>5,00,000</b>

## QUESTION 67

The following notes pertain to Brite Ltd.'s Balance Sheet as at 31st March, 2022:

<b>Notes</b>	<b>₹ in Lakhs</b>
<i>(1) Share Capital</i> <i>Authorised :</i> <i>20 crore shares of ₹ 10 each</i>	<u>20,000</u>
<i>Issued and Subscribed :</i> <i>10 crore Equity Shares of ₹ 10 each</i>	10,000
<i>2 crore 11% Cumulative Preference Shares of ₹ 10 each</i>	2,000
<i>Total</i>	12,000
<i>Called and paid up:</i> <i>10 crore Equity Shares of ₹ 10 each, ₹ 8 per share called and paid up</i>	8,000
<i>2 crore 11% Cumulative Preference Shares of ₹ 10 each, fully called and paid up</i>	2,000
<i>Total</i>	10,000

<i>(2) Reserves and Surplus :</i>	
<i>Capital Redemption Reserve</i>	<i>1,485</i>
<i>Securities Premium (collected in cash)</i>	<i>2,000</i>
<i>General Reserve</i>	<i>1,040</i>
<i>Surplus i.e. credit balance of Profit &amp; Loss Account</i>	<i>273</i>
<i>Total</i>	<i>4,798</i>

*On 2nd April 2022, the company made the final call on equity shares @ ₹ 2 per share. The entire money was received in the month of April, 2022.*

*On 1st June 2022, the company decided to issue to equity shareholders bonus shares at the rate of 2 shares for every 5 shares held . Pass journal entries for all the above mentioned transactions. Also prepare the notes on Share Capital and Reserves and Surplus relevant to the Balance Sheet of the company immediately after the issue of bonus shares.*

In the Books of Brite Ltd  
Journal Entries

(Rs. In

Date	Particulars	LF	Debit	Credit
2-4-22	Equity Share Final Call A/c      Dr. (10 Cr Shares * 2)		2000	
	To Equity Share Capital A/c			2000
	(Being final call due)			
2-4-22	Bank A/c      Dr.		2000	
	To Equity Share Final Call A/c			2000
	(Being final call received)			

Date	Particulars	LF	Debit	Credit
1-6-22	Capital Redemption Reserve A/c Dr.		1485	
	Securities Premium A/c Dr.		2000	
	General Reserve A/c Dr.		515	
	To Bonus to Shareholder's A/c			4000
	(Being bonus declared in the ratio 2:5)			
1-6-22	Bonus to Shareholder's A/c Dr.		4000	
	To Equity Share Capital A/c			4000
	(Being 4 Crores equity shares issued as bonus)			

# Note 1 – Share Capital

PARTICULARS	AMOUNT	AMOUNT
<u>Authorised Share Capital</u>		
20 Crore Shares of 10 Each	<u>20000</u>	
<u>Issued, Subscribed, Called up &amp; Paid up Capital</u>		
14 Crore Equity Shares of 10 Each , Fully paid Up	14000	
(Out of the above 4 Crores equity shares of 10 each issued by way of bonus)		
2 Crore , 11% Cumulative preference Share Capital of Rs. 10 Each , Fully paid	<u>2000</u>	16000
<b>Total</b>		<b>16000</b>

## Note 2 – Reserves and Surplus

PARTICULARS	AMOUNT	AMOUNT
Capital Redemption Reserve	1485	
Less : Utilized for Bonus Issue	<u>(1485)</u>	-
Securities Premium	2000	
Less : Utilized for Bonus Issue	<u>(2000)</u>	-
General Reserve	1040	
Less : Utilised for Bonus Issue	<u>(515)</u>	525
Profit & Loss A/c		273
<b>Total</b>		<b>798</b>

## QUESTION 68

*A company offers new shares of ₹ 100 each at 25% premium to existing shareholders on one for four bases. The cum-right market price of a share is ₹ 150. Calculate the value of a right. What should be the ex-right market price of a share?*



*Ex Right Market Price Share*

$$= \frac{[\text{Cum Right Market Price of Share} + (\text{Number of Shares Under Right Issue} \times \text{Issue Price})]}{\text{Existing Number of Shares} + \text{Number of Right Shares}}$$

$$= \frac{[150 \times 40 + (125 \times 1)]}{4 + 1}$$
$$= 145 \text{ per share}$$

Value of Right = Cum Right Price – Ex Right Price

$$= 150 - 145$$
$$= 5$$

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# REDEMPTION OF DEBENTURES

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## QUESTION 69

The Balance Sheet of BEE Co. Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) as at 31st March, 2021 is as under:

Particulars	Note No	₹
<b>I. Equity and liabilities</b>		
<b>(1) Shareholder's Funds</b>		
(a) Share Capital	1	2,00,000
(b) Reserves and Surplus	2	1,20,000
<b>(2) Non-current liabilities</b>		
(a) Long term borrowings	3	1,20,000
<b>(3) Current Liabilities</b>		
(a) Trade payables		1,15,000
<b>Total</b>		<b>5,55,000</b>

<b>II. Assets</b>		
<b>(1) Non-current assets</b>		
(a) Property, Plant and Equipment	4	1,15,000
<b>(2) Current assets</b>		
(a) Inventories		1,35,000
(b) Trade receivables		75,000
(c) Cash and bank balances	5	2,30,000
<b>Total</b>		<b>5,55,000</b>

## Notes to Accounts

		₹
<b>1. Share Capital</b>		
<b>Authorised share capital</b>		
30,000 shares of ₹ 10 each fully paid		<u>3,00,000</u>
<b>Issued and subscribed share capital</b>		
20,000 shares of ₹ 10 each fully paid		<u>2,00,000</u>

<b>2. Reserve and Surplus</b>		
Profit & Loss Account		1,20,000
<b>3. Long term borrowings</b>		
12% Debentures		1,20,000
<b>4. Property, Plant and Equipment</b>		
Freehold property		1,15,000
<b>5. Cash and bank balances</b>		
Cash at bank	2,00,000	
Cash in hand	<u>30,000</u>	2,30,000

*At the Annual General Meeting, it was resolved:*

- (a) To give existing shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.*
- (b) To issue one bonus share for every five shares held.*
- (c) To repay the debentures at a premium of 3%.*

*Give the necessary journal entries for these transactions.*

## In the Books of BEE Ltd Journal Entry

Date	Particulars	LF	Debit	Credit
1	Bank A/c..... Dr. (5,000 X 15)		75,000	
	To Equity Share Application and Allotment A/c			75,000
	(Being application money received for 5,000 right shares in ratio of 1:4 @ Rs. 15)			
2	Equity Share Application and Allotment A/c .....Dr.		75,000	
	To Equity Share Capital A/c			50,000
	To Securities Premium A/c			25,000
	(Being 5,000 right shares issued)			

Date	Particulars	LF	Debit	Credit
3	Securities Premium A/c.....Dr.		25,000	
	Profit & Loss A/c.....Dr.		25,000	
	To Bonus to Shareholders A/c			50,000
	(Being Bonus Declared in the ratio of 1:5)			
4	Bonus to Shareholders A/c.....Dr.		12,000	
	To Equity Share Capital A/c			12,000
	(Being bonus share issued)			

Date	Particulars	LF	Debit	Credit
5	Profit & Loss A/c.....Dr.		12,000	
	To Debenture Redemption Reserve A/c			12,000
	(Being DRR created at 10% of 1,20,000)			
6	Debenture Redemption Reserve Investment A/c.....Dr.		18,000	
	To Bank A/c			18,000
	(Being investment made at 15% of 1,20,000)			



Date	Particulars	LF	Debit	Credit
7	12% Debenture's A/c.....Dr.		1,20,000	
	Premium on Redemption of Debentures A/c.....Dr.		3,600	
	To Debenture Holder's A/c			1,23,600
	(Being amount due on redemption)			
8	Bank A/c Dr.		18,000	
	To Debenture Redemption Reserve Investment A/c			18,000
	(Being investment realised)			

Date	Particulars	LF	Debit	Credit
9	Debenture Holder's A/c Dr.		1,23,600	
	To Bank A/c			1,23,600
	(Being amount paid to debenture holders)			
10	Debenture Redemption Reserve A/c Dr.		12,000	
	To General Reserve A/c			12,000
	(Being DRR transferred to general reserve)			
11	Profit & Loss A/c Dr.		3,600	
	To Premium on Redemption of Debenture A/c			3,600
	(Being premium on redemption of debenture transferred to P&L A/c)			

## QUESTION 70

Case Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31<sup>st</sup> March, 2022:

<b>Particulars</b>	<b>₹</b>
<b>Shareholder's Funds</b>	
(a) Share Capital	
Authorized share capital:	
45,000 equity shares of ₹ 10 each fully paid	4,50,000
Issued and subscribed share capital:	
30,000 equity shares of ₹ 10 each fully paid	3,00,000
(b) Reserves and Surplus	
Profit & Loss Account	1,62,000

*Debenture Redemption Reserve*

*18,000*

***Non-current liabilities***

*(a) Long term borrowings*

*12% Debentures*

*1,80,000*

***Current Liabilities***

*(a) Trade payables*

*1,72,500*

***Non-current assets***

*(a) Property, Plant and Equipment (Freehold property)*

*1,72,500*

*(b) Non-current Investment: DRR Investment*

*27,000*

***Current assets***

*(a) Inventories*

*2,02,500*

*(b) Trade receivables*

*1,12,500*

*(c) Cash and bank balances:*

*Cash at bank*

*2,73,000*

*Cash in hand*

*45,000*

*At the Annual General Meeting on 1.4.2022, it was resolved:*

- (a) To give existing shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.*
- (b) To issue one bonus share for every five shares held.*
- (c) To repay the debentures at a premium of 3%.*

*Give the necessary journal entries for these transactions.*

## In the Books of Case Ltd Journal Entry

Date	Particulars	LF	Debit	Credit
1	Bank A/c.....Dr. <span style="float: right;">(7,500 X 15)</span>		1,12,500	
	To Debenture Application & Allotment A/c			1,12,500
	(Being application money received for 7,500 right shares in ratio of 1:4 @ Rs. 15)			
2	Equity Share Application & Allotment A/c <span style="float: right;">Dr.</span>		1,12,500	
	To Equity Share Capital A/c			75,000
	To Securities Premium A/c			37,500
	(Being 7,500 right shares issued)			

Date	Particulars	LF	Debit	Credit
3	Securities Premium A/c Dr.		37,500	
	Profit & Loss A/c Dr.		37,500	
	To Bonus to Shareholders A/c			75,000
	(Being bonus declared in the ratio of 1:5)			
4	Bonus to Shareholders A/c Dr.		75,000	
	To Equity Share Capital A/c			75,000
	(Being bonus shares issued)			

Date	Particulars	LF	Debit	Credit
5	12% Debentures A/c Dr.		1,80,000	
	Premium on Redemption of Debentures A/c Dr.		5,400	
	To Debenture Holders A/c			1,85,400
	(Being amount due on debentures)			
6	Bank A/c Dr.		27,000	
	To Debenture Redemption Reserve Investment A/c			27,000
	(Being investment realised)			



Date	Particulars	LF	Debit	Credit
7	Debenture Holders A/c Dr.		1,85,400	
	To Bank A/c			1,85,400
	(Being amount paid to Debenture holders)			
8	Debenture Redemption Reserve A/c Dr.		18,000	
	To General Reserve			18,000
	(Being DRR transferred to general reserve)			
9	Profit & Loss A/c Dr.		5,400	
	To Premium on Redemption of Debenture A/c			5,400
	(Being premium on redemption of debenture transferred to P&L A/c)			

## QUESTION 71

*The following balances appeared in the books of Paradise Ltd (unlisted company other than AIFI, Banking company, NBFC and HFC) as on 1-4-2021:*

- (i) 12 % Debentures ₹ 7,50,000*
- (ii) Balance of DRR ₹ 25,000*
- (iii) DRR Investment 1,12,500 represented by 10% ₹ 1,125 Secured Bonds of the Government of India of ₹ 100 each.*

*Annual contribution to the DRR was made on 31st March every year. On 31-3-2022, balance at bank was ₹ 7,50,000 before receipt of interest. The investment were realised at par for redemption of debentures at a premium of 10% on the above date.*

*You are required to prepare the following accounts for the year ended 31st March, 2022:*

- (1) Debentures Account*
- (2) DRR Account*

(3) *DRR Investment Account*

(4) *Bank Account*

(5) *Debenture Holders Account.*

# 12% Debentures A/c

Date	Particulars	Amount	Date	Particulars	Amount
31-3-22	To Debenture Holder's A/c	7,50,000	1-4-21	By Balance b/d	7,50,000
		7,50,000			7,50,000

# DRR A/c

Date	Particulars	Amount	Date	Particulars	Amount
			1-4-21	By Balance b/d	25,000
31-3-22	To General Reserve A/c (BF)	75,000	1-4-21	By Profit & Loss A/c	50,000
		75,000			75,000

# 10% Secured Bonds of Govt. (DRR Investment) A/c

Date	Particulars	Amount	Date	Particulars	Amount
1-4-21	To Balance b/d	1,12,500	31-3-22	By Bank A/c	1,12,500
		1,12,500			1,12,500

# Bank A/c

Date	Particulars	Amount	Date	Particulars	Amount
31-3-22	To Balance b/d	7,50,000			
31-3-22	To Interest on DRR Investment A/c $\frac{1,12,500 \times 10\% \times 12}{12}$	11,250	31-3-22	By Debenture Holder's A/c	8,25,000
31-3-22	To DRR Investment A/c	1,12,500	31-3-22	By Balance c/d (BF)	48,750
		<b>8,73,750</b>			<b>8,73,750</b>

# Debenture holder's A/c

Date	Particulars	Amount	Date	Particulars	Amount
31-3-22	To Bank A/c	8,25,000	31-3-22	By 12% Debenture A/c	7,50,000
			31-3-22	By Premium on Redemption of Debenture A/c	75,000
		8,25,000			8,25,000



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**REDEMPTION  
OF  
PREFERENCE SHARES**

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## QUESTION 72

*C Limited had 3,000, 12% Redeemable Preference Shares of ₹ 100 each, fully paid up. The company had to redeem these shares at a premium of 10%.*

*It was decided by the company to issue the following:*

- (i) 25,000 Equity Shares of ₹ 10 each at par,*
- (ii) 1,000 14% Debentures of ₹ 100 each.*

*The issue was fully subscribed and all amounts were received in full. The payment was duly made. The company had sufficient profits. Show Journal Entries in the books of the company.*

**In the Books of C Ltd.  
Journal Entries**

<b>Date</b>	<b>Particulars</b>	<b>LF</b>	<b>Debit</b>	<b>Credit</b>
1	Bank A/c – Dr (25000 x 10)		2,50,000	
	To Equity Share capital A/c			2,50,000
	(Being 25,000 Equity Shares of Rs. 10 Each Issued)			
2	Bank A/c – Dr		1,00,000	
	To 14% Debentures A/c			1,00,000
	(Being 1000 14% Debentures Issued)			

Date	Particulars	LF	Debit	Credit
3	Profit & Loss A/c – Dr		50,000	
	To Capital Redemption Reserve A/c			50,000
	(Being amount transferred to CRR)			
4	12% Redeemable Preference Shares A/c – Dr		3,00,000	
	Premium on Redemption of Preference share A/c – Dr		30,000	
	To Preference Shareholders A/c			3,30,000
	(Being Redemption Due)			

Date	Particulars	LF	Debit	Credit
5	Preference Shareholders A/c - Dr		3,30,000	
	To Bank A/c			3,30,000
	(Being amount Paid on redemption)			
6	Profit & Loss A/c – Dr		30,000	
	To Premium on redemption of preference shares A/c			30,000
	(Being Adjustment of Premium Payable on redemption against Profit & Loss A/c)			

## QUESTION 73

X Ltd. gives you the following information as at 31st March, 2023:

	<b>Particulars</b>	<b>₹</b>
	<b>EQUITY AND LIABILITIES</b>	
<b>1.</b>	<b>Shareholders' funds</b>	
	<i>a</i> Share capital	2,90,000
	<i>b</i> Reserves and Surplus	48,000
<b>2.</b>	<b>Current liabilities</b>	
	Trade Payables	56,500
	<b>ASSETS</b>	
<b>1.</b>	<b>Property, Plant and Equipment</b>	3,45,000
<b>2.</b>	<b>Non-current investments</b>	18,500
<b>3.</b>	<b>Current Assets</b>	
	Cash and cash equivalents (bank)	31,000

*The share capital of the company consists of ₹ 50 each equity shares of ₹ 2,25,000 and ₹ 100 each Preference shares of ₹ 65,000(issued on 1.4.2021). Reserves and Surplus comprises Profit and Loss Account only.*

*In order to facilitate the redemption of preference shares at a premium of 10%, the Company decided:*

- (a) to sell all the investments for ₹ 15,000.*
- (b) to finance part of redemption from company funds, subject to, leaving a bank balance of ₹ 12,000.*
- (c) to issue minimum equity share of ₹ 50 each share to raise the balance of funds required.*

*You are required to pass the necessary Journal Entries to record the above transactions.*

**In the Books of X Ltd.**  
**Journal Entries**

<b>Date</b>	<b>Particulars</b>	<b>LF</b>	<b>Debit</b>	<b>Credit</b>
1	Bank A/c – Dr (750 x 50)		37,500	
	To Equity Share Capital A/c			37,500
	(Being 750 shares issued at Rs. 50 for redemption of preference shares)			
2	Profit & Loss A/c – Dr		27,500	
	To Capital Redemption Reserve A/c			27,500
	(Being amount Transferred to CRR)			



Date	Particulars	LF	Debit	Credit
3	Preference share Capital A/c – Dr		65,000	
	Premium on redemption of preference share A/c – Dr		6,500	
	To Preference shareholders A/c			71,500
	(Being Redemption Due)			
4	Bank A/c – Dr		15,000	
	Profit & Loss A/c – Dr		3,500	
	To Investment A/c			18,500
	(Being investment sold)			

Date	Particulars	LF	Debit	Credit
5	Preference shareholders A/c – Dr		71,500	
	To Bank A/c			71,500
	(Being Amount due on redemption paid)			
6	Profit & loss A/c – Dr		6,500	
	To Premium on redemption of preference shares			6,500
	(Being Premium on redemption Adjusted)			

# WN 1 Computation of No of Shares to be Issued

Sr.no	Particulars	Debit
A	Amount Due on redemption (Nominal value)	65,000
B	Premium payable on redemption	6,500
C	Total Amount payable on redemption (A+B)	71,500
D	Less- Amount Received on sale of Investment	15,000
E	Bank Balance to be used for Redemption (31,000 – 12,000)	19,000
F	Amount to be raised from fresh issue (C-D-E)	37,500
G	Issue price per share	50
H	No. of Shares to be issued (F/G)	750 Shares

## WN. 2. Computation of amount to be transferred to CRR

$$\begin{array}{rcll} \text{Amount to be} & = & \text{Nominal value of preference} & \text{—} \\ \text{Redemption out of fresh} & & \text{Transferred to CRR} & \text{shares} \\ \text{to be redeemed} & & \text{Issue} & \\ & = & 65,000 - 37,500 & \\ & = & 27,500 & \end{array}$$

## QUESTION 74

*The Balance Sheet of XYZ Ltd. as at 31st December, 2021 inter alia includes the following information:*

	₹
<i>50,000, 8% Preference Shares of ₹100 each, ₹70 paid up</i>	<i>35,00,000</i>
<i>1,00,000 Equity Shares of ₹100 each fully paid up</i>	<i>1,00,00,000</i>
<i>Securities Premium</i>	<i>5,00,000</i>
<i>Capital Redemption Reserve</i>	<i>20,00,000</i>
<i>General Reserve</i>	<i>50,00,000</i>
<i>Bank</i>	<i>15,00,000</i>

*Under the terms of their issue, the preference shares are redeemable on 31st March, 2022 at 5% premium. In order to finance the redemption, the company makes a rights issue of 50,000 equity*

*shares of ₹ 100 each at ₹ 110 per share, ₹ 20 being payable on application, ₹ 35 (including premium) on allotment and the balance on 1st January, 2023. The issue was fully subscribed and allotment made on 1st March, 2022. The money due on allotment were duly received by 31st March, 2022. The preference shares were redeemed after fulfilling the necessary conditions of Section 55 of the Companies Act, 2013.*

*You are asked to pass the necessary Journal Entries. (Ignore date column)*

**In the Books of XYZ Ltd.  
Journal Entries**

<b>Date</b>	<b>Particulars</b>	<b>LF</b>	<b>Debit</b>	<b>Credit</b>
1	8% Preference share Final call A/c – Dr (50,000 x 30)		15,00,000	
	To 8% Preference share capital A/c			15,00,000
	(Being final call made)			
2	Bank A/c – Dr		15,00,000	
	To 8% Preference shares final call A/c			15,00,000
	(Being amount received on final call)			

Date	Particulars	L F	Debit	Credit
3	Bank A/c – Dr (50,000 X 20)		10,00,000	
	To Equity share Application A/c			10,00,000
	(Being application received for 50,000 equity shares)			
4	Equity Share application A/c – Dr		10,00,000	
	Equity Share Allotment A/c – Dr (50,000 x 35)		17,50,000	
	To Equity share capital A/c (50,000 x 45)			22,50,000
	To Securities Premium A/c (50,000 x 10)			5,00,000
	(Being 50,000 shares allotted)			



Date	Particulars	LF	Debit	Credit
5	Bank A/c – Dr		17,50,000	
	To Equity Share allotment A/c			17,50,000
	(Being allotment money received)			
6	General Reserve A/c – Dr		27,50,000	
	To Capital redemption reserve A/c			27,50,000
	(Being amount transferred to CRR)			

Date	Particulars	LF	Debit	Credit
7	8% Preference share capital A/c Dr		50,00,000	
	Premium on Redemption of Preference Shares A/c – Dr		2,50,000	
	To Preference shareholders A/c			52,50,000
	(Being Redemption Due)			
8	Preference Shareholders A/c Dr		52,50,000	
	To Bank A/c			52,50,000
	(Being amount due on redemption paid)			

Date	Particulars	LF	Debit	Credit
9	General reserve A/c – Dr		2,50,000	
	To Premium on redemption of Preference shares A/c			2,50,000
	(Being Premium Payable on Redemption Adjusted Against General Reserve)			

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Arrangement for Redemption of Preference Shares.

\$250,000

FV

\$500,000

Premium

250,000

From Issue

2250000

(50000 x 45)

Past Profits

2750000

↓  
CIR

↓  
General Reserve

## QUESTION 75

*With the help of the details in Illustration above and further assuming that the Preference Shareholders holding 2,000 shares fail to make the payment for the Final Call made under Section 55, you are asked to pass the necessary Journal Entries and show the relevant extracts from the balance sheet as on 31st March, 2022 with the corresponding figures as on 31st December, 2021 assuming that the shares in default are forfeited after giving proper notices. (Ignore date column)*

**In the Books of XYZ Ltd.  
Journal Entries**

Date	Particulars	L F	Debit	Credit
1	8% Preference Share First Call A/c – Dr		15,00,000	
	To 8% Preference share capital A/c			15,00,000
	(Being final call made)			
2	Bank A/c – Dr (48,000 x 30)		14,40,000	
	Calls in Arrears A/c – Dr (2,000 x 30)		60,000	
	To 8% Preference Share final call A/c			15,00,000
	(Being amount received on final call & calls in arrears recorded for 2,000 shares)			

Date	Particulars	LF	Debit	Credit
3	8% Preference share capital A/c – Dr (2,000 x 100)		2,00,000	
	To Calls in Arrears			60,000
	To share forfeited A/c (2,000 x 70)			1,40,000
	(Being 2,000 Preference Shares forfeited)			
4	Bank A/c – Dr (50,000 x 20)		10,00,000	
	To Equity share application A/c			10,00,000
	(Being application received for 50,000 shares)			

Date	Particulars	LF	Debit	Credit
5	Equity share application A/c – Dr		10,00,000	
	Equity share allotment A/c – Dr (50,000 x 35)		17,50,000	
	To Equity share capital A/c (50,000 x 45)			22,50,000
	To Security Premium A/c (50,000 x 10)			5,00,000
	(Being 50,000 Equity Shares allotment)			
6	Bank A/c – Dr		17,50,000	
	To Equity share allotment A/c			17,50,000
	(Being allotment money received)			



Date	Particulars	LF	Debit	Credit
7	General reserve A/c - Dr		25,50,000	
	To Capital redemption reserve A/c			25,50,000
	(Being amount transferred to CRR)			
8	8% Preference share A/c – Dr		48,00,000	
	Premium on redemption of preference shares A/c- Dr		2,40,000	
	To Preference shareholders (Being redemption due)			50,40,000

Date	Particulars	LF	Debit	Credit
9	Preference shareholders A/c – Dr		50,40,000	
	To Bank A/c			50,40,000
	(Being amount paid on redemption)			
10	General reserve A/c – Dr		2,40,000	
	To Premium on Redemption of preference Share A/c			2,40,000
	(Being Premium Paid on redemption adjusted against general Reserve )			

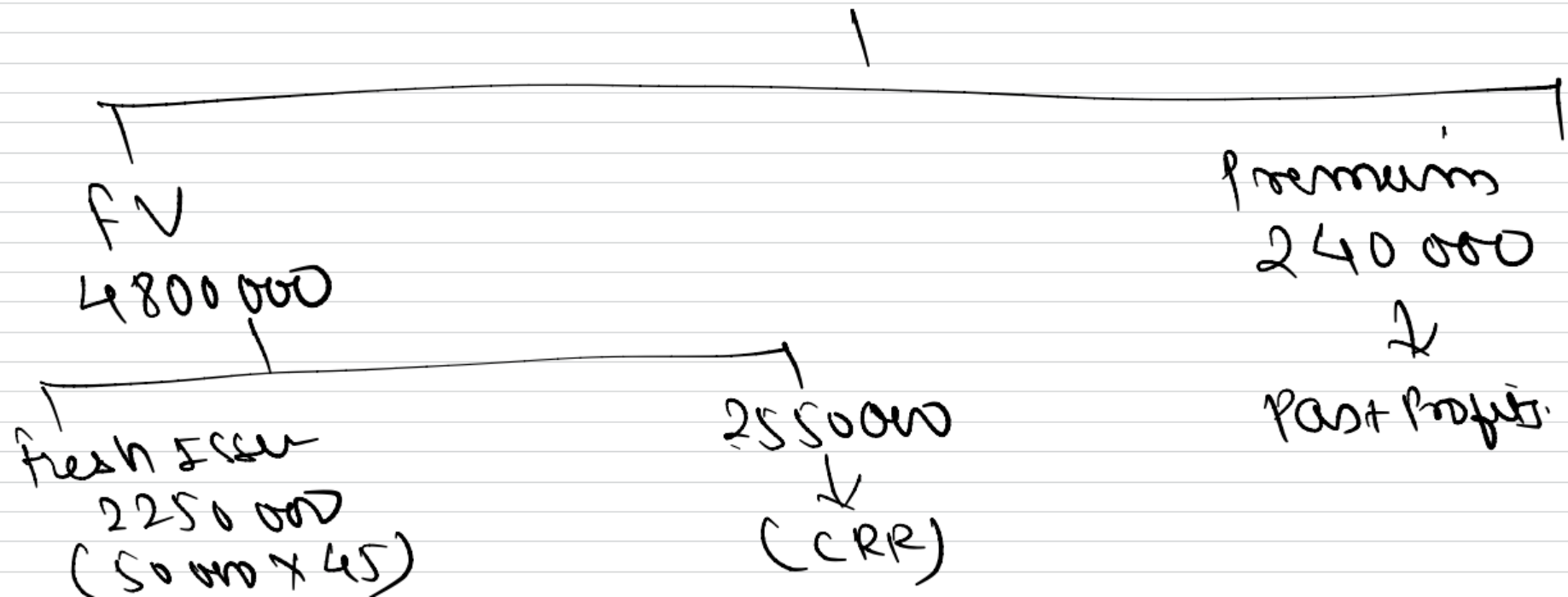
Date	Particulars	LF	Debit	Credit
11	Forfeited shares A/c – Dr		1,40,000	
	To Capital Reserve A/c			1,40,000
	(Being Profit on forfeiture of 2,000 Preference shares Transferred to capital reserve)			

# 1/1/11 Arrangement for Redemption of Preference Shares.

Amount due on redemption, Shares.

$$48000 \times 105$$

$$= 5040000$$





thank you!