



Chapter 1

Journal Entry & Cash Book and Subsidiary Books

Question 1 – ICAI Material Simple Journal Entry

Journalise the following transactions entered into by R after he started his business.

2022 April		(₹ in 000)
1.	R started business with	5,000
2.	He purchased furniture for	1,200
3.	Paid salary to his clerk	1,100
4.	Paid rent	1,150
5.	Received interest	2,000

Question 2 – ICAI Material Compound Journal Entry

Journalise the following transactions for the month of March, 2022 were as follows (figures are in '000):

1. Sahil introduced capital through bank of ₹4,000.
2. Cash withdrawn from the City Bank ₹200.
3. Loan of ₹500 taken from Mr. Y.
4. Salaries paid for the month of March, 2022, ₹300 and ₹100 is still payable for the month of March, 2022.
5. Furniture purchased ₹500.

Question 3 – ICAI Material Compound Journal Entry

Journalise the following transactions. Also state the nature of each account involved in the Journal entry.

Following figures are given in ('00)

1. December 1, 2022, Ajit started business with capital ₹4,00,000
2. December 3, he withdrew cash for business from the Bank ₹2,000.
3. December 5, he purchased goods by making payment through bank ₹15,000.
4. December 8, he sold goods for ₹16,000 and received payment through bank.
5. December 10, he purchased furniture and paid by cheque ₹2,500.
6. December 12, he sold goods to Arvind ₹2,400.
7. December 14, he purchased goods from Amrit ₹10,000.
8. December 15, he returned goods to Amrit ₹500.
9. December 16, he received from Arvind ₹2,300 in full settlement.
10. December 18, he withdrew goods for personal use ₹1,000.



11. December 20, he withdrew cash from business for personal use ₹2,000.
12. December 24, he paid telephone charges ₹110.
13. December 26, amount paid to Amrit in full settlement ₹9,450.
14. December 31, paid for stationery ₹200, rent ₹5,000 and salaries to staff ₹2,000 from bank.
15. December 31, goods distributed by way of free samples ₹2,000.

Question 4 – ICAI Material Compound Journal Entry

Transactions of Ramesh for April are given below. Journalise them.

2022			₹
April	1	Ramesh started business with	10,00,000
"	3	Bought goods for cash	50,000
"	5	Drew cash from bank	10,000
"	13	Sold to Krishna- goods on credit	1,50,000
"	20	Bought from Shyam goods on credit	2,25,000
"	24	Received from Krishna	1,45,000
"		Allowed him discount	5,000
"	28	Paid Shyam cash	2,15,000
"		Discount allowed	10,000
"	30	Cash sales for the month	8,00,000
		Paid Rent	50,000
		Paid Salary	1,00,000

Question 5 – ICAI Material Advance Journal Entry

Pass Journal Entries for the following transactions in the books of Gamma Bros.

- (i) Employees had taken inventory worth ₹1,00,000 (Cost price ₹75,000) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month.
- (ii) Wages paid for erection of Machinery ₹18,000.
- (iii) Income tax liability of proprietor ₹17,000 was paid out of petty cash.
- (iv) Purchase of goods from Naveen of the list price of ₹2,00,000. He allowed 10% trade discount, ₹5,000 cash discount was also allowed for quick payment.



Question 6 – ICAI Material GST Journal Entry

Journalise the following transactions in the books of Mr. Rohit:

- (i) Purchased goods from Sahil for ₹50,000 plus CGST and SGST @ 9% each.
- (ii) Purchased goods from Sam for ₹40,000 at a trade discount of 10% plus CGST and SGST @ 9% each. ₹20,000 was paid immediately and balance payable after 3 months.
- (iii) Goods costing ₹20,000 withdrawn for personal use. Such goods were purchased by paying CGST and SGST @ 9% each.
- (iv) Paid rent to Gagandeep for ₹30,000 plus CGST and SGST @ 6% each.
- (v) Goods costing ₹5,000 (before trade discount of 10%) returned to Sam. Such goods were purchased by paying CGST and SGST @ 9% each.
- (vi) Purchased furniture for ₹44,800 including IGST @ 12%.
- (vii) Purchased machinery from M/s Symphony industries for ₹1,40,000 plus CGST and SGST @ 9% each. Paid ₹1,00,000 immediately and balance to be paid after two months.

Question 7 – ICAI Material GST Journal Entry

Journalise the following transactions in the books of Ms. Nidhi traders July, 2022

- 3 Sold Goods for ₹50,000, charged CGST and SGST @ 6% each.
- 4 Sold goods to Surjeet for ₹28,000 including CGST and SGST @ 6% each.
- 5 Received ₹25,200 from Surjeet in full settlement of his account of ₹28,000.
- 6 Sold goods to Kapil for ₹30,000 charged IGST @ 12%. Received ₹12,000 immediately and balance to be received after one month.
- 10 Kapil was allowed rebate of ₹5,000 as goods supplied to him were defective. These goods were sold by charging IGST @ 12%.
- 12 Sold goods to Manpreet for ₹1,00,000 at trade discount of 20% and charged IGST @ 12%
- 13 Goods of list price ₹20,000 returned by Manpreet.
- 17 Received commission of ₹15,000, charged CGST and SGST @ 6% each.

Question 8 – ICAI Material GST Journal Entry

Record the following transactions in a Journal, assuming CGST and SGST@ 6% each.

- (i) Sold goods to Mukesh at the list price of ₹50,000 less 20% trade discount.
- (ii) Sold goods to Mukesh at the list price of ₹1,00,000 less 20% trade discount and 5% cash discount.
- (iii) Sold goods to Mukesh at the list price of ₹1,50,000 less 20% trade discount. Out of the amount due 60% is received out of which three-fourth is received by cheque.



Question 9 – PYQ June 2024 GST Journal Entry

Pass journal entries for the following transactions in the books of Mr. Kapil :

- (i) Purchased goods from Sonu for 1,50,000 at a trade discount of 10% plus CGST and SGST @ 6% each.
- (ii) Sold goods to Mohit for 50,000 and charged CGST and SGST @ 5% each. Out of the amount due 40% is received by cheque immediately.
Goods costing 25,000 withdrawn for personal use. Such Goods were purchased by paying CGST and SGST @ 6% each.
- (iv) Machinery purchased from M/s Bright Industries for 2,00,000 plus CGST and SGST @9% each. Paid 1,00,000 immediately by cheque and balance to be paid after two months.

Question 10 – ICAI Material Simple Cash Book

Enter the following transactions in a Simple Cash Book:

2022		Amt (₹)
Jan.1	Cash in hand	1,200
"5	Received from Ram	300
"7	Paid Rent	30
"8	Sold goods for cash	300
"10	Paid to Shyam	700
"27	Purchased Furniture	200
"31	Paid Salaries	100
"31	Rent due, not yet paid, for January	30



Question 11 – ICAI Material Double Column Cash Book

Ganesh commenced business on 1st April, 2022 with ₹2,000 as capital. He had the following cash transactions in the month of April 2022:

April 1	Purchased furniture and paid cash	250	April 7	Paid for petty expenses	15
"2	Purchased goods	500	" 8	Cash purchases	150
"4	Sold goods for cash	950	13	Paid for labour	1,000
"5	Paid cash to Ram Mohan	560	"	Paid Ali & Sons	400
"6	He allowed discount	10	"	They allowed discount	8
"6	Received cash from Krishna & Co.	600			
	Allowed discount	20			

Make out the two-column Cash Book (Cash and discount column) for the month of April, 2022.

Question 12 – ICAI Material Triple Column Cash Book

Enter the following transactions in Cash Book with Discount and Bank Columns. Cheques are first treated as cash receipt.

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


Question 13 – ICAI Material Triple Column Cash Book

Enter the following transaction in Cash Book with Discount and Bank columns.
Cheques are first treated as cash receipts –

2022		Amt (₹)
March 1	Cash in Hand	15,000
	Overdraft in Bank	500
2	Cash Sales	3,000
3	Paid to Sushil Bros. by cheque	3,400
	Discount received	100
5	Sales through credit card	2,800
6	Received cheque from Srijan	6,200
7	Endorsed Srijan's cheque in favour of Adit	
9	Deposit into Bank	6,800
10	Received cheque from Aviral and deposited the same into Bank by allowing discount of ₹50	3,600
12	Adit informed that Srijan's cheque is dishonoured. Now cash is received from Srijan and amount is paid to Adit through own cheque	
15	Sales through Debit Card	3,200
24	Withdrawn from Bank	1,800
28	Paid to Sanchit by cheque	3,000
30	Bank charged 1% commission on sales through Debit/Credit Cards	


Question 14 – PYQ Dec 2022 Triple Column Cash Book

Prepare a Triple Column Cash Book from the following transactions of M/s Raj

2022			Amt (₹)
March	1	Cash in hand	30,000
	1	Cash at bank	1,20,000
	2	Paid into bank	10,000
	5	Bought furniture and issued cheque	15,000
	8	Purchased goods for cash	5,000
	12	Received cash from Mohan	9,800
		Discount allowed to him	200
	14	Cash sales	50,000
	16	Paid to Lata by cheque	14,500
		Discount received	500
	19	Paid into Bank	5,000
	23	Withdrawn from Bank for Private expenses	6,000
	24	Received cheque from Gupta	14,300
		Allowed him discount	200
	26	Deposited Gupta's cheque into Bank	
	28	Withdrew cash from Bank for Office use	20,000
	30	Paid rent by cheque	8,000

Agencies and bring down the balance for the start of next month:



Question 15 – ICAI Material Petty Cash Book

Prepare a Petty Cash Book on the imprest System from the following:

2022		Amt (₹)
Jan. 1	Received ₹100 for petty cash	
" 2	Paid bus fare	0.50
" 2	Paid cartage	2.50
" 3	Paid for Postage	5.00
" 3	Paid wages for casual labourers	6.00
" 4	Paid for stationery	4.00
" 4	Paid Bus charges	2.00
" 5	Paid for the repairs to chairs	15.00
" 5	Bus fare	1.00
" 5	Cartage	4.00
" 6	Postage	7.00
" 6	Bus charges	3.00
" 6	Cartage	3.00
" 6	Stationery	2.00
" 6	Refreshments to customers	5.00

Question 16 – ICAI Material Petty Cash Book

Shri Ramaswamy maintains a Columnar Petty Cash Book on the Imprest System. The imprest amount is ₹500. From the following information, show how his Petty Cash Book would appear for the week ended 12th September, 2022:

7-9-2022	Balance in hand	134.90
	Received Cash reimbursement to make up the imprest	365.10
	Stationery	49.80
8-9-2022	Miscellaneous Expenses	20.90
9-9-2022	Repairs	156.70
10-9-2022	Travelling	68.50
11-9-2022	Stationery	71.40
12-9-2022	Miscellaneous Expenses	6.30
13-9-2022	Repairs	48.30

**Question 17 – ICAI Material Purchase Book**

The Rough Book of M/s. Narain & Co. contains the following :

2022

Feb. 1

Purchased from Brown & Co. on credit : 5 gross pencils @ ₹100 per gross, 1 gross register @ ₹240 per doz. Less : Trade Discount @ 10%

Feb. 2

Purchased for cash from the Stationery Mart; 10 gross exercise books @ ₹300 per doz.

Feb. 3

Purchased computer for office use from M/s. office Goods Co. on credit for ₹30,000.

Feb.4.

Purchased on credit from The Paper Co. 5 reams of white paper @ ₹100 per ream. 10 reams of ruled paper @ ₹150 per ream. Less : Trade Discount @ 10%

Feb.5.

Purchased one dozen gel pens @ ₹15 each from M/s. Verma Bros. on credit.
Make out the Purchase Book of M/s. Narain & Co.

Question 18 – ICAI Material Purchase Book

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.



Question 19 – PYQ July 2021 Purchase Book

From the following information prepare the Purchase. Book of Mis. Shyam & Company:

- (i) Purchased from Red & Company on credit:
 - 10 pairs of black shoes.@ ₹800 per Pair.
 - 5 pairs of brown shoes @ 900 per pair
 - Less: Trade Discount @ 10%
- (ii) Purchased Computer from M/s. Rahul. Enterprises on credit for ₹40,000.
- (iii) Purchased from Blue & Company in cash:
 - 5 pairs of black shoes @ ₹700 per pair
 - 15 pairs of brown shoes@ ₹100 per pair
 - Less: Trade Discount @ 15%

Question 20 – ICAI Material Sales Book

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%

Question 21 – ICAI Material Sales Book

Enter the following transactions in Sales Book of M/s. Pranat Engineers Ltd., Delhi. 2022

- Jan. 2.** Sold to M/s. Ajanta Electricals, Delhi 5 pieces of Ovens @ ₹6,000/- each less Trade discount @ 10%.
- Jan.8.** Sold to M/s. Electronics Plaza, 10 pieces of Tablets @ ₹8,000/- each less trade discount 5%.
- Jan.15.** Sold to M/s. Haryana Traders, 5 pieces of Juicers @ ₹3,500/- each less trade discount @ 10%.



Question 22 – ICAI Material

Post the following into the ledger

Returns Outward Book

Date 2022	Particulars		Amount (₹)
Nov. 20	Rajindra Prakash & Sons		
	One 36" Usha Ceiling Fan	200.00	
	Less : Trade Discount @ 10%	(20.00)	180.00
" 30	Modern Electric Company		100.00
	Total		280.00

Question 23 – ICAI Material Purchase Return Book

From the following transactions, prepare the Purchases Returns Book of Alpha & Co., a saree dealer :

Date	Debit Note No.	Particulars
04.01.2022	101	Returned to Goyal Mills, Surat - 5 polyester sarees @ ₹1,000.
09.01.2022		Garg Mills, Kota - accepted the return of goods (which were purchased for cash) from us - 5 Kota sarees @ ₹400.
16.01.2022	102	Returned to Mittal Mills, Bangalore - 5 silk sarees @ ₹2,600.
30.01.2022		Returned one computer (being defective) @ ₹35,000 to B & Co.



Chapter 2

Bank Reconciliation Statement

Question 1 – ICAI Material without Adjusted Cash Book Question

From the following particulars, prepare a Bank Reconciliation Statement for Jindal offset Ltd.

- (1) Balance as per cash book is ₹2,40,000
- (2) Cheques issued but not presented in the bank amounts to ₹1,36,000.
- (3) Cheques deposited in bank but not yet cleared amounts to ₹90,000.
- (4) Bank charges amounts to ₹300.
- (5) Interest credited by bank amounts to ₹1,250.
- (6) The balance as per pass book is ₹2,86,950.

Question 2 – ICAI Material without Adjusted Cash Book Question

On 31st March 2022, the Bank Pass Book of Namrata showed a balance of ₹1,50,000 to her credit while balance as per cash book was ₹1,12,050. On scrutiny of the two books, she ascertained the following causes of difference:

- i) She has issued cheques amounting to ₹80,000 out of which only ₹32,000 were presented for payment.
 - ii) She received a cheque of ₹5,000 which she recorded in her cash book but forgot to deposit in the bank.
 - iii) A cheque of ₹22,000 deposited by her has not been cleared yet.
 - iv) Mr. Gupta deposited an amount of ₹15,700 in her bank which has not been recorded by her in Cash Book yet.
 - v) Bank has credited an interest of ₹1,500 while charging ₹250 as bank charges.
- Prepare a bank reconciliation statement

Question 3 – ICAI Material without Adjusted Cash Book Question

From the following particulars ascertain the balance that would appear in the Bank Pass Book of A on 31st December, 2022.

- (1) The bank overdraft as per Cash Book on 31st December, 2022 ₹6,340.
- (2) Interest on overdraft for 6 months ending 31st December, 2022 ₹160 is entered in Pass Book.
- (3) Bank charges of ₹400 are debited in the Pass Book only.
- (4) Cheques issued but not cashed prior to 31st December, 2022, amounted to ₹11,68,000.
- (5) Cheques paid into bank but not cleared before 31st December, 2022 were for ₹22,17,000.



(6) Interest on investments collected by the bank and credited in the Pass Book ₹12,00,000.

Question 4 – ICAI Material without Adjusted Cash Book Question

From the following information, prepare a Bank reconciliation statement as at 31st December, 2022 for Messrs New Steel Limited :

- (1) Bank overdraft as per Cash Book on 31st December, 2022 ₹22,45,900
- (2) Interest debited by Bank on 26th December, 2022 but no advice received ₹2,78,700
- (3) Cheque issued before 31st December, 2022 but not yet presented to Bank ₹6,60,000
- (4) Transport subsidy received from the State Government directly by the Bank but not advised to the company ₹14,25,000
- (5) Draft deposited in the Bank, but not credited till 31st December, 2022 ₹13,50,000
- (6) Bills for collection credited by the Bank till 31st December, 2022 but no advice received by the company ₹8,36,000
- (7) Amount wrongly debited to company account by the Bank, for which no details are available ₹7,40,000

Question 5 – ICAI Material without Adjusted Cash Book Question

The Cash Book of Mr. Gadbadwala shows ₹8,36,400 as the balance at Bank as on 31st December, 2022, but you find that it does not agree with the balance as per the Bank Pass Book. On scrutiny, you find the following discrepancies:

- (1) On 15th December, 2022 the payment side of the Cash Book was undercast by ₹10,000.
- (2) A cheque for ₹1,31,000 issued on 25th December, 2022 was not taken in the bank column.
- (3) One deposit of ₹1,50,000 was recorded in the Cash Book as if there is no bank column therein.
- (4) On 18th December, 2022 the debit balance of ₹15,260 as on the previous day, was brought forward as credit balance in the Cash book.
- (5) Of the total cheques amounting to ₹11,514 drawn in the last week of December, 2022, cheques aggregating ₹7,815 were encashed in December.
- (6) Dividends of ₹25,000 collected by the Bank and subscription of ₹1,000 paid by it were not recorded in the Cash Book.
- (7) One out-going Cheque of ₹3,50,000 was recorded twice in the Cash Book. Prepare a Reconciliation Statement

**Question 6 – ICAI Material without Adjusted Cash Book Question**

When Nikki & Co. received a Bank Statement showing a favourable balance of ₹10,39,200 for the period ended on 30th June, 2022, this did not agree with the balance in the cash book.

An examination of the Cash Book and Bank Statement disclosed the following :

1. A deposit of ₹3,09,200 paid on 29th June, 2022 had not been credited by the Bank until 1st July, 2022.
2. On 30th March, 2022 the company had entered into hire purchase agreement to pay by bank order a sum of ₹3,00,000 on the 10th of each month, commencing from April, 2022. No entries had been made in Cash Book.
3. A customer of the firm, who received a cash discount of 4% on his account of ₹4,00,000 paid the firm a cheque on 12th June. The cashier erroneously entered the gross amount in the bank column of the Cash Book.
4. Bank charges amounting to ₹3,000 had not been entered in Cash-Book.
5. On 28th June, a customer of the company directly deposited the amount in the bank ₹4,00,000, but no entry had been made in the Cash Book.
6. ₹11,200 paid into the bank had been entered twice in the Cash Book.
7. A debit of ₹11,00,000 appeared in the Bank Statement for an unpaid cheque, which had been returned marked 'out of date'. The cheque had been re-dated by the customer and paid into Bank again on 5th July, 2022.

Prepare Bank Reconciliation Statement on 30 June, 2022.

Question 7 – ICAI Material without Adjusted Cash Book Question

From the following particulars prepare a bank reconciliation statement as on 31st December 2022:

- (i) On 31st December, 2022 the cash-book of a firm showed a bank balance of ₹60,000 (debit balance).
- (ii) Cheques had been issued for ₹15,00,000, out of which cheques worth ₹4,00,000 only were presented for payment.
- (iii) Cheques worth ₹11,40,000 were deposited in the bank on 28th December, 2022 but had not been credited by the bank. In addition to this, one cheque for ₹5,00,000 was entered in the cash book on 30th December, 2022 but was banked on 3rd Jan 2023.
- (iv) A cheque from Susan for ₹4,00,000 was deposited in the bank on 26th December 2022 but was dishonoured and the advice was received on 2nd January, 2023.
- (v) Pass-book showed bank charges of ₹2000 debited by the bank.
- (vi) One of the debtors deposited a sum of ₹5,00,000 in the bank account of the firm on 20th December, 2022 but the intimation in this respect was received from the bank on 2nd January, 2023.
- (vii) Bank pass-book showed a debit balance of ₹3,82,000 on 31st December, 2022.



Question 8 – PYQ May 2018 without Adjusted Cash Book Question

The Bank Pass Book of Account No.5678 of M^{rs}Rani showed an overdraft of ₹33,575 on 31st March 2018. On going through the Pass Book, the accountant found the following:

- (i) A Cheque of Rs,1,080 credited in the pass book on 28th March 2018 being dishonoured is debited again in the pass book on 1st April 2018. There was no entry in the cash book about the dishonour of the cheque until 15 th April 2018.
 - (ii) Bankers had credited her account with ₹2,800 for interest collected by them on her behalf, but the same has not been entered in her cash book.
 - (iii) Out of ₹20,500 paid in by M^{rs}Rani in cash and by cheques on 31st March 2018 cheques amounting to ₹7,500 were collected on 7th April, 2018.
 - (iv) Out of Cheques amounting to ₹7,800 drawn by her on 27th March, 2018 a cheque for ₹2,500 was encashed on 3rd April, 2018.
 - (v) Bankers seems to have given here wrong credit for ₹500 paid in by her in Account No. 8765 and a wrong debit in respect of a cheque for ₹300 against her account No.8765.
 - (vi) A cheque for ₹1,000 entered in Cash Book but omitted to be banked on 31st March, 2018.
 - (vii) A Bill Receivable for ₹5,200 previously dishonoured (Discount ₹200) with the Bank had been dishonoured but advice was received on 1st April, 2018.
 - (viii) A Bill for ₹10,000 was retired /paid by the bank under a rebate of ₹175 but the full amount of the bill was credited in the bank column of the Cash Book.
 - (ix) A Cheque for ₹2,400 deposited into bank but omitted to be recorded in Cash Book and was collected by the bank on 31st March, 2018.
- Prepare Bank Reconciliation Statement as on 31st March, 2018.

Question 9 – PYQ May 2019 without Adjusted Cash Book Question

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

- (i) The Bank Pass Book had a debit balance of ₹25,000 on 30th June, 2018.
- (ii) A cheque worth ₹400 directly deposited into Bank by customer but no entry was made in the Cash Book.
- (iii) Out of cheques issued worth ₹34,000, cheques amounting to ₹20,000 only were presented for payment till 30th June, 2018.
- (iv) A cheque for ₹4,000 received and entered in the Cash Book but it was not sent to the Bank.
- (v) Cheques worth ₹20,000 had been sent to Bank for collection but the collection was reported by the Bank as under:
 - (1) Cheques collected before 30th June, 2018, ₹14,000
 - (2) Cheques collected on 10th July, 2018, ₹4,000



- (3) Cheques collected on 12th July, 2018, ₹2,000.
- (vi) The Bank made a direct payment of ₹600 which was not recorded in the Cash Book.
- (vii) Interest on Overdraft charged by the bank ₹1,600 was not recorded in the Cash Book.
- (viii) Bank charges worth ₹80 have been entered twice in the cash book whereas Insurance charges for ₹70 directly paid by Bank was not at all entered in the Cash Book.
- (ix) The credit side of bank column of Cash Book was under cast by ₹2,000.

Question 10 – PYQ Nov 2020 without Adjusted Cash Book Question

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

- (1) Out of the total cheques of ₹8,900 issued on 27th March, one cheque of ₹7,400 was presented for payment on 4th April and the other cheque of ₹1,500 handed over to the customer, was returned by him and in lieu of that a new cheque of the same amount was issued to him on 1st April. No entry for the return was made.
- (2) Out of total cash and cheques of ₹6,800 deposited in the Bank on 24th March, one cheque of ₹2,600 was cleared on 3rd April and the other cheque of ₹500 was returned dishonoured by the bank on 4th April.
- (3) Bank charges ₹35 and Bank interest ₹2,860 charged by the bank appearing in the passbook are not yet recorded in the cash book.
- (4) A cheque deposited in his another account of ₹1,550 wrongly credited to this account by the bank.
- (5) A cheque of ₹800, drawn on this account, was wrongly debited in another account by the bank.
- (6) A debit of ₹3,500 appearing in the bank statement for an unpaid cheque returned for being 'out of date' had been re-dated and deposited in the bank account again on 5th April 2020.
- (7) The bank allowed interest on deposit ₹1,000.
- (8) A customer who received a cash discount of 4% on his account of ₹1,00,000 paid a cheque on 20th March, 2020. The cashier erroneously entered the gross amount in the bank column of the Cash Book.

Prepare Bank Reconciliation Statement as on 31-3-2020

Question 11 – PYQ Dec 2022 without Adjusted Cash Book Question

The cash book of Mr. Karan shows ₹2,60,400 as the balance of bank as on 31st December, 2021 but you find that it does not agree with the balance as per the bank pass book. On analysis, you found the following discrepancies:

- (i) On 15th December, 2021 the payment side of the cash book was overcast by ₹10,000.



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(ii) A Cheque for ₹1,18,000 issued on 6th December, 2021 was not taken in the bank Column.

(iii) On 20th December, 2021 the debit balance of ₹8,460 as on the previous day, was brought forward as credit balance in the cash book.

(iv) Of the total cheques amounting to ₹12,370 drawn in the last week of December 2021, cheques aggregating ₹9,360 were encashed in December, 2021.

(v) Dividends of ₹35,000 collected by the bank and fire insurance premium of ₹7,900 paid by the bank were not recorded in the cash book.

(vi) A Cheque issued to a creditor of ₹1,75,000 was recorded twice in the cash book.

(vii) Bill for collection amounting to ₹53,000 credited by the bank on 21st December, 2021 but no advice was received by Mr. Karan till 31st December, 2021.

(viii) A Customer, who received a cash discount of 3% on his account of ₹60,000 paid a cheque on 10th December, 2021. The cashier erroneously entered the gross amount in the bank column of the cash book.

You are required to prepare the bank reconciliation statement as on 31st December, 2021

Question 12 – PYQ June 2023 without Adjusted Cash Book Question

From the following information prepare a Bank Reconciliation Statement as on 31st March 2022 for A Ltd.

1. Bank overdraft as per cash book as 31st March, 2022 ₹15,50,750
2. Cheques deposited on 15th February, 2022 credited on 5th April, 2022 ₹12,50,000
3. Interest debited by bank on 31st March, 2022 but not entered in Cash Book ₹1,75,500
4. Cheques issued before 31st March, 2022 but not yet presented ₹7,75,000
5. On 10th March, 2022 bank credited to A Ltd. in error ₹1,50,000
6. Draft deposited in bank but not credited till 31st March, 2022 ₹12,75,000
7. Bills for collection credited by bank but no advice received by the company ₹9,45,000
8. Bank charges charged by bank but not entered in cash book ₹2,85,000
9. Transport subsidy received from the state government directly by the bank not advised to the company ₹17,50,000



Question 13 – PYQ Dec 2023 without Adjusted Cash Book Question

From the following particulars, prepare a Bank Reconciliation Statement as on 31st December, 2022.

- (i) Debit balance (overdraft) shown by the pass book 2,48,000.
- (ii) Cheques of 2,10,000 were issued in the last week of December, but of these only ₹1,40,000 were presented for payment.
- (iii) A Cheque for ₹19,200 drawn for the payment of telephone bill had been entered in the cash book as ₹29,200 but was shown correctly in the bank statement.
- (iv) A cheque received for ₹37,520 entered twice in the Cash book.
- (v) A Cheque for ₹1,17,000 was issued for purchase of merchandise and was paid by the bank but not recorded in cash book.
- (vi) Interest on overdraft and bank charges amounting to ₹3,500 were not entered in the Cash Book.
- (vii) A Cheque for 45,000 was credited in the Pass Book but was not recorded in the Cash Book.
- (viii) A bill of exchange for ₹26,200 which was discounted with bank returned dishonored but on entry was made in the cash book.
- (ix) Payment side of the Cash Book has been undercast by ₹12,000

Question 14 – PYQ June 2024 without Adjusted Cash Book Question

From the following particulars, prepare the Bank Reconciliation Statement of businessman as on 31st March, 2024 :

S.No.	Particulars	₹
1	Bank Overdraft as per cash book	24,000
2	Cheque deposited as per bank statement but not recorded in cash book	4,000
3	Cash received from Exe was entered in bank column of cash book.	3,150
4	Debit side of the bank column casted short	1,000
5	A cheque for ₹9,000 deposited but collection as per bank statement	8,950
6	Bills sent to the bank for collection, collected by the bank but not recorded in cash book	4,200
7	Bank charges recorded twice in cash book	40
8	Noting charges debited in Pass Book for Discounted bill dishonoured	60
9	Cheques deposited on 25th March, 2024 but collected by Bank on 5th April, 2024	4,800
10	Cheques issued on 26- March, 2024 but presented for encashment on 6th April, 2024	3,000

**Question 15 – ICAI Material with Adjusted Cash Book Question**

According to the cash-book of Gopi, there was a balance of ₹44,50,000 in his bank on 30th June, 2022. On investigation you find that:

- (i) Cheques amounting to ₹6,00,000 issued to creditors have not been presented for payment till the date.
- (ii) Cheques paid into bank amounting to ₹11,05,000 out of which cheques amounting to ₹5,50,000 only collected by the bank up to 30th June 2022.
- (iii) A dividend of ₹40,000 and rent amounting to ₹6,00,000 received by the bank and entered in the pass-book but not recorded in the cash book.
- (iv) Insurance premium (up to 31st December, 2022) paid by the bank ₹27,000 not entered in the cash book.
- (v) The payment side of the cash book had been under casted by ₹5,000.
- (vi) Bank charges ₹1,500 shown in the pass book had not been entered in the cash book.
- (vii) A bill payable of ₹2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹60,000 had been discounted with the bank at a cost of ₹1,000 which had also not been recorded in cash book.

Required:

- (a) to make the appropriate adjustments in the cash book, and
- (b) to prepare a statement reconciling it with the bank pass book.

Question 16 – ICAI Material with Adjusted Cash Book Question

On 30th September, 2022, the bank account of X, according to the bank column of the Cash- Book, was overdrawn to the extent of ₹4,062. On the same date the bank statement showed a credit balance of ₹20,758 in favour of X. An examination of the Cash Book and Bank Statement reveals the following:

1. A cheque for ₹13,14,000 deposited on 29th September, 2022 was credited by the bank only on 3rd October, 2022.
2. A payment by cheque for ₹16,000 has been entered twice in the Cash Book.
3. On 29th September, 2022, the bank credited an amount of ₹1,17,400 received from a customer of X, but the advice was not received by X until 1st October, 2022.
4. Bank charges amounting to ₹580 had not been entered in the Cash Book.
5. On 6th September, 2022, the bank credited ₹20,000 to X in error.
6. A bill of exchange for ₹1,40,000 was discounted by X with his bank. This bill was dishonoured on 28th September, 2022 but no entry had been made in the books of X.
7. Cheques issued upto 30th September, 2022 but not presented for payment upto that date totalled ₹13,26,000.

You are required :



- (a) to show the appropriate rectifications required in the Cash Book of X, to arrive at the correct balance on 30th September, 2022 and
- (b) to prepare a bank reconciliation statement as on that date

Question 17 – ICAI Material with Adjusted Cash Book Question

On 30th December, 2022 the bank column of A. Philip's cash book showed a debit balance of

₹4,610. On examination of the cash book and bank statement you find that:

1. Cheques amounting to ₹6,30,000 which were issued to trade payables and entered in the cash book before 30th December, 2022 were not presented for payment until that date.
2. Cheques amounting to ₹2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2022, but were entered in the bank statement on 1st January, 2023.
3. A cheque received for ₹73,000 had been dishonoured prior to 30th December, 2022, but no record of this fact appeared in the cash book.
4. A dividend of ₹3,80,000, paid direct to the bank had not been recorded in the cash book.
5. Bank interest and charges amounting to ₹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 ₹10,000 paid vide banker's order in November, 2022.
7. A cheque for ₹27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December, 2022.

You are required:

- (a) to make appropriate adjustments in the cash book bringing down the correct balance, and
- (b) to prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement.

Question 18 – PYQ Nov 2019 with Adjusted Cash Book Question

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

- (i) A cheque for ₹11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
- (ii) A payment by cheque for ₹18,000 has been entered twice in the Cash book.
- (iii) On 29th September, 2018, the bank credited an amount of ₹1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.



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- (iv) Bank charges amounting to ₹280 had not been entered in the cash book.
- (v) On 6th September 2018, the bank credited ₹30,000 to XYZ in error.
- (vi) A bill of exchange for ₹1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.
- (vii) Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled ₹13,46,000.
- (viii) A bill payable of ₹2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹60,000 had been discounted with the bank at a cost of ₹1,000 which had also not been recorded in cash book.

You are required:

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

Question 19 – PYQ Dec 2021 with Adjusted Cash Book Question

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

- (i) Cheques amounting to 60,000 issued to creditors have not been presented for payment till the date
- (ii) Cheques paid into bank amounting to 1,10,500 out of which cheques amounting to ₹55,000 only collected by bank up to 30th June 2021
- (iii) A dividend of ₹4,000 and rent amounting to 60,000 received by the bank and entered in the pass-book but not recorded in the cash book.
- (iv) Insurance premium (up to 31st December, 2020) paid by the bank ₹2,700 not entered in the cash book.
- (v) The payment side of the cash book had been under cast by ₹500
- (vi) Bank charges ₹150 shown in the pass book had not been entered in the cash book.
- (vii) A bill payable of ₹20,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹6,000 had been discounted with the bank at a cost of ₹100 which had also not been recorded in cash book.

You are required:

- (1) To make the appropriate adjustments in the cash book, and
- (2) To prepare a statement reconciling it with the bank pass book



Question 20 – ICAI Material Passbook Cashbook format Question

Mr. Manoj is employed by Century Rayon and Carpets Pvt Ltd. as their cashier. The main responsibility of Mr. Manoj is to maintain the company's cash book and prepare a bank reconciliation statement at the end of each month. The cash book (only bank column) is set out below together with a copy of the bank statement for the month of February 2022.

You are required to:

- Reconcile the cash book with the bank statement.
- Make necessary entries to update the cash book.
- Start with the balance as per cash book, list any unpresented cheques and sub-total on the reconciliation statement.

Century Rayon and Carpets Pvt Ltd Cash Book (Bank Column only)

Date	Particulars	Amt Dr.	Date	Particulars	Amt Cr.
01/02/22	To Balance b/d	1,42,500	03/02/22	By Bhagwandas	1,980
01/02/22	To Blue and Co	1,570	07/02/22	By Maruti Ltd (400460)	1,500
04/02/22	To GM Ltd	2,430	12/02/22	By Jackson Ltd (400461)	54,000
08/02/22	To Robinson Ltd	910	18/02/22	By PC computers (400462)	1,420
13/02/22	To Donald	750	24/02/22	By Shiv garage (400463)	49,000
20/02/22	To Avenue Super mart	4,200	30/02/22	By Petty cash (400465)	1,500
28/02/22	To Sleep Well Ltd	940		By Shweta & Co.(400464)	2,100
				By AV Partners (400466)	5,200
				By Balance c/d	36,600
		1,53,300			1,53,300

Customer: Century Rayon and Carpets Pvt Ltd Account No – xxxxx0439 Account Statement for the month of February, 2022

Date	Particulars	Amount		Dr./ Cr.	Balance ₹
		Dr.	Cr.		
1/02/22	Balance b/d				1,42,500
3/02/22	Cheques		1,570	Cr.	1,44,070
5/02/22	Maruti Ltd	1,500		Dr.	1,42,570
7/02/22	Bhagwandas	1,980		Dr.	1,40,590
12/02/22	GM Ltd		2,430	Cr.	1,43,020
15/02/22	Robinson Ltd		910	Cr.	1,43,930
20/02/22	Premium of New India Insurance Ltd	3,800		Dr.	1,40,130
14/02/22	Donald		750	Cr.	1,40,880



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14/02/22	400463	49,000		Dr.	91,880
23/02/22	cheques		4,200	Cr.	96,080
26/02/22	Savita	1,030		Dr.	95,050
26/02/22	400465	1,500		Dr.	93,550
27/02/22	Shreya		2,200	Cr.	95,750
28/02/22	Bank charges	2,538		Dr.	93,212

Question 21 – ICAI Material Passbook Cashbook format Question

The following are the Cash Book (bank column) and Pass Book of Jain for the months of March, 2022 and April, 2022:

Cash Book (Bank Column only)

Date	Particulars	Amount Dr.	Date	Particulars	Amount Cr.
01/3/22	To Balance b/d	60,000	03/3/22	By Cash A/c	2,00,000
06/3/22	To Sales A/c	3,00,000	07/3/22	By Modi	60,000
10/3/22	To Ram	65,000	12/3/22	By Patil	30,000
18/3/22	To Singhal	2,70,000	18/3/22	By Suresh	40,000
25/3/22	To Goyal	33,000	24/3/22	By Ramesh	1,50,000
31/3/22	To Patel	65,000	30/3/22	By Balance c/d	3,13,000
		7,93,000			7,93,000

Pass Book

Date	Particulars	Amount Dr.	Amount Cr.	Dr. / Cr.	Balance
1/4/22	By Balance b/d		3,65,000	Cr.	3,65,000
3/4/22	By Goyal		33,000	Cr.	3,98,000
5/4/22	By Patel		65,000	Cr.	4,63,000
7/4/22	To Naresh	2,80,000		Cr.	1,83,000
12/4/22	To Ramesh	1,50,000		Cr.	33,000
15/4/22	To Bank Charges	200		Cr.	32,800
20/4/22	By Usha		17,000	Cr.	49,800
25/4/22	By Kalpana		38,000	Cr.	87,800
30/4/22	To Sunil	6,200		Cr.	81,600



Question 22 – ICAI Material Passbook Cashbook format Question

Messer's Tall & Short, Faiz Bazar, New Delhi-110002

in account with Punjab National Bank, Daryaganj, New Delhi-110002

Cash Book (Bank column only)

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2022			2022		
Jan. 1	To Cash	4,00,000	Jan. 2	By Furniture Dealers Ltd.	60,000
Jan. 2	To J. Johnson & Co.	35,000	Jan. 2	By Roy & James	1,00,000
Jan. 8	To B. Babu & Co.	76,000	Jan. 2	By Das & Co.	1,25,000
Jan. 10	To Cash	30,000	Jan. 4	By K. Nagpal & Co.	73,000
Jan. 16	To J. Rai & Bros.	43,000	Jan. 17	By Cash	50,000
Jan. 20	To M. Mohan & Co.	1,05,000	Jan. 20	By B. Babu & Co.	78,000
Jan. 22	To N. Nandy & Sons	34,000	Jan. 31	By Balance c/d	2,37,000
		7,23,000			7,23,000
Feb. 1	To Balance b/d	2,37,000			

Pass Book

Date	Particulars	Withdrawals ₹	Deposits ₹	Dr. or Cr.	Balance ₹
2022					
Jan. 2	By Cash		4,00,000	Cr.	4,00,000
" 4	To Furniture Dealers Ltd.	60,000		Cr.	3,40,000
" 4	To Das & Co.	1,25,000		Cr.	2,15,000
" 10	By J. Johnson & Co.'s cheque		35,000	Cr.	2,50,000
" 12	To Roy & James	1,00,000		Cr.	1,50,000
" 15	By B. Babu & Co's cheque		76,000	Cr.	2,26,000
" 16	By Cash		30,000	Cr.	2,56,000
" 20	To Cash	50,000		Cr.	2,06,000
" 26	By J. Rai & Bros cheque		43,000	Cr.	2,49,000
" 31	To Premium paid as per standing instructions	25,000		Cr.	2,24,000
" 31	To Bank Charges	1,000		Cr.	2,23,000
" 31	By Interest collected on Government Securities		20,000	Cr.	2,43,000



Chapter 3

Rectification of Error

Question 1 – ICAI Material Error Rectified in Same Year

The following errors were found in the book of Ram Prasad & Sons. Give the necessary entries to correct them.

- (1) ₹500 paid for furniture purchased has been charged to ordinary Purchases Account.
- (2) Repairs made were debited to Building Account for ₹50.
- (3) An amount of ₹100 withdrawn by the proprietor for his personal use has been debited to Trade Expenses Account.
- (4) ₹100 paid for rent debited to Landlord's Account.
- (5) Salary ₹125 paid to a clerk due to him has been debited to his personal account.
- (6) ₹100 received from Shah & Co. has been wrongly entered as from Shaw & Co.
- (7) ₹700 paid in cash for a typewriter was charged to Office Expenses Account.

Question 2 – ICAI Material Error Rectified in Same Year

Give journal entries to rectify the following:

- (1) A purchase of goods from Ram amounting to ₹150 has been wrongly entered through the Sales Book.
- (2) A Credit sale of goods amounting ₹120 to Ramesh has been wrongly passed through the Purchase Book.
- (3) On 31st December, 2022 goods of the value of ₹300 were returned by Hari Saran and were taken into inventory on the same date but no entry was passed in the books.
- (4) An amount of ₹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.
- (5) A Cheque for ₹100 received from Man Mohan was dishonoured and had been posted to the debit of Sales Returns Account.

Question 3 – ICAI Material Error Rectified in Same Year but with Suspense A/c

Correct the following errors found in the books of Mr. Dutt. The Trial Balance was out by ₹493 excess credit. The difference thus has been posted to a Suspense Account.

- (a) An amount of ₹100 was received from D. Das on 31st December, 2022 but has been omitted to enter in the Cash Book.
- (b) The total of Returns Inward Book for December has been casted short by ₹100.
- (c) The purchase of an office table costing ₹300 has been passed through the Purchases Day Book.



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- (d) ₹375 paid for Wages to workmen for making show-cases had been charged to "Wages Account".
- (e) A purchase of ₹67 had been posted to the trade payables' account as ₹60.
- (f) A cheque for ₹200 received from P. C. Joshi had been dishonoured and was passed to the debit of "Allowances Account".
- (g) ₹1,000 paid for the purchase of a motor cycle for Mr. Dutt for his personal use had been charged to "Miscellaneous Expenses Account".
- (h) Goods amounting to ₹100 had been returned by customer and were taken into inventory, but no entry in respect thereof, was made into the books.
- (i) A sale of ₹200 to Singh & Co. was wrongly credited to their account. Entry was correctly made in sales book.

Question 4 – ICAI Material Error Rectified in Same Year but with Suspense A/c

Write out the Journal Entries to rectify the following errors, using a Suspense Account.

- (1) Goods of the value of ₹100 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;
- (2) An amount of ₹150 entered in the Sales Returns Book, has been posted to the debit of Mr. Philip, who returned the goods;
- (3) A sale of ₹200 made to Mr. Ghanshyam was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Radheshyam as ₹20; and
- (4) The total of "Discount Allowed" column in the Cash Book for the month of September, 2022 amounting to ₹250 was not posted.

Question 5 – ICAI Material Error Rectified in Same Year but with Suspense A/c

On going through the Trial balance of Ball Bearings Co. Ltd. you find that the debit is in excess by ₹150. This was credited to "Suspense Account". On a close scrutiny of the books, the following mistakes were noticed:

- (1) The totals of debit side of "Expenses Account" have been casted in excess by ₹50.
- (2) The "Sales Account" has been totalled in short by ₹100.
- (3) Supplier account has been overcasted by 225.
- (4) The sale return of ₹100 from a party has not been posted to that account though the Party's account has been credited.
- (5) A cheque of ₹500 issued to the Suppliers' account (shown under Trade payables) towards his dues has been wrongly debited to the purchases.
- (6) A credit sale of ₹50 has been credited to the Sales and also to the Trade receivables Account.



You are required to

- (i) Pass necessary journal entries for correcting the above;
- (ii) Show how they affect the Profits; and
- (iii) Prepare the "Suspense Account" as it would appear in the ledger.

Question 6 – ICAI Material Error Rectified in Same Year but with Suspense A/c

The trial balance of Mr. W & H failed to agree and the difference ₹20,570 was put into suspense account pending the investigation which disclosed that:

- (i) Purchase returns day book had been correctly entered and totalled at ₹6,160, but had not been posted to the ledger.
- (ii) Discounts received ₹1,320 had been debited to discounts allowed.
- (iii) The Sales account had been under added by ₹10,000.
- (iv) A credit sale of ₹1,470 had been debited to a customer account at ₹1,740.
- (v) A vehicle bought originally for ₹7,000 four years ago and depreciated to ₹1,200 had been sold for ₹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 ₹560 for telephone charges had been completely omitted.
- (vii) A bad debt of ₹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 ₹23,390 with a credit provision for bad debts at ₹2,320.
- (viii) Tools bought for ₹1,200 had been inadvertently debited to purchases.
- (ix) The proprietor had withdrawn, for personal use, goods worth ₹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.

Question 7 – PYQ May 2018 Error Rectified in Same Year but with Suspense A/c

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

- (i) Purchase of Furniture on credit from Nigam for ₹3,000 posted to Subham account as ₹300.
- (ii) A Sales Return of ₹5,000 to Jyothy was not entered in the financial accounts though it was duly taken in the stock book.
- (iii) Investments were sold for ₹75,000 at a profit of ₹15,000 and passed through Sales account.
- (iv) An amount of ₹10,000 withdrawn by the proprietor (Darshan) for his personal use has been debited to Trade Expenses account.

**Question 8 – PYQ May 2019 Error Rectified in Same Year but with Suspense A/c**

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

- (i) An amount of ₹4,500 received on account of Interest was credited to Commission account.
- (ii) A sale of ₹2,760 was posted from Sales Book to the Debit of M/s Sobhag Traders at ₹2,670
- (iii) ₹35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
- (iv) Goods returned by customer for ₹5,000. The same have been taken into stock but no entry passed in the books of accounts.

Question 9 – PYQ Dec 2021 Error Rectified in Same Year but with Suspense A/c

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

- (i) Wages paid for construction of office building debited to wages account ₹20,000.
- (ii) A credit sale of goods ₹1,200 to Ramesh has been wrongly passed through the Purchase Book.
- (iii) An amount of ₹2,000 due from Mahesh Chand which had been written off as a bad debit in the previous year was unexpectedly recovered and has been posted to the personal account of Mahesh Chand.
- (iv) Goods (Cost being ₹5,000 and Sales price being ₹6,000) distributed as free samples amount prospective customers were not recorded anywhere.
- (v) Goods worth ₹1,500 returned by Green have not been recorded anywhere.

Question 10 – PYQ Dec 2022 Error Rectified in Same Year but with Suspense A/c

Before preparation of the Trial Balance, the following errors were found in the books of Hare Rama & Sons. Give the necessary entries to correct them.

- (i) Minor Repairs made to the building amounting to ₹1,850 were debited to the Building Account.
- (ii) An amount of ₹3,000 due from Shayam Lal, which had been written off as bad debts in the previous year, recovered in the current year, and had been posted to the personal Account of Shayam Lal.
- (iii) Furniture purchased for office use amounting to ₹20,000 has been entered in the purchase day book.
- (iv) Goods purchased from Ram Singh amounting to ₹8,000 have remained unrecorded so far.
- (v) College fees of proprietor's son, ₹15,000 debited to the Audit fees Account.
- (vi) Receipt of ₹4,500 from Meet Kumar credited to the Pinki Rani.



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- (vii) Goods amounting to ₹6,200 had been returned by a customer and were taken into inventory, but no entry was made in the books.
- (viii) ₹1500 paid for wages to workmen for making office furniture had been charged to wages account.
- (ix) Salary paid to a clerk ₹12,000 has been debited to his personal account.
- (x) A purchase of goods from Raghav amounting to ₹20,000 has been wrongly entered through the sales book

Question 11 – PYQ June 2024 Error Rectified in Same Year but with Suspense A/c

The Trial Balance of Mr. Sarvesh Kumar as on 31st March, 2024 did not tally and the difference was posted to Suspense Account. On a scrutiny of the books, the following errors were detected:

- (i) The total of Sales Returns Book for January 2024 has been casted short by ₹1,000.
Freight paid for installation of a Machine ₹6,500 was posted to the Freight Account as ₹5,600.
- (iii) Goods of the value of ₹2,500 returned by a customer were entered in the Sales day Book and posted therefrom to the credit of his account.
- (iv) ₹18,000 paid for purchase of old Motorcycle for personal Mr. Sarvesh Kumar was debited to conveyance account.
- (v) A purchase of ₹6,700 had been posted to creditor's account as ₹6,000.
- (vi) Receipt of cash ₹5,000 from Mr. Avinash was posted to the debit of his account.
- (vii) A cheque for ₹2,500 received from Mr. Alok had been dishonored and was posted to the debit of Mr. Ashok.
- (viii) Sale of ₹8,500 to Mr. Deepak was recorded in the sales book correctly but while posting in ledger credited to his account.
- (ix) The total of "Discount Allowed" column in the cash book for the month of December 2023 amounting to ₹3,800 was not posted.
- (x) Sale of old office table for ₹2,200 treated as sale of goods.

You are required to pass necessary journal entries with narrations to rectify the above error

**Question 12 – ICAI Material Error Rectified in Next Year**

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

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

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

Question 13 – ICAI Material Error Rectified in Next Year

Mr. A closed his books of account on September 30, 2021 in spite of a difference in the trial balance. The difference was ₹830 the credits being short; it was carried forward in a Suspense Account. In 2022 following errors were located:

- (i) A sale of ₹2,300 to Mr. Lala was posted to the credit of Mr. Mala.
- (ii) The total of the Returns Inward Book for July, 2021 ₹1,240 was not posted in the ledger.
- (iii) Freight paid on a machine ₹5,600 was posted to the Freight Account as ₹6,500. 10% Depreciation is charge on this machines.
- (iv) While carrying forward the total in the Purchases Account to the next page, ₹65,590 was written instead of ₹56,950.
- (v) A sale of machine on credit to Mr. Mehta for ₹9,000 on 30th sept. 2021 was not entered in the books at all. The book value of the machine was ₹6,750.

Pass journal entries to rectify the error. Have you any comments to make?

Question 14 – ICAI Material Error Rectified in Next Year

A merchant's trial balance as on June 30, 2022 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:

- (i) The total of the Purchases Book of one page, ₹4,539 was carried forward to the next page as ₹4,593.
- (ii) A sale of ₹573 was entered in the Sales Book as ₹753 and posted to the credit of the customer.
- (iii) A return to a creditor, ₹510 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.



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- (iv) Cash received from C. Dass, ₹620 was posted to the debit of G. Dass.
 - (v) Goods worth ₹840 were despatched to a customer before the close of the year but no invoice was made out.
 - (vi) Goods worth ₹1,000 were sent on sale or return basis to a customer and entered in the Sales Book. At the close of the year, the customer still had the option to return the goods. The sale price was 25% above cost.
- You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly.

Question 15 – PYQ Nov 2018 Error Rectified in Next Year

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

- (i) Sales Day Book was overcast by ₹1,000.
- (ii) A sale of ₹5,000 to X was wrongly debited to the Account of Y.
- (iii) General expenses ₹180 was posted in the General Ledger as ₹810.
- (iv) A Bill Receivable for ₹1,550 was passed through Bills Payable Book. The Bill was given by P.
- (v) Legal Expenses ₹1,190 paid to M^{rs} Neetu was debited to her personal account.
- (vi) Cash received from Ram was debited to Shyam ₹1,500.
- (vii) While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹1,235 was written as ₹1,325.

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

Question 16 – PYQ Nov 2020 Error Rectified in Next Year

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

- (i) Repairs made during the year were wrongly debited to the building A/c - ₹12,500.
- (ii) The addition of the 'Freight' column in the purchase journal was short by ₹1,500.
- (iii) Goods to the value of ₹1,050 returned by a customer, Rani & Co., had been posted to the debit of Rani & Co. and also to sales returns.
- (iv) Sundry items of furniture sold for ₹30,000 had been entered in the sales book, the total of which had been posted to sales account.
- (v) A bill of exchange (received from Raja & Co.) for ₹20,000 had been returned by the bank as dishonoured and had been credited to the bank and debited to bills receivable account.

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



Question 17 – PYQ Jan 2021 Error Rectified in Next Year

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

- (i) The total of the Purchases Book of one page, ₹5,615 was carried forward to the next page as ₹6,551.
- (ii) A sale of ₹281 was entered in the Sales Book as ₹821 and posted to the credit of the customer.
- (iii) A return to creditor, ₹295 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
- (iv) Cash received from Senu, ₹895 was posted to debit of Sethu.
- (v) Goods worth ₹1,400 were dispatched to a customer before the close of the year but no invoice was made out.
- (vi) Goods worth ₹1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.
- (vii) ₹600 due from Mr. Q was omitted to be taken to the trial balance.
- (viii) Sale of goods to Mr. R for ₹3,000 was omitted to be recorded.

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

Question 18 – PYQ July 2021 Error Rectified in Next Year

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

- (i) Purchase of a scooter was debited to conveyance account ₹30,000. Mr. Ratan charges 10% depreciation on scooter.
- (ii) Purchase account was over cast by ₹1,00,000.
- (iii) A credit purchase of goods from Mr. X for ₹20,000 was entered as sale.
- (iv) Receipt of cash from Mr. Anand was posted to the account of Mr. Bhaskar ₹10,000.
- (v) Receipt of cash from Mr. Chandu was posted to the debit of his account, ₹5,000.
- (vi) ₹5,000 due by Mr. Ramesh was omitted to be taken to the Trial Balance.
- (vii) Sale of goods to Mr. Ram for ₹20,000 was omitted to be recorded.
- (viii) Amount of ₹23,950 of purchase was wrongly posted as ₹25,930.

Suggest the necessary rectification entries.

**Question 19 – ICAI Material Rectification without Suspense A/c**

How would you rectify the following errors in the book of Rama & Co.?

1. The total to the Purchases Book has been undercast by ₹100.
2. The Returns Inward Book has been undercast by ₹50.
3. A sum of ₹250 written off as depreciation on Machinery has not been debited to Depreciation Account.
4. A payment of ₹75 for salaries (to Mohan) has been posted twice to Salaries Account.
5. The total of Bills Receivable Book ₹1,500 has been posted to the credit of Bills Receivable Account.
6. An amount of ₹151 for a credit sale to Hari, although correctly entered in the Sales Book, has been posted as ₹115.
7. Discount allowed to Satish ₹25 has not been entered in the Discount Column of the Cash Book. the amount has been posted correctly to the credit of his personal account.

Question 20 – ICAI Material Rectification without Suspense A/c

Correct the following errors

(i) without opening a Suspense Account and (ii) opening a Suspense Account:

- (a) The Sales Book has been totalled ₹100 short.
- (b) Goods worth ₹150 returned by Green & Co. have not been recorded anywhere.
- (c) Goods purchased ₹250 have been posted to the debit of the supplier Gupta & Co.
- (d) Furniture purchased from Gulab & Bros, ₹1,000 has been entered in Purchases Day Book.
- (e) Discount received from Red & Black ₹15 has not been entered in the Discount Column of the Cash Book.
- (f) Discount allowed to G. Mohan & Co. ₹18 has not been entered in the Discount Column of the Cash Book. The account of G. Mohan & Co. has, however, been correctly posted.

Question 21 – ICAI Material Rectification without Suspense A/c

The following errors, affecting the account for the year 2022 were detected in the books of Jain Brothers, Delhi:

- 1) Sale of old Furniture ₹150 treated as sale of goods.
- 2) Receipt of ₹500 from Ram Mohan credited to Shyam Sunder.
- 3) Goods worth ₹100 brought from Mohan Narain have remained unrecorded so far.
- 4) A return of ₹120 from Mukesh posted to his debit.
- 5) A return of ₹90 to Shyam Sunder posted as ₹9 in his account.



- 6) Rent of proprietor's residence, ₹600 debited to rent A/c.
- 7) A payment of ₹215 to Mohammad Sadiq posted to his credit as ₹125.
- 8) Sales Book casted short by ₹900 .
- 9) The total of Bills Receivable Book ₹1,500 left unposted.

You are required to pass the necessary rectifying entries and show how the trial balance would be affected by the error

Question 22 – PYQ Nov 2019 Rectification without Suspense A/c

Correct the following errors

(i) without opening a Suspense Account and (ii) with opening a Suspense Account:

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



Chapter 4

Depreciation

Question 1 – ICAI Material Straight Line Method (SLM) of Depreciation

Jain Bros. acquired a machine on 1st July, 2021 at a cost of ₹14,00,000 and spent ₹1,00,000 on its installation. The firm writes off depreciation at 10% p.a. of the original cost every year. The books are closed on 31st December every year.

Required

Show the Machinery Account and Depreciation Account for the year 2021 and 2022.

Question 2 – ICAI Material Straight Line Method (SLM)

The LG Transport company purchased 10 trucks at ₹45,00,000 each on 1st April 2019. On October 1st, 2021, one of the trucks is involved in an accident and is completely destroyed and ₹27,00,000 is received from the insurance in full settlement. On the same date another truck is purchased by the company for the sum of ₹50,00,000. The company write off 20% on the original cost per annum. The company observe the calendar year as its financial year.

Give the motor truck account for two year ending 31 Dec, 2022.

Question 3 – ICAI Material Straight Line Method (SLM) of Depreciation with Machinery Disposal A/c

A firm purchased second hand machinery on 1st January, 2019 for ₹3,00,000, subsequent to which ₹60,000 and ₹40,000 were spent on its repairs and installation, respectively. On 1st July, 2020 another machinery was purchased for ₹2,60,000. On 1st July, 2021, the first machinery having become outdated was auctioned for ₹3,20,000 and on the same date, another machinery was purchased for ₹2,50,000. On 1st July, 2022, the second machinery was also sold off and it fetched ₹2,30,000. Depreciation was provided on machinery @ 10% on the original cost annually on 31st December, under the straight line method.

Required

Prepare the following accounts in the books of the company: (i) Machinery Account for the years ending Dec. 31, 2019 to 2022 and (ii) Machinery Disposal Account

Question 4 – PYQ Nov 2019 Straight Line Method (SLM)

M/s. Dayal Transport Company purchased 10 trucks @ ₹50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of



₹60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year.

Give the motor truck account for two years ending 31st December, 2020.

Question 5 – ICAI Material Written Down Value (WDV) Method of Depreciation

Jain Bros. acquired a machine on 1st July, 2021 at a cost of ₹14,00,000 and spent ₹1,00,000 on its installation. The firm writes off depreciation at 10% p.a. every year. The books are closed on 31st December every year.

Required

Show the Machinery Account on diminishing balance method for the year 2021 and 2022

Question 6 – ICAI Material Written Down Value (WDV) Method of Depreciation

The Machinery Account of a Factory showed a balance of ₹19,00,000 on 1st January, 2022. Its accounts were made up on 31st December each year and depreciation is written off at 10% p.a. under the Diminishing Balance Method.

On 1st June 2022, a new machinery was acquired at a cost of ₹2,80,000 and installation charges incurred in erecting the machine works out to ₹8,920 on the same date. On 1st June, 2022 a machine which had cost ₹4,37,400 on 1st January 2020 was sold for ₹75,000. Another machine which had cost ₹4,37,000 on 1st January, 2021 was scrapped on the same date and it realised nothing

Write a machinery account for the year 2022, allowing the same rate of depreciation as in the past, calculating depreciation to the nearest multiple of a Rupee.

Question 7 PYQ Nov 2019 Written Down Value (WDV) Method of Depreciation

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

Question 8 – PYQ July 2021 Written Down Value (WDV) Method of Depreciation

The balance of Machinery Account of a firm on 1st April, 2020 was ₹28,54,000. Out of this, a plant having book value of ₹2,16,090 as on 1st April, 2020 was sold on 1st July, 2020 for ₹82,000. On the same date a new plant was purchased for ₹4,58,000 and ₹22,000 was spent on its erection. On 1st November, 2020 a new machine was purchased for ₹5,60,000. Depreciation is written off@ 15% per annum under the



diminishing balance method. Calculate the depreciation for the year ended 31st March, 2021.

Question 9 – PYQ Dec 2021 Written Down Value (WDV) Method of Depreciation

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

Question 10 – PYQ May 2022 Written Down Value (WDV) Method of Depreciation

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

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

Question 11 – ICAI Material Written Down Value (WDV) Method of Depreciation

A firm purchased on 1st January, 2020 certain machinery for ₹5,82,000 and spent ₹18,000 on its erection. On July 1, 2020 another machinery for ₹2,00,000 was acquired. On 1st July, 2021 the machinery purchased on 1st January, 2020 having become obsolete was auctioned for ₹3,86,000 and on the same date fresh machinery was purchased at a cost of ₹4,00,000.

Depreciation was provided for annually on 31st December at the rate of 10 per cent p.a. on written down value.

Required Prepare machinery account.



Question 12 – ICAI Material Straight Line Method (SLM) with Provision

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

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

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

During 2022 the following transactions took place:

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

You are required to:

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

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

Question 13 – ICAI Material Written Down Value (WDV) Method of Depreciation with provision for Depreciation

On April 1, 2019 Shubra Ltd. purchased a machinery for ₹12,00,000. On Oct 1, 2021, a part of the machinery purchased on April 1, 2019 for ₹80,000 was sold for ₹45,000 and a new machinery at a cost of ₹1,58,000 was purchased and installed on the same date. The company has adopted the method of providing 10% p.a. depreciation on the written down value of the machinery.



Required : Show the necessary ledger accounts for the years ended 31st March, 2020 to 2022 assuming that (a) 'Provision for Depreciation Account' is not maintained (b) Provision for Depreciation Account is maintained.

Question 14 – PYQ June 2023 Written Down Value (WDV) Method of Depreciation with Provision for Depreciation

The following balances appear in the books of Dheeraj Enterprises:

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

On 1st October, 2021 the Machinery which was purchased on 1st April, 2018 for ₹2,00,000 was sold for ₹1,10,000 and on the same date another Machinery was purchased for ₹4,80,000. The firm has been charging depreciation at 10% p.a. on written down value of the Machinery every year. Prepare the Machinery account, Provision for Depreciation account and Machinery disposal account for the year ending 31st March, 2022.

Question 15 – ICAI Material Sum of Years of Digit Method of Depreciation

M/s Akash & Co. purchased a machine for ₹10,00,000. Estimated useful life and scrap value were 10 years and ₹1,20,000 respectively. The machine was put to use on 1.1.2017.

Required

Show Machinery Account and Depreciation Account in their books for 2022 by using sum of years digits method.

Question 16 – ICAI Material Machine Hour Method of Depreciation

A machine was purchased for ₹30,00,000 having an estimated total working of 24,000 hours. The scrap value is expected to be ₹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.



Question 17 – ICAI Material Error Production Unit Method of Depreciation

A machine is purchased for ₹20,00,000. Its estimated useful life is 10 years with a residual value of ₹2,00,000. The machine is expected to produce 1.5 lakh units during its life time. Expected distribution pattern of production is as follows:

Year	Production
1-3	20,000 units per year
4-7	15,000 units per year
8-10	10,000 units per year

Required

Determine the value of depreciation for each year using production units method.

Question 18 – ICAI Material Depletion on Natural Resources

M/s Surya & Co. took lease of a quarry on 1-1-2019 for ₹1,00,00,000. As per technical estimate the total quantity of mineral deposit is 2,00,000 tonnes. Depreciation was charged on the basis of depletion method. Extraction pattern is given in the following table:

Year	Quantity of Mineral extracted
2019	2,000 tonnes
2020	10,000 tonnes
2021	15,000 tonnes

Required

Show the Quarry Lease Account and Depreciation Account for each year from 2019 to 2021.

Question 19 – ICAI Material Change in Method of Depreciation

M/s Anshul & Co. commenced business on 1st January 2017, when they purchased plant and equipment for ₹7,00,000. They adopted a policy of charging depreciation at 15% per annum on diminishing balance basis and over the years, their purchases of plant have been:

Date	Amount ₹
1-1-2018	1,50,000
1-1-2021	2,00,000

On 1-1-2021 it was decided to change the method and rate of depreciation to straight line basis. On this date remaining useful life was assessed as 6 years for all the assets purchased before 1.1.2021 with no scrap value and 10 years for the asset purchased on 1.1.2021.

Required to Calculate the difference in depreciation to be adjusted in the Plant and Equipment Account for the year ending 31st December, 2021.

**Question 20 – PYQ Dec 2022 Change in Method of Depreciation**

A purchased a machinery for ₹1,30,000 on 1st April, 2019 and paid ₹20,000 for freight & installation charges. On 1st October, 2021 another machine was purchased for 50,000 and sold old machinery for ₹1,00,000. The machine purchased on 1st October, 2021 was installed on 1st January, 2022.

Under existing practice, the company is charging depreciation @ 20% p.a. on the original cost. However, from 1st April, 2021 it decided to adopt WDV method and charge depreciation @15% p.a. You are required to prepare Machinery Account from 1st April, 2019 to 31st March, 2022.

Question 21 – PYQ May 2019 Change in Method of Depreciation

A Firm purchased an old Machinery for ₹37,000 on 1st January, 2015 and spent ₹3,000 on its overhauling. On 1st July 2016, another machine was purchased for ₹10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for ₹28,000 and the same day a new machinery costing ₹25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for ₹2,000.

Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year.

Prepare Machinery account for four years from 1st January, 2015

Question 22 – PYQ June 2024 Change in Method of Depreciation

On 1st April, 2022, LMP Co. which depreciates its machinery @ 10% p.a.) on diminishing balance method, had ₹9,72,000 to the debit of Machinery Account. On 1st October, 2022, part of machinery purchased on 1st April, 2020 for ₹80,000 was sold for 45,000.

Also, a new machinery at a cost of ₹1,50,000 was purchased on 1st October, 2022 and installed on the same date and installation charges being ₹8,000.

The company changed the method of depreciation from diminishing balance method to straight line method with effect from 1st April, 2020 and adjusted the difference on 31st March, 2023. The rate of depreciation remains the same.

Show the Machinery Account and ascertain the amount chargeable to Profit and Loss Account as depreciation in 2022-23.

**Question 23 – ICAI Material Change in Useful Life**

A Machine costing ₹6,00,000 is depreciated on straight line basis, assuming 10 years working life and Nil residual value, for three year The estimate of remaining useful life after third year was reassessed at 5 year

Required

Calculate depreciation for the fourth year.

Question 24 – ICAI Material Change in Value of Asset

Amazing group had Property, Plant & Equipment (PP&E) with a book value of ₹35,00,000 on 31st December, 2022. The balance in Revaluation Surplus on that date was ₹3,00,000. As part of their practice of revaluing the assets on yearly basis, another revaluation was carried out on 31st December, 2022. Evaluate the impact of Revaluation if the Fair Value as a result of Revaluation done on 31st December, 2022 was (a) ₹37,00,000 (b) ₹33,00,000 and (c) ₹31,00,000. Also, give the journal entries.

Question 25 – ICAI Material Change in Useful Life and Value of Asset

A machine of cost ₹12,00,000 is depreciated straight-line assuming 10 year working life and zero residual value for three year. At the end of third year, the machine was revalued upwards by ₹60,000 the remaining useful life was reassessed at 9 year.

Required

Calculate depreciation for the fourth year.

Question 26 – ICAI Material Change in Useful Life and Value of Asset

A Machinery costing ₹20,00,000 is depreciated on straight line assuming 10 years working life and nil salvage value for four year. At the end of the fourth year, the machinery was revalued upwards by ₹80,000. The remaining useful life of the machinery was also reassessed as 8 years at the end of the fourth year. Calculate the depreciation for 5th Year.

Question 27 – PYQ Nov 2018 Change in Useful Life and Value of Asset

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

**Question 28 – ICAI Material Amortisation**

Kumar R&D Co. registered a patent (the patent meets the criteria of an intangible asset) on 1st July, 2021 developed at a cost of ₹28,00,000 and spent ₹2,00,000 towards legal fees and registration. The patent is granted for a period of 10 years. The books are closed on 31st December every year.

Required

Show the Patent Account and Amortisation Account for the year 2021 and 2022.

Question 29 – ICAI Material Change in Useful Life of Intangible Asset

Prime Streaming Co. acquired the streaming rights of a movie for ₹18,00,000 with the contracted duration of the streaming period being 10 years. At the beginning of the fourth year, based on the decline in viewership, Prime Streaming Co. decided to stream the movie only for the next 5 years.

Required

Calculate amortisation for the fourth year.



Chapter 5

Final Accounts Non-Manufacturing

Question 1 – ICAI Material When Cl. Stock in Given in Trial Balance

Trial Balance for the financial year (FY) ended 31st March 2022 of M/s Deepakshi shows following details:

Particulars	Debit (₹)	Credit (₹)
Purchase & Sales	10,00,000	12,00,000
Debtors & Creditors	5,00,000	4,00,000
Opening Stock	2,00,000	
Closing Stock	3,00,000	
Other Expenses & Incomes	7,00,000	9,00,000
Fixed Assets & Long Term Liabilities	25,00,000	6,00,000
Capital		21,00,000
	52,00,000	52,00,000

Additional Information: Creditors balance as on 1st April, 2021 is ₹3,00,000.

You are required to calculate cost of goods sold and amount paid to creditors during the year.

Question 2 – PYQ Dec 2021 Preparation of Trial Balance

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

Particulars	Amount (₹)	Particulars	Amount (₹)
Capital	1,40,000	Purchases	36,000
Discount Allowed	1,200	Carriage Inward	8,700
Carriage Outwards	2,300	Sales	60,000
Return Inward	300	Return Outwards	700
Rent and Taxes	1,200	Plant and Machinery	80,700
Stock on 1st April 2020	15,500	Sundry Debtors	20,200
Sundry Creditors	12,000	Investments	3,600
Commission Received	1,800	Cash in Hand	100
Cash at bank	10,100	Motor Cycle	34,600
Stock on 31st March, 2021	20,500		



Question 3 – PYQ May 2022 Preparation of Trial Balance

One of your clients Mr. X asked you to finalize his account for the year ended 31st March, 2022. As a basis for audit, Mr. X furnished you with the following statement

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

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

Question 4 – ICAI Material Preparation of Trading A/c

	₹
Opening Inventory	1,00,000
Purchases	6,72,000
Carriage Inwards	30,000
Wages	50,000
Sales	11,00,000
Returns inward	1,00,000
Returns outward	72,000
Closing Inventory	2,00,000

Required from the above information, prepare a Trading Account of M/s. ABC Traders for the year ended 31st March, 2022 and Pass necessary closing entries in the journal proper of M/s. ABC Traders



Question 5 – ICAI Material Preparation of Profit & Loss A/c & Closing Entry

Revenue, Expenses and Gross Profit Balances of M/s ABC Traders for the year ended on 31st March 2022 were as follows:

Gross Profit ₹4,20,000, Salaries ₹1,10,000, Discount (Cr.), ₹18,000, Discount (Dr.) ₹19,000, Bad Debts ₹17,000, Depreciation ₹65,000, Legal Charges ₹25,000, Consultancy Fees ₹32,000, Audit Fees ₹1,000, Electricity Charges ₹17,000, Telephone, Postage and Telegrams ₹12,000, Stationery ₹27,000, Interest paid on Loans ₹70,000.

Required

Prepare Profit and Loss Account of M/s ABC Traders for the year ended on 31st March, 2022. Show necessary closing entries in the Journal Proper of M/s. ABC Traders also.

Question 6 – ICAI Material Preparation of Trading and P&L A/c

The following is the Trial Balance of C. Wanchoo on 31st March, 2022.

Trial Balance on 31st March , 2022

Particulars	₹	₹
Capital Account		10,00,000
Inventories as on 1 st April,2021	2,00,000	
Cash in hand	1,44,000	
Machinery Account	7,36,000	
Purchases Account	18,20,000	
Wages Account	10,00,000	
Salaries Account	10,00,000	
Discount Allowed A/c	50,000	
Discount Received A/c		30,000
Sundry Office Expenses Account	6,00,000	
Sales Account		50,00,000
Sums owing by customer (Trade receivables)	8,50,000	
Trade payables (sums owing to suppliers)		3,70,000
Total	64,00,000	64,00,000

Value of Closing Inventory on 31st March, 2022 was ₹2,70,000

Prepare closing entries for the above items and Prepare Trading and Profit and Loss Account.



Question 7 – ICAI Material Preparation of Balance Sheet

Given below Trial Balance of M/s Dayal Bros. as on 31st March, 2022:

Particulars	Debit Balances	Credit Balances
	₹	₹
Capital A/c		7,00,000
Land and Building	3,00,000	
14% Term Loan		4,00,000
Loan from M/s. D & Co.		4,60,000
Trade receivables	4,20,000	
Cash in hand	20,000	
Inventories in Trade	6,00,000	
Furniture	2,00,000	
Trade payables		40,000
Advances to Suppliers	1,00,000	
Net Profit		1,00,000
Drawings	60,000	
	17,00,000	17,00,000

Required

Prepare Balance Sheet as on 31st March, 2022.

Question 8 – ICAI Material Opening Journal Entry

Balance Sheet as at 31st March, 2022

Liabilities	₹	Assets	₹
Mahendra & Sons	5,60,000	Cash in hand	43,000
Capital	20,00,000	Cash at Bank	2,67,500
		Trade receivables	7,49,500
		Closing Inventory	9,00,000
		Machinery and Equipment	6,00,000
	25,60,000		25,60,000

From the above given balance sheet prepare the relevant opening entry.



Question 9 – ICAI Material Opening Journal Entry

The Balance Sheet of Mr. Popatlal, a merchant on 31st March, 2022 stood as below:

Liabilities	Amount	Assets	Amount
Capital	2,40,000	Fixed Assets	1,25,600
Trade payables	1,64,000	Inventories	2,06,400
Bank Overdraft	1,46,000	Trade receivables	1,88,000
		Less: Provision	(6,200)
		Cash	36,200
	5,50,000		5,50,000

Required

Show opening journal entry on 1st April, 2022 in the books of Mr. Popatlal.

Question 10 – ICAI Material GST Set-off

Shri Mittal gives you the following Trial Balance and some other information:

Trial Balances as on 31st March, 2022

Particulars	Debit (₹)	Credit (₹)
Capital		8,70,000
Purchases and Sales	6,05,000	12,10,000
Opening Inventory	72,000	
Trade receivables and Trade payables	90,000	1,70,000
14% Bank Loan (loan taken at year end)		2,00,000
Overdrafts (overdraft taken at year end)		1,12,000
Salaries	2,70,000	
Advertisements	1,10,000	
Other expenses	60,000	
Returns	40,000	30,000
Furniture	4,50,000	
Building	8,90,000	
Cash in Hand	2,000	
Input CGST	9,000	
Input SGST	9,000	
Output IGST		15,000
	26,07,000	26,07,000

Closing Inventory on 31st March, 2022 was valued at ₹1,00,000.

Required Prepare final accounts of Shri Mittal for the year ended 31st March, 2022.



Question 11 – ICAI Material GST Set-off

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

Trial Balance as on 31st March, 2022

Particulars	₹	₹
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:

- (i) Closing Inventory was ₹1,80,000;
- (ii) 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



Question 12 –ICAI Material Full Fledged Question

The following is the schedule of balances as on 31.3.22 extracted from the books of Shri Gavaskar, who carries on business under the same name and style of Messrs Gavaskar Viswanath & Co., at Mumbai:

Particulars	Dr.	Cr.
Cash in hand	14,000	
Cash at bank	26,000	
Sundry Debtors	8,60,000	
Stock on 1.4.2021	6,20,000	
Furniture & fixtures	2,14,000	
Office equipment	1,60,000	
Buildings	6,00,000	
Motor Car	2,00,000	
Sundry Creditors		4,30,000
Loan from Viswanath		3,00,000
Provision for bad debts		30,000
Purchases	14,00,000	
Purchase Returns		26,000
Sales		23,00,000
Sales Returns	42,000	
Salaries	1,10,000	
Rent for Godown	55,000	
Interest on loan from Viswanath	27,000	
Rates & Taxes	21,000	
Discount allowed to Debtors	24,000	
Discount received from Creditors		16,000
Freight on purchases	12,000	
Carriage Outwards	20,000	
Drawings	1,20,000	
Printing and Stationery	18,000	
Electricity Charges	22,000	
Insurance Premium	55,000	
General office expenses	30,000	
Bad Debts	20,000	
Bank charges	16,000	
Motor car expenses	36,000	
Capital A/c		16,20,000
TOTAL	47,22,000	47,22,000

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2022 and the Balance Sheet as at that date after making provision for the following:

1. Depreciate: (a) Building used for business by 5 percent; (b) Furniture and fixtures by 10 percent; One steel table purchased during the year for ₹14,000 was sold for same price but the sale proceeds were wrongly credited to Sales Account; (c) Office



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equipment by 15 percent; Purchase of a typewriter during the year for ₹40,000 has been wrongly debited to purchase; and (d) Motor car by 20%.

2. Value of stock at the close of the year was ₹4,40,000.

3. Two month's rent for godown is outstanding.

4. Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2021.

5. Provision for bad debts is to be maintained at 5 percent of Sundry Debtors

6. Insurance premium includes ₹40,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.2021 to 30.6.2022.

Question 13 – ICAI Material Full Fledged Question

From the following particulars extracted from the books of Ganguli, prepare trading and profit and loss account and balance sheet as at 31st March, 2022 after making the necessary adjustments:

Particulars	Amt (₹)	Particulars	Amt (₹)
Ganguli's capital A/c (Cr.) as on 1.4.2021	5,40,500	Interest received	7,250
Stock on 1.4.2021	2,34,000	Cash with Traders Bank Ltd.	40,000
Sales	14,48,000	Discounts received	14,950
Sales return	43,000	Investments (at 5%) as on 1.4.2021	25,000
Purchases	12,15,500	Furniture as on 1-4-2021	9,000
Purchases return	29,000	Discounts allowed	37,700
Carriage inwards	93,000	General expenses	19,600
Rent	28,500	Audit fees	3,500
Salaries	46,500	Fire insurance premium	3,000
Sundry debtors	1,20,000	Travelling expenses	11,650
Sundry creditors	74,000	Postage and telegrams	4,350
Loan from Dena Bank Ltd. (at 12%)	1,00,000	Cash in hand	1,900
Interest paid	4,500	Deposits at 10% as on 1-4-2021 (Dr.)	1,50,000
Printing and stationery	17,000	Drawings	50,000
Advertisement	56,000		



Adjustments: (1) Value of stock as on 31st March, 2022 is ₹3,93,000. This includes goods returned by customers on 31st March, 2022 to the value of ₹15,000 for which no entry has been passed in the books.

(2) Purchases include furniture purchased on 1st January, 2022 for ₹10,000.

(3) Depreciation should be provided on furniture at 10% per annum.

(4) The loan account from Dena bank in the books of Ganguli appears as follows:

31.3.2022	To Bal. c/d	1,00,000	1.4.2021	By Bal. b/d	50,000
			31.3.2022	By Bank	50,000
		1,00,000			1,00,000

(5) Sundry debtors include ₹20,000 due from Robert and sundry creditors include ₹10,000 due to him.

(6) Interest paid include ₹3,000 paid to Dena bank.

(7) Interest received represents ₹1,000 from the sundry debtors (due to delay on their part) and the balance on investments and deposits.

(8) Provide for interest payable to Dena bank and for interest receivable on investments and deposits.

(9) Make provision for doubtful debts at 5% on the balance under sundry debtors. No such provision need to be made for the deposits.

Question 14 – ICAI Material Full Fledged Question

You are required, prepare a Trading and Profit and Loss Account for the year ending 31st March, 2022 and a Balance Sheet as on that date from the Trial Balance given below:

Particulars	Amt (₹)	Particulars	Amt (₹)
Trade receivables	3,50,000	Salaries	2,20,000
Inventory 1st April, 2021	5,00,000	Purchases	12,50,000
Cash in Hand	5,60,000	Plant and Machinery	15,70,000
Wages	3,00,000	Credit Balance:	
Bad Debts	50,000	Capital	25,00,000
Furniture and Fixtures	1,50,000	Trade payables	9,00,000
Depreciation	1,50,000	Sales	17,00,000

On 31st March, 2022 the Inventory was valued at ₹10,00,000.


Question 15 – PYQ May 2018 Full Fledged Question

The following are the balances extracted from the books of Shri Raghuram as on 31.03.2018, who carries on business under the name and style of M/s Raghuram and Associates at Chennai:

Particulars	Debit (₹)	Credit (₹)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent of Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs the Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Buildings	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2017	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	30,73,400	30,73,400



Prepare Trading and Profit and Loss Account for the year ended 31.03.2018 and the Balance Sheet as at that date after making provision for the following:

- Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.
- Value of stock at the close of the year was ₹4,10,000.
- One month rent for godown is outstanding.
- Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017
- Reserve for bad debts is to be maintained at 5% of Sundry debtors
- Insurance premium includes ₹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.

Question 16 – PYQ May 2019 Full Fledged Question

Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2018.

Particulars	Amount	Particulars	Amount
Debit Balances:		Credit Balances:	
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Provision for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	35,000		35,000

Other information :

- Closing stock was valued at ₹4,500
- Salary of ₹100 and Tax of ₹200 are outstanding whereas insurance ₹50 is prepaid.
- Commission received in advance is ₹100.
- Interest accrued on investment is ₹210
- Interest on overdraft is unpaid ₹300



- (vi) Reserve for bad debts is to be kept at ₹1,000
 (vii) Depreciation on furniture is to be charged @ 10%

You are required to prepare the final accounts after making above adjustments.

Question 17 – PYQ July 2021 Full Fledged Question

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

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

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

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

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

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:

- (i) She withdrew ₹5,000 by cheque each month for her personal expenses.
 (ii) Depreciation on building @ 5% p.a. and oil furniture @ 10% p.a.
 (iii) Closing stock in hand as on 31st March, 2021: ₹5,50,000

Prepare trading account, profit and loss account for the year ended 31-3-2021 and Balance Sheet as on that date.

**Question 18 – ICAI Material Calculation of Expense & O/s**

Sengupta & Co. employs a team of eight workers who were paid ₹30,000 per month each in the year ending 31st March, 2021. At the start of financial year 2021-2022, the company raised salaries by 10% to ₹33,000 per month each.

On October 1, 2021 the company hired two trainees at salary of ₹21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February etc.

You are required to calculate:

- (i) Amount of salaries which would be charged to the profit and loss for the year ended 31st March, 2022.
- (ii) Amount actually paid as salaries during 2021-22
- (iii) Outstanding Salaries as on 31st March, 2022.

Question 19 – PYQ Nov 2020 Calculation of Expense & O/s

Max & Co. employs a team of 9 workers who were paid ₹40,000 per month each in the year ending 31st December, 2018. At the start of 2019, the company raised salaries by 10% to ₹44,000 per month each.

On 1 July, 2019 the company hired 2 trainees at salary of ₹21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February, etc.

You are required to calculate :

- (i) Amount of salaries which would be charged to the profit and loss account for the year ended 31st December, 2019.
- (ii) Amount actually paid as salaries during 2019.
- (iii) Outstanding salaries as on 31st December, 2019.

Question 20 – ICAI Material Calculation of Income & Receivable

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 2022 has been given below:

On 1.4.2021 he had a balance of ₹2,00,000 advance from customers of which ₹1,50,000 is related to year 2021-22 while remaining pertains to year 2022-23. During the year 2021-22 he made cash sales of ₹5,00,000. You are required to compute:

- (i) Total income for the year 2021-22.
- (ii) Total money received during the year if the closing balance in advance from customers account is ₹1,70,000.



Question 21 – PYQ Jan 2021 Calculation of Income & Receivable

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

On 1st April, 2019 he had a balance of ₹3,00,000 advance from customers of which ₹2,25,000 is related to year 2019-20 while remaining pertains to year 2020-21- During the year 2019-20 he made cash sales of ₹7,50,000.

You are required to compute :

Total income for the year 2019-20.

Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is ₹2,55,000.

Question 22 – ICAI Material Find the Missing Figure

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, 2022

Particulars		Particulars	
To Cost of Goods Sold	45,00,000	By Sales	C
To Gross Profit c/d	<u>D</u>		
	E		<u>E</u>
To Rent A/c	26,00,000	By Gross Profit b/d	<u>D</u>
To Office Expenses	13,00,000	By Misc. Income	E
To Selling Expenses	B		
To Commission to Manager (on Net Profit before charging such commission)	2,00,000		
To Net Profit	<u>A</u>		
	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



Question 23 – ICAI Material Preparation of Adjusted P&L A/c

The balance sheet of Thapar on 1st April, 2021 was as follows:

Liabilities	₹	Assets	₹
Trade payables	15,00,000	Plant & Machinery	30,00,000
Expenses Payable	1,50,000	Furniture & Fixture	3,00,000
Capital	50,00,000	Trade receivables	14,00,000
		Cash at Bank	6,50,000
		Inventories	13,00,000
	66,50,000		66,50,000

During 2021-22, his Profit and Loss Account revealed a net profit of ₹18,30,000. This was after allowing for the following:

- Rent received from property let out ₹3,00,000.
- Depreciation on Plant and Machinery @ 10% & on Furniture and Fixtures @ 5%.
- A provision for Doubtful Debts @ 5% of the trade receivables as at 31st March, 2022.

But while preparing the Profit and Loss Account he had forgotten to provide for (1) outstanding expenses totaling ₹1,80,000 and (2) prepaid insurance to the extent of ₹20,000.

His current assets and liabilities on 31st March, 2022 were: Inventories ₹14,50,000; Trade receivables ₹20,00,000; Cash at Bank ₹10,35,000 and Trade payables ₹11,40,000.

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

Required

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

Question 24 – PYQ Dec 2022 Preparation of Adjusted P&L A/c

The balance sheet of S on 1st April, 2021 was as follows:

Particulars	Amount (₹)	Particulars	Amount (₹)
Trade Payables	6,50,000	Furniture and Fixtures	6,50,000
Expenses Payable	75,000	Vehicle	2,75,000
Capital	22,00,000	Trade Receivable	11,00,000
		Cash at Bank	4,75,000
		Inventories	4,25,000
	29,25,000		29,25,000

During 2021-22, his profit and Loss Account revealed a net profit of ₹6,70,000. This was after allowing for the following:

- Commission paid to selling agent ₹65,000
- Discount received from creditors ₹75,000



- (iii) Purchased a vehicle of ₹50,000 on 31st March, 2022
- (iv) Depreciation on Furniture and Fixtures @ 10% and on Vehicle @ 20%
- (v) A provision for doubtful debts @ 3% of the trade receivables as at 31st March, 2022

But while preparing the Profit and Loss Account he had forgotten to provide for

- (1) prepaid expenses ₹15,000 and
- (2) outstanding commission ₹35,000.

His current assets and liabilities on 31st March, 2022 were: Inventories ₹6,50,000. Trade Receivables 13,00,000 (before provision for doubtful debts), cash at Bank 5,50,000 and Trade Payables ₹1,46,000.

During the year he introduced further capital of ₹3,00,000 into the business.

You are required to prepare the balance sheet as at March 31, 2022.

Question 25 – ICAI Material Bad Debts Related Calculation

On 1st April 2021 provision for Doubtful Debts existed at ₹40,000. Trade receivables on 31.03.2021 were ₹15,00,000; bad debts totaled ₹1,00,000. It is required to write off the bad debts and create a provision equal to 5% of the Trade receivables' balances.

Show how you would compute the amount debited to the Profit and Loss Account.



Chapter 6

Final Accounts Manufacturing

Question 1 – ICAI Material Preparation of Manufacturing A/c

Mr. Vimal runs a factory which produces soaps. Following details were available in respect of his manufacturing activities for the year ended on 31.3.2022:

Opening Work-in-Process (10,000 units)	16,000
Closing Work-in-Process (12,000 units)	20,000
Opening inventory of Raw Materials	1,70,000
Closing inventory of Raw Materials	1,90,000
Purchases	8,20,000
Hire charges of machine @ ₹0.60 per unit manufactured	
Hire charges of factory	2,20,000
Direct wages-Contracted @ ₹0.80 per unit manufactured and @ ₹0.40 per unit of Closing W.I.P.	
Repairs and Maintenance	1,80,000
Units produced – 5,00,000 units	

Required Prepare a Manufacturing Account of Mr. Vimal for the year ended 31.3.2022.

Question 2 – ICAI Material Preparation of Manufacturing A/c

Mr. Pankaj runs a factory which produces motor spares of export quality. The following details were obtained about his manufacturing expenses for the YE on 31.3.2022

		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 prepare Manufacturing Account of Mr. Pankaj for the year ended on 31.3.2022.

Question 3 – PYQ Nov 2019 Preparation of Manufacturing A/c

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 @ ₹0.70 per unit manufactured	
Hire charges of factory	2,60,000
Direct wages-contracted@ ₹0.80 per unit manufactured and @ ₹0.40 per unit of closing W.I.P.	
Repairs and maintenance	1,80,000
Units produced - 5,00,000 units	

You are required to prepare a Manufacturing Account of Mr. Shyamal for the year ended 31-03-2019.

Question 4 – PYQ June 2024 Preparation of Manufacturing A/c

Mr. Prakash runs a factory which produces Pressure Cooke. The following details were obtained about his manufacturing expenses for the year ended 31st March 2024

	Amount (₹)
Opening Work-in-Progress	6,25,000
Closing Work-in-Progress	7,15,000
Opening Inventory of Raw material	5,85,000
Closing Inventory of Raw material	4,70,000
Purchases	18,74,000
Purchase Returns	95,000
Indirect Material	1,88,000
Direct Wages	3,97,000
Indirect Wages	82,000
Power & Electricity	1,76,000
Repairs and Maintenance	2,65,000
Depreciation on Factory Shed	1,44,000
Depreciation on Plant & Machinery	1,62,000
Sale of scrap	36,000



Question 5 – ICAI Material Full Fledged Question

On 31st March, 2022 the Trial Balance of Mr. White were as follows:

Trial Balance as on 31st March, 2022

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Stock on 1st April 2021			
Raw Materials	21,000	Sundry Creditors	15,000
Work in Progress	9,500	Bills Payable	7,500
Finished goods	15,500	Sale of Scrap	2,500
Sundry Debtors	24,000	Commission Received	450
Carriage on Purchases	1,500	Provision for doubtful debts	1,650
Bills Receivable	15,000	Capital Account	1,00,000
Wages	13,000	Sales	1,67,200
Salaries	10,000	Bank Overdraft	8,500
Telephone, Postage etc.	1,000		
Repairs to Office Furniture	350		
Cash at Bank	17,000		
Office Furniture	10,000		
Repairs to Plant	1,100		
Purchases	85,000		
Plant and Machinery	70,000		
Rent	6,000		
Lighting	1,350		
General Expenses	1,500		
	3,02,800		3,02,800

The following additional information is available:

Stocks on 31st March, 2022 were:

Raw Materials ₹16,200 Finished goods ₹18,100 Semi-finished goods ₹7,800

Salaries and wages unpaid for March 2022 were respectively, ₹900 and ₹2,000

Machinery is to be depreciated by 10% and office furniture by 7 1/2 %

Provision for doubtful debts is to be maintained @ 1% of sales

Office premises occupy 1/4 of total area.

Lighting is to be charged as to 2/3 to factory and 1/3 to office.

Prepare the Manufacturing Account Trading Account, Profit and Loss Account and the Balance Sheet relating to 31st March 2022


Question 6 – ICAI Material Full Fledged Question

The following is the trial balance of Mr. Pandit for the year ended 31st March, 2022:

Trial Balance as on 31st March 2022

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Opening Stock:			
Raw Materials	1,50,000	Sundry Creditors	50,000
Finished goods	75,000	Purchase Returns	5,000
Purchase of Raw Materials	5,00,000	Capital	1,00,000
Land & Building	1,00,000	Bills Payable	24,000
Loose tools	30,000	Long-Term Loan	2,00,000
Plant & Machinery	30,000	Provision for BDD	2,000
Investments	25,000	Sales	8,50,000
Cash in Hand	20,000	Bank Overdraft	23,000
Cash at Bank	5,000		
Furniture & Fixtures	15,000		
Bills Receivable	15,000		
Sundry Debtors	40,000		
Drawings	20,000		
Salaries	20,000		
Coal and Fuel	15,000		
Factory rent & rates	20,000		
General Expenses	4,000		
Advertisement	5,000		
Sales Return	10,000		
Bad Debts	4,000		
Direct Wages (Factory)	80,000		
Power	30,000		
Interest Paid	7,000		
Discount Allowed	3,000		
Carriage Inwards	15,000		
Carriage Outwards	7,000		
Commission Paid	9,000		
	12,54,000		12,54,000

Additional Information



Stock of finished goods at the end of the year ₹1,00,000.

A provision for doubtful debts is to be created. at 5% on Sundry Debts ₹1,000 and ₹3,000 on Plant & Machinery to be provided.

Accrued commission of ₹12,500 is to be received for the year. Interest has accrued on investment ₹15,000. Salary Outstanding ₹2,000 and Prepaid Interest ₹1,500.

You are required to prepare Manufacturing, Trading and Profit and Loss Account for the year ended 31st March, 2022.

Question 7 – ICAI Material Find the Missing Figure

Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by Ms. Shivi related to 2021-22. There are certain figures missing from these accounts.

Raw Material A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Opening Stock A/c	1,00,000		By Raw Material Consumed
	To Creditors A/c		By Closing Stock A/c

Creditors A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Bank A/c	22,00,000		By Balance b/d	15,00,000
	To Balance c/d	6,00,000			

Manufacturing A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Raw Material Consumed	By Trading A/c	17,94,000
To Wages	3,50,000		
To Depreciation	2,00,000		
To Direct Expenses	2,44,000		

Additional Information:

1) Purchase of machinery worth ₹10,00,000 has been omitted. Machinery are chargeable at a depreciation rate of 10%.

2) Wages include the following

Paid to Factory Workers - ₹3,00,000 Paid to labour at office - ₹50,000

3) Direct Expenses include following:



Electricity charges of ₹80,000 of which 30% pertained to office.

Fuel Charges of ₹20,000

Freight Inwards of ₹35,000

Delivery charges to customers - ₹20,000.

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

CA Rishabh Rohra



Chapter 7

Accounting of Incomplete Records

Question 1 – ICAI Material Calculation of Profit

Raju does not maintain proper records of his business. However, he provides the following information:

Opening capital	10,000
Closing capital	12,500
Drawings during the year	3,000
Capital added during the year	3,750

You are required to calculate the profit or loss for the year.

Question 2 – ICAI Material Calculation of Profit

Rakesh started his business on 1st of April 2021. He invested a capital of Rs 1,00,000. On 31st March 2022, he has the following information available as per the Single-entry system maintained by him

	₹
Cash balance (counted)	3,200
Inventory (physically verified)	34,800
Receivable from Ajay against credit sales	31,000
Machine	85,000
Payable to Vinod towards credit purchase	12,000
Loan taken from Bank	10,000
Drawings made during the year	24,000

You are required to calculate the profit or loss earned by Rakesh for the year ended 31st March 2022.

Question 3 – ICAI Material Preparation of Debtor A/c

Calculate the bad debts from the below information:

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		???



Question 4 – ICAI Material Preparation of Creditor A/c

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

Question 5 – ICAI Material Calculation of Profit

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 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.

Question 6 – ICAI Material Calculation of Total Sales & Debtors

A Firm sold 20% of the goods on cash basis and the balance on credit basis. Debtors are allowed 1½ month's credit and their balance as on 31.03.2021 is ₹1,25,000. Assume that the sale is uniform throughout the year. Calculate the credit sales and total sales of the company for the year ended 31.03.2022.



Question 7 – ICAI Material Calculation of Profit

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

1-4-2020	Assets	:	Cash in hand	25,500
			Inventory	56,000
			Sundry debtors	41,500
			Land and Building	1,90,000
			Wife's Jewellery	75,000
	Liabilities	:	Owing to Moti's Brother	40,000
			Sundry creditors	35,000
1-4-2022	Assets	:	Cash in hand	16,000
			Inventory	91,500
			Sundry debtors	52,500
			Land and Building	1,90,000
			Motor Car	1,25,000
			Wife's Jewellery	1,25,000
			Loan to Moti's Brother	20,000
	Liabilities	:	Sundry creditors	55,000

During the two years the domestic expenditure was ₹4,000 p.m. The declared incomes of the financial years were ₹1,05,000 for 2020-2021 and ₹1,23,000 for 2021-2022 respectively.

State whether the Income-tax Officer's contention is correct. Explain by giving your workings.



Question 8 – ICAI Material Full Fledged Question

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

Receipts	₹	Payments	₹
Bank Balance as on 01/04/2021	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
		Bal. at Bank on 31/03/2022	6,400
		Cash in hand on 31/03/2022	500
	68,000		68,000

Particulars of other assets and liabilities are as follows:

	1st 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

Prepare final accounts for the year ending 31st March, 2022 after providing depreciation at 10 per cent on machinery and furniture and ₹800 against doubtful debts.


Question 9 – ICAI Material Full Fledged Question

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 21	As on 31st Mar 22
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



Question 10 – ICAI Material Full Fledged Question

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

Following information is given to you:

Assets and Liabilities	As on 1.4.2021	As on 31.3.2022
Cash in Hand	10,000	10,000
Sundry Creditors	40,000	90,000
Cash at Bank	50,000 (Cr.)	80,000 (Dr.)
Sundry Debtors	1,00,000	3,50,000
Stock in Trade	2,80,000	?
Ram's capital	3,00,000	?

Analysis of his bank pass book reveals the following information:

- Payment to creditors ₹7,00,000
- Payment for business expenses ₹1,20,000
- Receipts from debtors ₹7,50,000
- Loan ₹1,00,000 taken on 1.10.2021 at 10% per annum
- Cash deposited in the bank ₹1,00,000

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

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

Question 11 – ICAI Material Full Fledged Question

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

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



You are furnished with the following information:

(1) His sales, for the year ended 31st March, 2022 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.

Total sales during the year 2020-21 were ₹5,00,000.

(2) Payments for all the purchases were made by cheques only.

(3) Goods were sold for cash and credit both. Credit customers pay by cheques only.

(4) Depreciation on furniture is to be charged 10% p.a.

(5) Mr. A sent to the bank the collection of the month at the last date of the each month after paying salary of ₹2,000 to the clerk, office expenses ₹1,200 and personal expenses ₹500.

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

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

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

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

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

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



Question 12 – ICAI Material Full Fledged Question

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

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

Summary of cash transactions during the year 2021- 2022:

- (i) Deposited to bank after payment of shop expenses @ ₹600 p.m., salary @ ₹9,200 p.m. and personal expenses @ ₹1,400 p.m. ₹7,62,750.
- (ii) Cash Withdrawn from bank ₹1,21,000.
- (iii) Cash payment to suppliers ₹77,200 for supplies and ₹25,000 for furniture.
- (iv) Cheques collected from customers but dishonoured ₹5,700.
- (v) Bills accepted by customers ₹40,000.
- (vi) Bills endorsed ₹10,000.
- (vii) Bills discounted ₹20,000, discount ₹750.
- (viii) Bills matured and duly collected ₹16,000.
- (ix) Bills accepted ₹24,000.
- (x) Paid suppliers by cheque ₹3,20,000.
- (xi) Received ₹20,000 on maturity of one LIC policy of the proprietor by cheque.
- (xii) Rent received ₹14,000 by cheque for the premises owned by proprietor.
- (xiii) A building was purchased on 30-11-2021 for opening a branch for ₹3,50,000 and some expenses were incurred on this building, details of which are not maintained.
- (xiv) Electricity and telephone bills paid by cash ₹18,700, due ₹2,200.

Other transactions:

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



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

Question 13 – PYQ June 2024 Full Fledged Question

Harshit Traders are carrying on the retail business of electrical goods. They keep their books of account under single entry system. The Balance Sheet as on 31st March, 2023 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c	6,05,000	Motor Vehicle	1,10,000
Trade Creditors	75,200	Furniture	73,500
Salary payable	9,000	Stock in trade	1,70,800
		Trade Debtors	1,45,400
		6% Investments	60,000
		Cash in hand & at Bank	1,29,500
	6,89,200		6,89,200

The summary of Cash and Bank Book for the year ended 31 March, 2024 was given as below:

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand & at Bank on 1st April, 2023	1,29,500	Cash Purchases	9,48,400
Cash Sales	10,22,400	Payment to Trade Creditors	75,45,000
Receipts from Trade Debtors	85,52,000	Salaries	4,12,800
Interest on investments	3,600	Rent & taxes	2,51,600
		Sundry Expenses	1,38,400
		Drawings	2,40,000
		Cash in hand & at Bank on 31st March, 2024	1,71,300
	97,07,500		97,07,500

Additional Information:

- Gross Profit ratio of 12.5% on Sales is maintained throughout the year.
- During the year, discount allowed to Trade debtors was for ₹62,500 and discount received from Trade Creditors amounted to ₹35,000.
- As on 31st March, 2024, the closing balances of Trade Debtors and Trade Creditors were ₹2,20,500 and ₹1,05,600 respectively.
- On 31st March, 2024 an amount of ₹14,800 was outstanding towards Salary.
- Depreciation @ 10% p.a. to be charged on Motor Vehicle and Furniture.



You are required to prepare Trading and Profit & Loss account for the year ended 31st March 2024, and Balance Sheet as on that date.

CA Rishabh Rohra



Required Calculate the amount to be debited to Income and expenditure account in respect of salaries and also show necessary ledger accounts.

Question 5 – ICAI Material Preparation of R&P A/c

The receipts and payments for the Swaraj Club for the year ended March 31, 2022 were: Entrance fees ₹300; Membership Fees ₹3,000; Donation for Club Pavilion ₹10,000, Foodstuff sales ₹1,200; Salaries and Wages ₹1,200 Purchase of Foodstuff ₹800; Construction of Club Pavilion ₹11,000; General Expenses ₹600; Rent and Taxes ₹400; Bank Charges ₹160. Cash in hand–April. 1st ₹200, March. 31st ₹350

Cash in Bank–April. 1st ₹400; March. 31st ₹590

You are required to prepare Receipts and Payment Account.

Question 6 – ICAI Material Preparation of R&P A/c

Summary of receipts and payments of Bombay Medical Aid society for the year ended 31.12.2022 are as follows:

Opening cash balance in hand ₹8,000, subscription ₹50,000, donation ₹15,000 (raised for meeting revenue expenditure), interest on investments @ 9% p.a. ₹9000, payments for medicine supply ₹30,000 Honorarium to doctor ₹10,000, salaries ₹28,000, sundry expenses ₹1,000, equipment purchase ₹15,000, charity show expenses ₹1,500, charity show collections ₹12,500.

Additional information:

	1.1.2022	31.12.2022
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 31.12.2022 and balance sheet as on 31.12.2022.



Question 7 – ICAI Material Preparation of I&E A/c and BS

Following is the Receipts and Payments Account of New bird Forty Club for the year ended 31st March, 2022:

Dr		Cr	
Receipts and payments A/c for the year ended on 31st March 2022			
Receipts	Amt (₹)	Payments	Amt (₹)
To balance b/d	2,50,000	By Salaries and wages	1,65,000
To Subscription- 2020-2021	65,000	By Office expenses	35,000
2021-2022	3,55,000	By Sports equipment	3,42,000
To Donations	55,000	By Telephone Charges	28,000
To Entrance fees	85,000	By Electricity charges	32,000
		By Travelling and conveyance	65,000
		By balance c/d	1,43,000
	8,10,000		8,10,000

Additional information :

- O/s subscriptions for the year ended 31st March, 2022 – ₹55,000.
- O/s salaries and wages – ₹40,000 for the year ended on 31st March 2022.
- Depreciate sports equipment by 25% for the year ended on 31st March 2022.
- Capitalize 50% of the entrance fees.

Prepare Income and Expenditure Account of the club from the above particulars for the year ended on 31st March 2022.

Question 8 – ICAI Material Fund Based Accounting

From the following information of a club show the amounts of match expenses and match fund in the appropriate Financial Statements of the club for the year ended on 31st March, 2022:

Match expenses paid during the year ended 31 st March 2022	1,10,000
Match fund as on 01.04.2021	30,000
Donations for Match fund (received during the year)	55,000
Proceeds from the sale of the match tickets (during the year)	20,000

Question 9 – ICAI Material Preparation of I&E A/c and Balance Sheet with BRS

The following was the Receipts and Payments Account of Exe Club for the year ended March. 31, 2022

All the figures in thousands

Receipts	₹	Payments	₹
Cash in hand	100	Groundsman's Fee	750
Balance at Bank as per Pass Book:		Moving Machine	1,500
Deposit Account	2,230	Rent of Ground	250
Current Account	600	Cost of Teas	250
Bank Interest	30	Fares	400
Donations and Subscriptions	2,600	Printing & Office Expenses	280
Receipts from teas	300	Repairs to Equipment	500
Contribution to fares	100	Honorarium to Secretary and Treasurer of 2021	400
Sale of Equipment	80	Balance at Bank as per Pass Book:	
Net proceeds of Variety Entertainment	780	Deposit Account	3,090
Donation for forth coming		Current Account	150
Tournament	1,000	Cash in hand	250
	7,820		7,820

You are given the following additional information:

	April 1, 2021	March, 31, 2022
Subscription due	150	100
Amount due for printing etc.	100	80
Cheques unrepresented being payment for repairs	300	260
Estimated value of machinery and equipment	800	1,750
Interest not yet entered in the Pass book		20
Bonus to Groundsman outstanding		300

For the year ended March 31, 2022, the honorarium to the Secretary and Treasurer are to be increased by a total of ₹200. Prepare the Income and Expenditure Account and Balance Sheet for period ending 31st March, 2022.



Question 10 – ICAI Material Preparation of I&E A/c and Balance Sheet

The Sportwriters Club gives the following Receipts and Payments Account for the year ended March 31, 2022:

Receipts and Payments Account

Receipts	₹	Payments	₹
To Balance b/d	4,820	By Salaries	12,000
To Subscriptions	28,600	By Rent and electricity	7,220
To Miscellaneous income	700	By Library books	1,000
To Interest on Fixed deposit	2,000	By Magazines and newspapers	2,172
		By Sundry expenses	10,278
		By Sports Equipment	1,000
		By Balance c/d	2,450
	36,120		36,120

Figures of other assets and liabilities are furnished as follows:

	31/03/21	31/03/22
Salaries outstanding	710	170
Outstanding rent & electricity	864	973
Outstanding for magazines and newspapers	226	340
Fixed Deposit (10%) with bank	20,000	20,000
Interest accrued thereon	500	500
Subscription receivable	1,263	1,575
Prepaid expenses	417	620
Furniture	9,600	??
Sports equipment	7,200	??
Library books	5,000	??

The closing values of furniture and sports equipments are to be determined after charging depreciation at 10% and 20% p.a. respectively inclusive of the additions, if any, during the year. The Club's library books are revalued at the end of every year and the value at the end of March 31, 2022 was ₹5,250.

Required

From the above information you are required to prepare:

- The Club's Balance Sheet as at March 31, 2021;
- The Club's I&E A/c for the year ended March 31, 2022.
- The Club's Closing Balance Sheet as at March 31, 2022.


Question 11 – ICAI Material Preparation of R&P A/c

Smith Library Society showed the following position on 31st March, 2021:

Balance Sheet as on 31st March, 2021

Liabilities	Amt (₹)	Asset	Amt (₹)
Capital fund	7,93,000	Electrical fittings	1,50,000
Expenses payable	7,000	Furniture	50,000
		Books	4,00,000
		Investment in securities	1,50,000
		Cash at bank	25,000
		Cash in hand	25,000
	8,00,000		8,00,000

The receipts and payment account for the year ended on 31st March, 2022 is given below:

Particulars	Amt (₹)	Particulars	Amt (₹)
To Balance b/d		By Electric charges	7,200
Cash at bank 25,000		By Postage and stationary	5,000
Cash in hand <u>25,000</u>	50,000	By Telephone charges	5,000
To Entrance fee	30,000	By Books purchased	60,000
To Membership subscription	2,00,000	By O/s expenses paid	7,000
To Sale proceeds of old papers	1,500	By Rent	88,000
To Hire of lecture hall	20,000	By Investment in securities	40,000
To Interest on securities.	8,000	By Salaries	66,000
		By Balance c/d	
		Cash at bank	20,000
		Cash in hand	11,300
	3,09,500		3,09,500

You are required to prepare income and expenditure account for the year ended 31st March, 2022 and a balance sheet as at 31st March, 2022 after making the following adjustments:

Membership subscription included ₹10,000 received in advance and 75% of the entrance fees is to be capitalized. Rent for ₹4,000 and salaries for ₹3,000 are outstanding. Books are to be depreciated @ 10% including additions. Electrical fittings and furniture are also to be depreciated at the same rate.

Interest on securities is to be calculated @ 5% p.a. including purchases made on 1.10.2021 for ₹40,000.



Question 12 – ICAI Material Full Fledged Question

The following is the Receipts and Payments Account of Lion Club for the year ended 31st March, 2022.

Receipts	Amt (₹)	Payment	Amt (₹)
Opening balance:		Salaries	1,20,000
Cash	10,000	Creditors	15,20,000
Bank	3,850	Printing and stationary	70,000
Subscription received Entrance donation	2,02,750	Postage	40,000
Interest received	1,00,000	Telephones and telex	52,000
Sale of assets	58,000	Repairs and maintenance Glass and table linen	48,000
Miscellaneous income Receipts at	8,000	Crockery and cutlery	12,000
Coffee room	9,000	Garden upkeep	14,000
Soft drinks	10,70,000	Membership fees	8,000
Swimming pool	5,10,000	Insurance	4,000
Tennis court	80,000	Electricity	5,000
	1,02,000	Closing balance:	28,000
		Cash	8,000
		Bank	2,24,600
	21,53,600		21,53,600

The assets and liabilities as on 1.4.2021 were as follows:

	Amt (₹)
Fixed assets (net)	5,00,000
Stock	3,80,000
Investment in 12% Government securities	5,00,000
Outstanding subscription	12,000
Prepaid insurance	1,000
Sundry creditors	1,12,000
Subscription received in advance	15,000
Entrance donation received pending membership	1,00,000
Gratuity fund	1,50,000

The following adjustments are to be made while drawing up the accounts:

- Subscription received in advance as on 31st March, 2022 was ₹18,000.
- Outstanding subscription as on 31st March, 2022 was ₹7,000.
- Outstanding expenses are salaries ₹8,000 and electricity ₹15,000.
- 50% of the entrance donation was to be capitalized. There was no pending membership as on 31st March, 2022.
- The cost of assets sold net as on 1.4.2021 was ₹10,000.



- (vi) Depreciation is to be provided at the rate of 10% on assets.
- (vii) A sum of ₹20,000 received in October 2021 as entrance donation from an applicant was to be refunded as he has not fulfilled the requisite membership qualifications. The refund was made on 3.6.2022.
- (viii) Purchases made during the year amounted ₹15,00,000.
- (ix) The value of closing stock was ₹2,10,000.
- (x) The club as a matter of policy, charges off to income and expenditure account all purchases made on account of crockery, cutlery, glass and linen in the year of purchase. You are required to prepare an Income and Expenditure Account for the year ended 31st March, 2022 and the Balance Sheet as on 31st March, 2022 along with necessary workings.

Question 13 – PYQ Nov 2018

You are provided with the following:

Balance Sheet as on 31st March, 2017

Liabilities	(₹)	Assets	(₹)
Capital Fund	1,06,200	Building	1,50,000
Subscription received in Advance	6,000	Outstanding Subscription	3,800
Outstanding Expenses	14,000	Outstanding Locker Rent	2,400
Loan	40,000	Cash in hand	20,000
Sundry Creditors	10,000		
Total	1,76,200		1,76,200

The Receipts and Payment Account for the year ended on 31st March, 2018

Receipts	(₹)	Payment	(₹)
To Balance b/d		<u>By Expenses:</u>	
Cash in Hand	20,000	For 2017	12,000
<u>To Subscriptions:</u>		For 2018	<u>20,000</u>
For 2017	2000	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	By Balance c/d	
To Locker Rent	7,000	Cash in Hand	18,300
To Sale proceeds of old newspapers	1,000		
To Miscellaneous Income	9,000		
	99,000		99,000

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



Question 14 – PYQ May 2019

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

	01.04.2018 ₹	31.03.2019 ₹
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 ₹3,00,000/-. Salaries paid ₹60,000. Face value of the Investment was ₹1,75,000, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received ₹14,000. Furniture was sold for ₹8000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: ₹50,000

Rent: ₹24,000 out of which ₹2,000 outstanding

Misc. Expenses: ₹5,000

Question 15 – PYQ July 2021

Summary of Receipts and Payments of AMA Society for the year ended 31st March, 2021 are as follows:

Receipts	Amount	Payments	Amount
Subscription Received	5,00,000	Payment for Medicine Supply	3,00,000
Donation Raised for meeting revenue expenditure	1,50,000	Honorarium to Doctors	1,00,000
Interest on Investments @ 9% p.a.	90,000	Salaries	2,80,000
Charity Show Collection	1,25,000	Sundry Expenses	10,000
		Equipment Purchase	1,50,000
		Charity Show Expenses	15,000



Particulars	01.04.2020	31.03.2021
Subscription due	15,000	22,000
Subscription received in advance	12,000	7,000
Stock of medicine	1,00,000	1,50,000
Amount due for medicine supply	90,000	1,30,000
Value of equipment	2,10,000	3,00,000
Value of building	5,00,000	4'80 '000
Cash Balance	80,000	90,000
Opening Balance of Capital Fund	18,03,000	

You are required to prepare:

- Income and Expenditure Account for the year ended 31st March, 2021.
- Balance Sheet as on 31st March, 2021

Question 16 – PYQ May 2022

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

Receipt and Payment Account of Mumbai Club

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand	20,000	Ground man's Fee	75,000
Balance at Bank as per Pass Book:		Purchase of Equipment's	1,55,000
Saving Account	1,93,000	Rent of Ground	25,000
Current Account	60,000	Club night expenses	38,000
Bank Interest	5,000	Printing and Office Expenses	30,000
Donations and Subscriptions	2,50,000	Repairs to Equipment	50,000
Entrance fees	18,000	Honorarium to Secretary (2019-20)	40,000
Contribution to Club night	10,000	Balance at Bank as per Pass Book:	
Sale of Equipment	8,000	Saving Account	2,04,000
Bar Room receipts	20,000	Current Account	20,000
Proceeds from club night	78,000	Cash in hand	25,000
	6,62,000		6,62,000



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

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

For the year ended March 31, 2021, the honorarium to the Secretary is to be increased by a total of ₹20,000 and Ground man is to receive a bonus of ₹20,000. Prepare the Income and Expenditure Account for period ended 31st March, 2021 and the Balance Sheet as at that date

Question 17 – PYQ June 2023

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

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

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

The following is the additional information provided.

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



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

Question 18 – PYQ June 2024f

The Receipts and Payments Account of Vandana Sports Club for the year ended 31st March, 2024 are as follows:

Receipts and Payments Account

Receipts		Amount (₹)	Payment		Amount. (₹)
To Balance b/d			By Salaries		1,55,000
Cash in hand	5,200		By Rent & Electricity		69,750
Cash at Bank	35,500	40,700	By Library Books		10,500
To Subscriptions		2,95,000	By Newspaper & Magazines		16,600
To Entrance fees		50,000	By Sports Equipment		28,500
To Misc. Income		19,850	By Sundry Expenses		71,050
To Interest on Investments		8,000	By Balance c/d		
			Cash in hand	8,750	
			Cash at Bank	53,400	62,150
		4,13,550			4,13,550

Details of other assets and liabilities are furnished as follows:

Particulars	31st March 2023 (₹)	31st March 2024 (₹)
Salaries Outstanding	10,200	12,400
Outstanding Rent & Electricity	6,500	7,600
Investment (8% Govt. Bonds)	1,00,000	1,00,000
Interest Accrued on Bonds-	2,000	2,000
Subscription receivable	18,700	20,600
Subscription received.in advance	7,000	8,400
Furniture	65,500	
Sports Equipment	41,500	
Library Books	22,000	

The closing values of furniture and sports equipment are to be determined after charging depreciation at 10% and 15% respectively inclusive of additions, if any during the year. The Club's library books are revalued at the end of every year and the value at the end of 31st March, 2024 was ₹30,000. 60% of the Entrance fee is to be capitalized.



You are required to prepare:

- (i) Income and Expenditure Account for the year ended 31st March, 2024
- (ii) Balance Sheet as on 31st March, 2024

Question 19 – PYQ Jan 2021

Dr. Deku started private practice on 1st April, 2019 with ₹2,00,000 of his own fund and ₹3,00,000 borrowed at an interest of 12 p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	₹	Payments	₹
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's Marriage	2,15,000
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and ₹30,000 of salaries are in respect of domestic servants. The stock of medicines in hand on 31st March, 2020 was valued at ₹95,000.

You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets.


Question 20 – PYQ Nov 2019

From the following Income and Expenditure account and the Balance sheet of a club, prepare its Receipts and Payments Account and subscription account for the year ended 31st March, 2019

Income & Expenditure Account for the year 2018-19

Particulars	₹	Particulars	₹
To Upkeep of ground	11,000	By Subscriptions	19,052
To Printing	1,100	By Sale of Newspapers (Old)	286
To Salaries	11,100	By Lectures (Fee)	1,650
To Depreciation on furniture	1,100	By Entrance Fee	2,145
To Rent	1,660	By Misc. Income	440
		By Deficit	2,387
	25,960		25,960

Balance sheet as at 31st March 2019

Liabilities		₹	Assets	₹
Subscription in advance (2019-20)		110	Furniture	9,900
Prize fund:			Ground and Building	51,700
Opening balance	27,500		Prize Fund Investment	22,000
Add: Interest	<u>1,100</u>		Cash in Hand	2,530
	28,600		Subscription (outstanding)	770
Less: Prizes given	<u>2,200</u>	26,400	(2018-2019)	
General Fund:				
Opening balance	62,062			
Less: Deficit	<u>2,387</u>			
	59,675			
Add: Entrance Fee	<u>715</u>	60,390		
		86,900		86,900

The following adjustments have been made in the above accounts:

- Upkeep of ground ₹660 and printing ₹264 relating to 2017-18 were paid in 2018-19.
- One fourth of entrance fee has been capitalized by transfer to General Fund.
- Subscription outstanding in 2017-18 was ₹880 and for 2018-19 ₹770.
- Subscription received in advance in 2017-18 was ₹220 and in 2018-19 for 2019-20 was ₹110.
- Furniture was purchased during the year.


Question 21 – ICAI Material Preparation of R&P A/c and BS from I&E A/c

The Income and Expenditure Account of the Youth Club for the Year 2022 is as follows:

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

This account had been prepared after the following adjustments:

Subscription outstanding at the end of 2021	600
Subscription received in advance on 31st December, 2021	450
Subscription received in advance on 31st December, 2022	270
Subscription outstanding on 31st December, 2022	750

Salaries Outstanding at the beginning and the end of 2022 were respectively ₹400 and ₹450. General Expenses include insurance prepaid to the extent of ₹60. Audit fee for 2022 is as yet unpaid. During 2022 audit fee for 2021 was paid amounting to ₹200.

The Club owned a freehold lease of ground valued at ₹10,000. The club had sports equipment on 1st January, 2022 valued at ₹2,600. At the end of the year, after depreciation, this equipment amounted to ₹2,700. In 2021, the Club has raised a bank loan of ₹2,000. This was outstanding throughout 2022. On 31st December, 2022 cash in hand amounted to ₹1,600.

Required

Prepare the Receipts and Payments Account for 2022 and Balance Sheet as at the end of the year.


Question 22 – PYQ Jan 2021

From the following Income and Expenditure Account and additional information of ATK Club, prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2020.

Income and Expenditure Account for the year ending 31st March, 2020

Expenditure	₹	Income	₹
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

Additional Information:

Particulars	As on 31st March 2019	As on 31st March, 2020
Subscription Outstanding	64,000	72,000
Subscription Recd. in advance	52,000	33,600
Salaries Outstanding	24,000	32,000
Audit Fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of Sports Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	??	1,14,000


Question 23 – PYQ Dec 2021

The Income and Expenditure Account of the Women Club for the Year ended on December 31, 2021 is as follows.

Expenditure	₹	Income	₹
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500		
To Annual Dinner Expenses	15,000		
To Interest and bank charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

This account had been prepared after the following adjustments:

	₹
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31st December, 2020	4,500
Subscription received in advance on 31st December, 2021	2,700
Subscription outstanding on 31st December, 2021	7,500

Salaries outstanding at the beginning and end of the year 2021 were respectively ₹4,000 and ₹4,500. General Expenses include insurance prepaid to the extent of ₹600. Audit fee for the year 2021 is as yet unpaid. During the year 2021 audit fee for the year 2020 was paid amounting to ₹2,000

The Club owned a freehold lease of ground valued at ₹1,00,000. The club had sports equipment on 1st January, 2021 valued at ₹26,000. At the end of the year 2021, after depreciation, this equipment amounted to ₹27,000. In the year 2020, the Club had raised a bank loan of ₹20,000. This was outstanding throughout the year 2021. On 31st December, 2021 in hand was ₹16,000.

You are required to:

Prepare the Receipts and Payments Account for the year ended on December 31, 2021 and the Balance Sheet as on that date.


Question 24 – PYQ Dec 2022

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

Expenditure	Amount (₹)	Income	Amount (₹)
To Salaries	3,750	By Subscription	8,500
To General Expenses	1,500	By Entrance Fees	250
To Audit fee	250	By Contribution for	
To Secretary's Honorarium	1,000	Annual Dinner	1,000
To Stationery and Printing	450	By Annual Sports	
To Annual Dinner expenses	1,500	meet receipts	750
To Interest and Bank Charges	150		
To Depreciation	400		
To Surplus	<u>1,500</u>		
	10,500		10,500

This Account has been prepared after the following adjustments:

Subscription outstanding on 31st December, 2021	700
Subscription received in advance on 31st December, 2021	550
Subscription received in advance on 31st December, 2022	370
Subscription outstanding on 31st December, 2022	750

Salaries outstanding at the beginning and at the end of 2022 were respectively ₹600 and ₹150. General Expense include insurance prepaid to the extent of ₹150. Audit fee for 2022 is still unpaid. During 2022 audit fee for 2021 was paid amounting to ₹200. The club owned a freehold lease of ground valued at ₹20,000. The club had sports equipment on 1 at January, 2022 valued at ₹2600. At the end of the year, after depreciation, the balance of equipment amounted to, 3,600. In 2021, the club raised a bank loan of ₹5,000, This was outstanding throughout 2022. On 31st December, 2022 cash in hand amounted to ₹1600.

You are required to prepare:

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


Question 25 – PYQ Dec 2023f

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

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

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

Additional information:

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

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

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


Question 26 – ICAI Material Full Fledged Question

From the following balances and particulars of Republic College, prepare Income & Expenditure Account for the year ended March, 2022 and a Balance Sheet as on the date :

	Debit (₹)	Credit (₹)
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	



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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	6,42,000	
Library	3,60,000	
	1,03,85,000	1,03,85,000

Adjustments:

	₹
(1) Materials & Supplies consumed: (From college stores)	
Teaching	50,000
Research	1,50,000
Students Welfare	75,000
Games or Sports	25,000
(2) Tuition fee receivable from Government for backward class Scholars	80,000
(3) Stores selling prices are fixed to give a net profit of 10% on selling price	
(4) Depreciation is provided on straight line basis at the following rates:	
Building	5%
Plant & Equipment	10%
Furniture & Fixtures	10%
Motor Vehicle	20%

**Question 27 – PYQ Nov 2020**

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

Particulars	Amount (₹)	Amount (₹)
Security Deposit - Students	-	1,55,000
Capital Fund	-	13,08,000
Building Fund	-	19,10,000
Tuition Fee Received	-	8,10,000
Government Grants	-	5,01,000
Interest & Dividends on Investments	-	1,75,000
Hostel Room Rent	-	1,65,000
Mess Receipts (Net)	-	2,05,000
College Stores - Sales	-	7,60,000
Outstanding expenses	-	2,35,000
Stock of Stores and Supplies (opening)	3,10,000	-
Purchases - Stores & Supplies	8,20,000	-
Salaries - Teaching	8,75,000	-
Salaries - Research	1,25,000	-
Scholarships	85,000	-
Students Welfare expenses	37,000	-
Games & Sports expenses	52,000	-
Other investments	12,75,000	-
Land	1,50,000	-
Building	15,50,000	-
Plant and Machinery	8,50,000	-
Furniture and Fittings	5,40,000	-
Motor Vehicle	2,40,000	-
Provision for Depreciation :	-	-
Building	-	4,90,000
Plant & Equipment	-	5,05,000
Furniture & Fittings	-	3,26,000
Cash at Bank	3,16,000	-
Library	3,20,000	-
	75,45,000	75,45,000

Adjustments:

- 1) Materials & Supplies consumed (From college stores):
 - (a) Teaching ₹52,000.



(b) Research	₹1,45,000
(c) Students Welfare	₹78,000
(d) Games or Sports	₹24,000

2) Tuition fee receivable from Government for backward class Scholars ₹82,000.

3) Stores selling prices are fixed to give a net profit of 15% on selling price

4) Depreciation is provided on straight line basis at the following rates

Building	5%
Plant & Equipment	10%
Furniture & Fixtures	10%
Motor Vehicle	20%

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Chapter 9

Partnership Fundamental

Question 1 – ICAI Material Calculation of Interest on Capital, Interest on Drawings

A and B are partners sharing profits and losses in the ratio of their effective capital. They had ₹1,00,000 and ₹60,000 respectively in their Capital Accounts as on 1st January, 2022.

A introduced a further capital of ₹10,000 on 1st April, 2022 and another ₹5,000 on 1st July, 2022. On 30th September, 2022 A withdrew ₹40,000.

On 1st July, 2022, B introduced further capital of ₹30,000.

The partners drew the following amounts in anticipation of profit.

A drew ₹1,000 per month at the end of each month beginning from January, 2022. B drew ₹1,000 on 30th June, and ₹5,000 on 30th September, 2022.

12% p.a. interest on capital is allowable and 10% p.a. interest on drawings is chargeable. Date of closing 31.12.2022. Calculate: (a) Profit-sharing ratio; (b) Interest on capital; and (c) Interest on drawings.

Question 2 – ICAI Material P&L Appn A/c

A and B start business on 1st January, 2022, with capitals of ₹30,000 and ₹20,000. According to the Partnership Deed, B is entitled to a salary of ₹500 per month and interest is to be allowed on capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2022 the firm earned a profit, before charging salary to B and interest on capital amounting to ₹25,000. During the year A withdrew ₹8,000 and B withdrew ₹10,000 for domestic purposes. Give journal entries relating to division of profit.

Question 3 – ICAI Material P& L Appn A/c

Ram, Rahim and Karim are partners in a firm. They have no agreement in respect of profit-sharing ratio, interest on capital, interest on loan advanced by partners and remuneration payable to partners. In the matter of distribution of profits they have put forward the following claims:

- (i) Ram, who has contributed maximum capital demands interest on capital at 10% p.a. and share of profit in the capital ratio. But Rahim and Karim do not agree.
- (ii) Rahim has devoted full time for running the business and demands salary at the rate of ₹500 p.m. But Ram and Karim do not agree.
- (iii) Karim demands interest on loan of ₹2,000 advanced by him at the market rate of interest which is 12% p.a.



How shall you settle the dispute and prepare Profit and Loss Appropriation Account after transferring 10% of the divisible profit to Reserve. Net profit before taking into account any of the above claims amounted to ₹45,000 at the end of the first year of their business

Question 4 – ICAI Material P&L Appn A/c

A and B start business on 1st January, 2022, with capitals of ₹30,000 and ₹20,000. According to the Partnership Deed, B is entitled to a salary of ₹500 per month and interest is to be allowed on opening capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2022 the firm earned a profit, before charging salary to B and interest on capital amounting to ₹25,000. During the year A withdrew ₹8,000 and B withdrew ₹10,000 for domestic purposes. Prepare Profit and Loss Appropriation Account.

Question 5 – ICAI Material P&L Appn A/c

A and B start business on 1st January, 2022, with capitals of ₹30,000 and ₹20,000. According to the Partnership Deed, B is entitled to a salary of ₹500 per month and interest is to be allowed on opening capitals at 6% per annum. The remaining profits are to be distributed amongst the partners in the ratio of 5:3. During 2022, the firm earned a profit, before charging salary to B and interest on capital amounting to ₹25,000. During the year A withdrew ₹8,000 and B withdrew ₹10,000 for domestic purposes.

Prepare Capital Accounts of Partners A and B.

Question 6 – ICAI Material P&L Appn. A/c

Ram and Rahim are in partnership sharing profits and losses in the ratio of 3:2. As Ram, on account of his advancing years, feels he cannot work as hard as before, the chief clerk of the firm, Ratan, is admitted as a partner with effect from 1st January, 2022, and becomes entitled to 1/10th of the net profits and nothing else, the mutual ratio between Ram and Rahim remaining unaltered.

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

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

The net profit for the year ended December 31, 2022 is ₹1,10,000. Show the distribution of net profit amongst the partne₹



Question 7 – PYQ Dec 2023

P, Q and R are the 3 partners in partnership firm Partnership deed includes the following:

- (i) R is entitled to get salary of ₹10,000 p.a.
- (ii) P, Q and R are to get interest @ 6% on their respective capital of ₹2,50,000; ₹1,50,000 and ₹1,00,000.
- (iii) R is to get extra benefit of 10% of profit in excess of ₹50,000 after providing for para (i) and (ii) mentioned above.
- (iv) Q is entitled to 10% of profits after providing all the amounts in para (i), (ii) and (iii) mentioned above.
- (v) The balance of profits will be shared by P, Q and R in the ratio of 5:3:2. The profits for the year before providing above items are ₹3,50,000.

You are required to prepare Profit and Loss Appropriation Account.

Question 8 – ICAI Material Adjustment Entry

A, B and C are partners in a firm sharing profits and losses in the ratio of 2:3:5. Their fixed capitals were ₹15,00,000, ₹30,00,000 and ₹60,00,000 respectively. For the year 2022 interest on capital was credited to them @ 12% instead of 10%. Pass the necessary adjustment entry.

Question 9 – PYQ Dec 2021 Adjustment Entry

A, B and C are partners in a firm. On 1st April 2019 their fixed capital stood at ₹50,000, ₹25,000 and ₹25,000 respectively. As per the provision of partnership deed:

- (1) C was entitled for a salary of 5,000 p.a.
- (2) All the partners were entitled to interest on capital at 5% p.a.
- (3) Profits and losses were to be shared in the ratio of Capitals of the partners. Net Profit for the year ended 31st March, 2020 of ₹33,000 and 31st March, 2021 of ₹45,000 was divided equally without providing for the above adjustments.

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

Question 10 – ICAI Material Calculation of Interest on Capital

Shilpa and Sanju are partners with a capital of ₹1,00,000 and ₹1,60,000 on January 1, 2022 respectively. Shilpa introduced additional capital of ₹30,000 on July 1, 2022 and another

₹20,000 on October 31, 2022. Calculate interest on capital for the year ending 2022. The rate of interest is 9% p.a



Question 11 – ICAI Material Fixed Capital A/c Method

Ram and Rahim start business with capital of ₹50,000 and ₹30,000 on 1st January, 2022. Rahim is entitled to a salary of ₹400 per month. Interest is allowed on capitals and is charged on drawings at 6% per annum. Profits are to be distributed equally after the above noted adjustments. During the year, Ram withdrew ₹8,000 and Rahim withdrew ₹10,000. The profit for the year before allowing for the terms of the Partnership Deed came to ₹30,000. Assuming the capitals to be fixed, prepare the Profit and Loss Appropriation Account and the Capital and Current Accounts relating to the partner.

Question 12 – ICAI Material Guarantee to Partner

A and B were partners in a firm sharing profits and losses in the ratio of 3:2. They admit C for 1/6th share in profits and guaranteed that his share of profits will not be less than ₹250,00,000. Total profits of the firm for the year ended 31st March, 2022 were ₹900,00,000. Calculate share of profits for each partner when:

1. Guarantee is given by firm.
2. Guarantee is given by A
3. Guarantee is given by A and B equally.

Question 13 – ICAI Material P&L Appn. A/c with Fixed Capital A/c Method

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

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

	Weak	Able	Lazy
	₹	₹	₹
Capital (1.1.2022)	75,000	40,000	30,000
Current Account (1.1.2022)	10,000	5,000	(Dr.) 5,000
Drawings	15,000	10,000	10,000

The draft accounts for 2022 showed a net profit of ₹60,000 before taking into account interest on capitals and drawings and subject to following rectification of errors:

- (a) Life Insurance premium of Weak amounting to ₹750 paid by the firm on 30th June, 2022 has been charged to Miscellaneous Expenditure A/c.
- (b) Repairs of Machinery amounting to ₹10,000 has been debited to Plant Account and depreciation thereon charged @ 20%.
- (c) Travelling expenses of ₹3,000 of Able for a pleasure trip to U.K. paid by the firm on 30th June, 2022 has been debited to Travelling Expenses Account.



You are required to prepare the Profit and Loss Appropriation Account, Current Accounts of partners Weak, Able and Lazy for the year ended 31st December, 2022.

Question 14 – ICAI Material Find the Missing Figure

X and Y are partners. As per terms of agreement interest is allowed on capital at 8% p.a. and charged on drawings at 10% p.a. X withdrew ₹40,000 pm at the end of each month and Y withdrew ₹120,000 at the end of each quarter. You are required to fill the missing figures in following accounts:

Profit and Loss Appropriation Account for the year ended March 31, 2022

Particulars	Amt (₹)	Particulars	Amt (₹)
To ...?		By Profit and Loss A/c (Net profit)	?
To Interest on Capital A/c		By Interest on Drawings A/c	?
X 160,000		X ?	
Y ?	288,000	Y ?	
To Profit transferred to Capital A/c			
X (2/3) ?			
Y (1/3) 280,000	?		
	?		?

Partner's Capital Accounts

Particulars	X	Y	Particulars	X	Y
To ...?	?	?	By ...?	?	?
To ...?	?	?	By Salary A/c	3,60,000	?
To ...?	?	?	By ...?	?	?
	?	?	By ...?	?	?
	?	?		?	?



Chapter 10

Goodwill Valuation

Question 1 – ICAI Material Calculation of GW Using different Method

Lee and Lawson are in equal partnership. They agreed to take Hicks as one-fourth partner. For this it was decided to find out the value of goodwill. M/s. Lee and Lawson earned profits during 2019-2022 as follows:

Year	Profits (₹)
2019	1,20,000
2020	1,25,000
2021	1,30,000
2022	1,50,000

On 31.12.2022 capital employed by M/s. Lee and Lawson was ₹5,00,000. Rate of normal profit is 20%.

Required

Find out the value of goodwill following various methods.

Question 2 – ICAI Material Super Profit Method

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

		Amt (R.s)
(1)	Capital Invested	1,50,000
(2)	Trading Results:	
	2019 Profit	40,000
	2020 Profit	36,000
	2021 Loss	6,000
	2022 Profit	50,000
(3)	Market Rate of interest on investment	10%
(4)	Rate of risk return on capital invested in business	2%
(5)	Remuneration from alternative employment of the proprietor (if not engaged in business).	₹6,000 per annum

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



Question 3 – PYQ May 2022 Super Profit Method

Mr. X gives the following particulars in respect of business carried on by him:

Particulars	Amount (₹)
Capital Invested in business	9,00,000
Market rate of interest on investment	8%
Rate of risk return on capital invested in business	3%
Remuneration per annum from alternative employment of proprietor if he was not engaged in business	36,000

The business earned profits of ₹2,40,000, ₹2,16,000 and ₹3,00,000 in the years 2018, 2019 and 2021 respectively but made a loss of ₹36,000 in the year 2020.

Compute the value of Goodwill on the basis of 6 years' purchase of super profits of the business, calculated on the basis of average profit of last four years.

Question 4 – PYQ Dec 2022

R and S are partners in a firm with a capital of 14,00,000 and 12,00,000 respectively. During the year ended on 31st March, 2022 firm earned a profit of ₹6,50,000. Assuming that the normal rate of return is 20%. Calculate the amount of Goodwill of the firm by using

- Capitalization method
- Super Profit method, if the goodwill is valued at 6 years purchase of super profits.

Question 5 – ICAI Material Calculation of GW (Exam POV Imp)

Antoo, Bantoo and Chintoo were in partnership sharing profits and losses 3:4:3 respectively. The accounts of the firm are made up to 31st March every year. The partnership provided, inter alia, that: On the retirement of a partner the goodwill was to be valued at three years' purchase of average profits of the past four years up to the date of the retirement after deducting interest @12%p.a. on capital employed and remuneration of ₹2,000 p.m. to each partner. On 1st April 2022, Antoo retired and it was agreed on his retirement to adjust goodwill in the capital accounts without showing any amount of goodwill in the Balance Sheet. It was agreed that the capital employed would be ₹6,50,000. Bantoo and Chintoo were to continue the partnership, sharing profits and losses equally after the retirement of Antoo. The following were the amounts of profits of earlier years before charging salary to partners and interest on capital employed.



Year	Profit
2018-19	2,60,000
2019-20	2,75,000
2020-21	2,65,000
2021-22	2,80,000

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

Question 6 – ICAI Material Calculation of GW (Exam POV Imp)

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

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

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

These profits were subject to following rectification

- A machine costing ₹40,000 purchased on 1st October, 2020 was wrongly charged to revenue. The machinery was depreciated at 20% p.a. on written down value method
- Stock on 31st March 2020 was over valued by ₹20,000/-
- There was a loss by fire amounting to ₹10,000/- in the year 2018-19 which was not considered in trading account but correctly debited in the Profit & Loss a/c for that year.
- Debtors as on 31st March 2022 included bad debts of ₹5,800/-

Ag shall bring his share of goodwill in cash.

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



Question 7 – ICAI Material Preparation of Profit & Loss A/c & Closing Entry

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

The partnership provided, interalia, that:

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

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

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

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

Year	Profit
2019	67,200
2020	75,600
2021	72,000
2022	62,400

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

Question 8 – ICAI Material Hidden Goodwill

A and B are partners with capitals of ₹7,000 each. They admit C as a partner with 1/4th share in the profits of the firm. C brings ₹8,000 as his share of capital. Give the necessary journal entry to record goodwill.

Question 9 – ICAI Material Hidden Goodwill

A and B are in partnership sharing profits and losses equally. The Balance Sheet M/s. A and B as on 31.12.2022, was as follows:

Liabilities	Amt (₹)	Asset	Amt (₹)
Capital A/cs		Sundry Fixed Assets	60,000
A	45,000	Inventories	30,000
B	45,000	Bank	20,000
Trade payables	20,000		
	1,10,000		1,10,000



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On 1.1.2023 they agreed to take C as 1/3rd partner to increase the capital base to ₹1,35,000. C agrees to pay ₹60,000. Show the necessary journal entries and prepare partners' capital accounts.

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Chapter 11

Admission of Partner

Question 1 – ICAI Material Full Fledged Question

The following is the Balance Sheet of Ram and Mohan, who share profits in the ratio of 3:2 as on 1st January, 2022:

Liabilities	Amt (₹)	Asset	Amt (₹)
Trade payables	15,000	Buildings	18,000
Ram's Capital	20,000	Plant and Machinery	15,000
Mohan's Capital	25,000	Inventories	12,000
		Trade receivables	10,000
		Bank	5,000
	60,000		60,000

On this date Shyam was admitted on the following:

- He is to pay ₹25,000 as his capital and ₹10,000 as his share of goodwill for one fifth share in profits.
- The new profits sharing ratio will be 5:3:2.
- The assets are to be revalued as under:

	Amt (₹)
Building	25,000
Plant and Machinery	12,000
Inventories	12,000
Trade receivables (because of doubtful debts)	9,500

- It was found that there was a liability for ₹1,500 for goods received but not recorded in books.

Give journal entries to record the above. Also, give the Balance Sheet of the partnership firm after Shyam's admission.



Question 2 – ICAI Material Full Fledged Question

A and B are partners in a firm, sharing profits and losses in the ratio of 3:2. The Balance Sheet of A and B as on 1.1.2022 was as follows:

Liability		Amt (₹)	Asset		Amt (₹)
Trade payables		17,000	Building		26,000
			Furniture		5,800
Bank overdraft		9,000	Inventories		21,400
Capital accounts:			Trade receivables	35,000	
A	44,000		Less: Provision	(200)	34,800
B	36,000	80,000	Investment		2,500
			Cash		15,500
		1,06,000			1,06,000

'C' was admitted to the firm on the above date on the following terms:

- (i) C is admitted for 1/6 share in the future profits and to introduce a capital of ₹25,000.
- (ii) The new profit sharing ratio of A, B and C will be 3:2:1 respectively.
- (iii) 'C' is unable to bring in cash for his share of goodwill, they decide to calculate goodwill on the basis of C's share in the profits and the capital contribution made by him to the firm.
- (iv) Furniture is to be written down by ₹870 and Inventory to be depreciated by 5%. A provision is required for trade receivables @ 5% for bad debts. A provision would also be made for outstanding wages for ₹1,560. The value of buildings having appreciated be brought upto ₹29,200. The value of investments is increased by ₹450.
- (v) It is found that the trade payables included a sum of ₹1,400, which is not to be paid off. Prepare the following:
 - (i) Revaluation account.
 - (ii) Partners' capital accounts.



Question 3 – ICAI Material Full Fledged Question

Dalal, Banerji and Mallick are partners in a firm sharing profits and losses in the ratio 2:2:1. Their Balance Sheet as on 31st March, 2022 is as below:

Liability		Amt (₹)	Asset	Amt (₹)
Trade payables		12,850	Land and Buildings	25,000
Outstanding Liabilities		1,500	Furniture	6,500
General Reserve		6,500	Inventory of goods	11,750
Capital Account :			Trade receivables	5,500
Mr. Dalal	12,000		Cash in hand	140
Mr. Banerji	12,000		Cash at Bank	960
Mr. Mallick	5,000	29,000		
		49,850		49,850

The partners have agreed to take Mr. Mistri as a partner with effect from 1st April, 2022 on the following terms:

- (1) Mr. Mistri shall bring ₹5,000 towards his capital.
- (2) The value of Inventory should be increased by ₹2,500 and Furniture should be depreciated by 10%.
- (3) Reserve for bad and doubtful debts should be provided at 10% of the Trade receivables.
- (4) The value of land and buildings should be enhanced by 20%.
- (5) The value of the goodwill be fixed at ₹15,000.
- (6) General Reserve will be transferred to the Partners' Capital Accounts.
- (7) The new profit sharing ratio shall be: Mr. Dalal 5/15, Mr. Banerji 5/15, Mr. Mallick 3/15 and Mr. Mistri 2/15.

The outstanding liabilities include ₹1,000 due to Mr. Sen which has been paid by Mr. Dalal. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) The Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Mr. Mistri.



Question 4 – ICAI Material Full Fledged Question

A and B are in the partnership sharing profits and losses in the proportion of three-fourth and one-fourth respectively. Their balance sheet as on 31st March, 2022 was as follows:

Cash ₹1,000; trade receivables ₹25,000; Inventory ₹22,000; plant and machinery ₹4,000; trade payables ₹12,000; bank overdraft ₹15,000; A's capital ₹15,000; B's capital ₹10,000.

On 1st April, 2022, they admitted C into partnership on the following terms:

- (i) C to purchase one-third of the goodwill for ₹2,000 and provide ₹10,000 as capital. Goodwill not to appear in books.
- (ii) Further profits and losses are to be shared by A, B and C equally.
- (iii) Plant and machinery is to be reduced by 10% and ₹500 is to be provided for estimated bad debts. Inventory is to be taken at a valuation of ₹24,940.
- (iv) By bringing in or withdrawing cash, the capitals of A and B are to be made proportionate to that of C on their profit-sharing basis.

Set out entries to the above arrangement in the firm's journal and give the partners' capital accounts in tabular form.

Question 5 – ICAI Material Full Fledged Question

Leena and Meena were in business sharing profits and losses in the ratio of 2:3 Their Balance Sheet as on 31st March, 2022 was as follows:

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital Accounts:		Building	60,000
Leena	60,000	Plant	45,000
Meena	1,40,000	Furniture	23,500
General Reserve	40,000	Debtors	38,400
Creditors	42,600	Bills Receivable	12,500
Bills Payable	17,400	Stock	42,600
		Bank	78,000
	3,00,000		3,00,000

On 1st April, 2022, they decided to admit Neena into the partnership giving her a 1/5th share in future profits. She brings in ₹80,000 as her share of capital. Goodwill was valued at ₹1,00,000 at the time of admission of Neena. The partners decided to revalue the Assets as follows:

Plant ₹40,000, Debtors ₹38,000, Stock ₹42,000, Building ₹90,000, Furniture ₹20,000, Bills

Receivable ₹12,000.

You are required to show the following accounts in the books of the firm:-

- (a) Profit & Loss Adjustment Account



- (b) Partners' Capital Accounts
(c) The Balance Sheet of the new firm.

Question 6 – ICAI Material Full Fledged Question

Alpha and Beeta were partners in a LLP namely Meta-Chem LLP sharing profits and losses equally.

Balance Sheet of Meta-Chem LLP as on 31st March, 2022

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital :		Factory Building	4,78,000
Alpha 3,00,000		Plant & Machinery	3,41,000
Beeta <u>2,00,000</u>	5,00,000	Office Furniture	55,850
General Reserve	1,80,000	Inventory	77,740
Workmen compensation fund	60,000	Trade Receivables	1,43,210
Term loan from IDFC bank	2,78,000	Bank	44,200
Trade payables	1,22,000		
	11,40,000		11,40,000

They agreed to admit Gyama as partner from 1st April 2022 on the following terms:

1. He shall have one-sixth share in future profits.
2. New profit sharing ratio would be 3:2:1
3. He shall bring ₹2,50,000 as his capital.
4. Goodwill of the firm is valued at ₹3,00,000
5. Factory Building is to be appreciated by 20% and inventory is revalued at ₹70,000.
6. Machinery to be appreciated by 20% & Office furniture to be revalued at ₹50,000
7. Of the trade receivables ₹3,210 are bad and 5% be provided for BDD
8. There is no actual liability towards workman. You are required to prepare:
 1. Revaluation account
 2. Partners' capital accounts.
 3. Bank account.
 4. Balance Sheet after admission.



Question 7 – ICAI Material Full Fledged Question

The following was the balance sheet of A, B and C who were equal partners on January 1, 2022

Liabilities	Amt (₹)	Assets	Amt (₹)
Bills Payable	3,000	Cash	1,000
Creditors	6,000	Debtors	10,000
Capital Accounts :		Stock	12,000
A	20,000	Furniture	5,000
B	15,000	Buildings	25,000
C	10,000	Bills Receivable	1,000
	54,000		54,000

They agree to take D into partnership and give him a 1/4 share in the profits on the following terms:

- (1) D should bring in ₹ 6,000 for goodwill and ₹ 10,000 as capital;
- (2) one-half of the goodwill shall be withdrawn by old partners;
- (3) stock and furniture be depreciated by 10%.
- (4) a liability of ₹ 1,300 be created against bills discounted;
- (5) the building be valued at ₹40,000;
- (6) the values of liabilities and assets other than cash are not to be altered.

Give the necessary entries to give effect to the above arrangement; prepare revaluation account and opening balance sheet of the firm as newly constituted.

Question 8 – ICAI Material Full Fledged Question

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

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital accounts:		Fixed assets	3,00,000
Gopal	1,20,000	Investments	50,000
Govind	80,000	Current assets	2,00,000
Long term loan	2,00,000	Loans and advances	1,00,000
Current liabilities	2,50,000		
	6,50,000		6,50,000

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

Guru will be paid 40% of the profits.

Guru will bring in cash ₹1,00,000 as capital. It is agreed that goodwill of the firm will be valued at 2 years' purchase of 3 years' normal average profits of the firm and Guru



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will bring in cash his share of goodwill. It was also decided that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account. The profits of the previous three years were as follows:

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

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

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

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

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

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

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

Question 9 – PYQ Nov 2018 Full Fledged Question

Dinesh, Ramesh and Naresh are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2018 is as below:

Liabilities	(₹)	Assets	(₹)
Trade payables	22,500	Land & Buildings	37,000
Outstanding Liabilities	2,200	Furniture & Fixtures	7,200
General Reserve	7,800	Closing stock	12,600
Capital Accounts:		Trade Receivables	10,700
Dinesh 15,000		Cash in Hand	2,800
Ramesh 15,000		Cash at Bank	2,200
Naresh <u>10,000</u>	40,000		
	72,500		72,500

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following items:

- (i) Suresh shall bring ₹8,000 towards his capital.
- (ii) The value of stock to be increased to ₹14,000 and Furniture & Fixtures to be depreciated by 10%.



(iii) Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.

(iv) The value of Land & Buildings to be increased by ₹5,600 and the value of the goodwill be fixed at ₹18,000.

(v) The new profit sharing ratio shall be divided equally among the partners. The outstanding liabilities include ₹700 due to Ram which has been paid by Dinesh. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Suresh.

Question 10 – PYQ Dec 2021 Full Fledged Question

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

Balance Sheet as at 31st March, 2021

Liabilities	(₹)	Assets	(₹)	
Capital accounts		Cash in hand	1,15,000	
A	2,85,000	Cash at bank	1,10,000	
B	<u>1,55,000</u>	Sundry Debtors	1,60,000	
Creditors		3,75,000	Stock	2,00,000
General reserve		60,000	Bills receivable	30,000
			Land and building	2,50,000
			Office furniture	10,000
		8,75,000	8,75,000	

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

(i) Goodwill is to be valued at ₹2,00,000. C is unable to bring cash for his share of goodwill. So, it was decided that due credit for goodwill be given to A and B for their sacrifice in favour of C through C's current account.

(ii) C pays ₹1,40,000 as his capital for 1/5th share in the future profits.

(iii) Stock and Furniture to be reduced by 10%.

(iv) A provision @ 5% for doubtful debts to be created on debtors.

(v) Land and building to be appreciated by 20%.

(vi) Capital Accounts of the partners be readjusted on the basis of their profit sharing arrangement and any excess or deficiency is to be transferred to their Current Accounts.

Prepare Revaluation Account and Partners Capital Accounts



Question 11 – PYQ Dec 2022 Full Fledged Question

X and Y are in partnership business sharing profits and losses in the ratio of 2:3. Their Balance Sheet as at 31st March, 2022 is as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Building	60,000
X	60,000	Plant	45,000
Y	1,40,000	Furniture	23,500
General Reserve	40,000	Debtors	38,400
Creditors	42,600	Bills receivable	12,500
Bills payable	15,400	Stock	42,600
Salary payable	2,000	Bank	78,000
	3,00,000		3,00,000

On 1st April, 2022 they decided to admit Z into the partnership giving him 1/5th share in the future profits. He brings in ₹1,00,000 as his share of capital. Goodwill was valued at ₹1,20,000 at the time of admission of Z. The partners decided to revalue the assets and liabilities as follows:

- Plant ₹40,000, Stock ₹42,000, Furniture ₹20,000 and Bills Receivable ₹12,000.
- Out of total Debtors, ₹2400 is bad and 5% provision is to be provided for bad and doubtful debts.
- Building is to be appreciated by 75%.
- Actual liability towards salary payable is ₹1200 only.

You are required to show the following accounts in the books Of the firm:

- Revaluation Account
- Partner's Capital Accounts
- Balance sheet of the Firm after Admission of Z.

Question 12 – PYQ June 2024 Full Fledged Question

Anu and Manu are carrying on business in partnership and sharing profits & losses in the ratio of 5: 3. The firm's Balance Sheet as on 31st March, 2024 was as follows:

Balance Sheet as on 31st March, 2024

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital Accounts:		Building	3,80,000
Anu	2,80,000	Machinery	1,43,000
Manu	2,50,000	Furniture	85,000
Long Term Loan	2,00,000	Trade Receivables	1,64,000
Trade Payables	1,19,500	Inventories	48,400
Outstanding liabilities	16,200	Investments	15,200
		Cash & Bank	30,100
	8,65,700		8,65,700



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They decided to admit Ranu as a partner with effect from 1st April, 2024 on the following terms:

- (i) Ranu will be paid $\frac{1}{5}$ share in the future profits and new profit sharing ratio would be 5:3:2.
- (ii) Ranu will bring 1,00,000 as his capital.
- (iii) Goodwill of firm is to be valued at 2 years' purchase of average profit of past 3 years and Ranu will bring his share of goodwill in cash. The profits of past 3 years ending on 31st March were as under:
 - 31st March, 2022 ₹ 87,000
 - 31st March, 2023 ₹ 1,06,000
 - 31st March, 2024 ₹ 1,22,000
- (iv) It was also agreed that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.
- (v) It was also decided to value the assets: Building is to be appreciated by ₹50,000 and Machinery is to be depreciated by 10%. Furniture is revalued at ₹80,000, Investments at ₹16,000 and Inventories at ₹47,500. Provision for doubtful debts is to be created on debtors @ 5%.

You are required to prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the reconstituted firm as on 1st April, 2024.

Question 13 – ICAI Material Full Fledged Question with New PSR Imp Calculation

A and B are partners of X LLP. sharing profits and losses in 3:2 ratio between themselves. On 31st March, 2022, the balance sheet of the firm was as follows:.

Balance Sheet of X LLP as at 31.3.2022

Liability		Amt (₹)	Asset	Amt (₹)
Capital accounts:			Plant and machinery	20,000
A	37,000		Furniture and fittings	5,000
B	28,000		Inventories	15,000
		65,000	Trade receivables	20,000
Trade payables		5,000	Cash in hand	10,000
		70,000		70,000

X agrees to join the business on the following conditions as and from 1.4.2022:

- (a) He will introduce ₹25,000 as his capital and pay ₹15,000 to the partners as premium for goodwill for $\frac{1}{3}$ rd share of the future profits of the firm.
- (b) A revaluation of assets of the firm will be made by reducing the value of plant and machinery to ₹15,000, Inventory by 10%, furniture and fitting by ₹1,000 and by making a provision of bad and doubtful debts at ₹750 on trade receivables.



Prepare profit and loss adjustment account, capital accounts of partners including the incoming partner X assuming that the relative ratios of the old partners will be in equal proportion after admission.

Question 14 – ICAI Material Memorandum Revaluation A/c

A and B are partners sharing profits and losses in the ratio of 3:2. Their Balance Sheet as on 31.3.2022 is given below:

Liabilities	Amt (₹)	Asset	Amt (₹)
Trade payables	50,000	Freehold premises	2,00,000
Capital Accounts:		Plant	40,000
A	2,00,000	Furniture	20,000
B	1,00,000	Office equipment	25,000
		Inventories	30,000
		Trade receivables	25,000
		Bank	10,000
	3,50,000		3,50,000

On 1.4.2022 they admit C on the following terms:

- (1) C will bring ₹50,000 as a capital and ₹10,000 for goodwill for 1/5 share;
- (2) Provision for doubtful debts is to be made on Trade receivables @ 2%
- (3) Inventory to be written down by 10%.
- (4) Freehold premises is to be revalued at ₹2,40,000, plant at ₹35,000, furniture ₹25,000 and office equipment ₹27,500.
- (5) Partners agreed that the values of the assets and liabilities remain the same and, as such, there should not be any change in their book values as a result of the above-mentioned adjustments.

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



Chapter 12

Retirement of Partner

Question 1 – ICAI Material Full Fledged Question

A and B are partners in a business sharing profit and losses as A-3/5th and B-2/5th. Their balance sheet as on 1st January, 2022 is given below:

Liabilities		Amt (₹)	Assets	Amt (₹)
Capital Accounts			Plant and Machinery	20,000
A	20,000		Inventories	16,000
B	15,000	35,000	Trade receivables	15,000
Reserve Account		15,000	Balance at Bank	6,000
Trade payables		7,500	Cash in hand	500
		57,500		57,500

B retires from the business owing to illness and A takes it over. The following revaluation was made:

- (1) The goodwill of the firm is valued at ₹25,000.
- (2) Depreciate Plant & Machinery by 7.5% and Inventories by 15%.
- (3) Doubtful debts provision is raised against trade receivables at 5% and a discount reserve against trade payables at 2%.

Required:

Journalize the above transactions in the books of the firm and close the Partners' Accounts as on 1st January 2022. Give also the opening Balance Sheet of A.

Question 2 – ICAI Material Full Fledged Question

A, B & C were in partnership sharing profits in the proportions of 5:4:3. The balance sheet of the firm as on 31st March, 2022 was as under:

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital accounts:		Fixtures	8,200
A	1,35,930	Inventories	1,57,300
B	95,120	Trade receivables	93,500
C	61,170	Cash	74,910
Trade payables	41,690		
	3,33,910		3,33,910

A had been suffering from ill-health and gave notice that he wished to retire. An agreement was, therefore, entered into as on 31st March, 2022, the terms of which were as follows:



(i) The profit and loss account for the year ended 31st March, 2022 which showed a net profit of ₹48,000 was to be re-opened. B was to be credited with ₹4,000 as bonus, in consideration of the extra work which had devolved upon him during the year. The profit sharing was to be revised from 1st April, 2021, as 3:4:4.

(ii) Goodwill was to be valued at two years' purchase of the average profits of the preceding five years. The fixtures were to be valued by an independent valuer. The valuations arising out of the above agreement were goodwill ₹56,800 and fixtures ₹10,980. A provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book values.

B and C agreed, as between themselves, to continue the business, sharing profits in the ratio of 3:2 and decided to retain the fixtures on the books at the revised value, and to increase the provision for doubtful debts to 6%.

Required:

Submit the journal entries necessary to give effect to the above arrangements and to draw up the capital account of the partners after carrying out all adjusting entries as stated above.

Question 3 – PYQ May 2022 Full Fledged Question

X, Y and Z are partners sharing profits and losses in the ratio of 1:2:3. Their Balance Sheet as on 31st March, 2021 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals:		Building	2,50,000
X	1,75,000	Machinery	3,37,500
Y	2,50,000	Debtors	3,25,000
Z	4,00,000	Stock	4,00,000
General Reserve	3,00,000	Bank	62,500
Trade Creditors	2,50,000		
Total	13,75,000	Total	13,75,000

Z retired from business on 1st April, 2021 on the following terms:

- (i) Building to be appreciated by 25%.
- (ii) X and Y to bring in additional capital of ₹5,00,000 each.
- (iii) Machinery to be depreciated by 10%.
- (iv) Stock is revalued at ₹3,72,250.
- (v) Provision for Doubtful Debts to be created at 4%.
- (vi) Goodwill was to be valued at 3 years' purchase of average profits of past 3 years. The profits of past 3 years were ₹2,75,000, ₹2,50,000 and ₹1,95,000 respectively.
- (vii) Goodwill was not to be raised in the Books of Accounts.
- (viii) Balance payable to Z was to be paid immediately.



Prepare Revaluation Account, Bank Account and Partners' Capital Accounts after giving effect to Z's retirement, Also show the valuation of Goodwill and pass a Journal Entry for adjustment of Goodwill.

Question 4 – ICAI Material Full Fledged Question with Capital Adjustment

F, G and K were partners in LLP sharing profits and losses at the 2:2: 1. K wants to retire on 31.12.2022. Given below is the Balance Sheet of the partnership as well as other information:

Balance Sheet as on 31.12.2022

Liabilities	Amt (₹)	Assets	Amt (₹)
Capital A/cs		Sundry Fixed Assets	1,50,000
F	1,20,000	Inventories	50,000
G	80,000	Trade receivables	70,000
K	60,000	(Including Bills Receivable 20,000)	
Reserve	10,000	Bank	50,000
Trade payables	50,000		
	3,20,000		3,20,000

F and G agree to share profits and losses at the ratio of 3: 2 in future. Value of Goodwill is taken to be ₹50,000. Sundry Fixed Assets are revalued upward by ₹30,000 and Inventories by ₹10,000. Bills Receivable dishonoured ₹5,000 on 31.12.2022 but not recorded in the books. Dishonour of bill was due to insolvency of the customer. F and G agree to bring sufficient cash to discharge claim of K and to make their capital proportionate. Also they wanted to maintain ₹75,000 bank balance for working capital.

Required:

Pass necessary journal entries and draft the Balance Sheet of M/s F & G LLP. Also prepare capital accounts of partners and draft the Balance Sheet of Ms/ F & G after K's retirement.



Question 5 – PYQ Dec 2023 Full Fledged Question with Capital Adjustment

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

Balance Sheet as on 31 March, 2023

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

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

- To appreciate building by 20% and to depreciate machinery by 5%.
 - Provision for debts is to be created at 10%.
 - Goodwill of the firm is valued at 1,60,000 and Goodwill is not to be raised in the books of accounts. New profit sharing ratio will be 5:3
 - Entire sum payable to Y should be brought by X and Z in such a way to make their capital according to new profit ratio. Balance of Y to be paid immediately.
- You are required to prepare Revaluation Account, Partners Capital Accounts and Balance Sheet after retirement.

Question 6 – ICAI Material Full Fledged Question with Capital Adjustment

Satyam, Shivam & Sundaram are partners of M/s. Great Stationers sharing profits and losses in the ratio of 1:1:2.

On 31st March, 2022 their Balance Sheet was as under :

Liabilities	Amount (₹)	Assets	Amount (₹)
Capitals :		Building	2,50,000
Satyam 1,95,000		Plant	1,60,000
Shivam 1,48,000		Investments	85,000
Sunderam <u>1,12,000</u>	4,55,000	Stock	45,280
General Reserve	80,000	Trade Receivable	68,000
Loan from Satyam	94,000	Bank	95,720
Sundry Creditors	75,000		
	7,04,000		7,04,000

On 1st April 2022 Shivam retired on the following terms:

- Goodwill is to be valued at ₹1,20,000 but the same will not appear as an asset in the books of the reconstituted firm.



2. Buildings is to be appreciated by 20% and Plant is to be depreciated by 10 %.
 3. Investments are to be taken over by the Satyam in full settlement of his loan.
 4. Provision of 5% is to be made on trade receivables to cover doubtful debts.
 5. In the reconstituted firm, the total capital will be ₹3,00,000/- which will be contributed by Satyam and Sunderam in their new profit sharing ratio, which is 2:3.
 6. The amount due to retiring partner shall be transferred to his loan account.
- You are required to give journal entries to record above adjustments and also prepare Balance Sheet thereafter.

Question 7 – ICAI Material Retirement Cum Admission of Partner

K, L & M are partners sharing profits and losses in the ratio 5:3:2. Due to illness, L wanted to retire from the firm on 31.3.2022 and admit his son N in his place.

Balance Sheet of K, L and M as on 31.3.2022

Liabilities		Amt (₹)	Assets	Amt (₹)
Capital:			Furniture	20,000
K	40,000		Trade receivables	50,000
L	60,000		Inventory in Trade	50,000
M	30,000	1,30,000	Cash and Bank balances	80,000
Reserve		50,000		
Trade payables		20,000		
		2,00,000		2,00,000

On retirement of L assets were revalued: Furniture ₹10,000 and Inventory in trade ₹30,000. 50% of the amount due to L was paid off in cash and the balance was retained in the firm as capital of N. On admission of the new partner, goodwill was valued at ₹50,000. Partners are being paid off their extra balances to make capital proportionate by keeping N's capital as base. You are required to give:

- (i) Necessary journal entries; (ii) balance sheet of M/s K, M and N as on 1.4.2022; (iii) capital accounts of partne₹



Question 8 – ICAI Material Retirement Cum Admission of Partner

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

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

It was mutually agreed that Mr. B will retire from partnership and in his place Mr. D will be admitted as a partner with effect from 1st April, 2022. For this purpose, the following adjustments are to be made:

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

Required:

Prepare

- Revaluation account;
- Partners' capital accounts;
- Bank account; and
- Balance sheet of the reconstituted firm as on 1st April, 2022.



Question 9 – ICAI Material Retirement Cum Admission of Partner

M/s X is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June 2022, was as under:

Balance Sheet of M/s. X as on 30.06.2022

Liabilities	Amt (₹)	Assets	Amt (₹)
A's Capital A/c	1,04,000	Land	1,00,000
B's Capital A/c	76,000	Building	2,00,000
C's Capital A/c	1,40,000	Plant and Machinery	3,80,000
Long Term Loan	4,00,000	Investments	22,000
Bank Overdraft	44,000	Inventories	1,16,000
Trade payables	1,93,000	Trade receivables	1,39,000
	9,57,000		9,57,000

It was mutually agreed that B will retire from partnership and in his place D will be admitted as a partner with effect from 1st July, 2022. For this purpose, the following adjustments are to be made:

- Goodwill of the firm is to be valued at ₹2 lakhs due to the firm's locational advantage but the same will not appear as an asset in the books of the reconstituted firm.
- Buildings and plant and machinery are to be valued at 90% and 85% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹25,000. Trade receivables are considered good only upto 90% of balance sheet figure. Balance be considered bad.
- In the reconstituted firm, the total capital will be ₹3 lakhs, which will be contributed by A, C and D in their new profit sharing ratio, which is 3:4:3.
- The amount due to retiring partner shall be transferred to his loan account.

Required:

Prepare Revaluation Account and Partners' Capital Accounts



Question 10 – PYQ Nov 2020 Retirement Cum Admission of Partner

M/s. TB is a partnership firm with the partners A, B and C sharing profits and losses in the ratio of 3:2:5. The balance sheet of the firm as on 30th June, 2020 was as under:

Balance Sheet of M/s. TB as on 30-6-2020

Liabilities	Amount (₹)	Assets	Amount (₹)
A's Capital A/c	1,24,000	Land	1,20,000
B's Capital A/c	96,000	Building	2,20,000
C's Capital A/c	1,60,000	Plant & Machinery	4,00,000
Long Term Loan	4,20,000	Investments	42,000
Bank Overdraft	64,000	Inventories	1,36,000
Trade Payables	<u>2,13,000</u>	Trade Receivables	<u>1,59,000</u>
	10,77,000		10,77,000

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

- Goodwill of the firm is to be valued at ₹3 lakhs due to the firm's location advantage but the same will not appear as an asset in the books of the reconstituted firm.
 - Building and Plant & Machinery are to be valued at 95% and 80% of the respective balance sheet values. Investments are to be taken over by the retiring partner at ₹46,000. Trade receivables are considered good only upto 85% of the balance sheet figure. Balance to be considered bad.
 - In the reconstituted firm, the total capital will be 4 lakhs, which will be contributed by A, C and D in their new profit-sharing ratio, which is 3:4:3.
 - The amount due to retiring partner shall be transferred to his loan account.
- You are required to prepare Revaluation Account and Partners' Capital Accounts after reconstitution, along with working notes.

Question 11 – ICAI Material Joint Life Policy Premium treated as Expense

Red, White and Black shared profits and losses in the ratio of 5:3:2. They took out a joint life Policy in 2018 for ₹50,000, a premium of ₹3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows: 2018 nil; 2019 ₹900; 2020 ₹2,000; 2021 ₹3,600.

Black retires on 15th April, 2022.

Required

Prepare ledger accounts assuming no Joint Life Policy Account is maintained.



Question 12 – ICAI Material and PYQ July 2021 Joint Life Policy Premium treated as Expense & Asset

Red, White and Black shared profits and losses in the ratio of 5: 3: 2. They took out a Joint Life Policy in 2018 for ₹50,000, a premium of ₹3,000 being paid annually on 10th June. The surrender value of the policy on 31st December of various years was as follows: 2018 nil; 2019 ₹900; 2020 ₹2,000; 2021 ₹3,600.

Black retires on 15th April, 2022.

Required:

Prepare ledger accounts assuming Joint Life Policy Account is maintained on surrender value basis.

Question 13 – ICAI Material Joint Life Policy

A, B and C are in partnership sharing profits and losses at the ratio of 5:3: 2. The balance sheet of the firm on 31.12.2021 was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/cs:		Sundry Fixed Assets	80,000
A	50,000	Inventories	50,000
B	40,000	Trade receivables	30,000
C	30,000	Joint Life Policy	20,000
Bank Loan	40,000	Bank	10,000
Trade payables	30,000		
	1,90,000		1,90,000

On 1.1.2022, A wants to retire, B and C agreed to continue at 2:1. Joint Life Policy was taken on 1.1.2017 for ₹1,00,000 and its surrender value as on 31.12.2021 was ₹25,000. For the purpose of A's retirement goodwill was raised for ₹1,00,000. Sundry Fixed Assets was revalued for ₹1,10,000. But B and C did not prefer to show such an increase in assets in the balance sheet. Also they agreed to bring necessary cash to discharge 50% of the A's claim, to make the bank balance ₹25,000 and to make their capital proportionate.

Required:

Prepare necessary journal entries to give the effect in capital accounts of partner ₹

Question 14 – ICAI Material Joint Life Policy

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

Liabilities	Amt (₹)	Asset	Amt (₹)
Capital accounts:		Land & building	2,00,000



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Ram	3,00,000		Machinery	2,00,000
Rahul	2,00,000		Closing stock	1,00,000
Rohit	<u>1,00,000</u>	6,00,000	Sundry debtors	2,00,000
Sundry creditors		2,00,000	Cash and bank balances	1,00,000
		8,00,000		8,00,000

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

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

Prepare revaluation account, capital account of partners: Rahul & Rohit, loan account of Ram, cash account and balance sheet as on 1.4.2022 of M/s Rahul and Rohit.

Question 15 – PYQ May 2018 Joint Life Policy

A, B and C are partners sharing profits in the ratio of 3:2:1. Their Balance Sheet as at 31st March, 2018 stood as:

Liabilities	Amount (₹)		Assets	Amount (₹)	
Capital Accounts			Building		10,00,000
A	8,00,000		Furniture		2,40,000
B	4,20,000		Office equipments		2,80,000
C	<u>4,00,000</u>	16,20,000	Stock		2,50,000
Sundry Creditors		3,70,000	Sundry debtors	3,00,000	
General Reserves		3,60,000	Less: Provision for		
			Doubtful debts	<u>30,000</u>	2,70,000
			Joint life policy		1,60,000
			Cash at Bank		1,50,000
		23,50,000			23,50,000



B retired on 1st April, 2018 subject to the following conditions:

- (i) Office Equipments revalued at ₹ 3,27,000.
- (ii) Building revalued at ₹15,00,000. Furniture is written down by ₹40,000 and Stock is reduced to Rs,2,00,000 .
- (iii) Provision for Doubtful Debts is to be created @ 5% on Debto₹
- (iv) Joint Life Policy will appear in the Balance Sheet at surrender value after B's retirement. The surrender value is ₹1,50,000
- (v) Goodwill was to be valued at 3 years purchase of average 4 years profit which were:

Year	₹
2014	90,000
2015	1,40,000
2016	1,20,000
2017	1,30,000

- (vi) Amount due to B is to be transferred to his Loan Account.

Prepare the Revaluation Account, Partners' Capital Accounts and the Balance Sheet immediately after B's retirement

Question 16 – ICAI Material Separate Life Policy

Aarav, Nirav and Purav are partners in LLP sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2022 was as follows:

Balance Sheet as on 31st March, 2022

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital : Aarav	80,000	Building	50,000
Nirav	50,000	Machinery	67,500
Purav	35,000	Debtors	65,000
General Reserve	60,000	Stock	80,000
Trade Creditors	50,000	Bank	12,500
	2,75,000		2,75,000

Purav retired from the business on 1st April 2022 on the following terms:

1. Goodwill was to be valued at 2 years purchase of average profit of past 3 year₹
31st March, 2020 ₹41,000
31st March, 2021 ₹50,000
31st March, 2022 ₹55,000
2. Goodwill was not to be raised in the books of accounts.
3. Provision for Doubtful Debts was to be created on debtors at 5%. Machinery is to be depreciated by 10% and stock is revalued at ₹71,000.
5. Building to be appreciated by 20%.



6. Aarav and Nirav to bring in additional capital of ₹35,000 and ₹25,000 respectively.
7. Balance payable to Purav must be paid immediately.

You are required to prepare:

1. Revaluation account
2. Partners capital accounts.
3. Bank account.
4. Balance Sheet after retirement.

Question 17 – ICAI Material Preparation of Profit & Loss A/c & Closing Entry

Revenue, Expenses and Gross Profit Balances of M/s ABC Traders for the year ended on 31st March 2022 were as follows:

Gross Profit ₹4,20,000, Salaries ₹1,10,000, Discount (Cr.), ₹18,000, Discount (Dr.) ₹19,000, Bad Debts ₹17,000, Depreciation ₹65,000, Legal Charges ₹25,000, Consultancy Fees ₹32,000, Audit Fees ₹1,000, Electricity Charges ₹17,000, Telephone, Postage and Telegrams ₹12,000, Stationery ₹27,000, Interest paid on Loans ₹70,000.

Required

Prepare Profit and Loss Account of M/s ABC Traders for the year ended on 31st March, 2022. Show necessary closing entries in the Journal Proper of M/s. ABC Traders also.



Chapter 13

Death of Partner

Question 1 – ICAI Material Full Fledged Question Settlement on Date of Death

The following was the Balance Sheet of Om & Co. in which X, Y, Z were partners sharing profits and losses in the ratio of 1:2:2 as on 31.3.2022. Mr. Z died on 31st December, 2022. His account has to be settled under the following terms.

Balance Sheet of Om & Co. as on 31.3.2022

Liabilities		Amt (₹)	Asset	Amt (₹)
Trade payables		20,000	Building	1,20,000
Bank loan		50,000	Computers	80,000
General reserve		30,000	Inventories	20,000
Capital accounts:			Trade receivables	20,000
X	40,000		Cash at bank	50,000
Y	80,000		Investments	10,000
Z	80,000	2,00,000		
		3,00,000		3,00,000

Goodwill is to be calculated at the rate of two years purchase on the basis of average of three years' profits and losses. The profits and losses for the three years were detailed as below:

Year ending on	Profit / Loss
31.3.2022	30,000
31.3.2021	20,000
31.3.2020	(10,000) Loss

Profit for the period from 1.4.2022 to 31.12.2022 shall be ascertained proportionately on the basis of average profits and losses of the preceding three years.

During the year ending on 31.3.2022 a car costing ₹40,000 was purchased on 1.4.2021 and debited to traveling expenses account on which depreciation is to be calculated at 20% p.a. at written down value method. This asset is to be brought into account at the depreciated value.

Other values of assets were agreed as follows:

Inventory at ₹16,000, building at ₹1,40,000, computers at ₹50,000; investments at ₹6,000. Trade receivables were considered good.

Required:

(i) Calculate goodwill and Z's share in the profits of the firm for the period 1.4.2022 to 31.12.2022.



- (ii) Prepare revaluation account assuming that other items of assets and liabilities remained the same.
- (iii) Prepare partners' capital accounts and balance sheet of the firm Om & Co. as on 31.12.2022.

Question 2 – ICAI Material Full Fledged Question Settlement on Date of Death

The following is the Balance Sheet of M/s. ABC LLP as at 31st December, 2021.

Balance Sheet as at 31st December, 2021

Liabilities	Amt (₹)	Asset		Amt (₹)
Capital		Machinery		5,000
A	4,100	Furniture		2,800
B	4,100	Fixture		2,100
C	4,500	Cash		1,500
General Reserve	1,500	Inventories		950
Trade payables	2,350	Trade receivables	4,500	
		Less: Provision for BDD	300	4,200
	16,550			16,550

C died on 3rd January, 2022 and the following agreement was to be put into effect.

- (a) Assets were to be revalued: Machinery to ₹5,850; Furniture to ₹2,300; Inventory to ₹750.
- (b) Goodwill was valued at ₹3,000 and was to be credited with his share, without using a Goodwill Account
- (c) ₹1,000 was to be paid away to the executors of the dead partner on 5th January, 2022.

Required

- (i) The Journal Entry for Goodwill adjustment.
- (ii) The Revaluation Account and Capital Accounts of the partner
- (iii) Which account would be debited and which account credited if the provision for doubtful debts in the Balance Sheet was to be found unnecessary to maintain at the death of C.



Question 3 – ICAI Material Full Fledged Question Settlement on Date of Death

Diya, Riya & Kiya are partners of M/s. DRK Fabrics sharing profits and losses in the ratio of 2:1:2. On 31st March 2022 their Balance Sheet was as under:

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

Kiya died on 30th September, 2022.

The partnership deed provides as follows:

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

Year	Profit
2018-19	1,62,000
2019-20	1,99,000
2020-21	1,87,000
2021-22	1,96,000

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

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

After the death of Kiya

- ₹2,00,000 was received from insurance company against Joint life Policy.
- Land & Building was appreciated by 20%, Furniture to be depreciated by 10%, inventory to be revalued at ₹80,000. Bad debts amounted ₹1760.
- Amount payable to Kiya was paid in cash. You are required to prepare
 - Revaluation A/c
 - Partners' Capital A/c
 - Balance Sheet as on 30th September 2022, assuming other Assets and liabilities remaining the same.



Question 4 – PYQ May 2019 Full Fledged Question Settlement on Date of Death

Monika, Yedhant and Zoya are in partnership, sharing profits and losses equally. Zoya died on 30th June 2018. The Balance Sheet of Firm as at 31st March 2018 stood as

Liabilities	Amount	Assets	Amount
Creditors	20,000	Land and Building	1,50,000
General Reserve	12,000	Investments	65,000
Capital Accounts:		Stock in trade	15,000
Monika	1,00,000	Trade receivables	35,000
Yedhant	75,000	Less: Provision for doubtful debt (2,000)	33,000
Zoya	75,000	Cash in hand	7,000
		Cash at bank	12,000
	2,82,000		2,82,000

In order to arrive at the balance due to Zoya, it was mutually agreed that:

- Land and Building be valued at ₹1,75,000
- Debtors were all good, no provision is required
- Stock is valued at ₹13,500
- Goodwill will be valued at one Year's purchase of the average profit of the past five years. Zoya's share of goodwill be adjusted in the account of Monika and Yedhant.
- Zoya's share of profit from 1st April 2018, to the date of death be calculated on the basis of average profit of preceding three years

(vi) The profit of the preceding five years ended 1st March were:

2018	2017	2016	2015	2014
25,000	20,000	22,500	35,000	28,750

You are required to prepare:

- Revaluation account
- Capital accounts of the partners and
- Balance sheet of the Firm as at 1st July 2018.

Question 5 – ICAI Material Full Fledged Question Settlement on Date of Death

The Balance Sheet of Seed, Plant and Flower as at 31st December, 2021 was as under :

Liabilities		Amt (₹)	Asset	Amt (₹)
Trade payables		20,000	Fixed Assets	40,000
General Reserve		5,000	Debtors	10,000
Capital:			Bills Receivable	4,000
Seed	25,000		Inventories	16,000
Plant	15,000		Cash at Bank	10,000
Flower	15,000	55,000		
		80,000		80,000



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The profit sharing ratio was: Seed 5/10, Plant 3/10 and Flower 2/10. On 1st May, 2022 Plant died. It was agreed that:

(a) Goodwill should be valued at 3 years purchase of the average profits for 4 years. The profits were:

2018 ₹	10,000	2020 ₹	12,000
2019 ₹	13,000	2021 ₹	15,000

(b) The deceased partner to be given share of profits upto the date of death on the basis of the previous year.

(c) Fixed Assets were to be depreciated by 10%. A bill for ₹1,000 was found to be worthless. These are not to affect goodwill.

(d) A sum of ₹7,750 was to be paid immediately, the balance was to remain as a loan with the firm at 9% p.a. as interest.

Seed and Flower agreed to share profits and losses in future in the ratio of 3: 2. Give necessary journal entries.

Question 6 – ICAI Material Full Fledged Question Settlement on Year End After Death

The partnership agreement of a firm consisting of three partners - A, B and C (who share profits in proportion of $\frac{1}{2}$, $\frac{1}{4}$ and $\frac{1}{4}$ and whose fixed capitals are ₹10,000; ₹6,000 and ₹4,000 respectively) provides as follows:

(a) That partners be allowed interest at 10 per cent per annum on their fixed capitals, but no interest be allowed on undrawn profits or charged on drawings.

(b) That upon the death of a partner, the goodwill of the firm be valued at two years' purchase of the average net profits (after charging interest on capital) for the three years to 31st December preceding the death of a partner.

(c) That an insurance policy of ₹10,000 each to be taken in individual names of each partner, the premium is to be charged against the profit of the firm.

(d) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals etc. calculated upon 31st December following his death.

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

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

A died on 30th September 2022, the amount standing to the credit of his current account on 31st December, 2021 was ₹450 and from that date to the date of death he had withdrawn ₹3,000 from the business.

An unrecorded liability of ₹2,000 was discovered on 30th September, 2022. It was decided to record it and be immediately paid off.

The trading result of the firm (before charging interest on capital) had been as follows: 2019 Profit ₹9,640; 2020 Profit ₹6,720; 2021 Profit ₹7,640; 2022 Profit ₹3,670.

Assuming the surrender value of the policy to be 20 percent of the sum assured.

Required. Prepare an account showing the amount due to A's legal representative as on 31st December, 2022.



Question 7 – PYQ Jan 2021 Full Fledged Question Settlement on Year End After Death

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

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

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

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

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

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

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

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



Question 8 – PYQ June 2023 Full Fledged Question Settlement on Year End After Death

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

	Debit	Credit
	Amount ₹	Amount ₹
Capital Accounts		
A		2,25,000
B		1,12,500
C		1,35,000
Current Account		
A	36,000	
B	54,000	
C	54,000	
Land and Building	1,80,000	
Furniture and Fixtures	33,750	
Stock	2,81,250	
Debtors	45,000	
Bank Account	90,000	
Profit for the year before charging interest		2,34,000
Creditors		67,500
Total	7,74,000	7,74,000

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

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

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



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

Land and Building ₹2,25,000

Furniture and Fixtures ₹22,500

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

(1) Goodwill was not be shown as an asset of the firm as on 31st December, 2022. Therefore, adjustment for goodwill was to be made in Capital Accounts.

(2) The amount due to C's Estate was to remain as loan with the firm carrying interest at 12% p.a.

(3) A and B would share profits equally from the date of death of C.

(4) Depreciation on revised value of assets would be ignored. You are required to prepare:

(A) Partners' Capital Account and Current Account; and

(B) Balance Sheet of the firm as on 31st December, 2022.

Working should be done correct to the nearest rupee.

Question 9 – ICAI Material When Share of Profit is transferred to Reserve

B and N were partners. The partnership deed provides inter alia:

(i) That the accounts be balanced on 31st December each year.

(ii) That the profits be divided as follows:

B: One-half; N: One-third; and carried to Reserve Account: One-sixth

(iii) That in the event of death of a partner, his executor will be entitled to the following:

(a) the capital to his credit at the date of death; (b) his proportion of profit to date of death based on the average profits of the last three completed years; (c) his share of goodwill based on three years' purchases of the average profits for the three preceding completed years.

Trial Balance on 31st December, 2021

Particulars	Debit (₹)	Credit (₹)
B's Capital		90,000
N's Capital		60,000
Reserve		30,000
Bills receivable	50,000	
Investments	40,000	
Cash	1,10,000	
Trade payables		20,000
Total	2,00,000	2,00,000



The profits for the three years were 2019: ₹42,000; 2020: ₹39,000 and 2021: ₹45,000. N died on 1st May, 2022. Show the calculation of N (i) Share of Profits; (ii) Share of Goodwill; (iii) Draw up N's Executors Account as would appear in the firms' ledger transferring the amount to the Loan Account.

Question 10 –PYQ Nov 2019 When Share of Profit is transferred to Reserve

Arup and Swarup were partners. The partnership deed provides inter alia:

That the annual accounts be balanced on 31st December each year;

- That the profits be allocated as follows:
 - Arup: One-half; Swarup: One-third and -Carried to reserve account: One sixth;
- That in the event of death of a partner, his executor will be entitled to the following:
 - a) The capital to his credit at the date of death;
 - b) His proportionate share. of profit to date of death based on the average profits of the last three completed years; and
 - c) His Share of goodwill based on three years' purchase of the average profits for the three preceding completed years.

Trial Balance as on 31st December, 2018

Particulars	Debit (₹)	Credit (₹)
Arup's Capital		90,000
Swarup's Capital		60,000
Reserve		45,000
Bills receivable	50,000	
Investment	55,000	
Cash	1,10,000	
Trade payables		20,000
Total	2,15,000	2,15,000

The profits for the three year were 2016: ₹51,000; 2017: ₹39,000 and 2018:

₹45,000. Swarup died on 1st May 2019.

Show the calculation of Swarup (A) Share of profits; (B) Share of Goodwill; (C) Draw up Swarup's Executor Account as would appear in the firms' ledger transferring the amount to the Loan account.

**Question 11 – PYQ July 2021 Full Fledged Question**

It was provided under the Partnership Agreement between Ram, Laxman and Bharat that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

- (i) Goodwill is to be valued at 3 year's purchase of simple average profits of last 4 completed years
- (ii) Outstanding amount due to the representative of a deceased partner shall be paid in 4 equal half yearly installments commencing 6 months after the death plus interest @ 5% p.a. on the outstanding dues.

They shared profit and loss in the ratio 9:4:3.

Ram died on 30th September 2020 and Partner's Capital account balances on that date were:

Ram - ₹21,600, Laxman - ₹12,800 and Bharat - ₹7,200.

Ram's current account on 30th September, 2020 after crediting his share of profit to that date, however showed a debit balance of ₹1,920.

Firm profits were for the year ended

- 31st March, 2017 ₹70,400
- 31st March, 2018 ₹56,320
- 31st March, 2019 ₹48,160
- 31st March, 2020 ₹17,408

Show Ram's Capital Account and Executor's Account (of Ram) till full payment is made to Ram's Executor.



Chapter 14

Dissolution of Partnership

Question 1 – ICAI Material Full Fledged Question when all Partners are Solvent

X, Y, and Z are partners of the firm XYZ and Co., sharing Profits and Losses in the ratio of 4: 3: 2. Following is the Balance Sheet of the firm as on 31st March, 2022:

Balance Sheet as on 31st March, 2022

Liabilities	Amount (₹)	Assets	Amount (₹)
Partners' Capitals:		Fixed Assets	5,00,000
X	4,00,000	Stock in trade	3,00,000
Y	3,00,000	Sundry debtors	5,00,000
Z	2,00,000	Cash in hand	10,000
General Reserve	90,000		
Sundry Creditors	3,20,000		
	13,10,000		13,10,000

Partners of the firm decided to dissolve the firm on the above-said date. Fixed assets realized ₹5,20,000 and book debts ₹4,40,000.

Stocks were valued at ₹2,50,000 and it was taken over by partner Y.

Creditors allowed discount of 5% and the expenses of realization amounted to ₹6,000.

You are required to prepare:

- (i) Realization account;
- (ii) Partners capital account; and
- (iii) Cash account.

Question 2 – PYQ June 2024 Full Fledged Question when all Partners are Solvent

P, Q, and R were partners sharing profit & losses in the ratio of 3:2:1. They decided to dissolve the business as on 31st March, 2024 when their Balance Sheet was as follows:

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital A/c:		Land & Building	4,85,000
P	3,55,000	Machinery	1,88,000
Q	2,20,000	Furniture	1,05,000
R	1,25,000	Stock	55,800
General Reserve		Trade Debtors	1,56,000
Employees Provident Fund		Cash & Bank	44,200
Trade Creditors			
	10,34,000		10,34,000



The following information is given to you :

- (i) There was an unrecorded investment which was sold for ₹30,000.
- (ii) One of the creditors agreed to take over some items of furniture of Book value ₹25,000 at 24,000. The rest of the creditors were paid at a discount of 5%.
- (iii) Out of the Debtors ₹9,000 proved bad, remaining were fully realized.
- (iv) The other assets were realised as under:

Land & Building	₹ 5,25,000
Machinery	₹ 1,70,000
Furniture	Remaining taken over by P at ₹ 75,000
Stock	₹60,000

- (v) Expenses of dissolution amounted to ₹ 18,700.
- (vi) There was an outstanding bill for repairs which had to be paid for ₹3,500.

You are required to prepare

- (1) Realization A/c
- (2) Cash & Bank A/c
- (3) Partner's Capital A/c in the books of partnership firm.

Question 3 – ICAI Material Full Fledged Question when all Partners are Solvent

P and Q were partners sharing profits equally in LLP. Their Balance Sheet as on March 31, 2022 was as follows:

Balance Sheet as on 31st March, 2022

Equity and Liabilities	Amt (₹)	Assets	Amt (₹)
Capitals:		Bank	30,000
P	1,00,000	Debtors	25,000
Q	<u>50,000</u>	Stock	35,000
Creditors	20,000	Furniture	40,000
Q's current account	10,000	Machinery	60,000
Reserves	15,000	P's current account	10,000
Bank overdraft	5,000		
	2,00,000		2,00,000

The firm was dissolved on the above date:

P took over 50% of the stock at 10% less on its book value, and the remaining stock was sold at a gain of 15%. Furniture and Machinery realized for ₹30,000 and ₹50,000 respectively; There was an unrecorded investment which was sold for ₹25,000; Debtors realized 90% only and ₹1,245 were recovered for bad debts written off last year. There was an outstanding bill for repairs which had to be paid for ₹2,000.

You are required to prepare Realization Account, Partners' capital accounts (including transfer of current account balances) and Bank Account in the books of the firm.



Question 4 – ICAI Material Full Fledged Question when all Partners are Solvent

P, Q, and R are partners sharing profits and losses as to 2:2:1. Their Balance Sheet as on 31st March, 2022 is as follows:

Liabilities		Amt (₹)	Assets		Amt (₹)
Capital accounts			Plant and Machinery		1,08,000
P	1,20,000		Fixtures		24,000
Q	48,000		Stock		60,000
R	24,000	1,92,000	Sundry debtors		48,000
Reserve Fund		60,000	Cash		60,000
Creditors		48,000			
		3,00,000			3,00,000

They decided to dissolve the business. The following are the amounts realized:

Particulars	Amt (₹)
Plant and Machinery	1,02,000
Fixtures	18,000
Stock	84,000
Sundry debtors	44,400

Creditors allowed a discount of 5% and realization expenses amounted to ₹1,500. There was an unrecorded asset of ₹6,000 which was taken over by Q at ₹4,800. An amount of ₹4,200 due for GST had come to notice during the course of realization and this was also paid.

You are required to prepare:

- (i) Realization account.
- (ii) Partners' capital accounts.
- (iii) Cash account.



Question 5 – ICAI Material Full Fledged Question when all Partners are Solvent

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

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

The following information is given to you:

(i) Realization expenses amounted to ₹18,000 out of which ₹3,000 was borne by Amit.

(ii) A creditor agreed to takeover furniture of book value ₹12,000 at ₹10,800. The rest of the creditors were paid off at a discount of 6.25%.

(iii) The other assets realized as follows:

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

Stock - Realized 120% of book value

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

Land & Building - Realized ₹1,65,000

Investments - Taken over by Amit at 15% discount

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

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

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



Question 6 – ICAI Material When 1 or more Partner becomes Insolvent & Fluctuating Capital A/c method

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

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

Following information is given to you: -

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

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

Question 7 – ICAI Material When 1 or more Partner becomes Insolvent & Fluctuating Capital A/c method

M/s X, Y, and Z who were in partnership sharing profits and losses in the ratio of 2:2:1 respectively, had the following Balance Sheet as on December 31, 2022:

Liabilities	₹		₹		Assets	₹		₹	
	₹	₹	₹	₹		₹	₹	₹	₹
Capital: X	29,200				Fixed Assets			40,000	
Y	10,800				Stock			25,000	
Z	10,000		50,000		Book Debts	25,000			
Z's Loan			5,000		Less: Provision	(5,000)		20,000	
Loan from M ₹ X			10,000		Cash			1,000	
Sundry Trade Creditors			25,000		Advance to Y			4,000	
			90,000					90,000	



The firm was dissolved on the date mentioned above due to continued losses. After drawing up the balance sheet given above, it was discovered that goods amounting to ₹4,000 have been purchased in November, 2022 and had been received but the purchase was not recorded in books.

Fixed assets realized ₹20,000; Stock ₹21,000 and Book Debt ₹20,500. Similarly, the creditors allowed a discount of 2% on average. The expenses of realization come to ₹1,080. X agreed to take over the loan of M₹ X. Y is insolvent, and his estate is unable to contribute anything.

Give accounts to close the books; work according to the decision in Garner vs. Murray.

Question 8 – ICAI Material When 1 or more Partner becomes Insolvent & Fixed Capital A/c method

P, Q, and R were partners sharing profits and losses in the ratio of 3: 2: 1, no partnership salary or interest on capital being allowed. Their balance sheet on 30th June, 2022 is as follows:

Liabilities		Amt (₹)	Assets	Amt (₹)
Fixed Capital			Fixed Assets:	
P	20,000		Trademark	40,000
Q	20,000		Freehold Property	8,000
R	<u>10,000</u>	50,000	Plant and Equipment	12,800
Current Accounts:			Motor Vehicle	700
P	500		Current Assets	
Q	<u>9,000</u>	9,500	Stock	3,900
Loan from P Trade Creditors		8,000	Trade Debtors	2,000
		12,400	Less: Provision	<u>(100)</u>
			Cash at Bank	200
			Miscellaneous losses	
			R's Current Account	400
			Profit and Loss Account	12,000
		79,900		79,900

On 1st July, 2022 the partnership was dissolved. Motor Vehicle was taken over by Q at a value of ₹500 but no cash passed specifically in respect of this transaction. Sale of other assets realized the following amounts:

	Amt (₹)
Trademark	Nil
Freehold Property	7,000
Plant and Equipment	5,000
Stock	3,000
Trade Debtors	1,600



Question 10 – ICAI Material When All the Partner's are Insolvent

Amal and Bimal are in equal partnership. Their Balance Sheet stood as under on 31st March, 2021 when the firm was dissolved:

Liabilities	Amt (₹)	Asset	Amt (₹)
Creditors A/c	4,800	Plant & Machinery	2,500
Amal's Capital A/c	750	Furniture	500
		Debtors	1,000
		Stock	800
		Cash	200
		Bimal's drawings	550
	5,550		5,550

The assets realized as under:

Particulars	Amt (₹)
Plant & Machinery	1,250
Furniture	150
Debtors	400
Stock	500

The expenses of realization amounted to ₹175. Amal's private estate is not sufficient even to pay his private debts, whereas Bimal's private estate has a surplus of ₹200 only.

Show necessary ledger accounts to close the books of the firm.

Question 11 – ICAI Material Piecemeal System Maximum Loss Method

A, B, and C are partners sharing profits and losses in the ratio of 5:3:2. Their capitals were ₹9,600, ₹6,000 and ₹8,400 respectively.

After paying creditors, the liabilities and assets of the firm were:

Liabilities	Amt (₹)	Assets	Amt (₹)
Liability for interest on loans from:		Investments	1,000
Spouses of partners	2,000	Furniture	2,000
Partners	1,000	Machinery	1,200
		Stock	4,000

The assets realized in full in the order in which they are listed above. B is insolvent. You are required to prepare a statement showing the distribution of cash as and when available, applying the maximum possible loss procedure.



Question 12 – ICAI Material Piecemeal System Maximum Loss Method

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

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

The assets realized the following sums in installments:

I	1,000	
II	3,000	
III	3,900	
IV	6,000	
V	<u>20,100*</u>	*(500-400)
	34,000	

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

Question 13 – ICAI Material Piecemeal System Highest Relative Capital Method

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

Liabilities		Amt (₹)	Assets	Amt (₹)
Capitals:			Cash	10,800
A	76,000		Sundry Assets	1,89,200
B	48,000			
C	36,000	1,60,000		
Loan A/c - B		10,000		
Sundry Creditors		30,000		
		2,00,000		2,00,000

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



	Amt (₹)
On 5 th July, 2022	25,200
On 30 th August, 2022	60,000
On 15 th September, 2022	80,000

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

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Chapter 15

Share Capital

Question 1 – ICAI Material Full Subscription

A company invited applications for 10,000 equity shares of ₹50 each payable on application ₹15, on Allotment ₹20, on first and final call ₹15. Applications are received for 10,000 shares and all the applicants are allotted the number of shares they have applied for and instalment money was duly received by the company. Show Journal entries in the books of the company.

Question 2 – ICAI Material Under Subscription

On 1st April, 2021, A Ltd. issued 43,000 shares of ₹100 each payable as follows:

₹20 on application;

₹30 on allotment;

₹25 on 1st October, 2021; and

₹25 on 1st February, 2022.

By 20th May, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15th July; those on 1st call were received on 20th October. Journalise the transactions when accounts were closed on 31st March, 2022.

Question 3 – ICAI Material Over Subscription

Pant Ltd. invited applications for 50,000 equity shares at ₹50 each, which are payable as on application ₹20, on allotment ₹10 and on first and final call ₹20. The company received applications for 60,000 shares. The directors accepted application for 50,000 shares and rejected the rest. Show Journal entries if company refunded the application money to rejected applicants and allotment money was received for 45,000 shares.

Question 4 – ICAI Material Issue of Share at Premium

On 1st October, 2022 Pioneer Equipment Limited received applications for 2,50,000 Equity Shares of ₹100 each to be issued at a premium of 25 per cent payable as :

On Application ₹25

On Allotment ₹75 (including premium)

Balance Amount on Shares As and when required

The shares were allotted by the Company on October 20, 2022 and the allotment money was duly received on October 31, 2022.

Record journal entries in the books of the company to record the transactions in connection with the issue of shares.

**Question 5 – ICAI Material Pro-Rata Allotment**

JHP Limited is a company with an authorised share capital of ₹10,00,000 in equity shares of ₹10 each, of which 6,00,000 shares had been issued and fully paid on 30th June, 2021. The company proposed to make a further issue of 1,00,000 of these ₹10 shares at a price of ₹14 each, the arrangements for payment being:

- (a) ₹2 per share payable on application, to be received by 1st July, 2021;
- (b) Allotment to be made on 10th July, 2021 and a further ₹5 per share (including the premium) to be payable;
- (c) The final call for the balance to be made, and the money received by 30th April, 2022.

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

- (i) Applicants for 5,000 shares received allotment in full;
- (ii) Applicants for 30,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (iii) Applicants for 3,20,000 shares received an allotment of one share for every four applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (iv) the money due on final call was received on the due date.

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

Question 6 – PYQ May 2018 Pro-Rata Question

Piyush Limited is a company with an authorized share capital of ₹2,00,00,000 in equity shares of ₹10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2017. The company proposed to make a further issue of 1,30,000 shares of ₹10 each at a price of ₹12 each, the arrangements for payment being:

- (i) ₹2 per share payable on application, to be received by 1st July, 2017;
- (ii) Allotment to be made on 10th July, 2017 and a further ₹5 per share (including the premium) to be payable;
- (iii) The final call for the balance to be made, and the money received by 30th April, 2018.

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;



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(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.

Question 7 – PYQ Jan 2021 Pro-rata Question

A Limited is a company with an authorised share capital of ₹1,00,00,000 in equity shares of ₹10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹10 shares at a price of ₹14 each, the arrangement of payment being :

(i) ₹2 per share payable on application, to be received by 31st May, 2020;

(ii) Allotment to be made on 10th June, 2020 and a further ₹5 per share (including the premium to be payable);

(iii) The final call for the balance to be made, and the money received by 31st December, 2020.

Applications were received for 5,60,000 shares and dealt with as follows:

(1) Applicants for 10,000 shares received allotment in full;

(2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;

(3) Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and

(4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited.

Question 8 – ICAI Material Call in Arrears

Shreyas Ltd. did not receive the first call on 10,000 equity shares @ ₹3 per share which was due on 1.7.2021. This amount was received on 1.4.2022.

Open Calls in arrears account and journalise the entries in the books of the company on 1.7.2021 and 1.4.2022.



Question 9 – ICAI Material Call in Arrears & Call in Advance

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

Question 10 – PYQ May 2022 Call in Arrears Call in Advance

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

Question 11 – ICAI Material Forfeiture of Share

A Ltd forfeited 30,000 equity shares of ₹10 fully called-up, held by Mr. X for non-payment of final call @ ₹4 each. However, he paid application money @ ₹2 per share and allotment money @ ₹4 per share. These shares were originally issued at par. Give Journal Entry for the forfeiture.

Question 12 – ICAI Material Forfeiture of Share

X Ltd forfeited 20,000 equity shares of ₹10 each, ₹8 called-up, for non-payment of first call money @ ₹2 each. Application money @ ₹2 per share and allotment money @ ₹4 per share have already been received by the company. Give Journal Entry for the forfeiture (assume that all money due is transferred to Calls-in-Arrears Account).

Question 13 – ICAI Material Forfeiture of Share

X Ltd. forfeited 5,000 equity shares of ₹100 each fully called-up which were issued at a premium of 20%. Amount payable on shares were: on application ₹20; on allotment ₹50 (including premium); on First and Final call ₹50. Only application money was paid by the shareholders in respect of these shares. Pass Journal Entries for the forfeiture.



Question 14 – ICAI Material Forfeiture of Share

Mr. Shami has applied for 1,000 shares of Company XYZ Ltd. paying application money @ ₹2 per share but has been allotted only 600 shares. The shares have a face value of ₹10 and a premium of ₹2 per share, which are payable as: on Allotment- ₹5 (including premium) and on final call ₹5. Now in case Mr. Shami doesn't pay allotment money and final call and his shares are forfeited.

Question 15 – PYQ Nov 2018 Forfeiture of Shares

Give necessary journal entries for the forfeiture and re-issue of shares:

- 1) X Ltd. forfeited 300 shares of ₹10 each fully called up, held by Ramesh for non-payment of allotment money of ₹3 per share and final call of ₹4 per share. He paid the application money of ₹3 per share. These shares were re-issued to Suresh for ₹8 per share.
- 2) X Ltd. forfeited 200 shares of ₹10 each (₹7 called up) on which Naresh had paid application and allotment money of ₹5 per share. Out of these, 150 shares were re- issued to Mahesh as fully paid up for ₹6 per share.
- 3) X Ltd. forfeited 100 shares of ₹10 each (₹6 called up) issued at a discount of 10% to Dimple on which she paid ₹2 per share. Out of these, 80 shares were re-issued to Simple at ₹8 per share and called up for ₹6 share.

Question 16 – PYQ Dec 2023 Share Forfeiture

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

On Application	₹50
On Application	₹50 including premium and
On Final Call	₹25

Applications were received for 29,000 shares. Letters of regret were issued to applications for 4,000 shares and shares were allotted to all other applicants.

Mr. A the holder of 150 shares, failed to pay the allotment and call money, the shares were forfeited.

Show the journal entries and cash book in the books of A Limited.



Question 17 – ICAI Material Forfeiture of Share & Complete Re-issue of Share

Mr. Long who was the holder of 2,000 preference shares of ₹100 each, on which ₹75 per share has been called up could not pay his dues on Allotment and First call each at ₹25 per share. The Directors forfeited the above shares and reissued 1500 of such shares to Mr. Short at ₹65 per share paid-up as ₹75 per share.

Give Journal Entries to record the above forfeiture and re-issue in the books of the company.

Question 18 – ICAI Material Forfeiture of Share & Complete Re-issue of Share

A holds 2,000 shares of ₹10 each on which he has paid ₹2 as application money. B holds 4,000 shares of ₹10 each on which he has paid ₹2 per share as application money and ₹3 per share as allotment money. C holds 3,000 shares of ₹10 each and has paid ₹2 on application, ₹3 on allotment and ₹3 for the first call. They all fail to pay their arrears on the second and final call and the directors, therefore, forfeited their shares. The shares are re-issued subsequently for ₹12 per share fully paid-up. Journalise the transactions relating to the forfeiture and re-issue.

Question 19 – PYQ Nov 2020 Forfeiture and Complete Re-issue

ABC Limited issued 20,000 equity shares of ₹10 each payable as:

- ₹2 per share on application
- ₹3 per share on allotment
- ₹4 per share on first call
- ₹1 per share on final call

All the shares were subscribed. Money due on all shares was fully received except for Mr. Bird, holding 300 shares, who failed to pay first call and final call money. All these 300 shares were forfeited. The forfeited shares of Mr. Bird were subsequently re-issued to Mr. John as fully paid up at a discount of ₹2 per share. Pass the necessary Journal Entries to record the above transactions in the books of ABC Limited.

Question 20 – PYQ July 2021 Forfeiture & Complete Reissue

X Limited invited applications for issuing 75,000 equity shares of ₹10 each at a premium of ₹5 per share.

The total amount was payable as follows:

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

Applications for 3,00,000 equity shares were received. Applications for 2,00,000 equity shares were rejected and money refunded. Shares were allotted on pro-rata basis to the remaining applicants. The first and final call was made. The amount was duly



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received except on 1,500 shares applied by Mr. Raj. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹4/- per share.

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

Question 21 – PYQ Dec 2021 Forfeiture & Complete Reissue

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

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

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

Pass necessary Journal entries in the books of Fashion Garments Ltd.

Question 22 – ICAI Material Forfeiture of Share & Partial Re-issue of Share

Beautiful Co. Ltd issued 30,000 equity shares of ₹10 each payable as ₹3 per share on application, ₹5 per share (including ₹2 as premium) on allotment and ₹4 per share on call. All the shares were subscribed. Money due on all shares was fully received except from Ram, holding 500 shares, who failed to pay the Allotment and Call money and Shyam, holding 1,000 shares, who failed to pay the Call Money. All those 1,500 shares were forfeited. Of the shares forfeited, 1,250 shares (including whole of Ram's shares) were subsequently re-issued to Jadu as fully paid up at a discount of ₹2 per share.

Pass the necessary entries in the Journal of the company to record the forfeiture and re-issue of the share. Also prepare the Balance Sheet of the company.

Question 23 – PYQ May 2019 Forfeiture & Partial Reissue

Bhagwati Ltd. invited applications for issuing 2,00,000 equity shares of ₹10 each. The amounts were payable as follows:

- On application - ₹3 per share
- On allotment - ₹5 per share
- On first and final call - ₹2 per share

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money.



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B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid-up @ ₹6 per share.

Pass necessary Journal entries to record the above transactions in the books of Bhagwati Ltd.

Question 24 – PYQ Nov 2019 Forfeiture & Partial Reissue

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

Pass necessary journal entries in the books of B limited.

Also prepare Balance Sheet and notes to accounts of the company.

Question 25 – PYQ Dec 2022 Forfeiture & Partial Re-issue

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

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

Question 26 – PYQ June 2023 Pro-rata Question with Forfeiture & Re-issue

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

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

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



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

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

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

Question 27 – ICAI Material Call in Arrears with Cash Book

The Delhi Artware Ltd. issued 50,000 equity shares of ₹100 each and 1,00,000 preference shares of ₹100 each. The Share Capital was to be collected as under:

	Equity Shares (₹)	Preference Shares (₹)
On Application	25	20
On Allotment	20	30
First Call	30	20
Final Call	25	30

All these shares were subscribed. Final call was received on 42,000 equity shares and 88,000 preference shares. Prepare the cash book and journalise the remaining transactions in the books of the company.

Question 28 – ICAI Material Balance Sheet Making without Journal Entry

A company had an authorised capital of ₹10,00,000 divided into 1,00,000 equity shares of ₹10 each. It decided to issue 60,000 shares for subscription and received applications for 70,000 shares. It allotted 60,000 shares and rejected remaining applications. Upto 31-3-2022, it has demanded or called ₹9 per share. All shareholders have duly paid the amount called, except one shareholder, holding 5,000 shares who has paid only ₹7 per share.

Prepare a balance sheet assuming there are no other details.

Question 29 – ICAI Material Issue of Shares for Consideration Other than Cash

X Co. Ltd. was incorporated with an authorized share capital of 90,000 equity shares of ₹10 each. The company purchased land and buildings from Y Co. Ltd for ₹4,00,000 payable in fully paid-up shares of the company. The balance of the shares were issued to the public, which were fully subscribed and paid for.

You are required to pass Journal Entries and to prepare the Balance Sheet.



Chapter 16

Debentures

Question 1 – ICAI Material Issue at Par Redemption at Par

Amol Ltd. issued 40,00,000, 9% debentures of ₹50 each, payable on application as per term mentioned in the prospectus and redeemable at par any time after 3 years from the date of issue. Record necessary entries for issue of debentures in the books of Amol Ltd.

Question 2 – ICAI Material Issue at Discount Redemption at Par

Atul Ltd. issued 1,00,00,000, 8% debenture of ₹100 each at a discount of 10% redeemable at par at the end of 10th year.

Money was payable as follows :

₹30 on application

₹60 on allotment

Record necessary journal entries regarding issue of debenture.

Question 3 – ICAI Material Issue at Premium Redemption at Par

Koinal Chemicals Ltd. issued 15,00,000, 10% debenture of ₹50 each at premium of 10%, payable as ₹20 on application and balance on allotment. Debentures are redeemable at par after 6 years. All the money due on allotment was called up and received. Record necessary entries when premium money is included in application money.

Question 4 – ICAI Material Issue at Par Redemption at Premium

Modern Equipments Ltd. issued 4,00,000, 12% debentures of ₹100 payable as follows :

On application ₹30

On allotment ₹70

The debenture were fully subscribed and all the money was duly received. As per the terms of issue, debentures are redeemable at ₹110 per debenture. Record necessary entries regarding issue of debentures.

Question 5 – ICAI Material Issue at Par Redemption at Premium

Agrotech Ltd. issued 150 lakh 9% debentures of ₹100 each at a discount of 6%, redeemable at a premium of 5% after 3 years payable as: ₹50 on application and ₹44 on allotment. Record necessary journal entries for issue of debentures.

**Question 6 – ICAI Material Issue at Premium Redemption at Premium**

Country Crafts Ltd. issued 1,00,000, 8% debentures of ₹100 each at premium of 5% payable fully on application and redeemable at premium of ₹10 Pass necessary journal entries at the time of issue

Question 7 – ICAI Material Over-Subscription

Simmons Ltd. issued 1,00,000, 12% Debentures of ₹100 each at par payable in full on application by 1st April, Application were received for 1,10,000 Debentures. Debentures were allotted on 7th April. Excess money refunded on the same date. You are required to pass necessary Journal Entries (including cash transactions) in the books of the company.

Question 8 – ICAI Material Over-Subscription

X Ltd. issued 1,00,000 12% Debentures of ₹100 each at a discount of 10% payable in full on application by 31st May, 2022. Applications were received for 1,20,000 debentures. Debentures were allotted on 9th June, 2022. Excess money was refunded on the same date. Pass necessary Journal Entries. Also show necessary ledger accounts.

Question 9 – ICAI Material Issue of Debenture as Collateral

X Ltd. obtains a loan from IDBI of ₹1,00,00,000, giving as collateral security of ₹1,50,00,000 (of ₹10 each), 14%, First Mortgage Debentures.

Question 10 – ICAI Material Issue of Debenture for Consideration other than Cash

X Company Limited issued 10,000 14% Debentures of the nominal value of ₹50,00,000 as follows:

- To sundry persons for cash at 90% of nominal value of ₹25,00,000.
- To a vendor for purchase of fixed assets worth ₹10,00,000 – ₹12,50,000 nominal value.
- To the banker as collateral security for a loan of ₹10,00,000 – ₹12,50,000 nominal value. Pass necessary Journal Entries.

Question 11– PYQ Nov 2020 Issue of Debenture for Consideration other than Cash

Y Company Limited issue 10,000 12% Debentures of the nominal value of ₹60,00,000 as follows :

- To a vendor for purchase of fixed assets worth ₹13,00,000 - ₹15,00,000 nominal value.
- To sundry persons for cash at 90% of nominal value of ₹30,00,000.



(iii) To the banker as collateral security for a loan of ₹14,00,000 - ₹15,00,000 nominal value, You are required to pass necessary Journal Entries

Question 12 – ICAI Material Writing off Discount / Loss on Issue of Debenture

HDC Ltd issues 1,00,000, 12% Debentures of ₹100 each at ₹94 on 1st January, 2022. Under the terms of issue, the debentures are redeemable at the end of 5 years from the date of the issue. Calculate the amount of discount to be written-off in each of the 5 years

Question 13 – PYQ Nov 2018 Writing off Discount / Loss on Issue of Debenture

Pure Ltd. issues 1,00,000 12% Debentures of ₹10 each at ₹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

Question 14 – ICAI Material Writing off Discount / Loss on Issue of Debenture

HDC Ltd. issues 2,00,000, 12% Debentures of ₹10 each at ₹9.40 on 1st January, 2022. Under the terms of issue, 1/5th of the debentures are annually redeemable by drawings, the first redemption occurring on 31st December, 2022. Calculate the amount of discount to be written- off from 2022 to 2026.

Question 15 – ICAI Material Full Fledged Question

A company issued 12% debentures of the face value of ₹10,00,000 at 10% discount on 1-1-2019. Debenture interest after deducting tax at source @ 10% was payable on 30th June and 31st of December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass journal entries for the accounting year 2022

Question 16 – ICAI Material Full Fledged Question

On 1st April 2022 Sheru Ltd. issued 1,00,000 12% debentures of ₹100 each at a discount of 5%, redeemable on 31st March, 2027. Issue was oversubscribed by 20,000 debentures, who were refunded their money. Interest is paid annually on 31st March. You are required to prepare:

- (i) Journal Entries at the time of issue of debentures.
- (ii) Discount on issue of Debenture Account
- (iii) Interest account and Debenture holder Account assuming TDS is deducted @ 10%.



Question 17 – PYQ May 2019 Full Fledged Question

On 1st January 2018 Ankit Ltd. issued 10% debentures of the face value of ₹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.

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Chapter 17

Bonus & Right Issue

Question 1 – ICAI Material Issue of Bonus Share to Fully Paid

Following items appear in the trial balance of Bharat Ltd. (a listed company) as on 31st March, 2022:

	Amt (₹)
40,000 Equity shares of ₹10 each	4,00,000
Capital Redemption Reserve	55,000
Securities Premium (collected in cash)	30,000
General Reserve	1,05,000
Surplus i.e. credit balance of Profit and Loss Account	50,000

The company decided to issue to equity shareholders bonus shares at the rate of 1 share for every 4 shares held and for this purpose, it decided that there should be the minimum reduction in free reserves. Pass necessary journal entries.

Question 2 – ICAI Material Issue of Bonus Share to Fully Paid

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

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

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

Question 3 – ICAI Material Issue of Bonus Share to Fully Paid

A Limited company having fully paid up capital of ₹50,00,000 consisting of Equity shares of ₹10 each, had General Reserve of ₹9,00,000. It was resolved to capitalize ₹5,00,000 out of General Reserve by issuing 50,000 fully paid bonus shares of ₹10 each, each shareholder to get one such share for every ten shares held by him in the company. Pass Journal Entries



Question 4 – ICAI Material Issue of Bonus Share to Fully Paid

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

	Amt (₹)
Authorised capital :	
10,000 12% Preference shares of ₹10 each	1,00,000
1,00,000 Equity shares of ₹10 each	<u>10,00,000</u>
	<u>11,00,000</u>
Issued and Subscribed capital:	
8,000 12% Preference shares of ₹10 each fully paid	80,000
90,000 Equity shares of ₹10 each, ₹8 paid up	7,20,000
Reserves and Surplus :	
General reserve	1,60,000
Revaluation reserve	35,000
Securities premium (collected in cash)	20,000
Profit and Loss Account	2,05,000
Secured Loan:	
12% Debentures @ ₹100 each	5,00,000

On 1st April, 2022 the Company has made final call @ ₹2 each on 90,000 equity shares. The call money was received by 20th April, 2022. Thereafter the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held. Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue assuming that the company has passed necessary resolution at its general body meeting for increasing the authorised capital.



Question 5 – ICAI Material Issue of Bonus Share to Fully Paid

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

	Amt (₹)
Share capital:	
Authorised capital:	
15,000 12% Preference shares of ₹10 each	1,50,000
1,50,000 Equity shares of ₹10 each	<u>15,00,000</u>
	<u>16,50,000</u>
Issued and Subscribed capital:	
12,000 12% Preference shares of ₹10 each fully paid	1,20,000
1,35,000 Equity shares of ₹10 each, ₹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 @ ₹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.



Question 6 – ICAI Material Issue of Bonus Share to Fully Paid

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

(1) Share Capital Authorised :	
20 crore shares of ₹10 each	20,000
Issued and Subscribed :	
10 crore Equity Shares of ₹10 each	10,000
2 crore 11% Cumulative Preference Shares of ₹10 each	2,000
Total	12,000
Called and paid up:	
10 crore Equity Shares of ₹10 each, ₹8 per share called and paid up	8,000
2 crore 11% Cumulative Preference Shares of ₹10 each, fully called and paid up	2,000
Total	10,000
(2) Reserves and Surplus :	
Capital Redemption Reserve	1,485
Securities Premium (collected in cash)	2,000
General Reserve	1,040
Surplus i.e. credit balance of Profit & Loss Account	273
Total	4,798

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

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



Question 7 – ICAI Material Issue of Bonus Share to Fully Paid

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

Authorised Capital	Amt (₹)
30,000 12% Preference shares of ₹10 each	3,00,000
3,00,000 Equity shares of ₹10 each	30,00,000
	33,00,000
Issued and Subscribed capital:	
24,000 12% Preference shares of ₹10 each fully paid	2,40,000
2,70,000 Equity shares of ₹10 each, ₹8 paid up	21,60,000
Reserves and surplus:	
General Reserve	3,60,000
Capital Redemption Reserve	1,20,000
Securities premium (collected in cash)	75,000
Profit and Loss Account	6,00,000

On 1st April, 2022, the Company has made final call @ ₹2 each on 2,70,000 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.

Question 8 – ICAI Material Conversion of Partly Paid to Full paid by Issue of Bonus

A Limited company with subscribed capital of ₹5,00,000 consisting of 50,000 Equity shares of ₹10 each; called up capital ₹7.50 per share. A bonus of ₹1,25,000 declared out of General Reserve to be applied in making the existing shares fully paid up.

Pass Journal Entries

Question 9 – ICAI Material Right Issue

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

Question 10 – ICAI Material Right Issue

A company has decided to increase its existing share capital by making rights issue to its existing shareholders. The company is offering one new share for every two shares held by the shareholder. The market value of the share is ₹240 and the company is offering one share of ₹120 each. Calculate the value of a right. What should be the ex-right market price of a share



Question 11 – ICAI Material Right Issue

A Ltd company having share capital of 25,000 equity shares of ₹10 each decides to issue rights share at the ratio of 1 for every 4 shares held at par value. Assuming all the share holders accepted the rights issue and all money was duly received, pass journal entries in the books of the company.

Question 12 – ICAI Material Bonus & Right Issue

Following notes pertain to the Balance Sheet of Mars Company Limited as at 31st March 2022:

	Amt (₹)
Authorised capital:	
50,000 12% Preference shares of ₹10 each	5,00,000
5,00,000 Equity shares of ₹10 each	50,00,000
	55,00,000
Issued and Subscribed capital:	
50,000 12% Preference shares of ₹10 each fully paid	5,00,000
4,00,000 Equity shares of ₹10 each, ₹8 paid up	32,00,000
Reserves and surplus:	
General Reserve	1,60,000
Capital Redemption Reserve	2,40,000
Securities premium (collected in cash)	2,75,000
Revaluation Reserve	1,00,000
Profit and Loss Account	16,00,000

On 1st April, 2022, the Company has made final call @ ₹2 each on 4,00,000 equity shares. The call money was received by 25th April, 2022. Thereafter, on 1st May 2022 the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held, it decided that there should be minimum reduction in free reserves.

On 1st June 2022, the Company issued Rights shares at the rate of two shares for every five shares held on that date at issue price of ₹12 per share. All the rights shares were accepted by the existing shareholders and the money was duly received by 20th June 2022.

Show necessary journal entries in the books of the company for bonus issue and rights issue.



Question 13 – PYQ June 2024 Bonus & Right Issue

The following is the abstract of Balance Sheet of Happy Ltd. as on 31st March, 2024:

		₹
Issued and paid-up capital		
90,000 Equity shares of ₹10 each fully paid - up	9,00,000	
Less: Calls-in-arrear (10,000 Equity shares of ₹ 2 each)	(20,000)	8,80,000
40,000 Equity shares of ₹10 each, ₹4 cash paid up		1,60,000
Reserves and Surplus:		
Capital Reserve (realized in cash)		60,000
Capital Redemption Reserve		1,60,000
Securities Premium		1,00,000
General Reserve		1,20,000
Profit and Loss Account		7,00,000

On 1st April, 2024, the company makes final call @ 6 each on 40000 equity shares. The call money is duly received by 30th April, 2024.

On 1st May, 2024, the Board of Directors of the company decided:

- (i) To forfeit the share on which final call of ₹2 each is due;
- (ii) To re-issue the forfeited share @ ₹11 each as fully paid up;
- (iii) To issue fully paid bonus shares in the ratio of one fully paid bonus share for every two fully paid shares held; and
- (iv) To use minimum balance of Profit and Loss Account.

Pass necessary journal entries in the books of the company on the basis of the above decisions.



Chapter 18

Redemption of Preference Share

Question 1 – ICAI Material Redemption by Issue of Fresh Equity Share at Par

Hinduja Company Ltd. had 5,000, 8% Redeemable Preference Shares of ₹100 each, fully paid up. The company decided to redeem these preference shares at par by the issue of sufficient number of equity shares of ₹10 each fully paid up at par. You are required to pass necessary Journal Entries including cash transactions in the books of the company.

Question 2 – ICAI Material Redemption by Issue of Fresh Equity Share at Premium

C Ltd. had 10,000, 10% Redeemable Preference Shares of ₹100 each, fully paid up. The company decided to redeem these preference shares at par, by issue of sufficient number of equity shares of ₹10 each at a premium of ₹2 per share as fully paid up. You are required to pass necessary Journal Entries including cash transactions in the books of the company.

Question 3 – ICAI Material Redemption by Issue of Fresh Equity Share

G India Ltd. had 9,000 10% redeemable Preference Shares of ₹10 each, fully paid up. The company decided to redeem these preference shares at par by the issue of sufficient number of equity shares of ₹9 each fully paid up. You are required to pass necessary Journal Entries including cash transactions in the books of the company.

Question 4 – ICAI Material Redemption by Creation of CRR

The following are the extracts from the Balance Sheet of ABC Ltd. as on 31st December, 2022.

Share capital: 40,000 Equity shares of ₹10 each fully paid – ₹4,00,000; 1,000 10% Redeemable preference shares of ₹100 each fully paid – ₹1,00,000.

Reserve & Surplus:

Capital reserve – ₹50,000;

Securities premium – ₹50,000;

General reserve – ₹75,000;

Profit and Loss Account – ₹35,000

On 1st January 2023, the Board of Directors decided to redeem the preference shares at par by utilisation of reserve. You are required to pass necessary Journal Entries including cash transactions in the books of the company

**Question 5 - ICAI Material Redemption by Issue of Fresh Equity Share and CRR Creation**

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

It was decided by the company to issue the following:

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

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

Question 6 – ICAI Material Redemption by Issue of Fresh Equity Share and CRR Creation

The Board of Directors of a Company decided to issue minimum number of equity shares of ₹9 to redeem ₹5,00,000 preference shares. The maximum amount of divisible profits available for redemption is ₹3,00,000. Calculate the number of shares to be issued by the company to ensure that the provisions of Section 55 are not violated. Also determine the number of shares if the company decides to issue shares in multiples of ₹75 only.

Question 7 – ICAI Material Redemption by Issue of Fresh Equity Share and CRR Creation

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

Undistributed reserve and surplus stood as:

General Reserve ₹80,000;

Profit and Loss Account ₹20,000;

Investment Allowance Reserve out of which ₹5,000, (not free for distribution as dividend) ₹10,000;

Securities Premium ₹2,000, Cash at bank amounted to ₹98,000.

Preference shares are to be redeemed at a Premium of 10% and for the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilising the undistributed reserve and surplus, subject to the conditions that a sum of ₹20,000 shall be retained in general reserve and which should not be utilised.

Pass Journal Entries to give effect to the above arrangements.



Question 8 – ICAI Material Redemption by Issue of Fresh Equity Share where Issue Price is recd. In Instalment and CRR Creation

The Balance Sheet of XYZ Ltd. as at 31st December, 2021 information:

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

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

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

Question 9 – ICAI Material Redemption by Issue of Fresh Equity Share where Issue Price is recd. In Instalment and CRR Creation and Share Forfeiture

With the help of the details in Question 8 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)

Question 10 – PYQ June 2024 Issue of Fresh Equity Share where Issue Price is recd. In Instalment and CRR Creation

The following balances appeared in the Books of Mac Ltd. as on 31st December, 2023:

	Amount (₹)
80,000, 10% Preference shares of ₹100 each, ₹75 paid up	60,00,000
2,00,000 Equity share of ₹100 each fully paid up	2,00,00,000
Securities Premium	6,50,000
Capital Redemption Reserve	42,00,000
General Reserve	85,00,000



Under the terms of their issue, the preference shares are redeemable on 31st March, 2024 at a premium of 5%. In order to finance the redemption, the company makes a right issue of 60,000 equity shares of ₹100 each at a premium of 10%, ₹25 being payable on application, ₹45 (including premium) on allotment and the balance on 1st August, 2024. The issue was fully subscribed and the allotment made on 1st March, 2024. The amount due on allotment was duly received by 25th March, 2024.

The preference shares were redeemed after fulfilling the necessary conditions of section 55 of the Companies Act, 2013.

You are required to pass the necessary Journal Entries (including narrations) to give effect to the above arrangement. Also prepare the Notes to accounts on Share Capital, Reserves and Surplus relevant to the Balance Sheet immediately after the redemption of preference shares as on 31st March, 2024. Ignore date column in Journal.

Question 11 – ICAI Material Bank Balance Requirement

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

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

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

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

- (a) to sell all the investments for ₹15,000.
- (b) to finance part of redemption from company funds, subject to, leaving a bank balance of ₹12,000.



(c) to issue minimum equity share of ₹50 each share to raise the balance of funds required. You are required to pass the necessary Journal Entries to record the above transactions.

Question 12 – ICAI Material Redemption of PS and Issue of Bonus Shares

The books of B Ltd. showed the following balance on 31st December, 2023:

30,000 Equity Shares of ₹10 each fully paid; 18,000 12% Redeemable Preference Shares of ₹10 each fully paid; 4,000 10% Redeemable Preference Shares of ₹10 each, ₹8 paid up (all shares issued on 1st April, 2022).

Undistributed Reserve and Surplus stood as: Profit and Loss Account ₹80,000; General Reserve ₹1,20,000; Securities Premium Account ₹15,000 and Capital Reserve ₹21,000. For redemption, 3,000 equity shares of ₹10 each are issued at 10% premium. At the same time, Preference shares are redeemed on 1st January, 2024 at a premium of ₹2 per share. The whereabouts of the holders of 100 shares of ₹10 each fully paid are not known.

A bonus issue of equity share was made at par, two shares being issued for every five held on that date out of the Capital Redemption Reserve Account. However, equity shares, issued for redemption are not eligible for bonus.

Show the necessary Journal Entries to record the transactions. (Ignore date column)



Chapter 19

Redemption of Debenture

Question 1 – ICAI Material

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

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

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

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

Question 2 – ICAI Material

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

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

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

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

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

Question 3 – ICAI Material Conversion of Debentures into Equity

XYZ Ltd. has issued 1,000, 12% convertible debentures ₹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 ₹10 each



at a price of ₹20 per share and balance in cash. Debenture holders amounting ₹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 ₹20,000 debenture holder.

Question 4 – ICAI Material Conversion of Debentures into Equity

A company had issued 20,000, 13% debentures of ₹100 each on 1st April, 2021. The debentures are due for redemption on 1st July, 2022. The terms of issue of debentures provided that they were redeemable at a premium of 5% and also conferred option to the debenture holders to convert 20% of their holding into equity shares (Nominal value ₹10) at a price of ₹15 per share. Debenture holders holding 2,500 debentures did not exercise the option. Calculate the number of equity shares to be allotted to the debenture holders exercising the option to the maximum

Question 5 – ICAI Material Conversion of Debentures into Equity

Libra Limited (a listed company) recently made a public issue in respect of which the following information is available:

- (a) No. of partly convertible debentures issued- 2,00,000; face value and issue price- ₹100 per debenture.
 - (b) Convertible portion per debenture- 60%, date of conversion- on expiry of 6 months from the date of closing of issue.
 - (c) Date of closure of subscription lists- 1.5.2021, date of allotment- 1.6.2021, rate of interest on debenture- 15% payable from the date of allotment, value of equity share for the purpose of conversion- ₹60 (Face Value ₹10).
 - (d) No. of debentures applied for- 2,00,000.
 - (e) Interest payable on debentures half-yearly on 30th September and 31st March.
- Write relevant journal entries for all transactions arising out of the above during the year ended 31st March, 2022 (including cash and bank entries).


Question 6 – ICAI Material Bonus & Right Issue with Redemption of Debentures

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	Amt (₹)
I. Equity and liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	2,00,000
(b) Reserves and Surplus	2	1,20,000
(2) Non-current liabilities	3	1,20,000
(a) Long term borrowings		
(3) Current Liabilities		1,15,000
(a) Trade payables		5,55,000
Total		
II. Assets	4	1,15,000
(1) Non-current assets		
(a) Property, Plant and Equipment		
(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



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

At the Annual General Meeting, it was resolved:

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


Question 7 – ICAI Material Bonus & Right Issue with Redemption of Debentures

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

Particulars	Amt (₹)
Shareholder's Fund	
(A) Share Capital	
Authorized share capital:	
45,000 equity shares of ₹10 each fully paid	4,50,000
Issued and subscribed share capital:	
30,000 equity shares of ₹10 each fully paid	3,00,000
(B) Reserves and Surplus	
Profit & Loss Account	1,62,000
Debenture Redemption Reserve	18,000
Non-current liabilities	
(a) Long term borrowings	
12% Debentures	1,80,000
Current Liabilities	
(a) Trade payables	1,72,500
Non-current assets	
(a) Property, Plant and Equipment (Freehold property)	1,72,500
(b) Non-current Investment: DRR Investment	27,000
Current assets	
(a) Inventories	2,02,500
(b) Trade receivables	1,12,500
(c) Cash and bank balances:	
Cash at bank	2,73,000
Cash in hand	45,000

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

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



Chapter 20

Inventory Valuation

Question 1 – ICAI Material Determination of Value of Closing Stock

Surekha Ltd deals in 3 products P, Q & R, which are neither similar nor interchangeable. At the end of a financial year, the Historical Cost and NRV of items of Closing Stock are given below. Determine the value of Closing Stock.

Items	Historical Cost (₹ In Lakh)	Net Realisable Value (₹ In Lakh)
P	38	42
Q	29	29
R	17	14

Question 2 – ICAI Material FIFO Method Period and Perpetual Records

A manufacturer has the following record of purchases of a condenser, which he uses while manufacturing radio sets:

Date	Quantity (units)	Price per unit
Dec. 4	900	50
Dec. 10	400	55
Dec. 11	300	55
Dec. 19	200	60
Dec. 28	800	47
	2,600	

1,600 units were issued during the month of December till 18th December. Calculate the value of closing inventory.

Record of issues

Date	Quantity (units)
Dec. 5	500
Dec. 20	600
Dec. 29	500
Total	1,600



Question 3 – ICAI Material LIFO Method Period and Perpetual Records

A manufacturer has the following record of purchases of a condenser, which he uses while manufacturing radio sets:

Date	Quantity (units)	Price per unit
Dec. 4	900	50
Dec. 10	400	55
Dec. 11	300	55
Dec. 19	200	60
Dec. 28	800	47
	2,600	

1,600 units were issued during the month of December till 18th December. Calculate the value of closing inventory.

Record of issues

Date	Quantity (units)
Dec. 5	500
Dec. 20	600
Dec. 29	500
Total	1,600

Question 4 – ICAI Material Weighted Average Perpetual Records

A manufacturer has the following record of purchases of a condenser, which he uses while manufacturing radio sets:

Date	Quantity (units)	Price per unit
Dec. 4	900	50
Dec. 10	400	55
Dec. 11	300	55
Dec. 19	200	60
Dec. 28	800	47
	2,600	

1,600 units were issued during the month of December till 18th December. Calculate the value of closing inventory.



Record of issues

Date	Quantity (units)
Dec. 5	500
Dec. 20	600
Dec. 29	500
Total	1,600

Question 5 – PYQ Dec 2021 Inventory Valuation Weighted Avg. Price Method

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

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

Find out the value of Inventory as on 31.3.2021, if the company follows Weighted Average Method.

Question 6 – ICAI Material Simple Average Method

Let us calculate the value of closing inventory using Average Price Method:

A manufacturer has the following record of purchases of a condenser, which he uses while manufacturing radio sets:

Date	Quantity (units)	Price per unit
Dec. 4	900	50
Dec. 10	400	55
Dec. 11	300	55
Dec. 19	200	60
Dec. 28	800	47
	2,600	

1,600 units were issued during the month of December till 18th December. Calculate the value of closing inventory.



Question 7 – ICAI Material Adjusted Selling Price Method

M/s X, Y and Z are in retail business, following information are obtained from their records for the year ended 31st March, 2022:

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

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

Question 8 – ICAI Material Adjusted Selling Price Method

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

	Amt (₹)
Sales during the year	2,00,000
Cost of purchases	2,00,000
Opening inventory	Nil
Closing inventory at selling price	50,000

Material Adjusted Selling Price Method

Question 9 – PYQ Jan 2021 Adjusted Selling Price Method

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

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

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

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



Question 10 – PYQ July 2021 Adjusted Selling Price Method

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

Purchase during the year	- ₹5,00,000
Sales during the year	- ₹7,50,000
Opening Inventory	- Nil
Closing Inventory at selling price	- ₹1,00,000

Question 11 – ICAI Material Adjusted Selling Price Method

From the following particulars ascertain the value of Inventories as on 31st March, 2022:

	Amt (₹)
Inventory as on 1.4.2021	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, 2021, a sum of ₹17,500 was written off on a particular item, which was originally purchased for ₹50,000 and was sold during the year for ₹45,000. Barring the transaction relating to this item, the gross profit earned during the year was 20 % on sales.

Question 12 – PYQ May 2022 Adjusted Selling Price Method

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

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

The following further information is also provided:

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



(ii) Except for the above transaction, the rate of gross profit during the year was 1/3rd on cost.

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

Question 13 – PYQ Dec 2023 Adjustment Selling Price Method

From the following information, ascertain the value of Closing Stock as on 31st March, 2023.

Particulars	(₹)
Opening Stock	1,47,500
Cash Sales	5,50,000
Credit Sales	4,00,000
Purchases	8,85,000
Manufacturing Expenses	1,35,000
Advertisement Expenses	43,000
Rate of Gross Profit on Cost	25%

At the time of valuing inventory as on 31st March, 2022, a sum of ₹12,500 was written off on a particular item, which was originally purchased for ₹50,000 and was sold during the year for ₹40,000.

Question 14 – ICAI Material Inventory Taking Backward Method

A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2022 on which date total cost of goods in his godown came to ₹50,000. The following facts were established between 31st March and 15th April, 2022.

- (i) Sales ₹41,000 (including cash sales ₹10,000).
 - (ii) Purchases ₹5,034 (including cash purchases ₹1,990).
 - (iii) Sales return ₹1,000.
 - (iv) On 15th March, goods of the sale value of ₹10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
 - (v) The trader had also received goods costing ₹8,000 in March, for sale on consignment basis. 20% of the goods had been sold by 31st March, and another 50% by the 15th April. These sales are not included in above sales.
- Goods are sold by the trader at a profit of 20% on sales.

Y

**Question 15 – ICAI Material Inventory Taking Backward Method**

Inventory taking for the year ended 31st March, 2022 was completed by 10th April 2022, the valuation of which showed a inventory figure of ₹16,75,000 at cost as on the completion date. After the end of the accounting year and till the date of completion of inventory taking, sales for the next year were made for ₹68,750, profit margin being 33.33 % on cost. Purchases for the next year included in the inventory amounted to ₹90,000 at cost less trade discount 10 %. During this period, goods were added to inventory at the mark up price of ₹3,000 in respect of sales returns. After inventory taking it was found that there were certain very old slow-moving items costing ₹11,250, which should be taken at ₹5,250 to ensure disposal to an interested customer. Due to heavy flood, certain goods costing ₹15,500 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be ₹12,500 on 31st March. Compute the value of inventory for inclusion in the final accounts for the year ended 31st March, 2022. are required to

Question 16 – ICAI Material Inventory Taking Backward Method

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

- It was found that sales are entered in the sales book on the same day of dispatch and return inwards in the returns book as and when the goods are received back. Purchases are entered in the purchases day book once the invoices are received.
- It was found that sales between 31.3.2022 and 9.4.2022 as per the sales day book are ₹17,200. Purchases between 31.3.2022 and 9.4.2022 as per purchases day book are ₹1,200, out of these goods amounting to ₹500 were not received until after the stock was taken.
- Goods invoiced during the month of March, 2022 but goods received only on 4th April, 2022 amounted to ₹1,000. Rate of gross profit is 33-1/3% on cost.

Ascertain the value of physical stock as on 31.3.2022.

A

s on 31st March, 2022.

**Question 17 – PYQ May 2019 Inventory Taking Backward Method**

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

- (i) Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.
- (ii) Purchases are entered in the Purchase Book on the day the Invoices are received.
- (iii) Sales between 1st April 2019 to 9th April 2019 amounting to ₹20,000 as per Sales Day Book.
- (iv) Free samples for business promotion issued during 1st April 2019 to 9th April 2019 amounting to ₹4,000 at cost.
- (v) Purchases during 1st April 2019 to 9th April 2019 amounting to ₹10,000 but goods amounts to ₹2,000 not received till the date of stock taking.
- (vi) Invoices for goods purchased amounting to ₹20,000 were entered on 28th March 2019 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost.

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

Question 18 – PYQ June 2024 Inventory Taking Backward Method

Manish closed his books of account on 31st March, each year. Inventory taking for the year ended 31st March, 2024 was completed by 10th April, 2024 on which date value of the stock available in godown was of ₹4,50,000 at cost.

Following are the details of transactions that took place between 31st March, 2024 and 10th April, 2024:

- (i) Goods sold to customers ₹1,10,000.
- (ii) Sales return ₹10,000
- (iii) Purchases 85,000 (Including Cash Purchases ₹10,000).
- (iv) Purchases return amounted to ₹2,500.

Goods costing ₹15,000 received in March, for sale on consignment basis, out of which 60% of goods had been sold by 10th April. These sales are not included in above sales. After the stock was taken, it was found that there was certain very old slow-moving items costing ₹14,850, which should be taken at ₹9,500 to ensure disposal to an interested customer, Goods are sold at a profit margin of 25% on cost. Ascertain the value of inventory for inclusion in the final accounts for the year ended 31st March, 2024.

**Question 19 – ICAI Material Inventory Taking Forward Method**

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

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

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

Question 20 – PYQ Nov 2020 Inventory Taking Forward Method

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

- 1) Out of the goods sent on consignment, goods at cost worth ₹2,30,000 were unsold.
- 2) Purchases of ₹3,00,000 were made out of which goods worth ₹1,20,000 were delivered on 5th March, 2020.
- 3) Sales were ₹13,60,000 which include goods worth ₹3,20,000 sent on approval. Half of these goods were returned before 29th February, 2020, but no information is available regarding the remaining goods.
- 4) Goods are sold at cost plus 25%. However goods costing ₹2,40,000 had been sold for ₹1,50,000.

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

Question 21 – ICAI Material Inventory Valuation with Adjusted P&L A/c

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

- (i) Purchases for the year included ₹15,000 paid for new electric fittings for the shop.
- (ii) Hanuman gave away goods valued at ₹40,000 as free samples for which no entry was made in the books of accounts.
- (iii) Invoices for goods amounting to ₹2,50,000 have been entered on 27th March, 2022, but the goods were not included in stock.



(iv) In March, 2022 goods of ₹2,00,000 sold and delivered were taken in the sales for April, 2022.

(v) Goods costing ₹75,000 were sent on sale or return in March, 2022 at a margin of profit of 33-1/3% on cost. Though approval was given in April, 2022 these were taken as sales for March, 2022.

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

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Chapter 21

Bill of Exchange

Question 1 – ICAI Material Bill Discount

Ms. Sujata receives two bills from Ms. Aruna dated 1st January 2022 for 2 months. The first bill is for 10,200 and the second bill is for ₹15,000. The First bill is discounted immediately with the bank for ₹10,000 and the second bill was endorsed in favour of Mr. Sree on 3rd January 2022. Pass the necessary journal entries in the books of Ms. Sujata.

Question 2 – ICAI Material Renewal of Bill

Vijay sold goods to Pritam on 1st September, 2022 for ₹1,06,000. Pritam immediately accepted a three months bill. On due date Pritam requested that the bill be renewed for a fresh period of two months. Vijay agrees provided interest at 9% p.a. was paid immediately in cash. To this Pritam was agreeable. The second bill was met on due date. Give Journal entries in the books of Vijay and Pritam.

Question 3 – ICAI Material Renewal of Bill

A draws upon B three Bills of Exchange of ₹3,000, ₹2,000 and ₹1,000 respectively. A week later his first bill was mutually cancelled, B agreeing to pay 50% of the amount in cash immediately and for the balance plus interest ₹100, he accepted a fresh Bill drawn by A. This new bill was endorsed to C who discounted the same with his bankers for ₹1,500. The second bill was discounted by A at 5%. This bill on maturity was returned dishonoured (nothing charge being ₹30). The third bill was retained till maturity when it was duly met. Give the necessary journal entries recording the above transactions in the books of A.

Question 4 – ICAI Material Retirement of Bill

On 1st January, 2022, Ankita sells goods for ₹5,00,000 to Bhavika and draws a bill at three months for the amount. Bhavika accepts it and returns it to Ankita. On 1st March, 2022, Bhavika retires her acceptance under rebate of 12% per annum. Record these transactions in the journals of Ankita and Bhavika.

Question 5 – ICAI Material Retirement of Bill

On 1st January, 2022, Vilas draws a bill of exchange for ₹10,000 due for payment after 3 months on Eknath. Eknath accepts to this bill of exchange. On 4th March, 2022 Eknath retires the bill of exchange at a discount of 12% p.a. You are asked to show the journal entries in the books of Eknath.

**Question 6 – ICAI Material Retirement of Bill**

On 1st January, 2022, Vilas draws a Bill of Exchange for ₹10,000 due for payment after 3 months on Eknath. Eknath accepts to this bill of exchange. On 4th March, 2022, Eknath retires the bill of exchange at a discount of 12% p.a. You are asked to show the journal entries in the books of Vilas.

Question 7 – ICAI Material Retirement of Bill

On 1st January, 2022, A sells goods for ₹10,000 to B and draws a bill at three months for the amount. B accepts it and returns it to A. On 1st March, 2022, B retires his acceptance under rebate of 12% per annum. Record these transactions in the journals of B.

Question 8 – ICAI Material Renewal & Retirement of Bill

Mr. David draws two bills of exchange on 1.1.2022 for ₹6,000 and ₹10,000. The bills of exchange for ₹6,000 is for two months while the bill of exchange for ₹10,000 is for three months. These bills are accepted by Mr. Thomas. On 4.3.2022, Mr. Thomas requests Mr. David to renew the first bill with interest at 18% p.a. for a period of two months. Mr. David agrees to this proposal. On 20.3.2022, Mr. Thomas retires the acceptance for ₹10,000, the interest rebate i.e. discount being ₹100. Before the due date of the renewed bill, Mr. Thomas becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

You are to give the journal entries in the books of Mr. David

Question 9 – ICAI Material Renewal & Retirement of Bill

Rita owed ₹1,00,000 to Siriman. On 1st October, 2021, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for ₹99,000 on 3rd October, 2021. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that ₹50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate.

Pass journal entries (with narration) in the books of Siriman.

Question 10 – PYQ May 2019 Renewal & Retirement of Bill

On 1st January 2018, Akshay draws two bills of exchange for ₹16,000 and ₹25,000. The bill of exchange for ₹16,000 is for two months while the bill of exchange for ₹25,000 is for three months. These bills are accepted by Vishal. On 4th March, 2018, Vishal requests Akshay to renew the first bill with interest at 15% p.a. for a period of



two months. Akshay agreed to this proposal. On 25th March, 2018, Vishal retires the acceptance for ₹25,000, the interest rebate i.e. discount being ₹250. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

Show the Journal Entries (with narrations) in the books of Akshay.

Question 11 – ICAI Material Accommodation Bill

On 1st July, 2022 Gorge drew a bill for ₹1,80,000 for 3 months on Harry for mutual accommodation. Harry accepted the bill of exchange. Gorge had purchased goods worth ₹1,81,000 from Jack on the same date. Gorge endorsed Harry's acceptance to Jack in full settlement. On 1st September, 2022, Jack purchased goods worth ₹1,90,000 from Harry. Jack endorsed the bill of exchange received from Gorge to Harry and paid ₹9,000 in full settlement of the amount due to Harry. On 1st October, 2022, Harry purchased goods worth ₹2,00,000 from Gorge. Harry paid the amount due to Gorge by cheque. Give the necessary Journal Entries in the books of Harry, Gorge and Jack

Question 12 – ICAI Material Accommodation Bill

X draws on Y a bill of exchange for ₹30,000 on 1st April, 2022 for 3 months. Y accepts the bill and sends it to X who gets it discounted for ₹28,800. X immediately remits ₹9,600 to Y. On the due date, X, being unable to remit the amount due, accepts a bill for ₹42,000 for three months which is discounted by Y for ₹40,110. Y sends 6,740 to X. Before the maturity of the bill X becomes bankrupt, his estate paying fifty paise in the rupee. Give the journal entries in the books of X and Y.

Question 13 – PYQ Nov 2020 Accommodation Bill

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

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

Question 14 – PYQ Dec 2021 Retirement & Renewal of Bill

On 12th May, 2020 A sold goods to B for 36,470 and drew upon the later two bills one for ₹16,470 at one month and the other for ₹20,000 at three months. B accepted both the bills. On 5th June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B



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failed to honour the second bill on the due date and the bank had to pay ₹20 as noting charges.

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

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

Question 15 – PYQ Dec 2022 Accomodation Bill

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

Give the journal entries in the books of T and J.

Question 16 – PYQ Dec 2023 Accomodation Bill

R draws a bill of exchange on P for ₹2,00,000 on 1st July, 2022 for 4 months P accepted the bill and sent it to R. R discounts the bill with his bankers for ₹1,88,000 R immediately remits ₹75,200 to P. On the due date, R, being unable to remit the amount due accepts a bill for ₹2,50,00 for 4 months which is discounted by P for ₹2,36,250. P sends ₹56,700 to R. Before the bill is due for payment R becomes insolvent and his estate is paying fifty paise in a rupee.

Give the journal entries in the books of P. Also show R's account in P's books.

Question 17 – ICAI Material

Journalise the following transactions in K. Katrak's books.

- (i) Katrak's acceptance to Basu for ₹2,500 discharged by a cash payment of ₹1,000 and a new bill for the balance plus ₹50 for interest.
- (ii) G. Gupta's acceptance for ₹4,000 which was endorsed by Katrak to M. Mehta was dishonoured. Mehta paid ₹20 noting charges. Bill withdrawn against cheque.
- (iii) D. Dalal retires a bill for ₹2,000 drawn on him by Katrak for ₹10 discount.
- (iv) Katrak's acceptance to Patel for ₹5,000 and Mody's acceptance to Katrak for a similar amount were duly discharged.

**Question 18 – ICAI Material**

Journalize the following in the books of Don:

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

Question 19 – PYQ June 2023

Journalise the following transactions in the books of Karthik:

- (i) Karthik accepted a bill of Balu for ₹3,500 discharged by a cash payment of ₹1,500 and a new bill for the balance plus ₹75 for interest.
- (ii) Gopal acceptance for ₹4,500 which was endorsed by Karthik to Mohan was dishonoured. Mohan paid ₹50 as noting charges. Bill was withdrawn against cheque.
- (iii) Doshi retires a bill for ₹2,500 drawn on him by Karthik for ₹25 discount.
- (iv) Karthik's acceptance to Prem for ₹6,500 discharged by Prem. Ashok's acceptance to Karthik for a similar amount.