

1. RECTIFICATION OF ERRORS

Rectify the following errors – a) Before Preparation of T.B b)After preparation of T.B c) In the Next Accounting Period

1. Purchase returns day book had been correctly entered and totalled at Rs.6,160, but had not been posted to the ledger.
2. Discounts received Rs.1,320 had been debited to discounts allowed.
3. The Sales account had been under added by Rs.10,000.
4. A credit sale of Rs.1,470 had been debited to a customer account at Rs.1,740.
5. A vehicle bought originally for Rs.7,000 four years ago and depreciated to Rs.1,200 had been sold for Rs.1,500 in the beginning of the year but no entries, other than in the bank account had been passed through the books.
6. An accrual of Rs.560 for telephone charges had been completely omitted.
7. A bad debt of Rs.1,560 had not been written off and provision for doubtful debts should have been maintained at 10% of Trade receivables which are shown in the trial balance at Rs.23,390 with a credit provision for bad debts at Rs.2,320.
8. Tools bought for Rs.1,200 had been inadvertently debited to purchases.
9. The proprietor had withdrawn, for personal use, goods worth Rs.1,960. No entries had been made in the books.
10. The totals of debit side of “Expenses Account” have been casted in excess by Rs.50.
11. The “Sales Account” has been totalled in short by Rs.100.
12. Supplier account has been overcasted by 225.
13. The sale return of Rs.100 from a party has not been posted to that account though the Party’s account has been credited.
14. A cheque of Rs.500 issued to the Suppliers’ account (shown under Trade payables) towards his dues has been wrongly debited to the purchases.
15. A credit sale of Rs.50 has been credited to the Sales and also to the Trade receivables Account.
16. A sale of Rs.2,300 to Mr. Lala was posted to the credit of Mrs.Mala.
17. The total of the Returns Inward Book for July, 2021 Rs.1,240 was not posted in the ledger.
18. Freight paid on a machine Rs.5,600 was posted to the Freight Account as Rs.6,500. 10% Depreciation is charge on this machines.
19. While carrying forward the total in the Purchases Account to the next page, Rs.65,590 was written instead of Rs.56,950.
20. A sale of machine on credit to Mr. Mehta for Rs.9,000 on 30th sept. 2021 was not entered in the books at all. The book value of the machine was Rs.6,750.
21. The total of the Purchases Book of one page, Rs.4,539 was carried forward to the next page as Rs.4,593.
22. A sale of Rs.573 was entered in the Sales Book as Rs.753 and posted to the credit of the customer.
23. A return to a creditor, Rs.510 was entered in the Returns Inward Book; however, the creditor’s account was correctly posted.
24. Cash received from C. Dass, Rs.620 was posted to the debit of G. Dass.
25. Goods worth Rs.840 were despatched to a customer before the close of the year but no invoice was made out.

26. Goods worth Rs.1,000 were sent on sale or return basis to a customer and entered in the Sales Book. At the close of the year, the customer still had the option to return the goods. The sale price was 25% above cost.
27. Repairs made during the year were wrongly debited to the building A/c - Rs.12,500.
28. The addition of the 'Freight' column in the purchase journal was short by Rs.15,000.
29. Goods to the value of Rs.4,500 returned by a customer, Shiv & Co., had been posted to the debit of Shiv & Co. and also to sales returns.
30. Sundry items of furniture sold for Rs.30,000 had been entered in the sales book, the total of which had been posted to sales account.
31. A bill of exchange (received from Ms. Sapna) for Rs.75,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

2. BANK RECONCILIATION STATEMENT

Prepare Bank Reconciliation Statement for the year ending 31/12/2021 from the following information if Starting Point is a) Balance as per Cash Book – 100,000 b) Balance as per Pass Book – 100,000 c) O.D Balance as per Cash Book – 100,000 d) O.D Balance as per Pass Book – 100,000

1. On 15th December, 2021 the payment side of the cash book was overcast by Rs.10,000.
2. A Cheque for Rs.1,18,000 issued on 6th December, 2021 was not taken in the bank Column.
3. On 20th December, 2021 the debit balance of Rs.8,460 as on the previous day, was brought forward as credit balance in the cash book.
4. Of the total cheques amounting to Rs.12,370 drawn in the last week of December 2021, cheques aggregating Rs.9,360 were encashed in December, 2021.
5. Dividends of Rs.35,000 collected by the bank and fire insurance premium of Rs.7,900 paid by the bank were not recorded in the cash book.
6. A Cheque issued to a creditor of Rs.1,75,000 was recorded twice in the cash book.
7. Bill for collection amounting to Rs.53,000 credited by the bank on 21st December, 2021 but no advice was received by Mr. Karan till 31st December, 2021.
8. A Customer, who received a cash discount of 3% on his account of Rs.60,000 paid a cheque on 10th December, 2021. The cashier erroneously entered the gross amount in the bank column of the cash book
9. Cheques amounting to 60,000 issued to creditors have not been presented for payment till the date
10. Cheques paid into bank amounting to 1,10,500 out of which cheques amounting to Rs.55,000 only collected by bank up to 31st Dec 2021
11. Rent amounting to 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.
12. Insurance premium (up to 30th June, 2022) paid by the bank Rs.2,700 not entered in the cash book.
13. The payment side of the cash book had been under cast by Rs.500
14. Bank charges Rs.150 shown in the pass book had not been entered in the cash book.
15. A bill payable of Rs.20,000 had been paid by the bank but was not entered in the cash book and bill receivable for Rs.6,000 had been discounted with the bank at a cost of Rs.100 which had also not been recorded in cash book.

16. Cheque received Rs.10,000 entered twice in Cash Book
17. A bill of exchange for Rs.26,200 which was discounted with bank returned dishonoured but no entry was made in the cash book.
18. Bank charges entered twice in the cash book – 2,000
19. Interest allowed by the bank – 3,000
20. Interest on Investment Rs.83,800 collected and credited by bank but the same has not been entered in the Cash Book.

3. BILLS OF EXCHANGE - NORMAL

Journalize the following in the books of Don:

1. Bob informs Don that Ray's acceptance for Rs.3,000 has been dishonoured and noting charges are Rs.40. Bob accepts Rs.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.
2. James owes Don Rs.3,200; he sends Don's own acceptance in favour of Ralph for Rs.3,160; in full settlement.
3. Don meets his acceptance in favour of Singh for Rs.4,500 by endorsing John's acceptance for Rs.4,450 in full settlement.
4. Ray's acceptance in favour of Don retired one month before due date, interest is taken at the rate of 6% p.a

4. BILLS OF EXCHANGE – ACCOMODATION

T draws on J a bill of exchange for Rs.1,80,000 on 1st April, 2022 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for Rs.1,72,800. T immediately remits Rs.57,600 to J. On the due date, T, being unable to remit the amount due, accepts a bill for Rs.2,52,000 for three months, which is discounted by J from his banker for Rs.2,40,660. J sends Rs.40,440 to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paise in a rupee.
Give the journal entries in the books of T and J.

5. DEPRECIATION – WITHOUT PROVISION FOR DEPRECIATION

The Machinery Account of a Factory showed a balance of Rs.95 Lakhs on 1st April,2020. The Books of Accounts of the Factory are closed on 31st March every year. Depreciation is written off @ 10% per annum under the Diminishing Balance Method. On 1st September,2020 a new machine was acquired at a cost of Rs.14 Lakhs and Rs.44,600 was incurred on the same day as installation charges for erecting the machine. On 1st September,2020 a machine which had cost Rs.21,87,000 on 1st April,2018 was sold for Rs.3,75,000. Another machine which had cost Rs.21,85,000 on 1st April,2019 was scrapped on 1st September,2020 and it realized nothing.

Prepare Machinery Account for the year ended 31st March,2021. Allow the same rate of depreciation as in the past and calculate depreciation to the nearest multiple of a rupee. Also show all the necessary working notes.

6. DEPRECIATION – WITH PROVISION FOR DEPRECIATION

The following balances appear in the books of Dheeraj Enterprises:

	Rs.
Machinery account as on 01.04.2021	12,00,000
Provision for depreciation account as on 01.04.2021	4,65,000

On 1st October, 2021 the Machinery which was purchased on 1st April, 2018 for Rs.2,00,000 was sold for Rs.1,10,000 and on the same date another Machinery was purchased for Rs.4,80,000. The firm has been charging depreciation at 10% p.a. on written down value of the Machinery every year.

Prepare the Machinery account, Provision for Depreciation account and Machinery disposal account for the year ending 31st March, 2022.

7. DEPRECIATION – WITH PROVISION FOR DEPRECIATION

A firm’s plant and machinery account at 31st December, 2021 and the corresponding depreciation provision account, broken down by year of purchase are as follows:

Year of Purchase	Plant and Machinery at cost Rs.	Depreciation Provision Rs.
2005	2,00,000	2,00,000
2011	3,00,000	3,00,000
2012	10,00,000	9,50,000
2013	7,00,000	5,95,000
2020	5,00,000	75,000
2021	3,00,000	15,000
	30,00,000	21,35,000

Depreciation is at the rate of 10% per annum on cost. It is the Company’s policy to assume that all purchases, sales or disposal of plant occurred on 30th June in the relevant year for the purpose of calculating depreciation, irrespective of the precise date on which these events occurred.

During 2022 the following transactions took place:

1. Purchase of plant and machinery amounted to Rs.15,00,000
2. Plant that had been bought in 2011 for Rs.170,000 was scrapped.
3. Plant that had been bought in 2012 for Rs.90,000 was sold for Rs.5,000.
4. Plant that had been bought in 2013 for Rs.2,40,000 was sold for Rs.15,000.

You are required to:

Calculate the provision for depreciation of plant and machinery for the year ended 31st December, 2022. In calculating this provision you should bear in mind that it is the company's policy to show any profit or loss on the sale or disposal of plant as a completely separate item in the Profit and Loss Account.

You are also required to:

Prepare the following ledger accounts during 2022.

- (i) Plant and machinery at cost;
- (ii) Depreciation provision;
- (iii) Sales or disposal of plant and machinery.

8. PARTNERSHIP – INTRO – SM PRACTISE QUESTION

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
	Rs.	Rs.	Rs.
Capital (1.1.2022)	75,000	40,000	30,000
Current Account (1.1.2022)	10,000	5,000	(Dr.) 5,000
Drawings	15,000	10,000	10,000

The draft accounts for 2022 showed a net profit of Rs.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 Rs.750 paid by the firm on 30th June, 2022 has been charged to Miscellaneous Expenditure A/c.
- (b) Repairs of Machinery amounting to Rs.10,000 has been debited to Plant Account and depreciation thereon charged @ 20%.
- (c) Travelling expenses of Rs.3,000 of Able for a pleasure trip to U.K. paid by the firm on 30th June, 2022 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, 2022.

9. PARTNERSHIP – INTRO – SM PRACTISE QUESTION

Ram and Rahim are in partnership sharing profits and losses in the ratio of 3:2. As Ram, on account of his advancing years, feels he cannot work as hard as before, the chief clerk of the firm, Ratan, is admitted as a partner with effect from 1st January, 2022, and

becomes entitled to 1/10th of the net profits and nothing else, the mutual ratio between Ram and Rahim remaining unaltered.

Before becoming a partner, Ratan was getting a salary of Rs.500 p.m. together with a commission of 4% on the net profits after deducting his salary and commission.

It is provided in the partnership deed that the share of Ratan's profits as a partner in excess of the amount to which he would have been entitled if he had continued as the chief clerk, should be taken out of Ram's share of profits.

The net profit for the year ended December 31, 2022 is Rs.1,10,000.

Show the distribution of net profit amongst the partners.

10. PARTNERSHIP – GOODWILL – SM ILLUSTRATION

Cu and Au were in partnership sharing profits and losses in the ratio 5:3. On 1st April 2022, they decided to admit Ag the partnership on the following terms:

1. Ag will bring Rs.2,00,000/- as capital for $\frac{1}{4}$ share.
2. New profit sharing ratio shall be 2:1:1 among Cu, Au and Ag.
3. Cu was entitled to salary of Rs.2,000/- p.m., it was revised to Rs.3,000 p.m. from 1st October 2020.
4. Interest on capital was paid at 8% p.a.
5. Capitals as on 31st March 2022 were Cu Rs.4,00,000 Au Rs.3,00,000, which had remained unchanged since last four years.
6. Goodwill was to be valued on the basis of 3 years purchase of average adjusted weighted average profits of past 4 years. The profits of previous four years, before charging interest on capital and salary to Cu were as follows:

Year	Profit
2018-19	2,10,000
2019-20	2,60,000
2020-21	2,10,000
2021-22	3,05,000

These profits were subject to following rectification

- (a) A machine costing Rs.40,000 purchased on 1st October, 2020 was wrongly charged to revenue. The machinery was depreciated at 20% p.a. on written down value method
- (b) Stock on 31st March 2020 was over valued by Rs.20,000/-

- (c) There was a loss by fire amounting to Rs.10,000/- in the year 2018-19 which was not considered in trading account but correctly debited in the Profit & Loss a/c for that year.
- (d) Debtors as on 31st March 2022 included bad debts of Rs.5 ,800/-
7. Ag shall bring his share of goodwill in cash.

You are required to calculate amount of goodwill Ag is supposed to bring and journal entry for the same.

11. PARTNERSHIP – GOODWILL – SM PRACTISE QUESTION

Wise, Clever and Dull were trading in partnership sharing profits and losses 4:3:3 respectively. The accounts of the firm are made upto 31st December every year.

The partnership provided, interalia, that:

On the death of a partner the goodwill was to be valued at three years' purchase of average profits of the three years upto the date of the death after deducting interest @8 percent on capital employed and a fair remuneration of each partner. The profits are assumed to be earned evenly throughout the year.

On 30th June, 2022, Wise died and it was agreed on his death to adjust goodwill in the capital accounts without showing any amount of goodwill in the Balance Sheet.

It was agreed for the purpose of valuation of goodwill that the fair remuneration for work done by each partner would be Rs.15,000 per annum and that the capital employed would be Rs.1,56,000. Clever and Dull were to continue the partnership, sharing profits and losses equally after the death of Wise.

The following were the amounts of profits of earlier years before charging interest on capital employed.

	Rs.
2019	67,200
2020	75,600
2021	72,000
2022	62,400

You are required to compute the value of goodwill and show the adjustment there of in the books of the firm.

12. PARTNERSHIP – ADMISSION – SM PRACTISE QUESTION

Gopal and Govind are partners sharing profits and losses in the ratio 60:40. The firms' balance sheet as on 31.03.2022 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital accounts:		Fixed assets	3,00,000
Gopal	1,20,000	Investments	50,000
Govind	80,000	Current assets	2,00,000

Long term loan	2,00,000	Loans and advances	1,00,000
Current liabilities	2,50,000		
	6,50,000		6,50,000

Due to financial difficulties, they have decided to admit Guru as partner in the firm from 01.04.2022 on the following terms:

Guru will be paid 40% of the profits.

Guru will bring in cash Rs.1,00,000 as capital. It is agreed that goodwill of the firm will be valued at 2 years' purchase of 3 years' normal average profits of the firm and Guru will bring in cash his share of goodwill. It was also decided that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.

The profits of the previous three years were as follows:

For the year ended 31.3.2020: profit Rs.20,000 (includes insurance claim received of Rs. 40,000).

For the year ended 31.3.2021: loss Rs.80,000 (includes voluntary retirement compensation paid Rs.1,10,000).

For the year ended 31.3.2022: profit of Rs.1,05,000 (includes a profit of Rs.25,000 on the sale of assets).

It was decided to revalue the assets on 31.03.2022 as follows:

	Rs.
Fixed assets (net)	4,00,000
Investments	Nil
Current assets	1,80,000
Loans and advances	1,00,000

The new profit sharing ratio after the admission of Guru was 35:25:40.

Pass journal entries on admission, show goodwill calculation and prepare revaluation account, partners' capital accounts and balance sheet as on 01.04.2022 after the admission of Guru.

13. PARTNERSHIP – ADMISSION – DEC 21 EXAM

A and B are partners, sharing profits and losses in the proportion of 3/4th and 1/4th As at 31st March, 2021, following is the Balance Sheet of A and B.

Balance Sheet as at 31st March, 2021

Liabilities		(Rs.)	Assets		(Rs.)
Capital accounts			Cash in hand		1,15,000
A	2,85,000		Cash at bank		1,10,000
B	1,55,000	4,40,000	Sundry Debtors		1,60,000
Creditors		3,75,000	Stock		2,00,000
General reserve		60,000	Bills receivable		30,000

			Land and building	2,50,000
			Office furniture	10,000
		8,75,000		8,75,000

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

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

Prepare Revaluation Account and Partners Capital Accounts.

14. PARTNERSHIP – RETIREMENT – SM ILLUSTRATION

Dowell LLP. with partners Mr. A, Mr. B and Mr., C, are sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31st March, 2022 is as under:

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

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, 2022. For this purpose, the following adjustments are to be made:

- (a) Goodwill is to be valued at Rs.1 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- (b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at Rs.15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- (c) In the reconstituted firm, the total capital will be Rs.2 lakhs which will be contributed by Mr. 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, 2022.

15. PARTNERSHIP – RETIREMENT – SM PRACTISE QUESTION

On 31st March, 2022, the balance sheet of M/s Ram, Rahul and Rohit sharing profits and losses in proportion to their capital, stood as follows:

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

On 31st March, 2022, Ram desired to retire from the firm and the remaining partners decided to carry on. It was agreed to revalue the assets and liabilities on that date on the following basis:-

1. Land and buildings be appreciated by 30%.
2. Machinery be depreciated by 20%.
3. Closing stock to be valued at Rs.80,000.
4. Provision for bad debts be made at 5%.
5. Old credit balances of sundry creditors Rs.10,000 be written off.
6. Joint life policy of the partners surrendered and cash obtained Rs.60,000.
7. Goodwill of the entire firm be valued at Rs.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 as 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 1.4.2022 of M/s Rahul and Rohit

16. PARTNERSHIP – RETIREMENT – SM PRACTISE QUESTION

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 31.2.2022 was as under:

Liabilities		Rs.	Assets		Rs.
Capital accounts:					
A	1,50,000		Fixtures	30,000	
B	1,00,000		Stock	1,70,000	
C	<u>50,000</u>	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 31.3.2022, the terms of which were as follows:

- (a) The profit and loss account for the year ended 31.3.2022, which showed a net profit of Rs.42,000 was to be re-opened. B was to be credited with Rs.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 2021.
- (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:

	Rs.
31.3.2018	15,000
31.3.2019	23,000
31.3.2020	25,000
31.3.2021	35,000
31.3.2022	42,000

- (c) Fixtures are to be valued at Rs.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 Rs.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.

17. PARTNERSHIP – RETIREMENT – DEC 23 EXAMS

X, Y and Z were partners sharing profit and losses in the ratio of 5: 3: 2. Their Balance Sheet as on 31st March 2023 is as follows:

Balance Sheet as on 31 March, 2023

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital Accounts		Building	2,00,000
X	4,25,000	Machinery	3,50,000
Y	2,55,000	Debtors	1,95,000
Z	1,40,000	Stock	1,05,000
General Reserve	25,000	Bank	25,000
Trade Creditors	30,000		
	8,75,000		8,75,000

Y retired from the business on 1 April, 2023 on the following terms:

- (i) To appreciate building by 20% and to depreciate machinery by 5%.
- (ii) Provision for debts is to be created at 10%.
- (iii) Goodwill of the firm is valued at 1,60,000 and Goodwill is not to be raised in the books of accounts. New profit sharing ratio will be 5:3
- (iv) Entire sum payable to Y should be brought by X and Z in such a way to make their capital according to new profit ratio. Balance of Y to be paid immediately.

You are required to prepare Revaluation Account, Partners Capital Accounts and Balance Sheet after retirement.

18. PARTNERSHIP – DEATH – PRACTICE QUESTION

Peter, Paul and Prince were partners sharing profits and losses in the ratio 2:1:1. It was provided in the partnership deed that in the event of retirement /death of a partner he/his legal representatives would be paid:

- (i) The balance in the capital Account
- (ii) His share of goodwill of the firm valued at two years purchase of normal average profits (after charging interest on fixed capital) for the last three years to 31st December preceding the retirement or death.
- (iii) His share of profits from the beginning of the accounting year to the date of retirement or death, which shall be taken on proportionate basis of profits of the previous year as increased by 25%
- (iv) Interest on fixed capital at 10% p.a. though payable to the partners will not be payable in the year of death or retirement.
- (v) All the asset are to be revalued on the date of retirement or death and the profit and loss be debited/credited to the Capital Accounts in the profit sharing ratio.

Peter died on 30th September, 2022. The books of Account are closed on calendar year basis from 1st January to 31st December.

The balance in the Fixed Capital Accounts as on 1st January, 2022 were Peter Rs.10,000, Paul Rs.5,000 and Prince Rs.5,000. The balance in the Current Account as on 1st January, 2022 were Peter Rs.20,000, Paul Rs.10,000 and Prince Rs.7,000. Drawings of Peter till 30th September, 2022 were Rs.10,000. The profits of the firm before charging interest on capital for the calendar years 2019, 2020 and 2021 were Rs.1,00,000, Rs.1,20,000 and Rs.1,50,000 respectively. The profits include the following abnormal items of credit:

	2019	2020	2021
	Rs.	Rs.	Rs.
Profit on sale of assets	5,000	7,000	10,000
Insurance claim received	3,000	-	12,000

The firm has taken out a Joint Life Policy for Rs.1,00,000. Besides the partners had severally insured their lives for Rs.50,000 each, the premium in respect thereof being charged to the Profit and Loss account. The surrender value of the Policies were 30% of the face value. On 30th June, 2022 the firm received notice from the insurance company that the insurance premium in respect of fire policy had been undercharged to the extent of Rs.6,000 in the year 2021 and the firm has to pay immediately. The revaluation of the assets indicates an upward revision in value of assets to the extent of Rs.20,000. Prepare an account showing the amount due to Peter's Legal representatives as on 30th September, 2022 along with necessary workings.

19. PARTNERSHIP – DEATH – JUNE 23 EXAM

A, B and C were trading in partnership sharing profits and losses in the proportion of 4:3:3. The balances in the books of the firm as on 31st December, 2022 subject to final adjustment were as under:

	Debit	Credit
	Amount Rs.	Amount Rs.
Capital Accounts		
A		2,25,000
B		1,12,500
C		1,35,000
Current Account		
A	36,000	
B	54,000	
C	54,000	
Land and Building	1,80,000	
Furniture and Fixtures	33,750	
Stock	2,81,250	

Debtors	45,000	
Bank Account	90,000	
Profit for the year before charging interest		2,34,000
Creditors		67,500
Total	7,74,000	7,74,000

Goodwill may be recorded separately, instead of through Revaluation Account. C died on 30th June, 2022. The Partnership deed provided that:

- (a) Interest was credited on Capital Account of Partners as @ 12% per annum on the balance at the beginning of the year.
- (b) On the death of partner
 - (i) Goodwill was to be valued at three years purchase of average annual profits of three years up to the death, after deducting interest on capital employed at 10%p.a. and a fair remuneration for each of the partners.
 - (ii) Fixed assets were to be valued by an independent valuer and all other assets and liabilities to be taken at book value, and
- (c) Whenever necessary, profit or loss should be apportioned on a time basis. You ascertain that:
 - (i) Profit for three years, before charging partners' interest were:

	Rs.
2019	2,52,000
2020	2,83,500
2021	2,70,000

- (ii) The independent valuation on the date of death revealed:

	Rs.
Land and Building	2,25,000
Furniture and Fixtures	22,500

- (iii) For valuation of goodwill a fair remuneration for each of the partners would be Rs.56,250 per annum and that the capital employed in the business to be taken as Rs.5,85,000 throughout.

It was agreed between the partners that:

- (1) Goodwill was not be shown as an asset of the firm as on 31st December, 2022. Therefore, adjustment for goodwill was to be made in Capital Accounts.
- (2) The amount due to C's Estate was to remain as loan with the firm carrying interest at 12% p.a.
- (3) A and B would share profits equally from the date of death of C.
- (4) Depreciation on revised value of assets would be ignored.

You are required to prepare:

- (A) Partners' Capital Account and Current Account; and
- (B) Balance Sheet of the firm as on 31st December, 2022.

Working should be done correct to the nearest rupee.

20. PARTNERSHIP – DISSOLUTION – PRACTISE QUESTION

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

Liabilities	Amount	Assets	Amount
Capital Accounts:		Land & Building	1,35,000
Amit	55,200	Plant & Machinery	45,000
Sumit	55,200	Furniture	25,500
General Reserve	61,500	Investments	15,000
Kumar's Loan A/c	15,000	Book Debts 60,000	
Loan from D	1,20,000	Less: Prov. for bad debts (6,000)	54,000
Trade Creditors	30,000	Stock	36,000
Bills Payable	12,000	Bank	13,500
Outstanding Salary	7,500	Capital Withdrawn:	
		Kumar	32,400
	3,56,400		3,56,400

The following information is given to you:

- (i) Realization expenses amounted to Rs.18,000 out of which Rs.3,000 was borne by Amit.
- (ii) A creditor agreed to takeover furniture of book value Rs.12,000 at Rs.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	- Rs.12,000 of debts proved bad, remaining were fully realized
Land & Building	- Realized Rs.1,65,000
Investments	- Taken over by Amit at 15% discount

- (iv) For half of his loan, D accepted Plant & Machinery and Rs.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.

21. PARTNERSHIP – DISOLUTION – PRACTISE QUESTION

‘Thin’, ‘Short’ and ‘Fat’ were in partnership sharing profits and losses in the ratio of 2:2:1. On 30th September, 2022 their Balance Sheet was as follows:

Liabilities		Rs.	Assets		Rs.
Capital Accounts:			Premises	50,000	
Thin	80,000		Fixtures	1,25,000	
Short	50,000		Plant	32,500	
Fat	20,000	1,50,000	Stock	43,200	
Current Accounts:			Debtors	54,780	
Thin	29,700				
Short	11,300				
Fat (Dr.)	(14,500)	26,500			
Sundry Creditors		84,650			
Bank Overdraft		44,330			
		3,05,480		3,05,480	

‘Thin’ decides to retire on 30th September, 2022 and as ‘Fat’ appears to be short of private assets, ‘Short’ decides that he does not wish to take over Thin’s share of partnership, so all three partners decide to dissolve the partnership with effect from 30th September, 2022. It then transpires that ‘Fat’ has no private assets whatsoever.

The premises are sold for Rs.60,000 and the plant for Rs.1,07,500. The fixtures realize Rs.20,000 and the stock is acquired by another firm at a book value less 5%. Debtors realize Rs.45,900. Realization expenses amount to Rs.4,500.

The bank overdraft is discharged and the creditors are also paid in full.

You are required to write up the following ledger accounts in the partnership books following the rules in Garner vs. Murray:

- (i) Realization Account;
- (ii) Partners’ Current Accounts;
- (iii) Partners’ Capital Accounts showing the closing of the firm’s books.

22. PARTNERSHIP – PIECEMEAL – ILLUSTRATION

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

Liabilities	Rs.	Rs.	Assets	Rs.
Capitals:			Cash	10,800

A	76,000		Sundry Assets	1,89,200
B	48,000			
C	36,000	1,60,000		
Loan A/c – B		10,000		
Sundry Creditors		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 Rs.29,000 in full settlement of their account. Expenses of realization were estimated to be Rs.5,400 but actual amount spent was Rs.4,000. This amount was paid on 15th September. Draw up a statement showing distribution of cash, which was realized as follows:

	Rs.
On 5 th July, 2022	25,200
On 30 th August, 2022	60,000
On 15 th 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.

23. PARTNERSHIP – PIECEMEAL – ILLUSTRATION

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

Liabilities	Rs.	Assets	Rs.
Creditors	2,000	Sundry Assets	48,500
A's Loan	5,000	Cash	500
Capital Accounts:			
A	15,000		
B	18,000		
C	9,000		
	49,000		49,000

The assets realized the following sums in installments:

I	1,000
II	3,000
III	3,900
IV	6,000

V	20,100 ¹
Total	34,000

The expenses of realization were expected to be Rs.500 but ultimately amounted to Rs.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.

24. COMPANY ACCOUNTS – SHARES – JUNE 23 EXAM

BP Limited issued a prospectus inviting applications for 1,20,000 equity shares of Rs.10 each at a premium of Rs.2 per share payable as follows:

On Application	Rs.3 per share
On Allotment	Rs.5 per share (including premium)
On First and Final Call	Rs.4 per share

Applications were received for 3,60,000 equity shares. Applications for 80,000 shares were rejected and the money refunded. Shares allotted to remaining applications as follows:

Category	No. of shares Applied	No. of shares Allotted
I	1,60,000	80,000
II	1,20,000	40,000

Excess money received with applications was adjusted towards sums due on Allotment and the balance amount returned to the applicants. All calls were made duly received except the final call by a shareholder belonging to Category I who has applied for 680 shares. His shares were forfeited. The forfeited shares were reissued at Rs.13 per share fully paid-up.

Pass necessary journal entries for the above transactions in the books of BP Ltd, Open call in arrears account whenever required.

25. COMPANY ACCOUNTS – SHARES – NOV 22 EXAM

PQR Limited issued 2,00,000 equity shares of, 10 each payable as Rs.3 per share on application & Rs.5 per share (including Rs.2 as premium) on allotment and Rs.4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from Mr. J, holding 5,000 shares who failed to pay the allotment and call money and Mr. K, holding 10,000 shares, who failed to pay the call money. All these 15,000 shares were forfeited. Out of the forfeited shares, 10,000 shares (including whole of J's shares) were subsequently re-issued to Mr. L as fully paid up at a discount of Rs.1 per share.

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

26. COMPANY ACCOUNTS – SHARES – MAY 22 EXAM

A Limited issued 20,000 Equity shares of, 10 each at a premium of 10%, payable Rs.2 on application; Rs.4 on allotment (including premium); Rs.2 on first call and balance on the final call. All the shares were fully subscribed. Mr. M who held 2000 shares paid full remaining amount on first call itself. The final call which was made after 4 months from the first call was fully paid except a shareholder having 200 shares and one another shareholder having 100 shares. They paid their due amount after 3 months and 4 months respectively along with interest on calls in arrears, Company also paid interest on calls in advance to Mr. M. The Company maintains Calls in Arrear and Calls in Advance A/c.

Give journal entries to record these transactions. Show workings of Interest calculation. (Ignore dates).

27. COMPANY ACCOUNTS – SHARES – DEC 21 EXAM

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

(i) On Application	Rs.1 per share
(ii) On Allotment	Rs.2 per share
(iii) On First call	Rs.3 per share
(iv) On Second and final Call	Rs.4 per share

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

Pass necessary Journal entries in the books of Fashion Garments Ltd

28. COMPANY ACCOUNTS – SHARES – DEC 23 EXAM

A Ltd. issued 25,000 equity shares of Rs.100 each at a premium of Rs.25 per share payable as follows:

On Application	Rs.50
On Application	Rs.50 including premium and
On Final Call	Rs.25

Applications were received for 29,000 shares. Letters of regret were issued to applications for 4000 shares and shares were allotted to all 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 A Limited.

29. COMPANY ACCOUNTS – BONUS ISSUE – SM-PRACTISE QUESTION

Following items appear in the Trial Balance of Saral Ltd. as on 31st March, 2022:

Particulars	Amount
4,500 Equity Shares of Rs.100 each	4,50,000
Securities Premium (collected in cash)	40,000
Capital Redemption Reserve	70,000
General Reserve	1,05,000
Profit and Loss Account (Cr. Balance)	65,000

The company decided to issue to equity shareholders bonus shares at the rate of 1 share for every 3 shares held. Company decided that there should be the minimum reduction in free reserves. Pass necessary Journal Entries in the books Saral Ltd.

30. COMPANY ACCOUNTS – BONUS ISSUE – SM-PRACTISE QUESTION

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

Notes	Rs.in lakhs
(1) Share Capital	
Authorised:	
20 crore shares of Rs.10 each	<u>20,000</u>
Issued and Subscribed :	
10 crore Equity Shares of Rs.10 each	10,000
2 crore 11% Cumulative Preference Shares of Rs.10 each	2,000
TOTAL	12,000
Called and paid up:	
10 crore Equity Shares of Rs.10 each, Rs.8 per share called and paid up	8,000
2 crore 11% Cumulative Preference Shares of Rs.10 each, fully called and paid up	2,000
TOTAL	10,000
(2) Reserves and Surplus:	
Capital Redemption Reserve	1,485
Securities Premium (collected in cash)	2,000
General reserve	1,040
Surplus i.e. credit balance of Profit and loss Account	273

TOTAL	4,798
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On 2nd April 2022, the company made the final call on equity shares @ Rs.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.

31. COMPANY ACCOUNTS – REDEMPTION OF PREFERENCE SHARES – SM-ILLUSTRATION

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

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

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 Rs.100 each at Rs.110 per share, Rs.20 being payable on application, Rs.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)

With the help of the details in above question 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)

32. COMPANY ACCOUNTS – REDEMPTION OF PREFERENCE SHARES – SM-ILLUSTRATION

The capital structure of a company consists of 20,000 Equity Shares of Rs.10 each fully paid up and 1,000 8% Redeemable Preference Shares of Rs.100 each fully paid up (issued on 1.4.2021).

Undistributed reserve and surplus stood as: General Reserve Rs.80,000; Profit and Loss Account Rs.20,000; Investment Allowance Reserve out of which Rs.5,000, (not free for distribution as dividend) Rs.10,000; Securities Premium Rs.2,000, Cash at bank amounted to Rs.98,000. Preference shares are to be redeemed at a Premium of 10% and for the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilising the undistributed reserve and surplus, subject to the conditions that a sum of Rs.20,000 shall be retained in general reserve and which should not be utilised.

Pass Journal Entries to give effect to the above arrangements.

33. COMPANY ACCOUNTS – REDEMPTION OF DEBENTURES – SM-ILLUSTRATION

The following balances appeared in the books of a company (unlisted company other than AIFI, Banking company, NBFC and HFC) as on December 31, 2021: 6% Mortgage 10,000 debentures of Rs.100 each; Debenture Redemption Reserve (for redemption of debentures) Rs.50,000; Investments in deposits with a scheduled bank, free from any charge or lien Rs.1,50,000 at interest 4% p.a. receivable on 31st December every year. Bank balance with the company is Rs.9,00,000.

The Interest on debentures had been paid up to December 31, 2021.

On February 28, 2022, the investments were realised at par and the debentures were paid off at 101, together with accrued interest.

Write up the concerned ledger accounts (excluding bank transactions). Ignore taxation.

34. COMPANY ACCOUNTS – REDEMPTION OF DEBENTURES – SM-ILLUSTRATION

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

Annual contribution to the DRR was made on 31st March every year. On 31-3-2022, balance at bank was Rs.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.

35. COMPANY ACCOUNTS – REDEMPTION OF DEBENTURES – SM-ILLUSTRATION

XYZ Ltd. has issued 1,000, 12% convertible debentures Rs.100 each redeemable after a period of five years. According to the terms & conditions of the issue, these debentures were redeemable at a premium of 5%. The debenture holders also had the option at the time of redemption to convert 20% of their holdings into equity shares of Rs.10 each at a price of Rs.20 per share and balance in cash. Debenture holders amounting Rs.20,000 opted to get their debentures converted into equity shares as per terms of the issue.

You are required to calculate the number of shares issued and cash paid for redemption of Rs.20,000 debenture holders.

36. COMPANY ACCOUNTS – REDEMPTION OF DEBENTURES – SM-ILLUSTRATION

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.	Rs.
I. Equity and liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	2,00,000
(b) Reserves and Surplus	2	1,20,000
(2) Non-current liabilities		
(a) Long term borrowings	3	1,20,000
(3) Current Liabilities		
(a) Trade payables		1,15,000
Total		5,55,000
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment	4	1,15,000
(2) Current assets		
(a) Inventories		1,35,000
(b) Trade receivables		75,000
(c) Cash and bank balances	5	2,30,000
Total		5,55,000

Notes to Accounts

			Rs.
1.	Share Capital		
	Authorized share capital 30,000 shares of Rs.10 each fully paid		<u>3,00,000</u>
	Issued and subscribed share capital		
	20,000 shares of Rs.10 each fully paid		<u>2,00,000</u>
2.	Reserve and Surplus		
	Profit & Loss Account		1,20,000
3.	Long term borrowings		
	12% Debentures		1,20,000
4.	Property, Plant and Equipment		
	Freehold property		1,15,000
5.	Cash and bank balances		
	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 Rs.10 share at Rs.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.

37. FINAL ACCOUNTS – DEC 23 EXAM

The following is the schedule of balances as on 31.03.23 extracted from the books of M/s RM & Co.

Particulars	Dr.Rs.	Cr. Rs.
Bank charges	24,000	
Buildings	9,00,000	
Capital A/c		19,48,000
Carriage Outwards	30,000	

Cash at bank	39,000	
Cash at hand	21,000	
Discount allowed	36,000	
Discount received		24,000
Drawings	1,80,000	
Electricity Charges	33,000	
Freight on purchases	18,000	
Furniture & fixtures	3,21,000	
General office expenses	45,000	
Insurance Premium	82,500	
Interest on loan	35,000	
Loan		6,00,000
Printing and Stationery	27,000	
Purchase Returns		39,000
Purchases	21,30,000	
Rent for Godown	82,500	
Salaries	1,65,000	
Sales		35,50,000
Sales Returns	63,000	
Stock on 1.4.2022	9,30,000	
Sundry Creditors		6,45,000
Sundry Debtors	12,90,000	
Vehicles	3,00,000	
Vehicles running expenses	54,000	
TOTAL	68,06,000	68,06,000

Prepare Trading and Profit & Loss Account for the year ended 31 st March 2023 and the Balance sheet as at that date after making provision for the following:

- (i) Value of stock as on 31.03.2023 is Rs.4,10,000. This includes goods returned by customers on 31st March,2023 to the value of Rs.22,000 for which no entry has been passed in the books.
- (ii) Purchases include furniture purchased on 01.10.2022 for Rs.30,000.
- (iii) Depreciate:
 - (1) Building by 5%
 - (2) Furniture and Fixtures by 10%
 - (3) Vehicles by 20%
- (iv) Sundry debtors include Rs.35,000 due from Goku and Sundry creditors include Rs.25,000 due to him.
- (v) Provision for bad debts is to be maintained at 4% of Sundry Debtors.
- (vi) Insurance premium includes Rs.42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period form 1.05.2022 to 30.4.2023.

38. FINAL ACCOUNTS – JUNE 22 EXAM

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

Particulars	Dr.	Particulars	Cr.
Opening Stock:		Sundry Creditors	1,75,000
Raw Material	5,25,000	Purchase Return	17,500
Finished Goods	2,62,500	Capital	3,50,000
Purchase of Raw Material	17,50,000	Bills Payable	84,000
Land & Building	3,50,000	Long Term Loan	7,00,000
Loose Tools	1,05,000	Provision for bad and doubtful debts	7,000
Plant and Machinery	1,05,000	Sales	29,75,000
Investments	87,500	Bank Overdraft	80,500
Cash in Hand	70,000		
Cash at Bank	17,500		
Furniture and Fixtures	52,500		
Bills Receivables	52,500		
Sundry Debtors	1,40,000		
Drawings	70,000		
Salaries	70,000		
Coal and Fuel	52,500		
Factory rent and rates	70,000		
General Expenses	14,000		
Advertisement	17,500		
Sales Return	35,000		
Bad Debts	14,000		
Direct Wages (Factory)	2,80,000		
Power	1,05,000		
Interest paid	24,500		
Discount allowed	10,500		
Carriage inwards	52,500		
Carriage outwards	24,500		
Commission paid	17,500		
Dividend paid	14,000		
	43,89,000		43,89,000

Additional Information:

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

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

39. NPO – DEC 23 EXAM

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

Income and Expenditure Account for the year ended 31 December, 2022

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

Additional information:

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

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

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

40. NPO – JUNE 23 EXAM

Following is the Receipts and Payments account of Pune Medical Aid Society for the year ended 31-12-2022.

Receipts and Payments Account for the year ended 31-12-2022

Receipts	Amount Rs.	Payments	Amount Rs.
To Opening cash in hand	12,000	By Medicine supply	35,000
To Subscription	65,000	By Honorarium to Doctors	15,000
To Donations	25,000	By Salaries	36,000
To Interest on Investment (10%)	10,000	By Sundry expenses.	950
To Charity show collection	16,500	By Purchase of Medical equipment	25,000
		By Charity show expenses	2,750
		By Closing Cash in hand	<u>13,800</u>
	<u>1,28,500</u>		<u>1,28,500</u>

The following is the additional information provided.

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

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

41. NPO – DEC 22 EXAM

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

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
To Salaries	3,750	By Subscription	8,500
To General Expenses	1,500	By Entrance Fees	250
To Audit fee	250	By Contribution for Annual	1,000

To Secretary's Honorarium	1,000	Dinner	
To Stationery and Printing	450	By Annual Sports meet	750
To Annual Dinner expenses	1,500	receipts	
To Interest and Bank Charges	150		
To Depreciation	400		
To Surplus	<u>1,500</u>		
	10,500		<u>10,500</u>

This Account has been prepared after the following adjustments:	Amount (Rs.)
Subscription outstanding on 31st December, 2021	700
Subscription received in advance on 31st December, 2021	550
Subscription received in advance on 31st December, 2022	370
Subscription outstanding on 31st December, 2022	750

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

The club owned a freehold lease of ground valued at Rs.20,000. The club had sports equipment on 1 at January, 2022 valued at Rs.2600. At the end of the year, after depreciation, the balance of equipment amounted to, 3,600. In 2021, the club raised a bank loan of Rs.5,000, This was outstanding throughout 2022. On 31st December, 2022 cash in hand amounted to Rs.1600.

You are required to prepare:

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

42. NPO – JUNE 22 EXAM

The following is the Receipts and Payments Account of Mumbai Club for the year ended March 31, 2021:

Receipt and Payment Account of Mumbai Club

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Cash in hand	20,000	Ground man's Fee	75,000
Balance at Bank as per Pass Book:		Purchase of Equipment's	1,55,000
Saving Account	1,93,000	Rent of Ground	25,000

Current Account	60,000	Club night expenses	38,000
Bank Interest	5,000	Printing and Office Expenses	30,000
Donations and Subscriptions	2,50,000	Repairs to Equipment	50,000
Entrance fees	18,000	Honorarium to Secretary (2019-20)	40,000
Contribution to Club night	10,000	Balance at Bank as per Pass Book:	
Sale of Equipment	8,000	Saving Account	2,04,000
Bar Room receipts	20,000	Current Account	20,000
Proceeds from club night	<u>78,000</u>	Cash in hand	<u>25,000</u>
	6,62,000		6,62,000

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

	01.04.20	31.03.21
Subscription due	15,000	10,000
Amount due for printing etc.	10,000	8,000
Cheques unrepresented being payment for repairs	30,000	25,000
Interest not yet entered in the Pass book	-	2,000
Estimated value of machinery and equipment	80,000	1,75,000

For the year ended March 31, 2021, the honorarium to the Secretary is to be increased by a total of Rs.20,000 and Ground man is to receive a bonus of Rs.20,000.

Prepare the Income and Expenditure Account for period ended 31st March, 2021 and the Balance Sheet as at that date.

43. INCOMPLETE RECORDS - ILLUSTRATION

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

	31 st March 2021	31 st March 2022
Sundry debtors	70,000	92,000
Bills receivable	15,000	6,000
Bills payable	12,000	14,000
Sundry creditors	40,000	56,000
Inventory	1,10,000	1,90,000
Bank	90,000	87,000
Cash	5,200	5,300

Summary of cash transactions during the year 2021- 2022:

- (i) Deposited to bank after payment of shop expenses @ Rs.600 p.m., salary @ Rs.9,200 p.m. and personal expenses @ Rs.1,400 p.m. Rs.7,62,750.
- (ii) Cash Withdrawn from bank Rs.1,21,000.
- (iii) Cash payment to suppliers Rs.77,200 for supplies and Rs.25,000 for furniture.
- (iv) Cheques collected from customers but dishonoured Rs.5,700.
- (v) Bills accepted by customers Rs.40,000.
- (vi) Bills endorsed Rs.10,000.
- (vii) Bills discounted Rs.20,000, discount Rs.750.
- (viii) Bills matured and duly collected Rs.16,000.
- (ix) Bills accepted Rs.24,000.
- (x) Paid suppliers by cheque Rs.3,20,000.
- (xi) Received Rs.20,000 on maturity of one LIC policy of the proprietor by cheque.
- (xii) Rent received Rs.14,000 by cheque for the premises owned by proprietor.
- (xiii) A building was purchased on 30-11-2021 for opening a branch for Rs.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 Rs.18,700, due Rs.2,200.

Other transactions:

- (i) Claim against the firm for damage Rs.1,55,000 is under legal dispute. Legal expenses Rs.17,000. The firm anticipates defeat in the suit.
- (ii) Goods returned to suppliers Rs.4,200.
- (iii) Goods returned by customers Rs.1,200.
- (iv) Discount offered by suppliers Rs.2,700.
- (v) Discount offered to the customers Rs.2,400.
- (vi) The business is carried on at the rented premises for an annual rent of Rs.20,000 which is outstanding at the year end.

Prepare Trading and Profit & Loss Account of Mr. Anup for the year ended 31st March 2022 and Balance Sheet as on that date.

44. INCOMPLETE RECORDS - ILLUSTRATION

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.

Assets and Liabilities	As on 1st April 2021	As on 31st March 2022
	Rs.	Rs.
Creditors	15,770	12,400
Sundry expenses outstanding	600	330
Sundry Assets	11,610	12,040
Inventory in trade	8,040	11,120
Cash in hand and at bank	6,960	8,080

Trade debtors	?	17,870
Details relating to transactions in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400
Additional capital-paid into Bank		8,500
Realizations from debtors-paid into Bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from Bank		3,180
Cash paid into Bank		5,000
Cash drawn from Bank		9,240
Cash in hand on 31-3-2022		1,200
Cheques issued to trade creditors		60,270

45. INCOMPLETE RECORDS –SM PRACTISE QUESTION

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

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

You are furnished with the following information:

- (1) His sales, for the year ended 31st March, 2022 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.
Total sales during the year 2020-21 were Rs.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) Deprecation 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 Rs.2,000 to the clerk, office expenses Rs.1,200 and personal expenses Rs.500.

Analysis of bank pass book for the year ending 31st March 2022 disclosed the following:

	Rs.
Payment to creditors	3,00,000
Payment of rent up to 31 st March, 2022	16,000
Cash deposited into the bank during the year	80,000

The following are the balances on 31st March, 2022:

	Rs.
Stock	1,60,000
Debtors	1,20,000
Creditors for goods	1,46,000

On the evening of 31st March 2022, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 2022 and Balance Sheet as on that date. All the workings should form part of the answer.

46. INCOMPLETE RECORDS –SM PRACTISE QUESTION

Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained Rs.10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

Assets and Liabilities	As on 1.4.2021	As on 31.3.2022
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000

Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?
Ram's capital	3,00,000	?

Analysis of his bank pass book reveals the following information:

- (a) Payment to creditors Rs.7,00,000
- (b) Payment for business expenses Rs.1,20,000
- (c) Receipts from debtors Rs.7,50,000
- (d) Loan Rs.1,00,000 taken on 1.10.2021 at 10% per annum
- (e) Cash deposited in the bank Rs.1,00,000

He informs you that he paid creditors for goods Rs.20,000 in cash and salaries Rs.40,000 in cash. He has drawn Rs.80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales. All purchases are on credit basis.

You are required to prepare Trading and Profit and Loss Account for the year ended 31.3.2022 and Balance Sheet as at 31st March, 2022.

47. INVENTORIES – SM PRACTISE QUESTION

Physical verification of stock in a business was done on 23rd June, 2022. The value of the stock was Rs.48,00,000. The following transactions took place between 23rd June to 30th June, 2022 :

- (i) Out of the goods sent on consignment, goods at cost worth Rs.2,40,000 were unsold.
- (ii) Purchases of Rs.4,00,000 were made out of which goods worth Rs.1,60,000 were delivered on 5th July, 2022.
- (iii) Sales were Rs.13,60,000, which include goods worth Rs.3,20,000 sent on approval. Half of these goods were returned before 30th June, 2022.
- (iv) Goods are sold at cost plus 25%. However, goods costing Rs.2,40,000 had been sold for Rs.1,20,000.

Determine the value of stock on 30th June, 2022.

48. INVENTORIES – SM PRACTISE QUESTION

The Profit and loss account of Hanuman showed a net profit of Rs.6,00,000, after considering the closing stock of Rs.3,75,000 on 31st March, 2022. Subsequently the following information was obtained from scrutiny of the books:

- (i) Purchases for the year included Rs.15,000 paid for new electric fittings for the shop.
- (ii) Hanuman gave away goods valued at Rs.40,000 as free samples for which no entry was made in the books of accounts.
- (iii) Invoices for goods amounting to Rs.2,50,000 have been entered on 27th March, 2022, but the goods were not included in stock.
- (iv) In March, 2022 goods of Rs.2,00,000 sold and delivered were taken in the sales for April, 2022.
- (i) Goods costing Rs.75,000 were sent on sale or return in March, 2022 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2022 these were taken as sales for March, 2022.

Calculate the value of stock on 31st March, 2022 and the adjusted net profit for the year ended on that date.

49. INVENTORIES – SM PRACTISE QUESTION

From the following information, ascertain the value of stock as on 31.3.2022:

	Rs.
Value of stock on 1.4.2021	7,00,000
Purchases during the period from 1.4.2021 to 31.3.2022	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 31.3.2021 a sum of Rs.60,000 was written off a particular item which was originally purchased for Rs.2,00,000 and was sold for Rs.1,60,000. But for the above transaction the gross profit earned during the year was 25% on cost.

50. INVENTORIES – SM PRACTISE QUESTION

X who was closing his books on 31.3.2022 failed to take the actual stock which he did only on 9th April, 2022, when it was ascertained by him to be worth Rs.2,50,000.

It was found that sales are entered in the sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the purchases day book once the invoices are received.

It was found that sales between 31.3.2022 and 9.4.2022 as per the sales day book are Rs.17,200. Purchases between 31.3.2022 and 9.4.2022 as per purchases day book are Rs.1,200, out of these goods amounting to Rs.500 were not received until after the stock was taken.

Goods invoiced during the month of March, 2022 but goods received only on 4th April, 2022 amounted to Rs.1,000. Rate of gross profit is $33\frac{1}{3}\%$ on cost.

Ascertain the value of physical stock as on 31.3.2022.