2. 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,

2018. 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 1^{s†} July, 2018;

(ii) Allotment to be made on 10th July, 2018 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 30th April, 2019.

Applications were received for 4,20,000 shares and were dealt with as follows:

1. Applicants for 20,000 shares received allotment in full;

- 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.

Solution :		

	Journal Entries In The Books OT				
Date	Particular's	L/F	Debit	Credit	

3. 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 3,000 shares were forfeited. Out of forfeited shares, 2,500
shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a
discount of 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.

Solution:

Date	Particular's	L/F	Debit	Credit
				oroan

4. Alankit Limited issued at par 2,00,000 Equity shares of Rs.100 each payable Rs.25 on application; Rs.30 on allotment; Rs.20 on first call and balance on the final call. All the shares were fully subscribed. Mr. Dhawan who held 40,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 4,000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Dhawan. You are required to prepare journal entries to record these transactions.

Solution:	

Date	Particular's	L/F	Debit	Credit

5. Samuel who was the holder of 12,000 preference shares of Rs.100 each, on which Rs.75 per share has been called up could not pay his dues on Allotment and First call each at Rs.25 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Robort at Rs.65 per share paid-up as Rs.75 per share. You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

Solution:

Date	Particular's	L/F	Debit	Credit



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ISSUE OF DEBENTURES

ISSUE OF DEBENTURES WITH DIFFERENT TERMS OF ISSUE

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
Face Value (FV)						
Issue Price (IP)						
Redemption Price (RP)						

Case 1	Case 2	Case 3	Case 4	Case 5	Case 6

<u>Issue of Debentures as Collateral Security</u>

Treatment of Loss/Discount on Issue of Debentures						
<u>Case 1 - Debentures</u>	<u>Case 1 - Debentures Redeemed in Installments</u>					
Redeemed in Lumpsum						
	Year	0/S Debentures	Ratio	Discount / Loss to be Written Off		
		<u>Journal Er</u>	<u>itry</u>			

Treatment for Payment of Interest on Debentures

Date	Particulars	L/F	Debit Amount	Credit Amount

SHARES / DEBENTURES ISSUED FOR	SHARES / DEBENTURES ISSUED FOR CONSIDERATION OTHER THAN CASH				

AT PAR	<u>AT</u>	PREMIUM @	210%	AT DISCOU	<u>NT @10%</u>
			<u>AT PAR</u>	<u>AT</u>	<u>AT</u>
				PREMIUM	DISCOUNT
				<u>@10%</u>	<u>@10%</u>

MUST DO QUESTION BEFORE EXAMS

1. On 1^{s†} 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.

Solution:

Date	Particular's	L/F	Debit	Credit

2. On 1st April 2020 Sheru Ltd. issued 1,00,000 12% debentures of Rs.100 each at a discount

of 5%, redeemable on 31 March 2025. Issue was oversubscribed by 20,000 debentures,

who were refunded their money. Interest is paid annually on 31 March. You are required to

prepare:

a) Journal Entries at the time of issue of debentures.

b) Discount on issue of Debenture Account

c) Interest account and Debenture holder Account assuming TDS is deducted @ 10%.

Solution:

				-
Date	Particular's	L/F	Debit	Credit

Discount on issue of Debenture Account

Date	Particular's	Amount	Date	Particular's	Amount

		Interest	account	r	
Date	Particular's	Amount	Date	Particular's	Amount

Debenture Holder Account

Date	Particular's	Amount	Date	Particular's	Amount

 On 1st April 2020, XY Ltd. took over assets of Rs.4,50,000 and liabilities of 60,000 of
Himalayan Ltd. for the purchase consideration of Rs. 4,40,000. It paid the purchase
consideration by issuing 8% debenture of Rs.100 each at 10% premium on same date.
XY Ltd. issued another 3000, 8% debenture of Rs.100 at discount of 10% redeemable at
premium of 5% after 5 years. According to the terms of the issue Rs.30 is payable on
application and the balance on the allotment on debentures. It has been decided to write off
the entire loss on issue of discount in the current year itself. You are required to pass the
journal entries in the books of XY Ltd. for the financial year 2020-21

Solution:

Date	Particular's	L/F	Debit	Credit

4. Agrotech Ltd. issued 150 lakh 9% debentures of Rs.100 each at a discount of 6%, redeemable

at a premium of 5% after 3 years payable as: Rs.50 on application and Rs.44 on allotment.

Record necessary Journal entries for issue of debentures.

Solution:

Date	Particular's	L/F	Debit	Credit

5. 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 Debentures are redeemable at the end of 5 years from the date of

issue. Calculate the amount of discount to be written-off in each of the 5 years.

Solution:

Journal Entries In The Books Of _____

		i.	
Year	0/5 Debentures	Ratio	Discount to be W/O

6. Riya Limited issued 20,000 14% Debentures of the nominal value of Rs.1,00,00,000 as follows:

a. To sundry persons for cash at 90% of nominal value of Rs.50,00,000.

b. To a vendor for purchase of fixed assets worth Rs.20,00,000 - Rs.25,00,000 nominal value.

c. To the banker as collateral security for a loan of Rs.20,00,000 - Rs.25,00,000 nominal value.

You are required to prepare necessary journal entries Journal Entries.

Solution:

Date	Particular's	L/F	Debit	Credit



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ACCOUNTING FOR BONUS ISSUE AND RIGHT ISSUE

BONUS SHARES - PROVISIONS OF THE COMPANIES ACT, 2013

- Bonus issue means an issue of additional shares to existing shareholders free of cost in proportion to their existing holding.
- > A company may issue fully paid-up bonus shares to its shareholders out of
 - (i) its free reserves;
 - (ii) securities premium account; or
 - (iii) capital redemption reserve account:
- Bonus shares should not be issued out of revaluation reserves (i.e., reserves created by the revaluation of assets).
- Sub-section (3) of the Section also provides that the bonus shares shall not be issued in lieu of dividend.
- As per Section 63(2) of the Companies Act, 2013, bonus shares cannot be issued unless party paid-up shares are made fully paid-up. Para 39(ii) of Table F under Schedule I to the Companies Act, 2013

RIGHT ISSUE

Rights issue is an issue of rights to a company's existing shareholders that entitles them to buy additional shares directly from the company in proportion to their existing holdings, within a fixed time period. In a rights offering, the subscription price at which each share may be purchased is generally at a discount to the current market price. Rights are often transferable, allowing the holder to sell them in the open market. The difference between the cum-right and ex-right value of the share is the value of the right.

	Journal Ent	ries		
Date	Particular's	L/F	Debit	Credit
1.	Due Entry For Bonus Issue			1
2.	Issue of Bonus Issue			
	CONVERTING PARTY PAID		DATE BY BON	
1.	Due Entry for Bonus			103
2.	Making Final Call Due	· · ·		
3.	Adjustment of Final Call			1

IMPORTANT FORMULA

Ex-Right Value of Share =

Value of Right =

MUST DO QUESTION BEFORE EXAMS

1. Pass Journal Entries in the following circumstances:

a) A Limited company with subscribed capital of Rs. 5,00,000 consisting of 50,000 Equity

shares of Rs.10 each; called up capital Rs.7.50 per share. A bonus of Rs.1,25,000 declared

out of General Reserve to be applied in making the existing shares fully paid up.

b) A Limited company having fully paid up capital of Rs.50,00,000 consisting of Equity shares

of Rs.10 each, had General Reserve of Rs.9,00,000. It was resolved to capitalize Rs.5,00,000

out of General Reserve by issuing 50,000 fully paid bonus shares of Rs.10 each, each

shareholder to get one such share for every ten shares held by him in the company.

Solution:

a)	Journal Entries				
Date	Particular's	L/F	Debit	Credit	

b)	Journal	Journal Entries				
Date	Particular's	L/F	Debit	Credit		

2. Following notes pertain to the Balance Sheet of Preet Ltd. as at 31st March, 2022				
	₹			
Authorised capital:				
15,000 12% Preference shares of Rs.10 each	1,50,000			
1,50,000 Equity shares of Rs.10 each	15,00,000			
	16,50,000			
Issued and Subscribed capital:				
12,000 12% Preference shares of Rs.10 each fully paid	1,20,000			
1,35,000 Equity shares of Rs.10 each, Rs.8 paid up	10,80,000			
Reserves and Surplus:				
General reserve	1,80,000			
Capital Redemption Reserve	60,000			
Securities premium (collected in cash)	37,500			
Profit and Loss Account	3,00,000			
On 1st April, 2022, the Company has made final call @ Rs.2 each on 1,35,000 equity sh	ares.			
The call money was received by 20th April, 2022. Thereafter, the company decided to	capitalise			
its reserves by way of bonus at the rate of one share for every four shares held.				
Show necessary journal entries in the books of the company and prepare the extra	act of the			
balance sheet as on 30th April, 2022 after bonus issue.				

Solution:					
	In the book of			1	
Date	Particular's	L/F	Debit	Credit	
	Extract of Ba	lance Sheet			
	as at				
				₹	

	1	
	1	1
3. A company offers new shares of Rs.100 each at 25% premiu	n to existing shar	eholders on one
for four bases. The cum-right market price of a share is Rs.	150. Calculate the	value of a right.
What should be the ex-right market price of a share?		
Solution:		



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REDEMPTION OF PREFERENCE SHARES

METHOD OF REDEMPTION OF FULL PAID-UP SHARES

According to the Companies Act, 2013, preference shares issued by a company must be redeemed within the maximum period (normally 20 years) allowed under the Act. Thus, a company cannot issue irredeemable preference shares.

Redemption of redeemable preference shares must be filled in by:

a) the proceeds of a fresh issue of shares; or

b) the capitalisation of undistributed profits (by creating Capital Redemption Reserve); or

c) a combination of (a) and (b) above.

Note: The proceeds from issue of debentures CANNOT be utilised for the purpose.

Note: All the questions in this chapter have been solved on the basis that the companies referred

in the questions are governed by Section 133 of the Companies Act, 2013 and comply with the

Accounting Standards prescribed for them. Accordingly the balance in securities premium account

has not been utilized for the purpose of premium payable on redemption of preference shares.

Journal Entries

Date	Particular's	L/F	Debit	Credit
1.	Creation of CRR			
2.	Issue of New Shares			

-						
3.	Due Entry for Redemption of Preference Shares					
4.	Payment Entry					
5.	Adjustment of Premium on Redemption					
	MUST DO QUESTION BE	FORE E	XAMS			
1. The	Board of Directors of a Company decided to issu	e minim	ium number of equ	ity shares of		
Rs.9) to redeem Rs.5,00,000 preference shares. The m	naximun	n amount of divisib	le profits		
avai	lable for redemption is Rs.3,00,000. Calculate the	number	of shares to be is	ssued by the		
com	pany to ensure that the provisions of Section 55 c	are not	violated. Also det	ermine the		
num	number of shares if the company decides to issue shares in multiples of Rs.50 only.					
Solution:						
Solutio			·	, only.		
Solutio						
Solutio						
Solutio						

	Particulars	₹
	EQUITY AND LIABILITIES	
1.	Shareholders' funds	
	a. Share capital	2,90,000
	b. Reserves and Surplus	48,000
2.	Current liabilities	
	Trade Payables	56,500
	ASSETS	
1.	Property, Plant and Equipment	3,45,000
2.	Non-current investments	18,500
3.	Current Assets	
	Cash and cash equivalent (bank)	31,000
The s	share capital of the company consists of Rs.50 each equity shares of Rs.3	2,25,000 and Rs.100
each	Preference shares of Rs.65,000(issued on 1.4.2021). Reserves and Surpl	us comprises Profit
and L	Loss Account only.	
	rder to facilitate the redemption of preference shares at a premium of 1	.0%, the Company
In or		.0%, the Company
In or decid		0%, the Company
In or decid a) to	ded:	
In or decid a) to b) to	ded: o sell all the investments for Rs.15,000.	balance of Rs.12,000.
In or decid a) to b) to c) to	ded: o sell all the investments for Rs.15,000. o finance part of redemption from company funds, subject to, leaving a bank	balance of Rs.12,000. funds required.
In or decid a) to b) to c) to You a	ded: o sell all the investments for Rs.15,000. o finance part of redemption from company funds, subject to, leaving a bank o issue minimum equity share of Rs.50 each share to raise the balance of are required to pass the necessary Journal Entries to record the above t	balance of Rs.12,000. funds required.
In or decid a) to b) to c) to You a	ded: o sell all the investments for Rs.15,000. o finance part of redemption from company funds, subject to, leaving a bank o issue minimum equity share of Rs.50 each share to raise the balance of are required to pass the necessary Journal Entries to record the above t	balance of Rs.12,000. funds required.
In or decid a) to b) to c) to You a	ded: o sell all the investments for Rs.15,000. o finance part of redemption from company funds, subject to, leaving a bank o issue minimum equity share of Rs.50 each share to raise the balance of are required to pass the necessary Journal Entries to record the above t tion: Journal Entries	balance of Rs.12,000. funds required.
In or decid a) to b) to c) to You a Solut	ded: o sell all the investments for Rs.15,000. o finance part of redemption from company funds, subject to, leaving a bank o issue minimum equity share of Rs.50 each share to raise the balance of are required to pass the necessary Journal Entries to record the above t tion: Journal Entries	balance of Rs.12,000. funds required. ransactions.
In or decid a) to b) to c) to You a Solut	ded: o sell all the investments for Rs.15,000. o finance part of redemption from company funds, subject to, leaving a bank o issue minimum equity share of Rs.50 each share to raise the balance of are required to pass the necessary Journal Entries to record the above t tion: Journal Entries	balance of Rs.12,000. funds required. ransactions.
In or decid a) to b) to c) to You a Solut	ded: o sell all the investments for Rs.15,000. o finance part of redemption from company funds, subject to, leaving a bank o issue minimum equity share of Rs.50 each share to raise the balance of are required to pass the necessary Journal Entries to record the above t tion: Journal Entries	balance of Rs.12,000. funds required. ransactions.

Workin	g Note :						

3. C Limited had 3,000, 12% Redeemable Preference Shares of Rs.100 each, fully paid up. The
company had to redeem these shares at a premium of 10%.
It was decided by the company to issue the following:
a) 25,000 Equity Shares of Rs.10 each at par,
b) 1,000 14% Debentures of Rs.100 each
The issue was fully subscribed and all amounts were received in full. The payment was duly
made. The company had sufficient profits. Show Journal Entries in the books of the company.

Solution:

	In the book of			
Date	Particular's	L/F	Debit	Credit

Wo	Working Note :							
4	The capital structure of a company consists of 2	20 000 Equity 9	shares of Ps 10	each fully paid				
	· · ·							
	up and 1,000 8% Redeemable Preference Shares of Rs.100 each fully paid up (issued on 1.4.2021). Undistributed reserve and surplus stood as: General Reserve Rs.80,000; Profit and Loss Account							
	s.20,000; Investment Allowance Reserve out of							
	lividend) Rs.10,000; Securities Premium Rs.2,00							
	reference shares are to be redeemed at a Prem							
	he directors are empowered to make fresh issu		•	_				
	ndistributed reserve and surplus, subject to th etained in general reserve and which should not							
	o the above arrangements.	De utiliseu, rus		es to give effect				
	tion:							
301	In the book of							
	Journal E	ntnies						
Da [.]		L/F	Debit	Credit				
Du			Debii	Crean				

Working Note :				
5. The Balance Sheet of XYZ Ltd. as at 31st December, 2021 inter alia includes the following				
information:				
Particulars			₹	
50,000, 8% Preference Shares of Rs. 100 each, Rs. 70 paid up			35,00,00	
1,00,000 Equity Shares of Rs. 100 each fully paid up			1,00,00,00	
Securities Premium			5,00,00 20,00,00	
Capital Redemption Reserve				
General Reserve				
Bank				

Under the terms of their issue, the preference shares are redeemable on 31st March, 2022 at 5%
premium. In order to finance the redemption, the company makes a rights issue of 50,000 equity
shares of Rs.100 each at Rs.110 per share, Rs.20 being payable on application, Rs.35 (including
premium) on allotment and the balance on 1st January, 2023. The issue was fully subscribed and
allotment made on 1st March, 2022. The money due on allotment were duly received by 31st March,
2022. The preference shares were redeemed after fulfilling the necessary conditions of Section 55
of the Companies Act, 2013. You are asked to pass the necessary Journal Entries.
(Ignore date column)
Solution:

-

. .

In the book of				
Journal Entries				
Date	Particular's	L/F	Debit	Credit

6. With the help of the details in Illustration 9 above and further assuming that the Preference					
Shareholders holding 2,000 shares fail to make the payment for the Final Call made under					
Section 55, you are asked to pass the necessary Journal Entries and show the relevant extracts					
from the balance sheet as on 31st March, 2022 with the corresponding figures as on 31st					
December, 2021 assuming that the shares in default are forfeited after giving proper notices.					
(Ignore date column)					
Solution:					
In the book of					
In the book of Journal Entries	Credit				
In the book of	Credit				
In the book of Journal Entries	Credit				
In the book of Journal Entries	Credit				
In the book of Journal Entries	Credit				

	-	



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REDEMPTION OF DEBENTURES

ADEQUACY OF DEBENTURE REDEMPTION RESERVE (DRR)

The Debenture Redemption Reserve shall be created out of the profits of the company available

for payment of dividend; the limits with respect to adequacy of DRR and investment or deposits,

as the case may be, shall be as under:

S. No	Debentures issued by	Adequacy of Debenture Redemption Reserve (DRR)			
1.	All India Financial Institutions (AIFIs)	No DRR is required			
	regulated by Reserve Bank of India				
	and Banking				
2.	Companies for both public as well as				
	privately placed debentures				
	Other Financial Institutions (FIs) within	DRR will be as applicable to NBFCs registered			
	the meaning of clause(72) of section 2 of	with RBI (as per(3) below)			
	the Companies Act,2013				
3.	For listed companies (other than AIFIs and Banking Companies as specified in Sr.No.1				
	above):				
	a. All listed NBFCs (registered with RBI under No DRR is required section 45-IA of the				
	RBI Act,) and listed HFCs				
	(Housing Finance Companies registere	ed with National Housing Bank) for both public as			
	well as privately placed debentures				
	b. Other listed companies for both publ	lic as No DRR is required well as privately placed			
	debentures				
4.	For unlisted companies (other than AIFIs	and Banking Companies as specified in Sr. No 1 above			
	a. All unlisted NBFCs (registered with	No DRR is required			
	RBI under section 45-IA of the				

	RBI (Amendment) Act, 1997) and				
	unlisted HFCs (Housing Finance				
	Companies registered with National				
	Housing Bank) for privately placed				
	debentures				
	b. Other unlisted companies	DRR shall be 10% of the value of the outstanding			
		debentures issued			
	INVESTMENT OF DEBENTURE REL	DEMPTION RESERVE (DRR) AMOUNT			
Furthe	r, as per Rule 18 (7) of the Companies (Sl	nare Capital and Debentures) Amendment Rules,			
2019, 1	following companies	· · · · ·			
a) All	listed NBFCs				
b) All	listed HFCs				
c) All	other listed companies (other than AIFIs	, Banking Companies and Other FIs); and			
d) All	unlisted companies which are not NBFCs o	and HFCs			
shall o	n or before the 30th day of April in each	year, in respect of debentures issued, deposit or			
invest,	as the case may be, a sum which should no	t be less than 15% of the amount of its debentures			
maturi	ng during the year ending on the 31st d	ay of March of next year, in any one or more of			
the fo	llowing methods, namely:				
a) in d	eposits with any scheduled bank, free fro	om charge or lien;			
b) in u	nencumbered securities of the Central G	overnment or of any State Government;			
c) in u	nencumbered securities mentioned in claus	ses (a) to (d) and (ee) of Section 20 of the Indian			
Tru	sts Act, 1882;				
d) in u	nencumbered bonds issued by any other a	company which is notified under clause (f) of			
Sec	tion 20 of the Indian Trusts Act, 1882.				
The an	nount deposited or invested, as the case m	ay be, above should not be utilised for any purpose			
other •	other than for the redemption of debentures maturing during the year referred to above.				
Provided that the amount remaining deposited or invested, as the case may be, shall not at any					
time fo	time fall below 15% of the amount of debentures maturing during the 31st day of March of that year.				
In case	In case of partly convertible debentures, DRR shall be created in respect of non-convertible				
portion	portion of debenture issue.				
The an	The amount credited to DRR shall not be utilised by the company except for the purpose of				
redem	redemption of debentures.				

Note: It should be noted that appropriation to DRR can be made any time before redemption
and Investments in specified securities as mentioned above can be done before 30th April for the
debentures maturing that year, however, for the sake of simplicity and ease, it is advisable to make
the appropriation and investment immediately after the debentures are allotted assuming that
the company has sufficient amount of profits (issued if allotment date is not given in the question).
Also, in some cases, the date of allotment could be missing, in such cases the appropriation and
investments should be done on the first day of that year for which ledgers accounts are to be
drafted

	Journal Entries								
Date	Particular's	L/F	Debit	Credit					
	AFTER ALLOTMENT OF DEBENTURES								
1.	Creation of DRR								
2.	Purchase of DRRI	1	1						
3.	Receipt of Interest on DRRI								
4.	Transfer of Interest on DRRI	<u> </u>							

	AT TIME OF REDEMPTION				
1.	Sale of DRRI				
2.	Due Entry for Redemption of Debentures				
3.	Payment Entry		- -		
4.	Transfer of DRR				
т.	Transfer of DRR				
	MUST DO QUESTION BEF	ORE E	XAMS		
	following balances appeared in the books of Parad		d (unlisted compan	y other than	
AIF	I, Banking company, NBFC and HFC) as on 1-4-202	1:			
I.	12 % Debentures Rs.7,50,000				
II.	Balance of DRR Rs.25,000				
III.	DRR Investment 1,12,500 represented by 10% R	s.1,125	Secured Bonds of	the Government	
	of Indiaof Rs.100 each.				
Ann	ual contribution to the DRR was made on 31st Marc	ch eve	ry year. On 31-3-2	2022, balance at	
banl	<pre>was Rs.7,50,000 before receipt of interest. The</pre>	invest	ment were realise	d at par for	
rede	emption of debentures at a premium of 10% on the	above	date.		
You	are required to prepare the following accounts for	r the y	ear ended 31st M	arch, 2022:	

1. De	bentures Account				
2. DR	R Account				
3. DR	R Investment Account				
4. Bai	nk Account				
5. De	benture Holders Accou	int.			
Solution:					
		12% Debe	entures A/c		
Date	Particular	Amount	Date	Particular	Amount
		DR	R A/c		
Date	Particular	Amount	Date	Particular	Amount
	10% Secur	ed Bonds Of G	ovt. (DRR I	nvestment) A/c	
Date	Particular	Amount	Date	Particular	Amount
		Ban	k A/c		
Date	Particular	Amount	Date	Particular	Amount

		Debenture	holders	A/c		
Date	Particular	Amount	Date	Particular	Amou	int
Working N	lote:					
-						
2. XYZ Lt	d. has issued 1,000, 12	% convertible d	ebenture	es Rs.100 each redee	mable after a per	viod
	years. According to the				•	
	emium of 5%. The deba					
	20% of their holdings			·	•	
	ance in cash. Debentur			· · · ·	•	
	ed into equity shares			·		
	of shares issued and					
Solution:						
		Particular		Ĩ	No. of Debentu	res
Working N	late ·					

3. The Balance Sheet of BEE Co. Ltd. (unlisted compo	any other than AIFI, Banking co	mpany, NBFC
and HFC) as at 31st March, 2021 is as under:		
Particulars	Note No.	₹
I. <u>Equity and Liabilities</u>		
1. Shareholder's Funds		
(a) Share Capital	1	2,00,00
(b) Reserves and Surplus	2	1,20,00
2. Non-current liabilities		
(a) Long term borrowings	3	1,20,00
3. Current Liabilities		
(a) Trade payables		1,15,00
Total		5,55,00
II. <u>Assets</u>		
1. Non-current assets		
(a) Property, Plant and Equipment	4	1,15,00
		5,55,00
2. Current assets		
(a) Inventories		1,35,00
(b) Trade receivables		75,00
(c) Cash and bank balances	5	2,30,00
Total		5,55,00
Notes to Accounts		
1. Share Capital		
Authorised share capital		
30,000 shares of Rs.10 each fully paid		3,00,00
Issued and subscribed share capital		
20,000 shares of Rs.10 each fully paid		2,00,00
2. Reserve and Surplus		
Profit & Loss Account		1,20,00
3. Long term borrowings		
12% Debentures		1,20,00
4. Property, Plant and Equipment		

Solu	ition:		
Give	the necessary journal entries for these transactions.		
c) 1	To repay the debentures at a premium of 3%.		
b) 1	To issue one bonus share for every five shares held.		
S	hares (held prior to the bonus distribution). This option was taken u	p by all the sho	areholders.
a) 1	To give existing shareholders the option to purchase one Rs.10 share	at Rs.15 for e	very four
At t	he Annual General Meeting, it was resolved:		
	Cash in hand	<u>30,000</u>	2,30,000
	Cash at bank	2,00,000	
5.	Cash and bank balances		
	Free hold property		1,15,000

Journal Entries						
Date	Particular's	L/F	Debit	Credit		



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FINAL ACCOUNTS WITH ADJUSTMENT

Let's Discuss All Adjustments							
ADJUSTMENT	GIVEN	JOURNAL	TRADING	B/S			
One month rent for	55,000						
gowdown is outstanding.							
Interest on loan from	60,000						
Rajan is payable @ 10% per							
annum. This loan was taken							
on 01.07.2017	4,400						
Insurance premium includes	48,000						
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 30.06.2018.							
Included amongst the	D - 48,000						
debtors is Rs.6,000 due	C - 29,600						
from Rahul and included							
among the creditors							
Rs.2,000 due to him.							
Personal purchases of	28,800						
Manan amounting to							
Rs.1200 had been recorded							
in the purchases day book.							
A quarter of the amount of							
printing and stationary							
expenses is to be carried							
forward to the next year.							

Credit purchase invoice	6,43,400		
amounting to Rs.800 had	0,10,100		
been omitted from the books.			
Purchases include sales	P - 1,60,000		
return of Rs.2,575 and	S - 2,15,300		
sales include purchases	0 2,10,000		
return of Rs.1,725.			
Goods withdrawn by			
Mr. XYZ for own			
consumption Rs.3,500			
included in purchases.			
Wages paid in the month of			
April for installation of			
plant and machinery			
amounting to Rs.450 were			
included in wages account.			
Free samples distributed			
for publicity costing Rs.825.			
Bank overdraft is secured	0/D -		
against hypothecation of	80,000		
stock. Bank overdraft			
outstanding as on 31.3.2017			
has been considered as			
80% of real value of			
stock (deducting 20% as			
margin) and after			
adjusting the marginal			
value 80% of the same			
has been allowed to draw			
as an overdraft.			

	<i>c</i> , , ,							
Rs.20,000 draw		D - /	0,000					
was debited to	Drawings							
account, but out	t of this							
amount withdra	wn							
Rs.12,000 was u	sed in the							
business for day	y-to-day							
expenses.								
Purchase of goo	ds worth							
Rs.16,000 was n	ot recorded							
in the books of	account							
upto 31.03.2019	9, but the							
goods were inclu	ded in stock.							
Purchase return	ns of							
Rs.1,000 was re	corded in							
Sales Return Jo	ournal and							
the amount was	correctly							
posted to the Po	arty's A/c							
on the correct s	side.							
Expenses includ	e Rs.6,000							
in respect of th	e period							
after 31 ^{s†} Marc	ch, 2019.							
The loan accoun	t from Dena							
bank in the bool	ks of							
Ganguli appears	as follows:							
				Rs.				Rs.
31.3.2020	To Balance	c/d	1,00	0,000,	1.4.2019	By Bal	ance b/d	50,000
					31.3.2020	Ву	Bank	50,000
			1,00	0,000,				1,00,000
Interest receive	d represents	IR -	7,250					
Rs.1,000 from t	he sundry	I@	5% -					
debtors (due to	delay on	25	,000					

		1	
their part) and the balance			
on investments and deposits.			
Interest paid include	L @12% -		
Rs.3,000 paid to Dena bank.	1,00,000		
Machinery worth Rs. 45,000			
purchases on 1.10.99 was			
shown as purchases.			
Commissions is payable at	S -		
2% on Sales.	23,10,000		
Office premises occupy			
1/4 of total area.			
• Lighting is to be charged			
as to 2/3 to factory and			
1/3 to office.			
Mr R's manager is entitled			
to a commission of 10% on			
the net profit after			
charging his commission			
Following transaction had			
taken place during the			
period from 1-4-1997 to			
7 th April, 1997.			
• Sales Rs. 2, 50,000,			
• Purchases 1,50,000,			
• Stock on 7 th April, 1997			
was Rs. 1,80,0000 and			
• Gross profit on sales			
was 20%			
Insurance premium			
mentioned in the trial			
balance was in respect of			
building and machineries.			

Goods costing Rs.1,000	
were sent to customer for	
Rs.1,200 on 30 th March,	
1998 on sale or return	
basis. This was recorded	
as actual sales.	
Rs.240 paid as rent of the	
office were debited to	
Landlord account and were	
included in the list of debtors.	
• General Manager is to	
be given commission at	
10% of net profit after	
charging the commission	
of the works manager	
and his own.	
• Works manager is to be	
given commission at 12% of	
net profit before charging	
the commission of General	
Manager and his own.	
Bill receivable include a	
dishonored bill of Rs.8,000.	
Goods costing Rs.2,000	
were given away as free	
sample for publicity.	
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 t	0		
Machinery account.			
Reserve for bad debts i	s to		
be kept at Rs.1,000			
Prepaid Expense			
Outstanding Expense			
Accrued Income			
Advance Income			
BAD-DEBT, PROVISIO	N FOR DOUBTFUL DEE	BT, PROVISION FOR DI	SCOUNT ON DEBTORS
		loss Account	
Particulars	Amount	Particulars	Amount
	Balanc	<u>ce Sheet</u>	
	1		

Closing Stock (Cost Or N	IRV Whi	chever is)	
FORMAT OF MA	NUFAC	TURING ACCOUNT	
Manufacturing Account o	of	for the year ended	
Particulars	Rs.	Particulars	Rs.
To Materials Consumed:		By Net Factory Cost of production,	
Opening Stock of Raw Materials		transferred to Trading A/c	
Add: Purchases of Raw Materials Sub-Total		(bal. fig)	
Less: Closing Stock of Raw Materials		By NRV / Sale Value of By-Products,	
Net balance = Materials Consumed To		if any.	
Direct Manufacturing Wages			
To Direct Expenses, if any			
Sub-Total Prime Cost			
To Production Overheads			
Sub-Total Gross Factory Cost			
Add: Opening Stock of WIP			
Less: Closing Stock of WIP			
Total		Total	
Trading Account is prepared as under in thi	s case:		
TRADING ACCOUN	T OF FO	OR THE YEAR ENDED	
Particulars	Rs.	Particulars	Rs.
To Opening Stock of Finished Goods To		By Sales	
Manufacturing Account, i.e. Cost of		By Closing Stock of Finished Goods	
Production To Gross Profit c/d to P&L			
Account			
Total		Total	

MUST DO QUESTION BEFORE EXAMS

1. Mr. Shyamal runs a factory, which produces detergents. Following details were available	ulable in
respect of his manufacturing activities for the year ended 31-03-2019.	
· · · · · · · · · · · · · · · · · · ·	26 000
Opening work-in-progress (9000 units)	26,000
Closing work-in-progress (14,000 units)	48,000
Opening inventory of Raw Materials	2,60,000
Closing inventory of Raw Materials	3,20,000
Purchases	8,20,000
Hire charges of Machinery @ 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 Units produced - 5,00,000 units	1,80,000
You are required to prepare a Manufacturing Account of Mr. Shyamal for the year	' ended
31-03-2019.	
Solution:	

Manufacturing Account in Books of Mr.Shyamlal for the Year Ended 31 st March,2019					
Particulars	Units	Amount	Particulars	Units	Amoun

2 Komuna desided to start by	universe of feating	n comments under the name of M/s.	
		n garments under the name of M/s. D	
		of about Rs.10,00,000. She invested R	
out of her savings and bor	rowed equal amo	unt from bank. She purchased a comm	nercial space
for Rs.5,00,000 and furth	er spent Rs.1,00	,000 on its renovation to make it reac	ly for
business.			
Loan and interest repaid b	y her in the firs	t year are as follows:	
30th June, 2020 - Rs.15,0	00 principal+ Rs.	9,000 interest	
30th September, 2020 - F	Rs.15,000 princip	al+ Rs.8,550 interest	
31st December, 2020 - Rs	.15,000 principal	+ Rs.8,100 interest	
31st March, 2021 - Rs.15,0)00 principal+ Rs	.7,650 interest.	
In view of further capital	requirement, she	e transferred Rs.2,00,000 from her s	aving bank
account to the bank accou	nt of the busines	ss. She paid security deposit of Rs.7,0)00 for
telephone connection. Fur	niture of Rs.10,0	00 was purchased, All payments were	made by
cheque and all receipts in	cash were depos	ited in the bank.	
At the end of the year, he	er business show	ed the following results:	
Particulars	Amount	Particulars	Amount
Total Sales	20,00,000	Total Purchases	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:		, , , ,	· · ·
	by cheque each	month for her personal expenses.	
(ii) Depreciation on building		· · · ·	
(iii) Closing stock in hand a		·	
		nt for the year ended 31-3-2021 and	Balance Sheet
as on that date.			
Solution:			
	fit and Loss Ac	count in the Books of M/S Designer	•
		r Ended 31 st March 2021	
Particular's	Amount		Amount

Ba	llance Sheet as at 31	st March, 2021	
Liabilities	Amount	Assets	Amount
	Working No	nte	
	Bank Accou		
Particular's	Amount	Particular's	Amount

3. The balance sheet of Mittal on 1^{s†} January, 2018 was as follows:

Liabilities	Amount	Assets	Amount
Trade payables	16,00,000	Plant & Machinery	31,00,000
Expenses payable	2,50,000	Furniture & Fixture	4,00,000
Capital	51,00,000	Trade receivables	14,50,000
		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:

(a) Interest on capital @ 6% p.a.

(b) Depreciation on plant and machinery @ 10% p.a. and on Furniture and Fixtures @ 5% p.a.

(c) 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 totaling 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 to draw up revised Profit and Loss account and Balance Sheet at the end of the year.

Particular's	Amount	Particular's	Am
			I
Liabilities	Amount	Assets	Am

	Raw Ma	terial A/c	
Particular's	Amount	Particular's	Amount
	(Rs.)		(Rs.)
To Opening Stock A/c	1,27,000	By Raw Materials Consumed	
To Creditors A/c	_	By Closing Stock	
	Credit	tors A/c	
Particular's	Amount	Particular's	Amount
	(Rs.)		(Rs.)
To Bank A/c	23,50,000	By Balance b/d	15,70,000
To Balance c/d	6,60,000		_
	Manufac	turing A/c	
Particular's	Amount	Particular's	Amount
	(Rs.)		(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:			
a . Purchase of machinery wort	h Rs.12,00,000 on	1 st April; 2019 has been omitted,	Machinery is
chargeable at a depreciation	n rate of 15%.		
b . Wages include the following	:		
Paid to factory workers - Re	3,15,000		
Paid to labour at office - Rs	.50,000		
c. Direct expenses included th	e following:		
Electricity charges - Rs.80,	000 of which 25%	pertained to office	
Fuel charges - Rs.25,000			
Freight inwards - Rs.32,000			
Delivery charges to custome	ers - Rs.22,000		
You are required to prepare rev	ised Manufacturin	ng A/c and Raw Material A/c.	

	Manufacturi	ng A/c	
Particular's	Amount	Particular's	Amount
	Dow Motorial	Account	
Deuticulaula	Raw Material		
Particular's	Raw Material Amount	Account Particular's	Amoun
Particular's			Amoun
Particular's	Amount	Particular's	Amoun
		Particular's	Amoun
ditor Account	Amount	Particular's	
	Amount	Particular's	
ditor Account	Amount	Particular's	
ditor Account	Amount	Particular's	
ditor Account	Amount	Particular's	Amoun Amoun Amoun

2. Revised Balance to be Transferred to Trading Account
Particular's

Amount

3. Expenses to Excluded from Di	irect Exnenses		
c. Expenses to Excluded from D	Particular's		Amount
4. Correct Depreciation			
5. Mr. Birla is a proprietor engage	ed in business o	f trading electronics. An excerp	t from his
5. Mr. Birla is a proprietor engage Trading & P&L account is as fol		f trading electronics. An excerp	t from his
Trading & P&L account is as fol	lows:	f trading electronics. An excerp [.] year ended 31st March, 2020	t from his
Trading & P&L account is as fol	lows:		t from his Rs.
Trading & P&L account is as fol Trading and P&l Particular's	lows: L A/c for the	year ended 31st March, 2020	
Trading & P&L account is as fol Trading and P&L Particular's To Cost of Goods Sold	lows: L A/c for the Rs.	year ended 31st March, 2020 Particular's	Rs.
Trading & P&L account is as fol Trading and P&L Particular's To Cost of Goods Sold	lows: A/c for the Rs. 45,00,000	year ended 31st March, 2020 Particular's	Rs.
Trading & P&L account is as fol Trading and P&l Particular's To Cost of Goods Sold To Gross Profit c/d	lows: A/c for the Rs. 45,00,000 D	year ended 31st March, 2020 Particular's	Rs. C
Trading & P&L account is as fol Trading and P&l Particular's To Cost of Goods Sold To Gross Profit c/d To Rent A/c	lows: A/c for the Rs. 45,00,000 D E	year ended 31st March, 2020 Particular's By Sales	Rs. C E
Trading & P&L account is as fol Trading and P&l Particular's To Cost of Goods Sold To Gross Profit c/d To Rent A/c To Office Expenses	lows: A/c for the Rs. 45,00,000 <u>D</u> <u>E</u> 26,00,000	year ended 31st March, 2020 Particular's By Sales By Gross Profit b/d	Rs. C E D
Trading & P&L account is as fol Trading and P&l Particular's To Cost of Goods Sold To Gross Profit c/d To Rent A/c To Office Expenses To Selling Expenses	lows: A/c for the Rs. 45,00,000 D <u>E</u> 26,00,000 13,00,000	year ended 31st March, 2020 Particular's By Sales By Gross Profit b/d	Rs. C E D
Trading & P&L account is as fol Trading and P&l Particular's To Cost of Goods Sold To Gross Profit c/d To Rent A/c To Office Expenses To Selling Expenses To Commission to Manager (on	lows: A/c for the Rs. 45,00,000 <u>D</u> <u>E</u> 26,00,000 13,00,000 B	year ended 31st March, 2020 Particular's By Sales By Gross Profit b/d	Rs. C E D
Trading & P&L account is as fol Trading and P&l Particular's To Cost of Goods Sold To Gross Profit c/d To Rent A/c To Office Expenses To Selling Expenses To Commission to Manager (on Net Profit before charging such	lows: A/c for the Rs. 45,00,000 <u>D</u> <u>E</u> 26,00,000 13,00,000 B	year ended 31st March, 2020 Particular's By Sales By Gross Profit b/d	Rs. C E D
Trading & P&L account is as fol Trading and P&l	lows: A/c for the Rs. 45,00,000 <u>D</u> <u>E</u> 26,00,000 13,00,000 B	year ended 31st March, 2020 Particular's By Sales By Gross Profit b/d	Rs. C E D

Solution:				
Trading and P&L A/c for the year ended 31st March, 2020				
Particular's	Rs.	Particular's	Rs.	
To Cost of Goods Sold	45,00,000	By Sales		
To Gross Profit c/d				
To Rent A/c	26,00,000	By Gross Profit b/d		
To Office Expenses	13,00,000	By Miscellaneous Income		
To Selling Expenses				
To Commission to Manager (on	2,00,000			
Net Profit before charging such				
commission)				
To Net Profit				
			60,00,000	
	<u>Worki</u>	ng Note		
1. Computation of Net Profit				
2. Computation of Selling Expens	ses			

3. Computation of Sales			
4. Computation of Gross Profi	t		
	Trading Acc	ount	
Particular's	Amount	Particular's	Amount
5. Miscellaneous Income			
6. Mr. Kotriwal is engaged in bu	isiness of selling maga	zines. Several of his custom	ers pay money
in advance for subscribing hi			
has been given below:		<i>iii</i> _ <i>i</i>	
On 1.4.2019 he had a balance	e of Rs.2.00.000 advan	ce from customers of which	Rs.1.50.000 is
related to year 2019-20 whi			
he made cash sales of Rs.5,0	<u> </u>		/
(i) Total income for the yea	·		
(ii) Total money received du		osina balance in advance from	ncustomers
· · · · · ·	ring the year if the cit	sing buildice in advance i of	
account is Rs.1,70,000.			
Solution:			

1. Computation of Income for t	he year 2019-20		
	Particular's		Amount
			1
2. Advance from Customer Acc	ount		
Particular's	Amount	Particular's	Amount
Total Money Received During Yo	20r		
	Particular's		Amount
7. Sengupta & Co. employs a tear	n of eight workers w	ho were paid Rs.30 000 per	month each in
the year ending 31st March, 2		· · ·	
raised salaries by 10% to Rs.3		•	
On October 1, 2019 the comp	·		r month each
The work force are paid salar	•	· · ·	
so that the employees receive	•		
etc.	Their saidi y for 5 dr	iddi y on the first working d	ay of Tebruary
You are required to calculate:			and a d 21 at
(a) Amount of salaries which w	vould be charged to t	rne profit and loss for the y	ear ended 31st
March, 2020.			
(b) Amount actually paid as sa	-	J	
Outstanding Salaries as on 31	st March, 2020.		
Solution:			

1. Salaries to be Ch	arged to Profit & Loss account	for the year ended 31 st Ma	rch, 2020
	Particular's		Amount
2. Salaries Actually	Paid in 2019-20		
	Particular's		Amount
3. Outstanding Salar	ry as at 31 st March, 2020		
	Particular's		Amount
8. Mr. Pankaj runs a t	factory which produces motor spo	ares of export quality. The follo	owing details
were obtained ab	out his manufacturing expenses f	ⁱ or the year ended on 31.3.202	20.
Particular's	Amount	Particular's	Amount
W.I.P.	- Opening		3,90,000
	- Closing		5,07,000
Raw Materials	- Purchases		12,10,000
	- Opening		3,02,000
	- Closing		3,10,000
	- Returned		18,000
	- Indirect material		16,000
Wages	- direct		2,10,000
	- indirect		48,000

Direct expenses	- Royalty on production		1,30,000
		- Repairs and maintenance	2,30,000
		- Depreciation on factory shed	40,000
		- Depreciation on plant & machinery	60,000
By-product at			
selling price			20,000
You are required to prep	pare Manufacturing Account o	of Mr. Pankaj for the year ended on 3	1.3.2020.

Solution:

Manufacturing Account in Books of Mr.Pankaj for the Year Ended 31st March, 2020

Particular's	Amount	Particular's	Amour

Particular's	₹	₹
Capital		6,50,00
Sales		9,70,00
Purchases	4,30,000	
Opening Inventory	1,10,000	
Freights Inward	40,000	
Salaries	2,10,000	
Other Administration Expenses	1,50,000	
Furniture	3,50,000	
Trade receivables and Trade payables	2,10,000	1,90,00
Returns	20,000	12,00
Discounts	19,000	9,00
Bad Debts	5,000	
Investments in Government Securities	1,00,000	
Cash in Hand and Cash at Bank	1,89,000	
Input CGST	10,000	
Input SGST	10,000	
Output CGST		8,00
Output SGST		8,00
Output IGST		6,00
	18,53,000	18,53,00
Other Information:		
Closing Inventory was ` 1,80,000;		
Depreciate Furniture @ 10% p.a.		
Required		
Prepare Trading and Profit and Loss Account for the ye	ar ended on 31.3.2022 and B	alance She
of Mr. Mohan as on that date.		
Solution:		

	In ·	the book of			
Trading Account for the year ended					
Particular's		Amount	Particular's		Amount
Prof	it and Loss	Account for t	he year ended		1
Particular's		Amount	Particular	's	Amount
	Balance Sheet as at				
Particular's		Amount	Particular's		Amount

Working Note: Output liability Tax (Tax head) (Tax	Payable	OUTPUT OUTPUT IGST	GST (`) Paid through 1 CGST		PUT GST (`) Tax paid in cas
Output liability Tax (Tax head) (Tax head) The following are the bac Particular's	Payable		Paid through 3		
(Tax head)	Payable		Paid through 3		
(Tax head)	Payable		Paid through 3		
(Tax head)	Payable	IGST			Tax paid in cas
(Tax head)	Payable	IGST			Tax paid in cas
(Tax head)	Payable	IGST			Tax paid in cas
(Tax head)	Payable	IGST			Tax paid in cas
. The following are the ba Particular's		IGST	CGST	SGST	
Particular's					
Particular's			CE QUESTION		
	lances as				
lant and Machinery		(Rs.)		rticular's	(Rs.)
		19,550	Bad debts red	covered	45
Furniture and Fittings		10,250	Salaries	-1-	22,55
Bank Overdraft		80,000	Salaries paya	אוכ	2,45
Capital Account	1	65,000	Prepaid rent Rent		30 4,30
Drawings Purchases		8 000	KEIL		4,30
Opening Stock		8,000 1,60,000	Carriage inwa	rd	1,12

Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on		Printing and Stationery	1,250
debtors	1,375	Cash in hand	1,450
Sundry Debtors	1,20,000	Cash at bank	3,125
Sundry Creditors	47,500	Office Expenses	10,160
Bad debts	1,100	Interest paid on loan	3,000

Additional Information:

(a) Purchases include sales return of Rs.2,575 and sales include purchases return of Rs.1,725.

(b) Goods withdrawn by Mr. XYZ for own consumption Rs.3,500 included in purchases.

(c) Wages paid in the month of April for installation of plant and machinery amounting to Rs.450 were included in wages account.

(d) Free samples distributed for publicity costing Rs.825.

(e) Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.

(f) Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.

(g) Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on

31.3.2017 has been considered as 80% of real value of stock (deducting 20% as margin) and

after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2017, and a

Balance Sheet as on that date. Also show the rectification entries.

Solution:

Trading & Profit and Loss Account in the Books of Mr. XYZ

For The Year Ended 31st March 2017

•			
Particular's	Amount	Particular's	Amount

Balance Sheet as at 31 st March, 2017				

Balance Sheet as at 31st March, 2017

Liabilities	Amount	Assets	Amount



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RECTIFICATION OF ERROR

GLOSSARY OF SIGNIFICANT TERM USED

Stages of Occurrence of Errors

Stages when Errors occur
Graph

Practical Understanding

Sr.		-			
No.	Transaction	Туре	Before TB	After TB	After Final Accounts
1.	A sale of Rs.5,000 to X was wrongly				
	debited to the Account of Y.				
2.	General expenses Rs.180 was posted in				
	the General Ledger as Rs.810				
3.	A Bill Receivable for Rs.1,550 was passed				
	through Bills Payable Book. The Bill was				
	given by P.				

		T	
4.	Legal Expenses Rs.1,190 paid to Mrs.		
	Neetu was debited to her personal		
	account.		
5.	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.		
6.	Goods of the value of Rs.5,000 returned		
	by Mr. Sharma were entered in the Sales		
	Day Book and posted there from to the		
	credit of his account;		
7.	A sale of Rs.20,000 made to Mr. Amit		
	was correctly entered in the Sales Day		
	Book but wrongly posted to the debit of		
	Mr. Sumit as Rs.2,000		
8.	Bad Debts aggregating Rs.15,000 were		
	written off during the year in the Sales		
	ledger but were not adjusted in the		
	General Ledger		
9.	The total of "Discount Allowed" column in		
	the Cash Book for the month of		
9.			

			-
	September, 2020 amounting to Rs.12,500		
	was not posted		
10.	Machinery sold on credit to Mohan		
	recorded in Journal Properly but omitted		
	to be posted.		
11.	Purchase worth Rs.4,500 from Mr. X not		
	recorded in subsidiary books.		
12.	A return to creditor, Rs.295 was entered		
	in the Returns Inward Book; however, the		
	creditor's account was correctly posted.		
13.	Goods worth Rs.1,400 were dispatched to		
	a customer before the close of the year		
	but no invoice was made out.		
14.	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.		
15.	Rs.600 due from Mr. Q was omitted to be		
	taken ·to the trial balance.		

		1	
16.	Purchase of a scooter was debited to		
	conveyance account Rs.30,000. Mr.Ratan		
	charges 10% depreciation on scooter.		
17.	A credit purchase of goods from Mr. X		
	for Rs.20,000 was entered as sale.		
18.	A sale of Rs.2,760 was posted from Sales		
	Book to the Debit of M/s Sobhag		
	Traders at Rs.2,670		
19.	Rs.35,000 paid for purchase of Air		
	conditioner for the personal use of		
	proprietor debited to Machinery A/c.		
20.	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.		
21.	The addition of the 'Freight' column in		
	the purchase journal was short by		
	Rs.1,500.		
22.	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.		
23.	A bill of exchange (received from Raja &		
	Co.) for Rs.20,000 had been returned by		
	the bank as. dishonored and had been		
	credited to the bank and debited to bills		
	receivable account.		
24.	Discounts received Rs.1,320 had been		
	debited to discounts allowed.		
25.	A vehicle bought originally for Rs.7,000		
	four years ago and depreciated to		
	Rs.1,200 had been sold for Rs.1,500 in		
	the beginning of the year but no		
	entries, other than in the bank account		
	had been passed through the books.		
26.	An accrual of Rs.560 for telephone		
	charges had been completely omitted.		
27.	A bad debt of Rs.1,560 had not been		
	written off and provision for doubtful		
	debts should have been maintained at		
	10% of Trade receivables which are		

	1		•
	shown in the trial balance at Rs.23,390		
	with a credit provision for bad debts at		
	Rs.2,320.		
28.	The totals of debit side of "Expenses		
	Account" have been cast in excess by		
	Rs.50.		
29.	A cheque of Rs.500 issued to the		
	Suppliers' account (shown under Trade		
	payables) towards his dues has been		
	wrongly debited to the purchases.		
30.	A credit sale of Rs.50 has been credited		
'	to the Sales and also to the Trade		
	receivables Account.		
31.	The total of the Returns Inward Book for		
	July, 2020 Rs.1,240 was not posted in the		
	ledger.		
32.	Freight paid on a machine Rs.5,600 was		
	posted to the Freight Account as		
	Rs.6,500. 10% Depreciation is charge on		
	this machines.		

		-	
33.	A sale of machine on credit to Mr. Mehta		
	for Rs.9,000 on 30 th Sept. 2020 was not		
	entered in the books at all. The book		
	value of the machine was Rs.6,750.		
34.	A purchase of goods from Ram amounting		
	to Rs.150 has been wrongly entered		
	through the Sales Book.		
35.	An amount of Rs.200 due from Mahesh		
	Chand, which had been written off as a		
	Bad Debt in a previous year, was		
	unexpectedly recovered, and had been		
	posted to the personal account of		
	Mahesh Chand.		
36.	A Cheque for Rs.100 received from Man		
	Mohan was dishonored and had been		
	posted to the debit of Sales Returns		
	Account.		
37.	A cheque for Rs.200 received from P. C.		
	Joshi had been dishonored and was passed		
	to the debit of "Allowances Account".		
	posted to the personal account ofMahesh Chand.A Cheque for Rs.100 received from ManMohan was dishonored and had beenposted to the debit of Sales ReturnsAccount.A cheque for Rs.200 received from P. C.Joshi had been dishonored and was passed		

SELF PRACTICE QUESTION

- 1. The trial balance of Mr. W & H failed to agree and the difference Rs.20,570 was put into suspense pending investigation which disclosed that:
 - (i) Purchase returns day book had been correctly entered and totaled at Rs.6,160, but had not been posted to the ledger.
 - (ii) Discounts received Rs.1,320 had been debited to discounts allowed.

(iii) The Sales account had been under added by Rs.10,000.

(iv) A credit sale of Rs.1,470 had been debited to a customer account at Rs.1,740.

(v) A vehicle bought originally for Rs.7,000 four years ago and depreciated to Rs.1,200 had been sold for Rs.1,500 in the beginning of

the year but no entries, other than in the bank account had been passed through the books.

(vi) An accrual of Rs.560 for telephone charges had been completely omitted.

(vii) A bad debt of Rs.1,560 had not been written off and provision for doubtful debts should have been maintained at 10% of Trade

receivables which are shown in the trial balance at Rs.23,390 with a credit provision for bad debts at Rs.2,320.

(viii) Tools bought for Rs.1,200 had been inadvertently debited to purchases.

(ix) The proprietor had withdrawn, for personal use, goods worth Rs.1,960. No entries had been made in the books.

You are required to give rectification entries without narration to correct the above errors before preparing annual accounts.

Solution:

	Journal Entries in the Books Of						
Date	Particular's	L/F	Debit	Credit			

	·	
	·	

SUSPENSE ACCOUNT								
Particular's								



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INVENTORY

Physical Stock vs Book Stock

Wherever required, the following adjustments are carried out in respect of value of Physical

Stock, to arrive at the Value of Inventory as per the Balance Sheet -

	Value of Physical Stocks on the Closing Date	XXX
Add	Goods in Transit, i.e. goods in respect of which the Firm has the title and	xxx
	ownership, but lying with the Transporter / Carrier, pending delivery.	
Add	Goods held by Other Entities on our behalf (e.g. Our Stock held by Agent, Sub-	xxx
	Contractor, Job Worker, etc.) Goods sent on approval for which confirmation not	
	received from Customer.	
Less	Any goods sold in respect of title has been transferred to the Buyer, but delivery	xxx
	pending at Buyer's request.	
Less	Goods held by us on behalf of Other Entities (e.g. As Agent, as Sub-Contractor, as	xxx
	Job Worker, etc.)	
Less	Adjustments required to mark-down defectives / obsolete items, etc. to their	xxx
	NRV, if any.	
	Value of Stocks as per Balance Sheet	

Verification of Stock on other than Balance Sheet date

Generally, Physical Stock Verification and Valuation is done at the end of the last day of the accounting year. Sometimes, in big organizations, it may not be possible to verify the stocks exactly on the last date of the accounting period. In such cases, stock is taken either few days earlier or later, according to the situation. The following adjustments are carried out in order to arrive at the Stock Value on the Balance Sheet date -

1. Stock Taking after Balance Sheet date	2. Stock Taking before Balance Sheet date
Value of Stocks on verification date (e.g. 6 th April)	Value of Stocks on verification date (e.g. 25 th March)
(+)Cost of Sales made during the interim period	(+) Purchases made during the interim period
(+)Purchase Returns during the interim period	(+)Sales Returns (at Cost Price) during the period
(-)Purchases made during the interim period	(-)Cost of Sales made during the interim period
(-)Sales Returns (at Cost Price) during the period	(-)Purchase Returns during the interim period
Value of Stocks on Balance Sheet date,	Value of Stocks on Balance Sheet date,
i.e. 31 st March	i.e. 31 st March

MUST DO QUESTIONS BEFORE EXAMS

1. Sky Ltd. keeps no stock records but a physical inventory of stock is made at the end of each guarter and the valuation is taken at cost. The company's year ends on 31st March, 2018 and their accounts have been prepared to that date. The stock valuation taken on 31st March, 2018 was however, misleading and you have been advised to value the closing stocks as on 31st March, 2018 with the stock figure as on 31st December, 2017 and some other information is available to you: a) The cost of stock on 31st December, 2017 as shown by the inventory sheet was 80,000. **b)** On 31st December, stock sheet showed the following discrepancies: (i) A page total of Rs.5,000 had been carried to summary sheet as Rs.6,000. (ii) The total of a page had been under cast by Rs.200. c) Invoice of purchases entered in the Purchase Book during the guarter from January to March, 2018 totaled Rs.70,000. Out of this Rs.3,000 related to goods received prior to 31st December, 2017. Invoices entered in April 2018 relating to goods received in March, 2018 totaled Rs.4,000. d) Sales invoiced to customers totaled Rs.90,000 from January to March, 2018. Of this Rs.5,000 related to goods dispatched before 31st December, 2017. Goods dispatched to customers before 31st March, 2018 but invoiced in April, 2018 totaled Rs.4,000. e) During the final guarter, credit notes at invoiced value of Rs.1,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by

the company is 25% of cost. You are required to prepare a statement showing the amount of stock at cost as on 31st March, 2018. Transfer of ownership takes place at the time of delivery of goods. Solution: Valuation of Physical Stock as at 31st March, 2018 Particular's Amount 2. Closing stock is valued by Zebra Stores on generally accepted accounting principles. Stock taking for the year ended 31st March, 2020 was completed by 10th April, 2020, the valuation of which showed a stock figure of Rs.5,02,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for Rs.20,625 profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to Rs.27,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark up price of Rs.900 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing Rs.3,375 which should be taken at Rs.1,575 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing Rs.4,650 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be Rs.3,750 on 31st March, 2020. You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31st March, 2020

Solution:	
Valuation of Stock as at 31 st March, 2020	
Particular's	Amount
3 . Physical verification of stock in a business was done on 23 rd February, 2020.	The value of the
stock was Rs.28,00,000. The following transactions took place from 23 rd Febr	
February, 2020:	
a) Out of the goods sent on consignment, goods at cost worth Rs.2,30,000 we	ere unsold.
b) Purchases of Rs.3,00,000 were made out of which goods worth Rs.1,20,000) were delivered
on 5 th March, 2020.	
c) Sales were Rs.13,60,000 which include goods worth Rs.3,20,000 sent on ap	proval. Half of
these goods were returned before 29 th February, 2020, but no informatio	n is available
regarding the remaining goods.	
d) Goods are sold at cost plus 25%. However goods costing Rs.2,40,000 had b	een sold for
Rs.1,50,000.	
Determine the value of stock on 29 th February, 2020.	
Solution:	
Valuation of Stock as at 29th February, 2020	
Particular's	Amount

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

	Rs.			
Inventory as on 1.4.2019	1,42, 500			
Purchases	7,62, 500			
Manufacturing Expenses	1,50,000			
Selling Expenses	60,500			
Administrative Expenses	30,000			
Financial Charges	21,500			
Sales	12,45,000			
At the time of valuing inventory as on 31st March, 2019, a sum of Rs.17,500 was w	vritten off on a			
particular item, which was originally purchased for Rs.50,000 and was sold during the year for				
Rs.45,000. Barring the transaction relating to this item, the gross profit earned during the year				
was 20 percent on sales.				
Solution:				

Statement of Inventory as at 31 st March, 2020			
Particular's	Amount		

5 The f	ollowing a	re the det	ails of a sp	oare part	of Sriram	mills:			
1-1-20				ng Invent		N	1		
1-1-20	020		Purch			10	0 unites (Rs.30 pe	r unit
15-1-2	2020		Issue	d for cons	sumption	50) units	·	
1-2-2	020		Purch	ases		20)0 units @	Rs.40 per	' unit
15-2-	2020		Issue	d for cons	sumption	10	0 units		
20-2-	2020		Issue	d for cons	sumption	10	0 units		
ind out	the value	of Invento	ory as on 3	1-3-2020	if the con	npany follo	ws First i	n first out	basis.
olution									
		Receipts		Issue		1		Balance	1
Date	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amour

6. Raj Ltd. prepared their accounts financial year ended on 31 st March 2019. Due	to unavoidable
circumstances actual stock has been taken on 10 th April 2019, when it was asce	ertained at
Rs.1,25,000. It has been found that;	
a) Sales are entered in the Sales Book on the day of dispatch and return inwar	rds in the
Returns Inward Book on the day of the goods received back.	
b) Purchases are entered in the Purchase Book on the day the Invoices are rec	eived.
c) Sales between 1 st April 2019 to 9 th April 2019 amounting to Rs.20,000 as per S	Gales Day Book.
d) Free samples for business promotion issued during 1 st April 2019 to 9th Apr	il 2019
amounting to Rs.4,000 at cost.	
e) Purchases during 1 st April 2019 to 9 th April 2019 amounting to Rs.10,000 but	goods amounts
to Rs.2,000 not received till the date of stock taking.	
f) 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.	
As certain the value of Stock as on 31 st March 2019.	
Solution:	
Valuation of Physical Stock as at 31 st March, 2019	
Particular's	Amount

F



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NOT FOR PROFIT ORGANISATION

CALCULATION OF COST OF CONSUMABLES

Calculation Of Cost Of Consumables

Particular's	Amount
	1

CREDITOR'S A/C

Particular's	Amount	Particular's	Amount
	—		—
	Total		Total

Q. Calculate the amount that will be posted to the Income and Expenditure Account for the year

ended 31st March, 2022:

Particular's	Amount
Stock of Stationery on 1st April, 2021	30,000
Creditors for Stationery on 1st April, 2021	20,000
Advances paid for Stationery carried forward from the year ended 31st March, 2021	2,000
Amount paid for Stationery during the year ended 31st March, 2022	
Stock of Stationery on 31st March, 2022	5,000
Creditors for Stationery on 31st March,2022	13,000
Advance paid for Stationery on 31st March, 2022	3,000

	Calculation Of Cost Of	Consumables		
	Particular's		Amount	
	CREDITOR'S	A/C		
Particular's	Amount	Particular's	Amount	
	Total		Toto	
	Total		Toto	
CALCULATION OF INCOM		O INCOME & EXPENDIT		
CALCULATION OF INCON		O INCOME & EXPENDIT		
CALCULATION OF INCON		O INCOME & EXPENDIT		
CALCULATION OF INCON		O INCOME & EXPENDIT		
CALCULATION OF INCON		O INCOME & EXPENDIT		
CALCULATION OF INCON		O INCOME & EXPENDIT		
CALCULATION OF INCON		O INCOME & EXPENDIT		
CALCULATION OF INCOM		O INCOME & EXPENDIT		
CALCULATION OF INCON		O INCOME & EXPENDIT		
CALCULATION OF INCOM		O INCOME & EXPENDIT		
CALCULATION OF INCOM				

Q . C	alculate the amou	nt that will be posted to the Income and Expenditure Account fo	r the year
	d 31st March, 202	· · · ·	Rs.
	pril, 2021	Subscriptions in Arrears	50,000
		Subscriptions Received in Advance	30,000
31 ^{s†}	March, 2022	Subscriptions in Arrears	25,000
		Subscriptions Received in Advance	70,000
Subs	criptions received	d during the year ended 31 st March, 2022—Rs.3,00,000.	
	·	rears for the year 2020-21—Rs.10,000.	
Solu	tion:		
	Calculation Of	f Subscription To Be Credited To Income & Expenditure Accou	unt
		Particular's	Amount
Q . F	rom the following	particulars, calculate amount of subscriptions to be credited to	the
	me and Expenditu	· ·	
		ended 31st March, 2022:	Rs.
(a)		arrears on 31st March, 2021	500
(b)	•	ceived in advance on 31st March, 2021 for the year ended on	1,100
	31st March, 202	2	

(c)	Total subscriptions received during the year ended 31st March, 2022(including	35,400
	Rs.400 for the year ended 31st March, 2021,Rs.200 for the year ended 31st	
	March, 2023 and Rs.300 for the year ended 31st March, 2024)	
(d)	Subscriptions outstanding for the year ended 31st March, 2022	400
Solu	tion:	
	Calculation Of Subscription To Be Credited To Income & Expenditure Acc	ount
	Particular's	Amount
CA	ALCULATION OF EXPENSE TO BE DEBITED TO INCOME & EXPENDITURE	ACCOUNT

Q. In the year ended 31st March, 2022, salaries paid amounted to Rs.2,04,000. Ascertain the amount chargeable to the Income and Expenditure Account for the year ended 31st March, 2022 from the following additional information:

Particular's	Amount
	Rs.
Prepaid Salaries on 31st March, 2021	24,000
Prepaid Salaries on 31st March, 2022	12,000
Outstanding Salaries on 31st March, 2021	18,000
Outstanding Salaries on 31st March, 2022	15,000

Solution:

Calculation Of Expense To Be Debited T	To Income & Expenditure Account
--	---------------------------------

Particular's	Amount
Accounting Treatment of Some Special Items	
1. Donation: it is gift in cash or kind from some person. It may be of two ty	/pes:
a) Specific Donation: It is received for certain specific purpose like Bui	Iding Donation,
Library Books donation etc. It should be capitalized and shown on the	e liabilities side of the
balance sheet.	
	wn an tha anadit aida
b) General Donation: It is not received for any specific purpose and sho	which the creat side
of Income and Expenditure Account.	
2. Entrance Fees: It may also be known as admission fees. Entrance Fees s	should be capitalized

and added to the capital fund for all organization. If the question gives any specific treatment of Entrance fees, then it should be followed accordingly.

- 3. Legacy: It is an amount received by an organization as per the will of the person after the death of the person. It should be capitalized and shown on the liabilities side of the balance sheet by adding to the Capital Fund.
- 4. Life Membership Fees: It should be capitalized and shown on the liabilities side of the balance sheet. If the question gives any specific treatment of Life membership Fees, then it should be followed accordingly.
- 5. Endowment Fund Donation: It is a donation received and only income from that donation is to be used for certain specific purpose. In such cases income relating to special funds should be added to these funds on the liabilities side of the Balance Sheet. All the expenses should be deducted from that fund on the liabilities side of the Balance Sheet.
- 6. Treatment of Sale of Old Newspaper and Periodicals: The amount received on such sale is shown as Income on the credit side of income and expenditure account.
- 7. Sale of old Fixed Assets: The Sale proceeds of old Fixed Assets are treated as capital receipts. The profit or loss on sale of fixed asset is shown in the Income and Expenditure A/c
- 8. Honorarium: It is paid to someone for receiving any services from person who are not the employees of the Not for Profit Organisation.

MUST DO QUESTIONS BEFORE EXAMS

1. From the following balances and particulars of Republic College, prepare Income & Expenditure Account for the year ended March, 2020 and a Balance Sheet as on the date:

	Rs.	Rs.
Seminars & Conference receipts		4,80,000
Consultancy Receipts		1,28,000
Security Deposit - Students		1,50,000
Capital Fund		16,06,000
Research Fund		8,00,000
Building Fund		25,00,000
Provident Fund		5,10,000
Tuition Fee Received		8,00,000
Government Grants		5,00,000

Donations		50,000
Interest & Dividends on Investments		1,85,000
Hostel Room Rent		1,75,000
Mess Receipts (Net)		2,00,000
College Stores-Sales		7,50,000
Outstanding expenses		2,25,000
Stock of-stores and Supplies (opening)	3,00,000	
Purchases - Stores & Supplies	8,00,000	
Salaries - Teaching	8,50,000	
Research	1,20,000	
Scholarships	80,000	
Students Welfare expenses	38,000	
Repairs & Maintenance	1,12,000	
Games & Sports Expenses	50,000	
Misc. Expenses	65,000	
Research Fund Investments	8,00,000	
Other Investments	18,50,000	
Provident Fund Investment	5,10,000	
Seminar & Conference Expenses	4,50,000	
Consultancy Expenses	28,000	
Land	1,00,000	
Building	16,00,000	
Plant and Machinery	8,50,000	
Furniture and Fittings	6,00,000	
Motor Vehicle	1,80,000	
Provision for Depreciation:		
Building		4,80,000
Plant & Equipment		5,10,000
Furniture & Fittings		3,36,000
Cash at Bank	6,4,2000	
Library	3,60,000	
	1,03,85,000	1,03,85,000

Adju	ustment				
				Rs	
(1)	Materials & Supplies consumed: (From college store	5)		
	Teaching			50,00	
	Research			1,50,00	
	Students Welfare			75,00	
	Games or Sports			25,00	
(2)	Tuition fee receivable from Gove	rnment for backwa	rd class Scholars	80,00	
(3)	Stores selling prices are fixed to	give a net profit o	f 10% on selling price		
(4)	Depreciation is provided on straig	ght line basis at the	e following rates:		
	(1) Building 5%			55	
	(2) Plant & Equipment			105	
	(3) Furniture & Fixtures			109	
Solu	(4) Motor Vehicle Ition:	Books of Republic			
Solu	(4) Motor Vehicle Ition:	Books of Republic	: College	209	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2		
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	÷			
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	
Solu	(4) Motor Vehicle Ition: In The Income & Expenditure Ac	count for the yea	r ended 31 st March, 2	020	

Balance Sheet as at 31st March, 2020

Liabilities	Amount	Assets	Amount
		<u> </u>	

Working Note		
<u>.</u>		

2. From the following informatio		· · · ·	ayments accoun
and Income and Expenditure.	Account for the yea		
		01.04.2018	31.03.2019
		Rs.	Rs.
Outstanding Subscription		1,40,000	2,00,00
Advance Subscription		25,000	30,00
Outstanding Salaries		15,000	18,00
Cash in Hand and at Bank		1,10,000	
10% Investment		1,40,000	70,00
Furniture		28,000	14,00
Machinery		10,000	20,00
Sports Goods		15,000	25,00
Subscription for the year amount	to Rs. 3,00,000/- 5	Salaries paid Rs. 60,000. Face	e value of the
Investment was Rs. 1, 75,000, 50	% of the investment	t was sold at 80% of Face val	ue. Interest on
investment was received Rs. 14,00	00. Furniture was so	ld for Rs. 8,000 at the begin	ning of the
year. Machinery and Sports Good	s purchased and p	ut to use at the last date of	the year.
Charge depreciation @ 15% p.a. o	n Machinery and Spe	orts Goods and @ 10% p.a. on	Furniture.
Following Expenses were made o	<u>luring the year.</u>		
Sports Expenses: Rs. 50,000			
Rent: Rs. 24,000 out of which Rs.	2,000 outstanding		
Misc. Expenses: Rs. 5,000			
Solution:			
Receipt & Paymen	t Account for the y	year ended 31 st March, 201	.9
Particular's	Amount	Particular's	Amount

		1	
Income & Expenditure	Account for	the year ended 31 st March, 2019)
Particular's	Amount	Particular's	Amount
			Amount

Working Note

				ccount for the year ended 31st	///di 0/1/ 2020
	Expenditure	Rs.		or the year 2019-20 Income	Rs.
То	Upkeep of Ground	10,000	Ву	Subscription	17,320
	Printing	1,000	1	Sale of Newspapers (old)	260
	Salaries	11,000		Lectures	1,500
То	Depreciation on Furniture	1,000	1	Entrance Fee	1,300
	Rent	600		Miscellaneous Income	400
			By	Deficit	2,820
		23,600			23,600
		Sheet as at			
Subsci	ription in Advance		100	Furniture	
(2020-	-21)			Ground and Building	
Prize	Fund			Prize Fund Investment	
Openir	ng Balance	25,000		Cash in Hand	
Add: I	interest	1,000		Subscription (outstanding)
		26,000		(2019-20)	
Less: F	Prizes	(2,000)	24,00	0	
Gener	al Fund				
Openir	ng Balance	56,420			
Less: [Deficit	(2820)			
		53,600			
Add: E	Intrance Fee	1,300	54,90	0	
			79,00	0	79,000
The fo	ollowing adjustments have been	en made in th	e above	e accounts:	
(1)	Upkeep of ground Rs. 600 an	d Printing Rs	. 240 re	elating to 2018-2019 were pai	d in 2019-20
(2)	One-half of entrance fee has	s been capita	lized by	/ transfer to General Fund.	

Receipt & Payme	ent Account for The Y	ear Ended 31 st March, 2	020
Particular's	Amount	Particular's	Amo
	Subscription Ac	count	
Particular's	Amount	Particular's	Amo

Image: Sector		

4. 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	20,00
Sundry Creditors	10,000		
	1,76,200		1,76,200

The Receipts and Payment Account

For the year ended on 31st March, 2018

Receipts	Rs.	Paymer	nts	Rs.
To Balance b/d		By Expenses:		
Cash in Hand	20,000	For 2017	12,000	
To Subscriptions:		For 2018	<u>20,000</u>	32,000
For 2017 2,000		By Land		40,000
For 2018 21,000		By Interest		4,000
For 2019 <u>1,000</u>	24,000	By Miscellaneous Ex	penses	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 newspaper	s 1,000			
To Miscellaneous Income	9,000			
	99,000			99,000
You are required to prepare Inco	me and Expendi	ture Account for the	year ended 31st	March,
2018 and a Balance Sheet as at 3	1st March, 2018	3 (Working should fro	m part of your a	nswer).
Solution:				

Particular's	Amount	Particular's	Amo
rariicular s	Amourn	Particulars	Amo

SELF PRACTICE QUESTION

1. 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. 10,0000, 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:

	01.01.2000	31.12.200
	Rs.	Rs.
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 I	Income and Expe	nditure

Account for the year ended 31.12.2000 and Balance Sheet as on 31.12.2000.

2. Mahaveer Sports Club gives the following Receipts & Payments Account for the year ended March 31, 1998:

	Receipts and Payments Account					
	Receipts	Rs.		Payments	Rs.	
То	Opening Cash&		Ву	Salaries	15,000	
	Bank Balance	5,200	Ву	Rent & Taxes	5,400	
То	Subscriptions	34,800	Ву	Electricity Charges	600	
То	Donations	10,000	Ву	Sports Goods	2,000	
То	Interest on Investments	1,200	Ву	Library Books	10,000	
То	Sundry Receipts	300	Ву	Newspaper & Periodicals	1,080	
			Ву	Misc. Expenses	5,400	
			Ву	Closing Cash & Bank Balances	12,020	
		51,500			51,500	

Liabilities	<u>As on 31.3.97</u>	<u>As on 31.3.98</u>
	Rs.	Rs.
Outstanding Expenses:		
Salaries	1,000	2,000
Newspapers & Periodicals	400	500
Rent & Taxes	600	600
Electricity Charges	800	1,000

Assets	<u>As on 31.3.97</u>	<u>As on 31.3.98</u>
	Rs.	Rs.
Library Books	10,000	
Sports Goods	8,000	
Furniture and Fixtures	10,000	
Subscription 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 a	nd Expenditure





DEPRECIATION

1. Straight Line Method (SLM) or	• Straight Line Depreciation = (Cost Less Residual Value) Useful Life
Fixed Instalment Method	• SLM Deprn Rate = $\frac{SLM Depreciation}{Cost of Asset}$
2. Reducing Balance Method or	• WDV Depreciation Rate =1- $n_{\sqrt{\frac{\text{Residual.Value}}{\text{Cost.of.Asset}}}}$
Written Down Value (WDV) Method	where n = Useful Life.
3. Sum of Digits of Years Method	Deprn p.a. =
	Depreciable Amt × $\frac{No.of years of balance useful life (including current year)}{Total of Digits of the Useful Life of the Asset (in years)}$
4. Machine Hour Method	
5. Production Units Method of	
Depreciation	Depreciation =
6. Depletion Method of	
Depreciation	

CHANGE IN THE METHOD OF DEPRECIATION

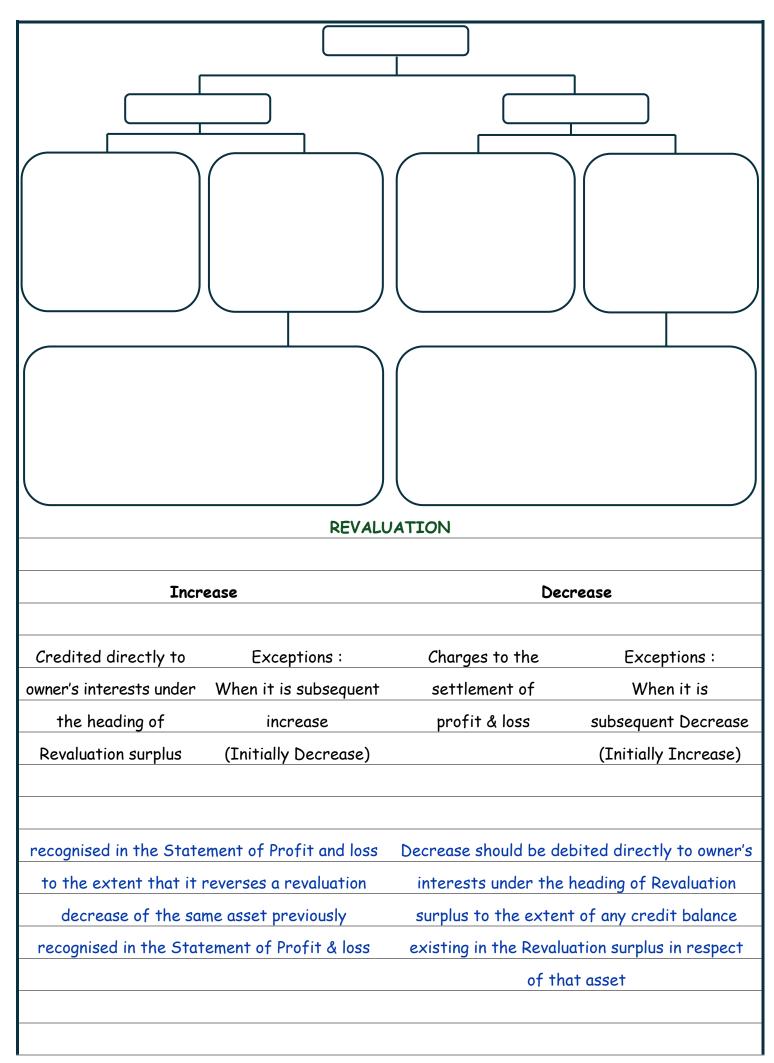
The depreciation method applied to an asset should be reviewed at least at each financial yearend and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method should be changed to reflect the changed pattern. Whenever any change in depreciation method is made, such change in method is treated as change in accounting estimate as per Accounting Standards. Its effect needs to be quantified and disclosed separately. A change in an accounting estimate may affect the current period only or both the current period and future periods. <u>REVISION OF THE ESTIMATED USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT</u> The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) should be accounted for as a change in an accounting estimate in accordance with Accounting Standards. Whenever there is a revision in the estimated useful life of the asset, the written down value or the balance depreciable amount should be charged over the revised remaining estimated useful life of the asset.

REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

After recognizing an asset initially, the asset whose fair value could be reliably measured should be carried at the revalued amount, being the fair value at revaluation date and reduced by successively accumulated depreciation and successive accumulated impairment losses (permanent decline in value) (if any).

a) Revaluations must be made at adequate intervals (say yearly) for ensuring that carrying amount doesn't differ substantially from that which would be determined if fair value at end of the reporting period is used

- b) In case an item of PPE is revalued, whole class of such PPE to which such asset belongs should be revalued
- c) In case the carrying amount of an asset increases due to revaluation, such increase should be credited to revaluation surplus and should be accumulated in equity. However, such increase should be recognized in Profit and Loss statement to the extent of reversal of a previous decrease of that asset that was recognized in the Profit and Loss account.
- d) In case the carrying amount of an asset is decreased due to revaluation, such decrease should be recognized in the Profit and Loss account. However, such decrease should be debited to the revaluation surplus to the extent of reversal of a previous increase that was recognized in revaluation surplus for that asset.



MUST DO QUESTION BEFORE EXAMS

1. M/s. Green Channel purchased a second-hand machine on 1st January, 2017 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, 2017. On 1st July, 2019, the machine installed on 1st January, 2017

was sold for Rs.1,00,000. Another machine amounted to Rs.30,000 was purchased and was

installed on 30th September, 2019.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost.

However, from the year 2020 it decided to adopt WDV method and to charge depreciation @

15% p.a. You are required to prepare Machinery account for the years 2017 to 2020.

Solution:

Machinery Account in Books of M/s. Green Channel					
Particular's	Amount	Particular's	Amount		

Working Note				I
2. The M/s Nishant Transport purc	hased 10 Bus	es at Rs.15,00,00)0 each on 1st Ap	oril 2017. On
October 1st, 2019, one of the Bu	ises is involve	d in an accident o	and is completely	, destroyed and
Rs.7,00,000 is received from the	e insurance in	full settlement.	On the same dat	e, another
truck is purchased by the compa				
on the original cost per annum. T			· · ·	
You are required to prepare the			·	·
Solution:			lang 01 000, 202	
	Buses	Account		
Particular's			ticular's	Amount
Particular s	Amount	Par	ncular s	Amount

-			1	
Wo	rking Note			
3	A Plant & Machinery costing Ds 10	00000 is d	epreciated on straight line assum	ing 10 year
			years. At the end of the fourth y	
). The remaining useful life was re	ussesseu (11 0
	year. Calculate Depreciation for •	ine titth yea	Γ.	
501	ution:			

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

Required : Show the necessary ledger accounts for the years ended 31st March 2019 to 2021 assuming that Provision for Depreciation Account is maintained.

Solution:

Machinery Account						
Particular's	Amount	Particular's	Amount			
		,				

Particular's	Provision For Deprecia Amount	Particular's	Amour
Particulars	Amount	Particular S	Amour
	Machinery Disposa	Account	
Particular's	Machinery Disposal	Account Particular's	Amour
Particular's			
Particular's			

 Image: Solution:
 Image: Solution:

 Solution:
 Image: Solution:

Solution:

a) Fair Value : Rs.37,00,000

Since this is an upward revaluation and the group had a balance in revaluation surplus (i.e.

there was an upward movement earlier), hence this will result in an additional credit of

Rs.2,00,000 to Revaluation Surplus and hence the total Revaluation Surplus balance (part of

other comprehensive income in Equity)shall increase to Rs.5,00,000.

The Accounting journal entry shall be:

Property, Plant & Equipment A/c Dr 2,00,000

To Revaluation Surplus A/c 2,00,000

b) Fair Value : Rs.33,00,000

Since this is a downward revaluation and the group had a balance in revaluation surplus

(i.e. there was an upward movement earlier), hence this will result in a reduction or a debit to

Revaluation Surplus to he extent of balance therein and any excess shall be debited to Profit

& Loss A/c. In this case, there is a reduction in fair value of Rs.2,00,000 (35,00,000 -

33,00,000) and hence the entire amount shall be debited to Revaluation Surplus. Hence, the

total Revaluation Surplus balance (part of other comprehensive income in Equity) shall

decrease to Rs.1,00,000.

The Accounting journal entry shall be:

Revaluation Surplus A/c Dr 2,00,000

To Property, Plant & Equipment A/c 2,00,000

c) Fair Value : Rs.31,00,000

Since this is also a downward revaluation and the group had a balance in revaluation surplus

(i.e. there was an upward movement earlier), hence this will result in a reduction or a debit to

Revaluation Surplus to the extent of balance therein and any excess shall be debited to Profit

& Loss A/c. In this case, there is a reduction in fair value of Rs.4,00,000 (35,00,000 -

31,00,000) and hence the Revaluation Surplus A/c shall be debited by Rs.3,00,000 and the

balance Rs.1,00,000 shall be debited to Profit & Loss A/c. Hence, the total Revaluation

Surplus balance (part of other comprehensive income in Equity) shall become Nil.

The Accounting journal entry shall be:

Revaluation Surplus A/c Dr 3,00,000

Profit & Loss A/c Dr 1,00,000

To Property, Plant & Equipment A/c 4,00,000

6. A machine was purchased for Rs.30,00,000 having an estimated total working of 24,000 hours. The scrap value is expected to be Rs.2,00,000 and anticipated pattern of distribution of

effective hours is as follows :

Year

1 - 3 3,000 hours per year

4 - 6 2,600 hours per year

7 - 10 1,800 hours per year

Required

Determine Annual Depreciation under Machine Hour Rate Method.

Solution:

Statement of Annual Depreciation under Machine Hours Rate Method

7. M/s Akash & Co. purchased a machine for Rs.10,00,000. Estimated useful life and scrap value

were 10 years and Rs.1,20,000 respectively. The machine was put to use on 1.1.2014.

Required

Show Machinery Account and Depreciation Account in their books for 2019 by using sum of

years digits method.

Solution:

Machinery Account				
Particular's	Amount	Particular's	Amount	

Depreciation Account

Particular's	Amount	Particular's Amo		
Working Note				

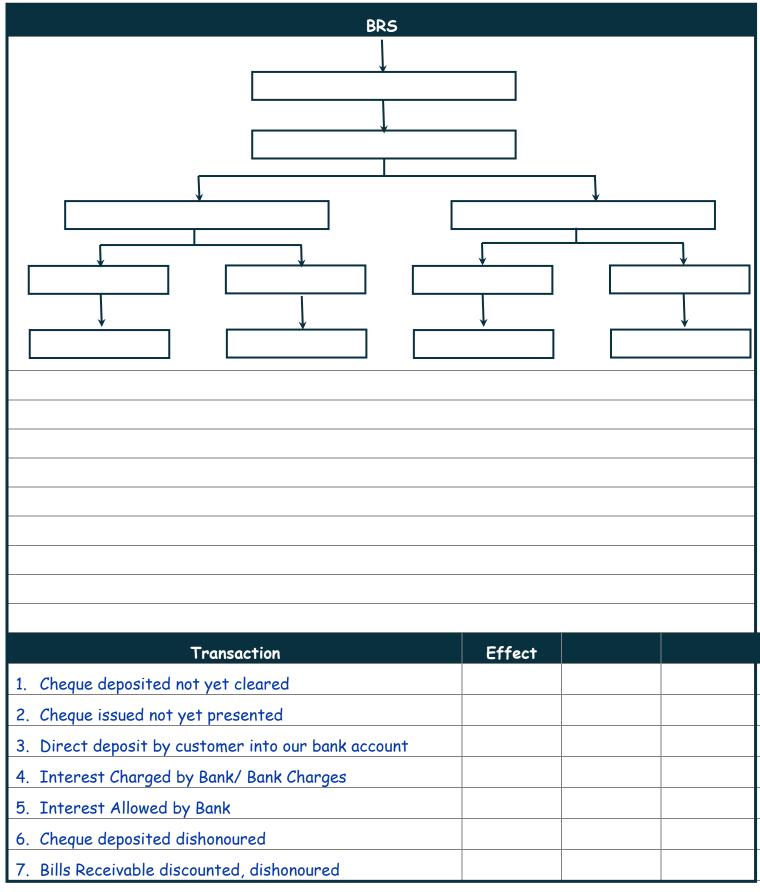
QUESTIONS FOR SELF PRACTICE

On April 1, 2018 a firm purchased a machinery for Rs.2,00,000. On 1st October in the same accounting year, additional machinery costing Rs.1,00,000 was purchased. On 1st October, 2019, the machinery purchased on 1st April 2018, having become obsolete was sold off for Rs.90,000. On October 1, 2020, new machinery was purchased for Rs.2,50,000 while the machinery purchased on 1st October 2018 was sold for Rs.85,000 on the same day. The firm provides depreciation on its machinery @ 10% per annum on original cost on 31st March every year. Show Machinery Account, Provision for Depreciation Account and Depreciation Account for the period of three accounting years ending March 31, 2021.





BANK RECONCILIATION STATEMENT



ERRORS IN CASHBOOK		
8. Overcast of Debit Side (Receipt Side) of Cash Book		
9. Undercast of Debit Side (Receipt Side) of Cash Book		
10. Overcast of Credit Side (Payment Side) of Cash Book		
11. Undercast of Credit Side (Payment Side) of Cash Book		
ERRORS IN PASSBOOK		
12. Overcast of Debit Side (Receipt Side) of Pass Book		
13. Undercast of Debit Side (Receipt Side) of Pass Book		
14. Overcast of Credit Side (Payment Side) of Pass Book		
15. Undercast of Credit Side (Payment Side) of Pass Book		

PRACTICAL UNDERSTANDING

BRS WITH ADJUSTED CASH BOOK

Transactions		Cash	Pass
	Effect	Book	Book
Interest credited by the Bank			
Bank charges not entered in Cash book			
Bank paid house tax on our behalf, but no intimation received from bank in			
this connection			
Subsidy Rs.10,250 received from the government directly by the bank, but			
not advised to the company.			

	1	
On 15 th March, 2017 the payments side of the Cash-book was under cast		
by Rs.350.		
On 20 th March, 2017 the debit balance of Rs.2,156 as on the previous day,		
was brought forward as credit balance in Cash-book.		
A customer of the M/s ABC, who received a cash discount of 5% on his		
account of Rs.2,000, paid to M/s ABC a cheque on 24 th March, 2017. The		
cashier erroneously entered the gross amount in the Cash-Book.		
On 10 th March, 2017 a bill for Rs.5,700 was discounted from the bank,		
entered in Cash-book, but proceeds credited in Bank Statement amounted		
to Rs.5,500 only.		
A cheque issued amounting to Rs.1,725 returned marked 'out of date'.		
No entry made in Cash-book.		
A bill receivable for Rs.1,530 discounted for Rs.1,500 with the bank		
had been dishonoured on 30 th March, 2017, but advice was received		
on 1 ^{s†} April, 2017.		
Bank recorded a Cash deposit of Rs.1,550 as Rs.1,505.		
Bank collected a cheque of Rs.500 on behalf of Shri Hari but wrongly		
credited it to Shri Hari's Account (another customer of bank).		
Withdrawal column of the Pass Book undercast by Rs.100.		
The payment of a cheque of Rs.350 was recorded twice in the Pass Book.		
The Pass Book showed a credit for a cheque of Rs.1,000 deposited by Shri		
Hari (another customer of the bank).		
Two cheques-one from 'A' for Rs.5,15,000 and another from 'B' for		
Rs.12,500 were collected in the first week of April, 2021 although they		
were banked on 25.03.2021.		
A cheque for Rs.1,600 in favour of Y suppliers Ltd. was omitted by the bank		
from the statement, the cheque was debited to another customer's Account.	ļ	
A cheque for Rs.172 drawn for payment of telephone bill was recorded in		
the Cash Book as Rs.127 but was shown correctly in the Bank Statement.	ļ	
Out of cheques issued worth Rs.34,000, cheques amounting to Rs.20,000		

r	
only were presented for payment till 30 th June, 2018.	
Cheques worth Rs.20,000 had been sent to Bank for collection but the	
collection was reported by the Bank as under. (BRS Date - 30 June)	
Cheques collected before 30th June, 2018, Rs.14,000	
 Cheques collected on 10th July, 2018, Rs.4,000 	
• Cheques collected on 12th July, 2018, Rs.2,000.	
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 1 st April. No	
entry for the return was made. (BRS Date - 31-3-2020)	
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 4th April.	
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.	
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.	
On 30th March, 2019 the company had entered into hire purchase agreement	
to pay by bank order a sum of Rs.3,00,000 on the 10th of each month,	
commencing from April, 2019. No entries had been made in Cash Book.	
One deposit of Rs.1,50,000 was recorded in the Cash Book as if there is no	
bank column therein.	
A crossed cheque for Rs.3000 given to Abdul was returned by him and a	
bearer cheque was issued to him in lieu on 1st July.	
According to Suman's standing instructions,	
• Bankers have on 30th June, paid Rs.1,280 as interest to her creditors,	
Deid suchtably promium on how policy emounting to Da 640 and	
Paid quarterly premium on her policy amounting to Rs.640 and	

	1	
• Paid a second call of Rs.2,400 on shares held by her and lodged with		
the bankers for safe custody.		
• They have also received Rs.600 as dividend on her shares and		
• Recovered an Insurance Claim of Rs.3,200, as their charges and		
Commission charged on the above being Rs.400.		
Bankers seem to have given a wrong credit for Rs.2,000 paid in by		
her in No.2 A/c and wrong debit in respect of a cheque for Rs.1,200		
drawn against her No.2 A/c. Prepare a Bank Reconciliation Statement		
as on 30th June,2021.		

MUST DO QUESTION BEFORE EXAMS

 The following are the Cash Book (bank column) and Pass Book of Jain for the months of March, 2019 and April, 2019:

Cash Book (Bank Column only)						
Date	Particulars	Amount Dr. Rs.	Date	Particulars	Amount Cr. Rs.	
01/3/2019	To Balance b/d	60,000	03/3/2019	By Cash A/c	2,00,000	
06/3/2019	To Sales A/c	3,00,000	07/3/2019	By Modi	60,000	
10/3/2019	To Ram	65,000	12/3/2019	By Patil	30,000	
18/3/2019	To Singhal	2,70,000	18/3/2019	By Suresh	40,000	
25/3/2019	To Goyal	33,000	24/3/2019	By Ramesh	1,50,000	
31/3/2019	To Patel	65,000	30/3/2019	By Balance c/d	3,13,000	
		7,93,000			7,93,000	

Pass Book							
Date	Particulars	Amount Dr. Rs.	Amount Cr. Rs.	Dr. or Cr.	Balance Rs.		
1/4/2019	By Balance b/d		3,65,000	Cr.	3,65,000		
3/4/2019	By Goyal		33,000	Cr.	3,98,000		
5/4/2019	By Patel		65,000	Cr.	4,63,000		
7/4/2019	To Naresh	2,80,000		Cr.	1,83,000		
12/4/2019	To Ramesh	1,50,000		Cr.	33,000		
15/4/2019	To Bank Charges	200		Cr.	32,800		
20/4/2019	By Usha		17,000	Cr.	49,800		

25/4/2019	By Kalpana		38,000	Cr.	87,800
30/4/2019	To Sunil	6,200		Cr.	81,600

Reconcile the balance of Cash book on 31/3/2019

Solution:

Bank Reconciliation Statement as On 31/03/2019				
Particulars	Amount			

- 2. On 30th December, 2019 the bank column of A. Philip's cash Book showed a debit balance of Rs.4,610. On examination of the cash book and bank statement you find that:
 - 1. Cheques amounting to Rs.6,30,000 which were issued to trade payables and entered in the cash book before 30th December, 2019 were not presented for payment until that date.
 - 2. Cheques amounting to Rs.2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2019, but were entered in the bank statement on1st
 - January,2020.
 - 3. A cheque for Rs.73,000 had been dishonored prior to 30th December,2019, but no record of this fact appeared in the cash book.
- 4. A dividend of Rs.3,80,000, paid direct to the bank had not been recorded in the cash book.
- 5. Bank interest and charges amounting to Rs.4,200 had been charged in the bank statement but not entered in the cash book.
- 6. No entry had been made in the cash book for a trade subscription of Rs.10,000 paid vide banker's order in November, 2019.
- 7. A cheque for Rs.27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December, 2019.

You are required:

- i. To make appropriate adjustments in the cash book bringing down the correct balance, and
- ii. To prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement.

Solution		Cash Book (Bank Column)					ank Column)				
Date Particular's			Amount	Date	Particular's		Amount				
		_				_					
		_				_					

Bank Reconciliation Statement as On 30/12/2019

Particulars	Amount





BILL OF EXCHANGE

CASE 1 - BILL HELD TILL MATUARITY			
BUYER	SELLER		
CASE 2 - BILL DISCO	OUNTED WITH BANK		
BUYER	SELLER		

CASE 3 - BILL SENT FOR COLLECTION					
BUYER	SELLER				
CASE 4 - BILL	IS ENDORSED				
BUYER	SELLER				

	. IS RENEWED
BUYER	SELLER

CASE 6 - BILL IS RITIRED						
BUYER	SELLE	R				
	ODATION OF BILL					
1. On 1st July, 2019 Gorge drew a bill for Rs.						
accommodation. Harry accepted the bill of						
Rs.1,81,000 from Jack on the same date. Gorg						
settlement. On 1st September, 2019, Jack pu Jack endorsed the bill of exchange received						
settlement of the amount due to Harry. On 1s						
Rs.2,00,000 from Gorge. Harry paid the amou	· ·					
Give the necessary Journal Entries in the boo	· · · ·					
Solution:						
JOURNAL	OF HARRY					
Date Particulars	LF	Dr.	Cr.			

JOURNAL OF GEORGE

Date	Particulars	LF	Dr.	Cr.

2.	For the mutual accommodation of 'X' and 'Y' on 1st April, 2019, 'X' drew a four months' bill
	on 'Y' for Rs.4,000. 'Y' returned the bill after acceptance of the same date. 'X' discounts
	the bill from his bankers @ 6% per annum and remit 50% of the proceeds to 'Y'. On due
	date 'X' is unable to send the amount due and therefore 'Y' draws a bill for Rs.7,000, which is
	duly accepted by 'X'. 'Y' discounts the bill for Rs.6,600 and sends Rs.1,300 to 'X'. Before the
	bill is due for payment 'X' becomes insolvent. Later 25 paise in a rupee received from his estate.
	Record Journal entries in the books of 'X'.

Solution:

	JOURNAL OF X		1	
Date	Particulars	LF	Dr.	Cr.

3. Pre	pare Journal entries for the following transactions in Samart	h's b	books.	
	amarth's acceptance to Aarav for Rs.1,250 discharged by a ca			.500 and a
	ew bill for the balance plus Rs.25 for interest.			
(ii) G	. Gupta's acceptance for Rs.4,000 which was endorsed by Samar	th to	Sahni was	dishonoured.
S	ahni paid Rs.20 noting charges. Bill withdrawn against cheque.			
(iii) F	arshad retires a bill for Rs.5,000 drawn on him by Samarth fo	r Rs.	.20 discount.	
(iv) 5	amarth's acceptance to Patel for Rs.19,000 discharged by Sa	ndee	p Chadha's a	acceptance
1	Samarth for a similar amount.			
Solutio	n: JOURNAL OF ANIL			
Date	Particulars	LF	Dr.	Cr.



VIDHYODAY

ACCOUNTS FROM INCOMPLETE RECORDS

Q1. Assets and Liabilities of Mr. X as on 31-03-2021 and 31-03-2022 are as follows:							
				31-03-2021	31-03-2022		
				₹	₹		
Assets							
Building				1,00,000	?		
Furniture				50,000	?		
Inventory				1,20,000	2,70,000		
Sundry debtors				40,000	90,000		
Cash at bank				70,000	85,000		
Cash in hand				1,200	3,200		
Liabilities							
Loans				1,00,000	80,000		
Sundry creditors				40,000	70,000		
Decided to depred	ciate building b	y 2.5%p.a. and	furniture by 10%	p.a. One Life II	nsurance Policy		
of the Proprietor	was matured o	during the peri	od and the amoun	t ₹ 40,000 is re	etained in the		
business. Propriet	or took@₹2,()00 p.m. for me	eting family exper	ises.			
Prepare Statemen	t of Affairs as	on 31-03-2021	and 31-03-2022.				
Solution :							
		Mr	. X				
		Statement	of Affairs				
	۵۵	on 31-03-202	21 & 31-03-2022	2			
Liabilities	31-03-2021	31-03-2022	Particular's	31-03-2021	31-03-2022		
	₹	₹		₹	₹		

Q. Find o	ut profit of Mr.	X for the year ended 31-03-2022.		
De	termination of l	Profit by applying the method of t	ne capital compo	rison
				₹
Q2. The I	ncome Tax Offi	cer, on assessing the income of Shri	i Moti for the fi	nancial years
2020-	2021and 2021-2	022 feels that Shri Moti has not disc	losed the full inco	ome. He gives
you th	e following parti	culars of assets and liabilities of Shr	ri Moti as on 1st	April, 2020
	t April, 2022.			
	,			₹
1-4-2020	Assets	: Cash in hand		25,500
		Inventory		56,000
		Sundry debtors		41,500
		Land and Building		1,90,000
		Wife's Jewellery		75,000
	Liabilities	: Owing to Moti's Brother		40,000
		Sundry creditors		35,000
1-4-2022	Assets	: Cash in hand		16,000
		Inventory		91,500
		Sundry debtors		52,500
		Land and Building		1,90,000
		Motor Car		1,25,000

		Wi	fe's Jewellery			1,25,000
		Loc	an to Moti's Bro	20,000		
	Liabilities	: Su	ndry creditors			55,000
During the	two years the do	mestic	expenditure w	as ₹ 4,000 p.m.	The declared i	ncomes of
thefinancia	Il years were ₹1,0	5,000	for 2020-2021	and ₹1,23,000	for 2021-2022	respectively.
State whet	her the Income-t	ax Offi	cer's contentior	n is correct. Exp	lain by giving yo	ur workings.
Solution :						
		Calcu	lation of Capito	al of Shri Moti		
			₹	1-4-2020	₹	1-4-2022

Q3. Calculate the bad debts from the below information	on:
Opening balance of Debtors	₹ 5,00,000
Closing balance of Debtors	₹ 7,00,000
Amount received in Cash	₹ 6,00,000
Discount allowed	₹ 10,000
Credit Sales	₹ 11,40,000
Bills Receivable	₹ 3,00,000
Bad Debts	555

	Debtors Acc	bunt	
Particular's	Amount	Particular's	Amount
unchasos Ladoon :			
Purchases Ledger :			

Profe	orma	of	Total	Creditor	s Account	(assumed	figures)	1
				₹				₹
Q4. Calculate the crea	dit pu	ırch	ases f	rom the	below info	rmation:		
Opening balance of crea	litors							₹ 4,00,000
Closing balance of credi	tors							₹ 5,00,000
Payments made in Cash								₹ 8,50,000
Discount received								₹ 20,000
Solution :								
			To	tal Credi	tors Accou	unt		
Particulars				Amount		Particul	ars	Amount
Nominal Accounts :								

	Cash and	Amount Bank	Paid outof	Total	Pre Payment	Expenses
	Particulars	Payment	Accrued	PrivateFund		for the
						Period
1	2	3	4	5 (2+3+4)	6	7 (5-6)
	₹	₹	₹	₹	₹	₹
						₹
What are th	e purchases fo	r 2021-2022? L			reditors Accou	nt.
		Sundry	Creditors A	Account		
			₹			₹

Likewise prepare the Sundry Debto	ors Account:							
Sundry Debtors Account								
	₹			₹				
Q5. A. Adamjee keeps his books	on single en	itry basis. The ana	lysis of the cash	book for				
the yearended on 31st March	1, 2022 is giv	ven below:						
Receipts	₹	Paym	nents	र				
Bank Balance as on 1st April, 2021	2,800	Payments to Sund	lry creditors	35,000				
Received from Sundry Debtors	48,000	48,000 Salaries						
Cash Sales	11,000	General expenses	s 2,5					
Capital brought during the year	6,000	Rent and Taxes	s 1,!					
Interest on Investments	200	Drawings		3,600				
		Cash purchases		12,000				
		Balance at Bank	on 31st March,					
		2022		6,400				
		Cash in hand on 31	lst March, 2022	500				
	68,000			68,000				
Particulars of other assets and liab	ilities are as	s follows:						
		1 st April, 2021	31st M	larch, 2022				
Sundry debtors		14,500		17,600				
Sundry creditors		5,800		7,900				
Machinery		7,500		7,500				
Furniture		1,200		1,200				
Inventory		3,900		5,700				

5,000

5,000

Investments

Prepare final accounts for	r the year ending 31	st March, 2022 after provid	ling depreciation at
		00 against doubtful debts.	
Solution :			
	A. A	Idamjee	
Tradii	ng Account for the	year ended 31 st March 202	22
	₹	₹	₹
Profit &	Loss Account for t	ne year ended 31 st March	2022
	₹	₹	₹
	Balance Sheet as	on 31 st March 2022	
Liabilities	₹	₹ Assets	₹

Working Notes:

1.

Balance sheet of A. Adamjee as on 1st April 2021

₹	Assets	₹
	₹	₹ Assets

2. Ledger Accounts

A. Adamjee's Capital Account				
	₹			₹
	Sales	Account	I	
	₹			₹

Total Debtors Account				
	₹			₹

		Purchase	s Account		
		₹			₹
		Total Credi	tors Account		
		₹			₹
Q6. From	n the following data fu	rnished by N	Nr. Manoj, you	are required to p	repare a
	ling and Profit and Loss			· · ·	<u>^</u>
	et as at that date. All wo				
	Assets and Li			As on 1st	As on 31st
				April 2021	March 2022
					₹
Creditors				15,770	12,400
Sundry exp	penses outstanding			600	330
Sundry As				11,610	12,040
Inventory in trade			8,040	11,120	
Cash in hand and at bank			6,960	8,080	
Trade debtors			2	17,870	
	ating to transactions in	the vear:			/• • •
	liscount credited to deb	·			64,000
Sales retur					1,450
Bad debts					420
Duu uebis					720

71,810
700
400
8,500
62,500
1,030
9,570
430
3,180
5,000
9,240
1,200
60,270

Solution :

	In	the books	of Mr. Manoj	
Tra	ding Account	for the yea	r ending 31st March,	2022
	₹	₹		र र

Profit & Loss Account for the year ending 31st March, 2022

	<u></u>	
₹		₹

Balan	ce Sheet of	f Mr. Ma	noj as on 3	1st March, 2022	
Liabilities		₹	₹	Assets	₹
Working Notes:					
(i) Cash Sales					
	Comb	ined Casl	n & Bank Ac	count	
		3			
(ii)			btors Accou	int	
		3			

(iii)		Total Creditors Account						
		₹			₹			
(iv)	Pal	nco Shoot d	is on 1 st April	2021				
(iv)					₹			
	Liabilities	₹		Assets	 			
(v)								
(iv)								
(17)								



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SUBSIDIARY BOOKS

Q1.	Enter the	following transactions in Purchase Book and post them into ledger.
	2022	
	April 4	Purchased from Ajay Enterprises, Delhi
		100 Doz. Rexona Hawai Chappal @ ₹120 per doz.
		200 Doz. Palki Leather Chappal @ ₹ 300 per Doz.
		Less : Trade discount @ 10%
		Freight charged ₹ 150.
	April 15	Purchased from Balaji Traders, Delhi
		50 doz. Max Shoes @ ₹ 400 per doz.
		100 pair Sports Shoes @ ₹ 140 per pair.
		Less : Trade discount @ 10%.
		Freight charged ₹ 200.
	April 28	Purchased from Tripti Industries, Bahadurgarh
		40 pair leather shoes @ ₹ 400 per pair
		100 doz. Rosy Hawai Chappal @ ₹ 180 per doz.
		Less : Trade discount @ 10%.
		Freight charged ₹ 100.
Solut	rion :	
		Purchase Book

		Furchas	SE DOOK				
Date	Particulars	Details	Gross	Trade	Net	Freight	Total
2022			Amount	Discount	Price		Amount

	Led	gers			
Dr.	Purchase				Cr.
	₹				₹
Dr.	Freigh	t A/c			Cr.
	₹				₹
Dr.	Ajay Ent	erprises			Cr.
	₹			 	₹
Dr.	 Balaji T	raders		 	Cr.
	₹				₹
1	1		1		

Dr.		Tripati Indust	ries		Cr.
		₹			₹
Q2. The fo	ollowing are some of the	transaction of	M/s Kishore	& Sons of the year	2022 as
per th	eirWaste Book. Make out	• their Sales Bo	ok.		
Sold t	o M/s. Gupta & Verma on	credit:			
	30 shirts @ ₹ 800 per sh	nirt.			
	20 trousers @ ₹1,000 pe	er trouser.			
	Less : Trade Discount @	10%			
Sold f	urniture to M/s. Sehgal &	Co. on credit ₹	3,000.		
Sold 5	0 shirts to M/s. Jain & S	5ons @ ₹800 pe	r shirt.		
Sold 1	3 shirts to Cheap Stores	@ ₹750 each f	or cash.		
Sold o	n credit to M/s. Mathur a	& Jain.			
	100 shirts @ ₹750 per s	hirt			
	10 overcoats @ ₹5,000 p	per overcoat.			
	Less: Trade Discount @ 1	10%			
Solution :					
		Sales Boo	k		
Date	P	articulars		Details	Amount
				₹	₹

	र	र



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CASH BOOK

	er the following transactions in Cash Book with Discount and Bank Colu	
are	first treated as cash receipt.	
2022		3
Jan. 1	Chandrika commences business with Cash	20,000
Jan. 3	He paid into Current A/c	19,000
Jan. 4	He received cheque from Kirti & Co. on account	600
Jan. 7	He pays in bank Kirti & Co.'s cheque	600
Jan. 10	He pays Rattan & Co. by cheque and is allowed discount ₹ 20	330
Jan. 12	Tripathi & Co. pays into his Bank A/c	475
Jan. 15	He receives cheque from Warshi and allows him discount ₹ 35	450
Jan. 20	He receives cash ₹ 75 and cheque ₹ 100 for cash sale	
Jan. 25	He pays into Bank, including cheques received on 15th and 20th	1,000
Jan. 27	He pays for cash purchase	275
Jan. 30	He pays sundry expenses in cash	50

Solution :

Dr.					Cash I	Book					Cr.
Date	Receipts	L.F.	Dis.	Cash	Bank	Date	Payments	L.F.	Dis.	Cash	Bank
			₹	₹	₹				₹	₹	₹

Q2. Pre	pare a Petty Cash Book on the imprest System from the following:	
2022		व
Jan. 1	Received ₹100 for petty cash	
Jan. 2	Paid bus fare	.50
Jan. 2	Paid cartage	2.50
Jan. 3	Paid for Postage	5.00
Jan. 3	Paid wages for casual labourers	6.00
Jan. 4	Paid for stationery	4.00
Jan. 4	Paid Bus charges	2.00
Jan. 5	Paid for the repairs to chairs	15.00
Jan. 5	Bus fare	1.00
Jan. 5	Cartage	4.00
Jan. 6	Postage	7.00
Jan. 6	Bus charges	3.00
Jan. 6	Cartage	3.00
Jan. 6	Stationery	2.00
Jan. 6	Refreshments to customers	5.00

Solution :

Petty Cash Book Cartage Receipts ۷. Total Con-Wages Date Particulars Statio-Postage Sundries 2022 No.* veyance nery ₹ ₹ ₹ ₹ ₹ ₹ ₹ ₹

			1	1	



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TRIAL BALANCE

Q1. One of your clients, Mr. Singhania has asked you to finalise his accounts for the year ended 31st March, 2022. Till date, he himself has recorded the transactions in books of accounts.

As a basis for audit, Mr. Singhania furnished you with the following statement.

	Dr. Balance	Cr. Balance
	(₹)	(₹)
Singhania's Capital		1,556
Singhania's Drawings	564	
Leasehold premises	750	
Sales		2,750
Dues from customers		530
Purchases	1,259	
Purchases return	264	
Loan from bank		256
Trade payables	528	
Trade expenses	700	
Cash at bank	226	
Bills payable	100	
Salaries and wages	600	
Inventories (1.4.2021)		264
Rent and rates	463	
Sales return		98
	5,454	5,454
The closing inventory on 31st March, 2022 was va	lued at ₹574. Mr. Singhania clo	ums that he
has recorded every transaction correctly as the tric	Il balance is tallied. Check the ac	curacy of the
above trial balance.		
Solution :		

Corrected Trial Balance of Mr. Singhania as	on 31s [.]	t March, 2022	
Particulars		Dr. Amount	Cr. Amoun
		₹	
Q2. The following trail balance as on 31 st March, 2022 was	drawn	from the books	s of fintech
traders:			
	L.F.	Dr. Balance	Cr. Balance
		₹	
Building		60,000	
Machinery		17,000	
Return Outward		2,600	
Bad Debts		2,800	
Cash		400	
Discount Received		3,000	
Bank Overdraft		10,000	

Creditors	50,000	-
Purchases	1,00,000	-
Capital	-	73,600
Fixtures	-	5,600
Sales	-	1,04,000
Debtors		60,000
Interest Received	-	2,600
Input CGST A/c	-	3,000
Input SGST A/c	-	3,000
Input IGST A/c	-	4,800
Output CGST A/c	5,400	-
Output SGST A/c	5,400	-
Total	2,56,600	2,56,600
Even though the debit and credit sides agree	, the trial Balance contains certain er	rors. Check
the accuracy of trial balance.		

Solution :

Corrected Trial Balance of Fintech traders as on 31st March, 2022

 L.F.	Dr. Balance	Cr. Balance
	₹	₹

	I	I		