


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 30<sup>th</sup> 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<sup>st</sup> July, 2018;

(ii) Allotment to be made on 10<sup>th</sup> 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 30<sup>th</sup> 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;
2. Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
3. Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
4. The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited.

**Solution :**







































5. Pure Ltd. issues 1,00,000 12% Debentures of Rs.10 each at Rs.9.40 on 1<sup>st</sup> 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 \_\_\_\_\_**

Year	O/S 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:

- To sundry persons for cash at 90% of nominal value of Rs.50,00,000.
- To a vendor for purchase of fixed assets worth Rs.20,00,000 - Rs.25,00,000 nominal value.
- 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:**

**Journal Entries In The Books Of \_\_\_\_\_**

Date	Particular's	L/F	Debit	Credit



## 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 partly 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 Entries

Date	Particular's	L/F	Debit	Credit
1.	Due Entry For Bonus Issue			
2.	Issue of Bonus Issue			
<b>CONVERTING PARTY PAID INTO FULLY PAID BY BONUS</b>				
1.	Due Entry for Bonus			
2.	Making Final Call Due			
3.	Adjustment of Final Call			



**b) 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**

	₹
<b>Authorised capital:</b>	
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
<b>Issued and Subscribed capital:</b>	
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
<b>Reserves and Surplus:</b>	
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 shares.

The call money was received by 20th April, 2022. Thereafter, the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held.

Show necessary journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2022 after bonus issue.





## 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			



2. X Ltd. gives you the following information as at 31<sup>st</sup> March, 2023 :

Particulars	₹
<b><u>EQUITY AND LIABILITIES</u></b>	
1. Shareholders' funds	
a. Share capital	2,90,000
b. Reserves and Surplus	48,000
2. Current liabilities	
Trade Payables	56,500
<b><u>ASSETS</u></b>	
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 share capital of the company consists of Rs.50 each equity shares of Rs.2,25,000 and Rs.100 each Preference shares of Rs.65,000(issued on 1.4.2021). Reserves and Surplus comprises Profit and Loss Account only.

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

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

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

**Solution:**

### Journal Entries

Date	Particular's	L/F	Debit	Credit





















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

	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 REDEMPTION RESERVE (DRR) AMOUNT

Further, as per Rule 18 (7) of the Companies (Share Capital and Debentures) Amendment Rules, 2019, 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 and HFCs

shall on 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 not be less than 15% of the amount of its debentures maturing during the year ending on the 31st day of March of next year, in any one or more of the following methods, namely:

- a) in deposits with any scheduled bank, free from charge or lien;
- b) in unencumbered securities of the Central Government or of any State Government;
- c) in unencumbered securities mentioned in clauses (a) to (d) and (ee) of Section 20 of the Indian Trusts Act, 1882;
- d) in unencumbered bonds issued by any other company which is notified under clause (f) of Section 20 of the Indian Trusts Act, 1882.

The amount deposited or invested, as the case may be, above should not be utilised for any purpose 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 fall below 15% of the amount of debentures maturing during the 31st day of March of that year.

In case of partly convertible debentures, DRR shall be created in respect of non-convertible portion of debenture issue.

The amount credited to DRR shall not be utilised by the company except for the purpose of 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
<b>AFTER ALLOTMENT OF DEBENTURES</b>				
1.	Creation of DRR			
2.	Purchase of DRRI			
3.	Receipt of Interest on DRRI			
4.	Transfer of Interest on DRRI			

AT TIME OF REDEMPTION				
1.	Sale of DRRI			
2.	Due Entry for Redemption of Debentures			
3.	Payment Entry			
4.	Transfer of DRR			

**MUST DO QUESTION BEFORE EXAMS**

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

I. 12 % Debentures Rs.7,50,000

II. Balance of DRR Rs.25,000

III. DRR Investment 1,12,500 represented by 10% Rs.1,125 Secured Bonds of the Government of India of Rs.100 each.

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

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

1. Debentures Account
2. DRR Account
3. DRR Investment Account
4. Bank Account
5. Debenture Holders Account.

**Solution:**

**12% Debentures A/c**

Date	Particular	Amount	Date	Particular	Amount

**DRR A/c**

Date	Particular	Amount	Date	Particular	Amount

**10% Secured Bonds Of Govt. (DRR Investment) A/c**

Date	Particular	Amount	Date	Particular	Amount

**Bank A/c**

Date	Particular	Amount	Date	Particular	Amount

**Debenture holders A/c**

Date	Particular	Amount	Date	Particular	Amount

**Working Note:**

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

**Solution:**

Particular	No. of Debentures

**Working Note:**

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

Particulars		Note No.	₹
<b>I.</b>	<b><u>Equity and Liabilities</u></b>		
	1. Shareholder's Funds		
	(a) Share Capital	1	2,00,000
	(b) Reserves and Surplus	2	1,20,000
	2. Non-current liabilities		
	(a) Long term borrowings	3	1,20,000
	3. Current Liabilities		
	(a) Trade payables		1,15,000
	Total		5,55,000
<b>II.</b>	<b><u>Assets</u></b>		
	1. Non-current assets		
	(a) Property, Plant and Equipment	4	1,15,000
	Total		5,55,000
	2. Current assets		
	(a) Inventories		1,35,000
	(b) Trade receivables		75,000
	(c) Cash and bank balances	5	2,30,000
	Total		5,55,000
	<b>Notes to Accounts</b>		
1.	Share Capital		
	Authorised share capital		
	30,000 shares of Rs.10 each fully paid		3,00,000
	Issued and subscribed share capital		
	20,000 shares of Rs.10 each fully paid		2,00,000
2.	Reserve and Surplus		
	Profit & Loss Account		1,20,000
3.	Long term borrowings		
	12% Debentures		1,20,000
4.	Property, Plant and Equipment		







## FINAL ACCOUNTS WITH ADJUSTMENT

Let's Discuss All Adjustments

ADJUSTMENT	GIVEN	JOURNAL	TRADING	B/S
One month rent for gowdown is outstanding.	55,000			
Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017	60,000  4,400			
Insurance premium includes Rs.42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.2018.	48,000			
<b>Included amongst the debtors is Rs.6,000 due from Rahul and included among the creditors Rs.2,000 due to him.</b>	D - 48,000 C - 29,600			
Personal purchases of Manan amounting to Rs.1200 had been recorded in the purchases day book.	28,800			
A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.				

Credit purchase invoice amounting to Rs.800 had been omitted from the books.	6,43,400			
Purchases include sales return of Rs.2,575 and sales include purchases return of Rs.1,725.	P - 1,60,000 S - 2,15,300			
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.				
<b>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.</b>	<b>O/D - 80,000</b>			

Rs.20,000 drawn from bank	D - 70,000				
was debited to Drawings					
account, but out of this					
amount withdrawn					
Rs.12,000 was used in the					
business for day-to-day					
expenses.					
Purchase of goods worth					
Rs.16,000 was not recorded					
in the books of account					
upto 31.03.2019, but the					
goods were included in stock.					
Purchase returns of					
Rs.1,000 was recorded in					
Sales Return Journal and					
the amount was correctly					
posted to the Party's A/c					
on the correct side.					
Expenses include Rs.6,000					
in respect of the period					
after 31 <sup>st</sup> March, 2019.					
The loan account from Dena					
bank in the books of					
Ganguli appears as follows:					
		Rs.			Rs.
31.3.2020	To Balance c/d	1,00,000	1.4.2019	By Balance b/d	50,000
			31.3.2020	By Bank	50,000
		1,00,000			1,00,000
Interest received represents	IR - 7,250				
Rs.1,000 from the sundry	I@5% -				
debtors (due to delay on	25,000				

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 <sup>th</sup> April, 1997.				
• Sales Rs. 2, 50,000,				
• Purchases 1,50,000,				
• Stock on 7 <sup>th</sup> 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 <sup>th</sup> 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				



**Closing Stock (Cost Or NRV Whichever is \_\_\_\_\_)**

**FORMAT OF MANUFACTURING ACCOUNT**

**Manufacturing Account 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	
<b>Add:</b> Purchases of Raw Materials Sub-Total		(bal. fig)	
<b>Less:</b> 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			
<b>Sub-Total Prime Cost</b>			
To Production Overheads			
<b>Sub-Total Gross Factory Cost</b>			
<b>Add:</b> Opening Stock of WIP			
<b>Less:</b> Closing Stock of WIP			
<b>Total</b>		<b>Total</b>	

Trading Account is prepared as under in this case:

**TRADING ACCOUNT OF FOR 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			
<b>Total</b>		<b>Total</b>	



**MUST DO QUESTION BEFORE EXAMS**

1. Mr. Shyamal runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2019.

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. Shyamal for the Year Ended 31<sup>st</sup> March, 2019**

Particulars	Units	Amount	Particulars	Units	Amount



2. Karuna decided to start business of fashion garments under the name of M/s. Designer Wear on 1<sup>st</sup> April, 2020. She had a saving of about Rs.10,00,000. She invested Rs.3,00,000 out of her savings and borrowed equal amount from bank. She purchased a commercial space for Rs.5,00,000 and further spent Rs.1,00,000 on its renovation to make it ready for business.

Loan and interest repaid by her in the first year are as follows:

30th June, 2020 - Rs.15,000 principal+ Rs.9,000 interest

30th September, 2020 - Rs.15,000 principal+ Rs.8,550 interest

31st December, 2020 - Rs.15,000 principal+ Rs.8,100 interest

31st March, 2021 - Rs.15,000 principal+ Rs.7,650 interest.

In view of further capital requirement, she transferred Rs.2,00,000 from her saving bank account to the bank account of the business. She paid security deposit of Rs.7,000 for telephone connection. Furniture of Rs.10,000 was purchased, All payments were made by cheque and all receipts in cash were deposited in the bank.

At the end of the year, her business showed the following results:

Particulars	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









**Raw Material 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	—

**Creditors 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		—

**Manufacturing 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 worth Rs.12,00,000 on 1<sup>st</sup> April; 2019 has been omitted, Machinery is chargeable at a depreciation rate of 15%.

b. Wages include the following:

Paid to factory workers - Rs.3,15,000

Paid to labour at office - Rs.50,000

c. Direct expenses included the 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 customers - Rs.22,000

You are required to prepare revised Manufacturing A/c and Raw Material A/c.

Solution:

**Manufacturing A/c**

Particular's	Amount	Particular's	Amount

**Raw Material Account**

Particular's	Amount	Particular's	Amount

Working Note

**1. Creditor Account**

Particular's	Amount	Particular's	Amount

**2. Revised Balance to be Transferred to Trading Account**

Particular's	Amount




### 3. Expenses to Excluded from Direct Expenses

Particular's	Amount

### 4. Correct Depreciation


5. Mr. Birla is a proprietor engaged in business of trading electronics. An excerpt from his Trading & P&L account is as follows:

#### 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	C
To Gross Profit c/d	D		
	E		E
To Rent A/c	26,00,000	By Gross Profit b/d	D
To Office Expenses	13,00,000	By Miscellaneous Income	E
To Selling Expenses	B		
To Commission to Manager (on	2,00,000		
Net Profit before charging such			
commission)			
To Net Profit	A		
	G		60,00,000

Commission is charged at the rate of 10%. Selling Expenses amount to 1% of total sales. You are required to compute the missing figures.

**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

**Working Note**

**1. Computation of Net Profit**

**2. Computation of Selling Expenses**

### 3. Computation of Sales


### 4. Computation of Gross Profit

#### Trading Account

Particular's	Amount	Particular's	Amount

### 5. Miscellaneous Income


6. Mr. Kotriwal is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March 2020 has been given below:

On 1.4.2019 he had a balance of Rs.2,00,000 advance from customers of which Rs.1,50,000 is related to year 2019-20 while remaining pertains to year 2020-21. During the year 2019-20 he made cash sales of Rs.5,00,000. You are required to compute:

(i) Total income for the year 2019-20.

(ii) Total money received during the year if the closing balance in advance from customers account is Rs.1,70,000.

**Solution:**

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### 1. Computation of Income for the year 2019-20

Particular's	Amount

### 2. Advance from Customer Account

Particular's	Amount	Particular's	Amount

### Total Money Received During Year

Particular's	Amount

7. Sengupta & Co. employs a team of eight workers who were paid Rs.30,000 per month each in the year ending 31st March, 2019. At the start of financial year 2019-2020, the company raised salaries by 10% to Rs.33,000 per month each.

On October 1, 2019 the company hired two trainees at salary of Rs.21,000 per month each.

The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February etc.

You are required to calculate:

(a) Amount of salaries which would be charged to the profit and loss for the year ended 31st March, 2020.

(b) Amount actually paid as salaries during 2019-20

Outstanding Salaries as on 31st March, 2020.

**Solution:**

**1. Salaries to be Charged to Profit & Loss account for the year ended 31<sup>st</sup> March, 2020**

Particular's	Amount

**2. Salaries Actually Paid in 2019-20**

Particular's	Amount

**3. Outstanding Salary as at 31<sup>st</sup> March, 2020**

Particular's	Amount

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

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



9. Mr. Mohan gives you the following trial balance and some other information:

Particular's	₹	₹
Capital		6,50,000
Sales		9,70,000
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	1,90,000
Returns	20,000	12,000
Discounts	19,000	9,000
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		8,000
Output SGST		8,000
Output IGST		6,000
	18,53,000	18,53,000

**Other Information:**

Closing Inventory was ₹ 1,80,000;

Depreciate Furniture @ 10% p.a.

**Required**

Prepare Trading and Profit and Loss Account for the year ended on 31.3.2022 and Balance Sheet of Mr. Mohan as on that date.

**Solution:**

In the book of \_\_\_\_\_

Trading Account for the year ended \_\_\_\_\_

Particular's		Amount	Particular's		Amount

Profit and Loss Account for the year ended \_\_\_\_\_

Particular's	Amount	Particular's	Amount

Balance Sheet as at \_\_\_\_\_

Particular's		Amount	Particular's		Amount





Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		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 31<sup>st</sup> March 2017**

Particular's	Amount	Particular's	Amount





## RECTIFICATION OF ERROR

### GLOSSARY OF SIGNIFICANT TERM USED

#### Stages of Occurrence of Errors

Stages when Errors occur

Graph

Practical Understanding



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				



	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.				

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				

	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 <sup>th</sup> 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".				

### 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

Amount

Particular's

Amount



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

### 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 <sup>th</sup> April)	Value of Stocks on verification date (e.g. 25 <sup>th</sup> 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 <sup>st</sup> March	i.e. 31 <sup>st</sup> 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 quarter 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 31<sup>st</sup> March, 2018 was however, misleading and you have been advised to value the closing stocks as on 31<sup>st</sup> 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 31<sup>st</sup> December, 2017 as shown by the inventory sheet was 80,000.
- b) On 31<sup>st</sup> 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 quarter from January to March, 2018 totaled Rs.70,000. Out of this Rs.3,000 related to goods received prior to 31<sup>st</sup> 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 31<sup>st</sup> December, 2017. Goods dispatched to customers before 31<sup>st</sup> March, 2018 but invoiced in April, 2018 totaled Rs.4,000.
- e) During the final quarter, 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 31<sup>st</sup> March, 2018. Transfer of ownership takes place at the time of delivery of goods.

**Solution:**

**Valuation of Physical Stock as at 31<sup>st</sup> March, 2018**

Particular's	Amount

2. Closing stock is valued by Zebra Stores on generally accepted accounting principles. Stock taking for the year ended 31<sup>st</sup> March, 2020 was completed by 10<sup>th</sup> 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 31<sup>st</sup> March, 2020.

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31<sup>st</sup> March, 2020









NOT FOR PROFIT ORGANISATION

**CALCULATION OF COST OF CONSUMABLES**

Calculation Of Cost Of Consumables

Particular's

Amount

Particular's	Amount

CREDITOR'S A/C

Particular's

Amount

Particular's

Amount

Particular's	Amount	Particular's	Amount
	<b>Total</b>		<b>Total</b>

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	1,08,000
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



Solution:

**Calculation Of Cost Of Consumables**

**Particular's**

**Amount**

**CREDITOR'S A/C**

**Particular's**

**Amount**

**Particular's**

**Amount**

**Total**

**Total**

**CALCULATION OF INCOME TO BE CREDITED TO INCOME & EXPENDITURE ACCOUNT**

Q. Calculate the amount that will be posted to the Income and Expenditure Account for the year ended 31st March, 2022:

		Rs.
1 <sup>st</sup> April, 2021	Subscriptions in Arrears	50,000
	Subscriptions Received in Advance	30,000
31 <sup>st</sup> March, 2022	Subscriptions in Arrears	25,000
	Subscriptions Received in Advance	70,000

Subscriptions received during the year ended 31<sup>st</sup> March, 2022—Rs.3,00,000.

Subscription still in arrears for the year 2020-21—Rs.10,000.

**Solution:**

#### Calculation Of Subscription To Be Credited To Income & Expenditure Account

Particular's	Amount

Q. From the following particulars, calculate amount of subscriptions to be credited to the Income and Expenditure

Account for the year ended 31st March, 2022:		Rs.
(a)	Subscriptions in arrears on 31st March, 2021	500
(b)	Subscriptions received in advance on 31st March, 2021 for the year ended on 31st March, 2022	1,100



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 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 types:
  - a) Specific Donation: It is received for certain specific purpose like Building Donation, Library Books donation etc. It should be capitalized and shown on the liabilities side of the balance sheet.
  - b) General Donation: It is not received for any specific purpose and shown on the credit side of Income and Expenditure Account.
2. Entrance Fees: It may also be known as admission fees. **Entrance Fees 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	
<u>Provision for Depreciation:</u>		
Building		4,80,000
Plant & Equipment		5,10,000
Furniture & Fittings		3,36,000
Cash at Bank	6,42,000	
Library	3,60,000	
	1,03,85,000	1,03,85,000









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

	01.04.2018	31.03.2019
	Rs.	Rs.
Outstanding Subscription	1,40,000	2,00,000
Advance Subscription	25,000	30,000
Outstanding Salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports Goods	15,000	25,000

Subscription for the year amount to Rs. 3,00,000/- Salaries paid Rs. 60,000. Face value of the Investment was Rs. 1,75,000, 50% of the investment was sold at 80% of Face value. Interest on investment was received Rs. 14,000. Furniture was sold for Rs. 8,000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports Goods and @ 10% p.a. on Furniture.

**Following Expenses were made during the year.**

Sports Expenses: Rs. 50,000

Rent: Rs. 24,000 out of which Rs. 2,000 outstanding

Misc. Expenses: Rs. 5,000

**Solution:**

**Receipt & Payment Account for the year ended 31<sup>st</sup> March, 2019**

Particular's	Amount	Particular's	Amount





3. From the following Income and Expenditure Account and the Balance Sheet of a club, prepare its Receipts and Payments Account and Subscription Account for the year ended 31st March, 2020:

**Income & Expenditure Accounts for the year 2019-20**

Expenditure	Rs.	Income	Rs.
To Upkeep of Ground	10,000	By Subscription	17,320
To Printing	1,000	By Sale of Newspapers (old)	260
To Salaries	11,000	By Lectures	1,500
To Depreciation on Furniture	1,000	By Entrance Fee	1,300
To Rent	600	By Miscellaneous Income	400
		By Deficit	2,820
	<b>23,600</b>		<b>23,600</b>

**Balance Sheet as at 31<sup>st</sup> March, 2020**

Subscription in Advance (2020-21)		100	Furniture	
<b>Prize Fund</b>			Ground and Building	
Opening Balance	25,000		Prize Fund Investment	
Add: Interest	1,000		Cash in Hand	
	26,000		Subscription (outstanding ) (2019-20)	
Less: Prizes	(2,000)	24,000		
<b>General Fund</b>				
Opening Balance	56,420			
Less: Deficit	(2820)			
	53,600			
Add: Entrance Fee	1,300	54,900		
		<b>79,000</b>		<b>79,000</b>

The following adjustments have been made in the above accounts:

- (1) Upkeep of ground Rs. 600 and Printing Rs. 240 relating to 2018-2019 were paid in 2019-20.
- (2) One-half of entrance fee has been capitalized by transfer to General Fund.
- (3) Subscription outstanding in 2018-19 was Rs. 800 and for 2019-20 Rs.700.
- (4) Subscription received in advance in 2018-19 was Rs.200 and in 2019-20 for 2020-21 Rs. 100.




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	20,000
Sundry Creditors	10,000		
	<b>1,76,200</b>		<b>1,76,200</b>

**The Receipts and Payment Account**

**For the year ended on 31st March, 2018**

Receipts	Rs.	Payments	Rs.
<b>To Balance b/d</b>		<b>By Expenses:</b>	
Cash in Hand	20,000	For 2017	12,000
<b>To Subscriptions:</b>		For 2018	<u>20,000</u>
For 2017	2,000	By Land	40,000
For 2018	21,000	By Interest	4,000
For 2019	<u>1,000</u>	By Miscellaneous Expenses	4,700
To Entrance Fees	38,000	<b>By Balance c/d</b>	
To Locker Rent	7,000	Cash in Hand	18,300
To Sale proceeds of old newspapers	1,000		
To Miscellaneous Income	9,000		
	<b>99,000</b>		<b>99,000</b>

You are required to prepare Income and Expenditure Account for the year ended 31st March, 2018 and a Balance Sheet as at 31st March, 2018 (Working should form part of your answer).

**Solution:**





	01.01.2000	31.12.2000
	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 Income and Expenditure 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.
To	Opening Cash & Bank Balance		By	Salaries	15,000
		5,200	By	Rent & Taxes	5,400
To	Subscriptions	34,800	By	Electricity Charges	600
To	Donations	10,000	By	Sports Goods	2,000
To	Interest on Investments	1,200	By	Library Books	10,000
To	Sundry Receipts	300	By	Newspaper & Periodicals	1,080
			By	Misc. Expenses	5,400
			By	Closing Cash & Bank Balances	12,020
		<b>51,500</b>			<b>51,500</b>

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

<u>Assets</u>	<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 and Expenditure Account for the year ended on 31.3.98 and the Balance Sheet on the date.

## DEPRECIATION

1. Straight Line Method (SLM) or Fixed Instalment Method	<ul style="list-style-type: none"> <li>• Straight Line Depreciation = <math>\frac{\text{Cost Less Residual Value}}{\text{Useful Life}}</math></li> <li>• SLM Deprn Rate = <math>\frac{\text{SLM Depreciation}}{\text{Cost of Asset}}</math></li> </ul>
2. Reducing Balance Method or Written Down Value (WDV) Method	<ul style="list-style-type: none"> <li>• WDV Depreciation Rate = <math>1 - n \sqrt[n]{\frac{\text{Residual Value}}{\text{Cost of Asset}}}</math>, where n = Useful Life.</li> </ul>
3. Sum of Digits of Years Method	<p>Deprn p.a. =</p> $\text{Depreciable Amt} \times \frac{\text{No. of years of balance useful life (including current year)}}{\text{Total of Digits of the Useful Life of the Asset (in years)}}$
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 year-end 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.

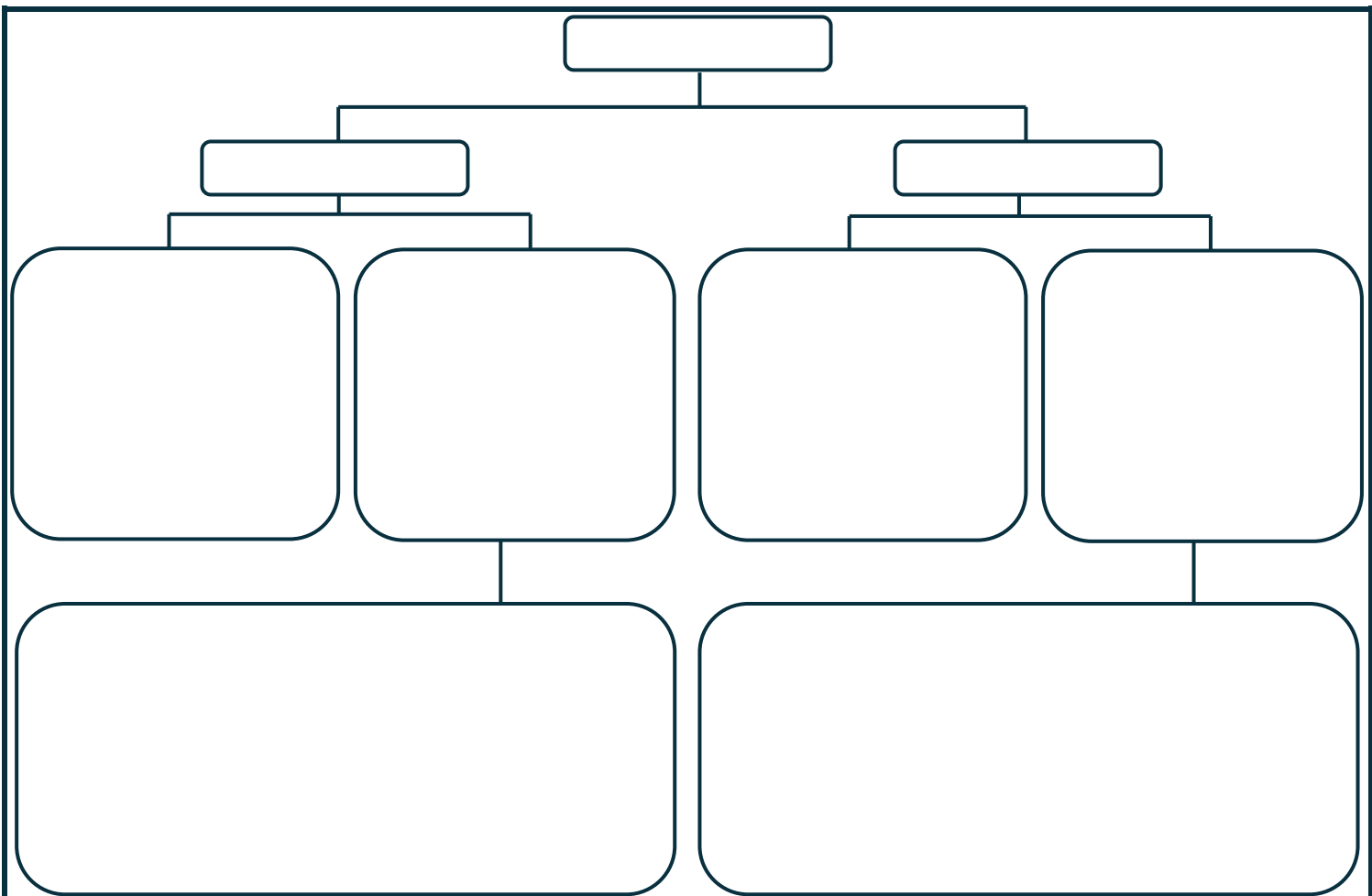
## REVISION OF THE ESTIMATED USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

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.



**REVALUATION**

**Increase**

**Decrease**

Credited directly to owner's interests under the heading of Revaluation surplus

Exceptions :  
When it is subsequent increase  
(Initially Decrease)

Charges to the settlement of profit & loss

Exceptions :  
When it is subsequent Decrease  
(Initially Increase)

recognised in the Statement of Profit and loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit & loss

Decrease should be debited directly to owner's interests under the heading of Revaluation surplus to the extent of any credit balance existing in the Revaluation surplus in respect of that asset




**Working Note**


2. The M/s Nishant Transport purchased 10 Buses at Rs.15,00,000 each on 1st April 2017. On October 1st, 2019, one of the Buses is involved in an accident and is completely destroyed and Rs.7,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of Rs.18,00,000. The company write off 10% on the original cost per annum. The company observe the calendar year as its financial year. You are required to prepare the buses account for two year ending 31 Dec, 2020.

**Solution:**

**Buses Account**

Particular's	Amount	Particular's	Amount











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	Amount

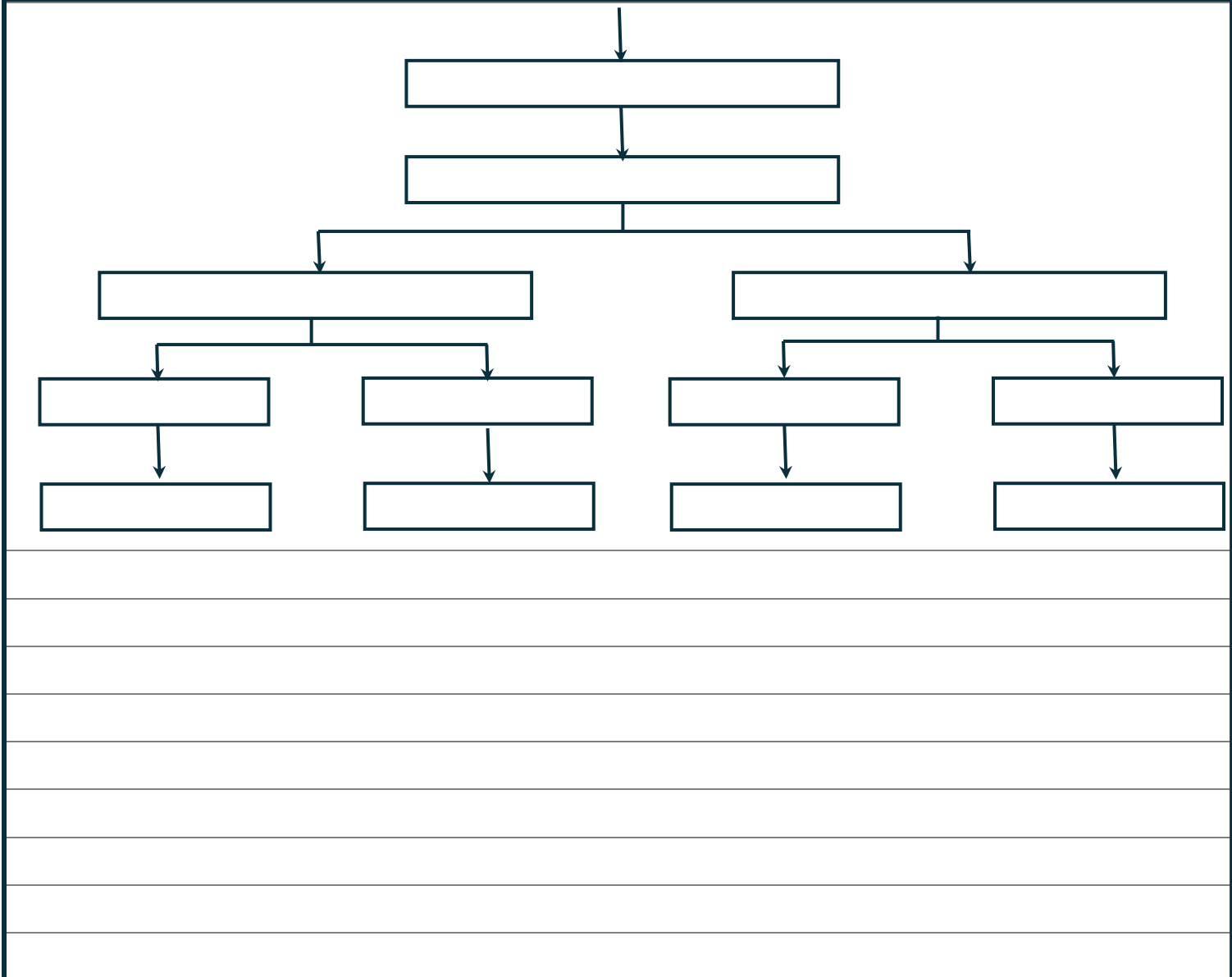
**Working Note**


**QUESTIONS FOR SELF PRACTICE**

1. 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

BRS



Transaction	Effect		
1. Cheque deposited not yet cleared			
2. Cheque issued not yet presented			
3. Direct deposit by customer into our bank account			
4. Interest Charged by Bank/ Bank Charges			
5. Interest Allowed by Bank			
6. Cheque deposited dishonoured			
7. Bills Receivable discounted, dishonoured			







On 15 <sup>th</sup> March, 2017 the payments side of the Cash-book was under cast by Rs.350.			
On 20 <sup>th</sup> 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 <sup>th</sup> March, 2017. The cashier erroneously entered the gross amount in the Cash-Book.			
On 10 <sup>th</sup> 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.			
<b>A cheque issued amounting to Rs.1,725 returned marked 'out of date'. No entry made in Cash-book.</b>			
<b>A bill receivable for Rs.1,530 discounted for Rs.1,500 with the bank had been dishonoured on 30<sup>th</sup> March, 2017, but advice was received on 1<sup>st</sup> April, 2017.</b>			
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.			
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.			
Out of cheques issued worth Rs.34,000, cheques amounting to Rs.20,000			

only were presented for payment till 30 <sup>th</sup> 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)			
<ul style="list-style-type: none"> <li>• Cheques collected before 30<sup>th</sup> June, 2018, Rs.14,000</li> <li>• Cheques collected on 10<sup>th</sup> July, 2018, Rs.4,000</li> <li>• Cheques collected on 12<sup>th</sup> July, 2018, Rs.2,000.</li> </ul>			
Out of the total cheques of Rs.8,900 issued on 27 <sup>th</sup> March, one cheque of Rs.7,400 was presented for payment on 4 <sup>th</sup> 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 <sup>st</sup> 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 24 <sup>th</sup> March, one cheque of Rs.2,600 was cleared on 3 <sup>rd</sup> April and the other cheque of Rs.500 was returned dishonoured by the bank on 4 <sup>th</sup> April.			
<b>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 5<sup>th</sup> April 2020.</b>			
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 30 <sup>th</sup> March, 2019 the company had entered into hire purchase agreement to pay by bank order a sum of Rs.3,00,000 on the 10 <sup>th</sup> 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 1 <sup>st</sup> July.			
According to Suman's standing instructions,			
<ul style="list-style-type: none"> <li>• Bankers have on 30<sup>th</sup> June, paid Rs.1,280 as interest to her creditors,</li> <li>• Paid quarterly premium on her policy amounting to Rs.640 and</li> </ul>			

<ul style="list-style-type: none"> <li>• Paid a second call of Rs.2,400 on shares held by her and lodged with the bankers for safe custody.</li> <li>• They have also received Rs.600 as dividend on her shares and</li> <li>• Recovered an Insurance Claim of Rs.3,200, as their charges and Commission charged on the above being Rs.400.</li> </ul>			
<p><b>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.</b></p>			

### MUST DO QUESTION BEFORE EXAMS

1. 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 30<sup>th</sup> 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 on 1st 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.



















## 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
	₹	₹
<b>Assets</b>		
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
<b>Liabilities</b>		
Loans	1,00,000	80,000
Sundry creditors	40,000	70,000

Decided to depreciate building by 2.5%p.a. and furniture by 10% p.a. One Life Insurance Policy of the Proprietor was matured during the period and the amount ₹ 40,000 is retained in the business. Proprietor took @ ₹ 2,000 p.m. for meeting family expenses.

Prepare Statement of Affairs as on 31-03-2021 and 31-03-2022.

**Solution :**

**Mr. X**

**Statement of Affairs**

**as on 31-03-2021 & 31-03-2022**

Liabilities	31-03-2021	31-03-2022	Particular's	31-03-2021	31-03-2022
	₹	₹		₹	₹


Q. Find out profit of Mr. X for the year ended 31-03-2022.

**Determination of Profit by applying the method of the capital comparison**

		₹

Q2. The Income Tax Officer, on assessing the income of Shri Moti for the financial years 2020-2021 and 2021-2022 feels that Shri Moti has not disclosed the full income. He gives you the following particulars of assets and liabilities of Shri Moti as on 1st April, 2020 and 1st April, 2022.

		₹	
1-4-2020	Assets :	Cash in hand	25,500
		Inventory	56,000
		Sundry debtors	41,500
		Land and Building	1,90,000
		Wife's Jewellery	75,000
	Liabilities :	Owing to Moti's Brother	40,000
		Sundry creditors	35,000
1-4-2022	Assets :	Cash in hand	16,000
		Inventory	91,500
		Sundry debtors	52,500
		Land and Building	1,90,000
		Motor Car	1,25,000







**Proforma of Total Creditors Account (assumed figures)**

	₹		₹


**Q4.** Calculate the credit purchases from the below information:

Opening balance of creditors	₹ 4,00,000
Closing balance of creditors	₹ 5,00,000
Payments made in Cash	₹ 8,50,000
Discount received	₹ 20,000

**Solution :**

**Total Creditors Account**

Particulars	Amount	Particulars	Amount

**Nominal Accounts :**




Likewise prepare the Sundry Debtors Account:

**Sundry Debtors Account**

	₹		₹

**Q5.** A. Adamjee keeps his books on single entry basis. The analysis of the cash book for the yearended on 31st March, 2022 is given below:

Receipts	₹	Payments	₹
Bank Balance as on 1st April, 2021	2,800	Payments to Sundry creditors	35,000
Received from Sundry Debtors	48,000	Salaries	6,500
Cash Sales	11,000	General expenses	2,500
Capital brought during the year	6,000	Rent and Taxes	1,500
Interest on Investments	200	Drawings	3,600
		Cash purchases	12,000
		Balance at Bank on 31st March,	
		2022	6,400
		Cash in hand on 31st March, 2022	500
	68,000		68,000

Particulars of other assets and liabilities are as follows:

	1 <sup>st</sup> April, 2021	31st March, 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
Investments	5,000	5,000




**Working Notes:**

**1. Balance sheet of A. Adamjee as on 1<sup>st</sup> April 2021**

Liabilities	₹	Assets	₹

**2. Ledger Accounts**

**A. Adamjee's Capital Account**

	₹		₹

**Sales Account**

	₹		₹

**Total Debtors Account**

	₹		₹


**Purchases Account**

		₹			₹

**Total Creditors Account**

		₹			₹

**Q6.** From the following data furnished by Mr. Manoj, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2022 and Balance Sheet as at that date. All workings should form part of your answer.

Assets and Liabilities	As on 1st April 2021	As on 31st March 2022
	₹	₹
Creditors	15,770	12,400
Sundry expenses outstanding	600	330
Sundry Assets	11,610	12,040
Inventory in trade	8,040	11,120
Cash in hand and at bank	6,960	8,080
Trade debtors	?	17,870
Details relating to transactions in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420

Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400
Additional capital-paid into Bank		8,500
Realisations from debtors-paid into Bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from Bank		3,180
Cash paid into Bank		5,000
Cash drawn from Bank		9,240
Cash in hand on 31-3-2022		1,200
Cheques issued to trade creditors		60,270

**Solution :**

**In the books of Mr. Manoj**

**Trading Account for the year ending 31st March, 2022**

	₹	₹		₹	₹

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

	₹	₹







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 Hawaii 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 Hawaii Chappal @ ₹ 180 per doz.  
Less : Trade discount @ 10%.  
Freight charged ₹ 100.

Solution :

**Purchase Book**

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



<b>Dr.</b>	<b>Tripati Industries</b>				<b>Cr.</b>
		₹			₹

**Q2.** The following are some of the transaction of M/s Kishore & Sons of the year 2022 as per their Waste Book. Make out their Sales Book.

Sold to M/s. Gupta & Verma on credit:

30 shirts @ ₹ 800 per shirt.

20 trousers @ ₹1,000 per trouser.

Less : Trade Discount @ 10%

Sold furniture to M/s. Sehgal & Co. on credit ₹8,000.

Sold 50 shirts to M/s. Jain & Sons @ ₹800 per shirt.

Sold 13 shirts to Cheap Stores @ ₹750 each for cash.

Sold on credit to M/s. Mathur & Jain.

100 shirts @ ₹750 per shirt

10 overcoats @ ₹5,000 per overcoat.

Less: Trade Discount @ 10%

**Solution :**

### Sales Book

Date	Particulars	Details	Amount
		₹	₹











## 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 valued at ₹ 574. Mr. Singhania claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance.

**Solution :**





