

Marginal Costing

Specimen of Cost Sheet or Statement of Cost

for the year ended

Particulars	Total Cost	Cost per unit
	Rs	Rs
Direct Materials:		
Opening Stock of Raw Materials		
Add: Purchases of Raw Materials		
Less: Closing Stock of Raw Materials		
Cost of Raw Materials Consumed		
Direct Labour		
Prime Cost		
Add: Work Overhead or Factory Overheads		
Factory Cost Incurred		
Add: Opening Stock of Work-in-progress		
Less: Closing Stock of Work-in-progress		
Factory or Works or Manufacturing Cost		
Add: Office and Administration Overheads		
Cost of Production		
Add: Opening Stock of finished goods		
Less: Closing Stock of finished goods		
Cost of Goods Sold		
Add: Selling and Distribution Overheads		
Cost of Sales or Total Cost		
Profit		
Sales		

Q1. Following information has been obtained for the records of ABC Manufacturing Company:

1.1.2011 31.12.2011

Rs Rs

Stock of Raw Materials	40,000	50,000
Stock of Finished Goods	1,00,000	1,50,000
Stock of Work-in-Progress	10,000	14,000

Transactions during six months are:

	Rs		Rs
Indirect Labour	50,000	Administrative expenses	1,00,000
Lubricants	10,000	Power	30,000
Insurance on Plant	3,000	Direct Labour	3,00,000
Purchase of raw materials	4,00,000	Depreciation on Machinery	50,000
Sale commission	60,000	Factory Rent	60,000
Salaries of salesmen	1,00,000	Property tax on factory building	11,000
Carriage outward	20,000	Sales	12,00,000

Prepare a Cost Sheet and Profit showing (a) Cost of Raw Materials consumed; (b) Prime Cost; (c) Total Manufacturing Cost; (d) Factory Manufacturing Cost; (e) Cost of Production; (f) Cost of Goods Sold; (g) Cost of Sales; and (h) Profit.

[Ans: Rs 3,90,000; Rs 6,90,000; Rs 9,04,000; Rs 9,00,000; Rs 10,00,000; Rs 9,50,000; Rs 11,30,000; & Rs 70,000]

Q2. From the following information calculate the BEP:

Variable cost per unit Rs12; Fixed expenses Rs 60,000 and Selling price per unit Rs18. [Ans: 10,000 units]

Q3. Form the following particulars; find out the selling price per unit if BEP is to be brought down to 9,000 units:

Variable cost per unit Rs 75; Fixed expenses Rs 2,70,000 and Selling price per unit Rs100. [Ans: Rs105]

Q4. From the following data calculate BEP and also the new BEP if selling price is reduced by 10%:

Fixed expenses: Depreciation RS 1,00,000 and Salaries Rs 1,00,000.

Variable expenses: Materials Rs 3 per unit and Labour RS 2 per unit.

[Ans: BEP=10,000 unit and New BEP= 50,000 units]

Q5. Sales Rs 1,00,000; Profit Rs 10,000; and Variables cost 70%. Find out (i) P/V ratio, (ii) Fixed cost, and (iii) Sales Volume to earn a profit of Rs 40,000.
 [Ans: (i) 30%; (ii) Rs 20,000; and (iii) Rs 2,00,000]

Q6. The turnover and profit during two years were as follows:

Year	Sales(Rs)	Profit(Rs)
2010	1,40,000	15,000
2011	1,60,000	20,000

You are required to calculate: (i) P/V ratio; (ii) Break-even point; (iii) Sales required to earn a profit of Rs 40,000; (iv) Profit when sales are Rs 1,20,000; (v) Margin of safety at a profit of Rs 40,000; and (vi) Variables costs of the two periods.

[Ans: (i) 25%; (ii) Rs 80,000; (iii) Rs 2,40,000; (iv) Rs 10,000; (v) Rs 1,60,000; and (vi) Rs 1,05,000 & Rs 12,00,000]

Q7. From the following particulars calculate (i) Contribution; (ii) P/V ratio; (iii) Break Even Point in units and in rupees; and (iv) What will be the selling price per unit if the break-even point is brought down to 25,000 units?

Fixed Expenses Rs 1,50,000; Variables Cost per unit Rs 10; and Selling Price per unit Rs 15.

[Ans: (i) Rs 5; (ii) 33 1/3 %; (iii) 30,000 units and Rs 4,50,000; and (iv) Rs 16]

Q8. From the following data you are required to calculate:

- (a) P/V Ratio;
- (b) Break-even sales; and
- (c) Sales required to earn a profit of Rs 4,50,000.

Fixed expenses Rs 90,000.

Variables cost per unit:

Direct Materials Rs 5;

Direct Labour Rs 2;

Direct Overhead 100% of Direct Labour; and

Selling Price per unit Rs 12.

[Ans: (a) 25%; (b) Rs 3,60,000; and (c) Rs 21,60,000]

Q9. A company has fixed expenses of Rs 90,000 with sales at Rs 3,00,000 and a profit of Rs 60,000 during the first half year. If in the next half year, the company suffered a loss of Rs 30,000, calculate:

- (a) The P/V ratio, break-even point and margin of safety for the first half year.
- (b) Expected sales volume for next half year assuming that selling price and fixed expenses remain unchanged.
- (c) The Break-even point and margin of safety for the whole year.

[Ans: (a) Rs 1,80,000 and Rs 1,20,000; (b) Rs 1,20,000, and (c) Rs 3,60,000 and Rs 60,000]

Q10. A company manufacturing one type of commodity, selling at Rs 20 per unit, has the capacity to produce 40,000 units. The budget for the year ending 31st December, 2012 predicts sales of 32,000 units. The costs of each unit are expected to be:

Materials	Rs 6
Wages	Rs 4
Overheads	Rs 2
Fixed cost for the year are expected to be	Rs 2,40,000

(a). Calculate the BEP for the year.

(b). What profit can expect during the year, assuming that the opening and closing stocks remained constant?

(c). If management are willing to invest Rs 2,00,000 with an expected return of 20%, how many units must be produced to achieve this?

(d). If, by reducing the selling price to Rs 19, extra sales can be expected, what must be the volume of production and sales to achieve the same profits as in (c) above?

[Ans: Rs 6,00,000; Rs 16,000; 35,000 units and 40,000 units]

Q11. Sunita Manufacturing Company produces chairs. An analysis of their accounting reveals:

Fixed cost Rs 50,000 for the year.

Variable cost Rs 20 per chair.

Capacity 2,000 chairs per year.

Selling price Rs 70 per chair.

Calculate:

- (i) BEP.
- (ii) The number of chairs to be sold to get a profit of Rs 30,000.
- (iii) What will be the answer for (i) and (ii) if selling price changes to Rs 60 per chair?
- (iv) If the company can manufacture 600 chairs more per year with an additional fixed cost of Rs 2,000, what should be the selling price to maintain the profit per chair as at (ii) above?

[Ans: 1,000 chairs; 1,600 chairs; 1,250 chairs and 2,000 chairs; Rs 58.75]

Q12. The Uttam Industries specialise in the manufacture of small capacity motors. The cost structure of a motor is as under:

Material	Rs 50
Labour	Rs 80
Variable overhead	75% of labour cost

Fixed overhead of the company amount to Rs 2,40,000 p.a. The sale price of the motor is Rs 230 each.

Required:

(a) Determine the number of motors that have to be manufactured and sold in a year in order to break-even.

(b) How many motors have to be made and sold to make a profit of Rs 1,00,000 per year?

(c) If the sale price is reduced by Rs 15 each, how many motors have to be sold to break-even?

Practice Questions:

Cash Book

Krishna Dutta

Q1. Journalise the following transactions, post them in the ledger and balance them.

2011

- Jan 1 : Amit started business with cash Rs.50,000.
Jan 2 : Deposit into bank Rs. 20,000.
Jan 3 : Purchased machinery for Rs.5,000 from Shyam and gave him a cheque for the amount.
Jan 12 : Purchased goods for cash Rs. 1,500.
Jan 15 : Purchased goods from Nathan on credit Rs. 2,500.
Jan 20 : Sold goods for Rs. 3,500.
Jan 25 : Sold goods to Rita on credit for Rs.4,500.
Jan 26 : He paid wages Rs. 1500 and Rent Rs.1,000.
Jan 27 : He received commission Rs.1,200.
Jan 27 : Received cash from Rita Rs. 4,300 and discount allowed to him Rs.200.
Jan 28 : Sent to Nathan in full settlement a cheque for Rs. 2,450.

Q2. Journalise the following transactions, post them in the ledger and balance them.

2011

- April 1 : Vishal commenced business with Rs.1, 50,000.
April 2 : He Deposit cash into bank Rs.1, 00,000.
April 3 : He purchased Furniture for Rs.55, 000 and payment made by issue a cheque.
April 8 : He purchased goods from Vijay on credit Rs. 25, 000.
April 16 : He sold goods to Robin on credit for Rs:45,000.
April 20 : He paid insurance in advance Rs.1, 000.
April 23 : He withdrew goods for personal use Rs.2, 500.
April 26 : He paid to Vijay by cheque Rs. 24,500 in full settlement of his account.
April 28 : Robin returned goods Rs. 1, 500.
April 30 : He paid salaries Rs.5,000 and commission Rs. 1,000.

Q3. Record the following transaction of Mr. Arup in triple column cash book:

2011

- April 1 : Commenced business with Rs.12,500 in cash.
April 3 : Deposited office cash in the bank Rs. 1,000.
April 4 : Bought furniture and issue cheque Rs.2,000.
April 8 : Purchased goods for cash Rs.500.
April 12 : Received cash from Mahindra Rs.980.
April 12 : Discount allowed to him Rs.20.
April 14 : Cash sales Rs.4,000.
April 16 : Paid to Amit by cheque Rs.1,450.
April 16 : Discount received Rs.50.
April 19 : Paid into bank Rs.400.
April 23 : Withdrawn from bank for private expenses Rs.600.
April 24 : Received cheque from Peter 1,430.
April 24 : Allowed him discount Rs.20.
April 26 : Deposited Peter's cheque into bank.
April 28 : Withdrew cash from bank for office use Rs 2,000.
April 30 : Paid rent by cheque Rs.800.

Q4. Enter the following transactions in a triple column cash book.

- 2011
- Jan 1 : Balance of cash in hand Rs.400 and cash at bank Rs.8,000.
 - Jan 1 : Fresh capital introduced Rs.6,000
 - Jan 2 : Deposited into the bank Rs.5,000.
 - Jan 4 : Sold goods for cash Rs.400
 - Jan 6 : Received from Mohan Rs.1,980 and discount allowed to him Rs.20.
 - Jan 9 : Electricity bill paid by cheque Rs.110.
 - Jan 11 : Machinery purchased Rs.1,200.
 - Jan 14 : Goods purchased from Ram for cash Rs.2,000.
 - Jan 17 : Paid to Rajesh Rs.490 and discount received from him Rs.10.
 - Jan 19 : Withdrawn from the bank for business use Rs.400.
 - Jan 21 : Withdrawn from the bank for private use Rs.600.
 - Jan 22 : Paid rent by cheque Rs.200.
 - Jan 26 : Received from Paul Rs.780 and discount allowed Rs.20.
 - Jan 27 : Received cheque from Partap Rs.390 and discount allowed Rs.10.
 - Jan 29 : Cheque received from Partap sent to the bank.
 - Jan 30 : Deposited into the bank Rs.470.
 - Jan 31 : Paid salaries Rs.600

Q5. Enter the following transactions in the three-columnar cash book.

- 2011
- June 1 : Commenced business with cash Rs.50,000.
 - June 2 : Opened a current account with the Punjab National Bank and deposited Rs.49,000.
 - June 3 : Sold goods for cheque Rs.1,900.
 - June 5 : Paid into the bank by cheque Rs.1,900.
 - June 8 : Paid Ram Lal by cheque Rs.500 and he allowed discount Rs.20.
 - June 10 : Bought goods and paid for them by cheque Rs.2,800.
 - June 12 : Paid cash for stationery Rs.250.
 - June 14 : Bought furniture and paid for the same by cheque Rs.1,450.
 - June 17 : Sold goods for cheque and paid into the bank on the same day Rs.1,800.
 - June 18 : Received from Suresh by cheque Rs.1,650 and allowed him discount Rs.30.
 - June 19 : Received from Parmod by cash Rs.2,000.
 - June 21 : Paid into the bank cash Rs.2,000 and Cheque Rs.1,650.
 - June 24 : Paid trade expenses by cheque Rs.800.

~~June 25~~ : Suresh's cheque returned by bank dishonoured Rs.1,650 and discount charged Rs.30.
~~June 26~~ : Paid Motilal by cheque Rs.1,900 and he allowed discount Rs.100.
~~June 28~~ : Drew from the bank for office use Rs.1,000.
~~June 29~~ : Received from Harish cheque Rs.1,400 and allowed him discount Rs.50.
~~June 30~~ : Endorsed cheque received from Harish in favour of Naresh.
~~June 31~~ : Paid rent for the month by cheque Rs.50.
~~June 31~~ : Paid salary in cash Rs.400 and by cheque Rs.1,800.
~~June 31~~ : Bank charges as per passbook Rs.200.

Q6. Enter the following transactions in suitable cash book

2011
April 1 : Balance of cash in hand Rs.2,000 and in bank Rs.12,000.
April 3 : Received cash from Mohan Rs.1,800 and allowed him discount Rs.50.
April 4 : Cash sales Rs.1,000.
April 5 : Paid into bank RS 1,550.
April 6 : Purchases by cheque Rs.745.
April 8 : Paid cash for freight Rs.54.
April 10 : Drew from the bank for office use Rs.300.
April 12 : Issue cheque in favour of R. K. & Company for Rs.985 and discount allowed by them being Rs.15.
April 15 : Paid into the bank Rs.715.
April 18 : Drew cash for his son's birthday party Rs.175.
April 20 : Received a cheque for Kamal for Rs.380 in full settlement of Rs.400
April 21 : Old Furniture sold for Rs.200.
April 23 : New furniture Purchased for Rs.1,000 and payment made by cheque.
April 25 : Drew for office use Rs.400.
April 26 : Cheque of Kamal dishonoured, bank charges Rs 5. cr
April 28 : Received cheque of Rs.675 from Harish (in full settlement of a debt of Rs.690).
April 30 : Purchased machinery, payment made by cheque Rs.12,000.

Q7. Compile a cash book from the following transactions of consumer's stores:

2011
May 1 : Cash in hand Rs.72 and bank overdraft Rs.1,250.
May 4 : Received from Jaichand a cheque for Rs.1,875 in settlement of his account of Rs.1,950. The cheque was deposited in the bank on the same day.
May 5 : Bought goods and paid by cheque Rs.500.
May 6 : Satinder settled his account of Rs.700 by cheque. This was deposited in the bank immediately.
May 9 : Settled A. Anand's account of Rs.450 by cheque for Rs.420.
May 12 : Cash sales to date Rs.400 of which Rs.300 was deposited in the bank.
May 17 : Sold old typewriter for cash Rs.320.
May 20 : Received a cheque for Rs.400 from Rajiv which was endorsed to Shanti Swaroop on the same day.
May 25 : Received a cheque from D. Arnold for RS.150 in full settlement of his old account of Rs.175.
May 27 : Cheque of D. Arnold was endorsed to Shri Dinesh Chandra.
May 28 : Withdrawn from the bank for office use Rs.100 and for personal use Rs.100.
May 29 : Withdrawn (from office) for payment for private bills Rs.425.
May 30 : Paid by cheque: Salaries Rs.160, Rent and Rates RS.100.
May 31 : Bank charges as per pass book Rs.5

Q8. Enter the following transactions in the cash book with cash, bank and discount column:

2011

- April 1 : Balance of cash in hand Rs.1,400 and overdraft at bank Rs.5,000.
- April 4 : Invested further capital Rs.10,000 out of which Rs.6,000 deposited in the bank.
- April 5 : Sold goods for cash Rs.3,000.
- April 6 : Collected from debtors of last year Rs.8,000, discount allowed to them Rs.200.
- April 10 : Purchased goods for cash Rs.5,500.
- April 11 : Paid Ram Vilas, our creditors, Rs.2,500, discount allowed by him Rs.65.
- April 13 : Commission paid to our agent Rs.530.
- April 14 : Office furniture purchased from Keshav Rs.200.
- April 14 : Rent paid Rs.50.
- April 14 : Electricity charges paid Rs.10.
- April 16 : Drew cheque for personal use Rs.700.
- April 17 : Cash sales Rs.2,500.
- April 18 : Collection from Atal Rs.4,000 deposited in the bank on 19th April.
- April 19 : Drew from bank for office use Rs.500.
- April 22 : Drew cheque from petty cash Rs.150.
- April 24 : Dividend received by cheque Rs.50 deposited in the bank on the same day.
- April 25 : Commission received by cheque Rs.230 deposited in the bank on 28th April.
- April 29 : Drew from the bank for salary of office staff Rs.1,500.
- April 29 : Paid salary of the manager by cheque Rs.500.
- April 30 : Deposited cash in the bank Rs.10,000.

- June 29 : Received from Harish cheque Rs.1,400 and allowed him discount Rs.50.
 June 30 : Endorsed cheque received from Harish in favour of Naresh.
 June 31 : Paid rent for the month by cheque Rs.50.
 June 31 : Paid salary in cash Rs.400 and by cheque Rs.1,800.
 June 31 : Bank charges as per passbook Rs.200.

Q. Enter the following transactions in suitable cash book

- 2013**
- April 1 ✓ Balance of cash in hand Rs.2,000 and in bank Rs.12,000.
 April 3 ✓ Received cash from Mohan Rs.1,800 and allowed him discount Rs.50.
 April 4 ✓ Cash sales Rs.1,000.
 April 5 ✓ Paid into bank RS 1,550.
 April 6 : Purchases by cheque Rs.745.
 April 8 : Paid cash for freight Rs.54.
 April 10 : Drew from the bank for office use Rs.300.
 April 12 : Issue cheque in favour of R. K. & Company for Rs.985 and discount allowed by them being Rs.15.
 April 15 : Paid into the bank Rs.715.
 April 18 : Drew cash for his son's birthday party Rs.175.
 April 20 : Received a cheque for Kamal for Rs.380 in full settlement of Rs.400
 April 21 : Old Furniture sold for Rs.200.
 April 23 : New furniture Purchased for Rs.1,000 and payment made by cheque.
 April 25 : Drew for office use Rs.400.
 April 26 : Cheque of Kamal dishonoured, bank charges Rs 5.
 April 28 : Received cheque of Rs.675 from Harish (in full settlement of a debt of Rs.690).
 April 30 : Purchased machinery, payment made by cheque Rs.12,000.

Q. Enter the following transactions in the cash book with cash, bank and discount column:

- 2013**
- April 1 : Balance of cash in hand Rs.1,400 and overdraft at bank Rs.5,000.
 April 4 : Invested further capital Rs.10,000 out of which Rs.6,000 deposited in the bank.
 April 5 : Sold goods for cash Rs.3,000.
 April 6 : Collected from debtors of last year Rs.8,000, discount allowed to them Rs.200.
 April 10 : Purchased goods for cash Rs.5,500.
 April 11 : Paid Ram Vilas, our creditors, Rs.2,500, discount allowed by him Rs.65.
 April 13 : Commission paid to our agent Rs.530.
 April 14 : Office furniture purchased from Keshav Rs.200.
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 April 18 : Collection from Atal Rs.4,000 deposited in the bank on 19th April.
 April 19 : Drew from bank for office use Rs.500.
 April 22 : Drew cheque fro petty cash Rs.150.
 April 24 : Dividend received by cheque Rs.50 deposited in the bank on the same day.
 April 25 : Commission received by cheque Rs.230 deposited in the bank on 28th April.
 April 29 : Drew from the bank for salary of office staff Rs.1,500.
 April 29 : Paid salary of the manager by cheque Rs.500.
 April 30 : Deposited cash in the bank Rs.10,000.

Practice Questions:

Q. Record the following transaction of Mr. Arup in triple column cash book:

2013

- April 1 : Commenced business with Rs.12,500 in cash.
- April 3 : Deposited office cash in the bank Rs. 1,000.
- April 4 : Bought furniture and issue cheque Rs.2,000.
- April 8 : Purchased goods for cash Rs.500.
- April 12 : Received cash from Mahindra Rs.980.
- April 12 : Discount allowed to him Rs.20.
- April 14 : Cash sales Rs.4,000.
- April 16 : Paid to Amit by cheque Rs.1,450.
- April 16 : Discount received Rs.50.
- April 19 : Paid into bank Rs.400.
- April 23 : Withdrawn from bank for private expenses Rs.600.
- April 24 : Received cheque from Peter 1,430.
- April 24 : Allowed him discount Rs.20.
- April 26 : Deposited Peter's cheque into bank.
- April 28 : Withdrew cash from bank for office use Rs.2,000.
- April 30 : Paid rent by cheque Rs.800.

Q. Enter the following transactions in a triple column cash book.

2013

- Jan 1 : Balance of cash in hand Rs.400 and cash at bank Rs.8,000.
- Jan 1 : Fresh capital introduced Rs.6,000
- Jan 2 : Deposited into the bank Rs.5,000.
- Jan 4 : Sold goods for cash Rs.400
- Jan 6 : Received from Mohan Rs.1,980 and discount allowed to him Rs.20.
- Jan 9 : Electricity bill paid by cheque Rs.110.
- Jan 11 : Machinery purchased Rs.1,200.
- Jan 14 : Goods purchased from Ram for cash Rs.2,000.
- Jan 17 : Paid to Rajesh Rs.490 and discount received from him Rs.10.
- Jan 19 : Withdrew from the bank for business use Rs.400.
- Jan 21 : Withdrew from the bank for private use Rs.600.
- Jan 22 : Paid rent by cheque Rs.200.
- Jan 26 : Received from Paul Rs.780 and discount allowed Rs.20.
- Jan 27 : Received cheque from Partap Rs.390 and discount allowed Rs.10.
- Jan 29 : Cheque received from Partap, sent to the bank.
- Jan 30 : Deposited into the bank Rs.470.
- Jan 31 : Paid salaries Rs.600

Q. Enter the following transactions in the three-columnar cash book.

2013

- June 1 : Commenced business with cash Rs.50,000.
- June 2 : Opened an account with the Punjab National Bank and deposited Rs.49,000.
- June 3 : Sold goods for cheque Rs.1,900.
- June 5 : Paid into the bank by cheque Rs.1,900.
- June 8 : Paid Ram Lal by cheque Rs.500 and he allowed discount Rs.20.
- June 10 : Bought goods and paid for them by cheque Rs.2,800.
- June 12 : Paid cash for stationery Rs.250.
- June 14 : Bought furniture and paid for the same by cheque Rs.1,450.
- June 17 : Sold goods for cheque and paid into the bank on the same day Rs.1,800.
- June 18 : Received from Suresh by cheque Rs.1,650 and allowed him discount Rs.30.
- June 19 : Received from Parmod by cash Rs.2,000.
- June 21 : Paid into the bank cash Rs.2,000 and Cheque Rs.1,650.
- June 24 : Paid trade expenses by cheque Rs.800.
- June 25 : Suresh's cheque returned by bank dishonoured Rs.1,650 and discount charged Rs.30.
- June 26 : Paid Motilal by cheque Rs.1,900 and he allowed discount Rs.100.

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Trading and Profit and Loss Account of _____
for the year ended _____

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Particulars	Amount(Rs)	Particulars	Amount(Rs)
To Opening Stock		By Sales	
To Purchases		(-) Returns Inward or Sales Returns	(—)
(-) Returns Outwards or Purchases Returns (—)		By Closing stock	
To Carriage or Carriage Inwards		By Gross Loss c/d	
To Carriage on Purchases			
To Coal, Gas , Fuel, Water etc			
To Motive Power			
To Freight			
To Manufacturing expenses			
To Octroi duty			
To Custom duty			
To Duty on imported goods			
To Consumable stores			
To Light and Power			
To Wages or Wages and Salaries			
To Factory expenses			
To Royalty			
To Gross Profit c/d			
To Gross Loss b/d		By Gross Profit b/d	
To Rent, Rates and Taxes		By Interest on Investment/ Loan /Bank	
To Office Salaries		By Commission received	
To Printing and Stationery		By Dividends received	
To Postage and Telegram		By Discount allowed	
To Heating and Lighting		By Interest on Drawings	
To Legal Expenses		By Rent from tenants	
To Fire Insurance Premium		By Apprenticeship premium	
To Audit fees		By Insurance claims	
To Establishment charges		By Bad debts recovery	
To Repairs and Maintenance		By Profit on sale of fixed assets	
To General Expenses		By Profit on sale of investment	
To Advertising and Publicity		By Miscellaneous receipts	
To Salesmen's Salaries		By Net Loss transferred to capital a/c	
To Packing expenses			
To Bad debts			
To Godown or Warehouse Rent			
To Export expenses			
To Salesmen's commission			
To Delivery Van's expenses			
To Carriage outwards or carriage on sales			
To Travelling expenses			
To Agent's commission			
To Brokerage			
To Provision for bad debts			
To Interest on capital			
To Interest on debentures and loans			
To Discount allowed			
To Discount on bills			
To Bank Charges			
To Loss by fire			
To Loss on sale of fixed assets			
To Loss by theft			
To Depreciation of fixed assets			
To Net Profit transferred to capital a/c			

Balance Sheet of _____
as at _____

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital	—	Goodwill	
(+) Net Profit	—	Patents, Licenses, Copyrights	
(+) Interest on Capital	—	Land and Building	
(-) Drawing	(—)	Plant and Machinery	
(-) Interest on Drawing	(—)	Furniture and Fixtures	
Reserves, if any		Vehicles	
Debentures		Investments/Government Securities	
Loans		Sundry Debtors	
Sundry Creditors		Bills Receivables	
Bills Payable		Closing Stock or Stock-in-trade	
Bank Overdraft		Prepaid Expenses	
Outstanding Expenses		Outstanding/Accrued Income	
Prepaid Income		Preliminary Expenses	

The following balances were extracted from the books of a trader as on 31st December, 2009.

Debit	Rs.	Credit	Rs.
Opening stock	50,000	Capital	1,05,000
Purchases	1,00,000	Purchase Returns	5,500
Debtors	60,000	Creditors	78,500
Trade expenses	10,000	Bills Payable	14,000
Machinery	60,000	Sales	2,42,000
Insurance	1,800	Commission	4,000
Salaries	4,100		
Buildings	63,000		
Repairs	1,520		
Wages	25,000		
Drawings	8,400		
Cash in hand	1,400		
Cash at Bank	23,780		
Bills Receivable	22,500		
Bad debts	17,500		
	4,49,000		4,49,000

You are required to prepare Final Accounts keeping in view:

- (i) Closing stock Rs. 23,500
- (ii) Salaries outstanding Rs. 450; outstanding Repairs Rs. 750
- (iii) Insurance prepaid Rs. 300
- (iv) Create provision for Bad Debts @ 5% on Sundry Debtors
- (v) Depreciate Machinery by 10% and Building by 15%

Fund Flow Statement

Kurima

Practical Problems on FFS:

Q1. From the following balances extracted from R.C. Company Ltd., as on 31st December, 2009 and 2010, you are required to prepare a schedule of changes in working capital and a funds flow statement.

Liabilities	2009 (Rs)	2010 (Rs)	Assets	2009 (Rs)	2010 (Rs)
Share Capital	1,00,000	1,10,000	Building	40,000	38,000
General Reserves	14,000	18,000	Plant & Machinery	37,000	36,000
P/L Account	16,000	13,000	Investment	10,000	21,000
Creditors	8,000	5,400	Stock	30,000	23,400
Bills Payable	1,200	800	Bills Receivable	2,000	3,200
Provision for Tax	16,000	18,000	Debtors	18,000	19,000
Provision for Doubtful Debts	400	600	Cash at Bank	6,600	15,200
	1,55,600	1,65,800	Preliminary Expenses	12,000	10,000
				1,55,600	1,65,800

Additional Information:

- (i) Depreciation charged on Plant was Rs 4,000.
- (ii) Provision for taxation Rs 19,000 was made during the year 2010.
- (iii) Interim dividend of Rs 8,000 was paid during the year.
- (iv) A piece of machinery was sold for Rs 8,000 during the year 2010. It had cost Rs 12,000, depreciation of Rs 7,000 has been provided on it.

[Increase in WC=Rs 7,000; FFO= Rs 33,000 & FFS=Rs 51,000]

Q2. From the following Balance Sheet of ABC Co. Ltd., you are required to prepare a statement of changes in working capital and a funds flow statement.

Liabilities	31.12.2010 (Rs)	31.12.2011 (Rs)	Assets	31.12.2010 (Rs)	31.12.2011 (Rs)
Equity Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Red. Pref. Share Capital	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
General Reserves	40,000	70,000	Plant	80,000	2,00,000
P/L Account	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	28,000	30,000
Bills Payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for Taxation	40,000	50,000	Cash at Bank	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

Additional Information:

- (i) Depreciation of Rs 10,000 and Rs 20,000 have been charged on plant and Land & Building respectively in 2011.
- (ii) Interim dividend of Rs 20,000 has been paid in 2011.
- (iii) Income Tax of Rs 35,000 has been paid during the year 2011.

[Increase in WC=Rs 51,000; FFO= Rs 2,18,000 & FFS=Rs 3,28,000]

Q3. Following are the comparative Balance Sheet of Good Lock Co. Ltd. as on December, 31,

Liabilities	2011 (Rs)	2010 (Rs)	Assets	2011 (Rs)	2010 (Rs)
Share Capital	11,00,000	10,00,000	Goodwill	40,000	50,000
10% Debentures	3,00,000	5,00,000	Land & Building	6,60,000	4,20,000
General Reserves	2,00,000	2,00,000	Plant & Machinery	8,00,000	6,00,000
P/L Account	1,90,000	1,10,000	Stock	2,10,000	2,50,000
Income Tax Provision	1,10,000	40,000	Debtors	2,40,000	3,00,000
Trade Payable	40,000	50,000	Cash	24,000	3,00,000
Bills Payable	30,000	20,000	Discount on Issue of Debentures	20,000	30,000
Provision for Doubtful Debts	24,000	30,000			
	19,94,000	19,50,000		19,94,000	19,50,000

Additional Information:

- (i) During the year 2011 a part of machinery costing Rs 7,500 (accumulated depreciation thereon being Rs 2,500) was sold for Rs 3,000.
- (ii) Dividend of Rs 1,00,000 was paid during the year ended December, 2011.
- (iii) Income Tax of Rs 50,000 was paid during the year 2011.
- (iv) Depreciation for the year 2011 was provided as follows:-
Land & Building Rs 10,000, and Plant & Machinery Rs 50,000.

You are required to prepare:

- (a) A schedule of changes in working capital. (b) A statement showing the sources and application of funds.

[Decrease in WC=Rs 3,70,000; FFO= Rs 3,82,000 & FFS=Rs 8,55,0000]

Q4. The following are the Balance Sheet of XYZ Co. Ltd. as on December, 31.

Liabilities	2010 (Rs)	2011 (Rs)	Assets	2010 (Rs)	2011 (Rs)
Equity Share Capital	2,40,000	3,00,000	Fixed Assets	2,46,000	2,40,000
15% Debentures	72,000	66,000	Less: Accumulated Depreciation	66,000	90,000
P/L Account	18,000	19,200	Sundry Debtors	1,80,000	1,50,000
Creditors	36,000	42,000	Inventory	1,20,000	1,44,000
Provision for Taxation	58,000	65,200	Investment (Short Term)	60,000	70,000
Proposed Dividend	30,000	34,800	Preliminary Expenses	1,20,000	1,40,000
Outstanding Liabilities of Compensation	75,000	40,800	Goodwill	3,800	3,000
Bills Payable	42,000	21,000	Bank	40,000	30,000
	5,71,000	5,89,000		47,200	52,000
				5,71,000	5,89,000

Additional Information:

- (i) Provision for taxation Rs 38,000 was made during the year 2011.
- (ii) Interim dividend of Rs 20,000 was paid during the year.
- (iii) A part of the fixed assets was sold for Rs 8,000 during the year 2011. It had costed Rs 21,000 depreciation of Rs 16,000 has been provided on it.
- (iv) Debentures of Rs 6,000 were redeemed during 2011 at a premium of 10%.

You are required to prepare:

- (a) a statement of changes in working capital. (b) a statement showing the sources and uses of funds.

[Increase in WC=Rs 1,08,000; FFO= Rs 1,42,400 & FFS=Rs 2,10,400]

Q5. From the following summarised Balance Sheet of ABC Co. Ltd., as at 31st December, 2010 and other information furnished, prepare a Statement of Changes in Working Capital and Funds Flow Statement for the year ended 31st December, 2010.

Liabilities	2010 (Rs)	2009 (Rs)	Assets	2010 (Rs)	2009 (Rs)
Equity Share Capital	2,00,000	50,000	Fixed Assets	4,20,000	2,40,000
12% Red. Preference Share	-----	1,00,000	Investment	15,000	18,000
Reserves and Surplus	3,50,000	1,20,000	Stock	1,60,000	58,500
Secured Loans	-----	1,25,000	Sundry Debtors	92,000	1,37,000
Sundry Creditors	1,90,000	2,25,000	Cash at Bank	1,20,000	1,85,000
Provision for Taxation	75,000	25,000	Prepaid Expenses	8,000	6,500
	8,15,000	6,45,000		8,15,000	6,45,000

Additional Information:

- (i) On 31st December, 2010 accumulated depreciation on fixed assets amounted to Rs 1,20,000 and on 31st December, 2009 to Rs 1,10,000.
- (ii) Machinery costing Rs 10,000 (accumulated depreciation thereon being Rs 5,000) was discarded and written off during 2010. (Rejected)
- (iii) Depreciation written off during 2010 amounted to Rs 15,000.
- (iv) During the year 2010 investments costing Rs 6,000 were sold for Rs 7,000.
- (v) Dividend paid for 2009 was Rs 45,000.
- (vi) Red. Preference shares were redeemed out of profits during the year at a premium of 5%.

[Increase in WC=Rs 28,000; FFO= Rs 3,74,000 & FFS=Rs 5,31,000]

* Distinguish between FFS and Schedule of changes in WC.

Points of Differences	FFS	Schedule of changes in WC
1. Meaning	It tells from where the funds have been derived and the uses to which they have been put.	It shows the increase or decrease in Working Capital due to changes in Current Assets and Current Liabilities.
2. Format	It is prepared both in "T" form or statement.	It is prepared in statement form only.
3. Coverage	It includes all non-current items and net result of current items.	It includes all current items only.
4. Change in Assets and Liabilities.	Increase in the non-current assets and decrease in non-current liability is an application and reverse is a source of funds.	Increase in the current assets and decrease in current liability is an application and reverse is a source of funds.

* Uses of FFS.

1. It explains the financial consequences of business operations.
2. It answers intricate queries.
3. It acts as an instrument of resources.
4. It is a test as to effective or otherwise use of working capital.
5. It helps in lending or borrowing operation and policies.

(Name of the Company)
Statement of Changes in Working Capital

Particulars	Previous Year(Rs)	Current Year(Rs)	Changes in Working Capital	
			Increase(Rs)	Decrease(Rs)
Current Assets:				
Cash-in-hand				
Cash-at-bank				
Bills Receivables				
Sundry Debtors				
Investment (short-term)				
Stock/Inventory/Turnover				
Prepaid Expenses				
Accrued Incomes				
	Total(A)	-	-	
Current Liabilities:				
Bills Payable				
Sundry Creditors				
Outstanding Expenses				
Bank Overdraft				
Short-term Advances				
	Total(B)	-	-	
	Working Capital (A-B)	-	-	
Net Increase/Decrease in Working Capital		-	-	-
		-	-	-

**Funds Flow Statement
for the year ended _____**

Sources of Funds	Amount (Rs)	Application of Funds	Amount(Rs)
Issue of Share Capital		Redemption of Preference Share Capital	
Issue of Debentures		Redemption of Debentures	
Raising of Long-term Loans		Repayment of Long-term Loans	
Receipt from partly paid share, called up		Purchase of Fixed Assets	
Sale of Fixed Assets		Purchase of Investment (long-term)	
Sale of Investment (long-term)		Payment of Dividends	
Non-trading Receipts such as Dividends		Payment of Proposed Dividend	
<i>Net Decrease in Working Capital</i>		Payment of Tax/Taxation	
<i>Funds from Operations</i>		Non-trading payments, if any	
		<i>Net Increase in Working capital</i>	
		<i>Funds lost in Operation</i>	

Calculation of Funds from Operations / Loss in Operations.

Dr	Adjusted Profit and Loss Account		Cr
Particulars	Amount (Rs)	Particulars	Amount(Rs)
To Depreciation of Fixed Assets		By Balance b/d	
To Goodwill Written-off		By Appreciation on Fixed Assets	
To Preliminary Expense written-off		By Dividend received	
To General Reserve, Dividend Equalisation Fund, Sinking Fund etc (transfer)		By Profit on sale of Fixed Assets	
To Loss on sale of Fixed Assets		By Transfer from excess provisions	
To Dividend (including interim dividend)		By Funds from Operations (if Dr>Cr side)	
To Proposed Dividend (made)			
To Provision for Taxation(made)			
To Balance c/d			
<i>To Fund lost in Operation (if Cr >Dr side)</i>			

Practical Problems on FFS:

1. From the following balances extracted from R.C. Company Ltd., as on 31st December, 2009 and 2010, you are required to prepare a schedule of changes in working capital and a funds flow statement.

Liabilities	2009 (Rs)	2010 (Rs)	Assets	2009 (Rs)	2010 (Rs)
Share Capital	1,00,000	1,10,000	Building	40,000	38,000
General Reserves	14,000	18,000	Plant & Machinery	37,000	36,000
P/L Account.	16,000	13,000	Investment	10,000	21,000
Creditors	8,000	5,400	Stock	30,000	23,400
Bills Payable	1,200	800	Bills Receivable	2,000	3,200
Provision for Tax.	16,000	18,000	Debtors	18,000	19,000
Provision for Doubtful Debts.	400	600	Cash at Bank	6,600	15,200
	1,55,600	1,65,800	Preliminary Expenses	12,000	10,000
				1,55,600	1,65,800

Additional Information:

- (i) Depreciation charged on Plant was Rs 4,000.
- (ii) Provision for taxation Rs 19,000 was made during the year 2010.
- (iii) Interim dividend of Rs 8,000 was paid during the year.
- (iv) A piece of machinery was sold for Rs 8,000 during the year 2010. It had cost Rs 12,000, depreciation of Rs 7,000 has been provided on it.

[Increase in WC=Rs 7,000; FFO= Rs 33,000 & FFS=Rs 51,000]

Q2. From the following Balance Sheet of ABC Co. Ltd., you are required to prepare a statement of changes in working capital and a funds flow statement.

Liabilities	31.12.2010 (Rs)	31.12.2011 (Rs)	Assets	31.12.2010 (Rs)	31.12.2011 (Rs)
Equity Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Red. Pref. Share Capital	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
General Reserves	40,000	70,000	Plant	80,000	2,00,000
P/L Account.	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	20,000	30,000
Bills Payable	20,000	16,000	Cash in hand	15,000	10,000
Provision for Taxation	40,000	50,000	Cash at Bank	10,000	8,000
	6,77,000	8,17,000		6,77,000	8,17,000

Additional Information:

- (i) Depreciation of Rs 10,000 and Rs 20,000 have been charged on plant and Land & Building respectively in 2011.
- (ii) Interim dividend of Rs 20,000 has been paid in 2011.
- (iii) Income Tax of Rs 35,000 has been paid during the year 2011.

[Increase in WC=Rs 51,000; FFO= Rs 2,18,000 & FFS=Rs 3,28,000]

Q3. Following are the comparative Balance Sheet of Good Lock Co. Ltd. as on December, 31.

Liabilities	2011 (Rs)	2010 (Rs)	Assets	2011 (Rs)	2010 (Rs)
Share Capital	11,00,000	10,00,000	Goodwill	40,000	50,000
10% Debentures	3,00,000	5,00,000	Land & Building	6,60,000	4,20,000
General Reserves	2,00,000	2,00,000	Plant & Machinery	8,00,000	6,00,000
P/L Account.	1,90,000	1,10,000	Stock	2,10,000	2,50,000
Income Tax Provision	1,10,000	40,000	Debtors	2,40,000	3,00,000
Trade Payable	40,000	50,000	Cash	24,000	3,00,000
Bills Payable	30,000	20,000	Discount on Issue of Debentures	20,000	30,000
Provision for Doubtful Debts	24,000	30,000			
	19,94,000	19,50,000		19,94,000	19,50,000

Additional Information:

- (i) During the year 2011 a part of machinery costing Rs 7,500 (accumulated depreciation thereon being Rs 2,500) was sold for Rs 3,000.
- (ii) Dividend of Rs 1,00,000 was paid during the year ended December, 2011.
- (iii) Income Tax of Rs 50,000 was paid during the year 2011.
- (iv) Depreciation for the year 2011 was provided as follows:-

Land & Building Rs 10,000; and Plant & Machinery Rs 50,000.

You are required to prepare:

- (a) A schedule of changes in working capital. (b) A statement showing the sources and application of funds

Q4. The following are the Balance Sheet of XYZ Co. Ltd. as on December, 31.

Liabilities	2010 (Rs)	2011 (Rs)	Assets	2010 (Rs)	2011 (Rs)
Equity Share Capital	2,40,000	3,00,000	Fixed Assets	2,46,000	2,40,000
15% Debentures	72,000	66,000	Less: Accumulated Depreciation	66,000	90,000
P/L Account	18,000	19,200	Sundry Debtors	1,80,000	1,50,000
Creditors	36,000	42,000	Inventory	1,20,000	1,44,000
Provision for Taxation	58,000	65,200	Investment (Short Term)	60,000	70,000
Proposed Dividend	30,000	34,800	Preliminary Expenses	1,20,000	1,40,000
Outstanding Liabilities of Compensation	75,000	40,800	Goodwill	3,800	3,000
Bills Payable	42,000	21,000	Bank	40,000	30,000
	5,71,000	5,89,000		47,200	52,000
				5,71,000	5,89,000

Additional Information:

- (i) Provision for taxation Rs 38,000 was made during the year 2011.
- (ii) Interim dividend of Rs 20,000 was paid during the year.
- (iii) A part of the fixed assets was sold for Rs 8,000 during the year 2011. It had costed Rs 21,000 depreciation of Rs 16,000 has been provided on it.
- (iv) Debentures of Rs 6,000 were redeemed during 2011 at a premium of 10%.

You are required to prepare:

- (a) a statement of changes in working capital. (b) a statement showing the sources and uses of funds.

[Increase in WC=Rs 1,08,000; FFO= Rs 1,42,400 & FFS=Rs 2,10,400]

Q5. From the following summarised Balance Sheet of ABC Co. Ltd., as at 31st December, 2010 and other information furnished, prepare a Statement of Changes in Working Capital and Funds Flow Statement for the year ended 31st December, 2010.

Liabilities	2010 (Rs)	2009 (Rs)	Assets	2010 (Rs)	2009 (Rs)
Equity Share Capital	2,00,000	50,000	Fixed Assets	4,20,000	2,40,000
12% Red. Preference Share	----	1,00,000	Investment	15,000	18,000
Reserves and Surplus	3,50,000	1,20,000	Stock	1,60,000	58,500
Secured Loans	----	1,25,000	Sundry Debtors	92,000	1,37,000
Sundry Creditors	1,90,000	2,25,000	Cash at Bank	1,20,000	1,85,000
Provision for Taxation	75,000	25,000	Prepaid Expenses	8,000	6,500
	8,15,000	6,45,000		8,15,000	6,45,000

Additional Information:

- (i) On 31st December, 2010 accumulated depreciation on fixed assets amounted to Rs 1,20,000 and on 31st December, 2009 to Rs 1,10,000.
- (ii) Machinery costing Rs 10,000 (accumulated depreciation thereon being Rs 5,000) was discarded and written off during 2010.
- (iii) Depreciation written off during 2010 amounted to Rs 15,000.
- (iv) During the year 2010 investments costing Rs 6,000 were sold for Rs 7,000.
- (v) Dividend paid for 2009 was Rs 45,000.
- (vi) Red. Preference shares were redeemed out of profits during the year at a premium of 5 %.

[Increase in WC=Rs 28,000; FFO= Rs 3,74,000 & FFS=Rs 5,31,000]

Q6. Balance Sheet of M/s Ram and Shyam as on 1st January, 2010 and 31st December 2010 were as follows:

Liabilities	1.1.2010 (Rs)	31.12.2010 (Rs)	Assets	1.1.2010 (Rs)	31.12.2010 (Rs)
Creditors	40,000	44,000	Cash	10,000	7,000
Mrs. Ram's Loan	25,000	----	Debtors	30,000	50,000
Loan for P.N Bank	40,000	50,000	Stock	35,000	25,000
Capital	1,25,000	1,53,000	Machinery	80,000	55,000
			Land	40,000	50,000
			Building	35,000	60,000
	2,30,000	2,47,000		2,30,000	2,47,000

During the year a machine costing Rs 10,000 (accumulate depreciation Rs 3,000) was sold for Rs 5,000. The provision for depreciation against machinery as on 1st January, 2010 was Rs 25,000 and on 31st December, 2010 Rs 40,000. Net profit for the year 2010 amounted to Rs 45,000.

You are required to prepare Funds Flow Statement. [Increase in WC=Rs 3,000; FFO= Rs 65,000 & FFS=Rs 80,000]

* Distinguish between FFS and Schedule of changes in WC.

Points of Differences	FFS	Schedule of changes in WC
1. Meaning	It tells for where the funds have been derived and the uses to which they have been put.	It shows the increase or decrease in Working Capital due to changes in Current Assets and Current Liabilities.
2. Format	It is prepared both in "T" form or statement.	It is prepare in statement form only.
3. Coverage	It includes all non-current items and net current items.	It includes all current items only.
4. Change in Assets and Liabilities.	Increase or decrease in the non-current assets and non-current liability is an	Increase in the current assets and decrease in current liability is an

Practice Problems of Non-Trading Concern / NPO:

1. The following is the summary of cash transactions of the Prince Club for the year ended 31st December, 2010:

Receipts	Rs.	Payments	Rs
To Balance b/d	3,190	By Rent	1,680
To Entrance fees	550	By Wages	2,450
To Subscriptions	18,000	By Lighting charges	720
To Donations	1,650	By Books purchased	2,480
To Life Membership fees	2,500	By Office expenses	4,500
To Interest on Deposits	240	By 8% Fixed Deposits (on 1 st July, 2010)	12,000
To Proceeds of tournament	2,320	By Tournament expenses	2,020
	28,450	By Balance c/d	2,600
			28,450

Other information:

Subscriptions in arrears at the beginning of the year amounted to Rs.350 and at the end of the year Rs.550 were outstanding. The club paid three months rent in advance both in the beginning and at the end of the year. Wages were due at the end of the year Rs 1,500. 50% of donation is to be capitalized. On 31st December, 2009, the club possessed books worth Rs.20,000 and furniture worth Rs.8,500. Provide depreciation on these assets @10% including the purchases during the year.

Prepare Income and Expenditure account for the year ended 31st December, 2010 and the Balance Sheet as on that date.

[Ans: Surplus=Rs 6,205; Capital Fund=Rs 32,460 and B/S= Rs 43,490]

2. The following is the Receipts and Payments account of the Punjabi Bagh Club for the year ended on 31st December, 2010.

Receipts	Rs.	Payments	Rs
To Balance b/d	1,500	By Rent	26,000
To Entrance fees	2,750	By Stationery	15,340
To Subscriptions:		By Wages	26,650
2009	1,000	By Billiards' Table	19,500
2010	84,500	By Repairs	4,030
2011	1,500	By Miscellaneous expenses	7,500
To Locker's Rent	2,500	By Balance c/d	11,980
To Special subscription for L.G's Party.	17,250		
	1,11,000		1,11,000

The following adjustments are to be made:

- (a) Locker's Rent includes Rs.300 for 2009 and Rs.550 is still owing for 2010.
- (b) Subscription unpaid for 2010 Rs.2,400 and Rs.260 for stationery were outstanding.
- (c) Entrance fees are to be capitalised.
- (d) On 1st January, 2010 the club's owned furniture worth Rs.10,000 and computer worth Rs. 29,000.
- (e) Charge depreciation on furniture @10% p.a and computer @25% p.a.

From the above information, prepare an Income and Expenditure account for the year ending 31st December, 2010 and a Balance Sheet as on that date.

[Ans: Surplus=Rs 1,620; Capital Fund=Rs 41,800 and B/S= Rs 65,180]

3. From the following Receipts and Payments account of a club for the year ended 31st December, 2010 and from the information supplied, prepare an Income and Expenditure account for the year ended 31st December, 2010 and the balance sheet as on that date:

Receipts	Rs.	Payments	Rs
To Balance b/d	350	By Salaries	1,400
To Subscriptions:		By General Expenses	300
2009 : 250		By Electric charges	200
2010 : 1,000		By Books	500
2011: 200	1,450	By newspapers	400
To Rent received from the use of hall	700	By Balance c/d	200
To Profit from entertainment	400		
To Sales of newspapers	100		
	3,000		3,000

- (a) The club has 50 members each paying an annual subscription of Rs.25; subscriptions outstanding on 31st December, 2009 were Rs.300.
- (b) On 31st December, 2010 salaries outstanding amounted to Rs.100. Salaries paid in 2010 included Rs.300 for the year 2009.
- (c) On 1st January, 2010 the club owned building valued at Rs.10,000, furniture Rs.1,000 and books Rs.1,000.
- (d) Provide depreciation on furniture and books @10% p.a. and value of building as on 31st December 2010 were Rs 9,500.

[Ans: Deficit=Rs 400; Capital Fund=Rs 12,350 and B/S= Rs 12,250]

4. Following is the Receipts and Payments account of Medical Aid Society for the year ended 31st December, 2010:

Receipts	Rs.	Payments	Rs
To Balance b/d	7,000	By payment for Medicines	30,000
To Subscriptions	50,000	By Doctor's Honorarium	10,000
To Donations	14,500	By Salaries	27,500
To Interest on investment @7% for full year.	7,000	By Sundry Expenses	500
To proceeds from charity show	10,000	By Equipment purchased	15,000
	88,500	By Charity show expenses	1,000
		By Balance c/d	4,500
			88,500

Additional Information (in Rupees):

	on 1 st Jan. 2010	on 31 st Dec. 2010
(i) Subscription due	500	1,000
(ii) Subscription received in advance	1,000	500
(iii) Stock of Medicines	10,000	15,000
(iv) Amount due to Medicine Suppliers	8,000	12,000
(v) Outstanding Salaries	100	150
(vi) Estimated value of Equipment	21,000	30,000
(vii) Buildings (<i>cost less depreciation</i>)	40,000	38,000