



# Accounting Process

1. Following transactions are provided to you:

Jan 1 Business started with cash Rs. 20,000  
 Jan 3 Goods purchased for cash Rs. 10,000  
 Jan 7 Furniture purchased on cash Rs. 5,000  
 Jan 9 Cash paid to supplier Rs. 3,000.

Required: Journal entries

Solution

Journal Entries in the Book of ...

Date	Particulars	LF	Debit Rs	Credit Rs
Jan 1	Cash a/c ..... Dr. To Capital a/c (Business started with cash)		20,000	20,000
Jan 3	Purchase a/c ..... Dr. To cash a/c (Goods purchased for cash)		10,000	10,000
Jan 7	Furniture a/c ..... Dr. To cash a/c (Furniture purchased for cash)		5,000	5,000
Jan 9	Supplier's a/c ..... Dr. To cash a/c (Cash paid to supplier)		3,000	3,000

2. Following transactions are provided to you:

Falgun 1 Goods sold for cash Rs. 8,000  
 Falgun 5 Goods sold to Mohan on credit Rs. 5,000  
 Falgun 10 Old furniture sold on cash for Rs. 9,000  
 Falgun 15 Cash received from Mohan Rs. 5,000

Required: Journal entries

Solution

Journal Entries in the Book of ...

Date	Particulars	LF	Debit Rs	Credit Rs
Falgun 1	Cash a/c ..... Dr. To sales a/c (Goods sold for cash)		8,000	8,000
Falgun 5	Mohan's a/c ..... Dr. To sales a/c (Goods sold to Mohan on credit)		5,000	5,000
Falgun 10	Cash a/c ..... Dr. To furniture a/c (Furniture sold on cash)		9,000	9,000
Falgun 15	Cash a/c ..... Dr. To Mohan's a/c (Cash received from Mohan)		5,000	5,000

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3. Following transactions are provided to you:

March 21 Rent paid Rs. 4,000  
 March 22 Wages paid to Gopal Rs. 3,500  
 March 24 Commission received Rs. 1,000  
 March 29 Salary paid to Hari by cheque Rs. 6,500

Required: Journal entries

Solution

Journal Entries in the Book of ...

Date	Particulars	LF	Debit Rs	Credit Rs
March 21	Rent a/c..... Dr. To cash a/c (Rent paid)		4,000	4,000
March 22	Wages a/c..... Dr. To cash a/c (Wages paid)		3,500	3,500
March 24	Cash a/c ..... Dr. To commission a/c (Commission received)		1,000	1,000
March 29	Salary a/c..... Dr. To bank a/c (Salary paid by cheque)		6,500	6,500

4. Following transactions are provided to you:

Chaitra 1 Business started with cash Rs. 25,000 and bank balance Rs. 35,000  
 Chaitra 10 Paid Rs. 2,000 for salary and 1,000 for rent  
 Chaitra 15 Cash received from Janak Rs. 900 and allowed discount Rs. 100.  
 Chaitra 29 Cash paid to Raman Rs. 1,900 in full settlement of Rs. 2,000

Required: Journal entries

Solution

Journal Entries in the Book of ...

Date	Particulars	LF	Debit Rs	Credit Rs
Chaitra 1	Cash a/c..... Dr. Bank a/c..... Dr. To capital a/c (Business started with cash & bank balance)		25,000 35,000	60,000
Chaitra 10	Salary a/c..... Dr. Rent a/c..... Dr. To cash a/c (Salary and rent paid)		2,000 1,000	3,000
Chaitra 15	Cash a/c ..... Dr. Discount a/c..... Dr. To Janak's a/c (Cash received from Janak and allowed discount)		900 100	1,000
Chaitra 29	Raman's a/c..... Dr. To cash a/c To discount a/c (Cash paid to Raman in full settlement)		2,000 19.00 100	

5. Journalise the following transactions:

- Purchase goods worth Rs. 10,000 on cash.
- Bought a Computer for Rs. 50,000 from Prime Computer on Credit.
- Rs. 4000 deposited into bank.
- Sold goods on credit for Rs. 5,000
- Bought goods for Rs. 4,000 from Shyam at trade discount of 10%, 5% cash discount and paid 50% immediately.
- Received 40 paisa in a rupee out of a total debt of Rs. 2,000 from Suyash because he has been declared as insolvent.

g. Cash taken by the owner from business Rs. 6,000.

Solution  
a.

Journal Entries in the Book of ...

Date	Particulars	LF	Debit Rs	Credit Rs
a.	Purchase a/c..... To Cash a/c (Goods purchased for cash)		10,000	10,000
b.	Computer a/c ..... To Prime computer a/c (Computer bought on credit)		50,000	50,000
c.	Bank a/c ..... To Cash a/c (Cash deposited into bank)		4,000	4,000
d.	Debtors a/c..... To Sales a/c (Goods sold on credit)		5,000	5,000
e.	Purchase a/c..... To Cash a/c To Discount a/c To Shyam's a/c (Goods purchased on discount paid partially)		3,600	1,710 90 1,800
f.	Cash a/c..... Bad debts a/c..... To Shyam's a/c (partial amount received from Shyam and bad debts recorded)		800 1,200	2,000
g.	Drawing a/c..... To Cash a/c (Cash taken by owner from business)		6,000	6,000

6. Give journal entries for the following transactions:

- Purchased land Rs. 5,00,000.
- Goods Purchased for cash Rs. 5,000 and on credit Rs.3,000.
- Sold goods on credit Rs.3000 with gain of Rs. 200.
- Rent receivable Rs. 800.
- Goods used by the owner Rs 1,000.
- Goods worth Rs. 1,000 destroyed by fire but insurance company admitted only 50% of the amount claimed.

Solution

a.

Journal Entries in the Book of ...

Date	Particulars	LF	Debit Rs	Credit Rs
i.	Land a/c ..... To Cash a/c (Land purchased)		5,00,000	5,00,000
ii.	Purchase a/c..... To Cash a/c To Creditors a/c (Goods purchased on cash and credit)		8,000	5,000 3,000
iii.	Debtors a/c..... To Sales a/c To Profit and Loss a/c (Goods sold on credit with gain)		3,000	2,800 200
iv.	Cash a/c..... To Rent a/c (Rent receivable)		800	800
v.	Drawing a/c..... To Purchase a/c (Goods used by owner)		1,000	1,000

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**7.** Journalize the following transactions in the books of Bimal Stationery Centre.

- January 01 Purchased goods from Bikash Impex Rs. 20,000; received trade discount of 10% and cash discount of 5%.
- January 05 Sold photocopy paper to Hotel Kamal Rs. 20,000.
- January 10 Rent Rs. 5,000 and Telephone Rs. 2,000 paid
- January 15 A fax from Biratnagar received stating that commission of Rs. 2,000 is earned
- January 20 Hotel Kamal went bankrupt and only 70% collected out of its estate

**Solution**

a.

**Journal Entries in the Book of Bimal Stationery Centre**

Date	Particulars	LF	Debit Rs	Credit Rs
Jan 1	Purchase a/c ..... Dr. To Bikesh Impex a/c To Discount a/c (Purchased goods and received discount from Bikesh Impex)		18,000	17,100 900
Jan 5	Hotel Kamal's a/c ..... Dr. To Stationery a/c (Photocopy paper sold to Hotel Kamal)		20,000	20,000
Jan 10	Rent a/c ..... Dr. Telephone a/c..... Dr. To Cash a/c (Rent and Telephone paid)		5,000 2,000	7,000
Jan 15	Cash a/c ..... Dr. To Commission a/c (commission earned)		2,000	2,000
Jan 20	Cash a/c (20,000 × 70%) ..... Dr. Bad debts a/c (20,000 × 30%) ..... Dr. To Hotel Kamal a/c (Partial amount received as Hotel Kamal went Bankrupt)		14,000 6,000	20,000

**8.** Journalize the following transaction:

- Commenced business worth Rs. 20,000 and furniture Rs. 10,000
- Purchased goods worth Rs. 20,000 from Shyam; 50% paid cash and balance on credit.
- Goods worth Rs. 1,000 were taken away by Mr. Naresh for his domestic use.
- Goods costing Rs. 2,000 lost by fire. The insurance company admitted claim for Rs. 1,500 only.
- Paid Rs. 1,000 by cheque for full settlement of his Accounts payable of Rs. 1,200

**Solution**

**Journal Entries in the Book of ...**

Date	Particulars	LF	Debit (Rs)	Credit (Rs)
i.	Cash a/c ..... Dr. Furniture a/c ..... Dr. To Capital/ Shareholders' equity a/c (Business commenced)		20,000 10,000	30,000
ii.	Purchase a/c ..... Dr. To Cash a/c To Shyam /Accounts payable a/c (Goods purchased from Shyam)		20,000	10,000 10,000
iii.	Drawing a/c ..... Dr. To Purchase a/c (Goods taken away by owner)		1,000	1,000
iv.	Lost by fire (Profit and loss) a/c ..... Dr. Insurance company a/c ..... Dr. To Purchase a/c (Goods lost by fire and partial claim admitted)		500 1,500	2,000
v.	Accounts payable a/c ..... Dr. To Cash a/c To Discount received a/c (Paid to suppliers in full settlement)		1,200	1,000 200

Journalising the following transaction in the books of Bhandari.

- Baisakh 1 Bhandari invested Rs. 100,000 cash in Bhandari trade concern.
- 5 Office furniture purchased for Rs. 15,000
  - 16 A new current account opened with Rs. 50,000 in Nepal Bank Ltd.
  - 18 Bhandari trade concern purchased goods for Rs. 25,000
  - 20 Bhandari trade concern purchased goods on credit for Rs. 22,000
  - 28 Rent expenses Rs. 1,000 paid.
  - 30 Salary paid to staff Rs. 5,000 by cheque.
  - 30 Goods sold to a customer for Rs. 15,000 and receiving Rs. 5,000 cash & rest on account receivable
  - 30 Bhandari (owner) withdrew Rs. 1000 cash from Bhandari trade concern.

**Required:** Journal entries

**Solution**

#### Journal Entries in the Book of Bhandari

Date	Particulars	LF	Debit Rs	Credit Rs
Baisakh 1	Cash a/c..... Dr. To Capital a/c (Cash invested in business)		1,00,000	1,00,000
Baisakh 5	Furniture a/c..... Dr. To Cash a/c (Furniture purchased for cash)		15,000	15,000
Baisakh 16	Bank a/c..... Dr. To Cash a/c (account opened in bank)		50,000	50,000
Baisakh 18	Purchase a/c..... Dr. To Cash a/c (Goods purchased)		25,000	25,000
Baisakh 20	Purchase a/c..... Dr. To Creditors a/c (Goods purchased on credit)		22,000	22,000
Baisakh 28	Rent a/c..... Dr. To Cash a/c (Rent paid)		1,000	1,000
Baisakh 30	Salary a/c..... Dr. To Bank a/c (salary paid by cheque)		5,000	5,000
Baisakh 30	Cash a/c..... Dr. Accounts receivable a/c ..... Dr. To Sales a/c (Goods sold received partially)		5,000 10,000	15,000
Baisakh 30	Drawing a/c..... Dr. To Cash a/c (Cash withdrawn from business)		1,000	1,000

Following transactions were given to you.

- Kusumita started a boutique shop on 1st Aswin 2074 with cash Rs. 50,000 & bank balance Rs. 150,000 as "Fashion Care Bautique Shop" at New Road Kathmnadu.
- Aswin 3 She purchased a computer of Rs. 60,000 for office use from ABC Company paying cash Rs. 10,000 & the balance through bank loan
- 5 Office furniture purchased from Ratna steel Furniture Pvt. Ltd Rs. 25,000
  - 7 Bought goods for Rs. 60,000 & paid Rs. 20,000 in cash & balance by cheque.
  - 9 Goods sold to Roshani Rs. 45,000 payment received by cheque.
  - 15 Goods worth Rs. 2,500 lost by theft & insurance company admitted claim only for Rs. 2,000.
  - 25 A part of computer being damaged & sold for Rs. 5,000 which book value was Rs. 20,000.
  - 26 Kusumita withdraw goods worth Rs. 5,000 & cash Rs. 2,000 from business for her private

use.

- 28 A cheque of Rs. 24,000 issued to Ratna steel furniture pvt. Ltd after deducting Rs. 1,000 discount  
 30 Paid to bank loan Rs. 52,000 with interest of his loan amounting Rs. 50,000

**Required:** Journalize the above transaction in the books of Kusumita.

**Solution**

**Journal Entries in the Book of Kusumita**

Date	Particulars	LF	Debit Rs	Credit Rs
Aswin 1	Cash a/c ..... Dr. Bank a/c ..... Dr. To capital a/c (Business started with cash & bank balance)		50,000 1,50,000	2,00,000
Aswin 3	Computer a/c ..... Dr. To Cash a/c To Bank loan a/c (Computer purchased & paid by cash and bank loan)		60,000	10,000 50,000
Aswin 5	Furniture a/c ..... Dr. To Ratna steel Furniture Pvt. Ltd. a/c (Furniture purchased from Ratna Steel Furniture Pvt. Ltd.)		25,000	25,000
Aswin 7	Purchase a/c ..... Dr. To Cash a/c To Bank a/c (Goods bought by cash & cheque)		60,000	20,000 40,000
Aswin 9	Bank a/c ..... Dr. To Sales a/c (Goods sold for cheque)		45,000	45,000
Aswin 15	Goods lost by the theft a/c ..... Dr. Insurance co- a/c ..... Dr. To Purchase a/c (Goods lost by theft & partial claim by insurance co.)		500 2,000	2,500
Aswin 26	Drawing a/c ..... Dr. To Cash a/c o Goods /Purchase a/c (Cash & goods withdrawn from business)		7,000	5,000 2,000
Aswin 28	Ratna Steel Furniture Pvt. Ltd. a/c ..... Dr. To Bank a/c To Discount a/c (Cheque issued after discount)		25,000	24,000 1,000
Aswin 30	Bank loan a/c ..... Dr. Interest on bank loan a/c ..... Dr. To Cash a/c (Bank loan paid with interest)		50,000 2,000	52,000

11. Following transactions are given to you:

- Furniture costing Rs. 4,000 were sold for Rs. 3,500.
- Sold goods to Shyam Rs. 9,000.
- Cash withdrawn from bank for office use Rs. 8,000.
- Received cash from Shyam Rs. 6,500.

**Required:**

- Journal entries
- Shyam's account

**Solution**

**Journal Entries in the Book of ...**

Date	Particulars	LF	Debit (Rs)	Credit (Rs)
i	Cash a/c ..... Dr. Profit and loss a/c (loss on sales) ..... Dr. To Furniture a/c (Furniture sold for cash)		3,500 500	4,000

ii	Shyam's/Accounts receivable a/c ..... To sales a/c (Good sold to Shyam on credit)	Dr.		9,000	9,000
iii	Cash a/c..... To bank a/c (Cash withdrawn from bank for office use)	Dr.		8,000	8,000
iv	Cash a/c..... To Shyam's a/c (Cash received from Shyam)	Dr.		6,500	6,500

Shyam's Account				Cr.			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Sales a/c.....		9,000		By Cash a/c.....		6,500
			9,000		By Balance c/d .....		2,500
	To Balance b/d .....		2,500				9,000

12. The following transactions are given:

- i. Commenced business with cash Rs. 50,000 and furniture of Rs. 5,000.
- ii. Paid for general expenses Rs. 800.
- iii. Purchased goods from Khanal Rs. 6,000.
- iv. Paid to Khanal Rs. 5,800 in full settlement of his debt.

Required:

- a. Journal entries
- b. Khanal's account.

Solution

#### Journal Entries in the Book of ...

Date	Particulars	LF	Debit (Rs)	Credit (Rs)
i	Cash a/c..... Furniture a/c..... To Capital a/c (Business started with cash and furniture)	Dr.	50,000 5,000	55,000
ii	General expenses a/c ..... To Cash a/c (General expenses paid)	Dr.	800	800
iii	Purchase a/c..... To Khanal's a/c (Goods purchase from Khanal)	Dr.	6,000	6,000
iv	Khanal a/c..... To Cash a/c To Discount received a/c (Payment made to Khanal's account)	Dr.	6,000	5,800 200

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount	Cr.
	To Cash a/c.....		5,800		By Purchase a/c .....		6,000	
	To Discount a/c .....		200				6,000	

13. The following transactions are provided:

- a. Started business with cash Rs. 40,000 and equipment Rs. 75,000
- b. Purchased goods Rs. 25,000 on account and made partial payment Rs. 10,000.
- c. Sold goods on account for Rs. 30,000 and received as partially Rs. 20,000
- d. Paid insurance for the year Rs. 6,000
- e. Purchased goods Rs. 90,000 on credit and paid custom charged Rs. 7,500
- f. Sold goods on credit for Rs. 130,000 and made partial received Rs. 95,000
- g. Appoint Ram as an office assistant on the basis of per month salary Rs. 5,000
- h. Goods returned from customer Rs. 1,300
- i. Cash paid to Accounts payable Rs. 90,000 in full settlement of Rs. 92,000
- j. Sold goods on cash Rs. 55,000

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- k. Paid rent Rs. 4,800 and travelling expenses Rs. 2,800  
 l. Purchased goods on credit Rs 21,000

Required: Journalize the above transactions and post them into the following ledgers.

- a. Purchase Account
- b. Sales Account
- c. Accounts Receivable Account
- d. Accounts Payable Account
- e. Cash Account

Ans: (a) Rs. 136,000 (Dr.) (b) Rs. 215,000 (Cr.) (c) Rs. 43,700 (Dr.) (d) Rs. 34,000 (Cr.) (e) Rs. 88,900 (Dr.)

Solution

a.

Journal Entries in the Book of ...

Date	Particulars	LF	Debit Rs	Credit Rs
a.	Cash a/c ..... Dr. Equipment a/c ..... Dr. To Capital a/c (Business started with cash & equipment)		40,000 75,000	1,15,000
b.	Purchase a/c ..... Dr. To Cash a/c To Account payable a/c (Goods purchased paid partially)		25,000 10,000 15,000	
c.	Account receivable a/c ..... Dr. Cash a/c ..... Dr. To Sales a/c (Goods sold and received partially)		10,000 20,000	30,000
d.	Prepaid Insurance a/c ..... Dr. To Cash a/c (Insurance premium paid)		6,000	6,000
e.	Purchase a/c ..... Dr. Custom charge a/c ..... Dr. To Account payable a/c To Cash a/c (Purchased on credit and custom charge paid)		90,000 7,500	90,000 7,500
f.	Cash a/c ..... Dr. Account receivable a/c ..... Dr. To Sales a/c (Goods sold on credit and received partially)		95,000 35,000	1,30,000
h.	Sales return a/c ..... Dr. To Account receivable a/c (Goods returned from customer)		1,300	1,300
i.	Account payable a/c ..... Dr. To Cash a/c To Discount a/c (Cash paid and discount received from a/c payable)		92,000 2,000	90,000 2,000
j.	Cash a/c ..... Dr. To Sales a/c (Goods sold on cash)		55,000	55,000
k.	Rent a/c ..... Dr. Traveling expenses a/c ..... Dr. To Cash a/c (Rent and traveling expenses paid)		4,800 2,800	7,600
l.	Purchase a/c ..... Dr. To Account payable a/c (Goods purchased in credit)		21,000	21,000

Dr.		Purchase Account				Cr.	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
b	To Cash a/c		10,000		By Balance c/d		1,36,000
	To Account payable a/c		15,000				
e	To Account payable a/c		90,000				
I	To Account payable a/c		21,000				
			1,36,000				1,36,000
	To Balance b/d		1,36,000				1,36,000

Sales Account								
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount	Cr.
	To Balance c/d		2,15,000	c.	By Account receivable a/c		10,000	
				f.	By Cash a/c		20,000	
				j.	By Cash a/c		95,000	
					By Account receivable a/c		35,000	
					By Cash a/c		55,000	
			2,15,000				2,15,000	
					To Balance b/d		2,15,000	

Account Receivable Account							
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
C.	To Sales a/c		10,000		By Sales return a/c		1,300
f.	To Sales a/c		35,000		By Balance c/d		43,700
			45,000				45,000
	To Balance b/d		43,700				

Dr.		Account Payable Account				C	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
i.	To Cash a/c		90,000	b.	By Purchase a/c		15,000
	To Discount a/c		2,000	e.	By Purchase a/c		90,000
	To Balance c/d		34,000	f.	By Purchase a/c		21,000
			1,26,000				1,26,000
					By Balance b/d		34,000

Cash Account				C			
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
a.	To Capital a/c		40,000	b.	By Purchase a/c		10,000
c.	To Sales a/c		20,000	d.	By Insurance premium a/c		6,000
f.	To Sales a/c		95,000		By Custom charge a/c		7,500
j.	To Sales a/c		55,000	e.	By Account payable a/c		90,000
				j.	By Rent a/c		4,800
				k.	By Traveling expenses a/c		2,800
				k.	By Balance c/d		88,900
			2,10,000				2,10,000
	To Balance b/d		88,900				

14. Mr. Ganesh Poudel a professional auditor started G & Associate. The following transactions took place during the first month.

  - Began business by depositing Rs 150,000 in the bank and cash Rs 50,000 in exchange for 2,000 shares @ Rs 100 each in the company.
  - Purchased office furniture worth Rs 15,000 and office equipment Rs 25,000 and paid through cheque.
  - Paid for 3 months' rent Rs 3,000 an advance.
  - Purchased office supplies from Asmita Stationery for Rs 2,500.
  - Cash received from client to provide audit service for Rs 20,000 in the next month.
  - Paid cash for an advertisement that appeared in the local newspaper Rs 2,400.
  - Received fee for service provided Rs 12,500 by cheque
  - Billed Joshi Company for service provided Rs 20,000

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- i. Paid salaries to assistant for first fortnight Rs 15,000 through cheque. The salary for the second fortnight being outstanding.
- j. Paid electricity charges Rs 500
- k. Received partial payment from Joshi Co. Rs 7,840 in the full settlement of 40% of the account.
- l. Paid to Asmita Stationery Rs 1,350 in the full settlement of 60% of the account.

**Required:** Journalize the above transactions and post them into necessary ledgers.

**Ans:** Capital Rs 200,000 (Cr.); Bank Rs 107,500; Service revenue Rs 32,500 (Cr.); Account payable Rs 1,000 (Cr.); Account receivable Rs 12,000 (Dr.); Furniture Rs 15,000 (Dr.); Equipment Rs 25,000 (Dr.); Advance rent Rs 3,000 (Dr.); Office supplies Rs 2,500 (Dr.); Cash Rs 70,590 (Dr.); Advertisement Rs 2,400 (Dr.); Salary Rs 30,000 (Dr.); Electricity Rs 500 (Dr.); Unearned service revenue Rs 20,000 (Cr.); Discount Rs 160 (Dr.) and Rs 150 (Cr.); Outstanding salary Rs 15,000

**Solution**

a.

**Journal Entries in the Book of Mr. Ganesh Poudel**

Date	Particulars	LF	Debit Rs	Credit Rs
a.	Bank a/c..... Dr. Cash a/c ..... To Capital a/c (Business started with bank balance and cash)		1,50,000 50,000	2,00,000
b.	Furniture a/c ..... Dr. Office equipment a/c ..... Dr. To Bank a/c (Furniture and office equipment purchased through cheque)		15,000 25,000	40,000
c.	Rent a/c ..... Dr. Prepaid rent a/c..... Dr. To Cash a/c (Rent paid including advertising rent)		1,000 2,000	3,000
d.	Office supplies a/c..... Dr. To Account payable a/c (office supplies purchased on credit)		2,500	2,500
e.	Cash a/c ..... Dr. To Advance service a/c (Cash received for service of next month)		20,000	20,000
f.	Advertisement a/c..... Dr. To Cash a/c (Cash paid for advertisement)		2,400	2,400
g.	Bank a/c..... Dr. To Service revenue a/c (cheque received for service)		12,500	12,500
h.	Account receivable a/c..... Dr. To Service revenue a/c (billed Joshi for service provided)		20,000	20,000
i.	Salary a/c..... Dr. To Bank a/c To Outstanding salary a/c (salary paid & still outstanding)		30,000	15,000 15,000
j.	Electricity charges a/c To Cash a/c (Electricity charges paid)		500	500
k.	Cash a/c ..... Dr. Discount a/c..... Dr. To account receivable a/c (Partial payment received in full settlement)		7,840 160	8,000
l.	Account payable a/c..... Dr. To Cash a/c To Discount a/c (Partially paid in full settlement)		1,500	1,350 150

Dr.

## Capital Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Balance c/d		200,000	a.	By Bank a/c		150,000
			200,000		By Cash a/c		50,000
					By Balance b/d		200,000
							200,000

Dr.

## Bank Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Capital a/c		150,000		By Furniture a/c		15,000
	To Service revenue a/c		12,500		By Office equipment a/c		25,000
					By Salary a/c		15,000
			162,500		By Balance c/d		107,500
	To Balance b/d		107,500				162,500

Dr.

## Service Revenue Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Balance c/d		32,500		By Bank a/c		12,500
			32,500		By Accounts receivable a/c		20,000
					By Balance b/d		32,500
							32,500

Dr.

## Discount Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Accounts receivable a/c		160		By Balance c/d		160
			160				160
	To Balance b/d		160				

Dr.

## Discount Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Balance c/d		150		By Accounts payable a/c		150
			150				150
					By Balance b/d		150

Dr.

## Cash Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Capital a/c .....		50,000		By Rent a/c.....		1,000
	To Advance service a/c.....		20,000		By Prepaid rent a/c .....		2,000
	To Account receivable a/c .....		7,840		By Advertisement a/c.....		2,400
					By Electricity a/c.....		500
			77,840		By Accounts payable a/c .....		1,350
					By Balance c/d		70,590
	To Balance b/d		70,590				77,840

Dr.

## Unearned Service Revenue Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Balance c/d				By Cash		20,000
			20,000				20,000
					By Balance b/d		20,000

Dr.

## Furniture Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
b.	To Bank a/c		15,000		By Balance c/d		15,000
			15,000				15,000
	To Balance b/d		15,000				

Office Equipment Account						Cr.	
Dr.	Particulars	JF	Amount	Date	Particulars	JF	Amount
b.	To Bank a/c  To Balance b/d		25,000		By Balance c/d		25,000
			25,000				25,000
			25,000				

Office Supplies Account						Cr.	
Dr.	Particulars	JF	Amount	Date	Particulars	JF	Amount
d.	To Account payable a/c  To Balance b/d		2,500		By Balance c/d		2,500
			2,500				2,500
			2,500				

Advertisement Account						Cr.	
Dr.	Particulars	JF	Amount	Date	Particulars	JF	Amount
f.	To Cash a/c  To Balance b/d		2,400		By Balance c/d		2,400
			2,400				2,400
			2,400				

Electricity Account						Cr.	
Dr.	Particulars	JF	Amount	Date	Particulars	JF	Amount
j.	To Cash a/c  To Balance b/d		500		By Balance c/d		500
			500				500
			500				

Account Payable Account						Cr.	
Dr.	Particulars	JF	Amount	Date	Particulars	JF	Amount
l.	To Cash a/c To Discount a/c To Balance c/d		1,350		By Office supplies a/c  By Balance b/d		2,500
			150				2,500
			1,000				1,000
			2,500				

Account receivable Account						Cr.	
Dr.	Particulars	JF	Amount	Date	Particulars	JF	Amount
h.	To Joshi's a/c  To Balance b/d		20,000		By Cash a/c By Discount a/c By Balance c/d		7,840
			20,000				160
			12,000				20,000

Advance Rent Account						Cr.	
Dr.	Particulars	JF	Amount	Date	Particulars	JF	Amount
e.	To Cash a/c  To Balance b/d		3,000		By Balance c/d		3,000
			3,000				3,000
			3,000				

Salary Account						Cr.	
Dr.	Particulars	JF	Amount	Date	Particulars	JF	Amount
j.	To Bank a/c To Outstanding salary a/c  To Balance b/d		15,000		By Balance c/d		30,000
			15,000				30,000
			30,000				
			30,000				

15. Raju and Friends set up an advertisement agency. After a few months, they had the following account balance:
- Cash Rs. 52,500; Accounts receivable Rs. 22,500; Stock of office supplies Rs. 4,000; Office equipment Rs. 25,000; Bank balance Rs. 15,800; Accounts payable Rs. 12,000  
The following transaction took place later:

- b. Collected payment from clients billed earlier Rs. 12,000  
 c. Billed to clients for advertisement service rendered Rs. 45,000.  
 d. Purchased supplies from Joshi Suppliers Rs. 6,000.  
 e. Received agency commission from KTV Rs. 50,000.  
 f. Purchased computer printers (office equipment) costing Rs. 10,000 for cash.  
 g. Paid rent for the month Rs. 2,000 and for next two months Rs. 4,000.  
 h. Paid staff salary Rs. 10,000 and salary for the period Rs. 15,000.  
 i. Paid to Accounts payable Rs. 9,000.  
 j. The stock of supplies at the end of Rs. 2,000.

**Required:** Opening capital, journal entries and necessary ledgers

**Ans:** Cash Rs 79,500 (Dr.); Accounts receivable Rs. 55,500 (Dr.) Office supplies Rs. 8,000 (Dr.) Office equipment Rs. 35,000 (Dr.) Bank Rs. 15,800 (Dr.) Accounts payable Rs. 9,000 (Cr.) Advertisement service Rs. 45,000 (Cr.) Commission 50,000 (Cr.) Rent Rs. 2,000 (Dr.) Prepaid rent Rs. 4,000 (Dr.) Salary Rs. 15,000 (Dr.) O/s salary Rs. 5,000 (Cr.) capital Rs. 107,800 (Cr.), Stock of supplies Rs. 2,000 (Dr.)

### Solution

a.

#### Journal Entries in the Book of ...

Date	Particulars	LF	Debit Rs	Credit Rs
a.	Cash a/c ..... Dr. Account receivable a/c ..... Dr. Stock of office supplies a/c ..... Dr. Office equipment a/c ..... Dr. Bank a/c ..... Dr. To Account payable a/c To Capital a/c (Opening entries made)		52,500 22,500 4,000 25,000 15,800	12,000 107,800
b.	Cash a/c ..... Dr. To Accounts receivable a/c (Payment collected from clients)		12,000	12,000
c.	Account receivable a/c ..... Dr. TO Advertisement service a/c ..... Dr. (advertisement service money received)		45,000	45,000
d.	Supplies a/c ..... Dr. To Joshi suppliers a/c payable (Supplies purchased on credit)		6,000	6,000
e.	Cash a/c ..... Dr. To Commission a/c (Commission received)		50,000	50,000
f.	Computer printers a/c ..... Dr. To Cash a/c (Computer printers purchased)		10,000	10,000
g.	Rent a/c ..... Dr. Advance rent a/c ..... Dr. To Cash a/c (Rent & advance rent paid)		2,000 4,000	6,000
h.	Salary a/c ..... Dr. To Cash a/c To Outstanding salary a/c ..... Dr. (Salary paid & salary outstanding)		15,000	10,000 5,000
i.	Account payable a/c ..... Dr. To Cash a/c (Accounts payable paid)		9,000	9,000
j.	Stock of office supplies ..... Dr. To Supplies a/c		2,000	2,000

SOLUTION MANUAL TO FINANCIAL ACCOUNTING FOR BCA

Dr.

Cash Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
a.	To Balance b/d		52,500	f.	By Computer printers a/c		10,000
b.	To Account receivable a/c		12,000	g.	By Rent a/c		2,000
c.	To Commission a/c		50,000	g.	By Advance rent a/c		4,000
				h.	By Salary a/c		10,000
				j.	BY Account payable a/c		9,000
			1,14,500		By Balance c/d		79,500
	To Balance b/d		79,500				1,14,500

Dr.

Accounts Receivable Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
a.	To Balance b/d		22,500	b.	By Cash a/c		12,000
c.	To Advertisement a/c		45,000		By Balance c/d		55,500
			67,500				67,500
	To Balance b/d		55,500				

Dr.

Office Supplies Expenses Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
d.	To Balance b/d		4,000	j	By Stock a/c		2,000
	To Joshi supplies a/c		6,000		By balance c/d		8,000
			10,000				10,000

Dr.

Bank Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
a.	To Balance b/d		4,000		By Stock		2,000
	To Joshi supplies		6,000		By Balance c/d		8,000
			10,000				10,000
	To Balance b/d		8,000				

Dr.

Accounts payable Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
i.	To Cash a/c		9,000	a.	By Balance b/d		12,000
	To Balance c/d		9,000	d.	By Supplies a/c		6,000
			18,000				18,000
					By Balance b/d		9,000

Dr.

Advertisement Service Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Balance c/d		45,000	c.	By Account receivable a/c		45,000
			45,000				45,000
					By Balance b/d		45,000

Dr.

Commission Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Balance c/d		50,000	e.	By Cash a/c		50,000
			50,000				50,000
					By Balance b/d		50,000

Dr.

Rent Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
g.	To Cash a/c		2,000		By Balance c/d		2,000
			2,000				2,000
	To Balance b/d		2,000				

Dr.

## Prepaid Rent Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Cr.	Amount
g.	To Cash a/c		4,000		By Balance c/d			4,000
			4,000					4,000
	To Balance b/d		4,000					

Dr.

## Salary Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Cr.	Amount
h.	To Cash a/c		10,000		By Balance c/d			15,000
	To O/S Salary a/c		5,000					
			15,000					
	To Balance b/d		15,000					

Dr.

## Outstanding Salary Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Cr.	Amount
	To Balance c/d		5,000	h.	By Salary a/c			5,000
			5,000					5,000
					By Balance b/d			5,000

Dr.

## Office Equipment Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Cr.	Amount
a.	To Balance b/d		25,000		By Balance c/d			35,000
f.	To Cash a/c		10,000					
			35,000					35,000
	To Balance b/d		35,000					

Dr.

## Stock of Office Supplies Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Cr.	Amount
	To Supplies Account		2,000		By Balance c/d			2,000
	To Balance b/d		2,000					

16. The following transactions are extracted from the books of Prakash Traders:

Closing balance of traders on 31st January 2011:

Cash Rs 50,000; Bank Rs 30,000; Plant and machinery Rs 100,000; Accounts payable Rs 32,000 and Account receivable Rs 38,000

- Feb. 1 Purchased goods on credit for Rs 20,000.
- 2 Sold goods on cash Rs 15,000 and credit Rs 10,000.
- 3 Purchased goods from suppliers on credits Rs 45,000.
- 10 Paid wages for Rs 12,000 through cheque.
- 13 Purchased goods on cash Rs 20,000 and paid carriage on purchase Rs 1,200.
- 15 Sold goods to customer for Rs 25,000 and paid carriage outwards Rs 750 on behalf of customer.
- 20 Paid advertisement Rs 2,100 by cheque.
- 22 Paid to creditors cash Rs 30,000 after received Rs 2,000 discount
- 28 Received cheque from customer Rs 50,000 and allowed discount Rs 1,500.

Required: Journalize the above transactions and post them into the following ledgers.

- |                                |                             |
|--------------------------------|-----------------------------|
| a. Cash Account                | b. Bank Account             |
| c. Accounts Receivable Account | d. Accounts Payable Account |
| e. Sales Account               |                             |

Ans: (a) Rs 13,050 (Dr.) (b) Rs 65,900 (Dr.) (c) Rs 22,250 (Dr.) (d) Rs 65,000 (Cr.) (e) Rs 50,000 (Cr.)

Solution

a. Journal Entries in the Book of Prakash Traders

Date	Particulars	LF	Debit Rs	Credit Rs
Feb 1	Purchase a/c ..... Dr. To Accounts payable a/c (Goods purchased on credit)		20,000	20,000

Feb 2	Cash a/c..... Account receivable a/c ....., To Sales a/c (Goods sold received partially)	Dr.	15,000 10,000	Dr.	25,000
Feb 3	Purchase a/c..... To Accounts payable a/c (Goods purchased on credit)	Dr.	45,000		45,000
Feb 10	Wages a/c..... To Bank a/c (wages paid through cheque)	Dr.		12,000	12,000
Feb 13	Purchase a/c..... To Cash a/c (Goods purchased on cash)	Dr.		21,200	21,200
Feb 15	Accounts receivable a/c To Sales a/c To cash a/c (Goods sold on account and paid carriage on behalf of customer)			25,750	25,000 750
Feb 20	Advertisement a/c ....., To Bank a/c (advertisement paid by cheque)	Dr.		21,000	21,000
Feb 22	Accounts payable a/c ....., To Cash a/c To Discount a/c (Accounts payable paid and received discount)	Dr.		32,000	30,000 2,000
Feb 28	Bank a/c ....., Discount a/c ....., To Accounts receivable a/c (Cheque received and discount allowed)	Dr. Dr.		50,000 1,500	51,500

Dr.

## Cash Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Feb 2	To Balance b/d To Sales a/c		50,000 15,000	Feb 13 Feb 22 Feb 15	By Purchase a/c By Account payable a/c By Account receivable a/c By Balance c/d		21,200 30,000 750 13,050
			65,000				65,000
March 1	To Balance b/d		13,050				

Dr.

## Bank Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Balance b/d To Account receivable a/c		30,000 50,000	Feb 10 Feb 20 Feb 28	By Wages a/c BY Advertisement a/c By Balance c/d		12,000 2,100 65,900
			80,000				80,000
Mar 1	To Balance b/d		65,900				

Dr.

## Accounts Receivable Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Feb 2	To Balance b/d To Sales a/c		38,000 10,000	Feb 28 Feb 28 Feb 28	By Bank a/c BY Discount a/c By Balance c/d		50,000 1,500 22,250
Feb 15	To Sales a/c		25,750				73,750
			73,750				
	To Balance b/d		22,250				

Account Payable Account							Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Feb 22	To Cash a/c		30,000	Feb 1	BY Balance b/d		32,000
	To Discount a/c		2,000	Feb 3	By Purchase a/c		20,000
Feb 28	To Balance c/d		65,000		By Purchase a/c		45,000
			97,000				97,000
				March 1	By Balance b/d		65,000

Dr.

## Sales Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
	To Balance c/d		50,000	Feb 1	By Cash a/c		15,000
			50,000	Feb 15	By Account receivable a/c		10,000
					By Account receivable a/c		15,000
				March 1	By Balance b/d		50,000
							50,000

17. Bijaya has the following balances transactions for the month of January 2018.

January 1	The balance brought down: Cash ..... Furniture ..... Accounts payable .....	Rs 55,000 50,000 12,000	Accounts receivable ..... Bank loan .....	20,000 30,000
January 2	Paid for Accounts payable Rs 11,000 in full settlement			
January 3	Received from customers Rs 19,500 in the full settlement			
January 5	Purchased goods on credit for Rs 15,000			
January 7	Purchased stationery and supplies for Rs 3,000			
January 10	Withdrawn goods worth Rs 1,000 for domestic use			
January 14	Repaid a part of bank loan Rs 10,000 with interest Rs 1,500			
January 20	Sold goods for Rs 12,000 costing Rs 10,000			
January 28	Paid office rent Rs 5,000			
January 31	Paid salaries to the staff Rs 12,000 for the month			

## Required:

- a. Journal entries
- b. Necessary ledgers

Ans: (b) Cash Rs 44,000(Dr); Purchase a/c Rs 14,000 (Dr.); Accounts payable a/c Rs 15,000 (Cr.); Furniture a/c Rs 50,000 (Dr.); Stationery and suppliers a/c Rs 3,000 (Dr.); Drawing a/c Rs 1,000 (Dr.); Bank loan a/c Rs 20,000 (Cr.) Office rent a/c Rs 5,000 (Dr.); Salaries a/c Rs 12,000 (Dr.); Capital Rs 83,000 (Cr); Discount Rs. 500 (Dr.) Rs 1,000 (Cr.); Interest expense Rs 1,500 (Dr.) and Sales Rs 12,000 (Cr.)

olution

a.

## Journal Entries in the Book of Bijaya

Date	Particulars	LF	Debit Rs	Credit Rs
Jan 1	Cash a/c..... Furniture a/c..... Account receivable a/c .....	Dr. Dr. Dr.	55,000 50,000 20,000	
	To Bank loan a/c To Account payable a/c To Capital a/c			30,000 12,000 83,000
Jan 2	Accounts payable a/c..... To Cash a/c To Discount a/c (Accounts payable paid in full settlement)	Dr.	12,000	11,000 1,000
Jan 3	Cash a/c..... Discount a/c .....	Dr. Dr.	19,500 500	
	To Account receivable a/c (Cash received in full settlement)			20,000
Jan 5	Purchase a/c..... To Creditors a/c/accounts payable a/c (Goods purchased on credit)	Dr.	15,000	15,000

Jan 7	Stationery and supplies a/c..... To Cash a/c (stationery and supplies purchased on cash)	Dr.	3,000	3,000
Jan 10	Drawing a/c ..... To Purchase a/c (Goods withdrawn for domestic use)	Dr.	1,000	1,000
Jan 14	Bank loan a/c..... Interest on bank loan a/c..... To Cash a/c (bank loan repaid with interest)	Dr. Dr.	10,000 1,500	11,500
Jan 20	Cash a/c ..... To Profit on sales on goods a/c To Goods a/c (Goods sold on profit)	Dr.	12,000	2,000 10,000
Jan 28	Office rent a/c ..... To Cash a/c (office rent paid)	Dr.	5,000	5,000
Jan 31	Salaries a/c..... To Cash a/c (Salaries paid)	Dr.	12,000	12,000

Sales Account				Cr.				
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount	Cr.
	To Balance c/d		12,000		By Cash a/c		12,000	
			12,000				12,000	
					By balance b/d		12,000	

Cash a/c									Cr.	
Date	Particulars	JF	Discount	Amount	Date	Particulars	JF	Discount	Amount	Cr.
Jan 1	To Balance b/d			55,000	Jan 2	By A/P a/c		1,000	11,000	
Jan 3	To A/R a/c		500	19,500		By Stationery & supplies a/c			3,000	
Jan 20	To Goods a/c			10,000	Jan 7	By Bank loan			10,000	
	To Sales a/c			2,000	Jan 14	By Interest on bank loan			1,500	
					Jan 14	By Office rent a/c			5,000	
					Jan 28	By Salaries a/c			12,000	
					Jan 31	By Balance c/d			44,000	
					Jan 31			1,000	86,500	
Feb 1	To Balance b/d		500	86,500						
				44,000						

Purchase Account									Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount	Cr.	
Jan 5	To Creditors a/c		15,000	Jan 10	By Drawing a/c		1,000	14,000	
				Jan 31	By Balance c/d			15,000	
Feb 1	To Balance b/d		15,000						
			14,000						

Accounts payable Account									Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount	Cr.	
Jan 2	To Cash a/c		11,000	Jan 1	By Balance b/d		12,000		
Jan 2	To Discount a/c		1,000		By Purchase a/c		15,000		
Jan 31	To Balance c/d		15,000					27,000	
			27,000						
				Feb 1	By Balance b/d		15,000		

Accounts receivable a/c						
Dr.						Cr.
Jan 1	To Balance b/d		JF	Amount	Date	Particulars
				20,000	Jan 8	By Cash a/c By Discount a/c
				20,000		
						19,500 500 20,000
Dr.	Furniture Account					Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF
Jan 1	To Balance b/d		JF	50,000	Jan 31	By Balance c/d
				50,000		
Feb 1	To Balance b/d		50,000			
Dr.	Stationery and Supplies Account					Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF
Jan 7	To Cash a/c		JF	3,000	Jan 31	By Balance c/d
				3,000		
Feb 1	To Balance b/d		3,000			
Dr.	Drawing Account					Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF
Jan 10	To Purchase a/c		JF	1,000	Jan 31	By Balance c/d
				1,000		
Feb 1	To Balance b/d		1,000			
Dr.	Bank loan Account					Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF
Jan 14	To Cash a/c		JF	10,000	Jan 1	By Balance b/d
				20,000		
Jan 31	To Balance c/d		JF	30,000	Feb 1	By Balance b/d
						30,000 20,000
Dr.	Office Rent Account					Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF
Jan 28	To Cash a/c		JF	5,000	Jan 31	By Balance c/d
				5,000		
Feb 1	To Balance b/d		5,000			
Dr.	Salaries Account					Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF
Jan 31	To Cash a/c		JF	12,000	Jan 31	By Balance c/d
				12,000		
Feb 1	To Balance b/d		12,000			
Dr.	Capital Account					Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF
Jan 1	To Balance c/d		JF	83,000	Jan 1	By Capital
				83,000		
					Feb 1	To Balance b/d
						83,000
Dr.	Interest Account					Cr.
Date	Particulars	JF	Amount	Date	Particulars	JF
Jan 14	To Cash a/c		JF	1,500	Jan 31	By Balance c/d
				1,500		
Feb 1	To Balance b/d		1,500			

18. You are given the following transactions:

Opening balances:						
January 1	Cash	Rs 30,000	Bank			Rs 37,000
	Account payable .....	8,000	Furniture.....			13,000
			Account receivable.....			7,000
January 4	Purchased goods on credit Rs 13,000.					
January 9	Received Rs 15,000 as commission.					
January 15	Paid office rent Rs 10,000.					
January 18	Purchased machinery for Rs 25,000. Paid transportation charge for the machinery Rs 2,000 Paid wages to install the machinery Rs 1,000					
January 20	Goods sold on credit for Rs 10,500.					
January 21	The businessman withdrew Rs 1,000 for private use.					
January 24	Goods returned to suppliers for Rs 1,000.					
January 25	Goods returned by debtors for Rs 500.					
January 30	Cash paid for accounts payable Rs 12,000.					
January 30	Furniture costing Rs 3,000 sold for Rs 2,000					
January 30	Cash received against accounts receivable Rs 10,000.					

Required: Necessary ledgers

Ans: Capital a/c Rs 79,000 (Cr.); Cash a/c Rs 6,000 (Dr.); Purchase a/c Rs 13,000 (Dr.); Furniture a/c Rs 10,000; Accounts payable a/c Rs 8,000 (Cr.); Office rent a/c Rs 10,000 (Dr.); Machinery a/c Rs 28,000 (Dr.); Drawing a/c Rs 1,000 (Dr.) Bank a/c Rs 37,000 (Dr.); Accounts receivable a/c Rs 7,000 (Dr.); Commission a/c Rs 15,000 (Cr.) Return outward a/c Rs 1,000 (Cr.); Return inward Rs 500 (Dr.) Profit and loss a/c Rs 1,000 (Dr.); Sales Rs. 10,500 (Cr.)

Solution

Dr.

### Capital Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 31	To Balance c/d		79,000	Jan 1	By Balance b/d		79,000
			79,000				79,000
				Feb 1	By Balance b/d		79,000

Dr.

### Cash Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 1	To Balance b/d		30,000	Jan 15	By Office rent a/c		10,000
Jan 9	To Commission a/c		15,000	Jan 18	By Machinery a/c		28,000
Jan 30	To Furniture a/c		2,000	Jan 24	By Drawing a/c		1,000
Jan 30	To Accounts receivable		10,000	Jan 30	By Accounts payable		12,000
			57,000	Jan 31	By Balance c/d		6,000
Feb 1	By Balance b/d		6,000				51,000

Dr.

### Purchase Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 4	To Account's receivable a/c		13,000	Jan 31	By Balance c/d		13,000
Feb 1	To Balance b/d		13,000				13,000

Dr.

### Furniture Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 1	To Balance b/d		13,000	Jan 30	By Cash a/c By Profit/loss a/c By Balance c/d		2,000 1,000 10,000
							13,000
			13,000				10,000
Feb 1	To Balance b/d		10,000				13,000

## Accounts Payable Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 24	To Purchase return a/c		1,000	Jan 1	By Balance b/d		8,000
Jan 30	To Cash a/c		12,000	Jan 4	By Purchase a/c		13,000
Jan 31	To Balance c/d		8,000				
			21,000				
				Feb 1	By Balance b/d		21,000
							8,000

## Accounts Receivable Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 1	To Balance b/d		7,000	Jan 25	By Sales return a/c		500
Jan 20	To Sales a/c		10,500	Jan 30	By Cash a/c		10,000
			17,500	Jan 31	By Balance c/d		7,000
Feb 1	To Balance b/d		7,000				17,500

## Office Rent Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 15	To Cash a/c		10,000	Jan 31	By Balance c/d		10,000
			10,000				10,000
Feb 1	To Balance b/d		10,000				

## Machinery Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 18	To Cash a/c		28,000	Jan 31	By Balance c/d		28,000
			28,000				28,000
Feb 1	To Balance b/d		28,000				

## Drawing Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 21	To Cash a/c		1,000	Jan 31	By Balance c/d		1,000
			1,000				1,000
Feb 1	To Balance b/d		1,000				

## Bank Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 1	To Balance b/d		37,000	Jan 31	By Balance c/d		37,000
			37,000				37,000
Feb 1	To Balance b/d		37,000				

## Commission Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 31	To Balance c/d		15,000	Jan 9	By Cash a/c		15,000
			15,000				15,000
				Feb 1	By Balance b/d		15,000

## Return outward Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 31	To Balance c/d		1,000	Jan 24	By Accounts payable a/c		1,000
			1,000				1,000
				Feb 1	By Balance b/d		1,000

Dr.		Return inward Account				Cr.	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 25	To Accounts receivable a/c		500	Jan 31	By Balance c/d		500
			500				500
Feb 1	To Balance b/d		500				

Dr.		Profit and Loss Account				Cr.	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 30	To Furniture a/c		1,000	Jan 31	By Balance c/d		1,000
			1,000				1,000
Feb 1	To Balance b/d		1,000				

Dr.		Sales Account				Cr.	
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 30	To Balance c/d		10,500	Jan 20	By Accounts receivable		10,500
			10,500				-10,500
				Feb. 1	By Balance b/d		10,500

19. The trial balance of Everest Dry Cleaners on June 30 is given here.

**Everest Dry Cleaners**  
Trial Balance  
June 30, 2018

Accounts	Debit Rs.	Credit Rs.
Cash .....	12,532	-
Accounts receivable.....	10,536	-
Stock of supplies.....	3,512	-
Equipment .....	25,950	-
Accounts payable.....	-	15,800
Unearned revenue .....	-	1,730
Common stock .....	-	35,000

The July transactions were as follows:

- July 8 Received Rs 5,189 in cash on June 30 accounts receivable.
- 9 Paid employee salaries Rs 2,100.
- 11 Received Rs 6,100 in cash for services provided.
- 14 Paid creditors Rs 10,750 of accounts payable.
- 17 Purchased supplies on account Rs 720.
- 22 Billed customers for services provided Rs 4,700.
- 30 Paid employee salaries Rs 3,114, utilities Rs 1,767, and repairs Rs 492.
- 31 Paid Rs 400 cash dividend.

**Required**

- a. Journalize the transactions, including explanations.
- b. Post into the ledger accounts on cash, accounts receivable and accounts payable.

Ans: b. Cash = Rs 5,198; A/R = Rs 10,047; A/P = Rs 5,770

**Solution**

**Journal Entries**

Date	Particulars	LF	Debit Rs	Credit Rs
July 8	Cash a/c.....	Dr.	12,532	
	Account receivable a/c.....	Dr.	10,536	
	Stock of supplies a/c .....	Dr.	3,512	
	Equipment a/c.....	Dr.	25,950	
	To Accounts payable			15,800
	To Unearned revenue			1,730
	To Common stock			35,000
	Cash a/c.....	Dr.	5,189	
	To Accounts receivable a/c			5,189
	Salary a/c.....	Dr.	2,100	
9	To Cash a/c			2,100

11	Cash a/c .....	Dr.	6,100	6,100
14	To Service revenue a/c.....			
17	Accounts payable a/c.....	Dr.	10,750	10,750
22	To Cash a/c.....			
30	Stock of supplies a/c.....	Dr.	720	720
	To Accounts payable a/c.....			
	Accounts receivable a/c.....	Dr.	4,700	4,700
	To Service revenue a/c.....			
31	Salary a/c.....	Dr.	3,114	3,114
	Utility a/c.....	Dr.	1,767	1,767
	Repair a/c.....	Dr.	492	492
	To Cash a/c.....			
	Dividend a/c.....	Dr.	400	5,373
	To Cash a/c.....			400

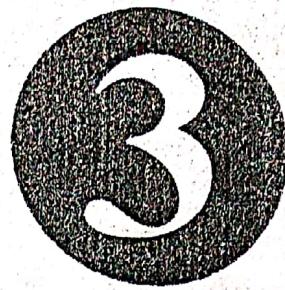
Cash Account			
Date	Particulars	JF	Amount
1	To Balance b/d		12,532
8	To Accounts receivable		5,189
11	To Service revenue		6,100
			23,821
	To Balance b/d		5,198

Accounts Receivable			
Date	Particulars	JF	Amount
July 1	To Balance b/d		10,536
22	To service revenue		4,700
			15,236
	To Balance b/d		100,47

Stock of Supplies			
Date	Particulars	JF	Amount
July 1	To Balance b/d		3,512
22	To Accounts payable		720
			4,232
	To Balance b/d		4,232

Accounts Payable			
Date	Particulars	JF	Amount
July 4	To Cash		10,750
31	To Balance c/d		5,770
			16,500
			By Balance b/d

Service Revenue			
Date	Particulars	JF	Amount
July 31	To Balance c/d		10,800
			10,800
			By Cash
			By Accounts receivable
			By Balance b/d



# Subsidiary Books

## **Purchase Book**

Following purchase related transactions are given.

March 3 Purchased goods on credit from Dipesh of Butwal:

- 12 Tape records @ Rs. 500 each
- 10 Radios @ Rs. 800 each

March 8 Purchased goods from Dirgha of Chitwan:

- 30 Telephone sets @ Rs. 1,000 each
- 40 Radios @ Rs. 2,000 each

March 12 Purchased a pen drive for Rs. 500 from Dinesh of Kathmandu

**Required:** Purchase book

Ans: Rs. 1,24,000

Solution

**Purchase Book**

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
March 3	Dipesh, Butwal			6,000	14,000
	12 tape records @ Rs. 500 each .....			8,000	
March 8	Dirgha, Chitwan			30,000	110,000
	30 telephone sets @ Rs. 1,000 each.....			80,000	
Total.....					124,000

Purchase and purchase relating transactions are summarized below:

Purchase from Ram Man of Kathmandu:

- 500 gm. Coffee can 5 nos. @ Rs. 450 per can.
- 400 gm. Fruit Juice can 10 nos. @ Rs. 40 per can.

Purchase from Hari Khadgi, Patan:

- 100 kg. Poultry product @ Rs100 per kg
- 200 kg. Mutton fillet @ Rs150. per kg

**Required:** Purchase book

Ans: Rs 42,650

## Solution

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
	Ram Man, Kathmandu 500g. coffee can.....(5×450)			2,250	2,650
	40g. fruit juice can .....			400	
	Hari Khadgi, Patan Poultry product .....			10,000	40,000
	Mutton fillet.....(200×150)			30,000	
	Total .....				42,650

3. Following purchase transactions are given:

Purchased from Hulas Traders of Palpa:

- 400 kg. of Mansuli Rice @ Rs. 35 per kg.
- 250 kg. of Basmati Rice @ Rs. 65 per kg.
- Trade discount 5%

Purchase from Karnali suppliers of Dang:

- 200 kg. of Potato @ Rs. 20 per kg
- 100 kg. of Onion @ Rs. 15 per kg.

Purchased Table Fan from Sagar Electronics for Rs. 750.

Required: Purchase book and purchase account

Ans: Purchase book and Purchase a/c Rs. 34,237.5

## Solution

Purchase Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
	Hulas Traders, Palpa 400 kg Mansuli Rice @ Rs. 35 per kg.....			14000	28737.5
	250 kg Basmati Rice @ Rs. 65 per kg			16250	
	5% Trade Discount.....			30250	5500
	Karnli Suppliers, Dang 200 kg Potato @ Rs. 20 per kg .....			1512.5	
	100 kg Onion @ Rs. 15 per kg .....			4000	34237.5
	Total .....			1500	

Dr.

Purchase Account

Cr.

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
	To Sundry Creditors		34237.5		By Balance c/d		34237.5
			34237.5				34237.5
	By Balance b/d		34237.5				

4. Consider the following purchase related transactions of Siwakoti:

Marga 10 Purchased goods on credit from Lila of Kathmandu:

- 300 Table fans @ Rs. 800 each
- 500 Ceiling fans @ Rs. 600 each

Marga 15 Purchased goods from Sheela of Bhaktapur:

- 600 Ceiling fans @ Rs. 700 each
- 400 Table fans @ Rs. 850 each

Trade discount @ 10%

Marga 25 Purchased on cash 100 electric heaters @ Rs. 500 each.

Required: Purchase book, purchase account and creditors' account

Ans: Purchase book Rs. 12,24,000 and account Rs 12,74,000

Solution

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Marga 10	<u>Lila, Kathmandu</u> 300 Table fans @ Rs. 800 each .....			240,000	540,000
	500 ceiling fans @ 600 each .....			300,000	
Marga 15	<u>Kalu, Bhaktapur</u> 600 ceiling fans @ Rs. 700 each .....			420,000	
	400 table fans @ Rs. 850 each .....			340,000	
	Less: Trade discount 10%.....			760,000	
	<b>Total .....</b>			76,000	<b>684,000</b>
					<b>12,24,000</b>

Dr.

### Purchase Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Marga 25	To Cash a/c		50,000	Marga 30	By Balance c/d		12,74,000
Marga 30	To Sundry creditors		12,24,000				
			12,74,000				12,74,000
Poush 1	To Balance b/d		12,74,000				

Dr.

### Lilas' Account

Cr.

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
Marga 30.	To Balance c/d .....		540,000	Marga 10	By Purchase a/c .....		540,000
			540,000				540,000
				Poush 1	By Balance b/d .....		540,000

Dr.

### Kalu's Account

Cr.

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
Marga 30	To Balance c/d .....		684,000	Marga 15	By Purchase a/c .....		684,000
			684,000				684,000
				Poush 1	By Balance b/d .....		684,000

5. Consider the following information:

Jan 2 Purchased on credit from XYZ Pvt. Ltd, Kathmandu:

- 20 Yamaha motorcycles @ Rs. 120,000 each
- 40 Suzuki motorcycles @ Rs. 130,000 each

Jan 15 Purchased on credit from ABC Pvt. Ltd, Butwal:

- 30 Hero Splender @ Rs. 122,000 each
- 20 Honda Unicorn @ Rs. 128,000 each

Trade discount @ 15%

Jan 25 Purchased from Sunita Pvt. Ltd., Patan for office use.

- 2 Dio Scooter @ Rs. 100,000
- 1 Honda Generator @ Rs. 30,000

Trade discount @ 10%

Required:

- Purchase book
- Purchase account
- Creditors' account

Ans: Purchase book and account Rs. 128,87,000

## Solution

a.

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Jan 2	XYZ Pvt. Ltd., Kathmandu: 20 Crux motorcycles @ Rs. 120,000 each..... 40 YBX motorcycles @ Rs. 130,000 each .....			24,00,000 52,00,000	76,00,000
Jan 15	ABC Pvt. Ltd., Butwal: 30 Hero Honda Splender @ Rs. 122,000 each..... 20 Hero Honda Passion @ Rs. 128,000 each .....			36,60,000 25,60,000	62,20,000
	Less: 15% Trade discount.....			9,33,000	52,87,000
	<b>Total</b> .....				<b>1,28,87,000</b>

b. Dr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Jan 31	To Sundry Creditors a/c .....		1,28,87,000	Jan 31	By Balance c/d.....		1,28,87,000
			1,28,87,000				1,28,87,000
Feb 1	To Balance b/d .....		1,28,87,000				

## XYZ Ltd's Account

Dr.

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
Jan 31	To Balance c/d .....		76,00,000	Jan 2	By Purchase a/c .....		76,00,000
			76,00,000				76,00,000
				Feb 1	By Balance b/d .....		76,00,000

## ABC Pvt. Ltd's Account

Dr.

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
Jan 31	To Balance c/d .....		52,87,000	Jan 15	By Purchase a/c .....		52,87,000
			52,87,000				52,87,000
				Feb 1	By Balance b/d .....		52,87,000

6. Following transactions were given to you:

Baishak 2

Purchased from Trilok Furniture, Kirtipur:

- 10 Chairs @ Rs. 1,000 each, less trade discount Rs. 2,500
- 5 Tables @ Rs. 3,000 each

Baishak 5

Purchased from Nepal Furniture for cash:

- 5 Almirahs @ Rs. 10,000 each
- 6 Chairs @ Rs. 2,000 each

Less: Discount @ 10%

Baishak 12

Purchased to Salon Kastha Udyog, Bhaisepati:

- 20 Chairs @ Rs. 1,500 each
- 5 Steel Cabinets @ Rs. 20,000 each
- Delivery charges Rs. 3,000

Less: Trade discount 10%

Baishak 28

Purchased 2 computers for office use from M/s Mercantile Corporation on credit for Rs. 60,000

Required: Purchase book and Purchase account.

Ans: Rs. 142,500 and Rs. 204,500

## Purchase Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Baishak 2	Trilok Furniture, Kirtipur - 10 Chairs @ Rs. 1,000 each, Less: Trade discount ..... - 5 Tables @ Rs. 3,000 each .....			10,000 (2,500) 15,000	22,500
Baishak 12	Salon Kastha Udyog, Bhaisepati - 20 Chairs @ Rs. 1,500 each - 5 Steel Cabinets @ Rs. 20,000 each			30,000 100,000	
	Less: Trade discount 10% Add: Delivery charges .....			130,000 (13,000) 3,000	120,000
	Total .....				142,500

Dr. Purchase Account Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Baishak 5	To Cash .....		55,800	Baishak 31	By Balance c/d		204,500
Baishak 31	To Discount .....		6,200				
	To Sundry creditors .....		142,500				204,500
			204,500				
	To Balance b/d		204,500				

## Sales Book

Consider the following information of Mr. Lokesh:

Bhadra 7 Sold to L. Das of Janakpur:

- 20 Table Fans @ Rs. 1,500 each
- 30 Ceiling Fans @ Rs. 1,600 each
- Trade discount @ 10%

Bhadra 8 Sold to R.R. Store, Lalgadh:

- 25 Ceiling Fans @ Rs. 1,700 each
- 25 Table Fans @ Rs. 1,400 each
- Trade discount @ 12%

**Required:** Sales book and sales account.

Ans: Sales book and account Rs 1,38,400

## Jolution

## Sales Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Bhadra 7	L Das, Janakpur 20 table fans @ Rs. 1,500 each .....			30,000	
	30 ceiling fans @ Rs. 1,600 each .....			48,000	
	Less: 10% Trade discount .....			78,000	
				7,800	70,200
Bhadra 8	R.R. Store, Lalgadh 25 ceiling fans @ Rs. 1,700 each .....			42,500	
	25 table fans @ Rs. 1,400 each .....			35,000	
	Less: 12% Trade discount .....			77,500	
				9,300	68,200
	Total .....				1,38,400

## Jolution

## Sales Account

Cr.

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
Bhadra 30	To Balance c/d .....		138,400	Bhadra 10	By Sundries a/c .....		138,400
			138,400				138,400

		Ashoj 1	By Balance b/d .....	138.400
--	--	---------	----------------------	---------

8. Following transactions were given to you

Sold to S.V Academy on buffet system:

- 200 Bottles Alcoholic beverage @ 300 each
- 150 Bottles of Non-alcoholic beverage @ 25 each
- Less: 5% trade discounts

Soup sold to sports club of Janakpur:

- 40 Garlic soups @ Rs. 70 each
- 30 Mushroom soups @ Rs90 each

Required:

- Sales book
- Sales account

Ans: (a) Rs. 66,062.50 (b) Rs. 66,062.50

Solution

Sales Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
1.	S.V. Academy			60,000	
	200 bottles Alcoholic beverage @ 300			3,750	
	150 bottles non-alcoholic beverage @ 25			63,750	
2.	Less: 5% Trade Discount			3,187.5	60,562.5
	Sports Club; Janakpur			2800	
	40 garlic soup @ Rs. 70			2700	5500
	30 mushroom soups @ Rs. 90				
	Total				66062.5

Dr.

Sales Account

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
	To Balance c/d		66062.5		By Sundries a/c		66062.5
			66062.5				66062.5

9. Following sales transactions are given.

May 7 Sold goods on credit to Mercantile Computers:

- 5 Computers @ Rs. 30,000 each
- 10 Printers @ Rs. 6,000 each

May 17 Sold goods to Intel Computers:

- 2 Computers @ Rs. 31,000 each
- 4 UPS @ Rs. 20,000 each
- 10 Printers for Rs. 150,000

Required: Sales book and sales account

Ans: Rs. 5,02,000

Solution

Sales Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
May 7	Mercantile Computers			1,50,000	
	5 Computers @ Rs. 30,000 each .....			60,000	2.10,000
May 17	10 Printers @ Rs. 6,000 each.....			62,000	
	Intel Computers			80,000	
	2 Computers @ Rs. 31,000 each .....			150,000	292,000
	4 UPS @ Rs. 20,000 each.....				
	10 Printers for Rs. 150,000.....				
	Total				502,000

10. Consider the following information of Nirajan:

- Kartik 13      Sold goods on credit to Mohan of Myagdi:  
                   - 300 Table Fans @ Rs. 1,000 each  
                   - 400 Ceiling Fans @ Rs. 1,200 each
- Kartik 18      Sold goods on credit to Shohan of Syanja:  
                   - 800 Ceiling Fans @ Rs. 1,700 each  
                   - 600 Table Fans @ Rs. 1,400 each  
                   Trade discount @ 10 %
- Kartik 26      Sold goods on cash to Roshan of Rampur:  
                   - 30 Table Fans @ Rs. 1,500 each  
                   - 50 Ceiling Fans @ Rs. 1,600 each
- Kartik 26      Sold on cash to Subodh of Birgunj:  
                   - 15 kg. of old newspaper @ Rs. 8 per kg.  
                   - 5 kg. of old magazines @ Rs. 5 per kg.

**Required:** Sales book, sales account and debtors' account

Ans: Sales book Rs. 27,60,000 and account Rs. 28,85,000

**Solution**

Sales Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Kartik 13	Mohan, Mechi			300,000	780,000
	300 table fans @ Rs. 1,000 each .....			480,000	
Kartik 18	Shohan, Syanja			13,60,000	22,00,000
	800 ceiling fans @ Rs. 1,700 each.....			840,000	
	600 table fans @ Rs. 1,400 each .....			22,00,000	1980,000
	Less: Trade discount 10%			220,000	
	<b>Total</b>				<b>27,60,000</b>

Sales Account

Dr.	Particulars	JF	Amount	Date	Particulars	JF	Cr.
Kartik 31	To Balance c/d.....		28,85,000	Kartik 26	By Cash a/c.....		125,000
				Kartik 31	By Sundry debtors' a/c .....		27,60,000
			28,85,000				28,85,000
				Mangsir 1	By Balance b/d		28,85,000

Mohan's Account

Dr.	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
Kartik 13	To Sales a/c		780,000	Kartik 30	By Balance c/d		780,000
			780,000				780,000
Mangsir 1	To Balance b/d		780,000				

Sohan's Account

Dr.	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
Kartik 18	To Sales a/c		1980,000	Kartik 30	By Balance c/d		1980,000
			1980,000				1980,000
Mangsir 1	To Balance b/d		1980,000				

11. Prepare sales book and open sales account for a stationery shop.

- Feb. 1      Sold to NATHM, Rabi Bhawan:  
                   - Cello pen 5 dozens @ Rs. 300 per dozen  
                   - Register book 20 units @ Rs. 90 per unit  
                   10% Trade discount on both items
- Feb. 5      Sold on cash to People's Campus, Pakanajol 10 reams of photocopy paper at Rs. 500 per

ream.

- 5% cash discount

Feb. 6

Sold to A.K. Store, Bagbazar:

- 20 Reams of Computer Paper @ Rs. 600 per ream, 10% trade discount

- 5 Packets of Carbon Paper for Rs. 1,000

Delivery charges Rs. 200

Ans: Sales book Rs. 1,497; Sales account Rs. 19,970

**Solution**

### Sales Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
1.	<u>NATHM, Rabi Bhawan</u>			1500	
	Pilot Pen 5 doz @ Rs. 300 per doz .....			1800	
	Register 20 unit @ Rs 90 per unit .....			3300	
	Less: 10% Trade Discount .....			330	297
2.	<u>A.K. Store</u>			12000	
	20 reams of computer paper @ Rs. 600 .....			1000	130
	5 Pkts of Carbon paper @ Rs. 200 .....				1597
	<b>Total.....</b>				

Dr.

### Sales Account

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
	To Balance c/d		20720		By Cash a/c		47
			20720		By Sundries a/c		159
							207
					By Balance b/d		207

12. Gopal deals on furniture. Following transaction are given:

Falgun 1 Sold to Prakash:

- 3 Almiras @ Rs. 4,500 each
  - 1 Dining table @ Rs. 5,000
  - 4 Chairs @ Rs. 500 each
- (Discount at 5% on all items)

Falgun 10 Sold old computer to Rajendra on credit for Rs. 25,000

Falgun 20 Sold for cash to Madan

- 6 Tables @ Rs. 600 each

(Discount at 10%)

Falgun 28 Sold to Krishna:

- 5 small tables @ Rs. 400 each
- 16 chairs @ Rs. 450 each

**Required:**

a. Sales Book

b. Sales Account

Ans: (a) Rs. 28,675 (b) Rs. 32,275

**Solution**

### Sales Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Falgun 1	Prakash:				
	- 3 Almiras @ Rs. 4,500 each			13,500	
	- 1 Dining table @ Rs. 5,000			5,000	
	- 4 Chairs @ Rs. 500 each			2,000	
	Less: Trade discount 5%			20,500	
				1,025	19,475

Falgun 18	Krishna: - 5 small tables @ Rs. 400 each - 16 chairs @ Rs. 450 each				2,000 7,200	9,200	28,675
	Total						Cr.

Sales Account							
Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Falgun 30	To Balance c/d.....		32,275	Falgun 20	By Cash a/c .....		3,240
					By Discount a/c .....		360
			32,275	Falgun 30	By Sundry debtors' a/c.....		28,675
							32,275
				Chaitra 1	By Balance b/d		32,275

Following transactions were given to you:

- Baishak 2      Sold to Kala Furniture, Kalimati:  
   - 10 Chairs @ Rs. 1,000 each  
   - 5 Tables @ Rs. 3,000 each  
   Less: Trade discount 10%
- Baishak 5      Sold to Nepal Furniture, Balaju:  
   - 5 Almirahs @ Rs. 10,000 each (25% trade discount)  
   - 6 Chairs @ Rs. 2,000 each
- Baishak 12     Sold to Nimesh Kastha Udyog, Bhaisepati:  
   - 20 Chairs @ Rs. 1,500 each  
   - 5 Steel Cabinets @ Rs. 20,000 each  
   - Delivery charges Rs. 3,000  
   Less: Trade discount 10%
- Baishak 28     Sold 2 Furniture on cash for Rs. 6,000

Required: Sales book and sales account.

Ans: Rs. 192,000 and Rs. 198,000

Solution

### Sales Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Baishak 2	Kala Furniture, Kalimati: - 10 Chairs @ Rs. 1,000 each - 5 Tables @ Rs. 3,000 each Less: Trade discount 10%			10,000 15,000 25,000 (2,500)	22,500
Baishak 5	Nepal Furniture, Balaju: - 5 Almirahs @ Rs. 10,000 each Less: Trade discount 25% - 6 Chairs @ Rs. 2,000 each			50,000 (12,500) 37,500 12,000	49,500
Baishak 12	Nimesh Kastha Udyog, Bhaisepati: - 20 Chairs @ Rs. 1,500 each - 5 Steel Cabinets @ Rs. 20,000 each Less: Trade discount 10% Add: Delivery charges			30,000 100,000 130,000 (13,000) 3,000	120,000
	Total				192,000

### Sales Account

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Baishak 31	To Balance c/d.....		198,000	Baishak 28	By Cash a/c.....		6,000
				Baishak 31	By Sundry debtors' a/c.....		192,000
			198,000	Jestha 1	By Balance b/d		198,000

**Purchase Return/Return Outward Book**

14. The following information is extracted from the books of Kathmandu Furniture:

Jan 10      Returned to Bikash of Sunsari:

- 30 Chairs @ Rs. 800 each
- 10 Tables @ Rs. 600 each

Jan 20      Returned to Madan of Dhanusa:

- 5 Almories @ Rs. 400 each
- 2 Tables @ Rs. 900 each

**Required:** Purchase return book

Ans: Rs. 33,800

Solution

**Purchase Return Book of Kathmandu Furniture**

Date	Particulars	Debit Note No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Jan 10	<u>Bikash, Sunsari</u>			24,000	30,000
	30 chairs @ Rs. 800 each.....			6,000	
Jan 20	<u>Madan, Dhanusa</u>			2,000	3,800
	5 almonries @ Rs. 400 each .....			1,800	
Total					33,800

15. Following purchase return transactions are given.

Baisakh 3      Returned to Hari:

- 2 Tape records @ Rs. 1,000 each
- 5 Radios @ Rs. 500 each

Original trade discount 20%

Baisakh 5      Returned to Bishnu:

- 2 Telephone sets @ Rs. 5,000 each

Original trade discount 10%

Baisakh 8      Returned to Narayan:

- 3 Telephone sets @ Rs. 1,000 each
- 4 Heaters @ Rs. 2,000 each

**Required:** Return outward book

Ans: Rs. 23,600

Solution

**Return Outward Book**

Date	Particulars	Debit Note No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Baisakh 3	<u>Hari</u>			2,000	3,600
	2 tape records @ Rs. 1,000 each.....			2,500	
5	5 radios @ Rs. 500 each .....			4,500	9,000
	Less: 20% Trade discount .....			900	
8	<u>Bishnu</u>			10,000	11,000
	2 telephone sets @ Rs. 5,000 each.....			1,000	
Total.....				3,000	23,600
				8,000	

**Sales Return/Return inward Book**

16. Consider the following information of Bikash:

March 11 Returned from Bishal  
 - 2 quintal Wheat @ Rs. 1,200 per quintal  
 - 20 kg Rice @ Rs. 40 per kg

March 23 Returned from Jagadish:  
 - 4 kg Ghee @ Rs. 200 per kg  
 - 30 liter Oil @ Rs. 80 per liter

**Required:** Sales return book

Ans: Rs. 6,400

**Solution**

**Sales Return Book of Bikash**

Date	Particulars	Credit Note No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
March 11	Bishal			2,400	3,200
	2 quintal wheat @ 1,200 per quintal..... 20 kg rice @ Rs. 40 per kg.....			800	
March 23	Jagadish			800	3,200
	4 kg ghee @ Rs. 200 per kg..... 30 liter oil @ Rs. 80 per liter .....			2,400	
Total .....					6,400

17. You are provided the following information of Mr. Shrestha:

Bhadra 15      Returned from Tilochan of Bhaisepati:  
 - 10 kg Sugar @ Rs. 12 per kg  
 - 20 kg Dal @ Rs. 18 per kg

Bhadra 25      Returned from Khanal of Jawalakhel:  
 - 40 liter Sunflower Oil @ Rs. 200 per liter  
 - 30 liter Patanjali Oil @ Rs. 80 per liter  
 Original trade discount @ 5%

**Required:** Sales return book

Ans: Rs. 10,360

**Solution**

**Sales Return Book of Mr. Shrestha**

Date	Particulars	Credit Note No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
Bhadra 15	Tilochan of Bhaisepati:			120	480
	- 10 kg Sugar @ Rs. 12 per kg..... - 20 kg Dal @ Rs. 18 per kg.....			360	
Bhadra 25	Khanal of Jawalakhel:			8,000	9,880
	- 40 liter Sunflower Oil @ Rs. 200 per liter..... - 30 liter Patanjali Oil @ Rs. 80 per liter .....			2,400	
Less: 5 % Trade discount .....				10,400	
Total .....				520	9,880
					10,360

18. Enter the following transactions of Vinayak Electronics in the proper books:

July 5      Sold on credit to Seti & Co.:  
 - 10 Electric Irons @ Rs. 250  
 - 5 Electric Stoves @ Rs. 150

July 8      Purchased on credit from Hari & Sons Co.:  
 - 25 Heaters @ Rs. 400  
 - 10 Water Heaters @ Rs. 200

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- July 10 Purchased for cash from Mahesh & Co.:  
 - 10 Electric Kettles @ Rs. 300
- July 15 Sold to Rajesh & Co. on credit:  
 - 10 Heaters @ Rs. 500  
 - 5 Water Heaters @ Rs. 250
- July 18 Returned to Hari & Sons. Co.:  
 - 5 Heaters being defective
- July 20 Purchased from Koshi & Co.:  
 - 10 Toasters @ Rs. 200  
 - 10 Toasters @ Rs. 300
- July 26 Rajesh & Co. return one Water Heater as defective.

You are also required to post the transactions in the necessary ledgers.

Ans: Purchase book Rs. 17,000; purchase account Rs 20,000 Sales book and account Rs 9,500 Return outwards Book and account Rs. 2,000; Return inward book and account Rs. 250, Seti's account Rs 3,250 Rajesh's account Rs. 6,000 Hari's account Rs. 10,000; Koshi's account Rs. 5,000.

**Solution**

### Purchase Book

Date	Particulars	Invoice No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
July 8	Hari & Sons Co.			10,000	12,000
	25 Heaters @ Rs. 400.....			2,000	
	10 Water Heaters @ Rs. 200.....			2,000	
July 15	Koshi @ Co.			3,000	5,000
	10 Toaster @ Rs. 200.....			2,000	
	10 Toaster @ Rs. 300.....			3,000	
Total.....				17,000	

### Sales Book

Date	Particulars	Invoice No.	LF	Amount		
				Details (Rs.)	Total (Rs.)	
July 5	Seti & Co.			2500	3250	
	10 Electric irons @ Rs. 250.....			750		
July 15	5 Electric Stoves @ Rs. 150.....			5000	6250	
	Rajesh @ Co.			1250		
	10 heaters @ Rs. 500.....			1250		
	5 Waters heaters @ Rs. 250.....					
Total.....				9,500		

### Purchase Return Book

Date	Particulars	Credit Note No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
July 8	Hari & Sons Co.			2,000	2,000
	5 Heaters @ Rs. 400.....				
	Total.....				

### Sales Return Book

Date	Particulars	Credit Note No.	LF	Amount	
				Details (Rs.)	Total (Rs.)
July 26	Rajesh & Co.			250	250
	1 Water heater @ Rs. 250.....				
	Total.....				

Dr.

### Purchase Account

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
July 10	To Cash a/c		3,000	July 30	By Balance c/d		20,000
July 30	To Sundry Creditors		17,000				
			20,000				

Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
July 30	To Balance c/d		9500	July 30	By Sundries a/c		9500
			9500				9500
				August 1	By Balance b/d		9500
Dr.	Purchase Return Account						Cr.
Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
July 30	To Balance c/d		2,000	July 18	By Sundries a/c		2,000
			2,000				2,000
				August 1	By Balance b/d		2,000
Dr.	Sales Return Account						Cr.
Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
July 26	To Sundries a/c		250	July 30	By Balance b/d		250
			250				250
August 1	To Balance b/d		250				
Dr.	Seti's Account						Cr.
Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
July 5	To Sales a/c		3,250	July 30	By Balance b/d		3,250
			3,250				3,250
August 1	To Balance b/d		3,250				
Dr.	Rajesh's Account						Cr.
Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
July 15	To Sales a/c		6,250	July 26	By Sales return a/c		250
			6,250				6,000
August 1	To Balance b/d		6,000				6,250
Dr.	Hari's Account						Cr.
Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
July 18	To Purchase return a/c		2,000	July 18	By Purchase a/c		12,000
			10,000				12,000
July 30	To Balance c/d		12,000	August 1	By Balance b/d		10,000
Dr.	Koshi's Account						Cr.
Date	Particulars	JF	Rs.	Date	Particulars	JF	Rs.
July 30	To Balance c/d		5,000	July 20	By Purchase a/c		5,000
			5,000				5,000
				August 1	By Balance b/d		5,000

**Cash Book**

Consider the following transactions for the month of May:

2018 May 1 Balance of cash in hand Rs. 48,000

- 2 Received from Mohan Rs. 4,800 and allowed him discount Rs. 200
- 6 Bought furniture for Rs. 3,600
- 9 Purchased Merchandise for cash Rs. 44,000
- 12 Paid to Bijay Rs. 3,200 and received a discount Rs. 150
- 15 Sold goods on cash Rs. 15,200
- 18 Rent paid for the May Rs. 6,000
- 20 Vivek who owed Rs. 6,000, settled his account by paying Rs. 5,860
- 25 Received from Kumar Rs. 6,400 and allowed him discount Rs. 120
- 30 Paid Salary for the month of May Rs. 3,200

Required: Cash book with discount and cash column

Ans: Cash balance Rs. 20,260

Dr.	Double Column Cash Book (with cash and discount)							Cr.	
Date	Particulars	LF	Discount	Cash	Date	Particulars	LF	Discount	Cash
May 1	To Balance b/d.....			48,000	May 6	By Furniture a/c.....			3,600
2	To Mohan.....		200	4,800	9	By Purchase a/c.....			44,000
15	To Sales a/c.....			15,200	12	By Harkey.....		150	3,200
20	To Vivek .....		140	5,860	18	By Rent.....			6,000
25	To Kumar .....		120	6,400	30	By Salary a/c.....			3,200
					30	By Balance c/d .....			20,260
			460	80,260				150	80,260
June 1	To Balance b/d			20,260					

20. The following transactions are given to you for the month of Oct.

- Oct. 1 Cash deposited into bank Rs. 90,000  
 6 Purchased goods from A and Co. for Rs. 35,000 and paid Rs. 25,000 by cheque partially.  
 8 Withdraw cash from bank Rs. 5,000 for office use and Rs. 3,000 for personal use.  
 15 Goods sold to Ranjeet for Rs. 23,000 and received cheque Rs. 12,000 partially.  
 19 Paid commission Rs. 6,000 by cheque.  
 22 Issued cheque to Rajesh of Rs. 18,000 after deducting 10% discount.

Required: Double column cash book with bank and discount column.

Ans: Bank balance Rs. 45,000

Solution

Dr.	Double Column Cash Book (with Bank and discount)							Cr.	
Date	Particulars	LF	Discount	Bank	Date	Particulars	LF	Discount	Bank
Oct 1	To Cash .....			90,000	Oct 6	By Purchase a/c...			25,000
15	To Sales a/c.....			12,000	8	By Cash a/c.....			5,000
					8	By Drawing a/c ....			3,000
					19	By Commission a/c .....			6,000
					18	By Rajesh a/c.....		2,000	18,000
					30	By Balance c/d ....			45,000
Nov 1	To Balance b/d			102,000				2,000	102,000
				45,000					

21. Following transactions are forwarded to you.

- August 1 Opening balance of cash and bank Rs. 58,500 and Rs. 65,000 respectively  
 4 Purchased Computer on cash Rs. 35,000  
 9 Prepaid insurance for the year Rs. 12,000  
 14 Deposited cash into bank Rs. 8,000  
 19 Received cheque from Sindhu Rs. 15,000 and deposited into bank on the same day.  
 20 Sold goods on account Rs. 20,000 and partly received cash Rs. 9,000.  
 26 Withdraw cash from bank Rs. 4,000 and Rs. 6,000 for office use and private use  
respectively  
 29 Paid salary for the month of August Rs. 11,000 by cheque  
 31 Paid into bank Rs. 2,000

Required: Cash book with cash and bank column

Ans: Cash balance Rs. 14,500; bank balance Rs. 69,000

Solution

Dr.	Cash Book with Cash and Bank Columns							Cr.	
Date	Particulars	LF	Cash	Bank	Date	Particulars	LF	Cash	Bank
Aug 1	To Balance b/d .....		58,500	65,000	Aug 4	By Computer a/c.....		35,000	
14	To Cash a/c.....		C	8,000	9	By Insurance a/c.....		12,000	
19	To Sindu a/c .....			15,000	14	By Bank a/c .....	C	8,000	
20	To sales a/c.....		9,000		26	By Cash a/c .....	C		4,000
26	To Bank a/c.....		C	4,000	26	By Drawing a/c .....			6,000
31	To Cash a/c.....			2,000	29	By Salary a/c .....			11,000
					31	By Bank a/c .....	C	2,000	
					31	By Balance c/d .....		14,500	69,000

To Balance b/d.....	71,500	90,000			71,500	90,000
	14,500	69,000				

22. The following transactions are extracted from the book of Himalayan trading for the month of January.

- January 1 Started business with cash Rs. 150,000
- 2 Opened bank account with Rs. 60,000
- 6 Purchased office equipment for Rs. 45,000 and paid 1/3 of cash and balance through cheque.
- 10 Purchased goods for Rs. 40,000 from Sital and paid partially Rs. 20,000
- 15 Cash withdrew from bank Rs. 10,000 for office use and Rs. 4,000 for personal use.
- 18 Sold goods for Rs. 16,000 to Mr. Sharma and received cheque of Rs. 6,000 partially.
- 24 Paid to Sital in full settlement by cheque after deducting 10% discount.
- 26 Paid sundry expenses for Rs. 2,000 by cheque.
- 30 Paid Rs. 12,000 for wages and salaries.
- 31 Issued cheque of Rs. 18,000 to Sital after deducting 10% discount.

Required: Double column cash book with cash and bank column.

Ans: Bank balance Rs. 16,000 (Cr.) ; Cash Rs. 53,000 (Dr.)

Solution

Dr.	Cash Book with Cash and Bank Columns						Cr.		
Date	Particulars	LF	Cash	Bank	Date	Particulars	LF	Cash	Bank
Jan 1	To Balance b/d.....		150,000		Jan 2	By Bank a/c.....	C	60,000	
2	To Cash a/c.....	C		60,000	6	By equipment a/c .....		15,000	30,000
15	To Bank a/c.....	C	10,000		10	By Purchase a/c.....		20,000	
18	To sales a/c.....			6,000	15	By Cash .....		10,000	
31	To Balance c/d.....			16,000	15	By Drawing.....		4,000	
					24	By Sital.....			18,000
					26	By Sundry exp a/c....			2,000
					30	By Salary & wages....		12,000	
					31	By Sital a/c .....			18,000
					31	By Balance c/d.....		53,000	
								160,000	82,000
Feb 1	To Balance b/d.....		53,000		Feb 1	By Balance b/d.....			16,000

23. Following transactions are given

- a. Cash in hand Rs. 25,000 and at bank Rs. 10,000.
- b. Purchased provision from Mahesh suppliers for Rs. 15,000.
- c. Bread and eggs sold for Rs. 1500.
- d. Cash deposited into bank Rs. 1200.
- e. Paid Mahesh suppliers 14350 in full settlement of his debt.
- f. Purchased machinery Rs. 3,000.
- g. Cash withdrew from bank Rs. 2000 for office use and Rs. 500 for domestic use.

Required: Triple column cash book

Ans: Cash balance Rs. 9,950; Bank balance Rs. 8,700

Solution

Dr.	Triple Column Cash Book						Cr.				
Date	Particulars	LF	Cash	Bank	Discount	Date	Particulars	LF	Cash	Bank	Discount
a.	To Balance b/d		25,000	10,000		d.	By Bank a/c	C	1,200		650
c.	To Sales a/c		1,500			e.	By Provision a/c		14,350		
d.	To Cash a/c	C		1,200		f.	By Machinery a/c		3,000		
g.	To Bank a/c	C	2,000			g.	By Drawing a/c			500	
						g.	By Cash a/c		2,000		
						g.	By Balance c/d		9950	8,700	
									28,500	11,200	650
	To Balance b/d		9,950	8,700							

24. Enter the following transactions in Three Column Cash Book:

Jan. 1 Started business with cash Rs. 150,000  
 Jan. 3 Deposited into bank Rs. 87,000  
 Jan. 9 Cash withdrawn from bank for paying life insurance premium Rs. 720  
 Jan. 13 Received a cheques from Khanal and deposited into bank Rs. 2,400  
 Discount allowed to Khanal Rs. 60  
 Jan. 19 Bills payable paid by cheques Rs. 3,000  
 Jan. 22 Received a cheques from Rohit Rs. 1,185  
 Discount allowed to Rohit Rs. 45  
 Jan. 27 Cheque received from Rohit endorsed to Mohan in full settlement of his account of Rs. 1,275  
 Jan. 30 Deposited into bank, cash balance in excess of Rs. 1,350

Ans: Cash balance Rs. 1,350; Bank balance Rs. 147,330; Cash deposited on last day Rs. 61,650;

Solution

Dr.

Triple Column Cash Book

Date	Particulars	LF	Discount	Cash	Bank	Date	Particulars	LF	Discount	Cash	Bank
Jan 1	To Capital a/c .....			150,000		Jan 3	By Bank a/c .....	C		87,000	
Jan 3	To Cash a/c.....	C			87,000	Jan 9	By Drawing a/c .....				
Jan 13	To Khanal.....		60		2,400	Jan 19	By Bills payable a/c .....				
Jan 22	To Rohit .....		45	1,185		27	By Mohan .....		90	1,185	
Jan 30	To Cash a/c.....	C			61,650	30	By Bank a/c .....	C		61,650	
						31	By Balance c/d.....			1,350	147,330
				105	151,185				90	151,185	151
Feb 1	To Balance b/d .....				1,350						

25. Following cash and banking transactions are taken from a trader:

Ashoj 1 Cash in hand Rs. 15,000 and at bank Rs. 7,000

2 Received cash from Mr. Kamal Rs. 9,900 discount allowed Rs. 100  
 3 Deposited into bank Rs. 5,000  
 4 Purchased merchandise for Rs. 5,000 and paid by cheque  
 5 Sold merchandise on account Rs. 6,000  
 7 Received cheque Rs. 5,000 from customer and deposited into bank on same day  
 8 Sold merchandise for cash Rs. 7,000  
 9 Paid to Rakesh Rs. 9,800 by cheque and discount received Rs. 200  
 10 Paid wages for labour Rs. 10,000  
 11 Paid telephone bill of previous month of Rs. 6,500  
 16 Received from customer of Rs. 5,900 in full settlement of his account for Rs. 6,000

Required: Triple column cash book

Ans: Cash Rs. 16,300; Balance bank Rs. 2,200

Solution

Dr.

Triple Column Cash Book

Date	Particulars	LF	Cash	Bank	Discount	Date	Particulars	LF	Cash	Bank	Discount
Ashoj 1	To Balance b/d		15,000	7,000		Ashoj 3	By Bank a/c .....	C	5,000	5,000	
2	To Kamal a/c		9,900		100	4	By Purchase a/c .....			9,800	
3	To Cash a/c .....	C		5,000		9	By Rakesh .....				
7	To Debtors a/c .....			5,000		10	By Wages a/c .....		10,000		
8	To Sales a/c .....		7,000			11	By Telephone a/c .....			6,500	
10	To Debtors a/c .....		5,900		100					16,300	2,200
						31	By Balance c/d .....			37,800	17,000
Kartik 1	To Balance b/d			16,300	2,200						

26. Following transactions are given to you.

Jan. 1 Cash in hand Rs. 40,000 and Bank overdraft Rs. 10,000  
 4 Received cheque from Kumar of Rs. 2,900 and allowed him discount of Rs. 100.

- 6 Cheque which received from Kumar deposited into bank.  
 9 Paid to creditor's account of Rs. 6,000 by cheque after received 10% discount.  
 11 Cash deposited into bank Rs. 20,000.  
 20 Issued a cheque for petty cash fund Rs. 1,000  
 28 Paid to Ganesh by cheque Rs. 1,400 and discount received Rs. 100  
 29 Goods sold for Rs. 15,000 and received cash Rs. 9,000.

**Required:** Cash book with cash, discount and bank column

**Ans:** Cash balance Rs. 29,000; Bank balance Rs. 5,100

**Solution**

Triple Column Cash Book							Cr.				
Date	Particulars	LF	Cash	Bank	Discount	Date	Particulars	LF	Cash	Bank	Discount
Jan 1	To Balance b/d		40,000			Jan 1	By Balance b/d			10,000	
4	To Kumar a/c		2,900		100	6	By Bank a/c	C	2,900		
6	To Cash a/c	C		2,900		9	By Creditors a/c			5,400	600
11	To Cash a/c	C		20,000		11	By Bank a/c	C	20,000		
29	To Sales a/c		9,000			20	By Petty cash a/c			1,000	
						28	By Ganesh a/c			1,400	
						31	By Balance c/d		29,000	5,100	
			51,900	22,900	100				51,900	22,900	600
Feb 1	To Balance b/d		29,000	5,100							

7. Following cash and banking transactions are given to you for 2019.

- June 1 Cash in hand Rs. 14,600; Bank overdraft Rs. 4,000  
 5 Cheque received from J.K. Rs. 12,000 and discount allowed to J.K. Rs. 500  
 6 Cheque which received from J.K. deposited into bank  
 9 Cheque paid to Hom Nath Rs. 4,000 and discount received from Hom Nath Rs. 100  
 12 Amount withdrawn from bank for office uses Rs. 4,000 and for private use Rs. 1,000  
 15 School fees of owner's children paid through cheques Rs. 1,500  
 24 Bank charged interest on overdraft Rs. 500  
 29 Cash deposited into bank Rs. 10,000

**Required:** Cash book with cash, bank and discount column.

**Ans:** Cash balance Rs. 8,600; Bank Rs. 7,000 (Dr.)

**Solution**

Triple Column Cash Book							Cr.				
Date	Particulars	LF	Cash	Bank	Discount	Date	Particulars	LF	Cash	Bank	Discount
June 1	To Balance b/d		14,600			June 1	By Balance b/d			4,000	
5	To J. K. a/c		12,000		500	6	By Bank a/c	C	12,000		
6	To Cash a/c	C		12,000		9	By Hom Nath a/c			4,000	100
12	To Bank a/c	C	4,000			12	By Cash a/c			4,000	
20	To Cash a/c	C		10,000		12	By Drawing a/c			1,000	
						15	By Drawing a/c			1,500	
						24	By Interest a/c	C	10,000	500	
						29	By Bank a/c			8,600	
						31	By Balance c/d			7,000	
			30,600	22,000	500				30,600	22,000	100
July 1	To Balance b/d		8,600	7,000							

The following transactions are given to you.

- 2015 April 1 Cash in hand Rs. 25,000 and Bank Overdraft Rs. 12,000.  
 2015 April 4 Received cheque form Narayan Rs. 36,000 after 10% discount.  
 2015 April 9 Purchased goods Rs. 30,000 from Hari and payment made Rs. 10,000 partially.  
 2015 April 12 Sold goods Rs. 25,000  
 2015 April 15 Cash deposited into bank Rs. 15,000.  
 2015 April 19 Hari's account settled with 10% discount by cheque.

6

SOLUTION MANUAL TO FINANCIAL ACCOUNTING FOR BCA

2015 April 22      Salary and wages paid Rs. 5,000.  
2015 April 23      Rent paid R.s 4,000 and outstanding rent Rs. 1,000.  
2015 April 29      Cash withdrawn from bank Rs. 3,000 for office use and 2,000 for domestic use.

Required: Triple column cash book

Ans: Cash Rs. 19,000; Bank Rs. 16,000

### Solution

Dr.

## Triple Column Cash Book

Gr

Date	Particulars	LF	Discount	Cash	Bank	Date	Particulars	L.F	Discount	Cash	Bank
4-1	To Balance b/d	C	4,000	25,000	36,000	4-1	By Balance b/d	C	2,000	10,000	12,000
4	To Narayan's a/c			25,000		9	By Purchase a/c				15,000
12	To Sales a/c			15,000		15	By Bank a/c				18,000
15	To Cash a/c			3,000		19	By Hari's a/c				5,000
29	To Bank a/c					22	By Salary & wage				4,000
						23	By Rent a/c				3,000
						29	By Cash a/c				2,000
						29	By Drawing a/c				19,000
						30	By Balance c/d				16,000
5-1	To Balance b/d			4,000	53,000	51,000			2,000	53,000	51,000
				19,000	16,000						

29. The following cash and banking transactions are given:

- |               |   |
|---------------|---|
| 1 Asadh 2074  | Balance of Cash Rs. 17,500 and Bank Overdraft Rs. 22,900.   |
| 4 Asadh 2074  | Purchased goods from Naresh for Rs. 9,000 and paid cash of Rs. 4,000 only as part payment.                    |
| 10 Asadh 2074 | Cash deposited into Bank Rs. 5,000.   |
| 12 Asadh 2074 | Sold goods for Rs. 20,000 and received cash Rs. 12,000 and cheques of Rs. 7,800 in the settlement of account. |
| 16 Asadh 2074 | Paid wages of Rs. 3,000 in cash and salary of Rs. 5,000 by cheque.  |
| 19 Asadh 2074 | Received commission of Rs. 2,500.   |
| 22 Asadh 2074 | Paid to Naresh by cheque with 10% discount in full settlement.  |
| 25 Asadh 2074 | Cash withdrawn from bank Rs. 5,000 for domestic use and Rs. 2,000 for office use.                             |
| 28 Asadh 2074 | Received cheques from Shanker of Rs. 18,000 after deducting 10% discount.                                     |

**Required:** Triple column cash book.

Ans: Cash Rs. 22,000; Bank overdraft Rs. 8,600

### Solution

Dr.

## **Triple Column Cash Book**

Cr

Date	Particulars	LF	Discount	Cash	Bank	Date	Particulars	L.F	Discount	Cash	Bank
3-1	To Balance b/d	C		17,500		3-1	By Balance b/d	C			22,900
10	To Cash a/c				5,000	4	By Purchase a/c			4,000	
12	To Sales		200	12,000	7,800	16	By Bank a/c			5,000	
19	To Commission			2,500		22	By Wages and salary			3,000	5,000
25	To Bank a/c			2,000		25	By Naresh		500		4,500
28	To Shanker			2,000		25	By Cash a/c				2,000
31	To Balance c/d				18,000	31	By Drawing				5,000
					8,600		By Balance c/d			22,000	11,500
4-1	To Balance b/d		2,200	34,000	39,400	4-1	By Balance b/d		500	34,000	34,000
				22,000							8,600

# 4

## Trial Balance and Accounting Errors

### Trial Balance

The ledger balances of Himal Company as on 31-12-2017, is given below:

Furniture & fittings .....	Rs. 525	Debtors.....	Rs. 4,700
Bills payable.....	1,200	Bank	110
Capital.....	17,000	Commission received.....	420
Sales.....	14,000	Purchases.....	11,000
Discount received.....	175	Rent	600
Drawings.....	1,000	Salaries .....	1,650
Creditors .....	1,350	Cash	240
Business premises .....	8,400	Bills receivable .....	1,920
Equipment.....	4,000		

Required: Trial balance.

Ans Rs. 34,145

### Solution

#### Trial Balance as on 31-12-2017

SN	Particulars	LF	Debit (Rs.)	Credit (Rs.)
1.	Furniture & Fittings .....		525	-
2.	Bills Payable .....		-	1,200
3.	Capital.....		-	17,000
4.	Sales.....		-	14,000
5.	Discount Received.....		-	175
6.	Drawings.....		1,000	-
7.	Creditors .....		-	1,350
8.	Business Premises .....		8,400	-
9.	Equipment .....		4,000	-
10.	Debtors .....		4,700	-
11.	Bank.....		110	-
12.	Commission received .....		-	420
13.	Purchase.....		11,000	-
14.	Rent .....		600	-
15.	Salaries .....		1,650	-
16.	Cash .....		240	-
17.	Bills Receivables .....		1,920	-
	Total		34,145	34,145

#### SOLUTION MANUAL TO FINANCIAL ACCOUNTING FOR BCA

2. The following ledger balances of Suresh and Co. for the year ending 31, Dec. 2017 is given below:

General expenses.....	Rs. 2,000	Purchases.....	Rs. 23,000
Sales.....	30,000	Return inwards .....	1,000
Return outwards.....	1,000	Carriage.....	1,000
Cartage.....	500	Rent	500
Interest received.....	2,000	Salaries.....	2,000
Stock on 1-1-2017.....	1,000	Discount received.....	500
Insurance.....	1,500	Wages.....	1,000

Required: Trial balance

Ans: Rs. 33,500

Solution

**Trial Balance as on 31-12-2017**

SN	Particulars	LF	Debit (Rs.)	Credit (Rs.)
1.	General expenses .....		2,000	-
2.	Sales.....		-	30,000
3.	Return outwards.....		-	1,000
4.	Cartage.....		500	-
5.	Interest received.....		-	2,000
6.	Stock on 1.1.2012.....		1,000	-
7.	Insurance.....		1,500	-
8.	Purchase .....		23,000	-
9.	Return inwards .....		1,000	-
10.	Carriage.....		1,000	-
11.	Rent .....		500	-
12.	Salaries .....		2,000	-
13.	Discount received.....		-	500
14.	Wages .....		1,000	-
<b>Total.....</b>			<b>33,500</b>	<b>33,500</b>

3. From the following balances, prepare a Trial Balance.

Purchase .....	Rs. 18,000	Sales return .....	1,000
Bad debts written off.....	Rs. 700	Creditors .....	12,000
Sales.....	30,100	Drawing.....	2,400
Rent .....	500	Insurance.....	1,200
Capital .....	10,000	Opening stock.....	5,000
Expenses payable.....	2,000	Debtors .....	25,000
Provision for bad debts .....	600	Commission .....	400
Stationery .....	800	Purchase return.....	500
Machinery .....	3,000	Wages.....	2,000

Ans: Total balance Rs. 59,600; Suspense a/c Rs. 4,000

Solution

**Trial Balance**

SN	Particulars	LF	Debit (Rs.)	Credit (Rs.)
1.	Purchase .....		18,000	-
2.	Bad debt written off.....		700	-
3.	Sales.....		-	30,100
4.	Rent .....		500	-
5.	Capital .....		-	10,000
6.	Expenses payable.....		-	2,000
7.	Provision for bad debt.....		-	600
8.	Stationery .....		800	-
9.	Machinery .....		3,000	-
10.	Sales Return.....		1,000	-
11.	Creditors .....		-	12,000
12.	Drawings .....		2,400	-
13.	Insurance .....		1,200	-
14.	Opening stock .....		5,000	-

15.	Debtors .....		25,000	-
16.	Commission .....		-	400
17.	Purchase return .....		-	500
18.	Wages .....		2,000	-
19.	Suspense a/c .....		-	4,000
	Total .....		59,600	59,600

4. From the following balances prepare a Trial Balance.

Purchase.....	Rs. 15,000	Bad debts written off.....	Rs. 700
Salaries.....	3,000	Creditors.....	12,000
Sales.....	30,100	Drawing.....	2,400
Rent .....	500	Insurance .....	1,200
Sales return .....	1,000	Opening stock .....	5,000
Capital.....	10,000	Provision for depreciation .....	200
Outstanding expenses.....	2,000	Debtors.....	25,000
Provision for bad debts.....	600	Interest earned.....	400
Printing and stationery.....	800	Purchase return .....	500
Office expenses .....	1,200	Wages .....	2,000
Furniture and fitting.....	2,000		

Ans: Total balance Rs.59,800; Suspense a/c Rs.4,000

Solution

Trial Balance

S.N.	Particulars	LF	Debit Rs.	Credit Rs.
1	Purchases .....		15,000	
2	Salaries .....		3,000	
3	Sales .....			30,100
4	Rent .....		500	
5	Sales return .....		1,000	
6	Capital .....			10,000
7	Outstanding expenses .....			2,000
8	Provision for bad debts .....			600
9	Printing and stationery .....			800
10	Office expenses .....			1,200
11	Furniture & fitting .....			2,000
12	Bad debts written off .....			700
13	Creditors.....			12,000
14	Drawing .....			2,400
15	Insurance .....			1,200
16	Opening stock .....			5,000
17	Provision for depreciation .....			200
18	Debtors .....			25,000
19	Interest earned .....			400
20	Purchase return .....			500
21	Wages .....			2,000
22	Suspense a/c .....			4,000
	Total .....		59,800	59,800

5. Consider the following balances of ledger of Gopal:

Furniture .....	Rs. 20,000	Rent .....	Rs. 10,000
Provision for bad debt.....	1,000	Gopal's drawing .....	7,500
Bad debts.....	250	Purchase .....	100,000
Return outward .....	5,000	Wages and salaries .....	15,000
Plant and machinery .....	40,000	Freight inward .....	2,500
Salaries and wages .....	12,500	Sundry debtors .....	40,000
Cash in hand.....	13,000	Office expenses .....	750
Insurance premium.....	1,000	Gopal's capital .....	75,000
Bank loan .....	25,000	Bills payable .....	20,000
Sales .....	150,000	Commission (Cr.) .....	1,500
Opening stock (1-1-2073) .....	Rs. 15,000		

Required: Trial balance

Ans. Rs. 277,500

Solution

## Trial Balance

S.N.	Particulars	LF	Debit Rs.	Credit Rs.
1	Opening stock (1-1-2061).....		15,000	
2	Furniture .....		20,000	
3	Rent .....		10,000	
4	Provision for bad debt .....			
5	Gopal's drawing.....		7,500	1,000
6	Bad debts.....		250	
7	Purchase .....		100,000	
8	Return outward .....			
9	Wages and salaries.....		15,000	5,000
10	Plant and machinery .....		40,000	
11	Freight inward.....		2,500	
12	Salaries and wages.....		12,500	
13	Sundry debtors .....		40,000	
14	Cash in hand.....		13,000	
15	Office expenses.....		750	
16	Insurance premium.....		1,000	
17	Gopal's capital.....			75,000
18	Bank loan .....			25,000
19	Bills payable.....			20,000
20	Sales .....			150,000
21	Commission (Cr.).....			1,500
	Total		277,500	277,500

6. The balance of ledger of Vidya are as below:

Loan .....	Rs. 240,000	Cash at bank .....	Rs. 161,000
Capital .....	500,000	Sundry debtors .....	470,000
Account payable.....	140,000	Plant and machinery.....	280,000
Rent .....	72,000	Export duty.....	28,000
Salary .....	36,000	Sundry expenses.....	20,000
Purchases .....	740,000	Advertisement.....	7,400
Import duty .....	8,600	Freight.....	20,800
Commission (Dr.) .....	14,400	Commission (Cr.).....	12,000
Miscellaneous income.....	40,000	Sales .....	920,000
Purchase return.....	6,200	Bank charges.....	18,000
Office equipment.....	27,000	Depreciation on office equipment.....	3,000
Rent from sublet .....	12,000	Creditors .....	14,000
Discount (Cr.).....	22,000		

Required: Trial balance.

Ans: Rs. 19,06,200

Solution

## Trial Balance

S.N.	Particulars	LF	Debit Rs.	Credit Rs.
1	Loan .....		240,000	
2	Cash at bank .....		161,000	500,000
3	Capital .....		470,000	140,000
4	Sundry debtors .....		280,000	
5	Account payable.....		72,000	
6	Plant and machinery .....		28,000	
7	Rent .....		36,000	
8	Export duty .....		20,000	
9	Salary .....		740,000	7,400
10	Sundry expenses .....			
11	Purchases .....			
12	Advertisement .....			

13	Import duty .....	8,600
14	Freight .....	20,800
15	Commission (Dr.) .....	14,400
16	Commission (Cr.) .....	12,000
17	Miscellaneous income .....	40,000
18	Sales .....	920,000
19	Purchase return .....	6,200
20	Bank charges .....	18,000
21	Office equipment .....	27,000
22	Depreciation on office equipment .....	3,000
23	Rent from sublet .....	12,000
24	Creditors .....	14,000
25	Discount (Cr.) .....	22,000
	Total .....	19,06,200
		19,06,200

7. Recast the following Trial Balance which contains obvious mistakes:

Trial Balance

Particulars	Debit Rs	Credit Rs
Machinery .....	6,000	
Return outwards .....	1,000	90,000
Capital .....		1,500
Interest received .....	90,000	
Premises .....		2,000
Furniture & fixture .....	1,000	
Bad debts .....		41,000
Sales .....		21,000
Debtors .....	500	
Cash .....	500	
Discount received .....	3,500	
Bank overdraft .....	18,000	
Creditors .....	35,000	
Purchases .....		
Total .....	155,500	155,500

20. Solution

Trial Balance

S.N.	Particulars	Debit Rs	Credit Rs
1	Machinery .....	6,000	
2	Return outwards .....		1,000
3	Capital .....		90,000
4	Interest received .....		1,500
5	Premises .....	90,000	
6	Furniture & fixture .....	2,000	
7	Bad debts .....	1,000	
8	Sales .....		41,000
9	Debtors .....	21,000	
10	Cash .....	500	
11	Discount received .....		500
12	Bank overdraft .....		3,500
13	Creditors .....		18,000
14	Purchases .....	35,000	
	Total .....	155,500	155,500

8. The following Trial Balance was extracted from the books of S. Adhikari on 31<sup>st</sup> December, 2017. Do you think that it is correct? If not, re-write in its correct form:

Trial Balance  
as on 31<sup>st</sup> December, 2017

Particulars	Debit Rs	Credit Rs
Capital account .....		30,000
Stock on 1 <sup>st</sup> January, 2017 .....	10,000	

ACCOUNTING FOR BCA		
Purchases and sales.....		80,000
Returns inward.....	55,000	1,500
Returns outward.....		
Discount allowed.....	500	200
Discount received.....		
Vehicles.....	1,500	9,000
Wages and salaries.....		
Carriage.....	25,000	300
Rent and rates.....		
Sundry debtors.....	8,000	
Sundry creditors.....	13,000	2,000
Cash in hand.....		
Bank overdraft.....	1,000	9,000
<b>Solution</b>	<b>123,000</b>	<b>123,000</b>

### Solution

**Trial Balance  
as on 31<sup>st</sup> December, 2017**

S.N.	Particulars	Debit Rs	Credit Rs
1	Capital account.....		30,000
2	Stock on 1 <sup>st</sup> January, 2017 .....	10,000	
3	Purchases and sales.....	55,000	80,000
4	Returns inward .....	1,500	
5	Returns outward .....		500
6	Discount allowed .....	200	
7	Discount received.....		1,500
8	Vehicles .....	9,000	
9	Wages and salaries.....	25,000	
10	Carriage .....	300	
11	Rent and rates.....	8,000	
12	Sundry debtors .....	13,000	
13	Sundry creditors .....		2,000
14	Cash in hand .....	1,000	
15	Bank overdraft.....		9,000
	Total .....	123,000	123,000

## **Adjusted Trial Balance**

9. The following data are related with Parvat Company.

Particulars	Debit Rs	Credit Rs
Capital stock.....	—	50,000
Accounts payable.....	—	10,000
Machinery.....	65,000	—
Rent prepaid .....	8,000	—
Salary expense .....	10,000	—
Revenues .....	—	80,000
Administrative expense.....	30,000	—
Sundry assets .....	37,000	—
Commission income.....	—	10,000
Total.....	150,000	150,000

**Additional information:**

- i. Prepaid rent Rs. 7,000 was expired
  - ii. Outstanding salary Rs. 2,000
  - iii. Commission earned but not received Rs. 3,000

Required: Adjusted trial balance

**Required.** Ans. Rs. 155,000

Solution

## Adjusted Trial Balance

Account Title	Unadjusted TB		Adjustments		Adjusted TB	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Capital stock		50,000				50,000
A/c payable		10,000				10,000
Machinery	65,000				65,000	
Rent prepaid	8,000				1,000	
Salary	10,000		2,000		12,000	
Revenues		80,000				80,000
Adm. Expenses	30,000				30,000	
Sundry assets	37,000				37,000	
Commission		10,000		3,000		13,000
Adjustments:			7,000		7,000	
Rent expense				2,000		2,000
Salary payable			3,000		3,000	
Com. receivable						
Net profit						
Total	1,50,000	1,50,000	12,000	12,000	1,55,000	1,55,000

10. The trial balance of Sony Distributors as on 31<sup>st</sup> Chaitra 2074 is given below:

Debit Items	Rs	Credit Items	Rs
Account receivable .....	7,000	Unearned commission .....	6,000
Cash .....	20,000	Account payable .....	34,000
Building .....	45,000	Share capital .....	40,000
Land .....	50,000	Revenue .....	1,61,000
Carriage .....	3,500	General reserve .....	22,000
Unexpired advertising expenses .....	3,000		
Salary and wages .....	10,000		
Rent .....	16,500		
Wages.....	55,000		
Miscellaneous expenses .....	20,000		
Machinery .....	33,000		
	263,000		
			263,000

## Additional information

- i. Commission earned during the year Rs. 4,500
- ii. Depreciation on building 10%
- iii. Unexpired advertisement expenses expired for Rs. 2,000.

**Required:** Adjusted trial balance

Ans: Rs. 263,000

Solution

## Adjusted Trial Balance

Account Title	Unadjusted TB		Adjustments		Adjusted TB	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
A/c receivable	7,000				7,000	
Cash	20,000				20,000	
Building	45,000				45,000	
Land	50,000				50,000	
Carriage	3,500				3,500	
Unexpired adv. exp.	3,000				1,000	
Salary & Wages	10,000				10,000	
Unearned com.		6,000	4,500			1,500
A/c payable		34,000				34,000
Share capital		40,000				40,000
Revenue		1,61,000				1,61,000
General reserve		22,000				22,000
Rent					16,500	
Wages		55,000				55,000

Miscellaneous exp	20,000				20,000		12
Machinery	33,000				33,000		
Adjustments:							
1. Commission earned			4,500		4,500		F
2. Depreciation expenses				4,500	4,500		C
3. Accum. depreciation			2,000		4,500		D
3. Advertisement exp.				2,000	2,000		C
Net income							P
Total	2,63,000	2,63,000	11,000	11,000	2,63,000	2,63,000	CUC

11. Alfa Company has the following unadjusted trial balance.

Particulars	Debit Rs	Credit Rs
Cash.....	5,400	
Accounts receivable.....	8,800	
Prepaid insurance.....	2,400	
Supplies.....	1,300	
Equipment.....	60,000	
Debentures.....		40,00
Accounts payable.....		2,4
Common stock .....		30.00
Dividends.....	1,000	
Service revenue .....		10,%
Salaries expenses.....	3,200	
Utilities expenses .....	800	
Advertising expenses.....	400	
	83,300	83,30

Other information consists of the following:

1. Insurance expires at the rate of Rs. 200 per month.
2. Supplies on hand Rs. 1,000
3. Annual depreciation on the equipment is Rs. 10,800.
4. Accrued interest of Rs. 500 on debenture.

Required: Adjusted trial balance

Ans: ATB = Rs. 84,700

Solution

#### Adjusted Trial Balance

Account Title	Unadjusted TB		Adjustments		Adjusted TB	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash	5,400				5,400	
A/c Receivable	8,800				8,800	
Prepaid insurance	2,400			200	2,200	
Supplies	1,300			300	1,000	
Equipment	60,000				60,000	
Note payable		40,000				40,000
A/c payable		2,400				2,400
Common stock		30,000				30,000
Dividends	1,000				1,000	
Service revenue		10,900				10,900
Salaries expense	3,200				3,200	
Utilities expenses	800				800	
Advertising exp.	400				400	
Adjustments:						
1. Insurance exp.			200		200	
2. Supplier exp.			300		300	
3. Dep. on equip.			900		900	
4. Accumulated dep				900	900	
5. Interest expense			500		500	
6. Interest payable				500	500	
Net profit						500
Total	83,300	83,300	1,900	1,900	84,700	84,700

12. Consider the following trial balance as on 31st Chaitra 2074:

Particulars	Debit Rs	Credit Rs
Furniture.....	22,000	
Opening stock.....	2,200	
Debtors.....	13,200	
Cash in hand.....	19,800	
Prepaid insurance.....	6,600	
Creditors.....		8,800
Unearned commission.....		3,300
Capital.....		49,500
Purchases.....	6,600	
Sales.....		19,800
Salaries.....	2,200	
Electricity.....	5,500	
Telephone charge.....	1,100	
Rent expenses.....	2,200	
Total .....	81,400	81,400

**Additional information:**

- a. Prepaid insurance expired Rs. 200.
- b. Depreciation on furniture Rs. 2,000.
- c. Closing stock Rs. 4,200.
- d. Outstanding salary Rs. 300.
- e. Commission of Rs. 450 earned out of unearned commission.

**Required:** Adjusted trial balance

Ans: Adjustments Rs. 7,150; ATB Rs. 85,900

**Solution**

**Adjusted Trial Balance**  
As on 31st Chaitra 2074

A/c No.	Account Title	Unadjusted Trial Balance		Adjustments		Adjusted Trial Balance	
		Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
1	Furniture.....	22,000	-		b. 2,000	20,000	-
2	Opening stock.....	2,200	-			2,200	-
3	Debtors.....	13,200	-			13,200	-
4	Cash in hand.....	19,800	-			19,800	-
5	Prepaid insurance.....	6,600	-		a. 200	6,400	-
6	Creditors.....	-	8,800			-	8,800
7	Unearned commission.....	-	3,300	e. 450	-	-	2,850
8	Capital.....	-	49,500			-	49,500
9	Purchase.....	6,600	-			6,600	-
10	Sales.....	-	19,800	d. 300	-	-	19,800
11	Salaries.....	2,200	-			2,500	-
12	Electricity.....	5,500	-			5,500	-
13	Telephone charges.....	1,100	-			1,100	-
14	Rent expenses.....	2,200	-			2,200	-
15	Adjustments.....	-	-	a. 200	-	200	-
a	Insurance expired.....	-	-	b. 2,000	-	2,000	-
b	Depreciation on furniture.....	-	-	c. 4,200	-	4,200	4,200
c	Closing stock.....	-	-		d. 300	-	300
d	Outstanding salary.....	-	-		e. 450	-	450
e	Commission earned.....	-	-				
	Total .....	81,400	81,400	7,150	7,150	85,900	85,900

**Rectification of Errors**

13. Rectify the following errors:

- a. Salary paid to staffs of Rs. 20,000 debited to staffs account.
- b. Purchased goods from Surendra for Rs. 5,000 has wrongly entered to sales book.
- c. Depreciation of Rs. 2,200 on furniture has been credited to Plant account.
- d. Goods returned to suppliers for Rs. 2,000 was not recorded.

- e. Machinery purchased for Rs. 15,000 for personal use was debited to purchase account.

Solution

**Journal Entries for Rectification of Errors**

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Salary a/c ..... Dr. To Staff a/c		20,000	20,000
	Purchase a/c ..... Dr. Sales a/c ..... Dr. To Surendra's a/c		5,000 5,000	
c.	Plant a/c ..... Dr. To Furniture a/c		2,200	10,000
	Cash a/c ..... Dr. To Purchase return		2,000	
e.	Withdraw a/c ..... Dr. To Purchase		15,000	2,000 15,000

14. Rectify the following errors.

- a. Wages paid to worker Mahila Rs. 750 has been wrongly debited to his account.
- b. Rent of Rs. 1000 paid to the landlord has been wrongly debited to landlords' account.
- c. Purchased goods worth Rs. 5,000 from Ramesh has wrongly entered to sales account.
- d. Goods returned from debtors for Rs. 1500 was not record.
- e. Insurance premium Rs. 500 paid for personal use was debited to insurance premium account.

Solution

**Journal Entries for Rectification of Errors**

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Wages a/c ..... Dr. To Mahila's a/c		750	750
	Rent a/c ..... Dr. To Landlord a/c		1,000	
c.	Sales a/c ..... Dr. Purchase a/c ..... Dr. To Ramesh's a/c		5,000 5,000	10,000
	Sales return a/c ..... Dr. To Cash a/c		1,500	
e.	Withdrawal a/c ..... Dr. To Insurance a/c		500	500

15. Rectify the following errors:

- a. Wages included Rs. 2,000 charged to wage account which was paid for installation of machinery.
- b. Machinery of Rs. 10,000 sold was recorded in sales account.
- c. Purchase book overcast by Rs. 2,000.
- d. Loan received from Ram was credited to Ram's account.
- e. Rent Rs. 5,000 paid to Shivhari was debited to Shivhari's account.

Solution

**Journal Entries for Rectification of Errors**

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Machinery a/c ..... Dr. To Wages a/c		2,000	2,000
	Sales a/c ..... Dr. To Machinery a/c		10,000	
c.	Cash a/c ..... Dr. To Purchase a/c		2,000	2,000
	Ram's a/c ..... Dr. To Loan a/c		5,000	
e.	Rent a/c ..... Dr. To Shivahari's a/c			5,000

## 16. Rectify the following errors:

- Purchase of furniture Rs. 5,000 is treated as purchase of goods and debited to purchase account.
- Rs. 2,000 sales proceeds of old machinery has been posted to the sales account.
- Purchase book under cast by Rs. 1000.

Solution

Journal Entries for Rectification of Errors

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Furniture a/c ..... Dr. To Purchase a/c		5,000	5,000
b.	Sales a/c ..... Dr. To Machinery a/c		2,000	2,000
c.	Purchase a/c ..... Dr. To Cash a/c		1,000	1,000

## 17. Write out the journal entries to rectify the following errors located after the preparation of trial balance

- Credit sales to Rita Rs. 2,000, debited to her account Rs. 200.
- Advertisement expenses Rs. 300 was posted in the ledger as Rs. 3,000.
- Rs. 1000 cash paid to Hari posted as Rs. 100 in Hari's account.
- Sales of Rs. 550 to Makalu Ltd. were recorded in sales book as Rs. 505.

Solution

Journal Entries for Rectification of Errors

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Rita a/c ..... Dr. To Suspense a/c (wrong amount entered in Rita's a/c, now rectified)		1,800	1,800
b.	Suspense a/c ..... Dr. To Advertisement a/c (wrong amount entered in advertisement a/c, now rectified)		2,700	2,700
c.	Hari a/c ..... Dr. To Suspense a/c (wrong amount entered in Hari a/c, now rectified)		900	900
d.	Makalu Ltd. a/c ..... Dr. To Sales a/c (wrong amount entered in sales a/c)		45	45

## 18. Rectify the following errors which were located before the preparation of trial balance.

- Commission received Rs. 300 from X & Y Co. but debited in X & Y Co.'s account.
- Credit purchases of Rs. 70,000 from Mahila credited in the account of Sahinla
- Sales book was under-cast by Rs. 500.
- Sales return book was overcast by Rs. 300.

Solution

Journal Entries for Rectification of Errors

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Cash a/c ..... Dr. To X & Y Co. a/c (error rectified)		300	300
b.	Sahinla's a/c ..... Dr. To Mahila's a/c (error rectified)		70,000	70,000

Sales Account

Date	Particulars	Rs	Date	Particulars	Rs
d.				By Underscast of sales book	500
Date	Particulars	Rs	Date	Particulars	Rs

Sales Return Account

Date	Particulars	Rs	Date	Particulars	Rs
				By Overcast of sales return book	300

19. Pass the journal entries to rectify the following errors located after the preparation of trial balance.
- Goods sold to Saroj for Rs. 1,500 were recorded in purchases book.
  - Rs. 1,200 spent on salaries has been wrongly debited to commission account.
  - Purchases of furniture for Rs. 20,000 has been debited to purchases account.
  - Depreciation of Rs. 8,000 on furniture has been posted to the building account.
  - Paid rent to land lord of Rs. 1,000 has been debited to landlord's account.
  - Rs. 2,000 paid for the layout of plant was debited to repairs account.

Solution

**Journal Entries for Rectification of Errors**

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Saroj a/c..... To Purchase a/c To Sales a/c (Being purchase recorded as sales, now rectified.)	Dr.	3,000	1,50 1,50
b.	Salary a/c .....	Dr.	1,200	1,20
	To Commission a/c (Being salary wrongly debited to commission a/c, now rectified)			
c.	Furniture a/c..... To Purchase a/c (Being furniture purchase wrongly debited to purchase a/c, now rectified)	Dr.	20,000	20,00
d.	Building a/c..... To Furniture a/c (Being depreciation charge on furniture credited building a/c, now rectified)	Dr.	8,000	8,00
e.	Drawing a/c..... To Landlord a/c (Being house rent expenses of the proprietor wrongly debited to landlord a/c, now rectified)	Dr	1,000	1,00
f.	Plant a/c..... To Repair a/c (Being plant layout expenses wrongly debited to repair a/c, now rectified)	Dr.	2,000	2,00

20. Rectify the following errors using suspense account where necessary:

- Wages paid Rs. 2,500 were recorded in the cash book as Rs. 3,500.
- Rent of Rs. 1,000 paid on the rent of owner was debited to rent account.
- Credit purchase of Rs. 1,000 passed through the sales book.
- Rs. 1,400 paid for repair of plant was debited to plant account by Rs. 3,400.

Solution

**Journal Entries for Rectification of Errors**

Date	Particulars	LF	Debit Rs.	Credit Rs.
a.	Cash a/c..... To Wages a/c (Being a wages of Rs. 2,500 were recorded of Rs. 3,500)	Dr.	1,000	1,00
b.	Drawings a/c..... To Rent a/c (Being rectification entry for wrong debit of rent)	Dr.	1,000	1,00
c.	Sales a/c..... Purchase a/c To Creditors a/c (Being wrong credit to sales account being recorded and correct debit to purchase account placed)	Dr.	1,000 1,000	2,00
d.	Repairs a/c..... Suspense a/c..... To Plant a/c (Being wrong of Rs. 1,400 were recorded of Rs. 3,400)	Dr.	1,400 2,000	3,400



# Bank Reconciliation Statement

1. Following particulars are given:

- a. Balance as per bank cash book Rs 8,000
- b. Cheque deposited into bank but not collected by bank ..... 4,000
- c. Bank charges not entered in cash book ..... 500
- d. Interest received collected by bank but not entered in cash book ..... 2,500

**Required:** Bank reconciliation statement

Ans: Balance as per pass book Rs 6,000

Solution

Bank Reconciliation Statement

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per cash book .....		8,000
Add: Interest received collected by bank but not entered in cash Book.....	2,500	2,500
Less: Cheque deposited into bank but not collected by bank .....		10,500
Bank charges not entered in cash book .....	4,000 500	4,500
Bank balance as per pass book.....		6,000

2. The following information is available from the book of a Trader as on 31<sup>st</sup> Chaitra, 2076.

- a. Debit balance as per cash book, Rs 50,000.
- b. Cheque sent for collection Rs 10,000 on 20th Chaitra has not yet collected by Bank.
- c. Cheque issued but not presented for payment up to 31st Chaitra, amounted Rs 10,000.
- d. Interest on investment collected by bank but not debited in the cash book, Rs 5,000.
- e. Insurance premium paid by bank but not entered into the cash book amounted to Rs 5,000.

**Required:** Bank reconciliation statement.

Ans: Bank balance Rs. 50,000

Solution

Bank Reconciliation Statement

As on 31<sup>st</sup> Chaitra 2076

Particulars	Amount (Rs)	Amount (Rs)
Balance as per cash book .....		50,000
Add: Cheques issued but not presented .....	10,000	
Interest on investment collected by bank .....	5,000	15,000
Less: Cheques sent for collection but not collected by bank .....		65,000
Insurance premium paid by bank .....	10,000 5,000	15,000
Balance as per pass book .....		50,000

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3. Consider the following information as on 31st December 2018.
- Debit balance of cash book Rs 5,000
  - Cheque issued to the supplier but not presented for payment into the bank Rs 2,000
  - Cheque received and entered in the bank column of cash book but not deposited into bank for collection Rs 7,500
  - Bank charges and commission of Rs 150 not entered in cash book.
  - Credit side of cash book overcast by Rs 1,000
  - Bank paid electricity bill Rs. 1,250 as per instruction

**Required:** Bank reconciliation statement

Ans: Bank overdraft balance Rs. 900

**Solution**

**Bank Reconciliation Statement  
As on 31<sup>st</sup> December 2018**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per cash book.....		5,000
Add: Cheque issued but not presented .....	2,000	
Credit side of cash book overcast .....	1,000	3,000
Less: Cheque deposited into bank but not credited by bank .....		8,000
Bank charges and commission not entered in cash book .....	7,500	
Electricity bill paid by bank	150	
Bank overdraft as per pass book .....	1,250	8,900
		(900)

4. Following information were supplied to you by a company:

- Cheques deposited in total of Rs 10,000 before 30th Chaitra, only to the extent of Rs. 4,000 appeared in the Bank statement that date.
- Cheque of Rs 2,500 only has been encashed out of the total cheque issued for Rs 5,000.
- Cash Book showed the balance of Rs 2,000 on that date.
- Credit side of the bank column of a cashbook has been undercast by Rs 100.

**Required:** Bank reconciliation statement as on 30th Chaitra.

Ans: Bank overdraft as per pass book Rs. 1,600

**Solution**

**Bank Reconciliation Statement  
As on 30<sup>th</sup> Chaitra**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per cash book.....		2,000
Add: Cheque issued but partly has not cashed in time (5,000 – 2,500)	2,500	2,500
Less: Cheque paid into bank but partly has not collected in time .....		4,500
Credit side of cash book has been under caste.....	6,000	
Bank overdraft as per pass book.....	100	6,100
		1,600

5. Consider the following information:

- Bank balance as per Cash book as on 31st January, 2019 Rs 45,000.
- Cheque issued but not presented to the bank for payment in the month Rs 10,000.
- Cheque sent to the bank for collection on January 20th Rs 12,000 which was collected by the bank on February 2nd.
- Cash directly deposited by a customer on January 25th Rs 13,000 which was informed to the office only February 5th.
- Interest allowed by bank but not entered in cash book Rs 3,000.
- Commission charged by bank but not yet entered in cash book Rs 500.

**Required:** Bank reconciliation statement.

Ans: Balance as per pass book Rs 58,500

Solution

**Bank Reconciliation Statement**  
As on 31st January 2019

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per cash book .....		45,000
Add: Cheque issued but not presented to the bank for payment in the month .....	10,000	
Cash directly deposited by a customer .....	13,000	
Interest allowed by bank .....	3,000	26,000
Less: Cheque sent to the bank for collection not collected by the bank .....	12,000	71,000
Commission charged by bank.....	500	12,500
<b>Bank balance as per pass book.....</b>		<b>58,500</b>

6. Following information relating to a business were given to you on March 31.
- Debit side of cash book showed bank balance Rs 4,800.
  - Cheques issued prior to March 31, but not yet presented for payment Rs 12,500.
  - Cheque sent for collection of Rs 6,000 on March 15, has not yet been credited by Bank.
  - Rs 600 have wrongly been credited in the Pass book by the Banker.
  - Interest of Rs 350 collected and credited by the bank.
  - Cheques of Rs 5,000, 6,000 and 8,000 were deposited into bank on March 20 but cheque amounted to Rs 5,000 was not recorded in bank book till 31 March.

**Required:** Bank reconciliation statement as on 31<sup>st</sup> March

Ans: Balance as per pass book Rs 7,250

Solution

**Bank Reconciliation Statement**  
As on March 31

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per cash book .....		4,800
Add: Cheques issued prior to March 31, but not yet presented for payment .....	12,500	
A wrong credit in the Pass Book by the Banker .....	600	
Interest collected and credited by the bank .....	350	13,450
Less: Cheque sent for collection of has not yet been credited by Bank.....	6,000	18,250
Cheque sent for collection of has not yet been credited by Bank.....	5,000	11,000
<b>Bank balance as per pass book.....</b>		<b>7,250</b>

7. On 31<sup>st</sup> December 2018, the cash book of a trading company showed a debit balance with Nepal bank Ltd. of Rs 20,000. However the bank statement provided by the bank showed Rs 21,750 as credit balance with them. This trader went for verification and found that of the cheques issued for purchases of 15,000 two cheques one of Rs 1,000 and another of Rs 1,500 paid to supplier were not presented for payment. Likewise the bank debited for cheque sent for collection of Rs 1,500 was not collected and credited by the bank. Bank debited Rs 250 as bank commission for transaction done by them was not credit in the cash book. Bank had given credit of Rs 1,000 for interest on investment collected by them was not debited in the cash book.

**Required:** Bank reconciliation statement showing reason for the differences

Solution

**Bank Reconciliation Statement**  
As on 31 December 2018

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per cash book .....		20,000
Add: Cheque issued but not presented (1000 + 1500).....	2,500	
Interest Credited by Bank .....	1,000	3,500
Less: Cheque sent for collection not credited by bank .....	1,500	23,500
Bank commission debited .....	250	1,750
<b>Bank balance as per pass book.....</b>		<b>21,750</b>

8. Following transactions are given to you:

- Balance as per pass book Rs. 15,950
- A cheque for Rs 1500 issued in favor of Shyam has not been presented for payment.
- A bill for Rs 1000 retired by bank under a rebate of Rs 50. The full amount of the bill was credited cashbook.
- A cheque for Rs 500 deposited in bank has been dishonored.
- Payment side of cashbook has been under cast by Rs 100.

**Required:** Bank reconciliation statement

Ans: Balance as per cash book Rs. 15,000

Solution

**Bank Reconciliation Statement**  
As on 31<sup>st</sup> December 2012

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per pass book.....		
Add: Cheque deposited in bank but dishonoured .....	500	15,95
Payment side of cash book has been undercast.....	100	60
Less: Cheque issued but not presented for payment .....	1,500	16,55
Bills received by bank under rebate but full amount credited in cash bank .....	50	1,55
Bank balance as per cash book.....		15,00

9. Following information are given:

- The bank statement showed a favourable balance of Rs. 8,800.
- Cheque issued to creditors but not yet presented for payment Rs. 4,500.
- The debtors paid directly into the bank Rs ,4300.
- Cheques from debtors paid into the bank but not yet cleared & credited amounted to Rs 12,800.
- Amount of Rs 5,200 paid by the bank as per standing instruction has yet to be recorded in Cash Book.

**Required:** Bank reconciliation statement.

Ans: Balance as per cash book Rs. 18,000

Solution

**Bank Reconciliation Statement**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per pass book.....		
Add: Cheques form debtors paid into bank but not yet cleared and credited by bank.....	12,800	8,80
Amount directly paid by the bank as per standing instruction has yet to be recorded in cash book .....	5,200	18,00
Less: A debtor directly paid his due amount into the bank.....	4,300	26,80
Cheque issued to creditors but not yet presented for payment.....	4,500	8,80
Bank balance as per cash book.....		18,00

10. Following information are provided to you:

- On 31st December, the pass book of a firm showed a bank balance of Rs. 10,160 (Cr).
- Cheques had been issued for Rs. 10,000, out of which cheques worth Rs 8,000 only were presented for payment.
- Cheques worth Rs. 2,800 were deposited in the bank on 28th December, but had not been credited by the bank.
- One cheque for Rs. 1,000 was entered in the cashbook on 30th December, but was banked on 3 January.
- Pass book showed bank charges of Rs. 40 debited by the bank.

**Required:** Bank reconciliation statement as on 31st December.2018

Ans: Balance as per cash book Rs. 12,000

**Bank Reconciliation Statement  
As on 31<sup>st</sup> December 2007**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per pass book .....		10,160
Add: Cheque deposited but not yet credited by the bank .....	2,800	
Cheque received but not banked yet .....	1,000	
Bank charges debited by the bank .....	40	3,840
Less: Cheques issued but not presented for payment .....		14,000
Bank balance as per cash book.....	2,000	2,000
		12,000

11. The following information are provided.

- a. Bank balance as per pass book Rs 30,000.
- b. Cheques issued but not presented into bank Rs 10,000
- c. Cheques paid into the bank but not credited by the bank Rs 15,000.
- d. A cheque of Rs 5,000 sent for deposit dishonoured by bank.
- e. Interest charged by the bank but not recorded in cash book Rs 1,000.
- f. Payment side of cash book found overcast by Rs 1,000
- g. Bank has given wrong debit of Rs 2000 as shown by pass book.

**Required:** Bank reconciliation statement

Ans. Balance as per cash book Rs 42,000

Solution

**Bank Reconciliation Statement**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per pass book .....		30,000
Add: Cheques paid into bank but not credited by the bankers .....	15,000	
A cheque sent for deposit dishonoured by bank .....	5,000	
Interest charged by the bank but not recorded in cash book .....	1,000	
Wrong debit shown by pass book .....	2,000	23,000
Less: Cheques issued but not presented for payment .....		10,000
Payment side of cash book found overcast .....	1,000	11,000
Bank balance as per cash book.....		42,000

12. Following information are given

- i. On Chaitra 30, Balance as per Pass book is Rs. 1,80,000.
- ii. Cheque deposited into the Bank Rs. 4,000 was recorded in Cash Book Rs. 400 only.
- iii. Cheques were issued for Rs. 25,000 but cheque of Rs. 20,000 only were presented for payment.
- iv. Bank charges charged by the Banks Rs. 500.
- v. Interest credited by Bank Rs. 200 but debited in Cash Book Rs. 2,000.
- vi. Rs. 6,000 directly deposited into the bank by a customer, but not recorded in Cash Book.

**Required:** Bank reconciliation statement

Ans. Balance as per cash book Rs. 167,700

Solution

**Bank Reconciliation Statement  
As on Chaitra 30**

Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per pass book .....		1,80,000
Add: Bank charge debited in pass book but not shown in cash book.....	500	
Interest received over cast in cash book .....	1,800	2,300
Less: Cheque deposited into bank under recorded in cash book .....		3,600
Cheque issued but not presented for payment .....		5,000
Amount directly deposited into bank by a customer .....	6,000	14,600
Bank balance as per cash book .....		1,67,700

13. Following information are given:

- Kartik 30: Bank statement of AB Pvt. Ltd. showed a bank balance of Rs. 1,10,000.
- Kartik 15: Out of cheques issued a cheque of Rs. 20,000 has not been presented for payment.
- Kartik 20: A cheque amounting to Rs. 5,000 sent for collection into bank but has not been credited yet.
- Telephone expenses of Ashwin of Rs. 3,000 paid by bank showed in the bank statement but has not been entered in cash book.
- Interest income Rs. 2,000 credited in bank statement but has not been entered in cash book.
- Cheque of Rs. 3,000 received from a debtor and entered in cash book but omitted to sent into bank.

**Required:** Bank reconciliation statements as on Kartik 30

Ans: Balance as per cash book Rs. 99,000

**Solution**

**Bank Reconciliation Statement of AB Pvt. Ltd.**  
As on 30<sup>th</sup> Kartik

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per pass book .....		
Add: Cheques paid into bank but not collected .....	5,000	110,000
Telephone bill paid by bank but not shown in cash book.....	3,000	
Cheque received from debtor but omitted to sent for collection.....	3,000	11,000
Less: Cheque issued but not presented for payment. ....	20,000	121,000
Interest income credited in passbook but not entered in cash book.....	2,000	22,000
Bank balance as per cash book .....		99,000

14. Following particulars are given:

- On Magh 30, the balance of bank account as shown by pass book was Rs. 60,000.
- Various cheques of Rs. 15,000 were issued for payment but cheque of Rs. 10,000 only was presented for payment.
- Different cheques of Rs. 20,000 were paid into bank but cheque of Rs. 15,000 only was credited by bank.
- Bank commission of Rs. 200 charged by bank recorded in pass book but not recorded in cash book.
- Amount deposited by customer directly into bank of Rs. 5,000 recorded in pass book but not recorded in cash book.
- House rent received of Rs. 1,200 recorded in pass book but not recorded in cash book.

**Required:** Bank reconciliation statement

Ans: Balance as per cash book Rs. 54,000

**Solution**

**Bank Reconciliation Statement**  
As on 30th Magh

Particulars	Amount (Rs)	Amount (Rs)
Bank Balance as per pass book .....		
Add: Cheque paid into bank but not credited (20,000 – 15,000) .....	5,000	60,000
Bank commission charged by bank recorded in pass book but not recorded in cash bo.....	200	5,200
Less: Cheque issued but not presented for payment (15,000 – 10,000).....	5,000	65,200
Amount directly deposited by customer into bank but not recorded in cash book.....	5,000	
House rent received recorded in passbook but not recorded in cash book.....	1,200	
Bank balance as per cash book .....		11,200
		54,000

15. Following particulars are extracted from a book of a businessperson:

- Bank balance as per bank pass book Rs 14,500.
- Cheques of Rs 4,500 issued but only Rs 3,500 was presented for payment.
- Cheques paid into bank Rs 2,500 but cheques of Rs 1800 were cleared and credited by the bankers.
- Bank charges Rs 100 and interest collected by bank Rs 125 not entered in cash book.
- Amount directly deposited by the customer Rs 3,500.

**Required:** Bank reconciliation statement

Ans: Balance as per cash book Rs 10,675

Solution

**Bank Reconciliation Statement**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per pass book .....		
Add: Bank charges not recorded in cash book .....	100	14,500
Cheques paid into bank but not credited by the bankers .....	700	800
Less: Cheques issued but not presented for payment .....		15,300
Interest collected by bank .....	1,000	
Amount directly deposited by the customer .....	125	
Bank balance as per cash book.....	3,500	4,625
		10,675

16. Following information were supplied to you by a company:

- Cheques were deposited in total of Rs 14,000 before 30th April; only to the extent of Rs 8,000 appeared in the Bank statement that date.
- Cheque of Rs 6,500 only has been en-cashed out of the total cheque issued for Rs 9,000.
- Pass book showed credit balance of Rs 4,250 on that date.
- Credit side of the bank column of a cashbook has been under-cast by Rs 500.
- Telephone bill of Rs 4,600 paid by bankers as per standing order but not appeared in cash book.
- A customer directly paid into bank Rs 2,200 on 28<sup>th</sup> April but no notify to cash book.

**Required:** Bank reconciliation statement as on 30th April.

Ans: Bank balance as per cash book Rs 10,650

Solution

**Bank Reconciliation Statement  
As on 30 April**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per pass book .....		4,250
Add: Cheque deposited but not credited by bank.....	6,000	
Credit side of the bank column of a cashbook has been undercast.....	500	
Telephone bill paid by bankers as per standing order but not appeared in cash book .....	4,600	11,100
Less: Cheque issued but not encashed.....		2,500
A customer directly paid into bank .....	2,200	4,700
Bank balance as per cash book.....		10,650

17. Bank Pass book of Hotel Nepal (P) Ltd. showed a credit balance of Rs 50,000. On verification the following facts were disclosed:

- Out of the cheques issued of Rs 20,000, only a cheque of Rs 5000 was encashed.
- A cheque of Rs 5,000 collected from Himalaya Trekking was sent for collection and was not credited till date.
- Bank had paid the electricity bill of Rs 10,000 on behalf of the hotel, was not recorded in the cash-book.
- Bank had debited for a discounted bill of Rs 3000 with bank charges of Rs 300 for non-payment by the party.

**Required:** Bank reconciliation statement showing bank balances as per cash book

Ans: Balance as per cash book Rs 53,300

Solution

**Bank Reconciliation Statement of Hotel Nepal (P) Ltd.**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per pass book .....		50,000
Add: Cheque sent for collection but not credited .....	5,000	
Electricity bill paid by bank.....	10,000	
Bank had debited for a discounted cheque with bank charges .....	3,300	18,300
Less: Cheque issued but not cashed.....		58,300
Bank balance as per cash book.....	15,000	15,000
		53,300

18. Following particulars are given:

- a. Overdraft (credit balance) as per cash book ..... Rs 4,500
- b. Interest charged on overdraft by the bank but no entry has been made in cash book ..... 450
- c. Amount deposited by a customer into bank but not entered in cash book ..... 1,000
- d. Dividend collected by the bank but not entered in the cash book ..... 1,550

**Required:** Bank reconciliation statement

Ans: Overdraft as per pass book Rs 2,400

Solution

#### Bank Reconciliation Statement

Particulars	Amount (Rs)	Amount (Rs)
Overdraft as per cash book.....		4,500
Add: Interest charged on overdraft by the bank but no entry has been made in cash book.....	450	450
Less: Amount deposited by a customer into bank but not entered in cash book .....	1,000	4,950
Dividend collected by the bank but not entered in the cash book .....	1,550	2,550
Overdraft as per pass book.....		2,400

19. Following information were supplied to you:

- a. Credit balance at bank as per cash book Rs 5,000.
- b. Two cheques of Rs 900 and Rs 1,500 were issued but out of them only one cheque of Rs 900 was presented for payment.
- c. Bank charges of Rs 25 were recorded only in pass book.
- d. Dividends on shares Rs 650 were collected by the bankers directly.
- e. Cheques paid into the bank Rs 2,500, but cheques of Rs 1,900 were cleared and credited by the bankers.

**Required:** Bank balance as per pass book

Ans: Overdraft as per pass book Rs 3,475

Solution

#### Bank Reconciliation Statement

Particulars	Amount (Rs)	Amount (Rs)
Overdraft as per cash book.....		5,000
Add: Bank charges recorded only in passbook.....	25	25
Cheques paid into the bank not credited by the bankers.....	600	625
Less: Cheque issued but not presented for payment.....	1,500	5,625
Dividends on shares collected by the bankers directly.....	650	2,150
Overdraft as per pass book .....		3,475

20. According to Asmita's cash book, there was a balance of Rs 7,000 overdrawn on 30th June, 2018  
On investigation following fact were found:

- a. Cheque drawn amounting to Rs 4,500 had not been presented.
- b. Cheque Rs 6,000 entered in the debit side of cashbook and paid into the bank, had not been yet clear.
- c. Cash divided Rs 4,000 paid direct to the bank had not been recorded in the cashbook.
- d. Bank charge of Rs 500 entered in the bank statement had not been entered in the cashbook.
- e. A Cheque Rs 5,000 paid into the bank had been dishonored and shown as such by the bank, but no entry of dishonored had been made in the cash book.

**Required:** Bank reconciliation statement

Ans: Overdraft as per pass book Rs 10,000

Solution

#### Bank Reconciliation Statement of Asmita As on 30<sup>th</sup> June, 2018

Particulars	Amount (Rs)	Amount (Rs)
Overdraft as per cash book.....		7,000
Add: Cheque sent for collection but not credited.....	6,000	6,000
Bank charge entered in the bank statement had not been entered in the cashbook.....	500	500

A Cheque paid into the bank had been dishonored

Less: Cheque drawn not been presented

Cash divided paid direct to the bank

Overdraft as per pass book

5,000	11,500
4,500	18,500
4,000	8,500
	10,000

1. According to Dhan Raj's cash book, there was a balance of Rs. 3,000 overdrawn on 30th June, 2019. On investigation you find:

- a. Cheque drawn amounting to Rs. 5,000 had not been presented.
- b. Cheque Rs. 2,500 entered in the cashbook as paid into the bank, had not been yet clear.
- c. A dividend Rs. 400 paid direct to the bank had not been recorded in the cashbook.
- d. Bank charge of Rs. 300 entered in the bank statement had not been entered in the cashbook.
- e. A Cheque Rs. 500 paid into the bank had been dishonored and shown as such by the bank, but no entry of dishonored had been made in the cash book.

Required: Bank reconciliation statement.

Ans: Overdraft as per pass book Rs. 900

Solution

### Bank Reconciliation Statement As on 30<sup>th</sup> June, 2019

Particulars	Amount (Rs)	Amount (Rs)
Overdraft as per cash book .....		3,000
Add: Cheques drawn but not presented for payment .....	5,000	
Dividend directly paid into the bank .....	400	5,400
		2,400
Less: Cheque paid into the bank but not yet cleared .....	2,500	
Bank charges only debited only into the pass book .....	300	
Cheque paid in but dishonoured by the bank .....	500	3,300
Overdraft as per pass book .....		900

2. Following particulars are extracted from the books of a businessman.

- a. Overdraft as per pass book ..... Rs 6,800
- b. Cheque paid to suppliers but not cash ..... 5,000
- c. Cheque sent for collection into bank but not collected ..... 3,500
- d. Amount directly deposited by the Hari but not entered in cash book ..... 2,500

Required: Bank reconciliation statement

Ans: Overdraft as per cash book Rs 5,800

Solution

### Bank Reconciliation Statement

Particulars	Amount (Rs)	Amount (Rs)
Overdraft as per pass book .....		6,800
Add: Cheque paid to suppliers but not cashed .....	5,000	5,000
		11,800
Less: Cheque sent for collection into bank but not collected .....	3,500	
Amount directly deposited but not entered in cash book .....	2,500	6,000
Overdraft as per cash book .....		5,800

23. The following information are given:

- a. Overdraft as per pass book Rs 20,000.
- b. Cheque issued of Rs 2,400 but not presented for payment.
- c. Legal charges paid by bank Rs 600 directly.
- d. Customer paid into bank Rs 5,000.
- e. Out of two cheques of Rs 1,200 and Rs 1,500 deposited into bank, the first was only credited in the pass book.

Required: Bank reconciliation statement.

Ans: Overdraft as per cash book Rs: 25,300

24. Following particulars are extracted from a book of a company:
- a. Bank overdraft as per pass book ..... Rs 8,000
  - b. Cheques deposited as per bank statement but not entered in cash book ..... 2,600

c. Cheques recorded for collection but not sent to bank .....	9,000
d. Bank charges recorded twice in cash book .....	500
e. Cheques issued but dishonoured on technical grounds .....	10,000

Required: Bank reconciliation statement

Ans: Overdraft as per cash book Rs 12,100

Solution

#### Bank Reconciliation Statement

Particulars	Amount (Rs)	Amount (Rs)
Overdraft as per pass book.....		8,000
Add: Bank charges recorded twice in cash book .....	500	
Cheques issued but dishonoured on technical grounds .....	10,000	
Cheques paid into the bank not credited by the bankers .....	2,600	13,100
Less: Cheques recorded for collection but not sent to bank .....		21,100
Overdraft as per cash book .....	9,000	9,000
		12,100

25. Consider the following cashbook and pass book of Computer suppliers

Dr. Cr.

#### Cash Book (Bank column only)

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Feb 1	To Balance b/d .....		12,000	Feb 2	By B's a/c .....		4,000
4	To A's a/c.....		9,000	15	By Equipment a/c .....		25,000
8	To G's a/c .....		4,000				
28	To Balance c/d .....		4,000				
			29,000				
				March 1	By Balance b/d .....		4,000

#### Bank Statement

Date	Particulars	Withdrawal (Dr.)	Deposits (Cr.)	Dr/Cr	Balance (Rs)
Feb 1	Balance b/d .....			Cr.	12,000
5	A's a/c.....		9,000	Cr.	21,000
15	Equipment a/c .....	25,000		Dr.	4,000
25	Dividend a/c .....		2,000	Dr.	2,000
28	Interest a/c .....	500		Dr.	2,500

Required: Bank Reconciliation Statement

Solution

#### Bank Reconciliation Statement

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per cash book over draft.....		(4,000)
Add: Cheque issued but not presented for payment .....	4,000	
Dividend collection by bank .....	2,000	6,000
Less: Cheque sent from collection not credited by bank.....		2,000
Interest charged by bank .....	4,000	
	500	4,500
Bank balance as per pass book Over draft.....		2,500

26. Consider the following cashbook and pass book of Binita of a suppliers.

Dr. Cr.

#### Cash Book (Bank column only)

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
Asar 1	To Balance b/d.....		50,000	Asar 2	By Mr K's a/c .....		60,000
5	To Mr A's a/c.....		30,000	15	By Rent a/c.....		28,000
10	To Mr M's a/c .....		15,000	31	By Balance c/d .....		7,000
			95,000				95,000
Shrawan 1	To Balance b/d .....		7,000				

CHAPTER 6: BANK RECONCILIATION STATEMENT

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**Bank Statement**

Date	Particulars	Withdrawal (Dr.)	Deposits (Cr.)	Dr/Cr	Balance (Rs)
Asar 1	Balance b /d.....				
5	Mr A's.....			Cr.	50,000
10	Mr G's (Direct collection) .....		30,000	Cr.	80,000
15	Rent .....		5,000	Cr.	85,000
25	Interest a/c.....	28,000		Cr.	57,000
30	Bank charge .....		5,000	Cr.	62,000
31	Telephone charge (as per instruction) .....	800		Cr.	61,200
		7,200		Cr.	54,000

Required: Bank Reconciliation Statement

Solution

**Bank Reconciliation Statement**

Particulars	Amount (Rs)	Amount (Rs)
Bank balance as per cash book .....		
Add: Cheque issued but not presented .....	60,000	7,000
Direct deposit by a customer .....	5,000	
Interest provided by bank .....	5,000	70,000
Less: Bank charge debited by bank .....		
Telephone charge paid by bank .....	800	
Cheque sent for collection not credited by bank .....	7,200	
Bank balance as per pass book .....	15,000	23,000
		54,000



# Depreciation

## Numerical Problems

### Straight Line Method

1. A graduate college located at Kathmandu bought a college bus on 1st January, 2014 for Rs. 2,25,000 with estimated useful life of five years with scrap value of Rs. 25,000 after expiry of useful life. On 1st July, 2017 number of student admitted in college increased and purchased another bus Rs. 5,00,000 with 10 years life and zero scrap value.

Required: Bus account and depreciation account, charging depreciation by fixed instalment method for the first 5 years.

Ans: Balance Rs. 4,25,000

**Solution**  
Dr.

Bus Account

Date	Particulars	Rs.	Date	Particulars	Rs.	Cr.
01.01.2014	To Bank .....	225,000	31.12.2014	By Depreciation .....	40,000	
				By Balance c/d .....	185,000	
		225,000			225,000	
01.01.2015	To Balance b/d .....	185,000	31.12.2015	By Depreciation .....	40,000	
			31.12.2015	By Balance c/d .....	145,000	
		185,000			185,000	
01.01.2016	To Balance b/d .....	145,000	31.12.2016	By Depreciation .....	40,000	
			31.12.2016	By Balance c/d .....	105,000	
		145,000			145,000	
01.01.2017	To Balance b/d .....	105,000	31.12.2017	By Depreciation (40,000 + 25,000) .....	65,000	
01.07.2017	To Bank .....	500,000	31.12.2017	By Balance c/d .....	540,000	
		605,000			605,000	
01.01.2018	To Balance b/d .....	540,000	31.12.2018	By Bank .....	25,000	
			31.12.2018	By Depreciation (40,000 + 50,000) .....	90,000	
		540,000	31.12.2018	By Balance c/d .....	425,000	
01.01.2019	To Balance b/d .....	425,000			540,000	

2. A company purchased machinery for Rs. 27,000. It was installed by spending Rs. 3,000. The company decided to write off yearly depreciation of Rs. 8,000. At the end of the third year the machine was sold off for Rs. 4,000.

**Required:** Necessary accounts for three years.

Ans: Loss on sale = Rs. 2,000

Dr.

**Machinery Account**

Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
1-1-1 <sup>st</sup> yr	To Bank a/c .....	30,000	31-12-1 <sup>st</sup> yr	By Depreciation a/c .....	8,000
			31-12-1 <sup>st</sup> yr	By Balance c/d .....	22,000
1-1-2 <sup>nd</sup> yr	To Balance b/d .....	30,000	31-12-2 <sup>nd</sup> yr	By Depreciation a/c .....	8,000
			31-12-2 <sup>nd</sup> yr	By Balance c/d .....	14,000
1-1-3 <sup>rd</sup> yr	To Balance b/d .....	22,000	31-12-3 <sup>rd</sup> yr	By Depreciation a/c .....	8,000
			31-12-3 <sup>rd</sup> yr	By Bank a/c .....	4,000
		14,000	31-12-3 <sup>rd</sup> yr	By P/L a/c (Loss).....	2,000
		14,000			14,000

3. Pravik Company purchased a machinery for Rs. 120,000 on 1<sup>st</sup> January 2015. Its useful life estimated was 5 years at the end of which the scrap value was estimated to be Rs. 20,000. At the end of 2017, the machine was sold for Rs. 45,000. Depreciation is charged under original cost method and the accounting year is calendar year.

**Required:** Machinery account for three years.

Ans: Loss on sales Rs. 15,000

Solution

Dr.

**Machinery Account**

Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
1.1.2015	To Bank a/c .....	120,000	31.12.2015	By Depreciation .....	20,000
			31.12.2015	By Balance c/d .....	100,000
1.1.2018	To Balance b/d .....	120,000	31.12.2016	By Depreciation .....	20,000
			31.12.2016	By Balance c/d .....	80,000
1.1.2017	To Balance b/d .....	100,000	31.12.2017	By Depreciation .....	20,000
			31.12.2017	By Bank (Sold) .....	45,000
		80,000	31.12.2017	By P/L (loss) .....	15,000
		80,000			80,000

Working Note:

$$\text{Annual Depreciation} = \frac{120,000 - 20,000}{5} = \text{Rs } 20,000$$

4. A company purchased a machine for Rs. 50,000 on Jan 1, 2015. The expected working life of the machinery was five years. The salvage value of the machine is expected to be 10% of its cost. The company has followed straight-line depreciation policy. At the end of the 2017, company sold the machinery at Rs. 25,000 and purchased another machine for Rs. 75,000 on the same date.

**Required:** Machinery account for the three years ending 31<sup>st</sup> Dec. 2017.

Ans: Gain on sale Rs. 2,000; Balance Rs. 75,000

Solution

Dr.

**Machinery a/c**

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
1.1.2015	To Bank a/c .....		50,000	31.12.2015	By Depreciation a/c .....		9,000
			50,000		By Balance c/d .....		41,000
1.1.2016	To Balance b/d .....		41,000	31.12.2016	By Depreciation a/c .....		50,000
					By Balance c/d .....		9,000
							32,000

1.1.2017	To Balance b/d.....	41,000				41,000
31.12.2017	To Bank a/c.....	32,000	31.12.2017	By Depreciation a/c.....		9,000
	To P/L a/c (gain) .....	75,000	31.12.2017	By Bank a/c.....		25,000
		2,000	31.12.2017	By Balance c/d.....		75,000
		109,000				109,000
1.1.2018	To Balance b/d.....	75,000				

Working notes:

$$\text{Depreciation per year} = \frac{\text{Original cost} - \text{Scrap value}}{\text{Life}} = \frac{50000 - 10\% \times 50000}{5} = \text{Rs. 9,000}$$

5. Consider the following information

Date	→ Transaction
1.1.2015	→ Purchased machinery for Rs. 50,000
1.7.2017	→ Sold the machinery for Rs. 40,000 which was purchased on 2015.
31.12.2017	→ Purchased new machinery for Rs. 50,000

Assume that the rate of depreciation is @ 10% on straight line method and accounts are closed on 31st December of each year.

Required: Machinery account for the first 3 years

Ans: Gain on sales Rs. 2,500; Balance Rs. 50,000

Solution

Dr.

### Machinery Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
1-1-2015	To Bank a/c.....		50,000	31-12-2015	By Depreciation a/c.....		5,000
			50,000	31-12-2015	By Balance c/d .....		45,000
1-1-2016	To Balance b/d.....		45,000	31-12-2016	By Depreciation a/c.....		5,000
			45,000	31-12-2016	By Balance c/d .....		40,000
1-1-2017	To Balance b/d.....		40,000	1-7-2017	By Depreciation a/c.....		45,000
1-7-2017	To P/L a/c (Gain) .....		2,500	1-7-2017	By Bank a/c.....		2,500
31-12-2017	To Bank a/c.....		50,000	31-12-2017	By Balance c/d .....		40,000
			92,500				50,000
1-1-2018	To Balance b/d.....		50,000				92,500

6. A Company Ltd. purchased a machinery for Rs. 2,00,000 on 1<sup>st</sup> Baishakha 2073. Another machinery of Rs. 1,00,000 was purchased on Kartik 1, 2074. On 30<sup>th</sup> Ashwin 2075, the company disposed off the machinery which was purchased on 2073 at Rs. 1,60,000. On the same date another machinery was purchased for Rs. 1,50,000. Depreciation is to be charged @ 10% per annum on straight line basis. Accounts are closed on 31<sup>st</sup> Chaitra each year.

Required: Machinery account for 2073 to 2075.

Ans: Gain on sales Rs. 10,000

Solution

### Machinery Account

Under Straight Line Method

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-1-2073	To Bank a/c (I)	200,000	31-12-2073	By Depreciation a/c (I)	20,000
		200,000	31-12-2073	By Balance c/d	180,000
1-1-2074	To Balance b/d To Bank a/c (II)	180,000	31-12-2074	By Depreciation a/c (I)	20,000
1-7-2074		100,000	31-12-2074	By Depreciation a/c (II) (for 6 months)	5,000
		280,000	31-12-2074	By Balance c/d	255,000
1-1-2075	To Balance b/d	255,000	31-6-2075	By Bank a/c (I)	280,000
30-6-2075	To P/L a/c (gain)	10,000	31-6-2075	By Depreciation a/c (I)	160,000
					10,000

30-6-2075	To Bank a/c (III)	150,000	31-12-2075	By Depreciation a/c (II)
			31-12-2075	By Depreciation a/c(III) (for 6 months)
		415,000	31-12-2075	By Balance c/d
1-1-2076	To Balance b/d	227,500		

## Working notes:

## Calculation of gain or loss on sale of machinery

Purchase on 1.1.2073	Rs.200,000
Less: Depreciation	<u>20,000</u>
Balance on 1.1.2074	180,000
Less: Depreciation	<u>20,000</u>
Balance on 1.1.2075	160,000
Less: Depreciation for 6 months	<u>10,000</u>
Book value	150,000
Less: Sales value	<u>160,000</u>
Gain	<u>10,000</u>

7. On 1st Kartik 2073, a construction company purchased a machine for Rs. 9,00,000 and paid Rs. 1,00,000 for transportation and installation charges. It purchased another machine for Rs. 5,00,000 on 1st Baisakh 2074. On 31st Aswin 2075, the first machine was sold for Rs. 7,00,000 and on the same date another machine was purchased for Rs. 2,00,000. Charge depreciation @ 10% p.a. under fixed installment method.

**Required:** Machinery Account from 2073 to 2075. Account are closed on 31<sup>st</sup> Chaitra each year.

Ans: Loss on sales Rs. 100,000

## Solution

**Machinery Account  
Under Fixed Installment Method**

Dr. Date	Particulars	Amount	Date	Particulars	Cr. Amount
1-7-2073	To Bank a/c (I) (9,00,000 + 1,00,000)	10,00,000	31-12-2073	By Depreciation a/c (I) (6 Months)	50,000
		10,00,000		By Balance c/d	9,50,000
1-1-2074	To Balance b/d	9,50,000	31-12-2074	By Depreciation (I)	1,00,000
1-1-2074	To Bank a/c (II)	5,00,000	31-12-2074	By Depreciation (II)	50,000
		14,50,000	31-12-2074	By Balance c/d	13,00,000
1-1-2075	To Balance b/d	13,00,000	30-6-2075	By Bank a/c	7,00,000
30-6-2075	To Bank a/c (III)	2,00,000	30-6-2075	By Depreciation a/c (I) (6 Months)	50,000
		15,00,000	30-6-2075	By P/L a/c (Loss)	1,00,000
		15,00,000	31-12-2075	By Depreciation (II)	50,000
			31-12-2075	By Depreciation (III)	10,000
			31-12-2075	By Balance c/d	5,90,000
01.01.2076	To Balance b/d	5,90,000			15,00,000

## Working notes:

## Calculation of gain or loss on sale of machinery

1-7-2073 Purchase	Rs.10,00,000
Less: Depreciation (6 months)	<u>50,000</u>
1-1-2074	9,50,000
Less: Depreciation	<u>1,00,000</u>
1-1-2075	8,50,000
Less: Depreciation (6 months)	<u>50,000</u>
Book value	8,00,000
Less: Sales	<u>7,00,000</u>
Loss	<u>1,00,000</u>

A Ltd Company purchased two Jeeps at Rs. 20,00,000 each on Baishakh 1, 2073. The company purchased another Jeep on Kartik 1, 2074 at a cost of Rs 22,00,000. On Chaitra 31, 2074 the company sold one Jeep purchased on Baishakh 1, 2073 for Rs. 17,00,000. Depreciation is charged at 10% using fixed installment method. Accounts are closed at the end of Chaitra each year.

**Required:** Vehicle Account for 2073 to 2075.

**Ans:** Gain on sales Rs. 100,000

Solution

**Vehicle Account  
Under Fixed Installment Method**

Dr. Date	Particulars	Amount	Date	Particulars	Cr. Amount
1-1-2073	To Bank a/c .....	40,00,000	31-12-2073	By Depreciation a/c .....	400,000
			31-12-2073	By Balance c/d .....	36,00,000
1-1-2074	To Balance b/d .....	40,00,000	31-12-2074	By Depreciation (on sold vehicle)	2,00,000
1-7-2074	To Bank a/c .....	36,00,000	31-12-2074	By Bank a/c.....	17,00,000
31-12-2074	To P/L a/c (gain).....	22,00,000	31-12-2074	By Depreciation .....	3,10,000
		1,00,000	31-12-2074	(200,000 + 110,000)	
		59,00,000	"	By Balance c/d .....	36,90,000
1-1-2075	To Balance b/d .....	36,90,000	31-12-2075	By Depreciation .....	420,000
			31-12-2075	(200,000 + 220,000)	
		36,90,000		By Balance c/d .....	32,70,000
1-1-2076	To Balance b/d .....	32,70,000			36,90,000

Working notes:

**Calculation of gain or loss on sale of machinery**

Purchase price on 1st Baishak 2073 Rs. 20,00,000

Less: Depreciation 2,00,000

Balance on 1st Baishak 2074 18,00,000

Less: Depreciation 2,00,000

Book value on 31st Chaitra 2074 16,00,000

Less: Sales value 17,00,000

Gain on sale 100,000

A company purchased a machinery at Rs. 800,000 on 1<sup>st</sup> Baishak 20X4. Another machinery of Rs. 200,000 was purchased on 1<sup>st</sup> Magh at the same year. On Chaitra 31, 20X6 one fourth of the machinery purchased on Baishak 20X4, was sold at Rs. 150,000. Company closes its accounts at Chaitra 31 each year. Depreciation is to be charged at 10% per annum under straight line method.

**Required:** Machinery account from 20X4 to 20X6.

**Ans:** Gain on sales Rs. 10,000

Solution

**Machinery Account  
Under Straight Line Method**

Dr. Date	Particulars	Amount	Date	Particulars	Cr. Amount
1-1-20X4	To Bank a/c (I)	800,000	31-12-20X4	By Depreciation a/c (I)	80,000
1-10-20X4	To Bank a/c (II)	200,000	31-12-20X4	By Depreciation a/c (II)	5,000
			31-12-20X4	(for 3 months)	915,000
		1,000,000		By Balance c/d	1,000,000
1-1-20X5	To Balance b/d	915,000	31-12-20X5	By Depreciation a/c (I)	80,000
			31-12-20X5	By Depreciation a/c (II)	20,000
		915,000	31-12-20X5	By Balance c/d	815,000
					915,000
1-1-20X6	To Balance b/d	915,000	31-12-20X6	By Bank a/c	150,000

31-12-20X6	To P/L a/c (gain)	10,000	31-12-20X6	By Depreciation (Selling part)	20,000
			31-12-20X6	By Depreciation (I) (Remaining part)	60,000
			31-12-20X6	By Depreciation (II)	20,000
			31-12-2076	By Balance c/d	575,000
1-1-20X7	To Balance b/d	825,000			825,000
		575,000			

## Working notes:

Calculation of profit or loss on sale of one fourth part of machinery

Purchase on 1-1-2074 (800,000 × 1/4)	200,000
Less: Depreciation	20,000
Balance on 1-1-2075	180,000
Less: Depreciation	20,000
Balance on 1-1-2076	160,000
Less: Depreciation	20,000
	140,000
Less: Sales	150,000
Profit	10,000

$$\text{Depreciation on remaining part of machinery for 2076} = 800,000 \times \frac{3}{4} \times \frac{10}{100} = \text{Rs. } 60,000$$

10. Sharma & company, whose accounting year is calendar year, purchased on 1st April, 2015 machinery costing Rs. 30,000. It purchased another machinery on 1st October, 2015 costing Rs. 20,000 and on 1st July, 2016, costing Rs. 10,000. On 1st January, 2017 one third of the machinery installed on 1st April, 2015 became obsolete and was sold for Rs. 3,000.

Required: Machinery account for 1st 3 years, if the machinery is depreciated by fixed instalment method at 10% p.a.

Ans: Loss on sale Rs. 5,250; Balance Rs. 38,500

## Solution

Dr.

		Machinery Account			
Date	Particulars	Amount	Date	Particulars	Cr.
2015/4/1	To Bank a/c .....	30,000	2015/12/31	By Depreciation a/c (2,250+500) .....	2,750
2015/10/1	To Bank a/c .....	20,000	2015/12/31	By Balance c/d .....	47,250
		50,000			50,000
2016/1/1	To Bank b/d.....	47,250	2012/12/31	By Depreciation a/c .....	5,500
2016/7/1	To Bank a/c .....	10,000	2016/12/31	(3,000 + 2,000 + 500) By Balance c/d .....	51,750
		57,250			57,250
2017/1/1	To Balance b/d .....	51,750	2017/1/1	To Bank a/c .....	3,000
				To P/L a/c (Loss).....	5,250
				To Depreciation a/c .....	5,000
				(2,000 + 2,000 + 1,000) To Balance c/d .....	38,500
					51,750
2018/1/1	To Balance b/d .....	38,500			

## Working notes:

Calculation of gain or loss on sales of machinery

Purchase price on 2015/4/1 = 30,000 × 1/3 .....	= 10,000
Less: Depreciation for 9 months (10,000 × 0.10 × 9/12).....	= 750
Balance on 2016/1/1 .....	= 9,250
Less: Depreciation .....	= 1,000
Book value on 2017/1/1 .....	= 8,250
Less: Sales value .....	= 3,000
Loss on sales .....	= 5,250

11. A company purchased a vehicle on Magh 1, 2071 for Rs. 1,75,000 and spent Rs. 25,000 on overhauling. On Shrawan 1, 2072 another vehicle costing Rs. 1,50,000 was purchased. On Magh

1, 2073, the vehicle purchased on Magh 1, 2071 was sold for Rs. 1,05,000 and on the same date another vehicle costing Rs. 2,50,000 was acquired. Depreciation has been charged @ 20% per annum using fixed instalment method. The accounts are closed on 31st Ashadh each year.

**Required:** Vehicle account for the year 2071 Shrawan to 2074 Ashadh.

Ans: Loss on sales Rs. 15,000

**Solution**

Vehicle Account Under Fixed Installment Method						
Dr.	Date	Particulars	Amount	Date	Particulars	Cr.
	1.10.2071	To Bank a/c (I) (1,75,000 + 25,000)	2,00,000	31.3.2072	By Depreciation	20,000
			2,00,000	"	By Balance c/d	1,80,000
	1.4.2072	To Balance b/d	1,80,000	31.3.2073	By Depreciation (I)	2,00,000
	"	To Bank a/c (II)	1,50,000	"	By Depreciation (II)	40,000
			3,30,000	"	By Balance c/d	30,000
	1.4.2073	To Balance b/d	2,60,000	1.10.2073	By Bank a/c	2,60,000
	1.10.2073	To Bank a/c (III)	2,50,000	"	By Depreciation	3,30,000
			5,10,000	"	By P/L a/c (Loss)	1,05,000
	1.4.2074	To Balance b/d	3,15,000	31.3.2074	By Depreciation(II)	20,000
				"	By Depreciation(III)	15,000
				"	By Balance c/d	30,000
						25,000
						3,15,000
						5,10,000

**Working notes:**

**Calculation of profit or loss on sale of vehicle**

Original cost (1.10.2071)	Rs. 2,00,000
Less: Depreciation for 6 months	20,000
Balance on 1.4.2072	1,80,000
Less: Depreciation	40,000
Balance on 1.4.2073	1,40,000
Less: Depreciation for 6 months	20,000
Book value	1,20,000
Less: Sales value	1,05,000
<b>Loss</b>	<b>15,000</b>

12. Rapti Company purchased a machine for Rs. 250,000 on 1st July 2015. Another machine was purchased at Rs. 200,000 on 1st January 2017. On 1st October 2017, the first machine became obsolete and disposed at a loss of Rs. 5,000. On the same date, another new machine was purchased for Rs. 100,000. Company writes off depreciation on straight line method @ 10% p.a. Books of accounts are closed on 30th June each year.

**Required:** Machinery account for three years.

Ans: Balance = Rs. 2,62,500

**Solution**

**Dr. Machinery Account**

Date	Particulars	Amount	Date	Particulars	Amount
1-7-2015	To Bank a/c.....	250,000	30-6-2016	By Depreciation a/c .....	25,000
		250,000	30-6-2016	By Balance c/d .....	225,000
1-7-2016	To Balance b/d.....	225,000	30-6-2017	By Depreciation a/c.	250,000
1-1-2017	To Bank a/c.....	200,000	30-6-2017	(25,000+10,000) By Balance c/d.....	35,000
		425,000			390,000
1-7-2017	To Balance b/d.....	390,000	1-10-2017	By Depreciation a/c (sold) .....	425,000
1-10-2017	To Bank a/c.....	100,000	1-10-2017	By Bank a/c.....	6,250
			1-10-2017	By Profit and loss a/c.....	188,750
			30-6-2018	By Depreciation a/c .....	5,000
					27,500

				(20,000 + 7,500)
		30-6-2018	By Balance c/d .....	
				262,500
1-7-2018	To Balance b/d .....			490,000
				262,500

### Diminishing Balance Method

13. On 1<sup>st</sup> Kartik, 2071, Ram Prasad purchased a second hand machine for Rs. 36,000 and spent Rs. 4,000 on its repairs and installation. On 31<sup>st</sup> Chaitra, 2073, the machinery was disposed off for a sum of Rs. 30,000. Assuming the books are closed on 30<sup>th</sup> Chaitra each year and taking the rate of depreciation at 10% p.a. on diminishing balance method.

Required:

- Machinery account for three years
- Depreciation account for three years

Ans: Loss on sale Rs. 780

Solution

Dr. a.

#### Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2071/7/1	To Bank a/c .....	40,000	2071/12/31	By Depreciation a/c .....	2,000
			2071/12/31	By Balance c/d .....	38,000
2072/1/1	To Balance b/d .....	38,000	2072/12/31	By Depreciation a/c .....	3,800
			2072/12/31	By Balance c/d .....	34,200
2073/1/1	To Balance b/d .....	34,200	2073/12/31	By Depreciation a/c .....	3,420
			2073/12/31	By Bank c/d .....	30,000
		34,200	2073/12/31	By P/L a/c (Loss) .....	780
					34,200

Dr. b.

#### Depreciation Account

Date	Particulars	Amount	Date	Particulars	Amount
2071/12/31	To Machinery a/c .....	2,000	2071/12/31	By Profit and loss a/c .....	2,000
2072/12/31	To Machinery a/c .....	3,800	2072/12/31	By Profit and loss a/c .....	3,800
2073/12/31	To Machinery a/c .....	3,420	2073/12/31	By Profit and loss a/c .....	3,420

14. A company whose accounting year is calendar year purchased a vehicle on 1<sup>st</sup> Baisakh 2072 for Rs. 200,000. It further purchased another vehicle costing Rs. 250,000 on 1<sup>st</sup> Kartik 2073. On 1<sup>st</sup> Kartik 2074, original vehicle was found unsuitable and disposed off for Rs. 140,000. It was replaced on that date by new vehicle costing Rs. 300,000. Depreciation is to be provided at the rate of 10% p.a. on written down value method.

Required: Vehicle account from 2072 to 2074

Ans: Balance = Rs. 4,98,750

Solution

Dr.

#### Vehicles Account

Date	Particulars	Amount	Date	Particulars	Amount
1-1-2072	To Bank .....	200,000	31-12-2072	By Depreciation a/c .....	20,000
			31-12-2072	By Balance c/d .....	180,000
1-1-2073	To Balance b/d .....	180,000	31-12-2073	By Depreciation a/c .....	30,500
			31-12-2073	(18,000 + 12,500)	399,500
1-1-2074	To Bank a/c .....	250,000	31-12-2073	By Balance c/d .....	430,000
			1-7-2074	By Depreciation a/c (sold) .....	8,100
			1-7-2074	By Bank a/c (sale proceeds) .....	140,000
1-7-2074	To Balance b/d (162,000 + 237,500)	399,500	1-7-2074	By Loss on sale of vehicles a/c .....	13,900

			31-12-2074	By Depreciation a/c.....	38,750
			31-12-2074	(23,750+15,000)	498,750
				By Balance c/d .....	
		699,500			699,500
		498,750			

5. On 1st January, 2015 a company purchased a machinery for Rs. 10,000 and spent Rs. 2000 on its erection. On 1st July, 2016 it purchased machinery for Rs. 4000. On 1st January, 2017 the machinery purchased on 1st January, 2015 was sold for Rs. 4,600. The company writes off depreciation at 10% p.a. on the diminishing balance method.

Required: Machinery account for three years ending 31st December, 2017.

Ans. Loss on sale of machinery Rs. 5,120; Balance Rs. 3,420

Solution

Dr.

Vehicle Account					
Date	Particulars	Rs.	Date	Particulars	Rs.
01.01.2015	To Bank a/c (I) .....	12,000	31.12.2015	By Depreciation a/c .....	1,200
			31.12.2015	By Balance c/d .....	10,800
01.01.2016	To Balance b/d .....	12,000	31.12.2016	By Depreciation a/c (I) .....	1,080
01.07.2016	To Bank a/c (II) .....	10,800	31.12.2016	By Depreciation a/c (II) .....	200
		4,000	31.12.2016	By Balance c/d .....	13,520
		14,800	01.01.2017	By Bank a/c .....	4,600
01.2017	To Balance b/d .....	13,520	01.01.2017	By Profit and Loss a/c (Loss) .....	5,120
			31.12.2017	By Depreciation a/c (III) .....	380
			31.12.2017	By Balance c/d .....	3,420
01.2018	To Balance b/d .....	13,520			13,520
		3,420			

16. Following transactions are related to machinery:

Shrawan 1, 2073: A machinery was purchased for Rs. 3,00,000.

Chaitra 30, 2073: Second machinery was purchased for Rs. 2,00,000.

Poush 30, 2075: First machinery became absolute and sold for Rs. 2,00,000.

Depreciation charged @ 10% p.a. on reducing balance method, and machinery account is closed on Ashadh end each year.

Required: Machinery account from FY 2073/74 to 2075/76.

Ans: Loss on sales Rs. 30,850

Solution

Machinery Account					
Under Reducing Balance Method					
Date	Particulars	Amount	Date	Particulars	Amount
1.4.2073	To Bank a/c (I)	3,00,000	31.3.2074	By Depreciation(I)	30,000
30.12.2073	To Bank a/c (II)	2,00,000	"	By Depreciation(II)	5,000
		5,00,000	"	By Balance c/d	4,65,000
1.4.2074	To Balance b/d	4,65,000	31.3.2075	By Depreciation	46,500
		4,65,000	"	By Balance c/d	4,18,500
1.4.2075	To Balance b/d	4,18,500	30.9.2075	By Bank a/c	2,00,000
		4,18,500	"	By Depreciation (I)	12,150
			"	By P/L a/c (Loss)	30,850
			31.3.2076	By Depreciation(II)	17,550
1.4.2076	To Balance b/d	4,18,500		By Balance c/d	1,57,950
		1,57,950			4,18,500

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Working notes:

Calculation of profit or loss on sale of machine

Original cost of machinery (1.4.2074)	Rs. 3,00,000
Less: Depreciation for 6 months	30,000
Balance on 1.4.2075	2,70,000
Less: Depreciation	27,000
Balance on 1.4.2076	2,43,000
Less: Depreciation for 6 months	12,150
Book value	2,30,850
Less: Sales value	2,00,000
Loss	30,850

Depreciation of second machine on 31.3.2077 =  $(2,00,000 - 5,000 - 19,500) \times 10/100 = \text{Rs. } 17,550$

17. On 1<sup>st</sup> January 2015 XYZ Company had a opening balance of machinery account of Rs. 100,000. It also purchased another machinery costing Rs. 30,000 on 1<sup>st</sup> march 2016. On 31<sup>st</sup> December 2017, the old machinery was sold at a loss of Rs. 10,000. The company charges depreciation at the rate of 20% on diminishing balance method. Accounts are closed on 31<sup>st</sup> December of each year.

**Required:** Machinery account for the first 3 years.

Ans: Sales price Rs. 41,200 Balance on machinery a/c Rs. 20,000

Solution

Dr.

Machinery Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2015/7/1	To Balance b/d .....	100,000	2015/12/31	By Depreciation a/c .....	20,000
		100,000	2015/12/31	By Balance c/d .....	80,000
2016/1/1 2016/3/1	To Balance b/d .....	80,000	2016/12/31	By Depreciation a/c .....	21,000
	To Bank a/c .....	30,000	2016/12/31	(16,000 + 5,000)	
2017/1/1		110,000	2017/12/31	By Balance c/d .....	89,000
	To Balance b/d .....	89,000	2017/12/31	By Depreciation a/c .....	17,800
2018/1/1		89,000	2017/12/31	(12,800 + 5,000)	
	To Balance b/d .....	20,000	2017/12/31	By P/L a/c (Loss) .....	10,000

18. ABC Company depreciates its machinery at the rate of 15% under diminishing balance method had a debit balance of machinery account Rs. 1,70,000 on January 1, 2015. The machinery was purchased on 1<sup>st</sup> January 2014. On 1<sup>st</sup> October 2016, a part of the machinery costing Rs. 40,000 was sold for Rs. 27,000 and on the same date, new machinery was purchased and installed at a cost of Rs. 100,000.

**Required:** Machinery account from January 2015 to December, 2017.

Ans: Gain on sale Rs. 1,351; Balance Rs. 165,333.50

Solution

Dr.

Machinery Account

Cr.

Date	Particulars	JF	Amount	Date	Particulars	JF	Amount
1-1-2015	To Balance b/d .....		170,000	31-12-2015	By Depreciation a/c .....		25,500
			170,000	31-12-2015	By Balance c/d .....		144,500
1-1-2016 1-10-2016 1-10-2016	To Balance b/d .....		144,500	1-10-2016	By Depreciation a/c .....		3,251
	To P/L a/c (gain).....		1,351	1-10-2016	By Bank a/c .....		27,000
	To Bank a/c .....		100,000	31-12-2016	By Depreciation a/c .....		21,090

				(17,340+3.750)	
1-1-2017	To Balance b/d.....	245,851	31-12-2016	By Balance c/d .....	194,510
		194,510	31-12-2017	By Depreciation a/c .....	245,851
		194,510	31-12-2017	By Balance c/d .....	29,176.5
1-1-2018	To Balance b/d.....	165,333.5			165,333.5
					194,510

**Annuity Method**

19. A company purchased a lease of land for Rs. 20,000 on 1<sup>st</sup> Baishak 2065 for 5 years. It was decided to depreciate the lease by annuity method with the interest @ 5% p. a. The annuity table shows that the annual amount necessary to write off Re. 1 in 5 years at 5% interest is Re. 0.230975. Accounting year is accordance with calendar.

**Required:** Lease account for 5 years

Ans. Annual depreciation = Rs. 4,619.50

**Solution**

$$\text{Annual Depreciation} = 20,000 \times 0.230975 = \text{Rs. } 4,619.50$$

Dr.

**Lease Account**

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-1-2065	To Bank a/c.....	20,000.00	31-12-2065	By Depreciation a/c .....	4,619.50
31-12-2065	To Interest a/c .....	1,000.00	31-12-2065	By Balance c/d .....	16,380.50
		21,000.00			21,000.00
1-1-2066	To Balance b/d .....	16,380.50	31-12-2066	By Depreciation a/c .....	4,619.50
31-12-2066	To Interest a/c .....	819.03	31-12-2066	By Balance c/d .....	12,580.03
		17,199.53			17,199.53
1-1-2067	To Balance b/d .....	12,580.03	31-12-2067	By Depreciation a/c .....	4,619.50
31-12-2067	To Interest a/c .....	629.00	31-12-2067	By Balance c/d .....	8,589.53
		13,209.03			13,209.03
1-1-2068	To Balance b/d .....	8,589.53	31-12-2068	By Depreciation a/c .....	4,619.50
31-12-2068	To Interest a/c .....	429.47	31-12-2068	By Balance c/d .....	4,399.50
		9,019.00			9,019.00
1-1-2069	To Balance b/d .....	4,399.50	31-12-2069	By Depreciation a/c .....	4,619.50
31-12-2069	To Interest (Balance) .....	220.00			
		4,619.50			4,619.50

20. A lease was purchased for a term of 4 years by payment of Rs. 20,000 and paid Rs. 5,000 for its legal work. It was proposed to depreciate the lease by the annuity method charging 6% interest. According to the annuity table annual amount necessary to write off Re. 1 in 4 years at 6% interest is Re. 0.288591. amounts to Re. 1 in four years at 6% interest.

**Required:**

- Lease account for four years
- Interest account for four years

Ans: Annual depreciation Rs. 7,214.77

**Solution**

$$\text{Annual Depreciation} = \text{Rs } 25,000 \times 0.288591 = \text{Rs. } 7,214.77$$

Dr. a.

**Lease Account**

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-1-1st yr	To Bank a/c .....	25,000	31-12-1st	By Depreciation a/c .....	7,214.77
31-12-1st yr	To Interest a/c .....	1,500	31-12-1st	By Balance c/d .....	19,285.23
		26,500			26,500
1-1-2nd yr	To Balance b/d .....	19,285.23	31-12-2nd yr	By Depreciation a/c .....	7,214.77
31-12-2nd yr	To Interest a/c .....	1,157.11	31-12-2nd yr	By Balance c/d .....	13,227.57
		20,442.34			20,442.34

1-1-3rd yr	To Balance b/d .....	13,227.57	31-12-3rd yr	By Depreciation a/c .....
31-12-3rd yr	To Interest a/c .....	793.65	31-12-3rd yr	By Balance c/d .....
		14,021.22		7,214.72
1-1-4th yr	To Balance b/d .....	6,806.45	31-12-4th yr	By Depreciation a/c .....
31-12-4th yr	To Interest a/c (adjusted).....	408.32		14,021.22
		7,214.77		7,214.72

Dr. b.

**Interest Account**

Date	Particulars	Amount	Date	Particulars	Amount
31-12-1st yr	To Profit and loss a/c .....	1,500	31-12-1st yr	By Lease a/c.....	1,500
31-12-2nd yr	To Profit and loss a/c.....	1,157.11	31-12-2nd yr	By Lease a/c.....	1,157.11
31-12-3rd yr	To Profit and loss a/c.....	793.65	31-12-3rd yr	By Lease a/c.....	793.65
31-12-4th yr	To Profit and loss a/c.....	408.32	31-12-4th yr	By Lease a/c .....	408.32

**Depreciation Fund Method or Sinking Fund Method**

21. On 1-1-2015, a company purchased machinery for Rs. 200,000 and decided to provide for annual depreciation and also its replacement after 3 years by depreciation fund method. It is expected that investment will fetch interest at 5% per annum. Depreciation fund table shows that Rs. 0.3172 if invested yearly at 5% per annum produced Re. 1 at the end of 3 years. Investments are sold at the end of 3rd year for a sum of Rs. 128,052. Accounts are closed on last date of December every year.

**Required:**

- Depreciation fund investment account for first three years
- Depreciation fund account for first three years
- Machinery account for first three years

Ans: (a) Annual depreciation = Rs. 63,440; Loss on sale of Investment = Rs. 2,000; Profit and loss = Rs. 2,005

**Solution**

Annual depreciation = Rs.  $200,000 \times 0.3172 = \text{Rs. } 63,440$

Dr. a.

**Depreciation Fund Investment Account**

Date	Particulars	Amount	Date	Particulars	Amount
31-12-2015	To Bank a/c ( $200,000 \times 0.3172$ ).....	63,440	31-12-2015	By Balance c/d.....	63,440
		63,440			63,440
1-1-2016	To Balance b/d .....	63,440	31-12-2016	By Balance c/d.....	130,052
31-12-2016	To Bank a/c ( $63,440 + 3,172$ ).....	66,612			130,052
		130,052			130,052
1-1-2017	To Balance b/d .....	130,052	31-12-2017	By Bank a/c .....	128,052
		130,052	31-12-2017	By Depreciation fund a/c .....	2,000
		130,052			130,052

Dr. b.

**Depreciation Fund Account**

Date	Particulars	Amount	Date	Particulars	Amount
31-12-2015	To Balance c/d .....	63,440	31-12-2015	By Depreciation a/c .....	63,440
		63,440			63,440
31-12-2016	To Balance c/d .....	130,052	1-1-2016	By Balance b/d .....	63,440
		130,052	31-12-2016	By Depreciation a/c .....	63,440
		130,052	31-12-2016	By Interest a/c .....	3,172
31-12-2017	To Depre. fund investment a/c .....	2,000	1-1-2017	By Balance b/d .....	130,052
31-12-2017	To Machinery a/c .....	197,995	31-12-2017	By Depreciation a/c .....	63,440
		199,997		By Interest a/c .....	6,503
		199,997			199,995

Dr. c.

**Machinery Account**

Date	Particulars	Amount	Date	Particulars	Amount
1-1-2015	To Bank a/c .....	200,000	31-12-2015	By Balance c/d.....	200,000

1-1-2016	To Balance b/d.....	200,000	31-12-2016	By Balance c/d.....	200,000
1-1-2017	To Balance b/d .....	200,000	31-12-2017	By Depreciation fund a/c.....	197,995
		·200,000		By Profit and loss a/c .....	2,005
					200,000

22. On 1st Baishak 2073, a company purchased a plant for Rs. 210,000 and spent Rs. 15,000 on its installation. The plant has expected life of 3 years at the end of which the estimated scrap value will be Rs. 25,000. The company decided to establish a depreciation fund. Investments are expected to realise 5% interest. On 31st Chaitra 2075, the plant was sold as scrap for Rs. 28,000. Investments were realized at 5% less than the book value. On 1st Baishakh, 2076, a new plant was purchased for Rs. 300,000. Sinking fund table shows that Re. 0.3172 invested each year will produce Re. 1 at the end of 3 years at 5%. Accounting year is Baishakh to Chaitra.

Required:

- Depreciation fund investment account for first three years
- Depreciation fund account for first three years
- Plant account for first three years

Ans: Annual Depreciation = Rs. 63,440; Interest = Rs. 3,172 and Rs. 6,503; Loss on sale of Investment = Rs. 6,503; Profit and loss = Rs. 3,508

Solution

$$\text{Annual Depreciation} = (210,000 + 15,000 - 25,000) \times 0.3172 = \text{Rs. } 63,440$$

Dr. a. **Depreciation Fund Investment Account** Cr.

Date	Particulars	Amount	Date	Particulars	Amount
31-12-2073	To Bank a/c	63,440	31-12-2073	By Balance c/d	63,440
1-1-2074	To Balance b/d	63,440	31-12-2074	By Balance c/d	130,052
31-12-2074	To Bank a/c (63,440 + 3,172)	66,612			130,052
		130,052			123,549
1-1-2075	To Balance b/d	130,052	31-12-2075	By Bank a/c	123,549
		130,052	31-12-2075	By Depreciation fund a/c	6,503
					130,052

Dr. b. **Depreciation Fund Account** Cr.

Date	Particulars	Amount	Date	Particulars	Amount
31-12-2073	To Balance c/d.....	63,440	31-12-2073	By Depreciation a/c .....	63,440
31-12-2074	To Balance c/d .....	130,052	1-1-2074	By Balance b/d .....	63,440
			31-12-2074	By Depreciation a/c .....	63,440
		130,052	31-12-2074	By Interest a/c.....	3,172
					130,052
31-12-2075	To Depreciation fund investment a/c.....	6,503	1-1-2075	By Balance b/d .....	130,052
			31-12-2075	By Depreciation a/c .....	63,440
31-12-2075	To Plant a/c .....	193,492	31-12-2075	By Interest a/c .....	6,503
		199,995			199,995

Dr. c. **Plant Account** Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-1-2073	To Bank a/c.....	225,000	31-12-2073	By Balance c/d	225,000
1-1-2074	To Balance b/d.....	225,000	31-12-2074	By Balance c/d	225,000
1-1-2075	To Balance b/d .....	225,000	31-12-2075	By Bank a/c	28,000
			31-12-2075	By Depreciation fund a/c	193,492
			31-12-2075	By Profit and loss a/c	3,508
		225,000			225,000

### Insurance Policy Method

23. A company purchased a lease of premises for four years for Rs. 50,000 on 1<sup>st</sup> Baishak, 2072 and decided to make a provision for the replacement of the lease by means of an insurance policy purchased for an annual premium of Rs. 12,000. Accounting year is calendar year.

Required:

- Lease account for first four years

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- b. Depreciation insurance policy account for first four years
- c. Depreciation fund account for first four years

Ans: Profit transfer to depreciation fund is Rs. 2,000

Solution -

Dr. a.

Lease Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-1-2072	To Bank a/c	50,000	31-12-2072	By Balance c/d .....	50,000
1-1-2073	To Balance b/d.....	50,000	31-12-2073	By Balance c/d .....	50,000
1-1-2074	To Balance b/d.....	50,000	31-12-2074	By Balance c/d .....	50,000
1-1-2075	To Balance b/d.....	50,000	31-12-2075	By Depreciation fund a/c .....	50,000

Dr. b.

Depreciation Insurance Policy Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-1-2072	To Bank a/c .....	12,000	31-12-2072	By Balance c/d.....	12,000
		12,000			12,000
1-1-2073	To Balance b/d .....	12,000	31-12-2073	By Balance c/d.....	24,000
1-1-2073	To Bank a/c .....	12,000			24,000
		24,000			24,000
1-1-2074	To Balance b/d .....	24,000	31-12-2074	By Balance c/d.....	36,000
1-1-2074	To Bank a/c .....	12,000			36,000
		36,000			36,000
1-1-2075	To Balance b/d .....	36,000	31-12-2075	By Bank a/c.....	50,000
1-1-2075	To Bank a/c .....	12,000			50,000
31-12-2075	To Depreciation fund a/c .....	2,000			
		50,000			50,000

Dr. c.

Depreciation Fund Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
31-12-2072	To Balance c/d .....	12,000	31-12-2072	By Depreciation a/c.....	12,000
		12,000			12,000
31-12-2073	To Balance c/d .....	24,000	1-1-2073	By Balance b/d.....	12,000
		24,000	31-12-2073	By Depreciation a/c .....	12,000
		24,000			24,000
31-12-2074	To Balance c/d .....	36,000	1-1-2074	By Balance b/d.....	24,000
		36,000	31-12-2074	By Depreciation a/c .....	12,000
		36,000			36,000
31-12-2075	To Lease a/c .....	50,000	1-1-2075	By Balance b/d.....	36,000
		50,000	31-12-2075	By Depreciation a/c .....	12,000
		50,000	31-12-2075	By Depreciation insurance policy a/c.....	2,000
		50,000			50,000

24. Mr. A acquired a lease on payment of Rs. 100,000 on 1<sup>st</sup> Shrawan 2074. The lease period is three years. He proposed to provide for its replacement by means of an insurance policy for Rs. 100,000. The annual premium is Rs. 30,000. On 1<sup>st</sup> Shrawan 2077, the lease is renewed for a further period of three years for the same amount. Accounting year is Shrawan to Ashadh.

Required:

- a. Lease account for first three years
- b. Insurance policy account for first three years
- c. Depreciation fund account for first three years

Ans: Profit transfer to depreciation fund is Rs. 10,000

Solution

Dr. a.

## Lease Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-4-2074	To Bank a/c	100,000	31-3-2075	By Balance c/d .....	100,000
1-4-2075	To Balance b/d.....	100,000	31-3-2076	By Balance c/d .....	100,000
1-4-2076	To Balance b/d.....	100,000	31-3-2077	By Depreciation fund a/c .....	100,000

Dr. b.

## Depreciation Insurance Policy Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
1-4-2074	To Bank a/c.....	30,000	31-3-2075	By Balance c/d .....	30,000
		30,000			30,000
1-4-2075	To Balance b/d .....	30,000	31-3-2076	By Balance c/d .....	60,000
1-4-2075	To Bank a/c .....	30,000			60,000
		60,000			60,000
1-4-2076	To Balance b/d .....	60,000	31-3-2077	By Bank a/c.....	100,000
1-4-2076	To Bank a/c .....	30,000			100,000
	To Depreciation fund a/c .....	10,000			100,000
		100,000			100,000

Dr. c.

## Depreciation Fund/Reserve Account

Cr.

Date	Particulars	Amount	Date	Particulars	Amount
31-3-2074	To Balance c/d .....	30,000	31-3-2074	By Depreciation a/c .....	30,000
		30,000			30,000
31-3-2075	To Balance c/d .....	60,000	1-4-2075	By Balance b/d .....	30,000
		60,000	31-3-2075	By Depreciation a/c .....	30,000
		60,000			60,000
31-3-2076	To Lease a/c .....	100,000	1-4-2076	By Balance b/d .....	60,000
		100,000	31-3-2076	By Depreciation a/c .....	30,000
		100,000	31-3-2076	By Depre. insurance policy a/c.....	10,000
		100,000			100,000

# 8

## Accounting for Inventory and Cost of Goods Sold

### Periodic Inventory System

1. Kathmandu Trading Company (KTC) reported the following information for the month of February:

Inventory, February 1	65 units @ Rs 20
Purchases:	
February 7	50 units @ Rs 22
February 18	60 units @ Rs 23
February 27	45 units @ Rs 24

During February, KTC sold 140 units. The company uses a periodic inventory system.

Required: What is the value of ending inventory and cost of goods sold for February under the following assumptions:

- Of the 140 units sold, 55 units cost Rs 20, 35 units cost Rs 22, 45 units cost Rs 23 and 5 units cost Rs. 24 (use specific identification method)
- FIFO
- LIFO
- Weighted average

Ans: (a) Rs 1,825 (b) Rs 1,885 (c) Rs 1,630 (d) Rs 1,767

### Solution

#### Calculation of ending inventory and cost of goods sold

##### 1. Under specific identification method

$$\begin{aligned}\text{Cost of goods sold} &= 55 \text{ units} \times 20 + 35 \text{ units} \times 22 + 45 \text{ units} \times 23 + 5 \text{ units} \times 24 \\ &= \text{Rs } 1,100 + 770 + 1,035 + 120 = \text{Rs } 3,035 \\ \text{Ending inventory} &= \text{Cost of goods available} - \text{cost of goods sold} \\ &= 65 \times 20 + 50 \times 22 + 60 \times 23 + 45 \times 24 - 3,035 \\ &= 4,860 - 3,035 = \text{Rs } 1,825\end{aligned}$$

##### 2. Under FIFO method

$$\begin{aligned}\text{Cost of goods sold} &= \text{Sum of cost of sold units from the beginning} \\ &= 65 \times 20 + 50 \times 22 + 25 \times 23 = \text{Rs } 2,975 \\ \text{Ending inventory} &= \text{Cost of goods available} - \text{Cost of goods sold} \\ &= 4,860 - 2,975 = \text{Rs } 1,885\end{aligned}$$

##### 3. Under LIFO method

$$\begin{aligned}\text{Cost of goods sold} &= \text{Sum of cost of sold units from last purchase} \\ &= 45 \times 24 + 60 \times 23 + 35 \times 22 = \text{Rs } 3,230 \\ \text{Ending inventory} &= \text{Cost of goods available} - \text{Cost of goods sold} \\ &= 4,860 - 3,230 = \text{Rs } 1,630\end{aligned}$$

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4. Under weighted average cost (WAC) method

$$\begin{aligned}\text{Cost of goods sold} &= \text{Cost per unit} \times \text{Sold units} \\ &= \frac{\text{Cost of goods available}}{\text{Units of goods available}} \times \text{Sold units} \\ &= \frac{4,860}{65 + 50 + 60 + 45} \times 140 = 3,092.73 = \text{Rs } 3,093\end{aligned}$$

$$\begin{aligned}\text{Ending inventory} &= \text{Cost of goods available} - \text{Cost of goods sold} \\ &= 4,860 - 3,093 = \text{Rs } 1,767\end{aligned}$$

2. The records of InfoTech Company contain the following information relating to the Mother board inventory item for April 2011:

Date	Particulars	Units	Unit Cost
April 1	Beginning inventory .	400	Rs 4
3	Purchase	800	5
9	Sale	200	
14	Sale	900	
19	Purchase	1,000	7
22	Sale	600	
26	Purchase	400	9
28	Sale	200	
30	Sale	100	

Required: Using the periodic inventory system, compute the cost of ending inventory and cost of goods sold. Use specific identification method, FIFO, LIFO and weighted average method.

(Note: For specific identification 400 units @ Rs. 4; 700 units @ Rs. 5; 600 units @ Rs. 7; 300 @ Rs. 9)

Ans: COGS: SI Rs 12,000; FIFO Rs 11,200; LIFO Rs 13,600; WAC Rs 12,462; EI: SI Rs 4,200; FIFO Rs 5,000; LIFO Rs 2,600; WAC Rs 3,738

**Solution**

1. Under specific identification method

$$\text{Cost of goods sold} = 400 \times 4 + 700 \times 5 + 600 \times 7 + 300 \times 9 = \text{Rs } 12,000$$

$$\text{Cost of goods available} = 400 \times 4 + 800 \times 5 + 1000 \times 7 + 400 \times 9 = \text{Rs } 16,200$$

$$\begin{aligned}\text{Ending inventory} &= \text{Cost of goods available} - \text{Cost of goods sold} \\ &= 16,200 - 12,000 = \text{Rs } 4,200\end{aligned}$$

2. FIFO: Ending Inventory 600 units for  $(200 \times 7 + 400 \times 9) = \text{Rs. } 5,000$

$$\begin{aligned}\text{Cost of goods available for sales} &= (400 \times 4 + 800 \times 5 + 1000 \times 7 + 400 \times 9) \\ &= \text{Rs. } 16,200\end{aligned}$$

$$\text{Less: Ending Inventory} = \text{Rs. } 5,000$$

$$\text{Cost of goods sold (2,000 units)} = \text{Rs. } 11,200$$

3. LIFO: Ending Inventory 600 units for  $(400 \times 4 + 200 \times 5) = \text{Rs } 2,600$

$$\text{Cost of goods sold} = 16,200 - 2,600 = \text{Rs. } 13,600$$

4. Under weighted average cost method

$$\text{Cost of goods sold} = \text{Cost per unit} \times \text{Sold units} = \frac{16,200}{2,600} \times 2,000 = \text{Rs } 12,461.53 = 12,462$$

$$\text{Ending inventory} = 16,200 - 12,462 = \text{Rs } 3,738$$

3. Everest Company sold 1,900 units during the year at Rs. 34 each. It had a beginning inventory on Baishak 1, 2068 of 200 units at a cost of Rs 23 each. The following purchases were made during the year ended Chaitra 31, 2068:

Jestha 18	400 units @ Rs 24
Bhadra 20	600 units @ Rs 27
Poush 22	500 units @ Rs 25
Falgun 23	300 units @ Rs 28.

The company incurred operating expenses of Rs 7,250 during the year. It uses the periodic inventory system.

**Required:**

- Prepare a schedule to compute the cost of goods available for sale during the year.
- Determine the ending inventory on Chaitra 31, 2068 using the following inventory costing methods: (i) FIFO (ii) LIFO (iii) WAC

Ans: (a) Rs 51,300 (b) FIFO Rs 2,800, LIFO Rs 2,300 WAC Rs 2,565;

**Solution**

Beginning inventory	200@ Rs. 23	= 4,600
Purchase Jesta 18	400@ Rs. 24	= 9,600
Bhadra 20	600@ Rs. 27	= 16,200
Poush 22	500@ Rs. 25	= 12,500
Falgune 23	300@ Rs. 28	= 8,400
<b>Cost of goods available for sales</b>		<b><u>= Rs. 51,300</u></b>

- (i) FIFO: Ending inventory =  $100 \times \text{Rs. } 28 = \text{Rs. } 2,800$   
 (ii) LIFO: Ending inventory =  $100 \times \text{Rs. } 23 = \text{Rs. } 2,300$   
 (iii) WAC: Ending inventory =  $100 \times \text{Rs. } 25.65 = \text{Rs. } 2,565$   
 WAC rate =  $\frac{51,300}{2,000} = 25.65$

- The following information of inventory is taken from AK & Sons

Jan 1 Beginning inventory 4,000 units @ Rs 20 each

## Purchase:

Jan 12	6,000 units @ Rs 22 each
March 10	8,000 units @ Rs 24 each
July 16	5,000 units @ Rs 26 each
Dec 24	3,000 units @ Rs 30 each

During the year, AK & Sons sold 20,000 units. It uses a periodic inventory system.

**Required:** Ending inventory and cost of goods sold on (i) Weighted average, (ii) FIFO, (iii) LIFO

Ans: (i) Ending Rs 144,000 & COGS Rs 480,000; (ii) Ending Rs 168,000 & COGS Rs 456,000; (iii) Ending Rs 124,000 & COGS Rs 500,000;

**Solution**

- (i) WAC =  $\frac{\text{Cost of goods available for sales}}{\text{Units available for sales}} = \frac{624,000}{26,000} = \text{Rs. } 24 \text{ per unit}$   
 WAC: Ending inventory =  $6,000 \times 24 = \text{Rs. } 144,000$   
 Cost of goods sold =  $20,000 \times 24 = \text{Rs. } 480,000$   
 (ii) FIFO: Ending inventory =  $(3,000 \times 26 + 3,000 \times 30) = \text{Rs. } 168,000$   
 Cost of goods sold =  $(4,000 \times 20 + 6,000 \times 22 + 8,000 \times 24 + 2,000 \times 26) = \text{Rs. } 456,000$   
 (iii) LIFO: Ending Inventory =  $(4,000 \times 20 + 2,000 \times 22) = \text{Rs. } 124,000$   
 Cost of goods sold =  $(624,000 - 124,000) = \text{Rs. } 500,000$

- The following information is available concerning the inventory of Super Cement Supplier:

	Units	Unit cost
Beginning inventory	60	Rs 800
Purchases of Cement :		
January 5	140	700
June 10	150	500
August 3	130	600
December 20	90	400

During the year, Super Cement Supplier sold 500 units of cement. It uses a periodic inventory system.

**Required:** Calculate ending inventory and cost of goods sold under Weighted Average, FIFO, and LIFO methods.

Ans: Ending inv. WAC Rs 41,140, FIFO Rs 28,000, LIFO Rs 55,000; COGS: WAC Rs 293,860, FIFO Rs 307,000, LIFO Rs 280,000.

Solution

$$\text{COGAS (in Rs)} = 60 \times 800 + 140 \times 700 + 150 \times 500 + 130 \times 600 + 90 \times 400 = \text{Rs. } 335,000$$

$$\text{COGAS (in unit)} = 60 + 140 + 150 + 130 + 90 = 570$$

$$\text{WAC: Cost per unit under WAC} = \frac{335,000}{570} = \text{Rs. } 587.72$$

$$\text{Ending inventory} = 70 \times 587.72 = \text{Rs. } 41,140$$

$$\text{COGS} = 500 \times 587.72 = \text{Rs. } 293,860$$

$$\text{FIFO: Ending inventory} = 70 \times 400 = \text{Rs. } 28,000$$

$$\text{COGS} = 335,000 - 28,000 = \text{Rs. } 307,000$$

$$\text{LIFO: Ending inventory} = (10 \times 700 + 60 \times 800) = \text{Rs. } 55,000$$

$$\text{COGS} = 335,000 - 55,000 = \text{Rs. } 280,000$$

### Perpetual Inventory System

6. The following information is available concerning Asmita enterprise.

	Units	Unit cost
Beginning inventory	600	Rs 10
Purchases		
Feb 15	900	Rs 11
May 2	1,200	Rs 12
July 20	750	Rs 13
September 9	450	Rs 15

Asmita enterprise employs a perpetual system, sold 3,000 units during the year. Sale occurred on the following dates:

	Units
Jan 12	450
March 3	600
June 7	600
December 23	1350

Required: Calculate the ending inventory and cost of goods sold for each of the following methods.

- Moving average
- FIFO
- LIFO

Ans: (a) Ending inv. Rs 11,511; COGS Rs 35,296; (b) Ending inv. Rs 12,600; COGS Rs 34,200  
 (c) Ending inv. Rs 10,200; COGS Rs 36,600

Solution

1.

Date	Moving Average						Balance	
	Purchase			Sales				
	Units	Cost	Amount	Units	Cost	Amount		
Jan 1							600	
Jan 12							600	
Feb 15	900	11	9,900	450	10	4,500	150	
March 3							1,050	
May 2	1200	12	14,400	600	10.86	6,516	450	
June 7							1,650	
July 20	750	13	9,750	600	11.69	7,014	1,050	
Sept 9	450	15	6,750				1,800	
Dec 23							2,250	
				1,350	12.79	17,266	900	

Ending inventory 900 units for Rs 11,511

Cost of goods sold is 3,000 units for Rs 35,296 (4,500 + 6,516 + 7,014 + 17,266)

## FIFO

Date	Purchase			Sales			Balance		
	Units	Cost	Amount	Units	Cost	Amount	Units	Cost	Amount
Jan 1							600	10	6,000
Jan 12				450	10	4,500	150	10	1,500
Feb 15	900	11	9,900				150	10	1,500
March 3				150	10	1,500	900	11	9,900
				450	11	4,950	450	11	4,950
May 2	1,200	12	14,400				450	11	4,950
							1200	12	14,400
June 7				450	11	4,950	1050	12	12,600
				150	12	1,800	750	13	9,750
July 20	750	13	9,750				1050	12	12,600
							750	13	6,750
Sept 9	450	15	6,750				450	15	6,750
Dec 23				1,050	12	12,600	450	13	5,850
				300	13	3,900	450	15	6,750

Ending inventory 900 units for Rs. 12,600.

Cost of goods sold = 3,000 units for Rs. 34,200 (4,500 + 1,500 + 4,950 + 4,950 + 1,800 + 12,600 + 3,900)

## LIFO

Date	Purchase			Sales			Balance		
	Units	Cost	Amount	Units	Cost	Amount	Units	Cost	Amount
Jan 1							600	10	6,000
Jan 12				450	10	4,500	150	10	1,500
Feb 15	900	11	9,900				150	10	1,500
March 3				600	11	6,600	150	10	1,500
							300	11	3,300
May 2	1200	12	14,400				150	10	1,500
							300	11	3,300
							1,200	12	14,400
June 7				600	12	7,200	150	10	1,500
							300	11	3,300
							600	12	7,200
July 20	750	13	9,750				150	10	1,500
							300	11	3,300
							600	12	7,200
							750	13	9,750
Sept 9	450	15	6,750				150	10	1,500
							300	11	3,300
							600	12	7,200
							750	13	9,750
							450	15	6,750
Dec 23				450	15	6,750	150	10	1,500
				750	13	9,750	300	11	3,300
				150	12	1,800	450	12	5,400

Ending inventory 900 units for Rs. 10,200

Cost of goods sold is 300 units for Rs 36,600 ( $4,500 + 6,600 + 7,200 + 6,750 + 9,750 + 1,800$ )

Pratyush Company buys and then sales a single product. Following is information concerning Pratyush's inventory activity for the period during October 2011.

October 1: 250 units on hand for Rs 1,000

October 5: Sold 120 units

- October 7: Purchased 350 units @ Rs 5 per unit  
 October 12: Received returned to the store 10 units  
 October 15: Sold 390 units  
 October 21: Purchased 300 units @ Rs 6 per unit  
 October 25: Purchased 150 units @ Rs 8 per unit  
 October 29: Sold 350 units

On the stock verification held on 31<sup>st</sup> October, 20 units were found damaged.

**Required:** Assuming Pratyush employs a perpetual inventory system; calculate cost of goods sold (units and cost) for the month of October, using the following:

- FIFO cost flow assumption
- LIFO cost flow assumption
- Moving average cost flow assumption (round all unit cost calculation to the nearest penny)

Ans: (a) 880 units for Rs 4,410, (b) 880 units for Rs 4,910, (c) 880 units for Rs 4,654

#### Solution

$$\text{Cost of goods available for sold (in unit)} = 250 + 350 + 10 + 300 + 150 = 1,060 \text{ units}$$

$$\text{Cost of goods available for sold (in Rs.)} = 1,000 + 1,750 + 40 + 1,800 + 1,200 = \text{Rs. } 5,790$$

i.

Date	Purchase			Sales			Balance		
	Units	Cost	Amount	Units	Cost	Amount	Units	Cost	Amount
Oct. 1							250	4	1000
5							130	4	520
7	350	5	1750	120	4	480	130	4	520
							350	5	1750
12	10	4	40				130	4	520
							350	5	1750
							10	4	40
15				130	4	520	90	5	450
				260	5	1300	10	4	40
21	300	6	1800				90	5	450
							10	4	40
							300	6	1800
25	150	8	1200				90	5	450
							10	4	40
							300	6	1800
							150	8	1200
29				90	5	450	50	6	300
				10	4	40	150	8	1200
				250	6	1500			
31				20	6	120	30	6	180
							150	8	1200

$$\therefore \text{COGS} = \text{COGAS} - \text{Ending inventory} = 1,060 - 180 = 880 \text{ units for Rs. } 4,410.$$

ii.

#### LIFO

Date	Purchase			Sales			Balance		
	Units	Cost	Amount	Units	Cost	Amount	Units	Cost	Amount
Oct. 1							250	4	1000
5				120	4	480	130	4	520
7	350	5	1750				130	4	520
							350	5	1750
12	10	4	40				130	4	520
							350	5	1750
							10	4	40
15				10	4	40	100	4	400
				350	5	1750			
				30	4	120			
21	300	6	1800				100	4	400
							300	6	1800
25	150	8	1200				100	4	400

							300	6	1,800
							150	8	1,200
29			150	8	1,200		100	4	400
			200	6	1,200		100	6	600
31			20	6	120		100	4	400
							80	6	480

Cost of goods sold in units = 880 units in Rs.  $5,790 - 880 = \text{Rs. } 4,910$

### Moving average

iii.

Date	Purchase			Sales			Balance		
	Units	Cost	Amount	Units	Cost	Amount	Units	Cost	Amount
Oct 1							250	4	1,000
5				120	4	480	130	4	520
7	350	5	1,750				480	4.73	2,270
12	10	4	40				490	4.71	2,310
15				390	4.71	1,839	100	4.71	471
21	300	6	1,800				400	5.6775	2,271
25	150	8	1,200				550	6.31	3,471
29				350	6.31	2,209	200	6.31	1,262
31				20	6.31	126	180	6.31	1,136

Cost of good sold in units = 880 units in Rs.  $5,790 - 1,136 = \text{Rs. } 4,654$ .

8. The following are the details of receipt and issue of materials.

Purchases: Baisak 5 : 600 units @ Rs. 10 each  
                   10 : 900 units @ Rs. 11 each  
                   22 : 300 units @ Rs. 12 each

Issues: Baisak 15 : 400 units  
                   20 : 400 units  
                   25 : 400 units

Baisak 30 : Stock verification loss - 20 units.

Required: Stores ledger under first-in-first out method

Ans: Closing Stock: 280 units @ Rs. 11; 300 units @ Rs. 12

Solution:

### Store Ledger Under FIFO Method

Date	Particulars	Purchase			Sales			Balance		
		Qty	Rate	Amt	Qty	Rate	Amt	Qty	Rate	Amt
B - 5	Purchased	600	10	6000	-	-	-	600	10	6000
" - 10	Purchase	900	11	9900	-	-	-	600	10	6000
" - 15	Issued	-	-	-	400	10	4000	200	10	2000
" - 20	Issued	-	-	-	200	10	2000	900	11	9900
" - 22	Purchased	300	12	3600	-	-	-	700	11	7700
" - 25	Issued	-	-	-	400	11	4400	300	11	3300
" - 30	Goods lost	-	-	-	20	11	220	280	11	3080
								300	12	3600

Closing stock:

280 units @ Rs. 11 = Rs. 3080  
300 units @ Rs. 12 = Rs. 3600  
 580 units Rs. 6,680

9. Stores transactions during the month of Magh are as under:

Opening stock:	Magh 1	: 500 units @ Rs. 10 per unit
Purchased:	Magh 4	: 600 units @ Rs. 11 per unit
	Magh 9	: 600 units @ Rs. 12 per unit
	Magh 20	: 600 units @ Rs. 12.50 per unit
Issued:	Magh 7	: 500 units
	Magh 15	: 500 units
	Magh 25	: 500 units

Stock verifications loss: Magh 28 : 20 units

Required: Stores under First-in-First-out (FIFO) method

Ans: Closing stock: 180 units @ Rs. 12 and 600 units @ Rs. 12.50

Solution

### Store Ledger under FIFO Method

Date	Particulars	Purchase			Sales			Balance		
		Qty	Rate	Amt	Qty	Rate	Amt	Qty	Rate	Amt
Magh 1	Opening stock	-	-	-	-	-	-	500	10	5,000
Magh 4	Purchased	600	11	6,600	-	-	-	500	10	5,000
Magh 7	Issued	-	-	-	500	10	5,000	600	11	6,600
Magh 9	Purchased	600	12	7,200	-	-	-	600	11	6,600
Magh 15	Issued	-	-	-	500	11	5,500	100	11	1,100
Magh 20	Purchased	600	12.50	7,500	-	-	-	100	11	1,100
Magh 25	Issued	-	-	-	100	11	1,100	600	12	7,200
					400	12	4,800	600	12.50	7,500
Magh 28	Verification loss	-	-	-	20	12	240	180	12	2,160
								600	12.50	7,500

∴ Closing stock

180 units @ Rs. 12 = Rs. 2,160

600 units @ Rs. 12.50 = Rs. 7,500

10. Following are the transactions of material of a company for the month of Magh.

Magh 1	: Opening stock	200 units @ Rs. 5 per unit
Magh 5	: Purchased	400 units @ Rs. 6 per unit
Magh 12	: Issued	500 units
Magh 20	: Returned to store	20 units
Magh 22	: Purchased	700 units @ Rs. 7 per unit
Magh 24	: Returned to vendor	100 units
Magh 26	: Issued	510 units
Magh 28	: Shortage on stock verification	

Required: Stores ledger under FIFO method

Ans: Closing stock: 200 units @ Rs. 7

Solution

Date	Particulars	Purchase			Sales			Balance		
		Qty	Rate	Amt	Qty	Rate	Amt	Qty	Rate	Amt
Magh 1	Opening stock	-	-	-	-	-	-	200	5	1,000
Magh 5	Purchased	400	6	2,400	-	-	-	200	5	1,000
Magh 12	Issued	-	-	-	200	5	1,000	400	6	2,400
					300	6	1,800	100	6	600

Magh 20	Returned to stock	20	5	100				100	6	600
Magh 22	Purchased	700	7	4,900				20	5	100
								100	6	600
								20	5	100
Magh 24	Returned to vendor			100	6	600		700	7	4,900
Magh 26	Issued			20	5	100		700	7	100
Magh 28	Shortage			490	7	3,430		210	7	4,900
				10	7	70		200	7	1,470
	Closing stock = 200 units @ Rs. 7 = Rs. 1,400									1,400

11. Following information are given in respect of materials transactions during the month of Jestha 2068.

Jestha 1	: Opening balance	1,000 units @ Rs. 10
Jestha 5	: Issued	300 units
Jestha 8	: Purchased	400 units @ 12
Jestha 10	: Issued	400 units
Jestha 12	: Purchased	200 units @ 11
Jestha 13	: Return to store	50 units issued from 8th Jestha
Jestha 18	: Purchased	200 units @ 10
Jestha 25	: Issued	600 units
Jestha 30	: Shortage on verification	20 units

Required: Store ledger under LIFO method.

Ans: Closing stock 530 units @ Rs. 10

Solution

#### Store Ledger under LIFO Method

Date	Particulars	Purchase			Sales			Balance		
		Qty	Rate	Amt	Qty	Rate	Amt	Qty	Rate	Amt
2-1	Opening balance	-	-	-	-	-	-	1,000	10	10,000
2-5	Issued				300	10	3,000	700	10	7,000
2-8	Purchased	400	12	4,800				700	10	7,000
								400	12	4,800
2-10	Issued	-	-	-	400	12	4800	700	10	7,000
2-12	Purchased	200	11	2,200				700	10	7,000
								200	11	2,200
2-13	Return to store	50	12	500				700	10	7,000
								200	11	2,200
								50	12	600
2-18	Purchased	200	10	2,000				700	10	7,000
								200	11	2,200
								50	12	600
								200	10	2,000
2-25	Issued	-	-	-	200	10	2,000	550	10	5,500
					50	12	600			
					200	11	2,200			
					150	10	1,500			
2-30	Shortage	-	-	-	20	10	200	530	10	5,300

Closing stock

530 units @ Rs. 10 = Rs. 5,300

2. Following are the store transactions of certain material during the month of April:

April 1	: Opening stock	500 units @ Rs. 10 per unit
5	: Purchased	2,000 units @ Rs. 12 per unit
8	: Issued	1,500 units
12	: Purchased	2,000 units @ Rs. 14 per unit

14	: Returned to vendor	200 units out of purchased on 5th April
16	: Issued	2,000 units
18	: Returned from the department	40 units issued on 8th April.
20	: Issued	200 units
25	: Stock verification fall short	20 units

Required: Stores ledger under Last-in-First-out method.

Ans: Closing stock: 500 units @ Rs. 10 and 120 units @ Rs. 12

Solution

Store Ledger under LIFO Method

Date	Particulars	Purchase			Sales			Balance		
		Qty	Rate	Amount	Qty	Rate	Amount	Qty	Rate	Amount
4-1	Balance b/d	-	-	-	-	-	-	500	10	5,000
4-5	Purchased	2,000	12	24,000	-	-	-	500	10	5,000
								2,000	12	24,000
4-8	Issued	-	-	-	1,500	12	18,000	500	10	5,000
								500	12	6,000
4-12	Purchased	2,000	14	28,000	-	-	-	500	10	5,000
								500	12	6,000
								2,000	14	28,000
4-14	Returned to vendor	-	-	-	200	12	2,400	500	10	5,000
								300	12	3,600
								2,000	14	28,000
4-16	Issued	-	-	-	2,000	14	28,000	500	10	5,000
								300	12	3,600
4-18	Returned from dept.	40	12	480	-	-	-	500	10	5,000
								300	12	3,600
								40	12	480
4-20	Issued	-	-	-	40	12	480	500	10	5,000
					160	12	1,920	140	12	1,680
4-25	Shortage	-	-	-	20	12	240	500	10	5,000
								120	12	1,440

Closing stock: 500 units @ Rs. 10 = Rs. 5,000; 120 units @ Rs. 12 = Rs. 1,440

# Preparations of Final Accounts

Following is the Trial Balance of a Trader for the year ended 31st Chaitra 2075.

Trial Balance

Debit Balance	Amount	Credit Balance	Amount
Opening stock .....	45,000	Sales .....	380,000
Purchases .....	270,000	Purchase return .....	4,000
Wages .....	14,000	Capital .....	40,000
Manufacturing expenses .....	15,000	Creditors .....	22,000
Salaries .....	21,000		
Rent .....	10,000		
General expenses .....	8,000		
Office expenses .....	7,000		
Debtors .....	40,000		
Cash in hand .....	9,000		
Furniture .....	7,000		
	446,000		446,000

#### Additional information

- Outstanding wages Rs. 1,500
- Prepaid salaries Rs. 1,000
- Closing stock Rs. 49,000

#### Required:

- Trading account
- Profit and Loss account
- Balance Sheet

Ans: GP Rs. 87,500, NP Rs. 42,500 and B/S total Rs. 106,000

Solution

Trading Account of a Trader  
for the year ended 31st Chaitra 2075

Cr.

Dr.	Particulars	Amount	Particulars	Amount
To Opening stock .....	45,000	By Sales .....	380,000	
To Purchase .....	270,000	By Closing stock .....	49,000	
Less Purchase return .....	4,000			
To Wages .....	14,000			
Add Outstanding wages .....	1,500			
To Manufacturing expenses .....				
To Gross profit c/d .....	429,000			

(b)

### **Profit and Loss Account of a Trader for the year ended 31st Chaitra 2075**

Gr.

for the year ended 31st Chaitra 2075			
Particulars	Amount	Particulars	Amount
To Salary .....	21,000	By Gross profit b/d .....	87,500
Less: Prepaid salary.....	<u>1,000</u>		
To Rent.....	20,000		
To General expenses .....	10,000		
To Office expenses .....	8,000		
To Net profit.....	7,000		
	42,500		
	87,500		87,500

(c)

## **Balance Sheet of a Trader As on 31st Chaitra 2075**

As on 31st Chaitra 2075			
Liabilities	Amount	Assets	Amount
Capital .....	40,000	Prepaid salary .....	1,000
Add: Net profit .....	<u>42,500</u>	Closing stock .....	49,000
Creditors .....	22,000	Debtors .....	40,000
Outstanding wages .....	1,500	Cash in hand .....	9,000
		Furniture .....	7,000
	106,000		106,000

2. Consider the following Trial Balance of Ram as on 31st Chaitra 2075.

## Trial Balance

Debit Balance	Amount	Credit Balance	Amount
Opening stock .....	64,000	Sales.....	460,000
Drawing .....	14,000	Capital.....	80,000
Purchases .....	290,000	Creditors .....	38,000
Freight .....	10,000	Purchase return .....	5,000
Salaries .....	56,000	Commission received .....	2,000
Printing and stationery .....	2,000		
Wages .....	30,000		
Sales return .....	6,000		
General expenses .....	4,000		
Debtors .....	44,000		
Cash in hand .....	7,000		
Building.....	40,000		
Office rent.....	8,000		
Trade expenses .....	5,000		
Selling expenses.....	5,000		
	585,000		585,000

**Additional information:**

- Additional Information:**

  - i. Depreciation on building Rs. 2,000
  - ii. Provision for bad debt on debtors Rs. 4,000
  - iii. Closing stock Rs. 70,000

**Required:**

- a. Trading account
  - b. Profit and loss account
  - c. Balance sheet

Ans: GP Rs. 130,000, NP Rs. 51,000 and B/S total Rs. 155,000

## Solution

## Trading Account of Ram

Dr. for the year ended 31st Chaitra 2075

Cr.

Particulars	Amount	Particulars	Amount
To Opening stock .....	64,000	By Sales .....	460,000
To Purchase ..... 290,000	285,000	Less: Sales return ..... 6,000	
Less: Purchase return ..... 5,000	30,000	By Closing stock .....	454,000
To Wages .....	10,000		70,000
To Freight .....			

To Trade expenses .....	5,000		
To Gross profit c/d .....	130,000		
	524,000		524,000

## Profit and Loss Account of Ram

for the year ended 31st Chaitra 2075

Dr.	Particulars	Amount	Cr.	Particulars	Amount
To Salary .....	56,000			By Gross profit b/d .....	130,000
To Printing and stationery .....	2,000			By Commission received .....	2,000
To Office rent .....	8,000				
To Selling expenses .....	5,000				
To General expenses .....	4,000				
To Depreciation on building.....	2,000				
To Provision for bad debt .....	4,000				
To Net profit c/d .....	51,000				
	132,000				132,000

## Balance Sheet of Ram

As on 31st Chaitra 2075

Liabilities	Amount	Assets	Amount
Capital .....	80,000	Building.....	40,000
Less: Drawing .....	14,000	Less: Depreciation .....	2,000
	66,000	Closing stock .....	70,000
Add: Net profit .....	51,000	Debtors .....	44,000
Creditors .....	38,000	Less: Provision for bad debt .....	4,000
	117,000	Cash in hand .....	7,000
	155,000		155,000

3. Consider the following Trial Balance and other information for the year ended 31.12.2075.

## Trial Balance

Debit Balance	Amount	Credit Balance	Amount
Salaries .....	70,000	Creditors .....	45,000
Rent- office .....	24,000	Bills payable .....	15,000
Rent- factory .....	21,000	Discount received .....	2,100
Wages .....	32,000	Capital .....	150,000
Insurance .....	6,000	Sales .....	590,000
Debtors .....	72,500	Return outward .....	5,000
Discount allowed .....	3,000		
Advertisement expenses .....	10,000		
Manufacturing expenses .....	12,500		
Cash .....	8,000		
Stock as on 1.1.2075 .....	48,600		
Purchase .....	395,500		
Return inward .....	4,000		
Land and buildings .....	100,000		
	807,100		807,100

## Additional information:

- Unpaid salaries Rs. 2,500
- Outstanding rent (office) Rs. 2,000
- Prepaid insurance Rs. 1,500
- Stock as on 31.12.2075 Rs. 56,800

## Required:

- Trading account
- Profit and Loss account
- Balance Sheet

Ans: GP Rs. 138,200, NP Rs. 24,300 and B/S total Rs. 238,800

## Solution

a.

Dr.

Trading Account  
for the year ended 31.12.2075

Particulars	Amount	Particulars	Amount
To Opening stock .....	48,600	By Sales .....	590,000
To Purchase .....	395,500	Less: Return inward .....	4,000
Less: Return outward .....	5,000	By Closing stock .....	
To Rent (Factory) .....	21,000		
To Wages .....	32,000		
To Manufacturing expenses .....	12,500		
To Gross profit c/d.....	138,200		
	642,800		

b.

Dr.

Profit and Loss Account  
for the year ended 31.12.2075

Particulars	Amount	Particulars	Amount
To Salary .....	70,000	By Gross profit b/d.....	138,200
Add: Unpaid salary .....	2,500	By Discount received .....	2,100
To Rent (Office) .....	24,000		
Add: Outstanding .....	2,000		
To Insurance .....	6,000		
Less: Prepaid .....	1,500		
To Discount allowed .....			
To Advertising expenses .....			
To Net profit .....	140,300		

c.

## Balance Sheet As on 31.12.2075

Liabilities	Amount	Assets	Amount
Capital .....	150,000	Prepaid insurance .....	1,500
Add: Net profit .....	24,300	Closing stock .....	56,800
Outstanding rent .....		Debtors .....	72,500
Unpaid salary .....		Cash .....	8,000
Creditors .....		Land and building .....	100,000
Bills payable .....			
	238,800		238,800

4. Following is the Trial Balance drawn from the books of Mr. Chaudhary:

## Trial Balance

Debit Balance	Amount	Credit Balance	Amount
Purchases .....	300,000	Sales .....	435,000
Salaries .....	25,000	Capital .....	100,000
Opening stock .....	72,000	Creditors .....	40,000
Sales return .....	3,000	Commission .....	1,200
Manufacturing expenses .....	27,000		
Carriage .....	500		
Selling expenses .....	4,500		
Buildings .....	80,000		
Office expenses .....	9,500		
Audit fees .....	10,000		
Debtors .....	36,000		
Cash at bank .....	8,700		
	576,200		576,200

## Additional information:

- Outstanding selling expenses Rs. 700
- Prepaid manufacturing expenses Rs. 1,200
- Commission earned but not yet received Rs. 500
- Closing stock Rs. 76,400

Required:

- Trading account
  - Profit and Loss account
  - Balance Sheet
- Ans GP Rs 110,100, NP Rs. 62,100 and B/S total Rs. 202,800

### Trading Account of Mr. Chaudhary for the year ended ...

Dr.

Cr.

Particulars	Amount	Particulars	Amount
To Opening stock .....	72,000	By Sales .....	435,000
To Purchase .....	300,000	Less: Sales return .....	3,000
To Manufacturing expenses .....	27,000	By Closing stock .....	
Less: Prepaid .....	1,200		
To Carriage .....	500		
To Gross profit c/d .....	110,100		
	508,400		
			508,400

### Profit and Loss Account of Mr. Chaudhary for the year ended ...

Dr.

Cr.

Particulars	Amount	Particulars	Amount
To Salaries .....	25,000	By Gross profit b/d .....	110,100
To Selling expenses .....	4,500	By Commission .....	1,200
Add Outstanding .....	700	Add: Outstanding commission .....	500
To Office expenses .....	5,200		1,700
To Audit fees .....	9,500		
To Net profit .....	10,000		
	62,100		
	111,800		
			111,800

### Balance Sheet of Mr. Chaudhary As on ....

Liabilities	Amount	Assets	Amount
Capital .....	100,000	Prepaid manufacturing expenses .....	1,200
Add: Net profit .....	62,100	Commission earned but not yet received .....	500
Outstanding selling expenses .....	700	Closing stock .....	76,400
Creditors .....	40,000	Building .....	80,000
	202,800	Debtors .....	36,000
		Cash at bank .....	8,700
			202,800

6. The following is the Trial Balance of Arya Trading Concern for 31st Dec. 2018.

Particulars	Debit Rs.	Credit Rs.
Capital .....		200,000
Plant and machinery .....	30,000	
Drawing .....	36,000	
Fixture .....	15,000	
Land .....	50,000	30,000
Bills payable .....		200,000
Sales .....	150,000	
Purchases .....	50,000	
Opening stock .....	30,000	
Carriage .....	4,000	
Wages .....	2,000	
Prepaid insurance .....	35,000	13,000
Shares of Nepal SBI Bank Ltd. .....		
Advance commission .....	56,000	
Bank balance .....	5,000	20,000
Cash balance .....		
Sundry creditors .....		
Total .....	463,000	463,000

#### Addition information:

- Closing stock was valued at cost Rs. 50,000 and market value Rs. 65,000
- Outstanding wages Rs. 2,000

- iii. Prepaid insurance expired to the extent of Rs. 1,500.  
 iv. Advance commission earned to the extent of Rs. 3,000.
- Required:**

- Trading account
- Profit and Loss account
- Balance Sheet

Ans: (a) GP Rs. 14,000 (b) NP Rs. 15,500 (c) B/S total Rs. 241,500

**Solution**

**Trading Account of Arya Trading Concern  
for the year ended 31st Dec. 2018**

Dr.	Amount	Cr.
Particulars	Particulars	Amount
To Opening stock .....	50,000	By Sales .....
To Purchase .....	150,000	200,000
To Wages .....	4,000	By Closing stock .....
Add: Outstanding .....	2,000	50,000
To Carriage .....	6,000	
To Gross profit c/d.....	30,000	
	14,000	
	250,000	250,000

**Profit and Loss Account of Arya Trading Concern  
for the year ended 31st Dec. 2018**

Dr.	Amount	Cr.
Particulars	Particulars	Amount
To Prepaid insurance expired.....	1,500	By Gross profit b/d .....
To Net profit .....	15,500	14,000
	17,000	By Commission earned.....
		3,000
		17,000

**Balance Sheet of Arya Trading Concern  
as on 31st Dec. 2018**

Liabilities	Amount	Assets	Amount
Capital .....	200,000	Closing stock.....	50,000
Less: Drawing .....	36,000	Prepaid insurance(2,000 – 1,500).....	500
	164,000	Plant and machinery .....	30,000
Add: Net profit .....	15,500	Fixture .....	15,000
Bills payable .....	30,000	Land .....	50,000
Sundry creditors .....	20,000	Bank balance .....	56,000
Outstanding wages .....	2,000	Cash balance .....	5,000
Advance commission(13,000 – 3,000) .....	10,000	Investment (Nepal SBI Bank) .....	35,000
	241,500		241,500

6. The following is the trial balance of a trader as on 31 Chaitra.

Particulars	Debit Rs.	Credit Rs.
Opening stock .....	1,00,000	
Purchases .....	9,00,000	
Machinery .....	1,50,000	
Wages .....	30,000	
Debtors .....	70,000	
Insurance .....	10,000	
Carriage .....	5,000	
Salaries .....	40,000	
Bad debts .....	5,000	
Furniture .....	50,000	
Rent .....	20,000	
Cash .....	45,000	
Sales .....		10,50,000
Capital .....		2,00,000
Creditors .....		1,50,000
Interest received .....		25,000
<b>Total.....</b>	<b>14,25,000</b>	<b>14,25,000</b>

**Additional Information:**

- i. Closing stock: Rs. 2,10,000
- ii. Pre-paid insurance: Rs. 2,000
- iii. Wages due: Rs. 5,000
- iv. Depreciate machinery: @ 10 % p.a.
- v. Additional bad debts: Rs. 4,000
- vi. Rent due for two months

**Required:**

- a. Trading account
  - b. Profit and loss account (c) Balance sheet
- Ans: (a) GP Rs. 220,000 (b) NP Rs. 149,000 (c) B/S Total Rs. 508,000

**Solution:**

(a)

Dr.

**Trading Account**  
For the year ended 31st Chaitra

Cr

Particulars	Amount	Particulars	Amount
To Opening stock .....	100,000	By Sales .....	1050,000
To Purchase .....	900,000	By Closing stock .....	210,000
To Carriage .....	5,000		
To Wages .....	30,000		
Add: Outstanding .....	5,000		
To Gross profit c/d .....	35,000		
	220,000		
	1260,000		
			1260,000

(b)

**Profit & Loss Account**  
For the year ended 31st Chaitra

Cr

Particulars	Amount	Particulars	Amount
To Insurance .....	10,000	By Gross profit b/d .....	220,000
Less: Prepaid .....	2,000	By Interest received .....	25,000
To Salaries .....	40,000		
To Bad debt .....	5,000		
Add: Further bad debt .....	4,000		
To Rent .....	20,000		
Add: Outstanding .....	4,000		
To Depre. on machinery (10% of 150,000).....	15,000		
To Net profit c/d .....	149,000		
	245,000		
			245,000

(c)

**Balance Sheet**  
As on 31st Chaitra

Liabilities	Amount	Assets	Amount
Capital .....	200,000	Machinery .....	150,000
Add: Net profit .....	149,000	Less: Depreciation .....	15,000
Creditors .....	150,000	Debtors .....	70,000
Outstanding wages .....	5,000	Less: Bad debt .....	4,000
Outstanding Rent.....	4,000	Furniture .....	50,000
		Cash .....	45,000
	508,000	Closing Stock .....	210,000
		Prepaid insurance .....	2,000
			508,000

$$\text{Outstanding Rent} = \frac{20,000}{10} \times 2 = \text{Rs. } 4,000$$

7. The following is the trial balance of a trading concern on 31st Dec.

Debit	Rs.	Credit	Rs.
Opening stock.....	70,000	Sales .....	105,000
Purchase.....	30,000	Reserve for bad debts.....	6,500
Insurance prepaid.....	2,000	Creditors.....	120,000
Wages.....	3,000	Bank overdraft.....	20,000
Salaries.....	4,000	20% Loan.....	30,000
Commission.....	2,500	Capital .....	50,000

Trade expenses .....	4,500		
Bills receivable .....	100,000		
Accrued income .....	9,000		
Bad debts .....	3,500		
Land and building .....	95,000		
Interest on loan .....	6,000		
Carriage outward .....	1,500		
Carriage inward .....	500		
Total.....	331,500	Total	331,500

**Additional Information:**

- Stock on 31<sup>st</sup> December was Rs. 35,000.
- A fire occurred on 25<sup>th</sup> Dec. in the store and stock valued Rs. 5,000 was destroyed, insurance company admitted only Rs. 2,500.
- Outstanding wages Rs. 500.
- Bad debts Rs. 1,000.
- Insurance premium expired to the extent of Rs. 500.

**Required:**

- Trading account
- Profit and loss account
- Balance sheet

Ans: (a) GP Rs. 41,000 (b) NP Rs. 21,500 (c) B/S Total Rs. 2,42,000

**Solution:**

(a)

**Trading Account**

Dr.

For the year ended 31st December

Particulars	Amount	Particulars	Amount
To Opening stock .....	70,000	By Sales .....	1,05,000
To Purchases .....	30,000	By Closing stock .....	35,000
To Wages .....	3,000	By Goods destroyed by fire .....	5,000
Add: Outstanding wages .....	500		
To Carriage inward .....	500		
To Gross profit c/d .....	41,000		
	1,45,000		1,45,000

(b)

**Profit & Loss Account**

Dr.

For the year ended 31st December

Particulars	Amount	Particulars	Amount
To Insurance expired .....	500	By Gross profit b/d .....	41,000
To Salaries .....	4,000	By Reserve for bad debts .....	6,500
To Communication .....	2,500		
To Trade expenses .....	4,500		
To Bad debts .....	3,500		
Add: New bad debts .....	1,000		
To Carriage outward .....	1,500		
To Goods lost by fire .....	2,500		
To Interest on loan .....	6,000		
To Net profit c/d .....	21,500		
	47,500		47,500

(c)

**Balance Sheet**

As on 31st December

Liabilities	Amount	Assets	Amount
Capital .....	50,000	Bills receivable .....	1,00,000
Add: Net profit .....	21,500	Less: Bad debts .....	1,000
20% Loan .....	30,000	Accrued Income .....	9,000
Bank overdraft .....	20,000	Land & Building .....	95,000
Creditors .....	1,20,000	Closing stock .....	35,000
Outstanding wages .....	500	Unexpired insurance .....	1,500
	2,42,000	Insurance claim receivable .....	2,500
			2,42,000

Following is the Trial Balance of Mr Subodh as on 31st Chaitra 2075.

### Trial Balance

Debit Balance	Amount	Credit Balance	Amount
Insurance .....	1,200	Capital .....	140,000
Drawings .....	18,000	Sales (net) .....	472,500
Sundry debtors .....	60,000	Commission .....	3,000
Bills receivable .....	24,000	Sundry creditors .....	65,000
Land and buildings .....	85,000	General reserve .....	12,000
Furniture .....	15,000	Bad debt recovered .....	2,100
Salaries and wages .....	42,000	Outstanding rent .....	2,000
Wages and salaries .....	16,500		
Carriage .....	8,500		
Rent .....	21,700		
Telephone and telegram .....	4,300		
Himalayan Bank Ltd. ....	9,600		
Stock (on 1.1.2075) .....	75,800		
Purchase (net) .....	315,000		
	696,600		
			696,600

#### Additional information

- Unexpired insurance Rs. 200
- Commission received in advance Rs. 400
- Depreciate furniture by 10% and appreciate the value of land and building by Rs. 1,700
- Make a provision for bad debts @ 5% on sundry debtors
- Closing stock Rs. 81,400.

#### Required:

- Trading account
- Profit and Loss account
- Balance Sheet

Ans: GP Rs 138,100, NP Rs. 71,000 and B/S total Rs. 272,400

#### Solution

### Trading Account of Mr. Subodh for the year ended 31st Chaitra, 2075

Dr.	Amount	Cr.	
Particulars			
To Opening stock .....	75,800	By Sales .....	472,500
To Purchase (net) .....	315,000	By Closing stock .....	81,400
To Wages and salary .....	16,500		
To Carriage .....	8,500		
To Gross profit c/d .....	138,100		
	553,900		

### Profit and Loss Account of Mr. Subodh for the year ended 31st Chaitra, 2075

Dr.	Amount	Cr.	
Particulars			
To Salary and wages .....	42,000	By Gross profit b/d .....	138,100
To Insurance .....	1,200	By Commission received .....	3,000
Less: Unexpired insurance .....	200	Less: Advance received .....	400
To Depreciation on: Building .....	4,250	By Bad debt recovered .....	2,600
Furniture .....	1,500		2,100
To Provision for bad debt ( $60,000 \times 5\%$ ) .....	3,000		
To Rent .....	21,700		
To Telephone and telegram .....	4,300		
To Net profit .....	65,050		
	142,800		

**Balance Sheet of Mr. Subodh  
as on 31st Chaitra 2075**

Liabilities	Amount	Assets	Amount
Capital .....	140,000	Unexpired insurance .....	200
Less: Drawing .....	18,000	Building .....	85,000
	122,000	Less: Depreciation (5%) .....	4,250
Add: Net profit .....	65,050	Furniture .....	15,000
Advance received commission .....	400	Less: Depreciation on furniture .....	1,500
Creditors .....	65,000	Debtors .....	60,000
Bills payable .....	14,000	Less: Provision for bad debt (5%) .....	3,000
		Closing stock .....	57,000
		Bills receivable .....	81,400
		Cash at bank .....	24,000
			9,600
			266,450
	266,450		

9. The following is the Trial Balance for the year ending 31st Chaitra 2075.

Particulars	Debit Rs.	Credit Rs.
Capital .....		100,000
Land and building .....	15,000	
Drawing .....	18,000	
Loose tools .....	7,500	
Equipments .....	25,000	
Loan .....		15,000
Sales .....		100,000
Purchase .....	75,000	
Return inward .....	2,000	
Return outward .....		1,500
Sundry income .....		500
Opening stock .....	25,000	
Rent .....	15,000	
Carriage .....	2,000	
Prepaid insurance .....	1,000	
Unearned commission .....		6,500
Accounts receivable .....	28,000	
Bank balance .....	18,000	
Accounts payable .....		9,000
Bad debt .....	2,000	
Provision for bad debt .....		1,000
Total .....	233,500	233,500

**Addition information:**

- i. Closing stock was valued at cost Rs. 35,000 and market value of Rs. 25,000
- ii. Prepaid rent Rs. 5,000 and outstanding carriage Rs. 500
- iii. Unexpired insurance Rs. 800 and unearned commission Rs. 2,500 was there on 31st Chaitra
- iv. Provision for bad debt @ 10% of debtors
- v. Outstanding interest on loan Rs. 1,000

**Required:**

- a. Trading account      b. Profit and Loss account      c. Balance Sheet

Ans: (a) GP Rs. 22,000 (b) NP Rs. 11,500 (c) B/S total Rs. 121,500

**Solution**

**Trading Account  
for the year ended 31st Chaitra, 2075**

Dr.	Particulars	Amount	Particulars	Amount	Cr.
To Opening stock .....	25,000	By Sales .....	100,000		
To Purchase .....	75,000	Less: Return inward .....	2,000	98,000	
Less: Return outward .....	1,500	By Closing stock .....		25,000	
To Carriage .....	2,000				
Add: Outstanding .....	500				
To Gross profit c/d.....					
		123,000			123,000

**Profit and Loss Account**  
for the year ended 31st Chaitra 2075

For the year ended 31st Chaitra 2075				Cr.
Particulars	Amount	Particulars	Amount	
To Rent .....	15,000	By Gross profit b/d .....	22,000	
Less: Prepaid .....	5,000	By Unearned commission (Opening).....	6,500	
To Prepaid insurance .....	1,000	Less: Unearned commission (Closing) ...	<u>2,500</u>	4,000
Less: Unexpired .....	<u>800</u>	By Sundry income.....	500	
to Provision for bad debt .....	2,800	By Old provision for bad debt .....	1,000	
To Bad debt .....	2,000			
To Outstanding interest on loan .....	1,000			
To Net profit c/d .....	11,500			
	27,500			27,500

Balance Sheet  
As on 31st Chaitra 2075

AS on 31st Chaitra 2075			
Liabilities	Amount	Assets	Amount
Capital .....	100,000	Closing stock .....	25,000
Less: Drawing .....	<u>18,000</u>	Prepaid rent.....	5,000
	82,000	Unexpired insurance .....	800
Add: Net profit.....	<u>11,500</u>	Accounts receivable .....	28,000
Accounts payable .....	9,000	Less: Provision for bad debt (10%).....	<u>2,800</u>
Loan .....	15,000	Land and building .....	15,000
Outstanding interest on loan .....	1,000	Loose tools .....	7,500
Unearned commission .....	2,500	Equipment .....	25,000
Outstanding carriage .....	500	Bank balance .....	18,000
	121,500		121,500

10. The following balances are extracted from the books of Bidhya Trading concern for the year ending 31st Chaitra 2075.

Particulars	Debit Rs.	Credit Rs.
Cash in hand .....	,40,000	
Vehicle.....	110,000	
Land .....	200,000	
Sales.....		400,000
Loan and advance.....		75,000
Rent received in advance .....		16,000
Provision for bad debt.....		1,000
Coal, coke, gas and water .....	5,000	
Freight on purchase.....	1,500	
Advertising expenses.....	7,500	
Bad debt.....	4,000	
Charity and donation .....	5,000	
Carriage outward.....	3,000	
Miscellaneous expenses.....	2,500	
Unexpired insurance .....	3,500	
Sundry income .....		6,000
Dividend received.....		10,000
Opening stock .....	35,000	
Dock charges .....	15,000	
Coolie and cartage .....	5,000	
Purchase .....	200,000	
Bills payable .....		85,000
Building.....	80,000	
Lease hold premises.....	20,000	
Debtors .....	36,000	
Business premises.....	100,000	
Capital .....		280,000
	873,000	873,000

**Addition information:**

- Closing stock Rs. 40,000
- Rent earned Rs. 4,000.
- Write off 10% depreciation on building and leasehold premises respectively.
- Appreciate the value of land by 10%.
- Insurance premium expired Rs. 500
- Further bad debt Rs. 1,000 and increase the provision for bad debt to Rs. 1,400 from Rs. 1,000.

**Required:**

- Trading account
- Profit and Loss account
- Balance Sheet

Ans: (a) GP Rs. 178,500 (b) NP Rs. 184,600 (c) B/S total Rs. 636,600

**Solution****Trading Account of Bidhya Trading Concern  
for the year ended 31st Chaitra 2075**

Dr.	Particulars	Amount	Cr.	Particulars	Amount
	To Opening stock.....	35,000		By Sales .....	400,000
	To Purchase .....	2,00,000		By Closing stock .....	40,000
	To Coal, coke, gas.....	5,000			
	To Freight on purchase.....	1,500			
	To Dock charge.....	15,000			
	To Coolie and cartage.....	5,000			
	To Gross profit c/d.....	178,500			
		440,000			440,000

**Profit and Loss Account of Bidhya Trading Concern  
for the year ended 31st Chaitra 2075**

Dr.	Particulars	Amount	Cr.	Particulars	Amount
	To Advertisement expenses .....	7,500		By Gross profit b/d .....	178,500
	To Depreciation on building .....	8,000		By Rent earned .....	4,000
	To Depreciation on lease hold.....	2,000		By Appreciation of land .....	20,000
	To Insurance expired .....	500		By Old provision for bad debt .....	1,000
	To Old bad debt .....	4,000		By Sundry income .....	6,000
	Add: New bad debt .....	1,000		By Dividend received .....	10,000
	Add: New provision for bad debt.....	1,400			
	To Donation.....	6,400			
	To Carriage outward .....	5,000			
	To Miscellaneous expenses .....	3,000			
	To Net profit.....	2,500			
		184,600			
		219,500			219,500

**Balance Sheet of Bidhya Trading Concern  
As on 31st Chaitra 2075**

Liabilities	Amount	Assets	Amount
Capital .....	280,000	Vehicle.....	110,000
Add: Net profit.....	184,600	Cash in hand .....	40,000
Loan and advance .....	75,000	Closing stock .....	40,000
Rent received in advance (16,000 - 4,000) ....	12,000	Building.....	80,000
Bills payable .....	85,000	Less: Depreciation(10%) .....	8,000
		Lease hold property .....	20,000
		Less: Depreciation(10%) .....	2,000
		Land .....	200,000
		Add: Appreciation(10%) .....	20,000
		Debtors .....	36,000
		Less: New bad debt .....	1,000
		35,000	
		Less: New provision .....	1,400
		Business premises.....	33,600
		Unexpired insurance (3,500 - 500) .....	100,000
			3,000
			636,600



Less: Drawing(goods).....	609,000	Investment .....	200,000
Less: Drawing(goods).....	20,000	Accounts receivable.....	100,000
	5,89,000	Less: Provision for bad debts .....	5,000
Less: Interest on drawing.....	2,000	Cash at bank .....	95,000
Creditors.....	5,87,000	Closing stock .....	20,000
Accounts payable.....	60,000	Accrued interest on investment .....	60,000
Outstanding salary.....	40,000		1,000
	6,500		
	6,93,500		6,93,500

12. Following is the Trial Balance of a Trading Concern on year ending. Chaitra 31, 2075.

Particulars	Debit Rs.	Credit Rs.
Furniture.....	22,000	
Creditors.....		40,000
Debtors .....	90,000	
Purchases.....	3,20,000	
Sales.....		4,15,000
Opening stock.....	50,000	
Rent, rates & taxes.....	5,000	
Cash at bank.....	17,000	
Cash in hand.....	12,000	
Advertisement.....	2,100	
Capital.....		2,88,000
Income tax paid .....	3,400	
Salaries.....	32,000	
Postage & communication.....	11,500	
Printing & Stationery.....	3,000	
Carriage inwards.....	10,000	
Prepaid insurance.....	9,000	
Discount allowed.....	4,000	
Vehicles .....	48,000	
Bad Debts .....	2,000	
Patents.....	10,000	
Carriage on sales .....	22,000	
Wages.....	21,000	
Commission to salesman .....	35,000	
General expenses .....	10,000	
Patent written off.....	4,000	
Total .....	7,43,000	7,43,000

**Adjustments:**

- Provide depreciation on furniture @ 15% & vehicle by 20%.
- Closing stock at the end of year was valued at Rs. 35,000.
- Prepaid insurance has been expired to the extent of Rs. 7,500.
- Outstanding general expenses amounted to Rs. 2,000.
- Make a provision for doubtful debts by 10% and provision for discount on debtors by 5%
- Make a provision for discount on creditors by 4.5%

**Required:**

- Trading account
- Profit and Loss account
- Balance Sheet as on Chaitra 31, 2075

Ans: GP Rs. 49,000; NL Rs. 1,15,250 and B/S total Rs. 2,09,550

**Solution**

**Trading and Profit & Loss A/C**  
**For the year ended 31st Chaitra 2075**

Dr.	Particulars	Amount	Particulars	Amount	Cr.
To Opening stock.....	50,000	By Sales.....		4,15,000	
To Purchase.....	3,20,000	By Closing stock .....		35,000	
To Carriage inwards.....	10,000				
To Wages.....	21,000				
To Gross profit c/d.....	49,000				

To Salaries.....	4,50,000	
To Rent, rates & taxes.....	32,000	By Gross profit b/d.....
To Advertisement .....	5,000	By Provision for discount on creditors .....
To Postage & communication.....	2,100	By Net loss.....
To Printing & Stationery.....	11,500	
To Insurance expired.....	3,000	
To Discount allowed.....	7,500	
To Bad debts .....	4,000	
Add: New provision.....	2,000	
To Provision for discount on debtors.....	9,000	
(81000×5%)	11,000	
To Carriage on sales .....	4,050	
To Commission to salesman.....	22,000	
To General expenses .....	35,000	
Add due.....	10,000	
To Patent written off .....	12,000	
To Depreciation on:	4,000	
Furniture .....	12,900	
Vehicle.....	3,300	
	9,600	
	166,050	
		166,050

Balance Sheet  
As on 31<sup>st</sup> Chaitra 2075

Liabilities	Amount	Assets	Amount
Capital.....	2,88,000	Furniture .....	22,000
Less: Income tax .....	3,400	Less depreciation.....	3,300
	2,84,600	Debtors.....	90,000
Less: Net Loss .....	1,15,250	Less: Provision for bad debt .....	9,000
Creditors .....	40,000		81,000
Less: Provision for discount .....	1,800	Less: Provision for discount.....	4,050
Outstanding expenses .....		Cash at bank .....	76,950
		Cash in hand .....	17,000
		Prepaid insurance .....	12,000
		Less expired.....	9,000
		Patent.....	7,500
		Vehicles.....	1,500
		Less depreciation.....	10,000
		Closing stock	38,400
			35,000
	209,550		209,550

13. From the following balances and given adjustments prepare Trading account, Profit and Loss account for the year ended 31st Dec, 2018 and Balance Sheet as on that date.

Trade debtors .....	Rs. 220,000	Reserve for bad debts.....	Rs. 5,000
Capital.....	700,000	Trade expenses .....	2,500
Opening stock.....	180,000	Discount (Cr.) .....	500
Plant & machinery .....	90,000	Purchases .....	10,00,000
Wages.....	60,000	Cash	200,000
Trade creditors.....	190,000	Bad debts .....	5,000
Salaries .....	200,000	Drawings .....	50,000
Land & building .....	300,000	Sales .....	15,00,000
Bill payable .....	65,000	Furniture .....	150,000
Bank loan .....	46,000	10% investments (on 1-7-2018) .....	50,000
Prepaid insurance .....	1,000	Bills receivable .....	30,000
General reserve.....	32,000		

**Adjustments:**

- Stock as on 31-12-2018 Rs. 350,000
- Bad debts Rs. 2,000 and create provision for Bad debts @ 5% on trade debtors
- Machinery was purchased on 1-1-2018 and Rs 10,000 was spent on its installation but this amount has been included in wages.
- Depreciate plant & machinery @ 10%

Ans. GP Rs. 620,000; NP Rs. 397,600 and B/S total Rs. 13,80,600

**Solution**

**Trading and Profit and Loss Account  
for the year ended 31st Dec. 2018**

Dr.	Particulars	Amount	Cr.	Particulars	Amount
To Opening stock.....	1,80,000			By Sales.....	15,00,000
To Purchases.....	10,00,000			By Closing stock.....	3,50,000
To Wages.....	60,000				
Less: Cost of machine included.....	10,000				
To Gross profit c/d.....	50,000				
	6,20,000				
	18,50,000				
To Salaries.....	2,00,000			By Gross profit b/d.....	18,50,000
To Trade expenses.....	2,500			By Discount.....	6,20,000
To Bad debts.....	5,000			By Interest on investment (for six months).....	500
Add: New bad debts.....	2,000				2,500
	7,000				
Add: New provision for bad debts.....	10,900				
	17,900				
Less: Old provision for bad debts.....	5,000				
To depreciation on machinery.....	12,900				
To Net profit c/d.....	10,000				
	3,97,600				
	6,23,000				
					6,23,000

**Balance sheet  
as on 31<sup>st</sup> Dec. 2018**

Liabilities	Amount	Assets	Amount
Capital.....	7,00,000	Cash.....	2,00,000
Less: Drawing.....	50,000	Trade Debtors.....	2,20,000
Add: Net profit.....	3,97,600	Less: new bad debts.....	2,000
Trade creditors.....	1,90,000		2,18,000
Bank loan.....	46,000	Less: New provision for bad debts.....	10,900
General reserve.....	32,000	Land and building.....	2,07,100
Bills payable.....	65,000	Prepaid insurance.....	3,00,000
		Plant & machinery.....	1000
		Add: Wages.....	90,000
			10,000
			1,00,000
		Less: Deprecation.....	10,000
		Furniture.....	90,000
		10% Investment.....	1,50,000
		Accrued interest.....	50,000
		Bills receivable.....	2,500
		Closing stock.....	30,000
			3,50,000
			13,80,600
	13,80,600		13,80,600

14. The following Trial Balance and adjustments of a trading concern on Chaitra 31, 2075 were given to you:

**Trial Balance**

Particulars	Debit Rs.	Credit Rs.
Drawing.....	12,500	
Capital.....		1,60,000
Opening stock.....	74,400	
Carriage inward.....	12,400	
Return inward.....	5,500	
Return to suppliers.....		7,500
Deposit with suppliers.....		
Charges on sales.....	18,300	
Rent outstanding.....	7,000	
Loan to Raju.....		1,000
Interest on loan.....	10,000	
Creditors.....		500
Purchases.....		30,000
Sales.....	11,30,000	
Provision for bad debts.....		12,80,000
Debtors.....	60,000	12,000

Goodwill .....	31,000	
Advertisement .....	9,500	
Bad debts .....	4,000	
Cash .....	20,600	
Discount on sales .....	3,300	
Nages .....	7,500	
Plant and machinery .....	78,000	
Prepaid insurance .....	2,000	
Goodwill written off .....	5,000	
Total .....	14,91,000	14,91,000

**Adjustments:**

- Write off further bad debts of Rs. 2,000 and make provision for bad debts @ 10% on debtors
- Closing stock at the end of the year were valued at Rs. 1,88,000.
- Wages included Rs. 2,000 paid for erection of plant.
- Depreciate plant by 10%.
- Prepaid insurance expired to the extent of Rs. 1,500.

**Required:**

- Trading account
- Profit and Loss account
- Balance Sheet as on Chaitra 31, 2075.

Ans: GP Rs. 2,47,700; NP Rs 2,14,100 and B/S total Rs. 3,92,600

solution

**Trading and Profit & Loss Account of a Trading Concern  
for the year ending 31st Chaitra, 2075**

Dr.	Amount	Cr.
Particulars		
To Opening Stock	74,400	
To Purchases.....	11,30,000	
Less: Returns .....	7,500	11,22,500
To Carriage inward		12,400
To Wages .....	7,500	
Less: Capital Exp. ....	2,000	5,500
To gross profit c/d		2,47,700
	14,62,500	
To Charges on sales .....	7000	
To Advertisement .....	9500	
To Bad debts .....	4,000	
Add: New bad debts .....	2,000	
Add New Provision .....	5,800	11,800
To Discount on sales.....		3,300
To Depreciation on plant & machinery.....		8,000
To Expired insurance.....		1,500
To Goodwill written off.....		5,000
To Net profit .....		2,14,100
	2,60,200	
By Sales .....	128,0000	
Less Returns .....	5,500	12,74,500
By Closing stock .....		1,88,000
		14,62,500
By Gross profit b/d.....		2,47,700
By Provision for bad bets .....		12,000
By Interest on loan .....		500
		2,60,200

**Balance Sheet of a Trading Concern  
as on 31<sup>st</sup> Chaitra, 2075**

Liabilities	Amount	Assets	Amount
Capital .....	1,60,000	Deposit with suppliers.....	18,300
Less: Drawing.....	12,500	Loan to Raju.....	10,000
	147,500	Debtors.....	60,000
Add: Net profit.....	214,100	Less: New bad debts .....	2,000
Rent outstanding .....			58,000
Creditors .....		Less: New Provision for bad debts (10% of 58,000).....	5,800
			52,200
		Goodwill .....	31,000
		Cash .....	20,600
		Plant & machinery.....	78,000

	Add: erection cost.....	2,000	
	80,000	80,000	
	Less: Depreciation .....	8,000	
	Closing stock.....		
	Prepaid insurance.....	2,000	
	Less: Expired .....	1,500	
			500
			3,92,600

**Workings:**

$$* \text{ Provision for bad debts} = (60,000 - 2,000) \times \frac{10}{100} = \text{Rs. } 5,800.$$

15. The Trial balance of Mr. Gopal, a trader, at the end of Chaitra, 2075 is as under.

Particulars	Debit Rs.	Credit Rs.
Opening stock.....	30,000	
Plan & machinery .....	80,000	
Furniture (1-7-2075) .....	40,000	
Sundry debtors .....	80,000	
Cash at bank.....	26,000	
Purchases.....	2,00,000	
Wages and other direct expenses.....	30,000	
Carriage inwards.....	5,000	
Office salaries .....	25,000	
Bad debts.....	500	
General expenses .....	1,500	
Insurance premium.....	2,000	
Office rent .....	20,000	
Gopal's drawing .....	15,000	
Gopal's capital .....		1,50,000
Bank loan.....		50,000
Sundry creditors.....		40,000
Sales.....		3,00,000
Purchases returned .....		10,000
Reserve for doubtful debts .....		2,000
Discount & commission .....		3,000
Total .....	5,55,000	5,55,000

**Additional information:**

- Plant & Machinery and furniture are to be depreciated by 10% and 20% p.a. respectively.
- Additional bad debt Rs. 4,000.
- Office salary to be paid Rs. 5,000.
- Closing stocks was valued at Rs. 40,000.
- Manager's commission is payable @ 10 % of the net profit before charging such commission.

**Required:**

- Trading account
- Profit and Loss account
- Balance Sheet at Chaitra end

Ans: GP Rs. 85,000; NP Rs. 18,000 and B/S total Rs. 2,50,000

**Solution**
**Trading and Profit & Loss Account of Mr. Gopal  
for the year ending Chaitra 2075**

Dr.	Particulars	Amount	Particulars	Amount	Cr.
To Opening stock.....	30,000	By Sales.....		300,000	
To Purchases.....	200,000	By Closing Stock.....		40,000	
Less: returns.....	10,000				
To Carriage inwards.....	5,000				
To Wages & other direct expenses.....	30,000				
To Gross profit c/d.....	85,000				
	340,000				

To Office salaries.....	25,000			
Add: Outstanding .....	5,000	30,000		
To bad debts (old) .....	500		By Gross profit b/d .....	
Add: New provision for bad debts .....	4,000		By Discount & Commission.....	
	4,500			
Less: Old provision for bad debts.....	2,000	2,500		85,000
To Insurance premium.....		2,000		3,000
To Office rent.....		20,000		
To General expenses .....		1,500		
To Depreciation on:.....				
Plant & machinery .....	8,000			
Furniture.....	4,000	12,000		
To Manager's commission.....		2,000		
To Net profit.....		18,000		
		88,000		

Balance Sheet of Mr. Gopal  
As on 30<sup>th</sup> Chaitra, 2075

Liabilities	Amount	Assets	Amount
Capital.....	150,000	Plant & Machinery .....	80,000
Loss: Drawing .....	15,000	Less: Depreciation .....	8,000
	135,000	Cash at Bank.....	26,000
Add: Net Profit .....	18,000	Furniture .....	40,000
Bank loan.....		Less: Depreciation (6 months).....	4,000
Sundry creditors.....		Closing stock.....	40,000
Outstanding salaries.....		Sundry Debtors .....	80,000
Manager's commission payable.....		Less: New provision for bad debts.....	4,000
	250,000		76,000
			250,000

\* Manager's commission = 10% of Rs. 20,000 (difference of Dr and Cr of P/L a/c i.e. 88,000 - 68,000) = Rs. 2,000.

16. Following Trial Balance of a trading concern for the year ending Chaitra 30, 2075 is given.

Debit Items	Amount	Credit Items	Amount
Land and Building.....	15,000	Unearned commission .....	2,000
Goodwill .....	10,000	Bank overdraft.....	12,000
Life insurance premium paid .....	5,000	Reserve of doubtful debts.....	1,000
Freight on sales .....	500	Creditors.....	13,000
Closing stock .....	7,000	Purchase return .....	1,500
Discount allowed.....	500	Sales .....	90,000
Cash at bank.....	2,200	Capital .....	45,000
Bad debts.....	500		
Plant and machinery.....	42,000		
Rent, rates and insurance .....	900		
Debtors .....	10,000		
Salaries.....	7,400		
Wages.....	3,000		
Sales return .....	500		
Purchases (Adjusted) .....	48,000		
Custom duty.....	12,000		
	164,500		164,500

#### Additional information:

- Depreciate plant and machinery by 10%
- Reserve for doubtful debts is to be maintained at 5%
- Unearned commission is earned to the extent of Rs. 1,700
- Salary is payable @ Rs 600 per month.
- Write off goodwill by 10%.
- Manager's commission is payable @ 10 % of the net profit after charging such commission.

#### Required:

- Trading account

- b. Profit and Loss account
  - c. Balance Sheet at the end of Chaitra
- Ans: GP Rs. 28,000, NP Rs. 14,000 and B/S total Rs. 80,700

Solution

**Trading and Profit & Loss a/c of a Trading Concern  
for the year ending 30th Chaitra 2075**

Dr.	Particulars	Amount	Particulars	Cr. Amount
To Purchase.....	48,000		By Sales .....	90,000
Less returns.....	1,500	46,500	Less returns .....	500
To Custom duty .....		12,000		89,500
To Wages.....		3,000		
To Gross profit c/d.....		28,000		
		89,500		
To Salaries .....	7,400		By Gross profit b/d .....	28,000
Less: Prepaid (7,400 - 600 × 12) .....	200	7,200	By Commission earned.....	1,700
To Freight on sales .....		500	By Old provision for bad debt .....	1,000
To Discount allowed.....		500		
To Bad debts.....	500			
Add new provision for bad debts .....	500	1,000		
To Rent, rates & Insurance .....		900		
To Depreciation on plant & machinery .....		4,200		
To Goodwill written off .....		1,000		
To Manager's commission .....		1,400		
To Net profit .....		14,000		
		30,700		
				30,700

$$\text{Manager's commission} = 30,700 - 15,300 = 15,400 \times \frac{10}{110} = \text{Rs. 1,400}$$

**Balance Sheet of a Trading Concern  
as on 30th Chaitra 2075**

Liabilities	Amount	Assets	Amount
Capital .....	45,000	Goodwill .....	10,000
Less drawings .....	5,000	Less: Written off.....	1,000
	40,000	Land & building.....	15,000
Add Net Profit.....	14,000	Plant & machinery .....	42,000
Bank Overdraft.....		Less depreciation .....	4,200
Unearned Commission .....	2,000	Closing stock .....	37,800
Less earned.....	1,700	Prepaid salary.....	7,000
Creditors.....		Debtors .....	200
Manager's commission payable.....		Less Provision for bad debts.....	500
		Cash at bank .....	9,500
			2,200
			80,700

\* If closing stock is included in trial balance that is shown only in assets side of balance sheet.

17. Trial Balance of Radha at the end of Chaitra 2075 is as under.

Particulars	Debit Rs.	Credit Rs.
Opening stock (1-1-2075).....		
Plant and machinery .....	15,000	
Furniture .....	40,000	
Sundry debtors .....	20,000	
Building .....	40,000	
Purchase .....	13,000	
Wages and salaries .....	100,000	
Freight inward .....	15,000	
Salaries and wages .....	2,500	
Bad debts .....	12,500	
Office expenses .....	250	
Insurance premium .....	750	
		1,000

Rent	10,000
Radha's drawing	7,500
Radha's capital	75,000
Bank loan	25,000
Bills payable	20,000
Sales	150,000
Return outward	5,000
Provision for bad debt	1,000
Commission	1,500
<b>Total</b>	<b>277,500</b>
	<b>277,500</b>

### Adjustments:

- Adjustments**

  - i. Office salary to be paid Rs. 2,500
  - ii. Closing stock at end of year amounted to Rs. 20,000
  - iii. Depreciate plant and machinery and furniture 10% p.a. each
  - iv. During the year goods costing Rs. 10,000 were lost by accident and insurance company admitted the claim for Rs. 8,000
  - v. Provision for doubtful debt @ 5% of debtors
  - vi. Purchases include cost of material Rs. 2,000 purchased for the construction of building of the business.

**Required:**

- a. Trading account
  - b. Profit and Loss account
  - c. Balance Sheet

Ans: GP Rs. 54,500; NP Rs. 20,000. B/S total Rs. 135,000

### Solution

**Trading Account and Profit & Loss Account of Mr. Gopal  
For the end of Chaitra 2075**

Dr.	For the end of Chaitra 2015		
Particulars	Amount	Particulars	Amount
To Opening stock .....	15,000	By Sales .....	150,000
To Purchase ..... 100,000		By Closing stock .....	20,000
Less: Purchase returns..... 5,000		By Goods lost by accident.....	10,000
	95,000		
Less: Cost of material included in building construction ..... 2,000	93,000		
To Wages and salary.....	15,000		
To Freight inward.....	2,500		
To Gross profit c/d.....	54,500		
	180,000		
To Salary and wages ..... 12,500	15,000	By Gross profit b/d .....	180,000
Add: Outstanding ..... 2,500	750	By Commission received .....	54,500
To Office expenses.....	250	By Provision for bad debt (Old) .....	1,500
To Old bad debt.....	2,000		1,000
To New provision for doubtful debt .....	1,000		
To Insurance premium.....	10,000		
To Rent.....			
To Depreciation on: Plant & machinery . 4,000			
Furniture ..... 2,000	6,000		
To Goods lost by accident.....	2,000		
To Net profit c/d .....	20,000		
	57,000		

**Balance Sheet of Mr. Gopal**  
**As on 31st Chaitra 2075**

Liabilities	Amount	Assets	Amount
Gopal's capital.....	75,000	Building.....	13,000
Add: Net profit.....	20,000	Add: Cost of materials.....	2,000
	95,000	Plant and machinery .....	40,000
Less: Drawing .....	7,500	Less: Depreciation (10%).....	4,000
Bank loan .....	25,000	Furniture .....	20,000
Bills payable .....	20,000	Less: Depreciation(10%).....	2,000
Outstanding salary .....	2,500	Sundry debtors .....	40,000
	135,000	Less: Provision (5%).....	2,000
		Insurance company.....	8,000
		Closing stock.....	20,000
			135,000

18. The following ledger balances are taken from the books of Babita Pustak Prakashan and Distributors for the year ending 31st Chaitra 2075.

Particulars	Debit Rs.	Credit Rs.
Cash in hand.....	80,000	
Kumari Bank Ltd. ....	70,000	
NIC Bank Ltd. ....		14,000
Apprentice premium .....		3,000
Provision for doubtful debts.....		10,000
Bad debt.....	5,000	
Heat & light .....	1,500	
Rent .....	25,500	
Wages.....	10,000	
Advance commission.....		16,000
Opening stock.....	30,000	
Railway charges .....	20,000	
Purchase.....	205,000	
Return to suppliers .....		5,000
Sales .....		256,000
Return from customer.....	6,000	
Accounts payable .....		105,000
Ordinary share of Nabil Bank Ltd. ....	75,000	
Accounts receivable .....	15,000	
Goodwill .....	26,000	
Machinery .....	90,000	
Owner's equity .....		250,000
	659,000	659,000

**Additional information:**

- Closing stock Rs. 60,000
- Write off 10% depreciation on machinery
- Rent outstanding Rs. 4500
- Prepaid wages Rs. 2000
- One-fourth of the advance commission is still unearned
- Provide for bad and doubtful debt @ 4%.
- During the year, goods costing Rs. 10,000 were lost by accident and insurance company admitted claim for Rs. 6,000.

**Required:**

- Trading account
- Profit and Loss account
- Balance Sheet

Ans: (a) GP Rs. 60,500 (b) NP Rs. 36,900 (c) B/S total Rs. 414,400

Solution

**Trading Account**  
for the year ended 31st Chaitra 2075

Dr.	Amount	Cr.
To Opening stock .....	30,000	
To Purchase ..... 205,000	200,000	
Less: Return to supplier..... 5,000	8,000	
To Wages ..... 10,000	1,500	
Less: Prepaid ..... 2,000	20,000	
To Heat light .....	60,500	
To Railways charges .....	320,000	
To Gross profit c/d .....		320,000

**Profit and Loss Account**  
for the year ended 31st Chaitra 2075

Dr.	Amount	Cr.
To Depreciation on machinery .....	9,000	
To Rent ..... 25,500	30,000	
Add: Outstanding ..... 4,500	600	
To New provision for bad debt .....	4,000	
To Goods destroyed by accident .....	5,000	
To Old bad debt.....	36,900	
To Net profit.....	85,500	

**Balance Sheet**  
as on 31st Chaitra 2075

Liabilities	Amount	Assets	Amount
Outstanding rent.....	4,500	Goodwill .....	26,000
Commission unearned ( $1/4 \times 16,000$ ) .....	4,000	Investment (Share of Nabil Bank) .....	75,000
Capital (Owner's equity) ..... 250,000		Closing stock .....	60,000
Add: Net profit..... 36,900	286,900	Machinery .....	90,000
Account payable .....	1,05,000	Less: 10% Depreciation .....	9,000
NIC Bank Ltd.(Bank overdraft) .....	14,000	Prepaid wages .....	81,000
	414,400	Accounts receivables .....	2,000
		Less: Provision for bad debt(4%) .....	15,000
		Insurance company .....	600
		Cash in hand.....	14,400
		Cash at bank (Kumari Bank Ltd.) .....	6,000
			80,000
			70,000
			414,400

# Introduction to Company Accounts

The Following income statement items, arranged in alphabetical order, are taken from the records of Corbin Enterprises, a software sales firm, for the year ending December 31, 2017.

Advertising expense .....		
Cost of goods sold.....		Rs. 9,000
Depreciation expense-computer .....		150,000
Dividend revenue.....		4,500
Income tax expense .....		2,700
Interest expense .....		30,700
Rent expense-office.....		1,900
Rent expense-showroom .....		26,400
Sales revenue.....		18,000
Supplies expense-office .....		350,000
Utilities expense.....		1,300
Salaries expense-office .....		6,750
		45,600

Required: Single-step income statement for the year ended December 31, 2017.

Ans: Rs. 58,550

solution

## Income Statement For the year ended 31 December, 2017

Particulars	Amount Rs.	Amount Rs.
Revenues		
Sales revenue.....	350,000	
Dividend revenues.....	2,700	
		352,700
<b>Total revenues A:</b>		
Expenses		
Cost of goods sold.....	150,000	
Advertising expenses .....	9,000	
Depreciation expenses-computer .....	4,500	
Interest expenses .....	1,900	
Rent expenses-office.....	26,400	
Rent expenses-showroom.....	18,000	
Supplies expenses-office .....	1,300	
Utilities expenses.....	6,750	
Salaries expenses-office .....	45,600	
Income tax expenses.....	30,700	
		294,150
<b>Total expenses B:</b>		
	<b>Net income (A-B)</b>	<b>58,550</b>

2. The following are the balances of Nepal Travel Ltd. as on 31<sup>st</sup> Dec 2017.

Particulars	Debit Rs.	Credit Rs.
Service revenues .....	-	5,00,000
Salaries:		
Office .....	2,00,000	-
Sales department .....	50,000	-
Common stocks .....	-	2,92,000
Rent expense:		
Office .....	24,000	-
Sales department .....	21,000	-
Interest on securities .....	-	10,000
Plant and machinery .....	1,50,000	-
Accounts receivable .....	1,52,500	-
Government securities .....	2,00,000	-
Insurance .....	6,000	-
Tax expenses .....	38,500	-
Commission from ticketing .....	-	40,000
	842,000	842,000

Required: Multi-step income statement

Ans: Rs. 210,500

Solution

**Income statement of Nepal Travel Ltd. for the year ended 31 December, 2017**

Particulars	Amount Rs.	Amount Rs.
Service revenues .....		500,000
Less: Operating expenses:		
Selling expenses		
Rent expense-sales department .....	21,000	
Total selling expenses .....	21,000	
General and administrative expenses		
Rent expense-office .....	24,000	
Salaries .....	250,000	
Insurance expense .....	6,000	
Total general and administrative expenses .....	280,000	
Total operating expenses (21,000+28,0000) .....		301,000
Income from operations .....		199,000
Other revenues and expenses:		
Interest on securities .....	10,000	
Commission from ticketing .....	40,000	50,000
Income before taxes .....		249,000
Less: Tax expenses .....		38,500
<b>Net income .....</b>		<b>210,500</b>

3. The following are the balances of Nepal Lever Ltd. as on 31<sup>st</sup> Chaitra 2074.

Particulars	Debit Rs.	Credit Rs.
Sales.....	-	5,00,000
Purchases .....	2,50,000	-
Share capital .....	-	2,92,000
Rent paid .....	45,000	-
Interest on investment .....	-	10,000
Plant and machinery .....	1,50,000	-
Sundry debtors .....	1,52,500	-
10% Investment .....	2,00,000	-
Dividend paid .....	6,000	-
Administrative expenses .....	38,500	-
Retained earnings (1-1-2074) .....		40,000
	842,000	842,000

**Adjustments:**

- i. Closing stock Rs. 60,000
- ii. Depreciation plant and machinery by 10%
- iii. Accrued interest on investment Rs. 10,000
- iv. Transfer to general reserve Rs. 17,500.

**Required:** Income statement and balance sheet

Ans: Net profit = Rs. 231,500; Ending balance of R/E = Rs. 2,48,000; B/S = Rs. 557,500

**Solution****Income Statement of Nepal Lever Ltd.  
for the year ended 31st Chaitra 2074**

	Particulars	Rs.	Rs.
	Sales .....		500,000
Less:	Cost of goods sold .....		190,000
	Gross profit.....		310,000
Less:	Operating expenses:		
	Rent.....	45,000	
	Administrative expenses .....	38,500	
	Depreciation on plant and machinery .....	15,000	98,500
	Operating income .....		211,500
Add:	Other revenue and gain:		
	Interest on investment .....	10,000	
	Add: Accrued interest on investment .....	10,000	20,000
	Net income .....		231,500
Add:	Retained earnings (1-1-2074).....		40,000
			271,500
Less:	Dividend paid .....		6,000
	Transfer to general reserve .....		17,500
	Retained earnings (31-12-2074).....		248,000

**Balance Sheet**

	Particulars	Rs	Rs
<b>Assets</b>			
<b>Current assets</b>			
Sundry debtors .....		152,500	
Closing stock .....		60,000	
Accrued interest on investment .....		10,000	222,500
<b>Investment</b>			
10% Investment .....		200,000	200,000
<b>Fixed assets</b>			
Plant and machinery .....		150,000	
Less: Depreciation.....		15,000	135,000
<b>Total assets .....</b>			557,500
<b>Liabilities</b>			
<b>Current liabilities</b>			
Long-term debt .....		-	-
<b>Owner's equity</b>			
Share capital .....		292,000	
Retained earnings.....		248,000	
General reserve .....		17,500	557,500
<b>Total liabilities .....</b>			557,500

4. The following trial balance is taken from the records of Palpa Company.

Particulars	Debit Rs.	Credit Rs.
Share capital .....	-	50,000
Share premium .....	-	10,000
Machinery .....	65,000	8,000
Rent .....	10,000	10,000
Salary .....	-	30,000
Sales.....	37,000	80,000
Purchases .....	-	
Sundry assets .....	150,000	10,000
Commission .....	-	
Total .....	150,000	150,000

**Additional information:**

- i. Prepaid rent Rs. 1,000
- ii. Outstanding salary Rs. 2,000
- iii. Depreciation on machinery by Rs. 5,000.

**Required:**

- a. Income statement
- b. Balance sheet

Ans: Net profit = Rs. 36,000; B/S = Rs. 98,000

**Solution**

**Income Statement of Palpa Company  
for the year ended**

Particulars	Rs.	Rs.
Sales.....		80,000
Less: Purchase .....		30,000
Gross profit .....		50,000
Less: Operating expenses:		
Rent (8,000 – 1,000) .....	7,000	
Salary (10,000 + 2,000) .....	12,000	
Depreciation on machinery .....	5,000	24,000
Operating income .....		26,000
Add: Other revenue and gain:		
Commission received .....	10,000	10,000
Net income .....		36,000

**Balance Sheet**

Assets	Rs	Rs
Current assets:		
Prepaid rent .....	1,000	
Sundry assets .....	37,000	38,000
Investment:		
Fixed assets:		
Machinery .....	65,000	
Less: Depreciation .....	5,000	60,000
Total assets.....		98,000
Liabilities		
Current liabilities:		
Outstanding salaries .....	2,000	
Long-term debt .....		2,000
Owner's equity:		
Share capital .....	50,000	
Share premium .....	10,000	
Net income .....	36,000	96,000
Total liabilities.....		98,000

Agro Limited furnished the following ledger balances as on Chaitra 31 of this year:

Particulars	Debit (Rs.)	Particulars	Credit (Rs.)
Opening stock .....	50,000	Share capital .....	90,000
Purchases .....	190,000	Sales .....	3,00,000
Wages .....	20,000	Profit and loss appropriation a/c .....	50,000
Salaries .....	30,000	Creditors .....	40,000
Rent .....	24,000		
Cash .....	36,000		
Debtors .....	30,000		
Machinery .....	100,000		
Total .....	4,80,000	Total .....	4,80,000

**Additional information:**

- Wages outstanding: Rs. 5,000
- Depreciate machinery by 10%
- Proposed dividend Rs. 10,000.

**Required:** Income statement and balance sheet

Ans: Net loss = Rs. 29,000; R/E = Rs. 11,000; B/S = Rs. 156,000

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**Income Statement**

Particulars	Rs.	Rs.
Sales .....		300,000
Less: Cost of goods sold:		
Opening stock .....	50,000	
Purchase .....	190,000	
	240,000	
Add: Wages (20,000 + 5,000).....	25,000	265,000
Gross profit.....		35,000
Less: Operating expenses:		
Salaries .....	30,000	
Rent .....	24,000	
Depreciation .....	10,000	64,000
Operating loss /Net loss .....		(29,000)
Add: Profit and loss appropriation account .....		50,000
		21,000
Less: Proposed dividend .....		10,000
Retained earnings .....		11,000

**Balance Sheet**

Assets	Rs	Rs
Current assets:		
Cash .....	36,000	
Debtors .....	30,000	66,000
Investment:		
Fixed assets:		
Machinery .....	100,000	
Less: Depreciation .....	10,000	90,000
Total assets .....		156,000
Liabilities		
Current liabilities:		
Outstanding wages .....	5,000	
Proposed dividend .....	10,000	
Creditors .....	40,000	55,000
Long-term debt		
Owner's equity:		

Share capital .....	90,000	
Retained earnings .....	11,000	101,000
Total liabilities.....		156,000

6. ABC Company shows the following ledger balances as on 31st Chaitra

Prepaid insurance.....	Rs. 60,000	Account receivable.....	Rs. 1,50,000
Land and building .....	2,50,000	Bank balance .....	1,20,000
Equity share capital @ Rs. 100 each .....	3,00,000	Accounts payable .....	3,10,000
10% Bank loan.....	1,90,000	Sales.....	8,00,000
Interest paid.....	15,000	Sundry income .....	15,000
Administrative expenses.....	1,25,000	Purchases.....	4,50,000
Advertising expenses.....	60,000	Wages.....	1,50,000
Rent .....	200,000	Bad debt .....	35,000

**Adjustment:**

- Closing stock Rs. 150,000
- Interest outstanding Rs. 4,000
- Provision for doubtful debts Rs. 6,000
- Appreciate land and building by 10%

**Required:**

- Income statement
- Balance sheet

Ans: (a) Net Loss = Rs. 55,000; (b) B/S = Rs. 804,000

**Solution**

**Income Statement**

	Particulars	Rs.	Rs.
Sales.....			800,000
Less: Cost of goods sold:			
Purchase .....	450,000		
Less: Closing stock .....	(150,000)		
		300,000	
Add: Wages .....	150,000		450,000
Gross profit.....			350,000
Less: Operating expenses:			
Administrative expenses .....	125,000		
Advertising expenses .....	60,000		
Rent .....	200,000		
Bad debt .....	35,000		
Provision for doubtful debt .....	6,000		426,000
Operating loss .....			(76,000)
Add: Other revenue and gains:			
Sundry income .....	15,000		
Appreciation of land and building .....	25,000		40,000
Less: Other expenses and losses:			
Interest paid.....	15,000		
Add: Interest outstanding .....	4,000		19,000
Net loss .....			(55,000)

**Balance Sheet**

Assets	Rs	Rs
Current assets:		
Accounts receivable .....	150,000	
Less: Provision for doubtful debt .....	6,000	
Bank balance .....	144,000	
Prepaid insurance .....	120,000	
Closing stock .....	60,000	
		150,000
Investment:		474,000

Fixed assets:		
Land and building .....	250,000	
Add: Appreciation .....	25,000	275,000
Miscellaneous expenditures:		
Net loss .....		55,000
Total assets .....		804,000
Liabilities		
Current liabilities:		
Accounts payable .....	310,000	
Outstanding interest .....	4,000	314,000
Long-term debt		
10% Bank loan .....	190,000	190,000
Owner's equity:		
Equity share capital .....	300,000	300,000
Total liabilities .....		804,000

7. The Trial Balance of X Co. Ltd. as on 31st, Chaitra is given below:

Particulars	Debit Rs.	Credit Rs.
Equity share capital .....	-	220,000
Share premium .....	-	22,000
Sales .....	-	400,000
Purchases .....	300,000	-
Wages .....	20,000	-
Cash at bank .....	10,000	-
Salaries .....	20,000	-
Fixed assets .....	200,000	-
10% Investment .....	100,000	-
Creditors .....	-	28,000
Debtors .....	40,000	-
Insurance .....	10,000	-
Interest and dividend received .....	-	30,000
<b>Total</b> .....	<b>700,000</b>	<b>700,000</b>

#### Additional Information:

- Depreciate fixed assets by 10%
- Wages outstanding Rs. 5,000
- Prepaid insurance Rs. 2,000

#### Required:

- Income statement
- Balance sheet
- Cash flow statement

Ans: (a) Net profit = Rs. 57,000; (b) B/S = Rs. 332,000 (c) Rs. 68,000; (Rs. 300,000) and Rs. 242,000

#### Solution

a.

#### Income Statement

Particulars	Rs.	Rs.
Sales .....		400,000
Less: Cost of goods sold:		
Purchase .....	300,000	
Wages .....	20,000	
Add: Outstanding wages .....	5,000	
Gross profit .....	25,000	325,000
Less: Operating expenses:		75,000
Salaries .....		
Insurance expenses .....	20,000	
Less: Prepaid insurance .....	10,000	
Depreciation on fixed assets .....	2,000	
Operating income .....	20,000	48,000
Add: Other revenue and gains:		
Interest and dividend received .....		27,000
		30,000

Net income .....	Balance Sheet		57,000
b.	Rs	Rs	
Assets			
Current assets:			
Cash at bank .....	10,000		
Debtors .....	40,000		
Prepaid insurance .....	2,000		
			52,000
Investment:			
10% Investment .....			100,000
Fixed assets:			
Fixed assets .....	200,000		
Less: Depreciation .....	20,000		
			180,000
Total assets.....			332,000
Liabilities			
Current liabilities:			
Creditors .....	28,000		
Wages outstanding .....	5,000		
			33,000
Long-term debt .....			
Owner's equity:			
Equity share capital .....	220,000		
Share premium .....	22,000		
Profit and loss a/c.....	57,000		
Total liabilities.....			332,000
c.	Cash Flow Statement		
Assets	Rs,	Rs,	
A. Cash flow from generating activities:			
i. Cash sales and collection from customers:			
Sales .....	400,000		
Increase in debtors .....	(40,000)		360,000
ii. Cash paid to suppliers of goods and services:			
Purchase .....	(300,000)		
Increase in creditors .....	28,000		
iii. Cash paid to employees and other expenses:			
Wages (20,000 + 5,000) .....	(25,000)		
Salaries .....	(20,000)		
Insurance (10,000 – 2,000) .....	(8,000)		
Increase in wage outstanding .....	5,000		
Increase in insurance prepaid .....	(2,000)		
Add: Interest and dividend received .....			
Net cash flow from investing activities .....			
B. Cash flow from investing activities:			
Purchase of fixed assets .....			
Purchase of investment .....			
Net cash flow from investing activities .....			
C. Cash flow from financing activities:			
Issue of equity share .....			
Share premium .....	220,000		
Net cash flow from financing activities .....	22,000		
D. Net changes in cash and equivalent .....			
8. The following listed items are the balances of different accounts of XYZ Company on 31st Chaitra 2074.			

Building .....	Rs. 250,000	Share capital .....	Rs. 144,000
Sundry debtors .....	38,000	Creditors .....	4,000
10% Mortgage loan .....	160,000	Cash at bank .....	40,000
Interest paid .....	8,000	Cost of goods sold .....	120,000
Office expenses .....	80,000	Selling expenses .....	60,000

Commission received .....	3,000	Sales .....	285,000
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**Additional information:**

- i. Depreciation on building Rs. 5,000
- ii. Outstanding office expenses Rs. 10,000
- iii. Commission received in advance Rs. 500

**Required:**

- a. Income statement
- b. Balance sheet
- c. Cash flow statement

Ans: (a) Net loss = Rs. 3,500; (b) B/S = Rs. 326,500 (c) (Rs. 14,000); (Rs. 250,000) and Rs. 304,000

solution

**Income Statement**

	Particulars	Rs.	Rs.
Sales .....			285,000
Less: Cost of goods sold .....			120,000
Gross profit.....			165,000
Less: Operating expenses:			
Office expenses .....	80,000		
Add: Outstanding .....	10,000		
Depreciation on building.....	90,000		
Selling expenses .....	5,000		
Operating income .....	60,000		155,000
Add: Other revenue and gains:			
Commission received .....	3,000		
Less: Advance received.....	500		2,500
Net income .....			12,500
Less: Other expenses and losses:			
Interest paid .....	8,000		
Add: Outstanding .....	8,000		16,000
Net loss .....			(3,500)

**Balance Sheet**

	Assets	Rs	Rs
Current assets:			
Sundry debtors .....	38,000		
Cash at bank.....	40,000		78,000
Investment: .....			
Fixed assets:			
Building .....	250,000		
Less: Depreciation.....	5,000		245,000
Miscellaneous expenditures:			
Profit and loss a/c (Loss).....			3,500
Total assets .....			326,500
Liabilities			
Current liabilities:			
Outstanding interest.....	8,000		
Creditors .....	4,000		
Advance commission received.....	500		
Outstanding office expenses.....	10,000		22,500
Long-term debt:			
10% Mortgage loan .....			160,000
Owner's equity:			
Share capital.....			144,000
Total liabilities .....			326,500

**Cash Flow Statement**

	Assets	Rs,	Rs,
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A. Cash flow from generating activities:		
i. Cash sales and collection from customers:		
Sales .....	285,000	
Increase in sundry debtors .....	(38,000)	247,000
ii. Cash paid to suppliers:		
Cost of goods sold .....	(120,000)	
Increase in creditors .....	- 4,000	(116,000)
iii. Cash paid to employees and for other expenses:		
Interest paid (8,000 + 8,000) .....	(16,000)	
Office expenses (80,000 + 10,000) .....	(90,000)	
Selling expenses .....	(60,000)	
Increase in outstanding office expenses .....	10,000	
Increase in outstanding interest .....	8,000	
Increase in commission received in advance .....	500	(147,500)
Commission received (3,000 - 500) .....		(16,500)
Net cash flow from operating activities .....		2,500
B. Cash flow from investing activities: .....		(14,000)
Purchase of building .....	(250,000)	(250,000)
C. Cash flow from financing activities:		
Issue of share .....	144,000	
Increase in mortgage loan .....	160,000	304,000
Net changes in cash and cash equivalent (A + B + C)		40,000

9. Following is the trial balance of Nepal Lever Ltd. as on 31<sup>st</sup> Chaitra 2074

Particulars	Debit Rs.	Credit Rs.
Sales.....	-	500,000
Purchases .....	250,000	-
Share capital .....	-	300,000
Rent paid .....	30,000	-
Salary .....	20,000	-
Interest on investment.....	-	10,000
Plant and machinery .....	150,000	-
Sundry debtors.....	150,000	-
10% Investment .....	200,000	-
Dividend paid .....	6,000	-
Administrative expenses.....	30,000	-
Share premium .....	-	30,000
Cash at bank .....	4,000	-
	840,000	840,000

#### Adjustment:

- i. Closing stock at Rs. 60,000
- ii. Depreciation on plant and machinery by 10%
- iii. Accrued interest on investment Rs. 10,000

#### Required:

- a. Income statement
- b. Balance sheet
- c. Cash flow statement

Ans: (a) Net profit = Rs. 235,000; Ending balance of R/E = Rs. 229,000; (b) B/S = Rs. 559,000 (c) Rs. 30,000; (Rs. 350,000) and Rs. 324,000

#### Solution

a.

#### Income Statement

Particulars	Rs.	Rs.
Sales.....		500,000
Less Cost of goods sold .....		190,000
Gross profit.....		310,000
Less: Operating expenses:		
Rent .....	30,000	
Salary .....	20,000	

Administrative expenses .....	30,000	
Depreciation on plant and machinery .....	15,000	95,000
Operating income .....		215,000
Add: Other revenue and gains:		
Interest on investment .....	10,000	
Add: Accrued interest on investment .....	10,000	20,000
Net income .....		235,000
Less: Dividend paid .....		6,000
Retained earnings .....		229,000

**Balance Sheet**

b.

Assets	Rs	Rs
<b>Current assets:</b>		
Cash at bank .....	4,000	
Sundry debtors .....	150,000	
Closing stock .....	60,000	
Accrued interest on investment.....	10,000	224,000
<b>Investment:</b>		
10% Investment .....		200,000
<b>Fixed assets:</b>		
Plant and machinery .....	150,000	
Less: Depreciation .....	15,000	135,000
<b>Total assets .....</b>		<b>559,000</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Long-term debt:.....		
<b>Owner's equity:</b>		
Share capital .....	300,000	
Retained earnings.....	229,000	
Share premium .....	30,000	559,000
<b>Total liabilities .....</b>		<b>559,000</b>

c.

**Cash Flow Statement**

Assets	Rs,	Rs,
<b>A. Cash flow from generating activities:</b>		
i. Cash sales and collection from customers:		
Sales .....	500,000	
Increase in debtors .....	(150,000)	350,000
ii. Cash paid to suppliers:		
Cost of goods sold (Purchase – Closing stock).....	(190,000)	
Increase in stock .....	(40,000)	(250,000)
iii. Cash paid to employees and for other expenses:		
Salaries .....	(20,000)	
Rent paid .....	(30,000)	
Administrative expenses .....	(30,000)	
Increase in accrued interest on investment .....	(10,000)	(90,000)
Add: Interest on investment (10,000 + 10,000).....		10,000
		20,000
<b>B. Cash flow from investing activities:</b>		30,000
Purchase of plant and machinery .....	(150,000)	
Purchase of investment .....	(200,000)	
Net cash flow from investing activities .....		(350,000)
<b>C. Cash flow from financing activities:</b>		
Issue of share capital .....	300,000	
Share premium .....	30,000	
Dividend paid.....	(6,000)	
Net cash flow from financing activities .....		324,000
<b>D. Net change in cash and cash equivalent .....</b>		4,000

10. ABC Co. shows the following ledger balance for the year ended 31st December 2017:

	Rs.		Rs.
Share capital .....	110,000	Sundry creditors .....	25,000
Sales revenue .....	160,000	Rent .....	16,000
Furniture .....	130,000	Purchases .....	70,000
Salary .....	20,000	Cash at bank .....	2,000
Sundry debtors .....	70,000	Land and building .....	30,000
Rent received .....	5,000	Interest on loan .....	3,000
Share premium .....	11,000		
10% Loan .....	30,000		

**Additional information:**

- Closing stock Rs. 20,000
- Depreciate furniture by 10% and appreciate land and building by 5% per annum.
- Prepaid rent Rs. 4,000
- Outstanding salary Rs. 1,000

**Required:**

- Income statement
- Balance sheet
- Cash flow statement

Ans: (a) Rs. 67,500 (b) Rs. 244,500 (c) Rs. 11,000; (Rs. 160,000) and Rs. 151,000

**Solution**

a.

**Income Statement of ABC Company  
for the year ended 31st December 2017**

	Particulars	Rs.	Rs.
	Sales .....		160,000
Less	Cost of goods sold :		
	Purchase .....	70,000	
	Less: Closing stock .....	20,000	50,000
	Gross profit .....		110,000
Less:	Operating expenses:		
	Salary .....	20,000	
	Add: Outstanding salary .....	1,000	
	Rent .....	16,000	
	Less: Prepaid rent .....	4,000	
	Depreciation on furniture .....	12,000	
	Operating income .....	13,000	46,000
Add:	Other revenue and gains:		
	Rent received .....	5,000	
	Appreciation of land and building .....	1,500	6,500
	Net income .....		70,500
Less:	Other expenses and losses:		
	Interest on loan .....		3,000
	Retained earnings .....		67,500

b.

**Balance Sheet of ABC Company  
as on 31st December 2017**

Assets	Rs	Rs
Current assets:		
Sundry debtors .....	70,000	
Prepaid rent .....	4,000	
Closing stock .....	20,000	
Cash at bank .....	2,000	96,000
Investment: .....		Nil
Fixed assets:		
Furniture .....	130,000	
Less: Depreciation .....	13,000	
Land and building .....	30,000	
Add: Appreciation .....	1,500	
Total assets .....	31,500	148,500
		244,500

Liabilities		
Current liabilities:		
Outstanding salary .....	1,000	
Sundry creditors .....	25,000	26,000
Long-term debt:		
10% loan .....		30,000
Owner's equity:		
Share capital .....	110,000	
Share premium .....	11,000	
Retained earnings /Net income .....	67,500	188,500
Total liabilities .....		244,500

## Cash Flow Statement

## Particulars

	Rs.	Rs.
A. Cash from operating activities:		
i. Cash sales and collection from customers:		
Sales revenue .....	160,000	
Increase in sundry debtors .....	(70,000)	90,000
ii. Cash paid to suppliers for purchase of merchandise:		
Cost of goods sold (70,000 – 20,000) .....	(50,000)	
Increase in stock .....	(20,000)	
Increase in creditors .....	25,000	(45,000)
iii. Cash paid to employees and for other expenses:		
Salaries .....	(21,000)	
Rent .....	(12,000)	
Increase in prepaid rent .....	(4,000)	
Increase in outstanding salary .....	1,000	(36,000)
iv. Interest		
Interest on loan .....		(3,000)
Add: Rent received .....	6,000	
Net cash flow from operating activities.....	5,000	11,000
B. Cash flow from investing activities		
Purchase of furniture .....	(130,000)	
Purchase of land and building .....	(30,000)	
Net cash flow from investing activities .....		(160,000)
C. Cash flow from financing activities		
Increase in share capital .....	110,000	
Increase in share premium .....	11,000	
Increase in loan .....	30,000	
Net cash flow from financing activities .....		151,000
Net changes in cash and cash equivalent (A + B+ C) .....		2,000



# Accounting for Shares and Debentures

## I Numerical Problems

### **Issue of Shares at Par**

1. Reliable Co. Ltd. issued 8,000, equity shares of Rs. 100 each payable as:

Application .....	Rs. 30
Allotment .....	Rs. 25
First and final call .....	Rs. 45

All the shares were applied and all the money was duly received.

**Required:** Journal entries for:

- Share application
- Share allotment
- Share first and final call

**Solution**

Journal Entries

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
a	Bank a/c (8,000 × 30) ..... Dr. To Share application a/c (Being share application money received)		240,000	240,000
	Share application a/c (8,000 × 30) ..... Dr. To Share capital a/c (Being share application money transferred to share capital a/c)		240,000	240,000
b.	Share allotment a/c (8,000 × 25) ..... Dr. To Share capital a/c (Being share allotment money due)		200,000	200,000
	Bank a/c (8,000 × 25) ..... Dr. To Share allotment a/c (Being allotment money received)		200,000	200,000
c	Share first and final call a/c (8,000 × 45) ..... Dr. To Share capital a/c (Being share first call money due)		360,000	360,000
	Bank a/c (8,000 × 45) ..... Dr. To Share first and final call a/c (Being share first and final call money received)		360,000	360,000

2. Gramin Bikash Bank Ltd. issued 10,000 equity shares of Rs. 50 each payable as Rs. 10 on application, Rs. 20 on allotment, Rs. 20 on first and final call.

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All the shares were applied and money was duly received.

Required: Journal entries for above transactions.

Solution

Journal entries in the books of Gramin Bikash Bank Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ..... Dr. To Equity share application a/c (Being share application money received on 10,000 shares @ Rs. 10 each)		100,000	100,000
	Equity share application a/c ..... Dr. To Equity share capital a/c (Being share application money transferred to share capital a/c)		100,000	100,000
	Share allotment a/c ..... Dr. To Equity share capital a/c (Being share allotment money due on 10,000 shares @ Rs. 20)		200,000	200,000
	Bank a/c ..... Dr. To Equity share allotment a/c (Being share allotment money received)		200,000	200,000
	Equity share first and final call a/c ..... Dr. To Equity share capital a/c (Being share first and final call money due on 10,000 shares @ Rs. 20)		200,000	200,000
	Bank a/c ..... Dr. To Equity share first and final call a/c (Being share first and final call money received)		200,000	200,000

**Issue of Shares at Premium**

3. Alka Co. Ltd issued 15,000 shares @ Rs. 100 each at 10% premium payable as follows:

Rs. 20 ..... on application  
 Rs. 50 ..... on allotment  
 Rs. 30 ..... on first call (including premium)  
 Rs. 10 ..... on final call

All shares were applied for and fully received.

Required: Journal entries for above transactions.

Solution

Journal entries in the books of Alka Co. Ltd

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (15,000 × 20) ..... Dr. To Share application a/c (Being share application money received on 15,000 shares @ Rs. 20 each)		300,000	300,000
	Share application a/c (15,000 × 20) ..... Dr. To Share capital a/c (Being share application money transferred to share capital account)		300,000	300,000
	Share allotment a/c ..... Dr. To Share capital a/c (Being share allotment money due on 15,000 shares @ Rs. 50)		750,000	750,000
	Bank a/c ..... Dr. To Share allotment a/c (Being share allotment due money received)		750,000	750,000
	Share first call a/c ..... Dr. To Share capital a/c To Share premium a/c (Being share first call money due on 15,000 shares @ Rs. 30 with premium)		450,000	3,00,000 1,50,000
	Bank a/c ..... Dr. To Share first call a/c (Being share first call money received)		450,000	450,000
	Share final call a/c (15,000 × 10) ..... Dr. To Share capital a/c		150,000	150,000

(Being share first call money due on 15,000 shares @ Rs. 10)				
Bank a/c .....	.....Dr.	150,000		
To Share final call a/c (Being share final call money received)			150,000	

4. A Co. Ltd. issued 2000 shares of Rs. 100 each at a premium of Rs. 20 per share, payable as under:

Rs. 50 .....on application  
Rs. 70 .....on allotment

Applications were received for all the shares and allotment were also made accordingly.

Required: Journal entries for application and allotment.

[Hints: In the absence of any information regarding the share premium, it is considered that premium is included under the share allotment money]

Solution:-

#### Journal Entries in the books of A Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	For application: Bank a/c (2,000 × Rs. 50)..... To Share application a/c (Being share application money received)	D	1,00,000	1,00,000
	Share application a/c .....	D	1,00,000	1,00,000
	To Share capital a/c (Being application money transferred to share capital a/c )			
	For allotment: Share allotment a/c (2,000 × Rs. 70)..... To Share capital a/c (2,000 × Rs. 50) To Share premium a/c (2,000 × Rs. 20) (Being share allotment money made due with premium)	D	1,40,000	1,00,000 40,000
	Bank a/c .....	D	1,40,000	1,40,000
	To Share allotment a/c (Being share allotment money received)			

#### **Issue of Shares at Discount**

5. Global Co. Ltd. issued 10,000 shares of Rs. 10 each at discount of Re. 1 per share payable as follows:

Rs. 2 .....on application  
Rs. 4 .....on allotment (after discount)  
Balance .....on first and final call

All shares were applied for and duly received.

Required: Journal entries of above transactions

Solution:-

#### Journal entries in the books of Global Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (10,000 × 2)..... To Share application a/c (Being share application money received on 10,000 shares @ Rs. 2 each)	Dr.	20,000	20,000
	Share application a/c .....	Dr.	20,000	20,000
	To Share capital a/c (Being share application money transferred to share capital a/c)			
	Share allotment a/c (10,000 × 4)..... Discount on issue of shares a/c (10,000 × 1)..... To Share capital a/c (Being share allotment money due on 10,000 shares @ Rs. 4 each with discount)	Dr. Dr. Dr.	40,000 10,000 50,000	
	Bank a/c .....	Dr.	40,000	40,000
	To Share allotment a/c			

(Being share allotment money received)			
Share first and final call a/c (10,000 × 3).....	Dr.	30,000	30,000
To Share capital a/c			
(Being share first and final call money due on 10,000 shares @ Rs. 3).....	Dr.	30,000	30,000
Bank a/c .....	Dr.	30,000	30,000
To Share first and final call a/c			
(Being share first and final call money received)			

6. A Co. Ltd. invited applications for 30,000 equity shares of Rs. 10 each at a discount of Re. 1 on the following terms:

Rs. 5 ..... on application  
Rs. 4 ..... on allotment

All of these shares were applied for and duly money received.

**Required:** Journal entries for above transactions.

*[Hints: In the absence of any information regarding the discount on issue of share, it is considered that such discount is included under the share allotment money]*

### Solution

#### Journal entries in the books of A Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (30,000 × 5)..... Dr.		150,000	
	To Share application a/c			150,000
	(Being share application money received on 30,000 shares @ Rs. 5 each).....			
	Share application a/c ..... Dr.		150,000	
	To Share capital a/c			150,000
	(Being share application money transferred to share capital a/c).....			
	Share allotment a/c (30,000 × 4) ..... Dr.		120,000	
	Discount on issue of shares a/c (30,000 × 1) ..... Dr.		30,000	
	To Share capital a/c			150,000
	(Being share allotment due on 30,000 shares @ Rs. 4 each with discount).....			
	Bank a/c ..... Dr.		120,000	
	To Share allotment a/c			120,000
	(Being share allotment money received)			

### Calls in Arrears and Calls in Advance

7. Asmita Company Ltd. was registered with a share capital of Rs. 12,00,000 divided into 12,000 shares of Rs. 100 each. 12,000 shares were offered to the public for subscription at Rs. 120 per share. The money was payable as follows:

On Application .....	Rs. 30 per share
On Allotment .....	Rs. 40 per share (including premium)
On first call .....	Rs. 20 per share
On final call .....	Rs. 30 per share

Applications were received for 12,000 shares. All calls were duly made and received except:

- (i) A shareholder holding 400 shares paid the full value of shares on allotment
- (ii) A shareholder holding 600 shares failed to pay the first and final call on due date.

**Required:** Journal entries for: (a) Application (b) Allotment (c) First call (d) Final call

Ans: Calls in advance on allotment = Rs. 20,000; First call: arrear Rs. 12,000 and advance Rs. 8,000;  
Final call: arrear Rs. 18,000 and advance Rs. 12,000

### Solution

#### Journal entries in the books of Asmita Company Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
a.	Bank a/c (12,000 × Rs. 30) ..... Dr.		360,000	360,000
	To Share application a/c			
	(Being share application money received)			
	Share applications a/c (12,000 × Rs. 30) ..... Dr.		360,000	360,000
	To Share capital a/c (12,000 × Rs. 30) .....			
	(Being share application money transferred to share capital a/c)			

b.	Share allotment a/c ( $12,000 \times \text{Rs.} 40$ ) ..... Dr.	480,000	
	To Share capital a/c ( $12,000 \times \text{Rs.} 20$ ) ..... Dr.	240,000	
	To Share premium a/c ( $12,000 \times \text{Rs.} 20$ ) ..... Dr.	240,000	
	(Being share allotment money due including premium)		
	Bank a/c ..... Dr.	500,000	
	To Share allotment a/c ..... Dr.	480,000	
	To Calls in advance ..... Dr.	20,000	
	(Being share allotment money received including calls in advance)		
c.	Share first call a/c ( $12,000 \times \text{Rs.} 20$ ) ..... Dr.	240,000	
	To Share capital a/c ..... Dr.	240,000	
	(Being share first call money due)		
	Bank a/c ..... Dr.	220,000	
	Calls in arrear a/c ( $600 \times \text{Rs.} 20$ ) ..... Dr.	12,000	
	Call in advance a/c ( $400 \times \text{Rs.} 20$ ) ..... Dr.	8,000	
	To Share first call a/c ..... Dr.	240,000	
	(Being share first call money received after adjusting calls in arrear and calls in advance)		
d.	Share final call a/c ( $12,000 \times \text{Rs.} 30$ ) ..... Dr.	360,000	
	To Share capital a/c ..... Dr.	360,000	
	(Being share final call money due)		
	Bank a/c ..... Dr.	330,000	
	Calls in arrear a/c ( $600 \times \text{Rs.} 30$ ) ..... Dr.	18,000	
	Call in advance a/c ( $400 \times \text{Rs.} 30$ ) ..... Dr.	12,000	
	To Share final call a/c ..... Dr.	360,000	
	(Being share final call money received after adjusting calls in arrear and calls in advance)		

3. Ram Laxman Co. Ltd. invited application for 10,000 shares of Rs. 10 each payable as follows:

Rs. 2 ..... on application  
 Rs. 5 ..... on allotment  
 Balance ..... on first and final call

All money was duly received but Mr. Bohora who has got 50 shares did not pay first and final call money and another shareholder Mr. Karki who has got 100 shares paid entire amount along with allotment money.

**Required:** Journal entries.

Ans: Calls in advance on allotment = Rs. 300; Calls in arrears on first and final call = Rs. 150.

**Solution**

#### Journal entries in the book of Ram Laxman Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ( $10,000 \times 2$ ) ..... Dr. To Share application a/c ..... Dr. (Being share application money received on 10,000 shares @ Rs. 2 each)		20,000	20,000
	Share application a/c ( $10,000 \times 2$ ) ..... Dr. To Share capital a/c ..... Dr. (Being share application money transferred to share capital a/c)		20,000	20,000
	Share allotment a/c ( $10,000 \times 5$ ) ..... Dr. To Share capital a/c ( $10,000 \times 5$ ) ..... Dr. (Being amount due on allotment)		50,000	50,000
	Bank a/c ..... Dr. To Share allotment a/c ( $10,000 \times 5$ ) ..... Dr. To Calls in advance a/c ( $100 \times 3$ ) ..... Dr. (Being amount received with advance a 100 share @ Rs. 5)		50,300	50,000 300
	Share first and final call a/c ( $10,000 \times 3$ ) ..... Dr. To Share capital a/c ..... Dr. (Being amount due on 10,000 share on Rs. 3 each)		30,000	30,000
	Bank a/c ( $30,000 - 300 - 150$ ) ..... Dr. Calls in arrear a/c ( $50 \times 3$ ) ..... Dr.		29,550 150	

Calls in advance a/c ( $100 \times 3$ ).....	Dr.	300	
To Share first and final call a/c			30,000
(Being amount received and adjusted in 100 advance and arrear on 50 shares)			

9. Sandhya Co. Ltd. issued 30,000 shares of Rs. 10 each at a discount of Re. 1 payable as follows:

Rs. 3 ..... on application  
 Rs. 4 ..... on allotment  
 Rs. 2 ..... on first and final call

All money was duly received except allotment and call money from a shareholder to whom 500 shares were allotted failed to pay allotment and calls money and another shareholder to whom 200 shares were allotted paid entire money due along with allotment money.

**Required:** Journal entries.

Ans: Calls in arrears: on allotment = Rs. 2,000; on first and final call = Rs. 1,000; Calls in advance on allotment = Rs. 400

Solution

**Journal entries in the book of Sandhya Co. Ltd.**

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ( $30,000 \times 3$ )..... Dr. To Share application a/c (Being share application money received on 30,000 shares @ Rs. 3 each)		90,000	90,000
	Share application a/c ..... Dr. To Share capital a/c (Being share application money transferred to share capital a/c)		90,000	90,000
	Share allotment a/c ( $30,000 \times 4$ ) ..... Dr. Discount on issue of share a/c ( $30,000 \times 1$ ) ..... Dr. To Share capital a/c (Being amount due on 30,000 shares @ Rs. 5 each with discount)		120,000 30,000	150,000
	Bank a/c ..... Dr. Calls in arrear a/c ( $500 \times 4$ ) ..... Dr. To Share allotment a/c ( $30,000 \times 4$ ) To Calls in advance a/c ( $200 \times 2$ ) (Being due allotment money received on 29,500 share and arrear on 500 shares & advance on 200 shares)		118,400 2,000	120,000 400
	Share first and final call a/c ..... Dr. To Share capital a/c (Being amount due on 30,000 share on Rs. 2 each)		60,000	60,000
	Bank a/c ..... Dr. Calls in arrear a/c ( $500 \times 2$ ) ..... Dr. Calls in advance a/c ( $200 \times 2$ ) ..... Dr. To Share first and final call a/c (Being amount received and adjusted in 500 arrear and advance on 200 shares)		58,600 1,000 400	60,000

**Under Subscription**

10. Prabhu Co. Ltd. registered with the capital of Rs. 100,000 divided into 10,000 shares of Rs. 10 each. The company issued 10,000 shares for public subscription payable as Rs. 2 on application Rs. 5 on allotment and Rs. 3 on first and final call. However, applications were received for 9,000 shares only. All monies were duly received.

**Required:** Journal entries for above transactions.

Solution

**Journal entries in the books of Prabhu Co. Ltd.**

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ( $9,000 \times 2$ ) ..... Dr. To Share application a/c (Being share application money received on 9,000 shares @ Rs. 2 each)		18,000	18,000
	Share application a/c ..... Dr. To Share capital a/c (Being share application money transferred to share capital a/c)		18,000	18,000

Share allotment a/c (9,000 × 5) .....	Dr.	45,000	45,000
To Share capital a/c (Being share allotment money due on 9,000 shares @ Rs. 5)			
Bank a/c .....	Dr.	45,000	45,000
To Share allotment a/c (Being share allotment money received)			
Share first and final call a/c (9,000 × 3) .....	Dr.	27,000	27,000
To Share capital a/c (Being share first and final call money due on 9,000 shares @ Rs. 3)			
Bank a/c .....	Dr.	27,000	27,000
To Share first and final call a/c (Being share first and final call money received)			

11. AOC Company Ltd. makes an issue of 10,000, 10% preference shares of Rs. 10 each at 10% premium. The amount is payable as follows:

On application ..... Rs. 3  
On allotment ..... Rs. 4 (including premium)  
On first and final call ..... Rs. 4

Allotment was made to all applicants who applied for 9,000 shares. A shareholder holding 300 shares did not pay the allotment and call money.

Required: Pass journal entries.

Solution :

#### Journal entries in the books of AOC Company Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (9,000 × 3)..... Dr. To 10% preference share application a/c (Being amount received on application)		27,000	27,000
	10% preference share application a/c (9,000 × 3) ..... Dr. To 10% preference share capital a/c (9,000 × 3) (Being application money transfer to share capital)		27,000	27,000
	10% preference share allotment a/c (9,000 × 4)..... Dr. To 10% preference share capital a/c (9,000 × 3) To 10% preference share premium a/c (9,000 × 1) (Being amount due on share allotment with premium)		36,000	27,000 9,000
	Bank a/c (8,700 × 4)..... Dr. Calls in arrear a/c (300 × 4) ..... Dr. To 10% preference share allotment a/c (9,000 × 4) (Being amount received on share allotment with calls in arrears 300 shares)		34,800 1,200	36,000
	10% preference share first and final call a/c (9,000 × 4)..... Dr. To 10% preference share capital a/c (9,000 × 4) (Being amount due on share first and final call)		36,000	36,000
	Bank a/c (8,700 × 4)..... Dr. Calls in arrear a/c (300 × 4) ..... Dr. To 10% preference share first and final call a/c (9,000 × 4) (Being amount received on share first and final call with calls in arrears 300 shares)		34,800 1,200	36,000

#### Over Subscription

#### FULL REJECTION OF EXCESS APPLICATION

12. Lucky Co. Ltd. invited applications for 100,000 shares of Rs. 10 each payable as follows. Rs. 3 on application; Rs. 4 on allotment; Rs. 3 on first and final call

120,000 shares were applied for. The Board of Directors accepted applications for 100,000 shares and rejected the remaining applications. All the money was duly received.

Required: Journal entries

Ans: Refunded Rs. 60,000

## Solution

## Journal entries in the books of Lucky Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (120,000 × 3)..... Dr. To Share application a/c (120,000 × 3) (Being share application money received on 120,000 shares)		360,000	360,000
	Share application a/c (120,000 × 3)..... Dr. To Share capital a/c (100,000 × 3) To Bank a/c (20,000 × 3) (Being application money transferred to share capital and excess money refund)		360,000	300,000 60,000
	Share allotment a/c (100,000 × 4) ..... Dr. To Share capital a/c (100,000 × 4) (Being share allotment amount due on 100,000 shares)		400,000	400,000
	Bank a/c (100,000 × 4)..... Dr. To Share allotment a/c (100,000 × 4) (Being amount received share allotment)		400,000	400,000
	Share first and final call a/c (100,000 × 3) ..... Dr. To Share capital a/c (Being share first and final call money due)		300,000	300,000
	Bank a/c (100,000 × 3)..... Dr. To Share first and final call a/c (100,000 × 3) (Being share first and final call money received)		300,000	300,000

13. Palpa Company issued 10,000 shares of Rs. 100 each at par payable as Rs. 30 on application Rs. 50 on allotment and balance Rs. 20 on first and final call. Applications were received for 18,000 shares. The company rejected the applications for 8,000 shares and the application money of such shares was returned. Remaining shares were allotted to the applicants on which all the money due were properly received.

Required: Entries for above transactions.

Ans: Refund = Rs. 240,000

## Solution

## Journal entries in the book of Palpa Company

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (18,000 × 30)..... Dr. To Share application a/c (Being share application money received)		540,000	540,000
	Share application a/c ..... Dr. To Share capital a/c (10,000 × 30) To Bank a/c (8,000 × 30) (Being share application money transferred to share capital account and excess money refund)		540,000	300,000 240,000
	Share allotment a/c (10,000 × 50)..... Dr. To Share capital a/c (Being share allotment money due)		500,000	500,000
	Bank a/c ..... Dr. To Share allotment a/c (Being share allotment money received)		500,000	500,000
	Share first and final call a/c..... Dr. To Share capital a/c (Being share first and final call money due)		200,000	200,000
	Bank a/c ..... Dr. To Share first and final call a/c (Being share first and final call money received)		200,000	200,000

**Excess Application Rejection and Pro-rata Allotment**

14. A company issued 10,000 shares of Rs. 100 each, payable as follows:

On application .....	Rs. 30 per share
On allotment .....	Rs. 40 per share
First and final call.....	Rs. 30 per share

Applications were received for 16,000 shares. No allotment was made to 1,000 shares. Rest allotted on pro-rata basis. All money were duly received except a holder holding 100 shares, failed to pay on first and final call money.

Required: Journal entries for: (a) Application (b) Allotment (c) First and final call

Ans: Excess money transferred to allotment = Rs. 150,000; Refunded = Rs. 30,000, Calls-in-arrear on first and final call = Rs. 3,000

Solution

**Journal entries in the book of A Company**

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
a.	Bank a/c (16,000 × 30) ..... Dr. To Share application a/c		480,000	480,000
	Share application a/c ..... Dr. To Share capital a/c (10,000 × 30) To Share allotment a/c (5,000 × 30)		480,000 300,000 150,000	30,000
	To Bank a/c (1,000 × 30)			
b.	Share allotment a/c (10,000 × 40) ..... Dr. To Share capital a/c		400,000	400,000
	Bank a/c (400,000 - 150,000) ..... Dr. To Share allotment a/c		250,000	250,000
c.	Share first and final call a/c (10,000 × 30) ..... Dr. To Share capital a/c		300,000	300,000
	Bank a/c [(10,000 - 100) × 30] ..... Dr. Calls in arrear a/c (100 × 30) ..... Dr.		297,000 3,000	
	To Share first and final call a/c			300,000

5. Lalitpur Co. Ltd. issued for public subscription 10,000 equity shares of Rs. 10 each at premium of Rs. 2 per share payable as Rs. 3 on application, Rs. 5 on allotment and Rs. 4 on first and final call. Applications were received for 20,000 shares. Allotments were made on pro-rata basis to 15,000 shares. The remaining applications were rejected. Money overpaid on application was utilized towards sum due on allotment.

Required: Journal entries.

Ans: Excess money transferred to allotment = Rs. 15,000; Refunded = Rs. 15,000

Solution

**Journal entries in the book of Lalitpur Co. Ltd.**

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (20,000 × 3) ..... Dr. To Equity share application a/c (Being application money received on 20,000 shares @ Rs. 3 each)		60,000	60,000
	Equity share application a/c (20,000 × 3) ..... Dr. To Share capital a/c (10,000 × 3) To Share allotment a/c (5,000 × 3) To Bank a/c (5,000 × 3) (Being share application money transferred to share capital and excess amount transfer to allotment and refund others)		60,000 30,000 15,000 15,000	
	Share allotment a/c (10,000 × 5) ..... Dr. To Share capital a/c (10,000 × 3) To Share premium a/c (10,000 × 2) (Being amount due on 10,000 share at premium Rs. 5)		50,000 30,000 20,000	
	Bank a/c (50,000 - 15,000) ..... Dr. To Share allotment a/c (Being amount received on 10,000 share)		35,000	35,000

Share first and final call a/c ( $10,000 \times 4$ ) .....	Dr.	40,000	40,000
To Share capital a/c (Being amount due on 10,000 share @ Rs. 4)			
Bank a/c .....	Dr.	40,000	40,000
To Share first and final call a/c (Being amount received on 10,000 shares)			

16. Zambo Co. Ltd. issued 10,000 shares of Rs. 10 each at premium of Rs. 2 payable as Rs. 3 on application Rs. 5 on allotment (including premium) and balance when required. Applications were received for 20,000 shares. The company decided to reject 5,000 shares and remaining shares were allotted on pro-rata basis. All money was duly received but Mr. A who was holding 200 shares failed to pay allotment money.

**Required:** Journal entries.

Ans: Calls in arrear = Rs. 700 (allotment)

#### Solution

##### Journal entries in the book of Zambo Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ( $20,000 \times 3$ ) ..... Dr. To Share application a/c (Being application amount received on 20,000 shares @ Rs. 3 each)		60,000	60,000
	Share application a/c ( $20,000 \times 3$ ) ..... Dr. To Share capital a/c ( $10,000 \times 3$ ) To Share allotment a/c ( $5,000 \times 3$ ) To Bank a/c ( $5,000 \times 3$ ) (Being amount received on 20,000 share other excess transferred to allotment and refunded)		60,000	30,000 15,000 15,000
	Share allotment a/c ( $10,000 \times 5$ ) ..... Dr. To Share capital a/c ( $10,000 \times 3$ ) To Share premium a/c ( $10,000 \times 2$ ) (Being amount due on share allotment on 10,000 shares @ Rs. 5 each including premium)		50,000	30,000 20,000
	Bank a/c [ $(10,000 \times 5) - 15,000 - 700$ ] ..... Dr. Calls in arrear a/c ..... Dr. To Share allotment a/c ( $50,000 - 15,000$ ) (Being amount required in allotment with on arrear adjustment on 200 shares)		34,300 700	35,000

#### Working notes:

$$\text{Calls in arrear on 200 shares} = \frac{50,000 - \text{Rs. } 15,000}{10,000 \text{ shares}} \times 200 \text{ shares} = \text{Rs. } 700$$

#### Mixed Allotment

17. Dolakha Co. Ltd. issued 8,000 shares of Rs. 100 each payable as under:

On application .....	Rs. 20
On allotment .....	Rs. 30
On first and final call .....	Rs. 50

Applications were made by public for 11,000 shares and allotments were made on the following basis.

To applicants for 6,000 shares .....	Full
To applicants for 4,000 shares .....	50%
To applicants for 1,000 shares .....	Rejected

All excess amount paid on application is to be adjusted against amount due on allotment and subsequent calls. The share were fully called and paid up except one shareholder (from full allotment group) to whom 150 shares were allotted, failed to pay the allotment and call money.

**Required:** Journal entries for share application, share allotment and share first and final call.

Ans: Calls in arrears: On allotment = Rs. 4,500, on calls = Rs. 7,500

Solution

## Journal entries in the book of Dolakha Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (11,000 × 20) ..... Dr. To Share application a/c ..... (Being share application money received)		220,000	220,000
	Share application a/c ..... Dr. To Share capital a/c (8,000 × 20) To Share allotment a/c (2,000 × 20) To Bank a/c (1,000 × 20) (Being share application money transferred to share capital account and extra amount were rejected and advance on allotted)		220,000 160,000 40,000 20,000	
	Share allotment a/c (8,000 × 30) ..... Dr. To Share capital a/c ..... (Being share allotment money due)		240,000	240,000
	Bank a/c ..... Dr. Calls in arrear a/c (150 × 30) ..... Dr. To Share allotment a/c ..... (Being share allotment money received and non-payment share were calls in arrear)		195,500 4,500	200,000
	Share first and final call a/c ..... Dr. To Share capital a/c (8,000 × 50) (Being share first and final call money due)		400,000	400,000
	Bank a/c ..... Dr. Calls in arrear a/c (150 × 50) ..... Dr. To Share first and final call a/c ..... (Being share first and final call money received and non-payment shares were calls in arrears)		392,500 7,500	400,000

18. Hetuada Company issued 10,000 shares of Rs. 100 each at a premium of Rs. 10 per share payable as under:

On application ..... Rs. 40  
On allotment ..... Rs. 50 (Including Premium)  
On First and Final call ..... Rs. 20

Applications were received for 25,000 shares. The allotments were made as follows:

To the applicants of 5,000 shares ..... 5,000 shares  
To the applicants of 12,000 shares ..... 5,000 shares  
To the applicants of 8,000 shares ..... Nil

It is resolved that the excess amount paid on application is to be adjusted against amount due on allotment and call. All the monies were duly received.

Required: Entries for

- Application
- Allotment
- First and final call.

Ans: Amount transferred to allotment Rs. 250,000 and F/F call Rs. 30,000

Solution

## Journal entries in the books of Hetuada Company

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
a.	Application: Bank a/c (25,000 × 40) ..... Dr. To Share application a/c ..... (Being share application money received)		10,00,000	10,00,000
	Share application a/c ..... Dr. To Share capital a/c (10,000 × 40) To Share allotment a/c (5,000 × 50) To Share first and final call a/c (5,000 × 6)		10,00,000 4,00,000 2,50,000 30,000	

	To Bank a/c ( $8,000 \times 40$ ) (Being application money transferred to share capital a/c, share allotment a/c, share first and final call a/c and rejected application money refunded)	3,20,000
b.	Share allotment: Share allotment a/c ( $10,000 \times 50$ ) ..... Dr. To Share capital a/c ( $10,000 \times 40$ ) To Share premium a/c ( $10,000 \times 10$ ) (Being share allotment money made due)	5,00,000 4,00,000 1,00,000
	Bank a/c ( $5,00,000 - 2,50,000$ ) ..... Dr. To Share allotment a/c (Being share allotment money received)	2,50,000 2,50,000
c.	Share first and final call: Share first and final call a/c ( $10,000 \times 20$ ) ..... Dr. To Share capital a/c (Being share first and final call money made due)	2,00,000 2,00,000
	Bank a/c ( $200,000 - 30,000$ ) ..... Dr. To Share first and final call a/c (Being share first and final call money received)	1,70,000 1,70,000

19. Chitwan Company Ltd. was registered with a capital of Rs. 20,00,000 divided into 20,000 shares of Rs. 100 each. 10,000 shares were issued at 10% premium payable as under:

On application ..... Rs. 30  
On allotment ..... Rs. 50 (including premium)  
On first and final call ..... Rs. 30

Applications were received for 20,000 shares. No allotments were made for 5,000 shares. Remaining shares were allotted as under:

<u>Share applied group</u>	<u>Shares allotted</u>
5,000	5,000
10,000	5,000

All the calls were made and the call monies were duly received. However, a shareholder holding 1000 shares from 5000 shares applied group, paid the full value of shares on allotment and another shareholder holding 1000 shares from 10,000 shares applied group failed to pay the first and final call.

Required: Journal entries for:

- Application
- Allotment
- First and final call

Ans: Calls in advance on allotment Rs. 30,000; Calls in arrears on first and final call = Rs. 30,000

### Solution

#### Journal entries in the books of Chitwan Company Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
(a)	Application Bank a/c ( $20,000 \times 30$ ) ..... Dr. To Share application a/c (Being share application money received)		600,000	600,000
	Share application a/c ..... Dr. To Share capital a/c ( $10,000 \times 30$ ) To Share allotment a/c ( $5,000 \times 30$ ) To Bank a/c ( $5,000 \times 30$ ) (Being application money transferred to share capital a/c, share allotment a/c and rejected application money refunded)		600,000 300,000 150,000 150,000	300,000 150,000 150,000
(b)	Allotment Share allotment a/c ( $10,000 \times 50$ ) ..... Dr. To Share capital a/c ( $10,000 \times 40$ ) To Share premium a/c ( $10,000 \times 10$ ) (Being share allotment money made due at premium) Bank a/c ( $350,000 + (1000 \times 30)$ ) To Share allotment a/c To Calls in advance a/c ( $1000 \times 30$ ) (Being share allotment and calls in advance money received)		500,000 380,000	400,000 100,000 350,000 30,000

(c)	First and final call Share first and final call a/c ( $10,000 \times 30$ ) ..... Dr.	300,000	
	To Share capital a/c ..... Dr.		300,000
	(Being share first and final call money made due)		
	Bank a/c [ $300,000 - (1000 \times 30) - (10,000 \times 30)$ ] ..... Dr.	240,000	
	Calls in advance a/c ( $1000 \times 30$ ) ..... Dr.	30,000	
	Calls in arrear a/c ( $1000 \times 30$ ) ..... Dr.	30,000	
	To Share first and final call a/c ..... Dr.		300,000
	(Being share first and final money received except on 1,000 shares)		

5. Surkhet Nirman Company issued 75,000 shares of Rs. 100 each at 10% discount payable as follows:

On application ..... Rs. 30 per share  
 On allotment ..... Rs. 30 per share  
 On first and final call ..... Rs. 30 per share  
 Applications were received for 90,000 shares.

Allotment was made as under:

To applicants for 60,000 shares ..... full  
 To applicants for 30,000 shares ..... 50%

The excess money on applications were utilized towards the sum due on allotment. A shareholder to whom 1,000 shares were allotted from pro-rata basis failed to pay the first and final call money.

Required: Journal entries for:

- Allotment
- First and final call

Ans: Calls in arrears on first and final call = Rs. 30,000

Solution

#### Journal Entries in the books of Surkhet Nirman Company

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
(a)	Share allotment: Share allotment a/c ( $75,000 \times 30$ ) ..... Dr. Discount on issue of share a/c ( $75,000 \times 10$ ) ..... Dr. To Share capital a/c ( $75,000 \times 40$ ) ..... Dr. (Being share capital allotment money made due at discount)		22,50,000 7,50,000	30,00,000
	Bank a/c ( $22,50,000 - 4,50,000$ ) ..... Dr. To Share allotment a/c ..... Dr. (Being share allotment money received)		18,00,000	18,00,000
(b)	Share first and final call Share first and final call a/c ( $75,000 \times 30$ ) ..... Dr. To Share capital a/c ..... Dr. (Being share first and final call money made due)		22,50,000	22,50,000
	Bank a/c ( $22,50,000 - 1,000 \times 30$ ) ..... Dr. Calls in arrear a/c ( $1,000 \times 30$ ) ..... Dr. To Share first and final call a/c ..... Dr. (Being share first and final call money received except on 1,000 shares)		22,20,000 30,000	22,50,000

21. Shivam Company Ltd. issued 15,000 shares of Rs. 100 each at a discount of 10% payable as under:

On application ..... Rs. 40  
 On allotment ..... Rs. 20  
 On first and final call ..... Rs. 30

Application applied by public for 24,000 shares. It was allotted on the following basis.

Group A ..... applied for 9,000 .....	Full
Group B ..... applied for 12,000 .....	6,000
Group C ..... applied for 3,000 .....	Nil

According to prospectus of the company, excess amount received on application is adjusted toward allotment and subsequent calls. One shareholder, who was holding 300 shares belonging to group B, failed to pay allotment and call money.

Required: Journal entries for:

- Share application

- b. Share allotment  
c. Share first and final call

Ans: Calls in arrears: On allotment = Nil, On first and final call = Rs. 3,000

### Solution

## Working notes:

Share applied	Share allotted	Share application money received	Share application money transfer to share capital	Share allotment transfer	Share first and final	Balance refund
24,000	15,000	Rs. 40	Rs. 40	Rs. 20	Rs. 30	-
A 9,000	9,000	360,000	360,000	-	-	-
B 12,000	6,000	480,000	240,000	120,000	120,000	-
C 3,000	-	120,000	-	-	-	120,000
		960,000	600,000	120,000	120,000	120,000

$$(a) \text{ No. of shares applied} = \frac{\text{Pro-rata share applied}}{\text{Pro-rata share allotted}} \times 100 = \frac{12,000}{6,000} \times 300 = 600$$

(b) Share applied  $\times$  Application money:  $600 \times 40$  ..... 24 000

(c) Actual share allotment  $\times$  Application money:  $300 \times 40$  ..... 12 000

(d) Excess on application money..... 12,000

(e) Actual share x Allotment money ( $300 \times 20$ )..... 6,000

(f) Excess on allotment ..... 6,000

(g) Actual share  $\times$  First and final call ( $300 \times 30$ )..... 9,000

(h) Amount not received (Calls in arrear on first and final call) (g - f)..... 3,000

OR

= No. of default shares × (Amount due per share – Excess application money per share)

$$= 300 \times \left( \text{Rs. } 20 - \frac{\text{Rs. } 120,000}{6,000} \right) = 0$$

$$\text{Calls in arrear on first and final call} = 300 \times \left( \text{Rs. } 30 - \frac{\text{Rs. } 120,000}{6,000} \right) = \text{Rs. } 3,000$$

### **Journal entries in the book of Shivam Company Ltd.**

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
a.	Bank a/c ( $24,000 \times 40$ ) ..... Dr. To Share application a/c (Being share application money received)		960,000	960,000
	Share application a/c ..... Dr. To Share capital a/c ( $15,000 \times 40$ ) To Share allotment a/c ( $6,000 \times 20$ ) To First and final call a/c To Bank a/c (Being share application money transferred to share capital account and excess money were adjusted)		960,000 600,000 120,000 120,000 120,000	
b.	Share allotment a/c ( $15,000 \times 20$ ) ..... Dr. Discount on issue of shares a/c ( $15,000 \times 10$ ) To Share capital a/c ( $15,000 \times 30$ ) (Being share allotment money due including discount)		300,000 150,000	450,000
c.	Bank a/c ..... Dr. To Share allotment a/c ( $300,000 - 120,000$ ) (Being share allotment money received)		180,000	180,000
	Share first and final call a/c ( $15,000 \times 30$ ) ..... Dr. To Share capital a/c (Being share first and final call money due)		450,000	450,000
	Bank a/c ( $450,000 - 120,000 - 3,000$ ) ..... Dr. Calls in arrear a/c ( $9,000 - 6,000$ ) ..... Dr. To Share first and final call a/c ( $450,000 - 120,000$ )		327,000 3,000	

(Being share first and final call money received and non-payment shares were calls in arrears)		330,000
22. Shree Company Ltd. offered to the public 20,000 equity shares of Rs. 10 each and 2,000 10% preference share of Rs. 100 each payable as under.		

	Equity Shares	Preference Shares
On application	Rs. 2	Rs. 25
On allotment	Rs. 3	Rs. 40
On first and final call	Rs. 5	Rs. 35

The public applied for 20,000 equity shares and 1,800 preference shares. All the applicants were accepted in full. All money were duly received except the amount due on call on 200 equity shares and 50 preferences shares.

Required: Journal entries.

Ans: Calls in arrear: Equity shares Rs. 1,000; Preference shares = Rs. 1,750

Solution

#### Journal entries in the books of Shree Company Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ..... Dr. To Equity share application a/c (20,000 × 2) To Pref. share application a/c (1,800 × 25) (Being amount received on application)		85,000 40,000 45,000	
	Equity share application a/c (20,000 × 2) ..... Dr. Preference share application a/c (1,800 × 25) ..... Dr. To Equity share capital a/c (20,000 × 2) To 10% Preference share capital a/c (1,800 × 25) (Being equity share and preference share application money transfer to share capital)		40,000 45,000	40,000 45,000
	Equity share allotment a/c (20,000 × 3) ..... Dr. Preference share allotment a/c (1,800 × 40) ..... Dr. To Equity share capital a/c To Preference share capital a/c (Being allotment money due on equity share and preference share)		60,000 72,000	60,000 72,000
	Bank a/c ..... Dr. To Equity share allotment a/c (20,000 × 3) To 10% Preference share allotment a/c (1,800 × 40) (Being equity share and 10% preference shares allotment money released)		132,000	60,000 72,000
	Equity share first and final call a/c (20,000 × 5) ..... Dr. Preference share first and final call a/c (1,800 × 35) ..... Dr. To Equity share capital a/c To 10% Preference share capital a/c (1,800 × 35) (Being equity share and 10% preference share first and final call money due)		100,000 63,000	100,000 63,000
	Bank a/c ..... Dr. Calls in arrear (Equity share) (200 × 5) ..... Dr. Calls in arrear (Preference share) (50 × 35) ..... Dr. To Equity share first and final call a/c (20,000 × 5) To Preference share first and final call a/c (1,800 × 35) (Being equity share and 10% preference share first and final call money received)		160,250 1,000 1,750	100,000 63,000

#### Issue of Share Other than Cash

23. Nimesh Ltd. took over the following assets and liabilities at an agreed purchase price of Rs. 500,000:
- |                 |             |                             |             |
|-----------------|-------------|-----------------------------|-------------|
| Building .....  | Rs. 200,000 | Plant and machinery .....   | Rs. 120,000 |
| Debtors .....   | 150,000     | Furniture and fixture ..... | 50,000      |
| Creditors ..... | 100,000     | Bills receivable .....      | 30,000      |
- Towards this, the company issued 5,000 shares of Rs. 100 each.
- Required: Journal entries for purchasing business
- Ans Purchase price = Rs. 500,000; Goodwill = Rs. 50,000

Solution

## Journal entries in the books of Nimesh Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Building a/c .....	Dr.	200,000	
	Plant and machinery a/c .....	Dr.	120,000	
	Debtors a/c .....	Dr.	150,000	
	Furniture and fixture a/c .....	Dr.	50,000	
	Bills receivable a/c .....	Dr.	30,000	
	Goodwill a/c (Balance figure) .....	Dr.	50,000	
	To Creditors a/c			100,000
	To Vendor a/c			500,000
	(Being assets and liabilities taken over)			
	Vendor a/c .....	Dr.	500,000	
	To Share capital a/c ( $5,000 \times 100$ )			
	(Being 5,000 shares of Rs. 100 each issued to vendor)			500,000

24. Sandesh Co. Ltd. issued 10,000 shares of Rs. 100 each at par for the purchase of the following assets and liabilities.

Land and building .....	Rs. 525,000	Plant and machinery .....	Rs. 300,000
Sundry creditors .....	200,000	Sundry debtors .....	150,000
Outstanding expenses .....	30,000	Inventories .....	330,000

Required: Journal entries

Ans: Purchase price = Rs. 10,00,000; Capital reserve = Rs. 75,000

Solution

## Journal entries

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Land and building a/c .....	Dr.	525,000	
	Plant and machinery a/c .....	Dr.	300,000	
	Sundry debtors a/c .....	Dr.	150,000	
	Inventories a/c.....	Dr.	330,000	
	To Sundry creditors a/c			200,000
	To Outstanding expenses			30,000
	To Vendor a/c			10,00,000
	To Capital reserve a/c (Balancing figure)			75,000
	(Being assets and liabilities taken over)			
	Vendor a/c .....	Dr.	10,00,000	
	To Share capital a/c ( $10,000 \times 100$ )			
	(Being issue of shares in favour of Vendor Co.)			10,00,000

25. Nitesh Co. Ltd. purchased the following assets and liabilities by issuing 12,000 shares of Rs. 100 each at a premium of Rs. 20 per share.

Land and building .....	Rs. 750,000	Plant and machinery .....	Rs. 300,000
Stock in trade .....	200,000	Sundry debtors .....	150,000
Sundry creditors .....	175,000	Bills receivable .....	30,000

The company also issued 5,000 additional shares at par for cash. All money were duly received and paid.

Required: Journal entries for purchasing of assets and liabilities and issue of new shares.

Ans: Purchase price = Rs. 14,40,000; Goodwill = Rs. 1,85,000

Solution

## Journal entries in the book of Nitesh Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Land and building a/c .....	Dr.	750,000	
	Plant and machinery a/c .....	Dr.	300,000	
	Stock in trade a/c .....	Dr.	200,000	
	Sundry debtors a/c .....	Dr.	150,000	
	Bills receivable a/c .....	Dr.	30,000	
	Goodwill a/c (B/F) .....	Dr.	185,000	
	To Sundry creditors a/c			175,000
	To Vendors a/c ( $12,000 \times 120$ )			14,40,000
	(Being assets and liabilities taken over)			

Vendor a/c (12,000 × 120)	Dr.	14,40,000	
To Share capital a/c (12,000 × 100)			12,00,000
To Share premium a/c (12,000 × 20)			240,000
(Being issue of shares at premium in favour of Vendor Co.)			
Bank a/c	Dr.	500,000	
To Share capital a/c (5,000 × 100)			500,000
(Being 5,000 shares of Rs. 100 issued at par)			

26. Prayash Co. Ltd. purchased following assets and liabilities by issuing 7,000 shares of Rs. 100 each issued at discount of Rs. 10 per share.

Building	Rs. 400,000	Machinery	Rs. 200,000
Creditors	40,000	Outstanding expenses	..... 45,000
Prepaid expenses	30,000	Inventories	130,000

The company also issued 3,000 shares of Rs. 100 each at premium of Rs. 10 each for cash.

**Required:** Journal entries.

Ans: Purchase price = Rs. 630,000; Capital reserve = Rs. 45,000

Solution

#### Journal entries

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Building a/c .....	Dr.	400,000	
	Machinery a/c .....	Dr.	200,000	
	Prepaid expenses a/c .....	Dr.	30,000	
	Inventories a/c .....	Dr.	130,000	
	To Capital reserve a/c (Bal. fig.)			45,000
	To Outstanding expenses a/c			45,000
	To Creditors a/c			40,000
	To Vendor a/c (7,000 × 90)			630,000
	(Being assets and liabilities taken over)			
	Vendor a/c (7,000 × 90) .....	Dr.	630,000	
	Discount on issue of shares a/c (7,000 × 10) .....	Dr.	70,000	
	To Share capital a/c (7,000 × 100)			700,000
	(Being 7,000 shares issued to Vendor Co. at Rs. 90 each)			

27. A company issued 3,000, 5% preference shares of Rs. 100 each to Y Ltd. to purchase the following assets:

Land and building .....	Rs. 1,50,000
Plant and machinery .....	Rs. 1,00,000
Stock in trade .....	Rs. 70,000

It also issued 5,000 equity shares of Rs. 100 each at par.

**Required:** Journal entries for assets purchased and issue of equity shares.

Ans: Purchase price = Rs. 300,000; Capital reserve = Rs. 20,000

Solution

#### Journal entries in the book of A Company

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Land and building a/c .....	Dr.	150,000	
	Plant and machinery a/c .....	Dr.	100,000	
	Stock in trade a/c .....	Dr.	70,000	
	To Y Ltd. a/c (3,000 × 100)			300,000
	To Capital reserve (B/F)			20,000
	(Being assets taken over and amount payable to Y Ltd.)			
	Y Ltd. a/c .....	Dr.	300,000	
	To 5% Preference Share capital (3,000 × 100)			300,000
	(Being 3,000 preference shares issued to Y Ltd. at par)			
	Bank a/c .....	Dr.	500,000	
	To Equity share capital (5,000 × 100)			500,000
	(Being issued equity shares at par for cash)			

**Redemption of Preference Shares**

28. A company decided to redeem 20,000 preference shares of Rs. 100 each at 10% premium. The redemption was made according to the following situations
- 60% of the issue was redeemed out of profit.
  - The remaining issue was redeemed by issuing 20,000 equity at 10% premium.
- Required: Journal entries

Solution

**Journal entries**

Date	Particulars	L/F	Debit (Rs.)	Credit (Rs.)
	Redeemable Preference Share Capital a/c (20,000 × Rs.100).....Dr. Premium on Redemption a/c (20,000 × Rs.10) .....Dr. To Preference Shareholders a/c (20,000 × Rs.110) (For the amount made due to preference shareholders)		20,00,000 2,00,000	22,00,000
	Bank a/c (20,000 × Rs.110) .....Dr. To Equity Share Capital a/c (20,000 × Rs.100) To Share Premium a/c (20,000 × Rs.10) (For issue of equity shares at premium)		22,00,000	20,00,000 2,00,000
	Profit and Loss Appropriation a/c (12,000 × Rs.110).....Dr. To Capital Redemption Reserve a/c (12,000 × Rs.100) To Premium on Redemption a/c (12,000 × Rs.10) (For utilization of profit for the redemption of preference shares)		13,20,000	12,00,000 1,20,000
	Share Premium a/c (2,00,000 – 1,20,000).....Dr. To Premium on Redemption a/c (For the utilization of share premium for the redemption of preference shares)		80,000	80,000
	Preference Shareholders a/c (20,000 × Rs.110).....Dr. To Bank a/c (For the amount paid to preference shareholders)		22,00,000	22,00,000

29. Civil Company Ltd. has 10,000, 5% preference shares of Rs. 100 each. The company decided to redeem the shares at par.
- Out of profit
  - Issuing new equity shares of Rs. 100 each at (i) par (ii) 10% premium

Solution

**Journal entries**

Date	Particulars	L/F	Debit (Rs.)	Credit (Rs.)
a.	Profit and Loss a/c (10,000 × Rs.100) .....Dr. To Capital Reduction Reserve a/c (For utilization of profit for redemption of preference shares)		10,00,000	10,00,000
	5% Redeemable Preference Share Capital a/c (10,000 × Rs.100).....Dr. To Preference Shareholders a/c (For the amount made due to preference shareholders)		10,00,000	10,00,000
	Preference Shareholders a/c (10,000 × Rs.100) .....Dr. To Bank a/c (For the amount paid to preference shareholders)		10,00,000	10,00,000
b.	Bank a/c (10,000 × Rs.100) .....Dr. To Equity share capital a/c (10,000 × Rs.100) (For issue of equity shares at par)		10,00,000	10,00,000
	5% Redeemable Preference Share Capital a/c (10,000 × Rs.100).....Dr. To Preference Shareholders a/c (For the amount made due to preference shareholders)		10,00,000	10,00,000
	Preference Shareholders a/c (10,000 × Rs.100) .....Dr. To Bank a/c (For the amount paid to preference shareholders)		10,00,000	10,00,000
	Bank a/c (10,000 × Rs.110) .....Dr. To Equity Share Capital a/c (10,000 × Rs.100) To Share Premium a/c (10,000 × Rs.10) (For issue of equity shares at premium)		11,00,000	10,00,000 1,00,000

5% Redeemable Preference Share Capital a/c (10,000 × Rs.100)..... Dr.		10,00,000	
To Preference shareholders a/c (For the amount made due to preference shareholders)			10,00,000
Preference Shareholders a/c (10,000 × Rs.100)..... Dr.		10,00,000	
To Bank a/c (For the amount paid to preference shareholders)			10,00,000

30. You have been provided with the following balance sheet items

10,000; 7% Preference shares of Rs. 100 each .....	Rs. 10,00,000
Less: Calls-in-arrears @Rs. 20 each.....	Rs. 20,000
	Rs. 9,80,000

General Reserve ..... Rs. 5,00,000

The shares of the defaulters were forfeited. The remaining shares were redeemed at 10% premium. For the purpose of redemption, 5,000 equity shares were issued at 10% premium.

Required: Journal Entries.

Solution

#### Journal entries in the books of ...

Date	Particulars	L/F	Debit (Rs.)	Credit (Rs.)
	7% Preference Share Capital a/c (1,000 × Rs.20)..... Dr. To Preference Share Forfeiture a/c (1,000 × Rs.80) To Calls-in-arrears a/c (1,000 × Rs.20) (Being forfeiture of preference shares)		2,00,000	80,000 20,000
	Bank a/c (5,000 × Rs.110)..... Dr. To Equity Share Capital a/c (5,000 × Rs.100) To Share Premium a/c (5,000 × Rs.10) (For issue of equity shares at premium)		5,50,000	5,00,000 50,000
	General Reserve a/c..... Dr. To Capital Redemption Reserve a/c (Being utilization of general reserve for the redemption of preference shares)		4,00,000	4,00,000
	7% Preference Share Capital a/c (9,000 × Rs.100)..... Dr. Premium on redemption a/c (9,000 × Rs.10) To Preference Shareholder a/c (9,000 × Rs.110) (Being the amount made payable to preference shareholders for the redemption of preference shares)		9,00,000 90,000	9,90,000
	Preference Shareholders a/c..... Dr. To Bank a/c (For payment made to preference shareholders for the redemption of preference shares)		9,90,000	9,90,000
	Share Premium a/c ..... Dr. General Reserve a/c ..... Dr. To Premium on Redemption of Preference Shares a/c (Being utilization of share premium and general reserve to provide for the premium on redemption of preference shares)		50,000 40,000	90,000

#### Issue of Debentures on Instalment

31. Samyak Ltd. issued 20,000 15% debentures of Rs. 100 each at a premium of 20% payable, as follows:

On application .....	Rs. 25
On allotment (including premium) .....	Rs. 45
On first and final call .....	Rs. 50

The issue was fully subscribed allotment was made accordingly. Assume that all the payments were duly received.

Required: Journalize the above transactions in the books of Samyak Ltd.

Solution

#### Journal entries in the books of Samyak Ltd.

Date	Particulars	L/F	Debit (Rs.)	Credit (Rs.)
	Bank a/c (20,000 × 25)..... Dr. To 15% Debenture application a/c (Being debenture application money received on 20,000 debenture, 15%)		500,000	500,000

	debenture Rs. 25 each)	@		
	15% Debenture application a/c .....	Dr.	500,000	500,000
	To 15% Debenture a/c (Being application money transferred to 15% debenture a/c)			
	15% Debenture allotment a/c .....	Dr.	900,000	500,000
	To 15% Debenture (20,000 × 25) To 15% Debenture premium a/c (20,000 × 20) (Being debenture allotment money due including premium)			400,000
	Bank a/c .....	Dr.	900,000	900,000
	To 15% Debenture allotment a/c (Being money received on allotment)			
	15% Debenture first and final call a/c (20,000 × 50) .....	Dr.	1,000,000	1,000,000
	To 15% Debenture a/c (Being due on debenture call a/c)			
	Bank a/c .....	Dr.	1,000,000	1,000,000
	To 15% Debenture first and final call a/c (Being money received on call a/c)			

**Issue and Redemption of Debentures**

32. Mero Co. Ltd. issued 2,000, 7% debenture of Rs. 1,000 each at par redeemable at 10% discount.  
Required: Journal entries for issue and redemption of debentures.

Solution

Journal entries in the books of Mero Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (2,000 × Rs. 1,000)..... Dr. To 7% Debenture a/c (Being debenture issued at par repayable at discount)		20,00,000	20,00,000
	7% Debenture a/c (2,000 × Rs. 1,000)..... Dr. To Debentureholders' a/c (2,000 × Rs. 900) To Discount on redemption of debenture a/c (2,000 × Rs. 100) (Being 7% debenture made due for redemption)		20,00,000	18,00,000 2,00,000
	Debentureholders' a/c (2,000 × Rs. 900) ..... Dr. To Bank a/c (Being redemption of debentures at discount)		18,00,000	18,00,000

33. Sagarmatha Co. Ltd. issued Rs 10,00,000, 6% debenture at 10% discount redeemable at 5% discount.

Required: Journal entries for issue and redemption of debentures.

Solution

Journal entries in the books of Sagarmatha Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
2	Bank a/c ..... Dr. Discount on issue of debenture a/c..... Dr. To 6% Debenture a/c ..... Dr. (Being debentures issued at discount redeemable at discount )		9,00,000 1,00,000	10,00,000
	6% Debentures a/c ..... Dr. To Debentureholder's a/c ..... Dr. To Discount on redemption of debenture A/c (Being the amount of debentures made due for redemption)		10,00,000	9,50,000 50 000
	Debentureholders' a/c..... Dr. To Bank a/c (Being redemption of debenture)		9,50,000	9 50 000

34. A Ltd. issued 20,000, 8% debenture of Rs. 100 each at 10% premium, repayable after 10 years at 5% discount.

Required: Journal entries for issue and redemption of debentures.

Solution

## Journal entries in the books of A Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (20,000 × Rs. 110) ..... Dr. To 8% Debenture a/c (20,000 × Rs. 100) To Premium on issue of debenture a/c (20,000 × Rs. 10) (Being debenture issued at premium redeemable at discount)		22,00,000	
	8% Debenture A/c (20,000 × Rs. 100) ..... Dr. To Debentureholders' a/c (20,000 × Rs. 95) To Discount on redemption A/c (20,000 × Rs. 5) (Being debenture made due for redemption)		20,00,000 19,00,000 1,00,000	20,00,000 2,00,000
	Debentureholders' a/c ..... Dr. To Bank a/c (Being redemption of debenture)		19,00,000	19,00,000

5. Shreejan Co. Ltd. issued Rs. 2,00,000, 6% debenture of Rs. 1,000 each at par redeemable at par.

Required: Journal entries for issue and redemption of debentures.

Solution

## Journal entries in the books of Shreejan Co. Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ..... Dr. To 6% Debenture a/c (Being debenture issued at par redeemable at par)		2,00,000	2,00,000
	6% Debenture a/c ..... Dr. To Debentureholder's a/c (Being the amount of debentures made due for redemption)		2,00,000	2,00,000
	Debentureholders' a/c ..... Dr. To Bank a/c (Being redemption of debenture)		2,00,000	2,00,000

36. Nepal Telecom issued 10,000, 4% debentures of Rs. 10 at 10% discount repayable at par.

Required: Journal entries for issue and redemption of debentures.

Solution

## Journal entries in the books of Nepal Telecom

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (10,000 × Rs. 9) ..... Dr. Discount on issue of debenture a/c (10,000 × Re. 1) ..... Dr. To 4% Debenture a/c (Being debentures issued at discount redeemable at par )		90,000 10,000	
	4% Debenture a/c (10,000 × Rs. 10) ..... Dr. To Debentureholder's a/c (Being the amount of debentures made due for redemption)		1,00,000	1,00,000
	Debentureholders' a/c ..... Dr. To Bank a/c (Being redemption of debentures at par)		1,00,000	1,00,000

37. Pravik Co. issued 20,000, 5% debentures of Rs. 100 each at 10% premium, repayable after 10 year at par.

Required: Journal entries for issue and redemption of debentures.

Solution

## Journal entries in the books of Pravik Co.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c (20,000 × Rs. 110) ..... Dr. To 5% Debenture a/c (20,000 × Rs. 100) To Premium on issue of debenture a/c (20,000 × Rs. 10) (Being debenture issued at premium redeemable af par)		22,00,000 20,00,000 2,00,000	
	5% Debenture a/c (20,000 × Rs. 100) ..... Dr. To Debentureholder's a/c (20,000 × Rs. 100) (Being the amount of debentures made due for redemption)		20,00,000	20,00,000

	Debentureholders' a/c .....	Dr.	20.00.000	20.00.000
	To Bank a/c (Being redemption of debentures at par)			

38. Garima Co. issued 5,000, 12% debenture of Rs. 100 each at par redeemable at 3% premium.

Required: Journal entries for issue and redemption of debentures.

Solution

Journal entries in the books of Garima Co.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ( $5,000 \times \text{Rs. } 100$ ) ..... Dr.		5,00,000	
	Loss on issue of debenture a/c ( $5,000 \times \text{Rs. } 3$ ) ..... Dr. To 12% Debenture a/c ( $5,000 \times \text{Rs. } 100$ )		15,000	5,00,000
	To Premium on redemption of debenture a/c ( $5,000 \times \text{Rs. } 103$ ) (Being debentures issued at par redeemable at premium )			15,000
	12% Debenture a/c ( $5,000 \times \text{Rs. } 100$ ) ..... Dr.		5,00,000	
	Premium on redemption of debenture a/c ( $5,000 \times \text{Rs. } 3$ ) ..... Dr. To Debentureholder's a/c ( $5,000 \times \text{Rs. } 103$ ) (Being the amount of debentures made due for redemption)		15,000	5,15,000
	Debentureholders' a/c ..... Dr. To Bank a/c (Being redemption of debentures at premium)		5,15,000	5,15,000

39. Tamakoshi Ltd. issued 10,000, 10% debentures of Rs. 10 at 10% premium and redeemable at 4% premium.

Required: Journal entries for issue and redemption of debentures.

Solution

Journal entries in the books of Tamakoshi Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ( $10,000 \times \text{Rs. } 11$ ) ..... Dr.		110,000	
	Loss on issue of debentures a/c ( $10,000 \times \text{Rs. } 0.4$ ) ..... Dr. To 10% Debenture a/c ( $10,000 \times \text{Rs. } 10$ )		4,000	100,000
	To Premium on redemption of debenture a/c ( $10,000 \times \text{Re. } 0.4$ ) To Premium on issued of debentures a/c ( $10,000 \times \text{Re. } 1$ ) (Being debentures issued at premium redeemable at premium)			4,000 10,000
	10% Debenture a/c ( $10,000 \times \text{Rs. } 10$ ) ..... Dr.		1,00,000	
	Premium on redemption of debenture a/c ( $10,000 \times \text{Re. } 0.4$ ) ..... Dr. To Debentureholder's a/c ( $10,000 \times \text{Rs. } 10.4$ ) (Being the amount of debentures made due for redemption)		4,000	1,04,000
	Debentureholders' a/c ..... Dr. To Bank a/c (Being redemption of debentures at premium)		1,04,000	1,04,000

40. ABC Finance Ltd. issued 100,000, 10% debenture of Rs. 10 at 10% discount repayable at 10% premium.

Required: Journal entries for issue and redemption of debentures.

Solution

Journal entries in the books of ABC Finance Ltd.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ( $1,00,000 \times \text{Rs. } 9$ ) ..... Dr.		9,00,000	
	Discount on issue of debenture a/c ( $1,00,000 \times \text{Re. } 1$ ) ..... Dr.		1,00,000	
	Loss on issue of debenture a/c ( $1,00,000 \times \text{Re. } 1$ ) ..... Dr. To 10% debenture a/c		1,00,000	
	To Premium on redemption of debenture a/c (Being debentures issued at discount redeemable at premium )			10,00,000 1,00,000
	10% Debenture a/c ( $1,00,000 \times \text{Rs. } 10$ ) ..... Dr.		10,00,000	
	Premium on redemption of debenture a/c ( $1,00,000 \times \text{Re. } 1$ ) ..... Dr. To Debentureholder's a/c ( $1,00,000 \times \text{Rs. } 11$ ) (Being the amount of debentures made due for redemption)		1,00,000	11,00,000
	Debentureholders' a/c ..... Dr.		100,000	

To Bank a/c  
(Being redemption of debentures at par)

1,00,000

**Redemption of debentures by conversion**

41. Baglung Ltd. redeemed 1,000, 15% debentures of Rs. 100 each at par by converting them into equity shares of Rs. 10 each issued at par.

Required: Redemption entries

Solution

**Journal Entries**

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	15% debentures a/c (1,000 × Rs. 100)..... Dr.		100,000	
	To Debentureholders a/c (Being the amount due to the debentureholders)			100,000
	Debentureholders a/c (1,000 × Rs. 100)..... Dr.		100,000	
	To Equity share capital (10,000 : Rs. 10) (Being equity share of Rs. 10 each issued to debentureholders)			100,000

42. A Ltd. converted 450, 10% debenture of Rs. 100 each into shares of Rs. 100 each at Rs. 90 fully paid up.

Required: Redemption entries

Solution

**Journal Entries**

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	10% Debenture a/c (450 × Rs. 100)..... Dr. To Debentureholders (450 × Rs. 100) (Being debenture amount made due for conversion)		45,000	45,000
	Debentureholders a/c (450 × Rs. 100)..... Dr.		45,000	
	Discount on issue of shares a/c (500 × Rs. 10)..... Dr. To Equity share capital a/c (500 × Rs. 100) Being conversion of debenture into share capital)		5,000	50,000

43. Baraha Co Ltd. redeemed 2,400 debentures of Rs. 100 each at Rs. 110 by converting them into equity shares of Rs. 10 each issued at a discount of 4%.

Required: Redemption entries

Solution

**Journal Entries**

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Debentures a/c (2,400 × Rs. 100)..... Dr. Premium on redemption of debenture a/c (2,400 × Rs. 10)..... Dr. To Debentureholders a/c (2,400 × Rs. 110) (Being the amount due to debentureholders)		240,000 24,000	264,000
	Debentureholders a/c (2,400 × Rs. 110)..... Dr. Discount on issue of share a/c (27,500 : Rs. 0.4)..... Dr. To Equity share capital a/c (27,500 × Rs. 10) (Being the issue of equity share of Rs. 10 each at 4% discount to debentureholders)		264,000 11,000	275,000

44. Ram & Co. Ltd. Issued 2,500 debentures of Rs. 100 each at a discount of 10%, before 10 years. This year the company has decided to convert 500 debentures into equity share of Rs. 100 each at Rs. 125. 500 debentures into new 8% debentures of Rs. 100 each at 20% discount. The remaining debentures were redeemed in cash.

Required: Entries for issue, conversion and redemption.

Solution

## Journal Entries

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Debenture a/c ..... Dr. To Debentureholders a/c (Being amount payable to 2,500 debentures made due @ Rs. 100 per debenture for redemption by conversion and by paying cash)		250,000	250,000
	Debentureholders' a/c ..... Dr. To Equity share capital a/c (400 × Rs. 100) To Share premium a/c (400 × Rs. 25) (Being conversion of 500 debentures into 400 equity shares of Rs. 125 per share)		50,000 40,000 10,000	

Notes: Since the problem is silent about the amount repayable on each debenture, it is to be assumed at price par i.e. Rs. 100 each.

Working notes:

- a: Amount payable to 500 debenture @ Rs. 100..... 50,000
- b: Value of equity share (100 + 25)..... 125
- c: No. of equity share to be issued (a ÷ b)..... 400

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Debentureholders' a/c ..... Dr.		50,000	
	Debenture discount a/c (625 × Rs. 20)..... Dr. To 8% Debenture a/c (625 × Rs. 100)		12,500	
	(Being 500 debentures being converted into 625 new 8% debenture of Rs. 100 each at a discount of 20%)			62,500

Working notes:

- a: Amount payable to 500 debenture @ Rs. 100..... 50,000
- b: Value of 8% debenture (100 – 20)..... 80
- c: No. of debenture to be issued (a ÷ b)..... 625

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Debentureholders' a/c ..... Dr. To Cash a/c (Being 1500 debentures being redeemed by paying cash)		1,50,000	1,50,000

**Issue of debentures at collateral security**

45. A Ltd. secured a loan of Rs. 120,000 from the Nepal Bank Ltd. by issue of 1500, 15% debentures of Rs. 100 each as collateral security.

Required: Journal entries for issue of debentures and balance sheet.

Ans: Loan from Nepal bank: Rs. 120,000, Debenture suspense Rs. 150,000; B/S Total = Rs. 2,70,000

Solution

First method: In this method, no entry is passed for issue of debenture issued as collateral security and it is a disclose in the balance sheet.

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c ..... Dr. To Loan from Nepal Bank Ltd. (Being loan taken from bank)		120,000	120,000

Balance Sheet			
Liabilities	Amount	Assets	Amount
Secured loan: ..... Loan from Nepal Bank Ltd. .... (Secured by issue of 15% Debentures of Rs. 150,000)	120,000	Current assets Loans and advance Cash at bank .....	120,000
	120,000		120,000

Second method: When journal entry is passed for issue of debentures issued as collateral security.

## Journal Entries

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Bank a/c To Loan from Nepal Bank Ltd. (Being loan taken from bank)	Dr.	120,000	120,000
	Debentures suspense a/c To 15% Debentures a/c (Being 1500, 15% debentures of Rs. 100 each issued as collateral security)	Dr.	150,000	150,000

## Balance Sheet

Liabilities	Amount	Assets	Amount
Secured loan		Current assets	
Loan from Nepal Bank Ltd.....	120,000	Loans and advance	
(Secured by issue of 15% Debentures of Rs. 150,000)		Cash at bank .....	120,000
1500, 15% Debentures of Rs. 100 each .....	150,000	Miscellaneous expenses.....	
	270,000	Debenture suspense .....	150,000
			270,000

**Issue of debentures for other than cash**

46. Manakamana Ltd. purchased assets of book value of Rs. 198,000 from Shiva Co Ltd. it was agreed that purchase consideration be paid by issuing 15% Debentures of Rs. 100 each.

**Required:** Journal entries in the books of Manakamana Ltd. if debentures are issued:

(a) At par (b) At premium of 10% (c) At discount of 10%

Ans: (a) 1,980 debenture (b) 1,800 debenture (c) 2,200 debenture

Solution

## Journal Entries

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
Case a	Assets a/c ..... Dr. To Shiva Co. Ltd. (Vendor) a/c (Being assets purchased)		198,000	198,000
	(At par) Shiva Co. Ltd. a/c ..... Dr. To 15% Debentures a/c (Being allotment of 1980 debenture of Rs. 100 each at par to Shiva Co. Ltd.)		198,000	198,000
Case b	(At premium) Shiva Co. Ltd. a/c ..... Dr. To 15% Debenture a/c To Debenture premium a/c (Being 1800 debentures of Rs. 100 each issued at premium of 10% to vendor)		198,000	180,000 18,000
	(At discount) Shiva Co. Ltd. a/c ..... Dr. Discount on issue of debenture a/c..... Dr. To 15% Debentures a/c (Being 2,200 debenture of Rs. 100 each issued at discount of 10% to the vendor)		198,000 22,000	220,000

Working notes:

At Par: No. of debentures =  $\frac{198,000}{100} = 1980$  debentures

At premium of 10%: No. of debentures =  $\frac{198,000}{100 + 10} = 1800$  debentures

At discount of 10%: No. of debentures =  $\frac{198,000}{100 - 10} = 2,200$  debentures

47. Nepalgunj Co. Ltd. took over assets of Rs. 240,000 and liabilities of Rs. 30,000 of Singh Co. Ltd. for the purchase consideration of Rs. 220,000. Purchase consideration was payable by issuing debentures of Rs. 100 at 10% premium.

**Required:** Entries of issue of debenture

Ans: Goodwill Rs. 10,000; No. of debenture 2,000

### Solution

#### Journal Entries

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
	Sundry assets a/c ..... Dr.		2,40,000	
	Goodwill a/c ..... Dr.		10,000	
	To Liabilities a/c			30,000
	To Singh Co. Ltd.			220,000
	(Being purchase of assets and liabilities of Singh Co. Ltd.)			
	Singh Co. Ltd. a/c ..... Dr.		220,000	
	To Debenture a/c			200,000
	To Premium on issue of debenture a/c			20,000
	(Being 2,000 debenture issued as consideration for purchase of business at 10% premium)			

#### Working notes

$$\text{No. of debentures} = \frac{220,000}{110} = 2,000 \text{ debentures}$$

The purchase consideration is Rs. 220,000 against net assets being valued (240,000 – 30,000) Rs. 210,000. The difference of Rs. 10,000 is goodwill i.e. (220,000 – 210,000)

48. Jaya Mata Industrial Ltd. purchased assets of Rs. 10,00,000 and liabilities worth Rs. 400,000 of a Vendor Company. Pass necessary journal entries for the purchase. If Jaya Mata Industries Ltd. agrees to issue 15% debenture in full settlement of the claim of the Vendor company for

- (a) Rs. 600,000 (b) Rs. 650,000 (c) Rs. 550,000

Required: Journal entries.

Ans: (b) Goodwill Rs. 50,000 (c) Capital reserve Rs. 50,000

### Solution

#### Journal Entries

Date	Particulars	LF	Debit (Rs.)	Credit (Rs.)
a. (i)	Sundry assets a/c ..... Dr.		10,00,000	
	To Sundry liabilities a/c			400,000
	To Vendor Company's a/c			600,000
	(Being purchase of business from vendor company)			
(ii)	Vendor Company's a/c ..... Dr.		600,000	
	To 15% Debentures a/c			600,000
	(Being issue of 15% debenture at par)			
b. (i)	Sundry assets a/c ..... Dr.		10,00,000	
	Goodwill a/c ..... Dr.		50,000	
	To Sundry liabilities			400,000
	To Vendor Company's a/c			650,000
	(Being purchase of business)			
(ii)	Vendor Company's a/c ..... Dr.		650,000	
	To 15% Debenture a/c			650,000
	(Being debenture issued to vendor company)			
c. (i)	Sundry assets a/c ..... Dr.		10,00,000	
	To Sundry liabilities a/c			400,000
	To Vendors Company's a/c			550,000
	To Capital Reserve a/c			50,000
	(Being purchase of business)			
(ii)	Vendor Company's a/c ..... Dr.		550,000	
	To 15% Debentures a/c			550,000
	(Being debentures issued to Vendor Company)			