CA SANKET SHAH
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Principles and Practice of Accounting

Past Year Questions

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BY CA SANKET SHAH

1. THEORETICAL FRAMEWORK

Unit 1 : Meaning and Scope of Accounting

Section 1 : True or False

Q.1 (Nov 1996) (2 Marks)
In accounting, all business transactions are recorded as having dual aspect.

Q.2 (Nov 2002) (2 Marks)
Assets and Liabilities of a particular accounting period are shown in the Balance Sheet.

Q.3 (May 2003) (2 Marks)
[i] Accounting can be viewed as an information system which has its input processing methods and output.
[ii] Equity + LTL - CL = FA + CA.

Q.4 (Nov 2003) (2 Marks)
Accounting involves communication.

Section 2 : Short Notes

Q.1 (May 1999) (5 Marks)
Write short note on the following:
Double Entry System.

Q.2 (Nov 2004) (5 Marks)
Write short note on the following:
Role of Accountants in society.

Section 3 : Descriptive Questions

Q.1 (Nov 1998)
Discuss briefly the relationship of Accounting with:
(i) Economics. (3 marks)
(ii) Statistics. (3 marks)
(iii) Mathematics. , (3 marks)
(iv) Law. (3 marks)
(v) Management. (3 marks)

Q.2 (Nov 2020) (4 Marks)
What services can a Chartered Accountant provide to the society?

Unit 2 : Accounting Concepts, Principles And Conventions

Section 1 : True or False

Q.1 (Nov 1996) (2 Marks)
In accounting, all business transactions are recorded as having dual aspect.

Q.2 (May 1998) (2 Marks)
Accrual concept implies accounting on cash basis.

Q.3 (Nov 1999) (2 Marks)
Companies can keep their accounts under cash basis.

Q.4 (May 2003)
[i] The value of human resources is generally shown as assets in the Balance Sheet. (2 marks)
[ii] Revenue is matched with expenses in accordance with the matching principle. (2 marks)
[iii] The financial statements must also disclose the relevant and reliable information in accordance with the Full Disclosure Principle. (2 marks)

Q.5 (Nov 2003) (2 Marks)
The economic life of an enterprise is artificially split into periodic intervals in accordance with the going concern assumption.

Q.6 (Nov 2003)
[i] Accounting principles are general rules followed in preparation of Financial Statements. (2 marks)
[ii] Capital is equal to assets less external liabilities. (2 marks)

Q.7 (Nov 2005) (2 Marks)
As per the concept of conservatism, the accountant should provide for all possible losses, but should not anticipate income.

Q.8 (Nov 2006) (2 Marks)
All significant accounting policies adopted in preparation and presentation of financial statements must be disclosed.

Q.9 (Nov 2020) (2 Marks)
A concern proposes to discontinue its business from December 2020 and decides to dispose off all its plants within a period of 3 months. The Balance Sheet as on 31s' December, 2020 should continue to indicate the plants at its historical costs as the assets will be disposed off after the Balance Sheet date.

Section 2 : Short Notes

Q.1 (May 1996, May 2006) (5 Marks)
Write short note on the following:
Fundamental Accounting Assumptions

Q.2 (Nov 1998) (5 Marks)
Write short note on the following:
Going concern concept.

Q.3 (May 2000) (5 Marks)
Write short note on the following:
Periodicity Concept.

Q.4 (Nov 2003) (5 Marks)
What is meant by Accounting Policies? Give four examples of Accounting Policies?

Q.5 (Nov 2004) (5 Marks)
Write short note on the following:
Accounting Convention.

Q.6 (Nov 2005)
Write short notes on the following:
[i] Accrual basis of Accounting. (3 Marks)
[ii] Qualitative characteristics of Financial Statements. (3 Marks)

Q.7 (Nov 2006) (5 Marks)
Write short note on the following:
Money measurement concept

Section 3 : Distinguish Between

Q.1 (June 2019) (4 Marks)
Distinguish between Going Concern concept and Cost concept

Section 4 : Practical Questions

Q.1 (Jan 2021) (5 Marks)
Mr. K is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2020 has been given below:
On 1st April, 2019 he had a balance of Rs.3,00,000 advance from customers of which Rs.2,25,000 is related to year 2019-20 while remaining pertains to year 2020-21. During the year 2019-20 he made cash sales of Rs.7,50,000.

You are required to compute:
[i] Total income for the year 2019-20.
[ii] Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is Rs.2,55,000.

Unit 3 : Accounting Terminology – Glossary

Section 1 : True or False

Q.1 (May 1996) (2 Marks)
Goodwill is not a fictitious asset.

Q.2 (Nov 1997) (2 Marks)
Profit and Loss Account shows the financial position of the concern.

Q.3 (Nov 1998) (2 Marks)
Goodwill is a current asset.

Q.4 (Nov 2001) (2 Marks)
Goodwill is a fictitious asset.

Q.5 (May 2004) (2 Marks)
Depreciable amount refers to the difference between historical cost and the market value of an asset.

Section 2 : Descriptive Questions

Q.1 (Jan 2021) (4 Marks)
Define the following terms:
(i) Capital Commitment
(ii) Expired Cost
(iii) Floating Charge
(iv) Obsolescence

Q.2 (Dec 2021) (4 Marks)
Explain the followings:
(i) Accrual Basis of Accounting
(ii) Amortisation
(iii) Contingent Assets
(iv) Contingent Liabilities

Unit 4 : Capital And Revenue Expenditures and Receipts

Section 1 : True or False

Q.1 (May 1996) (2 Marks)
Overhaul expenses of a second-hand machinery purchased are revenue expenditure.

Q.2 (Nov 1996)
[i] In accounting, all business transactions are recorded as having dual aspect. (2 marks)
[ii] Major repair charges including replacement of certain worn-out parts incurred before using a second-hand Car purchased recently is a capital expenditure. (2 marks)

Q.3 (May 1997) (2 Marks)
The gain from sale of capital assets need not be added to revenue to ascertain the net profit of a business.

Q.4 (Nov 1997, May 2004)
[i] An expenditure intended to benefit the current period is a revenue expenditure. (2 marks)
[ii] Sale of office furniture should be credited to sales account. (2 marks)
[iii] Expenditure which results in acquisition of permanent asset of enduring benefit to the business is a capital expenditure. (2 marks)

Q.5 (May 1998) (2 Marks)
Wages paid to workers to produce a tool to be actively consumed is capital expenditure.

Q.6 (May 1999)
[i] Expenses incurred on white-washing of factory building done after every six months is Revenue expenditure. (2 marks)
[ii] Amount spent for replacement of worn out part of a machine is Capital Expenditure. (2 marks)

Q.7 (Nov 1999)
[i] Heavy advertising to introduce a new product is capital expenditure. (2 marks)
[ii] Legal fees paid to acquire a property is capital expenditure. (2 marks)

Q.8 (May 2000) (2 Marks)
Travelling expenses of Rs.80,000 paid to a technician for the installation of a new machine is debited to Profit and Loss Account.

Q.9 (Nov 2000, Nov 2001) (2 Marks)
Expenditure which results in acquisition of a permanent asset is a revenue expenditure.

Q.10 (May 2002) (2 Marks)
Wages paid for erection of machinery are debited to the Machinery Account.

Q.11 (Nov 2002) (2 Marks)
An Expenditure intended to benefit the current period is a Revenue Expenditure.

Q.12 (Nov 2004) (2 Marks)
Legal fees paid to acquire a property is capital expenditure.

Q.13 (May 2005) (2 Marks)
Amount paid to Management company for consultancy to reduce the working expenses is revenue expenditure.

Q.14 (Nov 2005) (2 Marks)
Wages incurred by a factory in manufacturing a part for its plant, is a revenue expense.

Q.15 (Nov 2006) (2 Marks)
A heavy advertisement expense to introduce a new product is a capital expenditure.

Q.16 (May 2018) (2 Marks)
Expenses in connection with obtaining a license for running the Cinema Hall is Revenue Expenditure.

Q.17 (Nov 2018) (2 Marks)
Overhauling expenses for the engine of motor car to get better fuel efficiency is revenue expenditure.

Q.18 (June 2019) (2 Marks)
Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the Cinema House was ready, is capital expenditure.

Q.19 (Nov 2019) (2 Marks)
M/s. XYZ & Co, runs a cafe. They renovated some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 15 to 18. The total expenditure incurred was Rs.30,000 and was treated as a revenue expenditure.

Q.20 (Nov 2020) (2 Marks)
Insurance claim received on account of plant and machinery completely damaged by fire is a capital receipt.

Q.21 (Jan 2021) (2 Marks)
Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.

Q.22 (Dec 2021)
[i] Any amount spent to minimize the working expenses is revenue expenditure.
[ii] Expenses incurred on the repairs for the first time on purchase of an old building are capital expenditure. (2 marks each)

Q.23 (June 2022) (2 Marks)
Any amount spent for replacement of worn out part of a machine is capital expenditure.

Section 2 : Short Notes

Q.1 (May 1996) (5 Marks)
Write short note of the following:
Capital Receipts and Revenue Receipts.

Q.2 (Nov 2004) (5 Marks)
Write short note on the following:
Capital Expenditure and Revenue Expenditure.

Section 3 : Distinguish Between

Q.1 (July 2021) (4 Marks)
Discuss the basic considerations in distinguishing between capital and revenue expenditure.

Unit 5 : Contingent Assets and Contingent Liabilities

Section 1 : True or False

Q.1 (June 2022) (2 Marks)

A claim that an enterprise is pursuing through legal process, where the outcome is uncertain, is a Contingent Liability.

Section 2 : Short Notes

Q.1 (Nov 1998) (5 Marks)

Write short note on the following:
Contingent liability.

Section 3 : Distinguish Between

Q.1 (May 1998) (5 Marks)

Briefly explain the differences between the following:
Contingent Liability and Other Liabilities.

Q.2 (May 2018) (4 Marks)

Differentiate between Provision and Contingent liability.

Unit 6 : Accounting Policies

Section 1 : True or False

Q.1 (Jan 2021) **(2 Marks)**

Accounting Standards for non-corporate entities in India are issued by the Central Government.

Section 2 : Descriptive Questions

Q.1 (Jan 2021) **(2 Marks)**

Explain the meaning of Accounting Policies.

Unit 7 : Accounting as a Measurement Discipline – Valuation Principles, Accounting Estimates

Section 1 : True or False

Q.1 (Nov 1999) **(2 Marks)**

Current cost gives an alternative measurement base.

Unit 8 : Accounting Standards

Section 1 : Descriptive Questions

Q.1 (Nov 2003) **(5 Marks)**

What is the objective of 'Accounting Standards'? State the advantage of setting Accounting Standards.

Q.2 (Nov 2006) **(5 Marks)**

Advantages of Accounting Standards.

2. ACCOUNTING PROCESS

Unit 1 : Basic Accounting Procedures – Journal Entries

Section 1 : True or False

Q.1 (May 1999) (2 Marks)
Nominal accounts are balanced in the end of the accounting year.

Q.2 (May 2000) (2 Marks)
Outstanding expenditure is a nominal account.

Q.3 (Nov 2001) (2 Marks)
Patent-Right is in the nature of Real Account.

Q.4 (May 2003) (2 Marks)
Equity + LTL – CL – FA + CA.

Q.5 (Nov 2003) (2 Marks)
The balance of an account is always known by the side which is shorter.

Q.6 (Nov 2003) (2 Marks)
Closing entries are recorded in Journal Proper.

Q.7 (May 2004) (2 Marks)
Please refer 2001 – Nov [5] (Hi) on page no. 169

Q.7 (May 2005) (2 Marks)
Rent paid account is a Nominal Account whereas, rent received account is a Real Account.

Q.8 (Nov 2005) (2 Marks)
Salary paid to Ram will be debited to Ram's Personal account.

Q.9 (Nov 2005) (2 Marks)
Cash at Bank is a real account.

Q.10 (Nov 2006) (2 Marks)
'Rent Outstanding' account comes under the category of Nominal account.

Q.11 (Nov 2006) (2 Marks)
The debit balance in a nominal account shows gains.

Q.12 (Nov 2019) (2 Marks)
Trade Discount is a reduction granted by a supplier from the list price of goods or services on business considerations for prompt payment.

Section 2 : Descriptive Questions

Q.1 (Nov 1997) (5 Marks)
Real Account and Nominal Account.

Q.2 (Nov 1999) (5 Marks)
Personal and Impersonal Accounts.

Section 3 : Practical Questions

Q.1 (Dec 2021) (10 Marks)
(a) On 12th May, 2020 A sold goods to B for Rs.36,470 and drew upon the later two bills one for Rs.16,470 at one month and the other for Rs.20,000 at three months. B accepted both the bills.
On 5th June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B failed to honour the second bill on the due date and the bank ii.id to pay Rs.20 as noting charges.

However, on 16th August, 2020 it was agreed between A and B that B would immediately pay Rs.8,020 in cash and accept a new bill at 3 months for Rs.12,480 which included interest for postponement of the part payment of the dishonored bill. A immediately sent new acceptance to its bank for collection on the due date. On 1st October, 2020 B approached A offering Rs,12,240 for retirement of his acceptance. A accepted the request.

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

Unit 2 : Ledger

Section 1 : True or False

Q.1 (June 2022) (2 Marks)

At the end of the accounting year, all the nominal accounts of the ledger book are balanced.

Section 2 : Distinguish Between

Q.1 (Nov 2001) (5 Marks)

Difference between Journal and Ledger.

Section 3 : Descriptive Questions

Q.1 (Dec 2021) (5 Marks)

Discuss the following:

(i) What do you mean by principal books of accounts?

(ii) What are the rules of posting of journal entries into the Ledger?

Unit 3 : Trial Balance

Section 1 : True or False

Q.1 (May 1996) (2 Marks)
The trial balance checks the honesty of the book-keeper.

Q.2 (Nov 1997) (2 Marks)
The Trial balance ensures the arithmetical accuracy of the books.

Q.3 (Nov 1999) (2 Marks)
Tallying of the trial balance only proves arithmetical accuracy.

Q.4 (May 2000) (2 Marks)
A tallied trial balance means that the books of accounts have been prepared as per accepted accounting principles.

Q.5 (Nov 2001) (2 Marks)
The Trial Balance does not ensure the arithmetical accuracy of the books.

Q.6 (May 2003) (2 Marks)
A Tallied trial balance means that the books of accounts have been prepared as per accepted accounting principles.

Q.7 (May 2004) (2 Marks)
The Trial Balance does not ensure the arithmetical accuracy of the books

Q.8 (Nov 2004) (2 Marks)
Trial Balance is an absolute proof of the accuracy of the books of accounts.

Q.9 (May 2006) (2 Marks)
Closing Stock will never appear in the Trial Balance.

Section 2 : Short Notes

Q.1 (May 2006) (5 Marks)
Objectives of preparing Trial Balance.

Section 3 : Practical Questions

Q.1 (Nov 2019) **(5 Marks)**

An inexperienced book keeper has drawn up a Trial balance for the year ended 31st March, 2019.

Particulars	Dr. (Rs.)	Cr. (Rs.)
Provision for Doubtful Debts	250	~
Cash Credit Account	1,654	~
Capital	~	4,591
Trade payables	~	1,637
Due from customers	2,983	~
Discount Received	252	~
Discount Allowed	~	733
Drawings	1,200	~
Office Furniture	2,155	~
Carriage Inward	~	829
Purchases	10,923	~
Returns Inward	~	330
Rent & Rates	314	~
Salaries	2,520	~
Sales	~	16,882
Inventory	2,418	~
Provision for Depreciation on Furniture	364	~
Total	25,033	25,002

Draw up a corrected Trial Balance by debiting or crediting any residual errors to a Suspense account.

Q.2 (Dec 2021) **(5 Marks)**

From the following information, draw up a Trial Balance in the books of Shri M as on 31st March, 2021:

Particulars	Rs.	Particulars	Rs.
Capital	1,40,000	Purchases	36,000
Discount Allowed	1,200	Carriage Inward	8,700
Carriage Outwards	2,300	Sales	60,000
Return Inward	300	Return Outwards	700
Rent and Taxes	1,200	Plant and Machinery	80,700
Stock on 1st April 2020	15,500	Sundry Debtors	20,200
Sundry Creditors	12,000	Investments	3,600
Commission Received	1,800	Cash in Hand	100

Cash at Bank	10,100	Motor Cycle	34,600
Stock on 31 5t March 2021	20,500		

Q.3 (June 2022) (4 Marks)

One of your clients Mr. X asked you to finalize his account for the year ended 31st March, 22. As a basis for audit, Mr. X furnished you with the following statement:

Particulars	Dr. (Rs.)	Cr. (Rs.)
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from Customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was Rs.1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and give reasons for the errors, If any.

Unit 4 : Subsidiary Books

Section 1 : True or False

Q.1 (Nov 1996) (2 Marks)
Purchases Book records all purchases of goods.

Q.2 (Nov 2000) (2 Marks)
The Purchase Day-Book is a part of the Ledger.

Q.3 (Nov 2001) (2 Marks)
The Sales Day-book is a part of the Ledger.

Q.4 (May 2002) (2 Marks)
Purchases Book records all credit purchases of goods.

Q.5 (Nov 2002) (2 Marks)
Wrong casting of subsidiary books does not affect the Trial Balance.

Q.6 (May 2003) (2 Marks)
The debit notes issued are to prepare Sales Return Book.

Q.7 (Nov 2003) (2 Marks)
The return of goods by a customer should be debited to Return Outward Account.

Q.8 (May 2004) (2 Marks)
The Sales Day-book is a part of the Ledger.

Q.9 (May 2005) (2 Marks)
Where subsidiary books are maintained, journal is not required.

Q.10 (Nov 2005) (2 Marks)
Sales day book is the summary of both cash and credit sales of the concern.

Q.11 (Nov 2006) (2 Marks)
The transaction of 'Return of goods by a customer' to whom money is refunded immediately will not be recorded in "Sales Return Book".

Q.12 (Nov 2006) (2 Marks)
The total of purchase return-book is posted to the debit side of purchase return account.

Q.13 (Jan 2021) (2 Marks)
The Sale Book is kept to record both the cash and credit sales.

Section 2 : Distinguish Between

Q.1 (Nov 2001) **(5 Marks)**
Briefly explain the difference between the following:
Sales Day-book and Sales Account.

Section 3 : Descriptive Questions

Q.1 (July 2021) **(5 Marks)**
What are the advantages of Subsidiary Books?

Section 4 : Practical Questions

Q.1 (Nov 2020) **(4 Marks)**
The following are some of the transactions of M/s. Kamal & Sons for the year ended 31st March, 2020. You are required to make out their Sales Book.

[i] Sold to M/s. Ashok & Mukesh on Credit:
40 Shirts @ Rs.900 per shirt
30 trousers @ Rs. 1,000 per trouser
Less: Trade discount @ 10%

[ii] Sold furniture to M/s. XYZ & Co. on credit Rs. 8,000

[iii] Sold 15 shirts to Aman @ Rs. 750 each for cash.

Q.2 (July 2021) **(5 Marks)**
From the following information prepare the Purchase Book of M/s. Shyam & Company:

[i] Purchased from Red & Company on Credit:
- 10 pair of black shoes @ Rs.800 per pair
- 5 pair of brown shoes @ 900 per pair
Less : Trade Discount @ 10%

[ii] Purchased Computer from M/s. Rahul Enterprises on credit for Rs.40,000.

[iii] Purchased from Blue & Company in cash :
- 5 pair of black shoes @ Rs.700 per pair
- 15 pair of brown shoes @ 100 per pair
Less - Trade Discount @ 15%

Unit 5 : Cash Book

Section 1 : True or False

Q.1 (May 1996) (2 Marks)
The Balance in the Cash Book shows net income.

Q.2 (May 1997) (2 Marks)
Discount account should be balanced in the cash book.

Q.3 (May 1999) (2 Marks)
The balance in the Petty Cash Book represents the amount spent.

Q.4 (May 2000) (2 Marks)
Discount account in Cash-book should be balanced.

Q.5 (Nov 2002) (2 Marks)
Bank Column of the Cash-book will show only a Debit Balance.

Q.6 (Nov 2003) (2 Marks)
If a cheque received is further endorsed, it must be entered on both sides of the Cash Book.

Q.7 (Nov 2003) (2 Marks)
Petty cash is an expense.

Q.8 (May 2006) (2 Marks)
Cash column of a Cash-book may show a debit or credit balance.

Q.9 (July 2021) (2 Marks)
Cash book is a subsidiary book as well as a principal book.

Q.10 (Dec 2021) (2 Marks)
Discount column of the cash book is never balanced.

Section 2 : Descriptive Questions

Q.1 (Nov 2006) (3 Marks)
State the advantages of Petty Cash-book.

Q.2 (June 2022) (5 Marks)
What is petty cash book? Write it's any two advantages.

Unit 6 : Rectification of Errors

Section 1 : True or False

Q.1 (May 1996, May 1997, Nov. 2000) (2 Marks)
Purchase of officer furniture has been debited to general expenses account. It is a compensating error.

Q.2 (Nov 1996) (2 Marks)
Error of carry forward of totals of Purchase Journal affects two accounts.

Q.3 (May 1998) (2 Marks)
A tallied trial balance will not reveal compensating errors and errors on account of wrong balancing.

Q.4 (May 1999) (2 Marks)
If the amount is pasted in the wrong account or it is written on the wrong side of an account it is called error of omission.

Q.5 (May 2001) (2 Marks)
Compensating errors do not disturb agreement of Trial Balance.

Q.6 (May 2002) (2 Marks)
Errors of complete omission will be located, if a Trial Balance is prepared.

Q.7 (Nov 2004) (2*2 Marks)
- Under or over-casting of a subsidiary book is an example of error of commission.
- Rectifying errors in subsequent accounting period always affects the profit or loss of that period.

Q.8 (May 2005) (2 Marks)
Rectification of errors are necessary to tally the trial balance.

Q.9 (Nov 2006) (2 Marks)
'Rent of Proprietor's residence debited to rent account'; This error will not affect the trial balance.

Q.10 (May 2018) (2 Marks)
If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance will disagree.

Q.11 (June 2019) (2 Marks)
If the amount is posted in the wrong account or it is written on the wrong side of the account, It is called error of principle.

Q.12 (Nov 2020) (2 Marks)
Purchase of office furniture & fixtures of Rs.2,500 has been debited to General Expense Account. It is an error of omission.

Q.13 (June 2022) (2 Marks)
If the errors are detected after preparing trial balance, then all the errors are rectified through suspense account.

Section 2 : Distinguish Between

Q.1 (Nov 1999) (5 Marks)
Briefly explain the difference between the following: Errors of Principle and Errors of Omission.

Section 3 : Descriptive Questions

Q.1 (Nov 1997) (5 Marks)
Briefly explain 'Suspense Account' appearing in Trial Balance.

Q.2 (May 2001) (5 Marks)
Explain briefly Errors of Principle.

Q.3 (May 2002) (5 Marks)
State which' type of errors are not disclosed by the agreement of the trial Balance.

Section 4 : Practical Questions

Q.1 (May 1996) (10 Marks)
The accountant of X prepared the Trial Balance for the year ended 31st March. 1996. But there was a difference and the accountant put the difference in Suspense Account.
Rectify the following errors found and prepare the Suspense Account:
[i] The total of the Returns outward book, Rs.420 has not been posted to the ledger.
[ii] A purchase of Rs.350 from Y has been entered in the sales book. However Y's account has been correctly entered.
[iii] A sale of Rs.390 to Z has been credited to his account as Rs.290.
[iv] Old furniture sold for Rs.5,400 had been entered as Rs.4,500 in sales account.
[v] Goods taken by proprietor, Rs.500 have not been entered in the books at all.

Q.2 (May 1998) (15 Marks)
A book keeper finds the differences in the Trial Balance amounting to Rs.1,000 and puts it in the Suspense Account.
Later on he detects the following errors:
[i] Purchased goods from Ravi Rs.15,000 but entered into Sales Book.
[ii] Received one bill for Rs.25,000 from Arun but recorded in Bills Payable Book.
[iii] An item of Rs.3,500 relating to prepaid rent account was omitted to be brought forward.
[iv] An item of Rs.2,000 in respect of purchase returns, had been wrongly entered in the purchase book.
[v] Rs.25,000 paid to Harish against our acceptance were debited to Harish's Account.
[vi] Bills received from Janki for repairs done to radio Rs.2,500 and radio supplied for Rs.45,000 were entered in the Purchase Book as Rs.46,000.
Give rectifying journal entries with full narration and prepare Suspense Account.

Q.3 (May 2001) (9 Marks)
On 31st March 2001, a book-keeper finds the difference in the Trial Balance and he puts it in the Suspense Account. Later on he detects the following errors:
[i] Rs.50,000 received from A was posted to the debit of his account.
[ii] Rs.20,000 being purchases returns were posted to the debit of Purchases Account.
[iii] Discount of Rs.8,000 received were posted to the debit of Discount Account.

[iv] Rs.9,060 paid for repairs of Motor Car was debited to Motor Car Account as Rs.7,060.
[v] Rs.40,000 paid to B was debited to A's Account.

Give Journal Entries to rectify the above errors and ascertain the amount transferred to Suspense Account, assuming that the Suspense Account is balanced after the above corrections.

Q.4 (May 2002) **(10 Marks)**

There was an error in the Trial Balance of Mr. Steel on 31st March, 2002, and the difference in Books was carried to a Suspense Ai count. On going through the Books you find that:

[i] Rs.5,400 received from Mr. A was posted to the debit of his account.
[ii] Rs.1,000 being purchases return were posted to the debit of purchases Account.
[iii] Discount received Rs.2,000 was posted to the debit of Discount Account.
[iv] Rs.2,740 paid for Repairs to Motor Car was debited to Motor Car Account as Rs.1,740.
[v] Rs.4,000 paid to B was debited to A's Account.

Give Journal Entries to rectify the above error and ascertain the amount transferred to Suspense Account on 31st March, 2002 by showing the suspense Account, assuming that the Suspense Account is balanced after in the above corrections.

Q.5 (Nov 2003) **(7 Marks)**

The Trial Balance of ABC Ltd, as on Dec 31, 2002 did not agree. The difference was put to a Suspense Account. During the next trading period, the following were discovered:

[i] The total of the Sales-book of one page Rs.6,531 was carried forward to the next pages Rs.6,351.
[ii] Goods returned by a customer for Rs.1,200, but entered in Purchases Return Book.
[iii] Personal Car Expenses amounting to Rs.250 were debited to Trade Expenses.
[iv] Sales Return Book was undercast by Rs.2,750.
[v] Rs.50 discount allowed by a supplier, was wrongly posted to debit side of Discount Account.
[vi] An item of purchases Rs.151 was entered in Purchases Book as Rs.15 and posted to Supplier's account as Rs.51.

You are required to give journal entries to rectify the errors through Profit & Loss Adjustment A/c in a way so as to show the current year's profit or loss correctly.

Q.6 (May 2006) **(5 Marks)**

The difference in Trial Balance is kept by Rajesh in Suspense Account. Before preparing the Final Accounts, the following errors were detected by him:

[i] Purchase for Rs.1,080 was written in Sales day book, but was posted to the correct side of the Party's account.
[ii] Salary account total Rs.25,200 was carried over to the next page as Rs.2,520 on the wrong side.
[iii] Interest on Overdraft Rs.1,300 was not posted to the Ledger from the Cash-book.

Pass the Rectification entries and prepare the suspense account.

Q.7 (Nov 2006) **(5 Marks)**

On March 31, 2006, before preparing the final accounts, Mr. A prepared a trial balance, which didn't tally. He put the difference in a newly opened suspense account. The following errors were located. You are required pass Journal Entries to rectify the errors and prepare suspense account.

[i] Purchase of Rs.981 from Ram were posted as Rs.918 to the debit side of Ram's account.
[ii] While carrying forward the total of sales-book from one page to the next page, the amount was written as Rs.16,857, instead of Rs.16,758.
[iii] A purchase of an office table costing Rs.2,000 had been posted through purchase day-book.
[iv] The total of return outward book in March, 2006 had been undercast by Rs.1,000.
[v] An amount of Rs.3,000 received from Vijay was debited to his account.

[vi] A sum of Rs.1,300 which had been previously written off as bad debts, was received from Anand, a customer and the same was credited to Anand's personal account.

[vii] A sale of Rs.1,200 to Singh & Co. was credited to their account.

Q.8 (May 2018) **(4 Marks)**

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

[i] Purchase of Furniture on credit from Nigam for Rs.3,000 posted to Subham account as Rs.300.

[ii] A Sales Return of Rs.5,000 to Joythy was not entered in the financial accounts though it was duly taken in the stock book.

[iii] Investments were sold for Rs.75,000 at a profit of Rs.15,000 and passed through Sales account.

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

Q.9 (May 2018) **(10 Marks)**

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

[i] Purchase account was under cast by Rs.8,000.

[ii] Sale of goods to Mr. Rahim for Rs.2,500 was omitted to be recorded.

[iii] Receipt of cash from Mr. Asok was posted to the account of Mr Anbu Rs.1,200.

[iv] Amount of Rs.4,167 of sales was wrongly posted as Rs.4,617.

[v] Repairs to Machinery was debited to Machinery Account Rs.1,800.

[vi] A credit purchase of goods from Mr. Paul for Rs.3,000 entered as sale, Suggest the necessary rectification entries.

Q.10 (Nov 2018) **(10 Marks)**

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

[i] Sales Day Book was overcast by Rs.1,000.

[ii] A sale of Rs.5,000 to X was wrongly debited to the Account of Y.

[iii] General expenses Rs.180 was posted in the General Ledger as Rs.810.

[iv] A Bill Receivable for Rs.1,550 was passed through Bills Payable Book. The Bill was given by P.

[v] Legal Expenses Rs.1,190 paid to Mrs. Neetu was debited to her Personal Account.

[vi] Cash received from Ram was debited to Shyam Rs.1,500.

[vii] While carrying forward the total of one page of the Purchases Book to the next, the amount of Rs.1,235 was written as Rs.1,325.

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

Q.11 (June 2019) **(4 Marks)**

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

[i] An amount of Rs.4,500 received on account of Interest was credited to Commission account.

[ii] A sale of Rs.2,760 was posted from Sales Book to the Debit of M/S Sobhag Traders at Rs.2,670

[iii] Rs.35,000 paid for purchase of Airconditioner for the personal use of proprietor debited to Machinery a/c.

[iv] Goods returned by customer for Rs.5,000. The same have been taken into stock but no entry passed in the books of accounts.

Q.12 (Nov 2019) (4 Marks)

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

[1] The sales book has been totalled Rs.2,100 short,

[2] Goods worth Rs.1,800 returned by Gaurav & Co. have not been recorded anywhere.

[3] Goods purchased Rs.2,250 have been posted to the debit of the supplier sen Brothers.

[4] Furniture purchased from Mary Associates, Rs.15,000 has been entered in the purchase Daybook.

[5] Discount received from Black and White Rs.1,200 has not been entered in the books.

[6] Discount allowed to Radhe Mohan & Co. Rs.180 has not been entered in the Discount Column of the Cashbook. The account of Radhe Mohan & Co. has, however, been correctly posted.

Q.13 (Nov 2020) (5 Marks)

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

[i] Repairs made during the year were wrongly debited to the building A/c Rs.12,500.

[ii] The addition of the 'Freight' column in the purchase journal was short by Rs.1,500.

[iii] Goods to the value of Rs.1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.

[iv] Sundry items of furniture sold for ¥ 30,000 had been entered in the sales book, the total of which had been posted to sales account.

[v] A Bill of exchange (received from Raja & Co.) for Rs.20,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

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

Q.14 (Jan 2021) (10 Marks)

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

[i] The total of the Purchases Book of one page, Rs.5,615 was carried forward to the next page as Rs.6,551.

[ii] A sale of Rs.281 was entered in the Sales Book as Rs.821 and posted to the credit of the customer.

[iii] A return to creditor, Rs.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 Rs.1,400 were dispatched to a customer before the close of the year but no invoice was made out.

[vi] Goods worth Rs.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] Rs.600 due from Mr. Q was omitted to be taken to the trial balance.

[viii] Sale of goods to Mr. R for Rs.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.

Q.15 (July 2021) **(10 Marks)**

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

[i] Purchase of a scooter was debited to conveyance account Rs.30,000. Mr. Ratan charges 10% depreciation on scooter.

[ii] Purchase account was over cast by Rs.1,00,000.

[iii] A credit purchase of goods from Mr. X for Rs.20,000 was entered as sale.

[iv] Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar Rs.10,000.

[v] Receipt of cash from Mr. Chandu was posted to the debit of his account, Rs.5,000.

[vi] Rs.5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.

[vii] Sale of goods to Mr. Ram for Rs.20,000 was omitted to be recorded.

[viii] Amount of Rs.23,950 of purchase was wrongly posted as Rs.25,930. Suggest the necessary rectification entries.

Q.16 (Dec 2021) **(5 Marks)**

Attempt the following:

A,B and C are partners in a firm. On 131 April, 2019, their fixed capital stood at Rs.50,000, Rs.25,000 and Rs.25,000 respectively. As per the provisions of partnership deed:

[i] C was entitled for a salary of Rs.5000 p.a.

[ii] All the partners were entitled to interest on capital at 5% p.a.

[iii] Profits and losses were to be shared In the ratio of Capitals of the partners.

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

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

Q.17 (Dec 2021) **(5 Marks)**

Pass the Journal entries to rectify the following errors detected during preparation of the Trial Balance:

[i] Wages paid for construction of office building debited to wages account Rs.20,000.

[ii] A credit sale of goods Rs.1,200 to Ramesh has been wrongly passed through the Purchase Book.

[iii] An amount of Rs.2,000 due from Mahesh Chand which had been written off as a bad debt in the previous year was unexpectedly recovered and has been posted to the personal account of Mahesh Chand.

[iv] Goods (Cost being Rs.5,000 and Sales price being Rs.6,000) distributed as free samples among prospective customers were not recorded anywhere.

[v] Goods worth Rs.1,500 returned by Green have not been recorded anywhere.

3. BANK RECONCILIATION STATEMENT

Section 1 : True or False

Q.1 (Nov. 1996) (2 Marks)
Interest charged by the bank will be deducted, when the overdraft as per the cash book is made the starting point for making the bank reconciliation statement.

Q.2 (May 1997) (2 Marks)
Interest charged by the bank will be deducted when the overdraft as per pass book is the starting point for preparing the Bank Reconciliation Statement to arrive at the balance as per cash book at the end.

Q.3 (Nov. 1997 / May 2002) (2 Marks)
Bank Reconciliation statement is prepared to arrive at the bank balance.

Q.4 (Nov. 2000) (2 Marks)
Bank reconciliation statement is not prepared to arrive at the bank balance.

Q.5 (May 2003) (2 Marks)
If the balance as per Cash Book and Pass Book are the same, there is no need to prepare a Reconciliation Statement.

Q.6 (Nov. 2004) (2 Marks)
Bank reconciliation statement is not prepared to arrive at the bank balance.

Q.7 (May 2006) (2 Marks)
Direct collection received by the bank on behalf of its customers will increase the balance as per the Bank Pass-book as compared to the balance as per the Cash-book.

Q.8 (Nov. 2006) (2 Marks)
Cheques issued, but not presented for payment will have to be deducted from balance as per the Pass book while arriving at the balance as per the Cash book.

Section 2 : Short Notes

Q.1 (Nov 2004) (5 Marks)
Importance of bank reconciliation statement to a industrial unit.

Q.2 (May 2005) (5 Marks)
Importance of Bank Reconciliation statement.

Section 3 : Distinguish Between

Q.1 (May 2000) (5 Marks)

Causes of difference between the balance shown by the pass-book and the Cash book

Section 4 : Practical Questions

Q.1 (Nov. 1996) (15 Marks)

According to the Cash-book of Gopi, there was a balance of Rs.44,500 standing to his credit in bank of 30th June 1996. On investigation you find that:

[i] Cheques amounting to Rs.60,000 issued to creditors have not been presented for payment till that date.

[ii] Cheques paid into Bank amounting to Rs.1,05,000 out of which cheques amounting to Rs.55,000 only collected by the Bank up to 30th June, 1996.

[iii] A dividend of Rs.4,000 and rent amounting to ?6,000 received by the Bank not entered in the Cash book.

[iv] Insurance premium (upto 31st December 1996) paid by the Bank Rs.2,700 not entered in the Cash-book.

[v] The payment side of the Cash-book had been undercast by Rs.50.

[vi] Bank charge Rs.50, shown in the Pass-book had not been entered in the cash-book.

[vii] A bill payable for Rs.2,000 has been paid by the Bank but is not entered in the and bill receivable for Rs.6,000 has been discounted with the Bank at a cost of ?100 which has also not been recorded in Cash-book.

You are required:

(a) To make the appropriate adjustments in the Cash-book, and

(b) To prepare a statement reconciling it with the Bank Pass-book.

Q.2 (May 1997) (15 Marks)

Following are the entries recorded in the Bank Column of the Cash Book of Mr. X for the month ending on 31.3.1997:

Cash Book (Bank Column)

Date	Particulars	Rs.	Date	Particulars	Rs.
15-3-97	To Cash	36,000	1-3-97	By Balance b/d	40,000
20-3-97	To Roy	24,000	4-3-97	By John	2,000
22-3-97	To Kapoor	10,000	6-3-97	By Krishnan	400
31-3-97	To Balance c/d	7,640	15-3-97	By Kailash	240
			20-3-97	By Joshi	35,000
		77,640			77,640
				By Balance b/d	7,640

On 31-3-1997 Mr. X received the Bank Statement. On perusal of the statement Mr. X ascertained the following information:

(i) Cheques deposited but not credited by the bank Rs.10,000.

(ii) Interest on securities collected by the bank but not recorded in cash book Rs.1,080.

(iii) Credit transfer not recorded in the cash book Rs.200.
(iv) Dividend collected by the bank directly but not recorded in the cash book Rs.1,000.
(v) Cheques issued but not presented for payment Rs.37,400.
(vi) Interest debited by the bank but not recorded in the cash book Rs.1,000,
(vii) Bank charges not recorded in the cash book Rs.340.
From the above information you are asked to prepare a Bank reconciliation statement to ascertain the balance as per Bank Statement.

Q.3 (Nov. 2002) (6 Marks)
Prepare a bank reconciliation statement from the following particulars on 31 March, 2002

Sr. No.	Particulars	Rs.
(i)	Debit balance as per bank column of cash book	3,72,000
(ii)	Cheque issued to creditors, but not yet presented to the bank for payment	72,000
(iii)	Dividend received by the bank, but not entered in the Cash book	5,000
(iv)	Interest allowed by the bank	1,250
(v)	Cheques deposited into bank for collection, but not collected by bank up\o this date	15,400
(vi)	Bank charges	200
(vii)	A cheque deposited into bank was dishonored, but no intimation received.	320
(viii)	Bank paid House tax on our behalf, but no information received from bank in this connection.	350

Q.4 (Nov. 2003) (6 Marks)
On 31st March 2003, Pass book of a trader showed a Credit Balance of Rs.1,565, but the pass book balance was different for the following reasons from the Cash Book Balance:
[i] Cheques issued to 'X' for Rs.600 and to Y for Rs.384 were not yet presented for payment.
[ii] Bank charged Rs.35 Bank charges and Z directly deposited Rs.816 into the Bank account, which were not entered in the Cash Book.
[iii] Two cheques from 'A' for Rs.515 and another from 'B' for Rs.1,250 were credited by the bank in the first week of April, 2003 although they were deposited on 25-03-2003.
[iv] Interest allowed by bank Rs.45.
Prepare Bank Reconciliation Statement as on 31st March, 2003.

Q.5 (May 2004) (9 Marks)
Prepare a Bank Reconciliation Statement as on 30th September 2003 from the following particulars:

Particulars	Rs.
Bank balance as per the pass-book (credit)	10,000
Deposited into the bank, but no entry was passed in the Cash Book	500
Cheque received, but not sent to bank	1,200
Insurance Premium paid directly by the bank under the standing advice	600

Bank charges entered twice in the Cash book	20
Cheque issued, but not presented to the bank for payment	500
Cheque received, entered twice in the Cash Book	1,000
Bills discounted, dishonored, not recorded in the Cash book	5,200

Q.6 (Nov. 2005) **(10 Marks)**

From the following particulars, prepare the Bank Reconciliation Statement as on 30th September, 2005:

Sr. No.	Particulars	Rs.
(i)	Bank overdraft as per Pass book	21,494
(ii)	A cheque deposited as per Pass book, but not recorded in Cash book	700
(iii)	Debit side of Bank column undercast	100
(iv)	A cheque of Rs.5,000 deposited, but credited in Pass book as	4,996
(v)	A party's cheque returned dishonoured as per Pass book only	530
(vi)	Bills collected directly by Bank	3,500
(vii)	Bank charges recorded twice in the Cash book	25
(viii)	A Bill for Rs.8,000 discounted for Rs.7,960 returned dishonoured by the Bank. Noting charges being	15
(ix)	Cheque deposited, but not yet collected by the Bank	2,320
(x)	Cheque issued, but not yet presented to the bank for payment	1,250

Q.7 (May 2018) **(10 Marks)**

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

[i] A Cheque of Rs.1,080 credited in the pass book on 28th March, 2018 being dishonoured is debited again in the pass book on 1st April, 2018. There was no entry in the cash book about the dishonour of the cheque until 15lh April, 2018.

[ii] Bankers had credited her account with Rs.2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.

[iii] Out of Rs.20,500 paid in by Mrs. Rani in cash and by cheques on 31st March, 2018, cheques amounting to Rs.7,500 were collected on 7th April, 2018.

[iv] Out of Cheques amounting to Rs.7,800 drawn by her on 27th March, 2018 a cheque for Rs.2,500 was encashed on 3rd April, 2018.

[v] Bankers seems to have given her wrong credit for Rs.500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for Rs.300 against her account No. 8765.

[vi] A Cheque for Rs.1,000 entered in Cash Book but omitted to be banked on 3181 March, 2018.

[vii] A Bill Receivable for Rs.5,200 previously dishonoured (Discount Rs.200) with the Bank had been dishonoured but advice was received on 1st April, 2018.

[viii] A Bill for Rs.10,000 was retired/paid by the bank under a rebate of Rs.175 but the full amount of the bill was credited in the bank column of the Cash Book.

[ix] A Cheque for Rs.2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.

Prepare Bank Reconciliation Statement as on 31st March 2018.

Q.8 (Nov. 2018) **(10 Marks)**

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

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

Q.9 (June 2019) **(10 Marks)**

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

[i] The Bank Pass Book had a debit balance of Rs.25,000 on 30th June, 2018

[ii] A cheque worth Rs.400 directly deposited into Bank by a customer but no entry was made in the Cash Book.

[iii] Out of cheques issued worth Rs.34,000, cheques amounting to ?20,000 only were presented for payment till 30th June, 2018.

[iv] A cheque for Rs.4,000 received and entered in the Cash Book but it was not sent to the bank.

[v] Cheques worth Rs.20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.

(1) Cheques collected before 30th June, 2018, Rs.14,000

(2) Cheques collected on 10th July, 2018, Rs.4,000

(3) Cheques collected on 12lh July, 2018, Rs.2,000.

[vi] The Bank made a direct payment of Rs.600 which was not recorded in the Cash Book.

[vii] Interest on Overdraft charged by the bank Rs.1,600 was not recorded in the Cash Book.

[viii] Bank charges worth Rs.80 have been entered twice in the cash book whereas Insurance charges for Rs.70 directly paid by Bank was not at all entered in the Cash Book.

[ix] The credit side of bank column of Cash Book was undercast by Rs.2,000.

Q.10 (Nov. 2019) **(10 Marks)**

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

[i] A cheque for Rs.11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.

[ii] A payment by cheque for Rs.18,000 has been entered twice in the Cash book.

[iii] On 29th September, 2018, the bank credited an amount of Rs.1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.

[iv] Bank charges amounting to Rs.280 had not been entered in the cash book.

[v] On 6th September 2018, the bank credited Rs.30,000 to XYZ in error.

[vi] A bill of exchange for Rs.1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.

[vii] Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled Rs.13,46,000.

[viii] A bill payable of Rs.2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for Rs.60,000 had been discounted with the bank at a cost of Rs.1,000 which had also not been recorded in cash book.

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

Q.11 (Nov. 2020) **(10 Marks)**

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

(1) Out of the total cheques of Rs.8,900 issued on 27th March, one cheque of Rs.7,400 was presented for payment on 4th April and the other cheque of Rs.1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.

(2) Out of total cash and cheques of Rs.6,800 deposited in the Bank on 24th March, one cheque of Rs.2,600 was cleared on 3rd April and the other cheque of Rs.500 was returned dishonoured by the bank on 4,h April.

(3) Bank charges Rs.35 and Bank interest Rs.2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.

(4) A cheque deposited in his another account of Rs.1,550 wrongly credited to this account by the bank.

(5) A cheque of Rs.800, drawn on this account, was wrongly debited in another account by the bank.

(6) A debit of Rs.3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.

(7) The bank allowed interest on deposit Rs.1,000.

(8) A customer who received a cash discount of 4% on his account of Rs.1,00,000 paid a cheque on 20,h March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

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

Q.12 (Jan 2021) **(4 Marks)**

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

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

Q.13 (July 2021) (5 Marks)

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

[i] Debit balance as per Bank Pass Book Rs.3,500.

[ii] A cheque amounting to Rs.2,500 deposited on 15th March, but the same was returned by the Bank on 24th March for which no entry was passed in the Cash Book.

[iii] During March, two bills amounting to Rs.2,500 and Rs.500 were collected by the Bank but no entry was made in the Cash Book.

[iv] A bill for Rs.5,000 due from Mr. Balaji previously discounted for Rs.4,800 was dishonoured. The Bank debited the account, but no entry was passed in the Cash Book.

[v] A Cheque for Rs.1,500 was debited twice in the cash book.

Q.14 (Dec 2021) (10 Marks)

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

[i] Cheques amounting to Rs.60,000 issued to creditors have not been presented for payment till the date.

[ii] Cheques paid into bank amounting to Rs.1,10,500, out of which cheques amounting to Rs.55,000 only collected by the bank up to 30th June 2021.

[iii] A dividend of Rs.4,000 and rent amounting to Rs.60,000 received by the bank and entered in the pass -book but not recorded in the cash book.

[iv] Insurance premium (up to 31st December, 2021) paid by the bank Rs.2,700 not entered in the cash book.

[v] The payment side of the cash book had been under cast by Rs.500.

[vi] Bank charges Rs.150 shown in the pass book had not been entered in the cash book.

[vii] 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.

Your are required:

(1) To make the appropriate adjustments in the cash book, and

(2) To prepare a statement reconciling it with the bank pass book.

Q.15 (June 2022) (5 Marks)

From the following particulars, prepare a Bank Reconciliation Statement on 31st March, 2021:

Particulars	Rs.
Bank balance as per Pass Book	25,00,000
Bills discounted dishonored not recorded in Cash Book	12,50,000
Cheque received entered twice in Cash Book	25,000
Bank Charges entered twice in Cash Book	5,000
Insurance premium paid directly by Bank understanding instruction	1,50,000
Cheque issued but not presented to Bank for payment	12,50,000
Cheque received, but not sent to Bank	28,00,000
Cheque deposited in Bank, but no entry passed in the Cash Book	12,50,000
Credit side of the Bank column cast short	5,000

4. INVENTORIES

Section 1 : True or False

Q.1 (Nov 2001) (2 Marks)
Finished goods are normally valued at cost or market price, whichever is lower.

Q.2 (Nov 2003) (2 Marks)
Inventory of by-products should be valued at net realisable value where cost of by-products can he separately determined.

Q.3 (May 2004) (2 Marks)
Damaged inventory should be valued at cost or market price whichever is lower.

Q.3 (Nov 2004) (2 Marks)
The inventory under AS-2 is valued on the basis of cost price or current replacement cost, whichever is less.

Q.4 (Nov 2005) (2 Marks)
The inventory under AS-2 is valued on the basis of cost price or current replacement cost, whichever is less

Q.5 (Nov 2019) (2 Marks)
Valuation of inventory at cost or net realizable value is based on principle of Conservatism.

Q.6 (July 2021) (2 Marks)
Warehouse rent paid for storage of finished inventory should be included in the cost of finished inventory.

Section 2 : Short Notes

Q.1 (Nov 1998) (4 Marks)
Write short note on the following:
First in first out and Last in first out basis of valuation of stock.

Q.2 (May 1999) (5 Marks)
Write a short note on the following:
Adjusted Selling Price Method of Valuation of Stock.

Q.3 (May 2002) (5 Marks)
Write short note on the following:
FIFO and Weighted Average price method of Stock Valuation.

Q.4 (May 2005) (5 Marks)
Accounting Standard relating to valuation of inventories.

Section 3 : Distinguish Between

Q.1 (Nov. 2019) **(5 Marks)**
Distinguish between Periodic Inventory System and Perpetual Inventory System.

Section 4 : Practical Questions

Q.1 (May 1996) **(15 Marks)**
who was closing his books on 31.3.1996, failed to take the actual stock, which he did only on 9th April, 1996, when it was ascertained by him to be worth Rs.25,000. It was found that sales are entered in the sales book in 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 daybook when the invoices are received.

It was found that sales between 31.3.1996 and 9.4.1996 as per the sales daybook are Rs.1.720. Purchases between 31.3.1996 and 9.4.1996 as per purchases daybook are Rs.120, out of these goods amounting to Rs.50 were not received until after the stock was taken.
Goods invoiced during the month of March 1996 but goods received only on 4th April. 1996 amounted to Rs.100. Rate of gross profit is 33 1/3% on cost.
Ascertain the value of physical stock as on 31.3.1996.

Q.2 (Nov 1999) **(15 Marks)**
Navkar Ltd. was following LIFO method of valuation of stock. Due to promulgation of revised accounting standard, they want to switch over to FIFO method. Form the following information:
[i] Draw up stock ledger under FIFO method of valuation of stocks.
[ii] Find out the closing stock and cost of materials consumed.
Opening stock 5,000 MT @ Rs.22 per MT Rs.1,10,000

Purchases:		Issues:	
1.6.99	1.000 Mt @ Rs.30 per MT	1 - 5.6.99	2.000 MT
5.6.99	2.000 Mt @ Rs.35 per MT	6 - 10.6.99	3.000 MT
10.6.99	1.500 Mt @ Rs.38 per MT	11 - 20.6.99	4.000 MT
15.6.99	1.500 Mt @ Rs.35per MT	21 - 25.6 99	3.000 MT
20 6 .99	2.000 Ml @ Rs.32 per MT	26 - 30.6.99	3.000 MT
28.6.99	2.000 Mt @ Rs.35 per MT		
30.6.99	1,500 Mt @ Rs.30 per MT		

Q.3 (May 2000) **(9 Marks)**
The Profit and Loss Account of Hanuman showed a net profit of Rs.60,000, after considering the closing stock of Rs.37,500 on 31st March, 1999. Subsequently, the following information was obtained from scrutiny of the books:
[i] Purchases for the year included Rs.1,500 paid for new electric fittings for the shop.
[ii] Hanuman gave away goods valued at Rs.4,000 as free samples for which no entry was made in the books of accounts.
[iii] Invoices for goods amounting to Rs.25,000 have been entered on 27th March, 1999, but the goods were not included in stock.

[iv] In March, 1999 goods of Rs.20,000 sold and delivered were taken in the Sales for April, 1999.

[v] Goods costing Rs.7,500 were sent on sale or return in March, 1999 at a margin of Profit of 33-1/3% on cost. Though approval was given in April, 1999 these were taken as sales for March, 1999.

Calculate the value of stock on 31st March, 1999 and the adjusted Net Profit for the year ended on that date.

Q.4 (Nov 2000) (9 Marks)

Physical verification of stock in a business was done on 23rd June. 2000. The value of the stock was Rs.4,80,000. The following transactions took place between 23rd June to 30th June 2000:

[i] Out of the goods sent on consignment goods at cost worth Rs.24,000 were unsold.

[ii] Purchases of Rs.40,000 were made out of which goods worth Rs.16,000 were delivered on 5th July 2000.

[iii] Sales were Rs.1,36,000 which include goods worth Rs.32,000 sent on approval. Half of these goods were returned before 30th June 2000, but no information is available regarding the remaining goods.

[iv] Goods are sold at cost plus 25%. However goods costing Rs.24,000 had been sold for Rs.12,000.

Determine the value of stock on 30th June 2000.

Q.5 (May 2003) (9 Marks)

A trader prepared his accounts on 31st March each year Due to some avoidable reasons, no stock-taking could be possible till 15th April. 2002, on which date the total cost of goods in his godown came to Rs.50,000 The following facts were established between 31st March and 15th April. 2002:

[i] Sales Rs.41,000 (including cash sales Rs.10,000).

[ii] Purchase Rs.5,034 (including cash purchase Rs.1,990)

[iii] Sales Return Rs.1,000.

[iv] On 15th March, goods of the sale value of Rs.10,000 were sent on sale or return basis to customer, the period of approval being four weeks He return 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.

[v] The trader had also received goods costing Rs.8,000 in March, for sale on consignment basis, 20% of the goods had been sold by 31st March, and another 50% by 15th April. These sales are not included in above sales.

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

You are required to ascertain the value of inventory as on 31st March, 2002.

Q.6 (May 2004) (5 Marks)

From the following Information ascertain the value of stock as on 31st March, 2004 and also the profit for the year:

Particulars	Rs.
Stock as on 1.4.2003	14,250
purchases	76,250
Manufacturing Expenses	15,000
Selling Expenses	6,050
Administrative Expenses	3,000
Financial Charges	2,150
Sales	1,24,500

At the time of valuing stock as on 31st March 2003, a sum of Rs.1,750 was written off on a particular item, which was originally purchased for Rs.5,000 and was sold during the year at Rs.4,500. Barring the transaction relating to this item, the gross profit earned during the year was 20 percent on sales.

Q.7 (May 2005) (7 Marks)

V's accounting year ends on 30.06.2004 but actual stock was not taken till 8.7.2004, on which date it is valued at Rs.29,700. The following additional information is available:

[i] Sales are entered in the sales book on the date of dispatch and returns inward entered in the credit note register on the day goods are received back.

[ii] Purchases are entered in the purchase book on the day invoices are received.

[iii] Sales from 1.7.2004 to 8.7.2004 are Rs.34,400.

[iv] Purchases from 1.7.2004 to 8.7.2004 were of Rs.2,640 out of which goods of Rs.240 was not received upto 8.7.2004.

[v] Invoices for goods purchased upto 30.6.2004 were of Rs.2,000 of which goods worth Rs.1,400 were received between 1.7.2004 to 8.7.2004.

(vi) Rate of G.P. 33.33% on cost.

Find out the value of stock on 30.06.2004.

Q.8 (Nov 2006) (5 Marks)

M/s Polypack and Company's financial year ends on 31st March, 2006. Their actual physical stock as on 31st March was Rs.6,25,000 (net realizable value Rs.6,40,000).

Following information regarding stock are also available:

[i] Goods costing Rs.40,000 were damaged badly and it was expected that only Rs.5,000 could be realized.

[ii] Goods costing Rs.25,000 were sold on sale or return basis for which no confirmation has been received till 31st March, 2006. Invoice value of these goods was Rs.30,000.

[iii] Goods were sent on consignment to Mr. B at invoice value (120% of cost) Rs.1,50,000 on 31st March, 2006. He informed that half of the material remains unsold.

You are required to ascertain the value of closing stock as on 31st March. 2006 as per AS - 2.

Q.9 (June 2019) (5 Marks)

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

[i] Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.

[ii] Purchases are entered in the Purchase Book on the day the Invoices are received.

[iii] Sales between 1st April, 2019 to 9th April, 2019 amounting to Rs.20,000 as per Sales Day Book.

[iv] Free samples for business promotion issued during 1st April 2019 to 9th April 20T9 amounting to Rs.4,000 at cost.

[v] Purchases during 1st April, 2019 to 9th April, 2019 amounting to Rs.10,000 but goods amount to Rs.2,000 not received till the date of stock taking.

[vi] Invoices for goods purchased amounting to Rs.20,000 were entered on 28th March, 2019 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost.

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

Q.10 (Nov 2020) (10 Marks)

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

[1] Out of the goods sent on consignment, goods at cost worth Rs.2,30,000 were unsold.

[2] Purchases of Rs.3,00,000 were made out of which goods worth Rs.1,20,000 were delivered on 5th March, 2020.

[3] Sales were Rs.13,60,000 which include goods worth Rs.3,20,000 sent on approval. Half of these goods were returned before 29th February, 2020, but no information is available regarding the remaining goods.

[4] Goods are sold at cost plus 25%. However goods costing Rs.2,40,000 had been sold for Rs.1,50,000.

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

Q.11 (Jan 2021) (5 Marks)

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

Particulars	Rs.
Inventory as on 1st April, 2019	3,50,000
Purchase made during the year	12,00,000
Sales	18,50,000
Manufacturing Expenses	1,00,000
Selling and Distribution Expenses	50,000
Administration Expenses	80,000

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

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

Q.12 (July 2021) (5 Marks)

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

Particulars	Rs.
Purchase during the year	5,00,000
Sales during the year	7,50,000
Opening Inventory	Nil
Closing Inventory at selling price	1,00,000

Q.13 (Dec 2021) (4 Marks)

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

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

15-2-2021	Issued for consumption	10 units
20-2-2021	Issued for consumption	10 units

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

Q.14 (June 2022) (5 Marks)

Zed Enterprises furnishes the following information for the year ended 31st March, 2021

Particulars	Rs.
Value of Stock as on 1st April, 2020	28,00,000
Purchases during the year	1,38,40,000
Manufacturing Expenses during the year	28,00,000
Sales during the year	2,08,80,000

The following further information is also provided:

[i] At the time of valuing stock in 31st March, 2020 a sum of Rs.2,40,000 was written off for a particular item which was originally purchased for Rs.8,00,000. This item was sold during the year ended 31st March, 2021 for Rs.6,40,000.

[ii] Except for the above transaction, the Rate of Gross Profit during the year was 1 /3rd on cost.

Ascertain the value of Stock as on 31st March, 2021

5. CONCEPT AND ACCOUNTING OF DEPRECIATION

Section 1 : True or False

Q.1 (May 1997) (2 Marks)
The expressions depreciation is to be charged at 10% and 10% p.a. on furniture and fittings carry the same meaning.

Q.2 (Nov 1997) (2 Marks)
Depreciation cannot be provided in case of loss, in a financial year.

Q.3 (May 1999) (2 Marks)
Higher depreciation will not affect cash profit of the business.

Q.4 (Nov 2000) (2 Marks)
There is no difference between the written down value method and diminishing balance method of depreciation.

Q.5 (May 2001) (2 Marks)
Land is also a depreciable asset.

Q.6 (Nov 2002) (2 Marks)
Depreciation need not be provided on Plant and Machinery, as its Market value is much higher than Cost of Purchase.

Q.7 (Nov 2003) (2 Marks)
Depreciation is a process of allocation of the cost of fixed asset.

Q.8 (Nov 2006) (2 Marks)
In a business concern, depreciation need not be provided on building in use, as its market value is higher than book value.

Q.9 (Nov 2018) (2 Marks)
Depreciation is a non-cash expense and does not result in any cash outflow.

Section 2 : Short Notes

Q.1 (May 1998) (5 Marks)
Write a short note on 'Depletion Method' of providing for depreciation.

Q.2 (Nov 1998) (5 Marks)
Write a short note on the following:
Revaluation method of providing depreciation.

Q.3 (May 2006) (5 Marks)
Write short note on the following:
Machine Hour Rate method of calculating depreciation.

Section 3 : Distinguish Between

Q.1 (May 2002) (5 Marks)
Provision for depreciation under straight line method & written down value method.

Section 4 : Descriptive Questions

Q.1 (Nov 2020) (5 Marks)
Discuss the factors taken into consideration for calculation of depreciation.

Section 5 : Practical Questions

Q.1 (May 1997) (9 Marks)
A purchased on 1st January, 1993 certain machinery for Rs.1,94,000 and spent Rs.6,000 on its erection. On 1st July, 1993 additional machinery costing Rs.1,00,000 was purchased. On 1st July, 1995 the machinery purchased on 1st January, 1993 having become obsolete was auctioned for Rs.1,00,000 and on the same date new machinery was purchased at a cost of Rs.1,50,000. Depreciation was provided for annually on 31st December at the rate of 10% per annum on the original cost of the machinery. No depreciation need be provided when a machinery is sold or auctioned, for that part of the year in which sale or auction took place. But for the above, depreciation shall be provided on time basis. In 1996 however, A changed this method of providing depreciation and adopted the method of writing off 15% p.a. on the written down value on the balance as appeared in machinery account on 1-1-1996.
Show the machinery account for the calendar years 1993 to 1996.

Q.2 (Nov 1999) (7 Marks)
Hanuman Enterprises purchased on 1.4.95 certein machinery for Rs.72,800 and paid Rs.2,200 on its installation. On another machinery for Rs.25,000 was acquired.
On 1.4.96, the first machinery was sold at Rs.50,000 and on the same date, a fresh machinery was purchased at a cost of Rs.45,000.
Depreciation was annually provided on 3151 March at 10% p.a. on written down value.
On 1.4.97, however, the firm decided to change the method of providing depreciation and adopted the method of providing depreciation @ 10% p.a. on the original cost, with retrospective effect.
Ascertain the value of machinery as on 31.3.98.

Q.3 (Nov 2001) (9 Marks)
A firm purchased, on 1st January, 1996, certain machinery for Rs.19,40,000 and spent Rs.60,000 on its erection. On 1st July in the same year, additional machinery costing Rs.10,00,000 was acquired. On 1st July, 1998 the machinery purchased on 1st January, 1996 having become obsolete was auctioned for Rs.8,00,000 and on the same date fresh machine was purchased at a cost of Rs.15,00,000.
Depreciation was provided for annually on 31st December at the rate of 10% per annum on the original cost of the asset. In 1999 however, the firm changed this method of providing depreciation and adopted the method of writing off 20% on the written down value.
Give the Machinery Account as it would stand at the end of each year from 1996 to 2000.

Q.4 (May 2003) (12 Marks)

Green Channel Co. purchased a second-hand machine on 1st January, 1999 for Rs.1,60,000. Overhauling and erection charges amounted to Rs.40,000.

Another machine was purchased for Rs.80,000 on 1st July. 1999.

On 1st July, 2001, the machine installed on 1st January. 1999 was sold for Rs.1,00,000. On the same date another machine was purchased for Rs.30,000 and was installed on 30th September, 2001.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2002 it decided to adopt WDV method and to charge depreciation @ 15% p.a. This change was to be made with retrospective effect.

Prepare Machinery Account in the book of Green Channel Co for the year 1999 to 2002.

Q.4 (Nov 2004) (9 Marks)

A company had a balance of Rs.4,05,000 on 1st January, 2003 in its Machinery account. 10% per annum depreciation was charged by diminishing balance method. On 1st July, 2003, the company sold a pan of machinery for Rs.87,500, which was purchased on 1st January, 2001 for Rs.1,20,000 as a part of it become useless, and on the same date i.e., on 1st July, 2003, the company purchased a new machine for Rs.2,50,000. On 31st December, 2003, the Directors of the company decide to adopt the fixed installment method of depreciation from 1st January, 2001 instead of diminishing balance method. The rate of depreciation will remain the same. Prepare Machinery account in the books of Company for the year ending 2003.

Q.5 (Nov 2005) (12 Marks)

A company purchased second hand machinery on 1st January, 2000 for Rs.3,00,000, subsequent to which Rs.60,000 and Rs.40,000 were spent on its repairs and installation, respectively. On 1st July, 2001 another machinery was purchased for Rs.2,60,000. On 1st July, 2002, the first machinery having become outdated was auctioned for Rs.3,00,000 and on the same date, another machinery was purchased for Rs.2,50,000.

On 1st July 2003, the second machinery was also sold off and it fetched Rs.2,30,000.

Depreciation was provided on machinery @ 10% on the original cost annually on 31st December, under the Fixed Installment method. From 1st January, 2002, the method of providing depreciation was changed to Reducing Balance method, the rate being 15% p.a.

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

(i) Machinery Account for the years ending 2000 to 2003.

(ii) Machinery Disposal Account.

Note: The figures are rounded off to the nearest multiple to Rupees ten.

Q.6 (Nov 2006) (6 Marks)

M/s ABC Limited of India, purchased a machine from U.S. Company for $15,000, on 1st April, 2003 when $1 = Rs.40, the entire amount was payable in 5 annual instalments, payable every 31st March. Company charges depreciation @ 15% on WDV of the machine. After 2 years of purchase, due to exchange fluctuation, the revised rate become $1 = Rs.50. Calculate depreciation and the revised liability for the financial year 2005-06.

Q.7 (Nov 2018) (4 Marks)

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

Q.8 (June 2019) (10 Marks)

A Firm purchased an old Machinery for Rs.37,000 on 1st January, 2015 and spent Rs.3,000 on its overhauling. On 1st July 2016, another machine was purchased for Rs.10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for Rs.28,000 and the same day a new machinery costing Rs.25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for Rs.2,000. Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year. Prepare Machinery account for four years from 1st January, 2015.

Q.9 (Nov 2019) (4 Marks)

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

Q.10 (Jan 2021) (10 Marks)

M/s. Dayal Transport Company purchased 10 trucks @ Rs.50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and Rs.35,00,000 is received from the insurance in full settlement. On the same date, another ruck is purchased by the company for the sum of Rs.60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year.
Give the motor truck account for two years ending 31st December, 2020.

Q.11 (July 2021) (4 Marks)

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

Q.12 (Dec 2021) (5 Marks)

On 1st January, 2019 Kohinoor Transport Company purchased a Bus for Rs.8,00,000. On 1st July, 2020 this bus was damaged due to fire and was completely destroyed and Rs.6,00,000 were received by a cheque from the Insurance Company in full settlement on 1st October, 2020. on 1st July, 2020 another Bus was purchased by the company for Rs.10,00.000.
The Company charges Depreciation @ 20% per annum under the WDV Method. Calculate the amount ot depreciation for the year ended 31st March 2021 and gain or loss on the destroyed Bus.

Q.13 (June 2022) (10 Marks)

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 and 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 the Plant and 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. ACCOUNTING FOR SPECIAL TRANSACTIONS

Unit 1 : Bill of Exchange

Section 1 : True or False

Q.1 (May 1996) (2 Marks each)
[i] A bill given to a creditor is called bill payable.
[ii] A promissory note can be made payable to bearer.

Q.2 (Nov 1996) (2 Marks)
Discount at the time of retirement of a Bill is a gain for the drawee.

Q.3 (May 1997) (2 Marks)
No cancellation entry is required when a bill is renewed.

Q.4 (May 1998) (2 Marks)
No cancellation entry is required when a bill is renewed.

Q.5 (May 2000) (2 Marks)
A has drawn a bill on B. B accepts the same and endorses the bill to C.

Q.6 (Nov 2000) (2 Marks)
A promissory note cannot be made payable to bearer.

Q.7 (May 2001) (2 Marks)
Cancelling old bill and drawing new bill is called renewal of Bill.

Q.8 (Nov 2001) (2 Marks)
A cancellation entry is required, when a bill is renewed.

Q.9 (Nov 2001) (2 Marks)
A bill given to a creditor is called Bills Receivable.

Q.10 (May 2002) (2 Marks)
Discount at the time of retirement of a Bill is a gain for the drawer.

Q.11 (May 2004) (2 Marks each)
[i] A bill given to a creditor is called Bills Receivable.
[ii] A cancellation entry is required, when a bill is renewed.

Q.12 (May 2005) (2 Marks)
Refusal by the acceptor to make payment of the bill on the maturity date is called Retirement of the bill.

Q.13 (Nov 2005) (2 Marks)
A bill of exchange is a conditional order in writing given by a Debtor to creditor.

Q.14 (May 2006) (2 Marks each)

[i] A Promissory Note requires acceptance.

[ii] At the time of Renewal of a bill. Interest account is debited in the books of a Drawee.

Q.15 (Nov 2006) (2 Marks each)

If a cheque received from a customer is dishonoured, it will be debited to the Customer's account

Accommodation bills are drawn, accepted and endorsed for some consideration.

Q.16 (Nov 2019) (2 Marks)

In case of bill of exchange, the drawer and the payee may not be the same person but in case of a promissory note, the maker and the payee may be the same person.

Q.17 (June 2022) (2 Marks)

The specific due date excludes the addition of grace days to arrive at .the due date.

Section 2 : Short Notes

Q.1 (May 1996) (5 Marks)

Write short note on the following:

Renewal of Bill.

Q.2 (May 2005) (5 Marks)

Write short note on the following:

Accommodation Bills.

Section 3 : Distinguish Between

Q.1 (Nov 1997, Nov 1999, Nov 2000) (5 Marks)

Distinguish Between the following:

Bill of Exchange and Promissory Note.

Q.2 (May 2006) (5 Marks)

Briefly explain the differences between the following:

Trade bill v/s Accommodation bill.

Section 4 : Descriptive Questions

Q.1 (May 2001) (6 Marks)

Explain a Bill of Exchange and the various parties to it.

Q.2 (May 2003) (5 Marks)

Briefly explain the following:

Noting charges.

Q.3 (Nov 2003) (5 Marks)

Briefly explain the following:

Retirement of bills of exchange.

Section 5 : Practical Questions

Q.1 (May 1997) **(6 Marks)**

On 1st January, 1997, A sells goods for Rs.10,000 to B and draws a bill at three months for the amount. B accepts it and returns it to A.

On 1st March. 1997, B retires his acceptance under rebate of 12% per annum. Record these transactions in the journals of A and B.

Q.2 (May 1999) **(15 Marks)**

Shubham draws on Rajendra a bill for Rs.45,000 on 1st June, 1998 for 3 months. Rajendra accepts the bill and sends it to Shubham who gets it discounted for Rs.44,100. Shubham immediately remits Rs.14,700 to Rajendra. On the due date, Shubham, being unable to remit the amount due, accepts a bill tor Rs.63,000 for three months which is discounted by Rajendra tor Rs.61,650. Rajendra sends Rs.11,100 to Shubham. On the due date, Shubham become insolvent, his estate paying forty paise in the rupee. Give Journal Entries in the books of Shubham and Rajendra.

Q.3 (May 2000) **(6 Marks)**

On 1st July, 1999, G drew a bill for Rs.80,000 for 3 months on H for mutual accommodation. He accepted the bill of exchange.

G had purchased goods worth Rs.81,000 from J on the same date. G endorsed H's acceptance to J in full settlement.

On 1st September, 1999 J purchased goods worth Rs.90,000 from H. J endorsed the bill of exchange received from G to H and paid Rs.9,000 in full settlement of the amount due to H.

On 1st October, 1999 H purchased goods worth Rs.1,00,000 from G. He paid the amount due to G by cheque.

Give the necessary Journal Entries in the books of H.

Q.4 (May 2001) **(9 Marks)**

Record the following transactions in the Journals of Ram and Hari:

Ram sells goods tor Rs.1,00,000 to Hari on 1st January, 2001 and on the same day draws a bill on Hari at three months for the amount. Hari accepts it and returns it to Ram, who discounts it on 4th January, 2001 with his bank at 12% per annum. The acceptance is dishonoured on due date and the bank pays Rs.250 as noting charges.

Q.5 (Nov 2004) **(9 Marks)**

Anil draws a bill for Rs.9,000 on Sanjay on 5th April, 2003 for 3 months, which Sanjay returns to Anil after accepting the same. Anil gets it discounted with the bank for Rs.8,820 and remits one -third amount to Sanjay.

On the due date, Anil fails to remit the amount due to Sanjay, but he accepts a bill for Rs.12,600 for three months, which Sanjay discounts it for Rs.12,330 and remits Rs.2,220 to Anil. Before the maturity of the renewed bill Anil becomes insolvent and only 50% was realised from his estate on 15th October, 2003.

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

Q.6 (Nov 2006) **(9 Marks)**

Mr. B accepted a bill for Rs.10,000 drawn on him by Mr. A on 1st August. 2005 for 3 months. This was for the amount which B owed to A. And on the same date Mr. A got the bill discounted at his bank for Rs.9,800. On the due date. B approached A for renewal of the bill. Mr. A agreed or condition that Rs.2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and

that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December. 2005, B became insolvent and his estate paid 40%.
Give Journal Entries in the books of Mr. A.

Q.7 (June 2019) (5 Marks)

On 1st January 2018, Akshay draws two bills of exchange tor Rs.16,000 and Rs.25,000. The bill of exchange for Rs.16,000 is for two months while the bill of exchange for Rs.25,000 is for three months. These bills are accepted by Vishal. On 4th March. 2018, Vishal requests Akshay to renew the first bill with interest @ 15% p.a. for a period of two agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for Rs.25.000. the interest rebate i.e. discount being Rs.250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paisa could be recovered from his estate. Akshay Show the journal entries (with narrations) in the books of Akshay

Q.8 (Nov 2020) (10 Marks)

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

Unit 2 : Sale of Goods on Approval or Return Basis

Section 1 : True or False

Q.1 (May 2006) (2 Marks)
Sale or Return Account in the Sale or Return Ledger represents the value of goods still lying with the customers for approval.

Q.2 (July 2021) (2 Marks)
Goods sold on approval or return basis are not recorded as credit sales initially when they are sent out.

Section 2 : Practical Questions

Q.1 (May 2003) (6 Marks)
'X' supplied goods on sale or return basis to customers the particulars of which are as under:

Date of Dispatch	Party's Name	Amount	Remarks
10.12.2002	ABC Co.	10,000	No information till 31.12.2002
12.12.2002	DEF Co.	15,000	Returned on 16.12.2002
15.12.2002	GHI Co.	12,000	Goods worth Rs.2.000
			Returned on 20.12.2002
20.12.2002	DEF Co.	16,000	Goods Retained on 24.12.2002
25.12.2002	ABC Co.	11,000	Goods Retained on 28.12.2002
30.12.2002	GHI Co.	13,000	No information till 31.12.2002

Goods are to be returned within 15 days from the date of dispatch, tailing which it will be treated as Sales.
The books of 'X' are closed on 3Tst December, 2002.
Prepare the following account in the book of 'X':
(i) Goods on Sales or Return, Sold and Returned Day Books.
(ii) Goods on Sales or Return Total Account.

Q.2 (May 2018) (5 Marks)
Attempt the following
[i] Mr. Badhri sends goods to his customers on Sale or Return. The following transactions took place during the month of December 2017.
December 2nd - Sent goods to customers on sale or return basis at cost plus 25% - Rs.80,000
December 10th - Goods returned by customers - Rs.35,000
December 17th - Received letters from customers for approval - Rs.35,000
December 23rd - Goods with customers awaiting approval - Rs.15,000.
Mr. Badhri records sale or return transactions as ordinary sales. You are required to pass the necessary Journal Entries in the books of Mr. Badhri assuming that the accounting year closes on 31st Dec. 2017.

Q.3 (Nov 2018) **(5 Marks)**

Attempt the following:

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

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

Mr. Adhitya sent intimation of acceptance on 25th April, 2018 and

Mr. Bakkiram returned the goods on 15th April, 2018.

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

Q.4 (Nov 2019) **(5 Marks)**

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

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

Within the stipulated time, P and Q returned the goods and B, D and E signified that they have accepted the goods.

Show in the books of the firm, the Sale or Return Account and Customer -0 tor Sale or Return Account as on 15th June 2018.

Q.5 (Jan 2021) **(5 Marks)**

Attempt the following:

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

[1] 100 units of goods costing Rs.500 each sent to XYZ Limited on Sales or Return Basis @ Rs.750 per unit. This transaction was however treated as actual sales in the books of accounts.

[2] Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ Rs.700 per unit. No information was received about acceptability of balance units by the year end.

Q.6 (July 2021) **(5 Marks)**

ABC Limited supplied goods on sale or return basis to customers Goods are to be returned within 15 days from the date of dispatch, failing which it is treated as sales. The books of ABC Limited are closed on 31st March, 2021. The particulars of the same are as under :

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

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

(i) Goods on Sale or return, sold and returned day books

(ii) Goods on sales or return total account

Q.7 (June 2022) (5 Marks)

P sends out goods on approval to few customers and includes the same in the Sales Account. On 31.3.2021, the Trade receivables balance stood at Rs.3,00,000 which included Rs.21,000 goods sent on approval against which no intimation was received during the year. These goods were sent out at 25% over and above cost price and were sent to Mr. A Rs.12,000 and Mr. B Rs.9,000.

Mr. A sent intimation of acceptance on 30lh April and Mr. B returned the goods on 10th April, 2021.

Make the adjustment entries and show how these items will appear in the Balance Sheet on 31st March, 2021. Also show the entries to be made during April, 2021. Value of closing inventories as on 31st March 2021 was Rs.1,80,000.

Unit 3 : Consignment

Section 1 : True or False

Q.1 (May 1996) (2 Marks each)

[i] Account Sales is the statement sent by the consignor to the consignee.

[ii] Del credere commission is normally calculated on total sales

Q.2 (Nov 1996) (2 Marks)

Loss of Stock is said to be abnormal loss when such loss is due to inherent characteristics of the commodities.

Q.3 (May 1997) (2 Marks)

If the consignee is not authorised to get the del credere commission, then he is liable for all losses on account of non-recovery of debts.

Q.4 (Nov 1997, May 1998, Nov. 2000, May 2002) (2 Marks)

The relationship between the consignor and the consignee is that of Principal and Agent.

Q.5 (May 1998) (2 Marks)

Loss of stock is said to be normal loss when such loss is not due to inherent characteristics of the commodities.

Q.6 (May 2001) (2 Marks)

Consignee has no right in the profit on goods sent on consignment.

Q.7 (Nov 2003) (2 Marks)

The party to whom goods are sent is called 'consignee'.

Q.8 (Nov 2004) (2 Marks)

Over-riding commission is calculated on credit sales only.

Q.9 (May 2005) (2 Marks each)

[i] The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.

[ii] Loss of stock is said to be abnormal loss, which is due to inherent characteristics of the commodity.

Q.10 (Nov 2005) (2 Marks each)

[i] The consignee has no right in the profit on goods sent on consignment.

[ii] Overriding commission is granted to an agent in case of sales exceeding targets.

Q.11 (Nov 2006) (2 Marks)

The additional commission to the consignee, who agrees to bear the loss on account of bad debts is called overriding commission.

Q.12 (Nov 2018) (2 Marks)

If del-credere commission is paid to consignee, the loss of bad debt is to be borne by the consignor.

Q.13 (June 2019) (2 Marks)
In case of consignment sale, ownership of goods will be transferred to consignee at the time of receiving the goods.

Q.14 (Nov 2020) (2 Marks)
A Limited is sending goods costing Rs.50,000 to B Limited or consignment basis. The accountant of A Limited is of the opinion that these goods should be sent under a sale invoice.

Q.15 (Jan 2021) (2 Marks)
Consignee will not pass any journal entry in his books at time of receiving of goods from Consignor.

Q.16 (Dec 2021) (2 Marks)
There is no entry passed by the consignee in his books for the remaining stock of goods lying with him.

Section 2 : Short Notes

Q.1 (Nov 2004) (3 Marks)
Write short note on the following:
Del-credere commission.

Section 3 : Distinguish Between

Q.1 (May 1997, May 1998, Nov. 2000, Nov. 2002) (5 Marks)
Explain the difference between the following:
Commission and Discount.

Q.2 (Nov 1997, May 2002) (5 Marks)
Distinguish Between the following:
Consignment and Sale

Section 4 : Descriptive Questions

Q.1 (Nov 2002) (5 Marks)
Briefly explain Normal Loss and Abnormal Loss on Consignment

Q.2 (Nov 2003) (5 Marks)
Briefly explain the following:
Over-riding Commission.

Section 5 : Practical Questions

Q.1 (May 1996) (15 Marks)

M/s Ram & Co., of Delhi purchased 20,000 pieces of sarees @ Rs.200 per saree. Out of these, 12,000 sarees were sent on consignment to M/s Laxman Traders of Bombay at the selling price of Rs.240 per saree. The consignors paid Rs.6,000 for packing and freight.

M/s Laxman Traders sold 10,000 sarees @ Rs.250 per saree and incurred Rs.2,000 towards selling expenses and remitted Rs.10,00,000 to Delhi on account. M/s Laxman Traders are entitled to a commission of 5 percent on total sales plus a further 20 percent commission on any surplus price realised over Rs.240 per saree.

6,000 sarees were sold at Rs.220 per saree by the consignor. Owing to fall in the market price, the value of stock of sarees in hand is to be reduced by 10 percent.

Prepare the consignment account and the account of M/s Laxman Traders in the books of the consignor.

Q.2 (May 1997) (15 Marks)

X of Calcutta on 15th January, 1997 sent to Y of Bombay a consignment of 250 televisions costing Rs.10,000 each. Expenses of Rs.7,000 were met by the consignor. Y of Bombay spent Rs.4,500 for clearance on 30th January, 1997 and the selling expenses were Rs.500 per television as and when the sale made by Y.

Y sold, on 4th March, 1997, 150 televisions at Rs.14,000 per television and again on 10th April, 1997, 75 televisions at Rs.14,400.

Mr. Y was entitled to a commission of Rs.500 per television sold plus one-fourth of the amount by which the gross sale proceeds less total commission there on exceeded a sum calculated at the rate of Rs.12,500 per television sold. Y sent the account sale and the amount due to X on 30th April, 1997 by bank demand draft.

You are required to show the consignment account and Y's account in the books of X.

Q.3 (May 1998) (15 Marks)

D of Delhi appointed A of Agra as its selling agent on the following terms:

[a] Goods to be sold at invoice price or over.

[b] A to be entitled to a commission of 7.5% on the invoice price and 20% of any surplus price realised.

[c] The principals to draw on the agent a 30 days bill for 80% of the invoice price.

On 1st February, 1998, one thousand cycles were consigned to A, earn cycle costing Rs.640 including freight and invoiced at Rs.800

Before 31st March, 1998, (when the principal's books are closed) A met his acceptance on the due date; sold off 820 cycles at an average price of Rs.930 per cycle, the sale expenses being Rs.12,500; and remitted the amount due by means of Bank Draft.

Twenty of the unsold cycles were shop-soiled and were to be valued at a depreciation of 50%.

Show by means of ledger accounts how these transactions would be recorded in the books of A, and find out the value of closing stock with A at which value D will should be there in consequent A/c account for the balance stock.

Q.4 (Nov 1998) (Same as May 2004) (15 Marks)

Mr. Y consigned 800 packets of toothpaste, each packet containing 100 toothpastes. Cost price of each packet was Rs.900. Mr. Y spent Rs.100 per packet as cartage, freight, insurance and forwarding charges. One packet was lost on the way and Mr. Y lodged claim with the insurance company and could get Rs.570 as claim on average basis. Consignee took delivery of the rest of the packets and spent Rs.39,950 as other non-recurring expenses and Rs.22,500 as recurring expenses. He sold 740 packets at the rate of Rs.12 per toothpaste. He was entitled to 2% commission on sales plus 1% del-credere commission.
You are required to prepare Consignment Account. Calculate the cost of stock at the end, abnormal loss and profit or loss on consignment.

Q.5 (Nov 2000) (9 Marks)

A of Agra sent on consignment goods valued Rs.1,00,000 to B of Bombay on 1st March, 1999. He incurred an expenditure of Rs.12,000 on Freight and Insurance. A's accounting year closes on 31st December B was entitled to a commission of 5% on gross sales plus a del-creder commission of 3 per cent. B took delivery of the consignment by incurring expenses of Rs.3,000 for goods consigned.

On 31.12.1999, B informed on phone that he had sold all the goods for Rs.1,50,000 by incurring selling expenses of Rs.2,000. He further informed that only Rs.1,48,000 had been realised and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale.

On 5.1,2000, A received the cheque for the amount due from B and incurred bank charges of Rs.260 for collecting the cheque. The amount was credited by the Bank on 9.1.2000.

Write up the Consignment account finding out the profit/loss on the consignment, B's A/c, Provision for Expenses A/c and Bank account in the books of the consignor, recording the transactions upto the receipt and collection of the cheque.

Q.6 (May 2003) (12 Marks)

'X' of Delhi purchased 10,000 pieces of Sarees @ Rs.100 per Saree. Out of these Sarees, 6:000 were sent on consignment to 'Y' of Agra at a selling price of Rs.120 per Saree. The consignor paid 73,000 for packing and freight.

'Y' sold 5,000 Sarees at Rs.125 per Saree and incurred Rs.1,000 for selling expenses and remitted Rs.5,00,000 to Delhi on account. They are entitled to a commission of 5% on total sales plus a further 20% commission on any surplus price realised over Rs.120 per Saree.
3,000 Sarees were sold in Delhi at Rs.110 per Saree. Owing to fall in market price, the value of stock of Sarees in hand is to be reduced by 10%.
Prepare the consignment Account in the books of 'X' and their account in the books of the agent "Y" of Agra.

Q.7 (May 2005) (10 Marks)

Mr. A of Assam sent on 18m February, 2004 a consignment of 1,000 DVD players to B of Bengal costing of Rs.100 each. Expenses of Rs.1,500 were met by the consignor. B spent Rs.3,000, for clearance and selling expenses were Rs.20 per DVD player.
B sold on 15th March, 2004,600 DVD Players @ Rs.160 per DVD Player and again on 20th May, 2004, 300 DVD Players @ Rs.170.

B is entitled to a commission of Rs.25 per DVD Player sold plus 1/4 of the amount by which the gross sale proceeds less total commission thereon exceeded a sum calculated @ Rs.125 per DVD Player sold. B sent the amount due to A on 30th June, 2004.
You are requested to show the consignment account and B's account in the books of A.

Q.8 (May 2006) (9 Marks)

M of Mathura consigned 5,000 kg. of oil costing Rs.20 per kg. to S of Surat. M paid Rs.25,000 as Freight and Insurance. 125 kg. of oil was destroyed in transit. The insurance claim was settled at Rs.2,250 and was paid directly to the consignor. S took delivery of consignment and accepted a bill drawn upon him by M for Rs.50,000. S reported as follow :

(i) 3,750 kg. of oil was sold at Rs.30 per kg.

(ii) His expenses were - Godown rent Rs.10,000; Wages Rs.1,000; Printing and Stationery Rs.5,000.

(iii) 125 kg. of oil was lost due to leakage, which is quite normal.

S is entitled to a commission of 5% on the sales effected. S paid the amount due in respect of the consignment. Show the Consignment Account, the Account of S and Abnormal Loss Account in the books of M.

Q.9 (Nov 2006) (5 Marks)

M/s Poly pack and company's financial year ends on 31st March, 2006. Their actual physical stock as on 31st March was Rs.6,25,000 (net realizable value Rs.6,40,000). Following information regarding stock is also available:

[i] Goods costing Rs.40,000 were damaged badly and it was expected that only Rs.5,000 could be realized.

[ii] Goods costing Rs.25,000 were sold on sale or return basis for which no confirmation has been received till 31st March, 2006. Invoice value of these goods was Rs.30,000

[iii] Goods were sent on consignment to Mr. B at invoice value (120% of cost) Rs.1,50,000 on 31st March, 2006. He informed that half of the material remains unsold.

You are required to ascertain the value of closing stock as on 31st March. 2006 as per AS 2.

Q.10 (May 2018) (10 Marks)

Shri Ganpath of Nagpur consigns 500 cases of goods costing 71,500 each to Rawat of Jaipur. Shri Ganpath pays the following expenses in connection with the consignment:

Particulars	Rs.
Carriage	15,000
Freight	45,000
Loading Charges	15,000

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

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

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

Q.11 (Nov 2018) **(10 Marks)**

Raj of Gwalior consigned 15,000 kgs. of Ghee at Rs.30 per kg. to his agent Siraj at Delhi. He spent Rs.5 per kg. as freight and insurance for sending the Ghee at Delhi. On the way, 100 kgs. of Ghee was lost due to the leakage (which is to be treated as normal loss) and 400 kgs. of Ghee was destroyed in transit. Rs.9,000 was paid to consignor directly by the Insurance company as Insurance claim.

Siraj sold 7,500 kgs. at Rs.60 per kg. He spent Rs.33,000 on advertisement and recurring expenses.

You are required to calculate:

[i] The amount of abnormal loss;

[ii] Value of stock at the end; and

[iii] Prepare Consignment account showing profit or loss on consignment, if Siraj is entitled to 5% commission on sales.

Q.12 (Nov 2019) **(10 Marks)**

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

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

Q.13 (Nov 2020) **(5 Marks)**

Maya consigned 400 boxes of shaving brushes, each box containing 100 shaving brushes. Cost price of each box was Rs.3,000. Maya spent Rs.500 per box as cartage, freight, insurance and forwarding charges. One box was lost on the way and Maya lodged claim with insurance company and could get Rs.2,700 as claim on average basis. Consignee took delivery of the rest of the boxes and spent Rs.1,99,500 as non-recurring expenses and Rs.1,12,500 as recurring expenses. He sold 370 boxes at the rate of Rs.65 per shaving brush. He was entitled to 2% commission on sales plus 1% del-credere commission.

You are required to prepare Consignment Account.

Q.14 (Jan 2021) **(10 Marks)**

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

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

[i] The consignment was booked on freight "To Pay" basis. The freight was charged @ 5% of selling value.

[ii] C Stores sold 500, 5 kg. Tins and 800, 10 kg. Tins. It paid insurance of Rs.10,000 and storage charges of Rs.20,000.

[iii] C Stores is entitled to a fixed commission @ 10% on Sales.

[iv] During transit 50 quantity of 5 kg. Tin and 20 quantity of 10 kg. Tin got damaged and the transporter paid Rs.5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited.

Q.15 (July 2021) **(10 Marks)**

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

Show the Consignment Account.

Q.16 (June 2022) **(10 Marks)**

M of Mumbai sent on consignment, goods valued Rs.4,00,000 to A of Agra on 1st March, 2020. He incurred the expenditure of Rs.48,000 on freight and insurance. M's accounting year closes on 31st December. A was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. A took delivery of the consignment by incurring expenses of Rs.12,000 for the goods consigned.

On 31/12/2020, A informed on phone that he had sold all the goods for Rs.6,00,000 by incurring selling expenses of Rs.8,000. He further informed that only Rs.5,92,000 had been realized and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale.

On 5/1 /2021, M received the cheque for the amount due from A and incurred bank charges of Rs.1,040 for collecting the cheque. The amount was credited by the bank on 9/1/2021.

Write up the consignment account finding out the profit/loss on the consignment and A's account in the books of M.

Unit 4 : Average Due Date

Section 1 : True or False

Q.1 (May 1999) (2 Marks)
Average due date is the median average of several due dates for payments.

Q.2 (May 1999) (2 Marks)
If payment is made on the average due date it results in loss of interest to the creditor.

Q.3 (May 1999) (2 Marks)
In the calculation of average due date, only the due date of the first transaction must be taken, as the base date.

Q.4 (Nov 2003) (2 Marks)
In the calculation of average due date, only the due date of the first transaction must be taken as the base date.

Section 2 : Descriptive Questions

Q.1 (May 2014) (4 Marks)
Answer the following:
Define Average Due Date. List out the various instances when Average Due Date can be used.

Section 3 : Practical Questions

Q.1 (Nov 1996) (5 Marks)
Hari owes Ram Rs.2,000 on 1st April, 1996. From 1st April, 1996 to 30th June, 1996 the following further transactions took place between Hari and Ram:

April 10	Hari buys goods from Ram for Rs.5,000.
May 16	Hari receives cash loan of Rs.10,000 from Ram.
June 9	Hari buys goods from Ram for Rs.3,000.

Hari pays the whole amount, together with interest @ 15% per annum, to Ram on 30th June, 1996. Calculate the interest payable on 30th June. 1996 by the Average due-date method.

Q.2 (Nov 1997) (10 Marks)
Calculate Average Due Date from the following information:

Date of the bill	Term	Amount
August 10, 1996	3 Months	6,000
October 23, 1996	60 Days	5,000
December 4, 1996	2 Months	4,000
January 14, 1997	60 Days	2,000
March 8, 1997	2 Months	3,000

Q.3 (Nov 2000) (6 Marks)

E owes to F the following amounts:

[i] Rs.5,000 due on 10th March, 1999

[ii] Rs.18,000 due on 2nd April, 1999

[iii] Rs.60,000 due on 30th April, 1999

[iv] Rs.2,000 due on 10th June, 1999.

He desires to make full payment on 30th June, 1999 with interest at 10% per annum from the average due date. Find out the average due date and the amount of interest.

Q.4 (Nov 2002) (7 Marks)

Calculate average due date from the following information's:

Date of the bill	Term	Amount
1st March, 2002	2 months	4,000
10th March, 2002	3 months	3,000
5th April, 2002	2 months	2,000
20th April, 2002	1 months	3,750
10th May. 2002	2 months	5,000

Q.5 (Nov 2004) (6 Marks)

Calculate average due date from the following information's:

Date of the bill	Term	Amount
16 August, 03	3 months	3,000
20 October, 03	60 days	2,500
14 December, 03	2 months	2,000
24 January, 04	60 days	1,000
06 March, 04	2 months	1,500

Q.6 (May 2012) (4 Marks)

Answer the following:

M/s. Stairs & Co. draw upon M/s Marble & Co. several bills of exchange due for payment on different dates as under:

Date of the bill	Amount	Tenure of Bill
12th May	44,000	3 months
10th June	45,000	4 months
1st July	14,000	1 month
19th July	17,000	2 months

Find out the average due date on which payment may be made in one single amount by M/s Marble & Co. to M/s Stairs & Co. 15th August, independence Day, is national holiday and 22nd September declared emergency holiday, due to death of a national leader.

Q.7 (Nov 2012) (4 Marks)

Answer the following:

(a) T owes to K the following amounts:

Rs.7,000 due on 15th March, 2012

Rs.12,000 due on 5th April, 2012

Rs.30,000 due on 25th April, 2012

Rs.20,000 due on 11th June, 2012

He desires to make the full payment on 30th June, 2012 along with interest @ 10% per annum from the average due date. Find out the average due date and the amount of interest. Amount of interest may be rounded off to the nearest rupee.

Q.8 (Nov 2013) (4 Marks)

Answer the following;

The following transactions look place between Thick and Thin. They desire to settle their account on average due date.

	Rs.
Purchases by Thick from Thin	
9th July, 2013	7,200
14th August, 2013	12,200
Sales by Thick to Thin	
15th July, 2013	18,000
31st August, 2013	16,500

Calculate Average Due Date and the amount to be paid or received by Thick.

Q.9 (Nov 2014) (4 Marks)

Answer the following:

Kishanlal has made the following sales to Babulal. He allows a credit period of 10 days beyond which he charges interest @ 12% per annum.

	Rs.
26-05-14	12,000
18-07-14	18,000
02-08-14	16,500
28-08-14	9,500
09-09-14	15,500
17-09-14	13,500

Babulal wants to settle his accounts on 30-09-2014. Calculate the interest payable by him using Average Due Date (ADD). If Babulal wants to save interest of Rs.588, how many days before 30.09.2014 does he have to make payment? Also find the payment date in this case.

Q.10 (May 2015) (4 Marks)

Answer the following:

From the following details, find out the average due date:

Date of the bill	Amount	Usance of bill
29th January 2014	10,000	1 month
20th March 2014	8,000	2 months
12th July 2014	14,000	1 month
10th August 2014	12,000	2 months

Q.11 (Nov 2015) (4 Marks)

Attempt the following:

Anand purchased goods from Amirtha, the average due date for payment in cash is 10.08.2015 and the total amount due is Rs.67,500. How much amount should be paid by Anand to Amirtha, if total payment is made on following dates and interest is to be considered at the rate of 12% p.a.

(i) On average due date.

(ii) On 25th August, 2015.

(iii) On 30th July, 2015.

Q.12 (May 2016) (4 Marks)

Answer the following:

X owes Y the following sums of money due on the dates stated:

Rs.400 due on 5th January, 2016

Rs.200 due on 20th January, 2016

Rs.800 due on 4th February, 2016

Rs.100 due on 26th February, 2016

Rs.50 due on 10th March, 2016

Calculate such a date when payment may be made by X in one instalment resulting in no loss of interest to either party. Assume base date as 5th January, 2016.

Q.13 (Nov 2016) (4 Marks)

Answer the following:

A merchant trader having accepted the following several bills falling due on different dates, now desires to have these bills cancelled and lo accept a new bill for the whole amount payable on the average due date:

SI. No.	Date of Bills	Amount (Rs.)	Usance of the bill
1	1st May, 2016	500	2 months
2	10th May, 2016	300	3 months
3	5th June, 2016	400	2 months
4	20th June, 2016	375	1 month
5	10th July, 2016	500	2 months

You are required to find the said average due date.

Any fraction of a day arising from the calculation to be considered as full day

Q.14 (May 2017) (4 Marks)

Mr. Praveen buys goods on Credit on following dates. 10 days credit is allowed to him after which interest @ 8% p.a. is charged by supplier.

SI. No.	Date of Bills	Amount (Rs.)
(1)	30th July	12,000
(2)	12th August	25,000
(3)	27th July	18,000
(4)	10th September	7,000
(5)	12th September	21,000

It was agreed to be settled on 30th September. Compute interest payable by him using average due date method. Due Date of earliest purchase shall be taken as base date, (one year = 365 days)
Any fraction of a day arising from the calculation to be considered as full day.

Q.15 (May 2018) (5 Marks)

Mr. Alok owes Mr. Chirag Rs.650 on 1st January 2018. From January to March, the following further transactions took place between Alok and Chirag:

		Rs.
January 15	Alok buys goods	1,200
February 10	Alok buys goods	850
March 7	Alok receives Cash loan	1,500

Alok pays the whole amount on 3151 March, 2018 together with interest @6% per annum. Calculate the interest by average due date method.

Q.16 (Nov 2018) (5 Marks)

Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.2018 and the total amount due is Rs.1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a.

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

Q.17 (June 2019) (5 Marks)

Attempt the following:

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

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

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

Q.18 (Nov 2019) (5 Marks)

Attempt the following:

The following amounts are due to X by Y.Y wants to pay on 10th July '2019. Interest rate of 9% p.a. is taken into consideration.

Date of Bills	Amount (Rs.)
10th January	750
26th January (Republic Day)	1,200
23rd March	3,300
18th August (Sunday)	4,100

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

Q.19 (Nov 2020) (5 Marks)

Attempt the following:

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

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

15th August was a public holiday. However, 6th September, was also declared a sudden holiday.
Calculate the average due date, when the payment can be received or made without any loss of interest to either party.

Q.20 (Jan 2021) (5 Marks)

Attempt the following:

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

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

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

Q.21 (July 2021) (5 Marks)

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

[i] Rs.10,000 on 1st January, 2017
[ii] Rs.20,000 on 1st January, 2018
[iii] Rs.30,000 on 1st January, 2019
[iv] Rs.40,000 on 1st January, 2020
[v] Rs.50,000 on 1st January, 2021

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

Q.22 (Dec 2021) (5 Marks)

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

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

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

Unit 5 : Account Current

Section 1 : True or False

Q.1 (Nov 1999) (2 Marks)
The interest charged by Banker to Customer on Overdrawn account is called Red ink interest.

Q.2 (May 2003) (2 Marks)
In Account Current, Red Ink Interest is treated as negative interest.

Q.3 (May 2018) (2 Marks)
There are two ways of preparing an account current.

Q.4 (June 2019) (2 Marks)
In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-Ink interest.

Q.5 (Jan 2021) (2 Marks)
There are two ways of preparing an account current.

Section 2 : Short Notes

Q.1 (Nov 2005) (5 Marks)
Write short note on the following:
Account Current.

Section 3 : Practical Questions

Q.1 (May 2005) (8 Marks)
Mr. A owed Rs.4,000 on 1st January, 2004 to Mr. X. The following transactions took place between them. It is agreed between the parties that interest @10% p.a. is to be calculated on all transactions.

	Rs.
15 January, 2004 Mr. X sold goods to Mr. A	2,230
29 January, 2004 Mr. X bought goods from Mr. A	1,200
10 February, 2004 Mr. A paid cash to Mr. X	1,000
13 March, 2004 Mr. A accepted a bill drawn by Mr. X for one Month	2,000

They agree to settle their complete accounts by one single payment on 15th March, 2004. Prepare Mr. A in Account Current with Mr. X and ascertain the amount to be paid. Ignore days of grace. (8 marks)

Q.2 (May 2018) (5 Marks)

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

Date	Particulars	Amount (Rs.)
2018 January 1	Balance due from Bhuvanesh	1,800
January 10	Sold goods to Bhuvanesh	1,500
January 15	Bhuvanesh returned goods	650
February 12	Bhuvanesh paid by cheque	1,000
February 20	Bhuvanesh accepted a bill drawn by Avinash for one month	1,500
March 11	Sold goods to Bhuvanesh	720
March 14	Received cash from Bhuvanesh	800

Q.3 (Nov 2018) (5 Marks)

Attempt the following;

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

Date	Particulars	Amount (Rs.)
15th July	Balance due from XY	1,500
20th August	Sold goods to XY	2,500
28th August	Goods returned by XY	400
25th September	XY paid by cheque	1,600
20th October	Received cash from XY	1,000

Q.4 (Nov 2019) (5 Marks)

Attempt the following:

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

Date	Amount (Rs.)
14-07-2018	1,23,000
18-08-2018	21,000

He withdrew the following amounts:

Date	Amount (Rs.)
29.07-2018	92,000
09-09-2018	11,500

Show Ramesh's A/c in the books of the firm. Interest is to be calculated at 10% on debit balance and 8% on credit balance. You are required to prepare current account as on 30th September, 2018 by means of product of balances method.

Q.5 (Nov 2020) (5 Marks)

Attempt the following:

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

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

Q.6 (Jan 2021) (5 Marks)

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

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

Q.7 (Dec 2021) (5 Marks)

Attempt of the following two sub-parts i.e, either: (i) From the following details, prepare an account current, as sent by A to B on 30th June, 2021 by means of product method charging interest @ 6%p.a.;

Date 2021	Particulars	Amount (Rs.)
January 1	Balance due from B	600
January 11	Sold goods to B	520
January 18	B returned goods	125
February 11	B paid by cheque	400
February 14	B accepted a bill drawn by A for one month	300
April 29	Goods sold to B	615
May 15	Received cash from B	700

Q.8 (June 2022) (5 Marks)

Attempt the following:

(i) The following particulars are sent by Mr. A to Mr. K:

Date 2021	Particulars	Amount (Rs.)
15/7/2021	Balance due from Mr. K	6,000
20/8/2021	Sold goods to Mr. K	10,000
25/8/2021	Goods returned by Mr. K	1,600
15/9/2021	Cheque paid by Mr. K	6,400
20/10/2021	Cash received from Mr. K	4,000

Prepare an Account Current as sent by Mr. A to Mr. K as on 31st October, 2021 by means of product method charging interest @ 8% per annum. Round off the amounts to the nearest rupee.

7. PREPARATION OF FINAL ACCOUNTS OF SOLE PROPRIETORS

Unit 1 : Final Accounts of Non-Manufacturing Entities

Section 1 : True or False

Q.1 (Nov 1996) (2 Marks)
The debts written off as bad, if recovered subsequently are credited to debtors account.

Q.2 (Nov 1997) (2 Marks)
The proprietor of a shop feels that he has made a loss due to closing stock being zero.

Q.3 (May 1998) (2 Marks each)
[i] The provision for discount on debtors is calculated after deducting the provision (or doubtful debts from Debtors.
[ii] Freight and cartage expenses paid on purchase of goods is added to the amount of purchase,

Q.4 (May 2000) (2 Marks)
Provision for bad debts is debited to Sundry Debtors Account.

Q.5 (Nov 2000) (2 Marks each)
[i] Freight paid on purchases of goods is added to the amount of purchases.
[ii] Wages paid for erection of new machinery are debited to Machinery A/c.

Q.6 (May 2001) (2 Marks)
Land is also a depreciable asset.

Q.7 (May 2002) (2 Marks)
The debts written-off as bad, if recovered subsequently are credited to debtors account.

Q.8 (Nov 2002) (2 Marks each)
[i] Provision for discount on debtors is calculated after deducting the provision for doubtful debts from debtors.
[ii] Profit on Sale of a Capital asset need not be added to ascertain the Net Profit of a business.

Q.9 (Nov 2004) (2 Marks)
The provision for discount on debtors is calculated after deducting the provision for doubtful debts from debtors.

Q.10 (May 2005) (2 Marks)
Goods worth Rs.600 taken by the proprietor for personal use should be credited to purchase account.

Q.11 (May 2006) (2 Marks each)
[i] "Marshalling" and "Grouping" have the same meaning.
[ii] Sundry debtors are liquid assets.

Q.12 (Nov 2018) (2 Marks)
If Closing Stock appears in the Trial Balance:
The closing inventory is then not entered In Trading Account. It is shown only in the balance sheet.

Q.13 (Dec 2021) (2 Marks)
The provision for bad debts is debited to sundry debtors account.

Section 2 : Distinguish Between

Q.1 (Nov 1996, Nov. 2000) (5 Marks)
Distinguish between the following:
Provisions and Reserves.

Q.2 (May 1997, May 1998, May 2002) (5 Marks)
Explain the difference between the following:
Trial Balance and Balance Sheet.

Q.3 (Nov 2001) (5 Marks)
Briefly explain the difference between the following:
Charge against Profit and Appropriation of Profit.

Q.4 (Nov 2002) (3 Marks)
Distinguish between the following:
Cash Discount and Trade Discount

Section 3 : Descriptive Questions

Q.1 (Nov 2001) (5 Marks)
What is "Balance Sheet"?

Q.2 (Nov 2018) (4 Marks)
Discuss the limitations which must be kept in mind while evaluating financial statements.

Section 4 : Practical Questions

Q.1 (May 1997) (20 Marks)
From the following particulars prepare trading and profit and loss account of Mr. R for the year ended 31-3-1997 and a balance sheet as on 31-3-1997:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Building	5,00,000	
Machineries	2,00,000	
Furniture	1,00,000	
Cash at Bank	90,000	
Cash on hand	10,000	

8% P a. loan obtained by Mr. R on 1-6-1996 on mortgage of his building		3,00,000
R's capital		5,20,000
Sundry debtors/Sundry creditors	5,00,000	4,00,000
Stock on 1-4-1996	1,20,000	
Purchases/Sales	25,00,000	32,20,000
Sales returns/Purchases returns	1,20,000	1,00,000
Rent	60,000	
Establishment expenses	1,80,000	
Electricity charges	15,000	
Telephone charges	10,000	
Commission on sales	30,000	
Insurance premium	10,000	
Bad debts	20,000	
Bills receivable	75,000	
	45,40,000	45,40,000

You are required to provide for depreciation on buildings at 5% p.a.; on machineries at 25% p.a.; on furniture at 10% p.a. Provision for bad and doubtful debts is to be made at 5% on sundry debtors. Mr. R's manager is entitled to a commission of 10% on the net profit after charging his commission. Closing stock was not taken on 31-3-1997 but only on 7-4-1997. Following transactions had taken place during the period from 1-4-1997 to 7th April, 1997. Sales Rs.2,50,000, purchases 1,50,000, stock on 7th April, 1997 was Rs.1,80,000 and the rate of gross profit on sales was 20%. Insurance premium mentioned in the trial balance was in respect of building and machineries. Interest on mortgage loan to be provided up to 31.3.1997.

Q.2 (May 1998) **(20 Marks)**

From the following balances and information, prepare Trading and Profit and Loss Account of Mr. X for the year ended 31st March, 1998 and a Balance Sheet as on that date:

Particulars	Dr. (Rs.)	Cr. (Rs.)
X's Capital Account	—	10,000
Plant and Machinery	3,600	—
Depreciation on Plant and Machinery	400	
Repairs to Plant	520	—
Wages	5,400	—
Salaries	2,100	—
Income-tax of Mr. X	100	—
Cash in Hand and at Bank	400	—
Land a d Building	14,900	—

Depreciation on Building	500	—
Purchases	25,000	—
Purchases Return	—	300
Sales	—	49,800
Bank Overdraft	—	760
Accrued Income	300	—
Salaries Outstanding	—	400
Bills Receivable	3,000	—
Provision for Bad Debts	—	1,000
Bills Payable	—	1,600
Bad Debts	200	—
Discount on Purchases	—	708
Debtors	7,000	—
Creditors	—	6,252
Opening Stock	7,400	—
	70,820	70,820

Information :

[i] Stock on 31st March, 1998 was Rs.6,000.

[ii] Write off further Rs.600 for Bad Debt and maintain a provision for Bad Debts at 5% on Debtors.

[iii] Goods costing Rs.1,000 were sent to customer for Rs.1,200 on 30th March, 1998 on sale or return basis. This was recorded as actual sales.

[iv] Rs.240 paid as rent of the office were debited to Landlord account and were included in the list of debtors.

[v] General Manager is to be given commission at 10% of net profit after charging the commission of the works manager and his own.

[vi] Works manager is to be given commission at 12% of net profit before charging the commission of General Manager and his own.

Q.3 (May 2000) (20 Marks)

The following is the Trial Balance of Shri Arihant as on 31st December, 1999:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital	-	14,00,000
Drawings	75,000	-
Opening Stock	80,000	-
Purchases	16,20,000	-
Freight on Purchases	15,000	-
Wages	1,10,000	-
Sales	-	25,00,000

Salaries	1,00,000	-
Travelling Expenses	23,000	-
Miscellaneous Expenses	35,000	-
Printing and Stationery	27,000	-
Advertisement Expenses	25,000	-
Postage and Telegrams	13,000	-
Discounts	7,600	14,500
Bad Debts written off (after adjusting recovery of bad debts of ?6,000 written off in 1997)	14,000	-
Building	10,00,000	-
Machinery	75,000	-
Furniture	40,000	-
Debtors	1,50,000	-
Provision for Doubtful Debts	-	19,000
Creditors	-	1,60,000
Investments (12% Purchased on 1/10/99)	6,00,000	-
Bank Balance	83,900	-
	40,93,500	40,93,500

Adjustments:

[i] Closing Stock Rs.2,25,000.

[ii] Goods worth Rs.5,000 were taken for personal use, but no entry was made in the books.

[iii] Machinery worth Rs.35,000 purchased on 1/1/97 was wrongly written off against Profit and Loss Account. This asset is to be brought into account on 1/1/99 taking depreciation at 10% per annum on straight line basis upto 31/12/98.

[iv] Depreciate Building at 2'/2%p.a., Machinery at 10% p.a. and Furniture at 10% p.a.

[v] Provision for Doubtful Debts should be 6% on Debtors.

[vi] The Manager is entitled to a commission of 5% of Net Profits after charging his commission. Prepare Trading and Profit and Loss Account for the year ending 31st December, 1999 and a Balance Sheet as at that date.

Q.4 (Nov 2000) **(20 Marks)**

The following is the Trial Balance of K on 31st March, 2000:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital	-	8,00,000
Drawings	60,000	-
Opening Stock	75,000	-
Purchases	15,95,000	-
Freight on Purchases	25,000	-

Wages (11 months upto 29.02.2000)	66,000	-
Sales	-	23.10,000
Salaries	1,40,000	-
Postage. Telegrams, Telephones	12,000	-
Printing and Stationery	18,000	-
Miscellaneous Expenses	30,000	-
Creditors	-	3,00,000
Investments	1,00,000	-
Discounts Received	-	15,000
Debtors	2,50,000	-
Bad Debts	15,000	-
Provision for Bad Debts	-	8,000
Building	3,00,000	-
Machinery	5,00,000	-
Furniture	40,000	-
Commission on Sales	45,000	-
Interest on Investments	-	12,000
Insurance (Year upto 31.07.2000)	24,000	-
Bank Balance	1,50,000	-
	34,45,000	34,45,000

Adjustments :

[i] Closing stock at Rs.2,25,000

[ii] Machinery worth Rs.45,000 purchased on 1.10.99 was shown as purchases. Freight paid on the machinery was Rs.5,000, which is included in freight on purchases

[iii] Commission is payable at 2% on sales

[iv] Investments were sold at 10% profit, but the entire sale proceeds have been taken as sales

[v] Write off Bad Debts Rs.10,000 and create a provision for Doubtful Debts at 5% of Debtors.

[vi] Depreciate Building by 2 ½ % p.a. and Machinery and Furniture at 10% p.a.

Prepare Trading and Profit and Loss Account for the year ending 31st March, 2000 and a Balance Sheet as on that date.

Q.5 (May 2001) **(20 Marks)**

Shri Patit Bansali submitted to you the following Trial Balance, which he has not been able to agree. Rewrite the Trial Balance and prepare Trading and Profit and Loss Account for the year ended 31.12.2000 and a Balance Sheet as on that date after giving effect to the undermentioned adjustments:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital		16,000
Opening Stock	17,500	

Closing Stock		18,790
Drawings	3,305	
Return inward		550
Carriage Inward	1,240	
Deposit with X		1,400
Return outward	840	
Carriage outward		725
Rent paid	800	
Rent outstanding	150	
Purchases	13,000	
Sundry Debtors	5,000	
Sundry Creditors		4,000
Furniture	1,500	
Sales		29,000
Wages	850	
Cash	1,370	
Goodwill	1,800	
Advertisement	950	
	48,305	70,465

Adjustments:

1. Write off Rs.600 as Bad Debts and make Reserve for Bad Debts on Sundry Debtors at 5%.
2. Stock valued at Rs.2 000 was destroyed by fire on 25th December, 2,000. but Insurance Company admitted a claim for Rs.1,500 only and paid the sum in January 2001.
3. Depreciate Furniture by 10%.

Q.5 (May 2001) (6 Marks)

Mr. James submits you the following information for the year ended 31.3.2001:

	Rs.
Stock as on 1.4.2000	1,50,500
Purchases	4,37,000
Manufacturing Expenses	85,000
Expenses on Sales	33,000
Expenses on Administration	18,000
Financial Charges	6,000
Sales	6,25,000

During the year damaged goods costing Rs.12,000 were sold for Rs.5,000. Barring the above transaction the Gross Profit has been @ 20% on Sales. Compute the Net Profit of Mr. James for the year ended 31.3.2001.

Q.6 (Nov 2003) (20 Marks)

The following is the Trial Balance of Mr. 'A' as on 31st March, 2003. You are required to prepare the Trading and Profit & Loss Account for the year ended 31st March, 2003 and Balance Sheet as on that date after making the necessary adjustments:

Particulars	Rs.	Rs.
Stock 1-4-2002	5,50,000	—
Purchases and Sales	19,25,000	29,35.000
Wages and Salaries	1,25,000	—
Discount	—	2,000
Carriage inward	40,000	—
Bill receivable and Bill payable	2,25,000	1,85,000
Insurance	35,000	—
Debtors and Creditors	15,00,000	9,32,500
Consignor's Balance (1-4-2002)	—	4,00,000
Capital	—	8,95,000
Commission	40,000	—
Cash sent to Consignor	8,00,000	—
Inerest	35,000	—
Trade Expenses	34,500	—
Frniture (1-4-2002)	60,000	—
Consignment Sales	—	6,40,000
Cash in hand and at Bank	4.22.500	—
Rent and Taxes	1,27,500	—
Sale of furniture (31-3-2003)	—	10,000
Charges paid against Consignment	80,000	—
	59,99,500	59,99,500

Adjustments:

[i] Stock on 31st March, 2003 was valued at Rs.8,00,000 (including stock of stationery Rs.800)

[ii] Bill receivable include a dishonoured bill of Rs.8,000.

[iii] Trade expenses include payment for stationery of Rs.22,500

[iv] Stock in the beginning include stock of stationery Rs.1,800.

[v] Furniture sold was appearing in the Balance Sheet on 31st March. 2002 at Rs.13,000.

[vi] Creditors at the end include creditors for stationery Rs.3,000 for credit purchases.

[vii] Commission receivable on sale of consignment is *40,000

[viii] Stationery of Rs.2,000 was consumed by Mr. 'A'.

[ix] Make provision for bad and doubtful debts at 5% on debtors.

[x] Depreciate furniture at 10% p.a.

Q.7 (May 2004) (20 Marks)

Mr. Neel had prepared the following Trial Balance from his Ledger as on 31st March. 2004:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Stock as on 1st April, 2003	5,00,000	
Purchases and Returns	31,00,000	45,000
Sales and Returns	55,000	41,50,000
Cash in Hand	2,50,000	
Cash at Bank	5,00,000	
Trader's Capital		22,59,200
Rates and Taxes	50,000	
Drawings	45,000	
Salaries	95,000	
Postage and Telegram	1,05,000	
Insurance	90,000	
Salesman Commission	78,000	
Printing and Stationery	95,500	
Advertisement	1,70,000	
Furniture and Fittings	5,50,000	
Motor Car	48,000	
Discounts	50,000	75,000
General Expenses	65,700	
Carriage Inward	10,000	
Carriage Outward	22,000	
Wages	50,000	
Sundry Debtors/Creditors	10,00,000	4,00,000
	69,29,200	69,29,200

You are required to prepare Trading and Profit & Loss Account for the year ended on 31st March, 2004 and Balance Sheet as on that date after making the necessary adjustments.

You are provided with the following information:

[i] Closing Stock as on 31st March, 2004 Rs.1,45,000.

[ii] Neel had withdrawn goods worth Rs.50,000 during the year.

[iii] Purchases include Purchase of furniture worth Rs.1,00,000.

[iv] Debtors include Rs.50,000 bad debts.

[v] Sales include goods worth Rs.1,50,000 sent out to NN & Co. on approval and remained unsold as on 31st March, 2004. The cost of the goods was Rs.1,00,000.

[vi] Provision for Bad debts is to be created at 5% of Sundry Debtors.

[vii] Depreciate Furniture and Fittings by 10% and Motor Car by 20%. (vii) The salesman is entitled to a commission of 10% on total sales.

Q.8 (May 2005) (20 Marks)

The following are the balances as at 31st March, 2004 extracted from the books of Mr. XYZ.

Particulars	Rs.	Particulars	Rs.
Plant and Machinery	19,550	Bad debts	1,100
Furniture and Fittings	10,250	Bad debt recovered	450
Bank Overdraft	80,000	Salaries	22,550
Capital Account	65,000	Salaries payable	2,450
Drawings	8,000	Prepaid rent	300
Purchases	1,60,000	Rent	4,300
Opening Stock	32,250	Carriage inward	1,125
Wages	12,165	Carriage outward	1,350
Provision for doubtful debts	3,200	Sales	2,15,300
Provision for Discount on debtors	1,375	Advertisement Expenses	3,350
Sundry Debtors	1,20,000	Printing and Stationery	1,250
Sundry Creditors	47,500	Cash in hand	1,450
		Cash at Bank	3,125
		Office Expenses	10,160
		Int. paid on loan	3,000

Additional Information:

1. Purchases include sales return of Rs.2,575 and sales include purchase return of Rs.1,725.
2. Goods withdrawn by Mr. XYZ for own consumption Rs.3,500 included in purchases.
3. Wages paid in the month of April for installation of Plant and Machinery amounting to ?450 were included in wages account.
4. Free samples distributed for Publicity costing Rs.825.
5. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
6. Depreciation is to be provided on Plant and Machinery @ 15% p. a. and on furniture and fittings @ 10% p. a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2004 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 on overdraft.

Prepare a trading and Profit Loss Account for the year ended 31st March, 2004, and a Balance Sheet as on that date. Also show the rectification entries.

Q.9 (Nov 2005) (20 Marks)

From the following Trial Balance of Shri Shivam as on 31st March, 2005, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2005 and Balance Sheet as on that date, after making the necessary adjustments as mentioned hereunder:

Particulars	Dr. (Rs.)	Cr. (Rs.)
Shivam's capital		1,60,000
Shivam's drawings	24,000	
Furniture and Fixtures	8,000	
Plant and machinery	60,000	
Patents (ten years from 1.4.2004)	40,000	
Stock on 1.4.2004	40,000	
Purchases	1,70,000	
Salaries	14,800	
Wages	30,000	
Sundry debtors	20,400	
Sales		2.64,000
Cash in hand	13,250	
Land	28,350	
Loan from Shyam (at 6% from 1.10.2004)		20,000
Postage and Fax	3,000	
Rent, rates and taxes	7,200	
Bad debts	800	
Sundry creditors		24,000
Discount		1,200
Carriage Inward	400	
Interest on loan	300	
Insurance	1,600	
Travelling expenses	1,000	
Sundry Expenses	600	
Cash at bank	20,500	
Bank overdraft		15,000
Total	4,84,200	4,84,200

Adjustments:

[i] Stock as on 31.3.2005 is valued at Rs.30,000.

[ii] A new machine was installed on 1st April, 2004 for Rs.3,000. No entry in this respect was passed in the books. Wages of Rs.1,000 paid for installing the machine were debited to Wages account.

[iii] Of the Sundry debtors, Rs.200 are bad and are to be written off. You are required to maintain a provision for doubtful debts @ 5% on debtors and provision for discount on debtors @ 2%.

[iv] Goods costing Rs.2,000 were given away as free samples for publicity.

[v] Depreciate Plant and Machinery at 20% per annum and Furniture and Fixtures at 10% per annum.

[vi] On 1.4.2004, machinery of the value of Rs.10,000 was destroyed by fire and the insurance claim settled at Rs.8,000 was credited to Machinery account.

[vii] Goods costing Rs.1,000 were sent to a customer for Rs.1,200 on 30th March, 2005 on sale or return basis. This was recorded as actual sales.

Q.10 (May 2018) **(20 Marks)**

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

Particulars	Dr. (Rs.)	Cr. (Rs.)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent at Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs to Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	

Land and Buildings	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2017	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	30,73,400	30,73,400

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

[a] Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
[b] Value of stock at the close of the year was Rs.4,10,000.
[c] One month rent for godown is outstanding.
[d] Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017.
[e] Reserve for bad debts is to be maintained at 5% of Sundry debtors.
[f] Insurance premium includes Rs.42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.21018.

Q.11 (Nov 2018) **(5 Marks)**

Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P & L Account is as follows:

Trading and P & L A/c for the year ended 31st March, 2018.

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

Selling expenses amount to 1% of total Sales.

You are required to compute the missing figure.

Q.12 (June 2019) **(10 Marks)**

Following particulars are extracted from the books of Mr. Sandeep (or the year ended 31st December, 2018.

Particulars	Rs.	Particulars	Rs.
Debit Balances :		Credit balances:	
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Reserve for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivable	3,000		
	35,000		35,000

Other information:

[i] Closing stock was valued at Rs.4,500

[ii] Salary of Rs.100 and Tax of Rs.200 are outstanding whereas insurance Rs.50 is prepaid.

[iii] Commission received in advance is Rs.100

[iv] Interest accrued on investment is Rs.210

[v] Interest on overdraft is unpaid Rs.300

[vi] Reserve for bad debts is to be kept at Rs.1,000

[vii] Depreciation on furniture is to be charged @ 10%

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

Q.13 (Nov 2019) **(10 Marks)**

The balance sheet of Mittal on 1st January, 2018 was as follows:

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

During 2018, his profit and loss account revealed a net profit of Rs.15,10,000. This was after allowing for the following:

[i] Interest on capital @ 6% p.a.

[ii] Depreciation on plant and machinery @ 10% and on Furniture and Fixtures @ 5%.

[iii] A provision for Doubtful debts @ 5% of the trade receivables as at 31st December 2018.

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totalling Rs.1,85,000 and (2) prepaid insurance to the extent of Rs.25,000.

His current assets and liabilities on 31st December, 2018 were: Trade receivables Rs.21,00,000; Cash at bank Rs.5,20,000 and Trade payables Rs.13,84,000. During the year he withdrew Rs.6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the year end. You are required Draw up revised Profit and Loss account and Balance Sheet at the end of the year.

Q.14 (Nov 2020) **(5 Marks)**

Max & Co. employs a team of 9 worker who were paid Rs.40,000 per month each in the year ending 31st December, 2018. At the start of 2019, the company raised salaries by 10% to Rs.44,000 per month each. On 1st July, 2019 the company hired 2 trainees at salary of Rs.21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc. You are required to calculate:

[i] Amount of salaries which would be charged to the profit and loss for the year ended 31st December, 2019.

[ii] Amount actually paid as salaries during 2019.

[iii] Outstanding salaries as on 31st December, 2019.

Q.15 (July 2021) **(10 Marks)**

Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1st April, 2020. She had a saving of about Rs.10,00,000. She invested Rs.3,00,000 out of her savings and borrowed equal amount from Bank. She purchased a commercial space for Rs.5,00,000 and further spent Rs.1,00,000 on its renovation to make it ready for business.

Loan and interest repaid by her in the first year are as follows:

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

In view of further capital requirement, she transferred Rs.2,00,000 from her saving bank account to the bank account of the business. She paid security deposit of Rs.7,000 for telephone connection. Furniture of Rs.10,000 was purchased. All payments were made by cheque and all receipts in cash were deposited in the bank.

at the end of the year, her business showed the following results:

Particulars	Rs.	Particulars	Rs.
Total Sales	20,00,000	Total Purchase	17,00,000
Electricity Expenses paid	40,000	Telephone Charges	50,000
Cartage Outwards	60,000	Travelling Expenses	45.000
Entertainment Expenses	5,000	Maintenance Expenses	25.000
Misc. Expenses	15,000	Electricity Expenses Payable	20,000

Other Information :

[i] She withdrew Rs.5,000 by cheque each month for her personal expenses.

[ii] Depreciation on buliding @ 5% p.a. and on furniture @ 10% p.a.

[iii] Closing stock in hand as on 31s1 March, 2021: Rs.5,50,000 Prepare trading account profit and loss account for the year ended 31-3-2021 and Balance Sheet as on that date.

Q.16 (July 2021) (10 Marks)

Attempt the following:

PQR Limited's Profit and Loss account for the year ended 31st March, 2021 includes the following information:

Sr. No.	Particulars	Rs.
(1)	Liability for Income Tax	40,000
(2)	Retained Profit	2,00,000
(3)	Proposed Dividend	20,000
(4)	Increase in Provision for Doubtful Debts	25,000
(5)	Bad Debts written off	20,000

State which one of the items above is - (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves.

Unit 2 : Final Accounts of Manufacturing Entities

Section 1 : Practical Questions

Q.1 (Nov 2019) **(5 Marks)**

Mr. Shyamal runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2019.

Particulars	Rs.
Opening work-in-progress (9,000 units)	26,000
Closing work-in-progress (14,000 units)	48,000
Opening inventory of Raw Materials	2,60,000
Closing inventory of Raw Materials	3,20,000
Purchases	8,20,000
Hire charges of Machinery @ Rs.0.70 per unit manufactured	
Hire charges of factory	2,60,000
Direct wages-contracted @ Rs.0.80 per unit manufactured and @ Rs.0.40 per unit of closing W.I.P	
Repairs and maintenance	1,80,000
Units produced 5,00,000 units	

Required a Manufacturing Account of Mr. Shyamal for the year ended 31 -032019.

Q.2 (Nov 2020) **(10 Marks)**

Following are the Manufacturing A/c, Creditors A/c and Treading A/c provided by M/s. Shivam related to financial year 2019-20. There are certain figures missing from these accounts.

Raw Material A/c.

Particulars	Rs.	Particulars	Rs.
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	—
To Creditors A/c	—	By Closing Stock	—

Creditors A/c.

Particulars	Rs.	Particulars	Rs.
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		

Manufacturing A/c

Particulars	Rs.	Particulars	Rs.
To Raw Material A/c.	—	By Trading A/c.	17,44,000
To Wages	3,65,000		

To Depreciation	2,15,000		
To Direct Expenses	2,49,000		

Additional Information:

[i] Purchase of machinery worth Rs.12,00,000 on 1st April, 2019 has been omitted. Machinery are chargeable at a depreciation rate of 15%

[ii] Wages include the following.

Paid to factory workers – Rs.3,15,000

Paid to labour at office – Rs.50,000

Direct expenses including fallowing: _

Electricity charges	Rs.80,000 of which 25% pertained to office
Fuel charges	Rs.25,000
Freight inwards	Rs.32,000
Delivery charges to customers	Rs.22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c

Q.3 (Dec 2021) (15 Marks)

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

Particulars	Dr. (Rs.)	Particulars	Cr. (Rs.)
Stock on 1/4/2020 :		Sundry Creditors	1,50,000
Raw Materials	2,10,000	Bills Payables	75,000
Work-in-Progress	95,000	Sale of Scrap	25,000
Finished Goods	1,55,000	Commission received	4,500
Sundry Debtors	2,40,000	Provision for doubtful	
Carriages on Purchases	15,000	debts	16,500
Bills Receivables	1,50,000	Capital account	10,00,000
Wages	1,30,000	Sales	16,72,000
Salaries	1,00,000	Bank overdraft	85,000
Telephone and Postage	10,000		
Repairs to office furniture	3,500		
Cash at Bank	1,70,000		
Office Furniture	1,00,000		
Repairs to Plant	11,000		
Purchases	8,50,000		
Plant and Machinery	7,00,000		
Rent	60,000		
Lighting	13,500		
General Expenses	15,000		
	30,28,000		30,28,000

The following additional information is available :

Stocks on 31st March 2021 were:

Raw materials	Rs.1,62,000
Finished goods	Rs.1,81,000
Work-in-progress	Rs.78,000

Salaries and wages unpaid for the year ended 31st March 2021 were respectively Rs.9,000 and Rs.20,000. Machinery is to be depreciated by 10% & office furniture by 71/2%. A provision for doubtful debts is to be gained @ 1 % Of sales. Rent is to be charged as to 3/4 to factory and 1/4 to office. Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account, Trading Account and Profit and Loss account for the year ended on 31st March 2021.

Q.4 (June 2022) (20 Marks)

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

Particulars	Dr. (Rs.)	Particulars	Cr. (Rs.)
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 & 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 Rs.3,500 and Machinery Rs.10,500

[iii] Accrued commission is Rs.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 & profit & loss account for the year ended 31st March, 2021 and Balance sheet as at that date.

8. PARTNERSHIP ACCOUNTS

Unit 1 : Introduction to Partnership Accounts

Section 1 : True or False

Q.1 (May 2000) (2 Marks)
A partner who devotes more time to a business than other partners is entitled to get a salary.

Q.2 (May 2001) (2 Marks)
Partners can share profits or losses in their Capital ratio, when there is no agreement.

Q.3 (May 2005) (2 Marks)
When there is no agreement among the partners, the profit or loss of the firm will be shared in their capital ratio.

Q.4 (Nov 2005) (2 Marks)
The business of partnership firm must be carried on by all the partners.

Q.5 (May 2018) (2 Marks)
When there is no partnership deed prevails, the interest on loan of a partner to be paid @ 6%.

Q.6 (June 2019) (2 Marks)
Limited Liability Partnership (LLP) is governed by Indian Partnership Act, 1932.

Q.7 (Nov 2019) (2 Marks)
A Partnership firm cannot own any Assets.

Section 2 : Short Notes

Q.1 (Nov 2004, May 1997, Nov 2000) (5 Marks)
Fixed and Fluctuating Capital.

Section 3 : Descriptive Questions

Q.1 (Jan 2021) (5 Marks)
Discuss the rules if there is no Partnership Agreement.

Section 4 : Practical Questions

Q.1 (May 2005) (8 Marks)

A, B and C entered into partnership on 1.1.2004 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than Rs.30,000 in any year. Capital of A, B and C were Rs.3,20,000, Rs.2,00,000 and Rs.1,60,000 respectively.

Profits for the year ending 31.12.2004 before providing for interest on partners capital was Rs.1,59,000.

Show the Profit and Loss Appropriation Account.

Unit 2 : Treatment of Goodwill in Partnership Accounts

Section 1 : True or False

Q.1 (May 2001) **(2 Marks)**
Goodwill is a fictitious asset.

Q.2 (May 2006) **(2 Marks)**
Depreciation can be charged on Goodwill by Fixed Installment method.

Section 2 : Practical Questions

Q.1 (June 2022) **(5 Marks)**
Mr. X gives the following particulars in respect of business carried on by him:

Particulars	Rs.
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of Rs.2,40,000, Rs.2,16,000 and Rs.3,00,000 in the years 2018, 2019 and 2021 respectively but made a loss of Rs.36,000 in the year 2020.
Compute the value of Goodwill on the basis of 6 years purchase of super profits of the business, calculated on the basis of average profit of last four years

Unit 3 : Admission of a New Partner

Section 1 : True or False

Q.1 (May 2000) (2 Marks)
Goodwill brought in by incoming partner in cash for joining in a partnership firm is taken away by the old partners in their new profit sharing ratio.

Q.2 (May 2001) (2 Marks)
Goodwill is a fictitious asset.

Q.3 (Nov 2020) (2 Marks)
In case of admission of a new partner in a partnership firm, the profit/loss on revaluation account is transferred to all partners in their new profit sharing ratio.

Section 2 : Practical Questions

Q.1 (May 1996) (20 Marks)
On 31st March, 1996 the Sheet of M/s P, R and S sharing profit and losses in the ratio of 6: 5: 3, stood as follows:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	37,800	Cash	3,780
Bills Payable	12,600	Sundry Debtors	52,920
General Reserve	21,000	Stock	58,920
Capital Accounts:		Furniture	14,700
P	70,800	Land & Buildings	90,300
S	29,100	Goodwill	10,500
R	59,700		
	2,31,000		2,31,000

They agree to admit Q into partnership giving him 1/8th share, on 1.4.1996 on the following terms:
1. Furniture be depreciated by Rs.1,840.
2. Stock shall be valued 10% less than the balance sheet value.
3. A provision of Rs.2,640 be made for outstanding repair bill.
4. The value of land and buildings having appreciated be brought up-to Rs.1,19,700.
5. Value of Good will be brought up-to Rs.28,140.
6. Q should bring in cash Rs.29,400 as his capital.

After making the above adjustments, the capital accounts of the old partners be adjusted on the basis of proportion of Q's Capital to his share in the business by bringing in or taking out cash.
You are required to prepare Revaluation Account, Capital Accounts of Partners, Cash Account and Balance Sheet as on 1.4.1996 after Q's admission.

Q.2 (Nov 1997) (15 Marks)

A, B C were in partnership, sharing profits and losses as to A one-half, B one-third and C one- sixth. As from 1st January 1996 they admitted D into Partnership on the following terms:

D to have a one-sixth share which he purchased entirely from A paying A Rs.8,000 for that share of Goodwill. Of this amount, A had withdrawn Rs.6,000 and put the balance in the firm as additional capital. As a condition to admission of D as a partner, D also brought Rs.5,000 capital into the firm. It was further agreed that the investment should be valued at its market value of Rs.3,600 and plant be valued at Rs.5,800.

The Balance Sheet of the old firm on 31.12.1995 was as following:

Cash at Bank Rs.8,000; Debtors Rs.12,000; Stock Rs.10,000; Investments at Cost Rs.6,000; Furniture Rs.2,000 Plant Rs.7,000 Creditors Rs.21,000; Capital: A Rs.12,000; B Rs.8,000 and C Rs.4,000. The profits for the year 1996 were Rs.12,000 and the drawings were: A Rs.6,000, B Rs.6,000, C Rs.3,000 and D Rs.3,000.

You are required to journalise the opening adjustments, prepare the opening Balance Sheet of the new firm as on 1st January, 1996 and five the capital account of each partner as on 31st December, 1996.

Q.3 (Nov 1998) (15 Marks)

A and B are Partners of X & Co. sharing profits and loses in 3: 2 ratio between themselves. On 31st March, 1998, the Balance Sheet of the firm was as follows:

Balance Sheet of X & Co. as at 31. 3.1998

Liabilities		Rs.	Assets	Rs.
Capital Accounts:			Plant And Machinery	20,000
A	37,000		Furniture and Fitting	5,000
B	28,000	65,000	Stock	15,000
Sundry Creditors		5,000	Sundry Debtors	20,000
			Cash on Hand	10,000
		70,000		70,000

X agrees to join the business on the following conditions as and firm 1.4. 1998.

[a] He will introduce Rs.25,000 as his capital and pay ^15,000 at the partners as premium for Goodwill for 1 /3rd share of the future profits of the firm.

[b] A revaluation of assets of the firm will be made by reducing the value of Plant and Machinery to Rs.15,000, Stock by 10% Furniture and Fittings by Rs.1,000 and by making a provision of bad and doubtful debts at Rs.750 on Sundry debtors.

You are asked to prepare Profit and Loss Adjustment Account, Capital accounts of partners including the incoming partner X, Balance Sheet of the firm after admission of X and also find out the new profit sharing ratio assuming that the relative ratios of the old partners will be in equal proportion after admission.

Q.4 (Nov 2000) **(15 Marks)**

Hari and Ram were in partnership, sharing profits and losses equally. On 1st January, 1999, Suraj was admitted into partnership on the following terms:

Suraj is to have one- sixth share in the profits/losses, which he has got from Hari, paying him Rs.40,000 for that share as goodwill. Out of this amount Hari is to withdraw Rs.30,000 and the balance amount is to remain in the firm. It was further agreed that the value of investments should be reduced Rs.18,000 and plant to be valued at Rs.29,000. Creditors were to be reduced to Rs.3,000 as one of the creditors has closed his business and gone. Suraj is to bring in proportionate capital on his admission. The Balance sheet is at 31st December, 1998 was as follows:

Liabilities		Rs.	Assets	Rs.
Creditors:		1,05,000	Cash at Bank	40,000
Capitals:			Book Debts	60,000
Hari	60,000		Stock	50,000
Ram	60,000	1,20,000	Investments	30,000
			Furniture	10,000
			Plant	35,000
		2,25,000		2,25,000

The profits for the year ended 31st December 1999 were Rs.60,000 and the drawings were: Hari Rs.15,000; Ram Rs.22,500 and Suraj Rs.7,500

Journalise the entries on Suraj's admission and give the Capital Accounts and the Balance Sheet as at 31st December 1999.

Q.5 (Nov 2001) **(15 Marks)**

The Balance Sheet of A & B, a partnership firm, as at 31st March, 2001 is as follows:

Liabilities		Rs.	Assets	Rs.
Capital Account:			Goodwill	14,000
A	26,400		Land and Building	14,400
B	33,600	60,000	Furniture	2,200
Contingency Reserve		6,000	Stock	26,000
Sundry Creditors		9,000	Sundry Debtors	6,400
			Cash at Bank	12,000
		75,000		75,000

A & B share profits and losses as 1 : 2. They agree to admit C (who is also in business on his own) as a third partner from 1.4.2001:

The Assets are revalued as under:

Goodwill – Rs.18,000; Land and Building Rs.30,000; Furniture Rs.6,000, C bring the followings assets into the partnership - Goodwill Rs.6 000; Furniture Rs.2,800, Stocks Rs.13,600.

Profits in the new firm are to be shared equally by the three partners and the Capital Account are to be so adjusted as to be equal. For this purpose, additional cash should be brought in by the partner or partners concerned

Prepare the necessary accounts and the opening Balance Sheet of new firm, showing the amount fo cash, if any, which each partner may have to provide.

Q.6 (Nov 2004) (15 Marks)

The Balance Sheet of X & Y, a partnership firm, as at 31st March, 2004 is as follows:

Liabilities		Rs.	Assets	Rs.
Capital Account:			Goodwill	14,000
X	26,400		Land & Building	14,400
Y	33,600	60,000	Furniture	2,200
General Reserve		6,000	Stock	26,000
Sundry Creditors		9,000	Sundry Debtors	6,400
			Cash at Bank	12.000
		75,000		75,000

X & Y share profits and losses as 1 : 2. They agree to admit Z (who is also in business on his own) as a third partner from 1.4.2004. The Assets are revalued as under:
Goodwill – Rs.18,000, Land and Building Rs.30,000, Furniture Rs.6,000. Z brings the following assets into the partnership — Goodwill Rs.6,000, Furniture Rs.2,800, Stock Rs.13,600.

Profit in the new firm are to be shared equally by three partners and the Capital Accounts are to be so adjusted as to be equal. For this purpose, additional cash should be brought in by the partner or partners concerned.'
Prepare the necessary accounts and the opening Balance Sheet of new firm, showing the amounts of cash, if any, which each partner may have to Provide.

Q.7 (Nov 2006) (15 Marks)

The following is the Balance Sheet of A, B and C sharing Profits and Losses in the proportion of 6/14, 5/14 and 3/14 respectively :

Liabilities	Rs.	Assets	Rs.
Creditors	37,800	Cash	3,780
Bills Payable	12,600	Debtors	52,920
General Reserve	21,000	Stock	58,800
Capital Accounts :		Furniture	14,700
A	70,800	Land and Building	90,300
B	59,700	Goodwill	10,500
C	29.100		
	2,31,000		2,31,000

They agreed to take D into partnership and give him 1/8th share on the following terms :

[i] That furniture be depreciated by Rs.1,840.
[ii] That stock be depreciated by 10%.
[iii] That a provision of Rs.2,640 be made for outstanding repair bills.
[iv] That the value of land and building, having appreciated, be brought upto Rs.1,19,700.

[v] That the value of goodwill be brought up to Rs.28,140.
[vi] That D should bring in Rs.29,400 as his capital.
[vii] That after making the above adjustments the Capital accounts of old partners be adjusted on the basis of the proportion of D's capital to his share in the business and actual cash to be paid off or brought in by the old partners, as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and the balance Sheet of the new firm.

Q.8 (Nov 2006) **(15 Marks)**

On 31st March, 2006, the Balance Sheet of P, Q and Ft sharing profit and losses in proportion to their Capital stood as below:

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

On 1st April, 2006, P desired to retire from the firm and remaining partners to carry on the business. It was agreed to revalue the assets and liabilities on
that date on the following basis:

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

Prepare (a) Revaluation Account, (b) The Capital accounts of the partners, (i) Cash account and (d) Balance Sheet of the new firm M/s Q and R as on in 01.04.2006.

Q.9 (Nov 2018) **(15 Marks)**

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

Liabilities	Rs.	Assets	Rs.
Trade Payables	22,500	Land & Buildings	37,000
Outstanding Liabilities	2,200	Furniture & Fixtures	7,200
General Reserve	7,800	Closing Stock	12,600
Capital Accounts:		Trade Receivables	10,700

Dinesh	15,000		Cash in Hand	2,800
Ramesh	15,000		Cash at Bank	2,200
Naresh	10,000	40,000		
		72,500		72,500

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following terms:

[i] Suresh shall bring Rs.8,000 towards his capital.
[ii] The value of stock to be increased to Rs.14,000 and Furniture & Fixtures to be depreciated by 10%.
[iii] Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.
[iv] The value of Land & Buildings to be increased by Rs.5,600 and the value of the goodwill be fixed at Rs.18,000.
[v] The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include Rs.700 due to Ram which has been paid by Dinesh. Necessary entries were not made in the books. Prepare (i) Revaluation Account, (ii) Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Suresh.

Q.10 (Dec 2021) **(10 Marks)**

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/S*1 share in the future profits.
[iii] Stock and Furniture be reduced by 10%.
[iv] A provision @ 5% for doubtful debts be created on debtors.
[v] Land and building be appreciated by 20%.
[vi] Capital Accounts of the partners be readjusted on the basis of their profit-sharing arrangement and any excess or deficiency is to ha transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts.

Unit 4 : Retirement of a Partner

Section 1 : True or False

Q.1 (May 2001) **(2 Marks)**

If a partner retires, then other partners have a gain in their profit sharing ratio.

Section 2 : Practical Questions

Q.1 (Nov 1996) **(20 Marks)**

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, 1996 is as under:

Liabilities		Rs.	Assets	Rs.
Capital:			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 (Unappropriated Profit)		20,000	Investments	12,000
Long Term Debt		3,00,000	Stock	1,30,000
Bank Overdraft		44,000	Debtors	1,39,000
Trade Creditors		1,70,000		
Total		6,64,000	Total	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, 1996. For this purpose, the following adjustments are to be made:

[i] 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.

[ii] Buildings and Plant and Machinery are to be depreciated by 5 percent and 20 percent respectively. Investments are to be taken over by the retiring partner at Rs.15,000. Provision of 20 percent is to be made on debtors to cover doubtful debts.

[iii] In the reconstituted firm, the total capital will be 12 lakhs which will be contributed by Mr. A, Mr. C and Mr. D in their new profit sharing ratio, which is 2:2:1.

[iv] The surplus funds, if any, will be used for repaying the Bank Overdraft,

[v] The amount due to the retiring partner shall be transferred to his loan account.

You are to prepare:

(a) Revaluation A/c;

(b) Partner's Capital Accounts;

(c) Bank Account; and

(d) Balance Sheet of the reconstituted firm as on 1st April, 1996.

Q.2 (May 1997) (15 Marks)

On 31st March, 1997 the Balance Sheet of M/s Ram, Hah & Mohan sharing profits and losses in the ratio of 2:3:2, stood as follows:

Liabilities		Rs.	Assets	Rs.
Capital Accounts:			Land and Buildings	10,00,000
Ram	10,00,000		Machinery	17,00,000
Hari	15,00,000		Closing Stock	5,00,000
Mohan	10,00,000	35,00,000	Sundry Debtors	6,00,000
Sundry Creditors		5,00,000	Cash and Bank Balances	2,00,000
		40,00,000		40,00,000

On 31st March, 1997 Hari 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 & Buildings be appreciated by 30%.
2. Machinery be depreciated by 20%.
3. Closing Stock to be valued at Rs.4,50,000.
4. Provision for bad debts be made at 5%.
5. Old credit balances of Sundry Creditors Rs.50,000 be written back.
6. Joint Life Policy of the partners surrendered and cash obtained Rs.3,50,000.
7. Goodwill of the entire firm be valued at Rs.6,30,000 and Hari's share of the Goodwill be adjusted in the accounts of Ram and Mohan who share the future profits & losses in the ratio of 3:2. 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 Hari is to be settled on the following basis: 50% on retirement and the balance 50% within one year.

Prepare Revaluation Account, Capital Accounts of Partners, Cash Account and Balance Sheet as on 1-4-1997 of M/s Ram & Mohan.

Q.3 (May 1998) (15 Marks)

A, B and C were in partnership sharing profits in the proportions of 5 :4 :3. The Balance Sheet of the firm as on 31st March, 1998 was as under:

Liabilities		Rs.	Assets	Rs.
Capital:	A	1,35,930	Goodwill	40,000
	B	95,120	Fixtures	8,200
	C	61,170	Stock	1,57,300
Sundry Creditors		41,690	Sundry Debtors	93,500
			Cash	34,910
		3,33,910		3,33,910

A had been suffering from ill-health and gave notice that he wished to retire. An agreement was, therefore, entered into as on 31st March, 1998, the terms of which were as follows:

[i] The Profit and Loss Account for the year ended 31st March, 1998 which showed a net profit of Rs.48,000 was to be re-opened. B was to be credited with Rs.4,000 as bonus, in consideration of the extra work which had devolved upon him during the year. The profit-sharing ratio was to be revised as from 1st April, 1998 to 3 : 4 : 4.

[ii] Goodwill was to be valued at two years purchase of the average profits of the preceding five years. The Fixtures were to be valued by an independent valuer. A provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book values.

The valuations arising out of the above agreement were Goodwill Rs.56,800 and Fixtures Rs.10,980.

B and C agreed, as between themselves, to continue the business, sharing profits in the ratio of 3 :2 and decided to eliminate Goodwill from the balance Sheet, to retain the Fixtures on the books at the revised value, and to increase the provision for doubtful debts to 6%.

You are squired to submit the journal entries necessary to give effect to the above arrangements and to draw up the capital account of the partners after carrying out all adjusting entries as stated above.

Q.3 (May 1999) (15 Marks)

K, L and M are partners sharing Profits and Losses in the ratio 5:3:2. Due to illness, L wanted to retire from the firm on 31.3.99 and admit his son N in his place.

Balance Sheet of K, L and M as on 31.3.99

Liabilities		Rs.	Assets	Rs.
Capital:			Goodwill	30,000
K	40,000		Furniture	20,000
L	60,000		Sundry Debtors	50,000
M	30,000	1,30,000	Stock in Trade	50,000
Reserve		50,000	Cash and Bank Balances	50,000
Sundry Creditors		20,000		
		2,00,000		2,00,000

On retirement of 'L' assets were revalued:

Goodwill Rs.50,000, Furniture Rs.10,000, Stock in Trade Rs.30,000.

50% of the amount due to 'L' was paid off in cash and the balance was retained in the firm as capital of N.

On admission of the new partner, goodwill has been written off.

M is paid off his extra balance to make capital proportionate.

Pass necessary Journal Entries and prepare Balance Sheet of M/s K, M, N as on 01.04.99. Show necessary workings.

Q.4 (May 2002) (20 Marks)

M/s X and Co. is a partnership firm with the partners A, B and C sharing Profits and Losses in the ratio of 3 : 2 : 5. The Balance Sheet of the firm as on 30th June 2001 was as under:

Balance Sheet of X and Co. as on 30-6-2001

Liabilities	Rs.	Assets	Rs.
A's Capital A/c	1,04,000	Land	1,00,000
B's Capital A/c	76,000	Building	2,00,000

C's Capital A/c	1,40,000	Plant and Machinery	3,80,000
Long term Loan	4,00,000	Investments	22,000
Bank overdraft A/c	44,000	Stock	1,16,000
Trade Creditors	1,93,000	Sundry Debtors	1,39,000
	9,57,000		9,57,000

It was mutually agreed that B will retire from Partnership and in his place D will be admitted as a partner with effect from 1st July, 2001. For this purpose, the following adjustments are to be made:

[a] Goodwill of the firm is to be valued at Rs.2 lakh due to the firm's locational advantage 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 valued at 90% and 85% of the respective Balance Sheet values. Investments are to be taken over by the retiring partner at Rs.25,000. Sundry Debtors are considered good only 90% of Balance Sheet figure. Balance to be considered bad.

[c] In the reconstituted firm, the total Capital will be Rs.3 lakh, which will be contributed by A, C and D in their new profit sharing ratio, which is 3 : 4 : 3.

[d] The surplus funds, if any, will be used for repaying bank overdraft.

[e] The amount due to retiring partner shall be transferred to his Loan Account. You are required to prepare (1) Revaluation Account (2) Partner's Capital Account (3) Bank Account and (4) Balance Sheet of the reconstituted firm as on 1st July, 2001.

Q.5 (Nov 2002) (20 Marks)

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 31-3-2002 was as under:

Liabilities		Rs.	Assets	Rs.
Capital Accounts:			Goodwill	40,000
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	10,000
		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 into as on 31.3.2002, the terms of which were as follows:

[a] The Profit and Loss account for the year ended 31.3.2002, 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 to be 2:3:1 as and from 1st April, 2001.

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

	Rs.
31.03.1998	15,000
31.03.1999	23,000
31.03.2000	25,000

31.03.2001	35,000
31.03.2002	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 eliminate goodwill from Balance Sheet, 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 Account of Partners, Cash Account and Balance Sheet of B and C after giving effect to the above arrangements on the retirement of A.

Q.6 (Nov 2005) **(5 Marks)**

A, B and C are partners in a firm sharing profits and losses in the ratio of 4 :3 :2. B decides to retire from the firm. Calculate the new profit sharing ratio of A and C in the following circumstances:

(i) If B gives his share to A and C in the original ratios of A and C.
(ii) If B gives his share to A and C in equal proportion,
(iii) If B gives his share to A and C in the ratio of 3:1.
(iv) If B gives his share to A only.

Q.7 (May 2018) **(10 Marks)**

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

Liabilities		Rs.	Assets		Rs.
Capital Accounts			Building		10,00,000
A	8,00,000		Furniture		2,40,000
B	4,20,000		Office equipment's		2,80,000
C	4,00,000	16,20,000	Stock		2,50,000
Sundry Creditors		3,70,000	Sundry debtors	3,00,000	
General Reserves		3,60,000	Less: Provision for Doubtful debts	30,000	2,70,000
			Joint life policy		1,60,000
			Cash at Bank		1,50,000
		23,50,000			23,50,000

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

[i] Office Equipment's revalued at Rs.3,27,000.

[ii] Building revalued at Rs.15,00,000. Furniture is written down by Rs.40,000 and Stock is reduced to Rs.2,00,000.

[iii] Provision for Doubtful Debts is to be created @ 5% on Debtors.

[iv] Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is Rs.1,50,000.

[v] Goodwill was to be valued at 3 years purchase of average 4 years profit which were :

Year	Rs.
2014	90,000
2015	1,40,000
2016	1,20,000
2017	1,30,000

[vi] Amount due to B is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement.

Q.8 (Nov 2020) (10 Marks)

M/s. TB is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June, 2020 was as under:

Balance Sheet of Ms. TB as on 30-6-2020

Liabilities	Rs.	Assets	Rs.
A's Capital A/c	1,24,000	Land	1,20,000
B's Capital A/c	96,000	Building	2,20,000
C's Capital A/c	1,60,000	Plant & Machinery	4,00,000
Long Term Loan	4,20,600	Investments	42,000
Bank Overdraft	64,000	Inventories	1,36,000
Trade Payables	2,13,000	Trade Receivables	1,59,000
	10,77,000		10,77,000

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

[a] Goodwill of the firm is to be valued at Rs.3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.

[b] Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ^ 46,000. Trade receivables are considered good only upto 85% of the balance sheet figure.
Balance to be considered bad.

[c] In the reconstituted firm, the total capital will be Rs.4 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3:4:3.

[d] The amount due to retiring partner shall be transferred to his loan account.

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

Q.9 (July 2021) (5 Marks)

(i) Attempt the following:

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

2017 – Rs. Nil
2018 – Rs.900
2019 – Rs.2,000
2020 – Rs.3,600

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

Q.10 (June 2022) (5 Marks)

X , Y and Z are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31st March , 2021 was as follows:

Liabilities	Rs.	Assets	Rs.
Capitals:		Building	2,50,000
X	1,75,000	Machinery	3,37,500
Y	2,50,000	Debtors	3,25,000
Z	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
Total	13,75,000	Total	13,75,000

Z retired from business on 1st April, 2021 on the following terms:

[i] Building to be appreciated by 25%.
[ii] X and Y to bring in additional capital of Rs.5,00,000 each.
[iii] Machinery to be depreciated by 10%.
[iv] Stock is revalued at Rs.3,72,250.
[v] Provision for Doubtful Debts to be created at 4%.
[vi] Goodwill was to be valued at 3 Years' purchase of average profits of past 3 years. The profits of past 3 years were Rs.2,75,000, Rs.2,50,000 and Rs.1,95,000 respectively.
[vii] Goodwill was not to be raised in the Books of Accounts.
[viii] Balance payable to Z was to be paid immediately.

Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Z's retirement. Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill.

Unit 5 : Death of a Partner

Section 1 : True or False

Q.1 (May 2005) **(2 Marks)**
The accounting procedure in case of retirement of partner and dissolution of the partnership firm are same.

Q.2 (July 2021) **(2 Marks)**
Business of partnership comes to an end on death of a partner.

Section 2 : Practical Questions

Q.1 (May 2000) **(15 Marks)**
The following was the Balance Sheet of Om & Co. in which X, Y and Z were partners sharing profits and losses in the ratio of 1:2:2 as on 31-3-1999. Mr. Z died on 31st December, 1999. His account has to be settled under the following terms:

Balance Sheet of Om & Co. as on 31-3-1999

Liabilities		Rs.	Assets	Rs.
Sundry Creditors		20,000	Goodwill	30,000
Bank Loan		50,000	Building	1,20,000
General Reserve		30,000	Computers	80,000
Capital Accounts:			Stock	20,000
X	40,000		Sundry Debtors	20,000
Y	80,000		Cash at Bank	20,000
Z	80,000	2,00,000	Investments	10,000
		3,00,000		3,00,000

Goodwill is to be calculated at the rate of two years purchase on the basis of average of last three years' profits and losses. The profits and losses for the three years were as detailed below:

Year ending on	Profit/Loss
31-3-1999	30,000
31-3-1998	20,000
31-3-1997	(10,000) Loss

Profit for the period from 1-4-1999 to 31-12-1999 shall be ascertained proportionately on the basis of average profits and losses of the preceding three years.
During the year ending on 31-3-1999 a car costing Rs.40,000 was purchased on 1-4-1998 and debited to travelling expenses account on which depreciation is to be calculated at 20% p.a. This asset is to be brought into account at the depreciated value.
Other values of assets were agreed as follows:
Stock at Rs.16,000; Building at Rs.1,40,000; Computers at Rs.50,000; Investments at Rs.6,000. Sundry Debtors were considered good. You are asked to prepare partners' Capital Accounts and Balance Sheet of the firm Om & Co. as on 31-12-1999 assuming that other items of assets and liabilities remained the same.

Q.2 (June 2019) (10 Marks)

Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally. Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 stood as.

Liabilities	Rs.	Assets	Rs.	Rs.
Creditors	20,000	Land and Building		1,50,000
General Reserve	12,000	Investments		65,000
Capital Accounts:		Stock in trade		15,000
Monika	1,00,000	Trade receivables	35,000	
Yedhant	75,000	Less: Provision for		
Zoya	75,000	doubtful debt	2,000	33,000
		Cash in hand		7,000
		Cash at bank.		12,000
	2,82,000			2,82,000

In order to arrive at the balance due to Zoya, it was mutually agreed that:

[i] Land and Building be valued at Rs.1,75,000

[ii] Debtors were all good, no provision is required

[iii] Stock is valued at Rs.13,500

[iv] Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.

[v] Zoya's share of profit from 1st April 2018, to the date of death be calculated on the basis of average profit of preceding three years.

[vi] The profit of the preceding five years ended 31st March were:

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

You are required to prepare :

(1) Revaluation account

(2) Capital accounts of the partners and

(3) Balance sheet of the Firm as 1st July 2018.

Q.3 (Nov 2019) (10 Marks)

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

[i] That the annual accounts be balanced on 31sl December each year;

[ii] That the profits be allocated as follows:

Arup: One-half; Swarup: One-third and Carried to reserve account: One Sixth;

[iii] That in the event of death of a partner, his executor will be entitled to the following:

1. The capital to his credit at the date of death;
2. His proportionate share of profit to date of death based on the average profits of the last three completed years; and
3. His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years.

Trial Balance as on 31st December 2018

Particulars	Dr. (Rs.)	Cr. (Rs.)
Arup's Capital		90,000

Swarup's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables		20,000
Total	2,15,000	2,15,000

The profits for the three year were 2016: Rs.51,000; 2017: Rs.39,000 and 2018: Rs.45,000. Swarup died on 1st May 2019.
Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executors Account as would appear in the firm's ledger transferring the amount to the Loan account.

Q.4 (Jan 2021) (10 Marks)
The partnership deed of a firm consisting of 3 partners - P, Q and R (profit sharing ratio being 2:1:1) and whose fixed capitals are Rs.30,000, Rs.12,000 and Rs.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 Rs.25,000 each was taken in individuals 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 snare 01 me 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 Rs.5,000 and from that date to the date of death he had withdrawn Rs.30,000 from the business.

An unrecorded liability of Rs.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 Rs.29,340
2018 : Profit Rs.26,470
2019 : Loss Rs.8,320
2020 : Profit Rs.13,470

You are required to prepare an account showing , amount due to P's legal hair as on 31st December, 2020
Note: Impact for unrecorded liability not to be given in earlier years.

Q.5 (July 2021) (10 Marks)

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

[i] Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years.

[ii] Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

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

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

Firm profits were for the year ended

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

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

9. FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ORGANIZATIONS

Section 1 : True or False

Q.1 (May 1996) (2 Marks)
The receipts and payments account records receipts and payments of revenue nature only.

Q.2 (May 1997) (2 Marks)
If there appears a sports fund, the expenses incurred on sports activities will be taken to income and expenditure account.

Q.3 (Nov. 1997) (2 Marks)
Receipts and payments account is a summary of all capital receipt and payments.

Q.4 (Nov. 1999) (2 Marks)
Receipts and payments account highlights total income & expenditure.

Q.5 (May 2005) (2 Marks)
All receipts and expenses of capital nature are shown in Receipts and Payments Account.

Q.6 (Nov. 2005) (2 Marks)
Only revenue items are disclosed in Income and Expenditure account.

Q.7 (Nov. 2018) (2 Marks)
Fees received for Life Membership is a revenue receipt as it is of recurring nature.

Section 2 : Short Notes

Q.1 (May 1999, Nov. 2003) (5 Marks)
Write short note on the following:
Income and Expenditure Account.

Q.2 (May 2000) (5 Marks)
Write short note on the following:
Receipts and Payments Account.

Section 3 : Distinguish Between

Q.1 (Nov 1996, Nov. 2000) (5 Marks)

Distinction between Receipt and Payment Account and Income and Expenditure Account.

Section 4 : Practical Questions

Q.1 (May 1996) (15 Marks)

From the following Receipts and Payments Account of Excellent Recreation Club for the year ended 31.3.1996 and additional information given, prepare an Income and Expenditure Account for the year ended 31.3.1996 and Balance Sheet as on 31.3.1996:

Receipt	Rs.	Payments	Rs.
Opening Balance:		Secretary's Salary	12,000
Cash in hand and at Bank	3,180	Salaries to Staff	25,000
Subscription	18,000	Charities	1,000
Sale of Old Newspapers	2,500	Printing and Stationery	600
Legacies	4,000	Postage Expenses	120
Interest on Investments	2,000	Rates and Taxes	1,500
Endowment Fund Receipts	20,000	Upkeep of the Land	2,000
Proceeds of Sport and Concerts	4,020	Purchase of Sports Materials	10,000
Advertisement in the Year Book	5,000	Telephone Expenses	3,4080
		Closing Balance:	
		Cash in hand and at Bank	3,000
	58,700		58,700

Assets and Liabilities as on 31.3.1995 and 31.3.1996 were as follows:

Particulars	Rs.	Rs.
Subscription in arrears	2,000	1,000
Subscription received in advance	500	400
Furniture	2,000	1,800
Land	10,000	10,000

Depreciation shall be charged at 10% p.a. under the dim.neh.ng value method. Legacies received shall be capitalised. Investments were made in Securities the rate of interest being 12% p.a., the date of investment was 1.6.1994 and the amount of investments was Rs.20.000. Due date of interest 31st March every year. Stock of sports materials on 31.3.1996 were useless and valued at NIL price.

Q.2 (Nov. 1996) (20 Marks)

A and B are in partnership practicing as Chartered Accountants under the name and style AB & Co. sharing profits/losses in the manner stated below. They close their accounts on 31st March every year. The following was their Balance Sheet as at 31st March, 1995:

Balance Sheet as at 31st March, 1995

	Rs.		Rs.
Partners Capital:		Furniture	20,000
A 65,000		Office Machinery	15,000
B 40,000	1,05,000	Library Books	8,000
Audit Fees collected in Advance (A's client)	10,000	Car	60,000
Liability for Salary	5,000	Outstanding Audit Fees:	
Provision against outstanding Audit Fees	50,000	A's Client 30,000	
		B's Client 20,000	50,000
		Cash at Bank	15,000
		Cash in Hand	2,000
	1,70,000		1,70,000

The following is the summary of their cash/bank transactions for the year ended 31st March, 1996:

Receipts	Rs.	Payments	Rs.
Opening:		Salary Charges	2,60,000
Bank Balance	15,000	Car Expenses	35,000
Cash Balance	2,000	Traveling Expenses	21,000
Audit Fees:		Printing and Stationery	18,000
A's Clients 2,80,000		Postage Expenses	3,000
B's Clients 1,80,000	4,60,000	Telephone	15,000
Fees for other Services:		Subscription for Journals	7,000
A's Clients 50,000		Library Books	12,000
B's Clients 40,000	90,000	Fax Machine	16,000
Miscellaneous Income	4,000	Membership Fees	2,000
		Drawings:	
		A 72,000	
		B 60,000	1,32,000
		Cash at Bank	48,000
		Cash in Hand	2,000
	5,71,000		5,71,000

The following further information is available:

Sr. No.	Particulars	Rs.
1	Audit Fees Receivable:	
	A's Clients	30,000
	B's Clients	50,000
2	Audit Fees Collected in Advance	
	B's Client	20,000
3	Outstanding Liability for Salary on 31st March, 1996	20,000
4	Depreciation to be provided on:	
	Furniture	10%
	Office Machinery	20%
	Library Books	10%
	Car	20%

5. It has been agreed that 80% of audit fees and 40% of fees for other services should be transferred to income and expenditure account in respect of each partner's account, the balance being credited directly to the capital accounts. Profits/Losses to be divided between A and 3 in the ratio of 2:1 respectively.

You are required to prepare Income and Expenditure Account for the year ended 31st March, 1996 and a Balance Sheet as at 31st March, 1996.

Q.3 (Nov. 1997) **(20 Marks)**

From the following Receipts and Payments A/c of Mumbai Club, prepare Income and Expenditure A/c for the year ended 31.12.1996 and its Balance Sheet as on that date:

Receipts	Rs.	Payments	Rs.
Cash in Hand	4,000	Salary	2,000
Cash at Bank	10,000	Repair Expenses	500
Donations •	5,000	Purchase of Furniture	6,000
Subscriptions	12,000	Misc. Expenses	500
Entrance Fees	1,000	Purchase of Investments	6,000
Interest on Investments	100	Insurance Premium	200
Interest Received from Bank	400	Billiard Table	8,000
Sale of Old Newspaper	150	Paper, Ink, etc.	150
Sale of Drama Tickets	1,050	Drama Expenses	500
		Cash in Hand (Closing)	2,650
		Cash at Bank (Closing)	7,200
	33,700		33,700

Information:
(1) Subscriptions in arrear for 1996 Rs.900 and subscriptions in advance for 1997 Rs.350.
(2) Insurance premium Outstanding Rs.40.
(3) Misc. Expenses Prepaid Rs.90.
(4) 50% of donation is to be capitalised.
(5) Entrance Fees are to be treated as revenue income.
(6) 8% interest has accrued on investment for five months.
(7) Billiard Table costing Rs.30,000 was purchased during the last year and Rs.22,000 were paid for it.

Q.4 (Nov. 1998) (20 Marks)

The following information's were obtained from the books of Delhi Club as on 31.3.1998, at the end of the first year of the Club. You are required to prepare Receipts and Payments Account, Income and Expenditure Account for the year ended 31.3.1998 and a Balance Sheet as at 31.3.1998 on mercantile basis:
(i) Donations received for Building and Library Room Rs.2,00,000.
(ii) Other revenue income and actual receipts:

	Revenue Income	Actual Receipts
Entrance Fees	17,000	17,000
Subscription	20,000	19,000
Locker Rents	600	600
Sundry Income	1,600	1,060
Refreshment Account	—	16,000

(iii) Other revenue expenditure and actual payments:

Revenue	Expenditure	Actual Payments
Land (cost Rs.10,000)	—	10,000
Furniture (cost Rs.1,46,000)		1,30,000
Salaries	5,000	4,800
Maintenance of Playgrounds	2,000	1,000
Rent	8,000	8,000
Refreshment Account	—	8,000

Donations to the extent of Rs.25,000 were utilised for the purchase of Library Books, balance was still unutilised. In order to keep it safe, 9% Govt. Bonds of Rs.1,60,000 were purchased on 31.3.1998. Remaining amount was put in the Bank on 31.3.1998 under the term deposit. Depreciation at 10% p.a. was to be provided for the whole year on Furniture and Library Books.

Q.5 (Nov. 1999) (20 Marks)

Mahaveer Sports Club gives the following Receipts & Payments Account for the year ended March 31, 1998:

Receipts and Payments Account

Receipts	Rs.	Payments	Rs.
To Opening Cash & Bank Balances	5,200	By Salaries	15,000
To Subscriptions	34,800	By Rent & Taxes	5,400
To Donations	10,000	By Electricity Charges	600
To Interest on Investments	1,200	By Sports Goods	2,000
To Sundry Receipts	300	By Library Books	10,000
		By Newspapers & Periodicals	1,080
		By Misc. Expenses	5,400
		By Closing Cash & Bank Balances	12,020
	51,500		51,500

Liabilities	As on 31.3.97	As on 31.3.98
Outstanding Expenses:		
Salaries	1,000	2,000
Newspapers & Periodicals	400	500
Rent & Taxes	600	600
Electricity Charges	800	1,000
Assets		
Library Books	10,000	
Sports Goods	8,000	
Furniture and Fixtures	10,000	
Subscriptions Receivable	5,000	12,000
Investment—Govt. Securities	50,000	
Accrued Interest	600	600

Provide Depreciation on:
Furniture & Fixtures @ 10% p.a.
Sports Goods @ 20% p.a.
Library Books @ 10% p.a.

You are required to prepare Club's opening Balance Sheet as on 01.04.97, income and Expenditure Account for the year ended on 31.3.98 and the Balance Sheet as on that date.

Q.6 (Nov. 2001) (20 Marks)

Summary of Receipts and Payments of Bombay Medical Aid Society for the year ended 31.12.2000 are as follows:

Opening Cash balance in hand Rs.8,000, Subscription Rs.50,000, Donation Rs.15,000, Interest on Investments @ 9% p.a. Rs.9,000, Payments for medicine supply Rs.30,000, Honorarium to Doctors Rs.10,000, Salaries Rs.28,000, Sundry Expenses Rs.1,000, Equipment purchase Rs.15,000, Charity show expenses Rs.1,500, Charity show collection Rs.12,500.

Additional information:

	1.1.2000	31.12.2000
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 31.12.2000 and Balance Sheet as on 31.12.2000.

Q.7 (May 2002) (20 Marks)

Smith Library Society showed the following position on 31st March, 2001:

Balance Sheet as on 31st March, 2001

Liabilities	Rs.	Assets	Rs.
Capital Fund	7,93,000	Electrical Fittings	1,50,000
Expenses Payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in Securities	1,50,000
		Cash at Bank	25,000
		Cash in hand	25,000
	8,00,000		8,00,000

The Receipts and Payments Account for the year ended on 31st March, 2002 is given below:

		Rs.		Rs.
To Balance b/f			By Electric Charges	7,200
Cash at Bank	25,000		By Postage and Stationery	5,000
Cash in hand	25,000	50,000	By Telephone Charges	5 000
To Entrance Fees		30,000	By Books Purchased	60,000
To Membership Subscription		2,00,000	By Outstanding Expenses paid	7,000
To Sale proceeds of Old papers		1,500	By Rent	88,000

To Hire of Lecture Hall	20,000	By Investment in Securities	40,000
To Interest on Securities	8,000	By Salaries	66,000
		By Balance c/f	
		Cash at Bank	20,000
		Cash in hand	11,300
	3,09,500		3,09,500

You are required to prepare an Income and Expenditure Account for the year ended 31st March, 2002 and a Balance Sheet as at 31st March, 2002 after making the following adjustments:

[i] Membership Subscription included Rs.10,000 received in advance.

[ii] Provide for outstanding rent Rs.4,000 and salaries Rs.3,000.

[iii] Books to be depreciated @ 10% including additions. Electrical Fittings and Furnitures are also to be depreciated at the same rate.

[iv] 75% of the Entrance Fees is to be capitalised.

[v] Interest on Securities is to be calculated @5% p.a. including purchases made on 1.10.2001 for Rs.40,000.

Q.8 (Nov. 2002) (15 Marks)

A doctor, after retiring from Government Service, started private practice on 1st April, 2001 with Rs.20,000 of his own and Rs.30,000 borrowed at an interest of 15% per annum on the Security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized Cash Account:

DR. Cr.

	Rs.		Rs.
Own Capital	20,000	Medicines purchased	24,500
Loan	30,000	Surgical Equipment's	25,000
Prescription Fees	52,500	Motor Car	32,000
Gifts from Patients	13,500	Motor Car Expenses	12,000
Visiting Fees	25,000	Wages and Salaries	10,500
Fees from Lectures	2,400	Rent of Clinic	6,000
Pension received	30,000	General Charges	4,900
		Household Expenses	18,000
		Household Furniture	2,500
		Expenses on daughter's Marriage	21,500
		Interest on Loan	4,500
		Balance at Bank	11,000
		Cash in Hand	1,000
	1,73,400		1,73,400

You are required to prepare his Capital Account and Income and Expenditure Account for the year ended 31st March, 2002 and a Balance Sheet as on that date. One- third of the motor car expenses may be treated as applicable to the private use of car and Rs.3,000 of the wages and salaries are in respect of domestic servants.
The stock of medicines in hand on 31st March, 2002 was valued at Rs.9,500.

Q.9 (May 2003) (20 Marks)

The Receipts and Payments account of Trustwell Club prepared on 31st March, 2003, is as follows:
Receipts and Payments Account

Receipts	Rs.	Rs.	Payments	Rs.
To Balance b/d	450		By Expenses (including Payment for sports material Rs.2,700)	6,300
To Annual Income from Subscription	4,590		By Loss on Sale of Furniture (cost price Rs.450)	180
Add: Outstanding of last year received this year	180		By Balance c/d	90,450
	4,770			
Less: Prepaid of last year	90	4,680		
To Other fees		1,800		
To Donation for Building		90,000		
		96,930		96,930

Additional information:
Trustwell club had balances as on 1.4.2002:-
Furniture Rs.1,800; Investment at 5% Rs.27,000;
Sports material Rs.6,660;
Balance as on 31.3.2003 : Subscription Receivable Rs.270;
Subscription received in advance Rs.90;
Stock of sports material Rs.1,800.
Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31st March, 2003 and Balance Sheet on that date.

Q.10 (May 2006) (20 Marks)

Following is the Income and Expenditure Account of Victoria Club for the year ending 31st March, 2006:

Expenditure	Rs.	Income		Rs.
To Salaries & Wages	19,000	By Subscription ;		30,000
To Misc. Expenses (including Insurance)	2,000	By Entrance Fees received		1,000
To Audit fees	1,000	By Annual Sports Income		
To Chief Executives' Honorarium	4,000	Receipts	6,000	
To Printing and Stationary	1,800	Less - Expenses	3,000	3,000

To Annual day .			
Celebration Exp. 6,000			
Less - Donation 4,000	2,000		
To Interest on Bank Loan	600		
To Depreciation on Sports Equipment	1,200		
To Excess of Income over Expenditure	2,400		
	34,000		34,000

Additional Information :

		31.03.05 (Rs.)	31.03.06 (Rs.)
(i)	Subscription outstanding	2,400	3,000
(ii)	Subscription received in advance	1,800	1,080
(iii)	Salaries outstanding	1,600	1,800
(iv)	Sports equipment (after deducting depreciation)	10,400	10,800
(v)	Prepaid Insurance	—	240
(vi)	Cash in Hand	?	6,400

(vii) The Club owned a Sports' ground of Rs.40,000

(viii) The Club took a loan of Rs.8,000 from a bank during the year 2004-05, which was not paid in 2005-06.

(ix) Audit fee of 2005-06 was outstanding, but Audit fees of Rs.800 for 2004-05 was paid in 2005-06.

Prepare Receipts and Payments Account for the year ending 31st March, 2006 and a Balance Sheet on that date.

Q.11 (Nov. 2006) **(20 Marks)**

Following is the Receipts and Payments Account of M/s Tiptop Club for the year ended 31st March, 2006:

Receipts	Rs.	Payments	Rs.
To Cash in hand on 1st April, 2005	9,000	By Payments for cosmetics	15,000
To Subscription	45,000	By Honorarium to Beautician	8,000
To Donation	4,500	By Salaries	18,000
To Interest on Investments at 6% for the year	3,000	By Sundry expenses	1,000
To Fashion show proceeds	50,500	By Rent for building	12,000
		By Equipments purchased	13,000
		By Fashion show expenses	34,000
		By Cash in hand on 31st, March, 2006	11,000
	1,12,000		1,12,000

Additional information:

		On 1st April, 2005 (Rs.)	On 31st March, 2006 (Rs.)
(i)	Subscription due	500	2,000
(ii)	Subscription received in advance	1,500	1,000
(iii)	Stock of cosmetics	10,000	7,000
(iv)	Amount due to cosmetics suppliers	8,000	11,000
(v)	Rent paid in advance	1,000	1,500
(vi)	Salary outstanding	1,500	2,000
(vii)	Value of Equipments	21,500	29,000
(viii)	Value of Furniture and Fixtures	40,000	36,000

You are required to prepare Income and Expenditure Account for the year ended 31st March, 2006 and Balance Sheet as on date of M/s Tiptop Club. Show all workings.

Q.12 (Nov. 2018) **(10 Marks)**

You are provided with the followings:
Balance Sheet as on 31st March, 2017

Liabilities	Rs.	Assets	Rs.
Capital Fund	1,06,200	Building	1,50,000
Subscription received in Advance	6,000	Outstanding Subscription	3,800
Outstanding Expenses	14,000	Outstanding Locker Rent	2,400
Loan	40,000	Cash in Hand	20,000
Sundry Creditors	10,000		
Total	1,76,200	Total	1,76,200

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

Receipts		Rs.	Payments		Rs.
To Balance b/d			By Expenses :		
Cash in Hand		20,000	For 2017	12,000	
To Subscriptions :			For 2018	20,000	32,000
For 2017	2,000		By Land		40,000
For 2018	21,000		By Interest		4,000
For 2019	1,000	24,000	By Miscellaneous Expenses		4,700
To Entrance Fees		38,000	By Balance c/d		
To Locker Rent		7,000	Cash in Hand		18,300

To Sale proceeds of old newspapers	1,000		
To Miscellaneous Income	9,000		
	99,000		99,000

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

Q.13 (June 2019) **(10 Marks)**

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

	01.04.2018 (Rs.)	31.03.2019 (Rs.)
Outstanding subscription	1,40,000	2,00,000
Advance Subscription	25,000	30,000
Outstanding Salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports Goods	15,000	25,000

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

Following Expenses were made during the year:

Sports Expenses: Rs.50,000

Rent: Rs.24,000 out of which Rs.2,000 outstanding

Misc. Expenses : Rs.5,000

Q.14 (Nov. 2019) **(10 Marks)**

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

Income & Expenditure Account for the year 2018-19

Particulars	Rs.	Particulars	Rs.
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	25,960		25,960

Balance sheet as at 31st March 2019

Liabilities		Rs.	Assets	Rs.
Subscription in advance (2019-20)		110	Furniture	9,900
Prize Fund:			Ground and Building	51,700
Opening balance	27,500		Prize Fund Investment	22,000
Add: Interest	1,100		Cash in Hand	2,530
	28,600		Subscription (outstanding) (2018-2019)	770
Less: Prizes given	2,200	26,400		
General Fund:				
Opening balance	62,062			
Less: Deficit	2,387			
	59,675			
Add: Entrance Fee	715	60,390		
		86,900		86,900

The following adjustments have been made in the above accounts:
(i) Upkeep of ground Rs.660 and printing Rs.264 relating to 2017-18 were paid in 2018-19
(ii) One fourth of entrance fee has been capitalized by transfer to General Fund
(iii) Subscription outstanding in 2017-18 was Rs.880 and for 2018-19 Rs.770
(iv) Subscription received in advance in 2017-18 was Rs.220 and in 2018-19 for 2019-20 was Rs.110
(v) Furniture was purchased during the year

Q.15 (Nov. 2020) (10 Marks)
From the following balances and particulars of AS College, prepare Income & Expenditure Account for the year ended March, 2020 and a Balance Sheet as on the date:

Particulars	Rs.	Rs.
Security Deposit - Students	-	1,55,000
Capital Fund	-	13,08,000
Building Fund	-	19,10,000
Tuition Fee Received	-	8,10,000
Government Grants	-	5,01,000
Interest & Dividends on Investments	-	1,75,000
Hostel Room Rent	-	1,65,000
Mess Receipts (Net)	-	2,05,000
College Stores - Sales	-	7,60,000
Outstanding expenses	-	2,35,000

Stock of Stores and Supplies (opening)	3,10,000	-
Purchases - Stores & Supplies	8,20,000	-
Salaries - Teaching	8,75,000	-
Salaries - Research	1,25,000	-
Scholarships	85,000	-
Students Welfare expenses	37,000	-
Games & Sports expenses	52,000	-
Other investments	12,75,000	-
Land	1,50,000	-
Building	15,50,000	-
Plant and Machinery	8,50,000	-
Furniture and Fittings	5,40,000	-
Motor Vehicle	2,40,000	-
Provision for Depreciation:		
Building	-	4,90,000
Plant & Equipment	-	5,05,000
Furniture & Fittings	-	3,26,000
Cash at Bank	3,16,000	-
Library	3,20,000	-
	75,45,000	75,45,000

Adjustments:

(a) Materials & Supplies consumed: (From college stores)

Teaching	Rs.52,000
Research	Rs.1,45,000
Students Welfare	Rs.78,000
Games or Sports	Rs.24,000

(b) Tuition fee receivable from Government for backward class Scholars –Rs.82,000.

(c) Stores selling prices are fixed to give a net profit of 15% on selling price.

(d) Depreciation is provided on straight line basis at the following rates:

Building	5%
Plant & Equipment	10%
Furniture & Fixtures	10%
Motor Vehicle	20%

Q.16 (Jan 2021) **(10 Marks)**

Dr. Deku started private practice on 1st April, 2019 with Rs.2,00,000 of his own fund and Rs.3,00,000 borrowed at an interest of 12% p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	Rs.	Payments	Rs.
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's Marriage	2,15,000
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and Rs.30,000 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2020 was valued at Rs.95,000

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets (PPE).

Q.17 (Jan 2021) **(10 Marks)**

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

ATK Club

Income and Expenditure Account for the year ending 31st March, 2020

Expenditure	Rs.	Income	Rs.
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		

To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

Additional Information:

Particulars	As on 31st March, 2019	As on 31st March, 2020
Subscription Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600
Salaries Outstanding	24,000	32,000
Audit Fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of Sports Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	?	1,14,000

Q.18 (July 2021) **(10 Marks)**

Summary of Receipts and Payments of AMA Society for the year ended 31st March, 2021 are as follows:

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

Additional Information :

Particulars	01.04.2020	31.03.2021
Subscription due	15,000	22,000
Subscription received in advance	12,000	7,000
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4,80,000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare:
(i) Income and Expenditure Account for the year ended 31st March, 2021.
(ii) Balance Sheet as on 31st March, 2021.

Q.19 (Dec 2021) (10 Marks)
The Income and Expenditure Account of the Women Club for the Year ended on December 31, 2021 is as follows:

Expenditure	Rs.	Income	Rs.
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's Honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500		
To Annual Dinner Expenses	15,000		
To Interest and Bank charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

This account had been prepared after the following adjustments:

Particulars	Dr. (Rs.)
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31st December, 2020	4,500
Subscription received in advance on 31st December, 2021	2,700
Subscription outstanding on 31st December, 2021	7,500

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

The Club owned a freehold lease of ground valued at Rs.1,00,000. The club had sports equipment on 1sl January, 2021 valued at Rs.26,000. At the end of the year 2021, after depreciation, this equipment amounted to Rs.27,000. In the year 2020, the Club had raised a bank loan of Rs.20,000. This was outstanding throughout the year 2021. On 31st December, 2021 cash in hand was Rs.16,000. You are required to:
Prepare the Receipts and Payments Account for the year ended on December 31, 2021 and the Balance Sheet as on that date.

Q.20 (June 2022) (10 Marks)

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	Rs.	Payments	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	78,000	Cash in Hand	25,000
	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 unpresented 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.

10. COMPANY ACCOUNTS

Unit 1 : Introduction to Company Accounts

Section 1 : True or False

Q.1 (Nov. 2019) (2 Marks)

Since company has existence independent of its members, it continues to be in existence despite the death, insolvency or change of members.

Unit 2 : Issue, Forfeiture and Re-Issue of Shares

Section 1 : True or False

Q.1 (May 2018) (2 Marks)

Re-issue of forfeited shares is allotment of shares but not a sale.

Q.2 (Nov. 2020) (2 Marks)

In the balance sheet of X Limited, preliminary expenses amounting to Rs.5 lakhs and securities premium account of Rs.35 lakhs are appearing. The accountant can use the balance in securities premium account to write off preliminary expenses.

Q.3 (Jan 2021) (2 Marks)

Re-issue of forfeited shares is allotment of shares but not a sale.

Q.4 (July 2021) (2 Marks)

[i] A Company is not allowed to issue shares at a discount to the public in general.

[ii] A person holding preference shares of a company cannot hold equity shares of the same company.

Q.5 (Dec 2021) (2 Marks)

Non- participating preference shareholders enjoy voting rights.

Section 2 : Practical Questions

Q.1 (May 2018) (10 Marks)

Piyush Limited is a company with an authorized share capital of Rs.2,00,00,000 in equity shares of Rs.10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2017. The company proposed to make a further issue of 1,30,000 shares of Rs.10 each at a price of Rs.12 each, the arrangements for payment being:

[i] Rs.2 per share payable on application, to be received by 1st July, 2017;

[ii] Allotment to be made on 10th July, 2017 and a further ?5 per share (including the premium) to be payable;

[iii] The final call for the balance to be made, and the money received by 30th April, 2018.

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

[1] Applicants for 20,000 shares received allotment in full;

[2] Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment.

[3] Applicants for 3,00,000 shares received an allotment of one share for every five shares applied, for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

[4] The money due on final call was received on the due date.

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

Q.2 (Nov. 2018) (4 Marks)

Give necessary journal entry for the forfeiture and re-issue of share:

[i] X Ltd. forfeited 300 shares of Rs.10 each fully called up, held by Ramesh for non-payment of allotment money of Rs.3 per share and final call of Rs.4 per share. He paid the application money of Rs.3 per share. These shares were re-issued to Suresh for Rs.8 per share.

Q.3 (June 2019) (10 Marks)

2019 - June [6] (a) Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of Rs.10 each. The amounts were payable as follows:

On application - Rs.3 per share
On allotment - Rs.5 per share
On first and final call - Rs.2 per share.

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid - up @ Rs.6 per share. Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd.

Q.4 (Nov. 2019) (15 Marks)

B Limited issued 50,000 equity shares of Rs.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 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 3000 shares were forfeited. Out of forfeited shares, 2500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of Rs.2 per share.
Pass necessary journal entries in the books of B limited. Also prepare Balance Sheet and notes to accounts of the company.

Q.5 (Nov. 2020) (10 Marks)

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

- Rs.2 per share on application
- Rs.3 per share on allotment
- Rs.4 per share on first call
- Rs.1 per share on final call

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

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

Q.6 (Jan 2021) (15 Marks)

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

[i] Rs.2 per share payable on application, to be received by 31st May, 2020;

[ii] Allotment to be made on 10th June, 2020 and a further Rs.5 per share (including the premium to be payable);

[iii] The final call for the balance to be made, and the money received by 31s1 December, 2020.

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

[1] Applicants for 10,000 shares received allotment in full;

[2] Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

[3] Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

[4] The money due on final call was received on the due date.

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

Q.7 (July 2021) (15 Marks)

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

- Rs.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 Rs.4/- per share.

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

Q.8 (Dec 2021) (15 Marks)

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

(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.

Q.9 (June 2022) (15 Marks)

A Limited issued 20,000 Equity shares of Rs.10 each Hi n 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).

Unit 3 : Issue of Debentures

Section 1 : True or False

Q.1 (June 2022) (2 Marks)

Debentures Suspense Account appears on the Liability side of the Balance Sheet of a Company.

Section 2 : Practical Questions

Q.1 (Nov. 2018) (3 Marks)

Give necessary journal entries for the forfeiture and reissue of shares :

[i] X Ltd. forfeited 200 shares of Rs.10 each (Rs.7 called up) on which Naresh had paid application and allotment money of Rs.5 per share. Out of these 150 shares were re-issued to Mahesh as fully paid up for Rs.6 per share.

[ii] X Ltd. forfeited 100 shares of Rs.10 each (Rs.6 called up) issued at a discount of 10% to Dimple on which she paid Rs.2 per share. Out of these, 80 shares were re-issued to Simple at Rs.8 per share and called up for Rs.6 per share.

Q.2 (Nov. 2018) (5 Marks)

Pure Ltd. issues 1,00,000 12% Debentures of Rs.10 each at Rs.9.40 on 1st January, 2018. Under the terms of issue, the Debenture are redeemable at the end of 5 years from the date of issue.
Calculate the amount of discount to be written-off in each of the 5 years.

Q.3 (June 2019) (5 Marks)

On 1st January 2018, Ankit Ltd. issued 10% debentures of the face value of Rs.20,00,000 at 10% discount. Debenture interest after deducting tax at source @ 10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.
Pass necessary journal entries for the accounting year 2018.

Q.4 (Nov 2020) (5 Marks)

Y Company Limited issue 10,000 12% Debentures of the nominal value of Rs.60,00,000 as follows:
(i) To a vendor for purchase of fixed assets (PPE) worth Rs.13,00,000 Rs.15,00,000 nominal value.
(ii) To sundry persons for cash at 90% of nominal value of Rs.30,00,000,
(iii) To the banker as collateral security for a loan of Rs.14,00,000 Rs.15,00,000 nominal value.
You are required to pass necessary Journal Entries.

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