

CA FOUNDATION ACCOUNTS

Q: 1 : TRIAL BALANCE (MAY 22, DEC 21, NOV 19)

An inexperienced bookkeeper has drawn up a Trial Balance for the year ended 30th June, 2022.

	Debit (₹)	Credit (₹)
Provision for Doubtful Debts	200	—
Bank Overdraft	1,654	—
Capital	—	4,591
Trade payables	—	1,637
Trade receivables	2,983	—
Discount Received	252	—
Discount Allowed	—	733
Drawings	1,200	—
Office Furniture	2,155	—
General Expenses	—	829
Purchases	10,923	—
Returns Inward	—	330
Rent & Rates	314	—
Salaries	2,520	—
Sales	—	16,882
Inventory	2,418	—
Provision for Depreciation on Furniture	364	—
Total	24,983	25,002

Required:

Draw up a 'Corrected' Trial Balance, debiting or crediting any residual errors to a Suspense Account.

SOL:

Trial Balance as on 30th June, 2022

Heads of Accounts	Debit ₹	Credit ₹
Provision for Doubtful Debts	—	200
Bank overdraft	—	1,654
Capital	—	4,591
Trade payables	—	1,637
Trade receivables	2,983	—
Discount Received	—	252
Discount allowed	733	—
Drawings	1,200	—
Office furniture	2,155	—
General Expenses	829	—
Purchases	10,923	—
Returns Inward	330	—
Rent & Rates	314	—
Salaries	2,520	—
Sales	—	16,882
Inventory	2,418	—
Provision for Depreciation on Furniture	364	—
Suspense Account (Balancing figure)	1,175	—
Total	25,580	25,580

Q: 2 : CASH BOOK (Y.Y.Y.Y.Y)

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

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

SOL.

Petty Cash Book									
Date 2022	Receipts	Amount ₹	Date 2022	Payments	Total Amount ₹	Stationery ₹	Travelling ₹	Misc Exps ₹	Repairs ₹
Sept. 7	To Balance b/d	134.90	7	By Stationery	49.80	49.80			
	To Reimbursement	365.10	8	By Misc. Expenses	20.90		20.90		
			9	By Repairs	156.70			156.70	
			10	By Travelling	68.50		68.50		
			11	By Stationery	71.40				71.40
			12	By Misc. Expenses	6.30		6.30		
			13	By Repairs	48.30			48.30	
					421.90	121.20	68.50	27.20	205.00
						78.10			
						599.00			
	To Balance b/d	78.10							

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

	2022		₹
April	1	Received ₹ 20,000 for petty cash	
*	2	Paid auto fare	500
*	3	Paid cartage	2,500
*	4	Paid for Postage & Telegrams	500
*	5	Paid wages	600
*	5	Paid for stationery	400
*	6	Paid for the repairs to machinery	1,500
*	6	Bus fare	100
*	7	Cartage	400
*	7	Postage and Telegrams	700
*	8	Cartage	3,000
*	9	Stationery	2,000
*	10	Sundry expenses	5,000

SOL:

Petty Cash Book								
Receipts	Date	V. No.	Particulars	Total	Conveyance	Cartage	Stationery	Postage & Telegrams
₹				₹	₹	₹	₹	₹
20,000	April	1	To Cash					
		2	By Conveyance	500	500			
		3	By Cartage	2,500		2,500		
		4	By Postage and Telegrams	500			500	
		5	By Wages	600				600
		5	By Stationery	400			400	
		6	By Repairs to machine	1,500				1,500
		6	By Conveyance	100	100			
		7	By Cartage	400		400		
		7	By Postage and Telegrams	700			700	
		8	By Cartage	3,000		3,000		
		9	By Stationery	2,000			2,000	
		10	By Sundry Expenses	5,000				5,000
				17,200	600	5,900	2,400	1,200 600 6,500

(iii)

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

	2020		₹
March 1	Cash in Hand		15,000
	Overdraft in Bank		500
2	Cash Sales		3,000
3	Paid to Sushil Bros. by cheque		3,400
	Discount received		100
5	Sales through credit card		2,800
6	Received cheque from Srijan		6,200
7	Endorsed Srijan's cheque in favour of Adit		
9	Deposit into Bank		6,800
10	Received cheque from Aviral and deposited the same into Bank by allowing discount of ₹ 50		3,600
12	Adit informed that Srijan's cheque is dishonoured. Now cash is received from Srijan and amount is paid to Adit through own cheque		
15	Sales through Debit Card		3,200
24	Withdrawn from Bank		1,800
28	Paid to Sanchit by cheque		3,000
30	Bank charged 1% commission on sales through Debit/Credit Cards		

SOL:

Cash Book													
Date	Dr.	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹	Date	Cr.	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹
2020							2020						
March 1	To Balance b/d		15,000		2020		March 1	By Balance b/d		500			
2	To Sales		3,000		March 3		3	By Sushil Bros.		100		3,400	
5	To Sales		2,800		March 7		7	By Adit		6,200			
6	To Srijan		6,200		March 9		9	By Bank		C		6,800	
9	To Cash A/c		6,800		March 12		12	By Adit		C		6,200	
10	To Aviral		50		3,600		24	By Cash A/c		C		1,800	
12	To Srijan		6,200		28		28	By Sanchit		C		3,000	
15	To Sales A/c		3,200		30		30	By Commission		60			
24	To Bank A/c		C		1,800		31	By Balance c/d		100		19,200	
					50					32,200		16,400	

Q: 3 :RECTIFICATION OF ERRORS

(i)

Correct the following errors (i) without opening a Suspense Account and (ii) opening a Suspense Account:

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

SOL.

If a Suspense Account is not opened.

- (a) Since sales book has been casted ₹100 short, the Sales Account has been similarly credited ₹100 short. The correcting entry is to credit the Sales Account by ₹100 as "By wrong totalling of the Sales Book ₹100".
- (b) To rectify the omission, the Returns Inwards Account has to be debited and the account of Green & Co. credited. The entry:

Returns Inward Account To Green & Co. (Goods returned by the firm, previously omitted from the Returns Inward Book)	Dr. ₹150	₹150
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- (c) Gupta & Co. have been debited ₹250 instead of being credited. This account should now be credited by 500 to remove the wrong debit and to give the correct credit. The entry will be on the credit side... "By errors in posting ₹500".
- (d) By this error Purchases Account has to be debited by ₹1,000 whereas the debit should have been to the Furniture Account. The correcting entry will be:

Furniture Account To Purchases Account (Correction of the mistake by which of the Furniture Account)	Dr. ₹1,000	₹1,000
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- (e) The discount of ₹15 received from Red & Black should have been entered on the credit side of the cash book. Had this been done, the Discount Account would have been credited (through the total of the discount column) and Red & Black would have been debited. This entry should not be made:

Red & Black To Discount Account (Rectification of the error by which the discount allowed by the firm was not entered in Cash Book)	Dr. ₹15	₹15
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- (f) In this case the account of the customer has been correctly posted; the Discount Account has been debited ₹18 short since it has been omitted from the discount column on the debit side of the cash book. The discount account should now be debited by the entry: "To Omission of entry in the Cash Book ₹18."

If a Suspense Account is opened.

Particulars	Dr. ₹	Cr. ₹
(a) Suspense Account To Sales Account (Being the correction arising from under- casting of	100	100
(b) Return Inward Account To Green & Co (Being the recording of unrecorded returns)	150	150
(c) Suspense Account To Gupta & Co. (Being the correction of the error by which Gupta & Co. was debited instead of being credited by ₹ 250).	500	500
(d) Furniture Account To Purchases Account (Being the correction of recording purchase of furniture as ordinary purchases)	1,000	1,000
(e) Red & black To Discount Account (Being the recording of discount omitted to be recorded)	15	15
(f) Discount Account To Suspense Account (Being the correction of omission of the discount allowed from Cash Book customer's account already posted correctly).	18	18

Suspense Account

Dr. Date	Particulars	Amount ₹	Date	Particulars	Cr. Amount ₹
	To Sales A/c	100		By Difference in Trial Balance	582
	To Gupta & Co.	500		By Discount A/c	18
		600			600

Notes:

- (i) One should note that the opening balance in the Suspense Account will be equal to the difference in the trial balance.
- (ii) If the question is silent as to whether a Suspense Account has been opened, the student should make his assumption, state it clearly and then proceed.

Notes:

- (i) One should note that the opening balance in the Suspense Account will be equal to the difference in the trial balance.
- (ii) If the question is silent as to whether a Suspense Account has been opened, the student should make his assumption, state it clearly and then proceed.

(ii) (MOST ASKED)

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

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

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

Journal Entries in the books of Mr. Roy

Sol:

Sr. No.	Particulars	Dr.(₹)	Cr.(₹)
(1)	Motor Vehicles Account To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified-capitalisation of ₹ 2,700, i.e., ₹ 3,000 less 10% depreciation)	2,700	2,700
(2)	Suspense Account To Profit & Loss Adjustment A/c (Purchase Account overcast in the previous year; error now rectified).	10,000	10,000
(3)	Profit & Loss Adjustment A/c To P's Account (Credit purchase from P ₹ 2,000, entered as sales last year; now rectified)	4,000	4,000
(4)	B's Account To A's Account (Amount received from A wrongly posted to the account of B; now rectified)	1,000	1,000
(5)	Suspense Account To C's Account (₹ 500 received from C wrongly debited to his account; now rectified)	1,000	1,000
(6)	Trade receivables To Suspense Account (₹ 500 due by Q not taken into trial balance; now rectified)	500	500
(7)	R's Account To Profit & Loss Adjustment A/c (Sales to R omitted last year; now recorded)	2,000	2,000
(8)	Suspense Account To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, ₹ 2,593, instead of ₹ 2,395, now adjusted)	198	198
(9)	Profit & Loss Adjustment A/c To Roy's Capital Account (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	10,898	10,898
(10)	Roy's Capital Account To Suspense Account (Balance of Suspense Account transferred to the Capital Account)	10,698	10,698

Note : Entries No. (2) and (8) may even be omitted; but this is not advocated.

Profit and Loss Adjustment Account

(Prior Period Items)

	₹		₹
To P	4,000	By Motor Vehicles A/c	2,700
To Roy's Capital (transfer)	10,898	By Suspense A/c	10,000
		By R	2,000
		By Suspense Account	198
	14,898		14,898

Suspense Account

	₹		₹
To Profit & Loss Adjustment A/c	10,000	By Trade Receivables (Q)	500
To C	1,000	By Roy's Capital A/c (Transfer)	10,698
To Profit & Loss Adjustment A/c	198		
	11,198		11,198

- The following mistakes were located in the books of a concern after its books were closed and a Suspense Account was opened in order to get the Trial Balance agreed:
- Sales Day Book was overcast by ₹ 1,000.
 - A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.
 - General expenses ₹ 180 was posted in the General Ledger as ₹ 810.
 - A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.
 - Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.
 - Cash received from Ram was debited to Shyam ₹ 1,500.
 - While carrying forward the total of one page of the Purchases Book to the next, the amount of ₹ 1,235 was written as ₹ 1,325.

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

SOL:

Journal Entries			
	Particulars	Dr.	Cr.
(i)	P & L Adjustment A/c To Suspense A/c (Correction of error by which sales account was overcast last year)	Dr. 1,000	1,000
(ii)	X To Y (Correction of error by which sale of ₹ 5,000 to X was wrongly debited to Y's account)	Dr. 5,000	5,000
(iii)	Suspense A/c To P & L Adjustment A/c (Correct of error by which general expenses of ₹ 180 was wrongly posted as ₹ 810)	Dr. 630	630
(iv)	Bills Receivable A/c Bills Payable A/c To P (Correction of error by which bill receivable of ₹ 1,550 was wrongly passed through BP book)	Dr. 1,550 Dr. 1,550	3,100
(v)	P & L Adjustment A/c To Mrs. Neetu (Correction of error by which legal expenses paid to Mrs. Neetu was wrongly debited to her personal account)	Dr. 1,190	1,190
(vi)	Suspense A/c To Ram To Shyam (Removal of wrong debit to Shyam and giving credit to Ram from whom cash was received)	Dr. 3,000	1,500 1,500
(vii)	Suspense A/c To P&L Adjustment A/c (Correction of error by which Purchase A/c was excess debited by ₹ 90/-, i.e. ₹ 1,325 - ₹ 1,235)	Dr. 90	90

Suspense A/c		
Dr.	₹	Cr.
To P & L Adjustment A/c	630	By P & L Adjustment A/c 1,000
To Ram	1,500	By Difference in Trial Balance 2,720
To Shyam	1,500	(Balancing figure)
To P&L Adjustment A/c	90	
	3,720	3,720

Q:4 (BRS) 10 marks

(REVISE 2+ TIME)

- On 30th September, 2018, the bank account of XYZ, according to the bank column of the cash book, was overdrawn to the extent of ₹ 8,062. An examination of the Cash book and Bank Statement reveals the following:
 - A cheque for ₹ 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
 - A payment by cheque for ₹ 18,000 has been entered twice in the Cash book.
 - On 29th September, 2018, the bank credited an amount of ₹ 1,15,400 received from a customer of XYZ, but the advice was not received by XYZ until 1st October, 2018.
 - Bank charges amounting to ₹ 280 had not been entered in the cash book.
 - On 6th September 2018, the bank credited ₹ 30,000 to XYZ in error.
 - A bill of exchange for ₹ 1,60,000 was discounted by XYZ with his bank. The bill was dishonoured on 28th September, 2018 but no entry had been made in the books of XYZ.
 - Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled ₹ 13,46,000.
 - A bill payable of ₹ 2,00,000 had been paid by the bank but was not entered in the cash book and bill receivable for ₹ 60,000 had been discounted with the bank at a cost of ₹ 1,000 which had also not been recorded in cash book.

You are required:

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

Sol.



Cash Book (Bank Column)

Date	Particulars	Amount	Date	Particulars	Amount
2018			2018		
Sept. 30	To Party A/c	18,000	Sept. 30	By Balance b/d	8,062
	To Customer A/c (Direct deposit)	1,15,400		By Bank charges	280
				By Customer A/c	
	To B/R collected	59,000		(B/R dishonoured)	1,60,000
	To Balance c/d	1,75,942		By Bills payable	2,00,000
		3,68,342			3,68,342

Bank Reconciliation Statement as on 30th September, 2018

Particulars	Amount
Overdraft as per Cash Book	1,75,942
Add: Cheque deposited but not collected up to 30 th Sept., 2018	11,14,000
	12,89,942
Less: Cheques issued but not presented for payment up to 30 th Sept., 2018	(13,46,000)
Credit by Bank erroneously on 6 th Sept.	(30,000)
Balance as per bank statement	86,058

- (iii) (a) The cash book of Mr. Karan shows ₹ 2,60,400 as the balance of bank as on 31st December, 2021 but you find that it does not agree with the balance as per the bank pass book. On analysis, you found the following discrepancies:
- (i) On 15th December, 2021 the payment side of the cash book was overcast by ₹ 10,000.
 - (ii) A Cheque for ₹ 1,18,000 issued on 6th December, 2021 was not taken in the bank Column.
 - (iii) On 20th December, 2021 the debit balance of ₹ 8,460 as on the previous day, was brought forward as credit balance in the cash book.
 - (iv) Of the total cheques amounting to ₹ 12,370 drawn in the last week of December 2021, cheques aggregating ₹ 9,360 were encashed in December, 2021.
 - (v) Dividends of ₹ 35,000 collected by the bank and fire insurance premium of ₹ 7,900 paid by the bank were not recorded in the cash book.
 - (vi) A Cheque issued to a creditor of ₹ 1,75,000 was recorded twice in the cash book.
 - (vii) Bill for collection amounting to ₹ 53,000 credited by the bank on 21st December, 2021 but no advice was received by Mr. Karan till 31st December, 2021.
 - (viii) A Customer, who received a cash discount of 3% on his account of ₹ 60,000 paid a cheque on 10th December, 2021. The cashier erroneously entered the gross amount in the bank column of the cash book.

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

Bank Reconciliation Statement of Mr. Karan as on 31 st Dec., 2021			
Particulars	Details	Amount	₹
Balance as per the Cash Book		2,60,400	
Add: Banking Casting in Cash book as on 15 th December, 2021			
Mistake in bringing forward ₹ 8,460 debit balance as credit balance on 20 th Dec., 2021	10,000	16,920	
Cheques issued but not presented:			
Issued	12,370		
Encashed	9,360	3,010	
Dividends directly collected by bank but not yet entered in the Cash Book		35,000	
Cheque recorded twice in the Cash Book		1,75,000	
Bill for Collection credited in Bank not entered in Cash Book		53,000	2,92,930
Less: Cheques issued but not entered in the Cash Book		1,18,000	
Fire Insurance Premium paid by the bank directly not yet recorded in the Cash Book		7,900	
Discount allowed wrongly entered in Cash Book		1,800	(1,27,700)
Balance as per the Pass Book		4,25,630	

(iii)

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

- (i) The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2018.
- (ii) A cheque worth ₹ 400 directly deposited into Bank by customer but no entry was made in the Cash Book.
- (iii) Out of cheques issued worth ₹ 34,000, cheques amounting to ₹ 20,000 only were presented for payment till 30th June, 2018.
- (iv) A cheque for ₹ 4,000 received and entered in the Cash Book but it was not sent to the Bank.
- (v) Cheques worth ₹ 20,000 had been sent to Bank for collection but the collection was reported by the Bank as under.
 - (1) Cheques collected before 30th June, 2018, ₹ 14,000
 - (2) Cheques collected on 10th July, 2018, ₹ 4,000
 - (3) Cheques collected on 12th July, 2018, ₹ 2,000.
- (vi) The Bank made a direct payment of ₹ 600 which was not recorded in the Cash Book.
- (vii) Interest on Overdraft charged by the bank ₹ 1,600 was not recorded in the Cash Book.
- (viii) Bank charges worth ₹ 80 have been entered twice in the cash book whereas Insurance charges for ₹ 70 directly paid by Bank was not at all entered in the Cash Book.
- (ix) The credit side of bank column of Cash Book was under cast by ₹ 2,000.

Solution:

SOL Bank Reconciliation Statement as on 30th June 2018

Particulars	Amount ₹	Amount ₹
Overdraft as per Pass Book (Dr. Balance)		25,000
Add: Cheques issued but not presented ₹ (34,000 - 20,000)	14,000	
Cheques deposited into the Bank by Customer but not entered in Cash Book	400	
Bank charges written twice in Cash Book	80	14,480
		39,480
Less: Cheques received, recorded in cash Book but not sent to the Bank	4,000	
Cheques sent to the Bank but not collected	6,000	
Direct payment made by the bank not recorded in the Cash book	600	
Interest on Overdraft charged by Bank	1,600	
Insurance charges not entered in Cash Book	70	
Credit side of bank column of Cash Book was undercast	2,000	14,270
Overdraft as per Cash Book		25,210

Q:5 (Inventories) (5-10 marks)

(i)

The following are the details of the spare parts of an Oil Mill:

1-1-2021	Opening Inventory	Nil
1-1-2021	Purchases	10 units @ ₹ 300 per unit
15-1-2021	Issued for consumption	5 units
1-2-2021	Purchases	20 units @ ₹ 400 per unit
15-2-2021	Issued for consumption	10 units
20-2-2021	Issued for consumption	10 units

Find out the value of Inventory as on 31.3.2021, if the company follows Weighted Average

Sol:

Calculation of the value of Inventory as on 31-3-2021

Date	Receipts			Issues			Balance		
	Units	Rate	Amount	Unit s	Rate	Amount	Units	Rate	Amount
	₹	₹	₹		₹	₹		₹	₹
1-1-2021	Balance						Nil		
1-1-2021	10	300	3,000				10	300	3,000
15-1-2021				5	300	1,500	5	300	1,500
1-2-2021	20	400	8,000				25	380	9,500
15-2-2021				10	380	3,800	15	380	5,700
20-2-2021				10	380	3,800	5	380	1,900

Therefore, the value of inventory as on 31-3-2021 = 5 units @ ₹380 = ₹1,900

(ALMOST IN EVERY MTP RTP)

(III):

Physical verification of stock in a business was done on 23rd June, 2022. The value of the stock was ₹48,00,000. The following transactions took place between 23rd June to 30th June, 2022:

- (i) Out of the goods sent on consignment, goods at cost worth ₹ 2,40,000 were unsold.
- (ii) Purchases of ₹ 4,00,000 were made out of which goods worth ₹ 1,60,000 were delivered on 5th July, 2022.
- (iii) Sales were ₹ 13,60,000, which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 30th June, 2022.
- (iv) Goods are sold at cost plus 25%. However, goods costing ₹ 2,40,000 had been sold for ₹ 1,20,000.

Determine the value of stock on 30th June, 2022.

Sol:

Value of stock as on 23rd June, 2022	₹	48,00,000
Add: Unsold stock out of the goods sent on consignment		2,40,000
Purchases during the period from 23rd June, 2022 to 30th June, 2022		2,40,000
Goods in transit on 30th June, 2022		1,60,000
Cost of goods sent on approval basis (80% of ₹ 1,60,000)		1,28,000
		7,68,000
		55,68,000
Less: Cost of sales during the period from 23rd June, 2022 to 30th June, 2022		
Sales (₹ 13,60,000 - ₹ 1,60,000)		12,00,000
Less: Gross profit		96,000
		11,04,000
Value of stock as on 30th June, 2022		44,64,000

Working Notes:

1. Calculation of normal sales:		
Actual sales		13,60,000
Less: Abnormal sales	1,20,000	
Return of goods sent on approval	1,60,000	2,80,000
		10,80,000
2. Calculation of gross profit:		
Gross profit or normal sales 20/100 x ₹ 10,80,000		2,16,000
Less: Loss on sale of particular (abnormal) goods (₹ 2,40,000 - ₹ 1,20,000)		1,20,000
Gross profit		96,000

Q:6 (DEPRECIATION)

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

SOL: Depreciation per year = ₹ 6,00,000 / 10 = ₹ 60,000
Depreciation on SLM charged for three years = ₹ 60,000 x 3 years = ₹ 1,80,000
Book value of the computer at the end of third year = ₹ 6,00,000 - ₹ 1,80,000 = ₹ 4,20,000.
Remaining useful life as per previous estimate = 7 years
Remaining useful life as per revised estimate = 5 years
Depreciation from the fourth year onwards = ₹ 4,20,000 / 5 = ₹ 84,000 per annum

(II) (MUST DO ATLEST 2 TIMES)

M/s. Dayal Transport Company purchased 10 trucks @ ₹ 50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and ₹ 35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of ₹ 60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year.

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

sol

Plant and Machinery Account for the year ended 31st March, 2021

		₹			₹
01-04-20	To Balance b/d	95,00,000	01-09-20	By Bank (Sales)	3,75,000
01-09-20	To Bank (14,00,000 + 44,600)	14,44,600		By Depreciation (on sold machine)	73,811
				By Loss on sale	13,22,659
				By Loss on scrapping the machine	18,84,562
				By Depreciation (on Scrapped machinery)	81,938
				By Depreciation (Not iii)	6,60,471
				By Balance c/d	65,46,159
		109,44,600			109,44,600

Working Note:

(i) Calculation of loss on sale of machine on 01-09-2020		₹
Cost on 1-4-2018		21,87,000
Less: Depreciation @ 10% on ₹ 21,87,000		(2,18,700)
W.D.V. on 31-03-2019		19,68,300
Less: Depreciation @ 10% on ₹ 19,68,300		(1,96,830)
W.D.V. on 31-03-2020		17,71,470
Less: Depreciation @ 10% on ₹ 17,71,470 for 5 months		(73,811)
		16,97,659
Less: Sale proceeds on 01-09-2020		(3,75,000)
Loss		13,22,659

(ii) Calculation of loss on scrapped machine		₹
Cost on 1-4-2019		21,85,000
Less: Depreciation @ 10% on ₹ 21,85,000		(2,18,500)
W.D.V. on 31-3-2020		19,66,500
Less: Depreciation @ 10% on ₹ 19,66,500 for 5 months		(81,938)
Loss		18,84,562
(iii) Depreciation		
Balance of machinery account on 1-4-2020		95,00,000
Less: W.D.V. of machinery sold	17,71,470	
W.D.V. of machinery scrapped	19,66,500	(37,37,970)
Balance of other machinery after sale and scrap on 1-4-2020		57,62,030
Depreciation @ 10% on ₹ 57,62,030 for 12 months		5,76,203
Depreciation @ 10% on ₹ 14,44,600 for 7 months		84,268
		6,60,471

Note: The figures are rounded off to nearest rupee.

(III)

A Firm purchased an old Machinery for ₹ 37,000 on 1st January, 2015 and spent ₹ 3,000 on its overhauling. On 1st July 2016, another machine was purchased for ₹ 10,000. On 1st July 2017, the machinery which was purchased on 1st January 2015, was sold for ₹ 28,000 and the same day a new machinery costing ₹ 25,000 was purchased. On 1st July, 2018, the machine which was purchased on 1st July, 2016 was sold for ₹ 2,000. Depreciation is charged @ 10% per annum on straight line method. The firm changed the method and adopted diminishing balance method with effect from 1st January, 2016 and the rate was increased to 15% per annum. The books are closed on 31st December every year. Prepare Machinery account for four years from 1st January, 2015.

In the books of Firm
Machinery Account

SOLN	Date	Particulars	Amount	Date	Particulars	Amount
	1.1.2015	To Bank A/c	37,000	31.12.2015	By Depreciation A/c	4,000
		To Bank A/c (overhauling charges)	3,000	31.12.2015	By Balance c/d	36,000
			40,000			40,000
	1.1.2016	To Balance b/d	36,000	31.12.2016	By Depreciation A/c (₹ 5,400 + ₹ 750)	6,150
	1.7.2016	To Bank A/c	10,000	31.12.2016	By Balance c/d (₹ 30,600 + ₹ 9,250)	39,850
			46,000			46,000
	1.1.2017	To Balance b/d	39,850	1.7.2017	By Bank A/c(sale)	28,000
	1.7.2017	To Bank A/c	25,000	1.7.2017	By Profit and Loss A/c (Loss on Sale - W.N. 1)	305
				31.12.2017	By Depreciation A/c (₹ 2,295 + ₹ 1,388 + ₹ 1,875)	5,558
					By Balance c/d (₹ 7,862 + ₹ 23,125)	30,987
			64,850			64,850
	1.1.2018	To Balance b/d	30,987	1.7.2018	By Bank A/c (sale)	2,000
				1.7.2018	By Profit and Loss A/c (Loss on Sale - W.N. 1)	5,272
				31.12.2018	By Depreciation A/c (₹ 590 + ₹ 3,469)	4,059
				31.12.2018	By Balance c/d	19,656
			30,987			30,987

• Q.7 bills of exchange and promissory notes

- (i) On 1st July, 2019 Gorge drew a bill for ₹1,80,000 for 3 months on Harry for mutual accommodation. Harry accepted the bill of exchange. Gorge had purchased goods worth ₹1,81,000 from Jack on the same date. Gorge endorsed Harry's acceptance to Jack in full settlement. On 1st September, 2019, Jack purchased goods worth ₹1,90,000 from Harry. Jack endorsed the bill of exchange received from Gorge to Harry and paid ₹ 9,000 in full settlement of the amount due to Harry. On 1st October, 2019, Harry purchased goods worth ₹2,00,000 from Gorge. Harry paid the amount due to Gorge by cheque. Give the necessary Journal Entries in the books of Harry and Gorge.

In the books of Harry
Journal Entries

Sol:	Date	Particulars	Dr.	₹
	1.7.2019	Gorge's account To Bills payable account (Acceptance of bill drawn by Gorge)	1,80,000	1,80,000
	1.9.2019	Jack's account To Sales account (Sales made to Jack)	1,90,000	1,90,000
	1.9.2019	Bills receivable account Bank account Discount account To Jack's account (Acceptance received from Jack's endorsement of bill received from Gorge for ₹ 1,80,000 and ₹ 9,000 received in full settlement of the amount due)	1,80,000 9,000 1,000	1,90,000
	1.9.2019	Bills payable account To Bills receivable account (Own acceptance received from Jack's endorsement, cancelled)	1,80,000	1,80,000
	1.10.2019	Purchase account To Gorge's account (Purchases made from Gorge) Gorge's account To Bank account (Amount paid to Gorge after adjusting ₹180,000 for accommodation extended to him)	2,00,000 20,000	2,00,000 20,000

In the books of Gorge
Journal Entries

Date	Particulars	Dr.	₹
1.7.2019	Purchases Account To Jack Account (Purchase of goods from Jack)	1,81,000	1,81,000

In the books of Gorge Journal Entries			
Date	Particulars	₹	₹
1.7.2019	Purchase Account To Jack Account (Purchase of goods from Jack)	Dr. 1,81,000	1,81,000
1.7.2019	Bills Receivable Account To Harry Account (Acceptance by Harry of bill drawn on him)	Dr. 1,80,000	1,80,000
1.7.2019	Jack's account To Rebate Account To Bills Receivable Account (Harry has informed to Jack)	Dr. 1,81,000	1,000 1,80,000
1.10.2019	Harry Account To Sales account (Sales to Harry)	Dr. 2,00,000	2,00,000
1.10.2019	Bank Account To Harry account (Amount received from Gorge after adjusting ₹180,000 for accommodation extended by him)	Dr. 20,000	20,000

(ii) On 12th May, 2020 A sold goods to B for ₹ 36,470 and drew upon the later two bills one for ₹ 16,470 at one month and the other for ₹ 20,000 at three months. B accepted both the bills.

On 5th June, 2020 A sent both the bills to his banker for collection on the due dates. The first bill was duly met. But due to some temporary financial difficulties, B failed to honour the second bill on the due date and the bank had to pay ₹ 20 as noting charges.

However, on 16th August, 2020 it was agreed between A and B that B would immediately pay ₹ 8,020 in cash and accept a new bill at 3 months for ₹ 12,480 which included interest for postponement of the part payment of the dishonoured bill. A immediately sent new acceptance to its bank for collection on the due date. On 1st October 2020 B approached A offering ₹ 12,240 for retirement of his acceptance A accepted the request.

You are required to pass journal entries of all the above transactions in the books of A.

SOL:

Journal Entries in the books of Mr. A

2020		(₹)	(₹)
May,12	B's A/c To Sales account (Being goods sold to B on credit)	Dr. 36,470	36,470
May,12	Bills receivable (No. 1) A/c Bills receivable (No. 2) A/c To B's A/c (Being drawing of bills receivable No. 1 due for maturity on 15.6.2020 and bills receivable No. 2 due for maturity on 14.8.2020)	Dr. 16,470 Dr. 20,000	36,470
	OR		
	Bills receivable A/c To B's A/c (Being acceptances received from B, one for ₹ 16,470 at one month and other for ₹ 20,000 at 3 months)	Dr. 36,470	36,470
June,5	Bills for Collection A/c To Bills receivable (No.1) A/c To Bills receivable (No.2) A/c (Being both the bills sent to bank for collection)	Dr. 36,470	16,470 20,000
	OR		
	Bills for Collection A/c To Bills receivables A/c (Being B's acceptances sent for collection on due dates)	Dr. 36,470	36,470
June,15	Bank A/c To Bills for Collection A/c (Being amount received on retirement of Bills receivable No. 1)	Dr. 16,470	16,470
Aug.14	B's A/c To Bills for Collection a/c To Noting Charges or Bank Charges (Being the amount due from Mr. B on dishonour of his acceptance on presentation on the due date)	Dr. 20,020	20,000 20
Aug.16	B's A/c To Interest a/c (Being interest due)	Dr. 480	480
Aug.16	Bank/Cash A/c To B's A/c (Being cash received)	Dr. 8,020	8,020
Aug.16	Bills receivable (No. 3) A/c To B's A/c (Being Bills receivable (No. 3) drawn accepted by B)	Dr. 12,480	12,480
	OR		
	Alternatively combined entry may be given for the above two entries: Bank/Cash a/c Bills receivable a/c To B's A/c (Being cash and new acceptance at 3 months received from B)	Dr. 8,020 Dr. 12,480	20,500
Aug.16	Bills for Collection A/c To Bills receivable (No.3) A/c (Being Bills receivable (No.3) sent to bank for collection)	Dr. 12,480	12,480
	OR		
	Bills for collection A/c To Bills receivable A/c (Being new acceptance sent to bank for collection on due date)	Dr. 12,480	12,480
Oct, 1	Bank A/c Rebate A/c To Bills for Collection (Being amount received on retirement of Bills receivable (No.3))	Dr. 12,240 Dr. 240 12,480	

Alternatively combined entry may be given for the first three entries of Aug.16 :

Aug.16	Bank/ Cash A/c Bills Receivable (No. 3) A/c To B's A/c	Dr. 8,020 Dr. 12,480 20,020
--------	--	-----------------------------------

receivable (No.3))			
Alternately combined entry may be given for the first three entries of Aug.16 :			
Aug.16	Bank/ Cash A/c Bills Receivable (No. 3) A/c To B's A/c To interest A/c (Being the ₹ 8,020 paid in cash and new bill (Bills receivable No. 3) accepted for 3 months)	Dr. 8,020 Dr. 12,480 20,020 480	

- (iii) Anil draws a bill for ₹9,000 on Sanjay on 5th April, 2019 for 3 months, which Sanjay returns it to Anil after accepting the same. Anil gets it discounted with the bank for ₹ 8,820 on 8th April, 2019 and remits one-third amount to Sanjay. On the due date Anil fails to remit the amount due to Sanjay, but he accepts a bill for ₹12,600 for three months, which Sanjay discounts it for ₹ 12,330 and remits ₹ 2,220 to Anil. Before the maturity of the renewed bill Anil becomes insolvent and only 50% was realized from his estate on 15th October, 2019. Pass necessary Journal entries for the above transactions in the books of Anil.

Sol: Solution: In the books of Anil Journal Entries

Date	Particulars	Debit Amount ₹	Credit Amount ₹
2019			
5-Apr	Bills receivable account To Sanjay's account (Being acceptance received from Sanjay for mutual accommodation)	Dr. 9,000	9,000
8-Apr	Bank account Discount account To Bills receivable account (Being bill discounted with bank)	Dr. 8,820 Dr. 180	9,000
8-Apr	Sanjay's account To Bank account To Discount account (Being one-third proceeds of the bill sent to Sanjay)	Dr. 3,000	2,940 60
8-Jul	Sanjay's account To Bills payable account (Being Acceptance given)	Dr. 12,600	12,600
8-Jul	Bank account Discount account (270 x 2/3) To Sanjay's account (Being proceeds of second bill received from Sanjay)	Dr. 2,220 180	2,400
Oct.11	Bills payable account To Sanjay's account (Being bill dishonoured due to insolvency)	Dr. 12,600	12,600
Oct.15	Sanjay's account (6,000+2,400) To Bank account To Deficiency account (Being insolvent, only 50% amount paid to Sanjay)	Dr. 8,400	4,200 4,200

Q:8 Accounting for bonus issue and right issue

- (i) A company has decided to increase its existing share capital by making rights issue to its existing shareholders. The company is offering one new share for every two shares held by the shareholder. The market value of the share is ₹ 240 and the company is offering one share of ₹ 120 each. Calculate the value of a right. What should be the ex-right market price of a share?

Sol:

$$\text{Ex-right value of the shares} = (\text{Cum-right value of the existing shares} + \text{Rights shares} \times \text{Issue Price}) / (\text{Existing Number of shares} + \text{No. of right shares})$$

$$= (\text{₹ } 240 \times 2 \text{ Shares} + \text{₹ } 120 \times 1 \text{ Share}) / (2 + 1) \text{ Shares}$$

$$= \text{₹ } 600 / 3 \text{ shares} = \text{₹ } 200 \text{ per share.}$$

$$\text{Value of right} = \text{Cum-right value of the share} - \text{Ex-right value of the share}$$

$$= \text{₹ } 240 - \text{₹ } 200 = \text{₹ } 40 \text{ per share.}$$

Hence, any one desirous of having a confirmed allotment of one share from the company at ₹ 120 will have to pay ₹ 80 (2 shares x ₹ 40) to an existing shareholder

= ₹ 240 – ₹ 200 = ₹ 40 per share.

Hence, any one desirous of having a confirmed allotment of one share from the company at ₹ 120 will have to pay ₹ 80 (2 shares x ₹ 40) to an existing shareholder holding 2 shares and willing to renounce his right of buying one share in favour of that person.

(II)(INTER PVQ)

Following is the extract of the Balance Sheet of Sujata Foods Limited as at 31st March, 2021:

Particulars	₹
Authorised Capital	
1,00,000 12% Preference shares of ₹ 10 each	10,00,000
5,00,000 Equity shares of ₹ 10 each	50,00,000
	60,00,000
Issued and Subscribed capital	
8,000 12% Preference shares of ₹ 10 each fully paid	80,000
 90,000 Equity shares of ₹ 10 each, ₹ 8 paid up	7,20,000
Reserves and Surplus	
General Reserve	1,20,000
Capital Redemption Reserve	75,000
Securities Premium (Collected in cash)	25,000
Profit and Loss Account	2,00,000
Revaluation Reserve	80,000

On 1st April 2021, the company has made final call @ ₹ 2 each on 90,000 equity shares. The call money was received by 15th April 2021. Thereafter, the company decided to capitalize its reserves by way of bonus at the rate of one share for every four shares held, it also decided that there should be minimum reduction in free reserves.

On 1st June 2021, the Company issued right shares at the rate of two shares for every five shares held on that date at issue price of ₹ 12 per share. All the right shares were accepted by the existing shareholders and the money was duly received by 20th June, 2021.

You are required to pass necessary journal entries in the books of the Sujata Foods Limited for bonus issue and rights issue.

Sol:

Journal Entries in the books of Sujata Foods Ltd.

2021		Dr.	Cr.
		₹	₹
April 1	Equity Share Final Call A/c To Equity Share Capital A/c (Final call of ₹ 2 per share on 90,000 equity shares made due)	Dr. 1,80,000	1,80,000
April 15	Bank A/c	Dr. 1,80,000	
	To Equity Share Final Call A/c (Final call money on equity shares received)		1,80,000
	Capital Redemption Reserve A/c	Dr. 75,000	
	Securities Premium A/c	Dr. 25,000	
	General Reserve A/c	Dr. 1,20,000	
	Profit and Loss A/c	Dr. 5,000	
	To Bonus to Shareholders A/c (Bonus issue of one share for every four shares held, by utilising various reserves as per Board's resolution dated.....)		2,25,000
	Bonus to Shareholders A/c To Equity Share Capital A/c (Capitalization of profit)	Dr. 2,25,000	2,25,000
June 20	Bank A/c To Securities Premium A/c To Equity Share Capital A/c (Being Right issue of 2 shares for every 5 shares held as per board resolution dated)	Dr. 5,40,000	90,000 4,50,000

(III) Following are the balances appear in the trial balance of XYZ Ltd. as at 31st March, 2023.

Issued and Subscribed Capital:

	₹
10,000; 10% Preference Shares of ₹ 10 each fully paid	1,00,000
1,00,000 Equity Shares of ₹ 10 each ₹ 8 paid up	8,00,000
 Reserves and Surplus:	
General Reserve	2,40,000
Securities Premium (collected in cash)	25,000
Profit and Loss Account	1,20,000

On 1st April, 2023 the company has made final call @ ₹ 2 each on 1,00,000 Equity Shares. The call money was received by 15th April, 2023. Thereafter the company decided to issue bonus shares to equity shareholders at the rate of 1 share for every 5 shares held and for this purpose, it decided that there should be minimum reduction in free reserves. Pass Journal entries.

Sol:

XYZ Ltd.

Journal Entries

2023		Dr.	Cr.
		₹	₹
April 1	Equity Share Final Call A/c To Equity Share Capital A/c (Final call of ₹ 2 per share on 1,00,000 equity shares due as per	Dr. 2,00,000	2,00,000

XYZ Ltd.
Journal Entries

2023		Dr. ₹	Cr. ₹
April 1	Equity Share Final Call A/c To Equity Share Capital A/c (Final call of ₹ 2 per share on 1,00,000 equity shares due as per Board's Resolution dated...)	Dr. 2,00,000	2,00,000
April 15	Bank A/c To Equity Share Final Call A/c (Final Call money on 1,00,000 equity shares received) Securities Premium A/c General Reserve A/c* To Bonus to Shareholders A/c (Bonus issue @ one share for every 5 shares held by utilizing various reserves as per Board's Resolution dated...)	Dr. 2,00,000 25,000 1,75,000	2,00,000 2,00,000
April 15	Bonus to Shareholders A/c To Equity Share Capital A/c (Capitalization of profit)	Dr. 2,00,000	2,00,000

Note: Profit and Loss Account balance may also be utilized along with General Reserve for the purpose of issue of Bonus shares.

Q:9**Accounts from incomplete records**

1. Ankur keeps his books of accounts by single entry system. However, he is able to give you the following lists of his assets and liabilities in the beginning as well as at the end of the year ended 31st March, 2024:

	On 1 st April, 2023 ₹	On 31 st March, 2024 ₹
Cash in hand	1,750	1,400
Cash at bank	20,000	-
Bank Overdraft	-	1,800
Bills Receivable	15,000	25,000
Stock	93,500	98,700
Debtors	60,000	70,000
Drawings	65,000	65,000
Creditor	45,000	31,000
Bills Payable	5,000	Nil

Statement of Profit

	₹
Capital as on 31 st March, 2024 (W.N. 2)	2,17,300
Add: Drawings (₹ 5,000 x 12)	<u>60,000</u>
	2,77,300
Less: Additional capital	<u>(10,000)</u>
	2,67,300
Less: Capital as on 1 st April, 2023 (W.N. 1)	<u>(2,05,250)</u>
Profits during the year	<u>62,050</u>

Working Note 1**Statement of Affairs as on 1st April, 2023**

	₹		₹
Creditors	45,000	Cash in Hand	1,750
Bills Payable	5,000	Cash at Bank	20,000
Capital (bal. fig.)	2,05,250	Bills Receivable	15,000
	<u>_____</u>	Stock	93,500
	<u>2,55,250</u>	Debtors	60,000
	<u>2,55,250</u>	Furniture and Fittings	<u>65,000</u>

Working Note 2

Working Note 1**Statement of Affairs as on 1st April, 2023**

	₹		₹
Creditors	45,000	Cash in Hand	1,750
Bills Payable	5,000	Cash at Bank	20,000
Capital (bal. fig.)	2,05,250	Bills Receivable	15,000
		Stock	93,500
		Debtors	60,000
		Furniture and Fittings	65,000
	2,55,250		2,55,250

Working Note 2**Statement of Affairs as on 31st March, 2024**

Liabilities	₹	Assets	₹	₹
Creditors	31,000	Cash in Hand		1,400
Bank Overdraft	1,800	Bills Receivable		25,000
Capital (bal. fig.)	2,17,300	Stock		98,700
		Debtors	70,000	
		Less: Provision for doubtful debts	(3,500)	66,500
		Furniture and fittings	65,000	
		Less: Depreciation	(6,500)	58,500
	2,50,100			2,50,100

2. Lucky does not maintain proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are required to prepare his final accounts for the year 2023:

	1.1.2023	31.12.2023
	₹	₹
Debtors	1,02,500	—
Creditors	—	46,000
Stock	50,000	62,500
Bank Balance	—	50,000
Fixed Assets	7,500	9,000

Details of his bank transactions were as follows:

	₹
Received from debtors	3,40,000
Additional capital brought in	5,000
Sale of fixed assets (book value ₹ 2,500)	1,750
Paid to creditors	2,80,000
Expenses paid	49,250
Personal drawings	25,000
Purchase of fixed assets	5,000

No cash transactions took place during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60,000. **(10 Marks)**

sol

**Trading and Profit and Loss Account
for the year ended 31st December, 2023**

	<i>Amount</i>		<i>Amount</i>
	₹		₹
To Opening stock	50,000	By Sales (₹ 2,60,000 × 125/ 100)	3,25,000
To Purchases (balancing figure)	2,72,500	By Closing stock	62,500
To Gross profit c/d (₹ 2,60,000 × 25/ 100)	<u>65,000</u>		—
	<u>3,87,500</u>		<u>3,87,500</u>
To Expenses	49,250	By Gross profit b/d	65,000
To Loss on sale of fixed assets	750		
To Depreciation on fixed assets (W.N.1)	1,000		
To Net profit	<u>14,000</u>		
	<u>65,000</u>		<u>65,000</u>

Balance Sheet as on 31st December, 2023

<i>Liabilities</i>	<i>Amount</i>	<i>Assets</i>	<i>Amount</i>
	₹		₹
Capital (W.N. 5)	1,69,000	Fixed assets	9,000
Add: Additional capital	5,000	Debtors (W.N. 3)	87,500
Net profit	<u>14,000</u>	Stock	62,500
	<u>1,88,000</u>	Bank balance	50,000
Less: Drawings	<u>(25,000)</u>		
Creditors	<u>1,63,000</u>		
	<u>46,000</u>		
	<u>2,09,000</u>		<u>2,09,000</u>

Working Notes:

1. **Fixed assets account**

	₹		₹
To Balance b/d	7,500	By Bank (sale)	1,750
To Bank	5,000	By Loss on sale of fixed asset (2,500-1,750)	750
		By Depreciation (balancing figure)	1,000
	<u>12,500</u>	By Balance c/d	<u>9,000</u>
			<u>12,500</u>

TELEGRAM : ICAIXD

2. **Bank account**

	₹		₹
To Balance b/d (balancing figure)	62,500	By Creditors	2,80,000
To Debtors	3,40,000	By Expenses	49,250
To Capital	5,000	By Drawings	25,000
To Sale of fixed assets	1,750	By Fixed assets	5,000
	<u>4,09,250</u>	By Balance c/d	<u>50,000</u>
			<u>4,09,250</u>

3. **Debtors account**

	₹		₹
To Balance b/d	1,02,500	By Bank	3,40,000
To Sales	3,25,000	By Balance c/d (balancing figure)	87,500
$\frac{125}{100}$ (₹ 2,60,000)	<u>4,27,500</u>		<u>4,27,500</u>

4. Creditors account

	₹		₹
To Bank	2,80,000	By Balance b/d (balancing figure)	53,500
To Balance c/d	46,000	By Purchases (from trading account)	2,72,500
	<u>3,26,000</u>		<u>3,26,000</u>

5. Balance Sheet as on 1st January, 2023

<i>Liabilities</i>	₹	<i>Assets</i>	₹
Creditors (W.N. 4)	53,500	Fixed assets	7,500
Capital (balancing figure)	1,69,000	Debtors	1,02,500
	<u>_____</u>	Stock	50,000
	<u>2,22,500</u>	Bank balance (W.N. 2)	<u>62,500</u>
			<u>2,22,500</u>

TELEGRAM : ICAIXD

Q:10 (FINAL ACCOUNT) 20 MARKS

10+5+5) YA 20 MARKS DIRECT

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

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

You are required to calculate:

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

Sol: (i) Salaries to be charged to profit and loss account for the year ended 31st March, 2022:

Salaries of 8 employees for full year @ ₹ 33,000 per month each	31,68,000
Salaries of 2 trainees for 6 months @ ₹ 21,000 p.m.	2,52,000
	<u>34,20,000</u>

(ii) Salaries actually paid in 2021-22

March, 2021 salaries paid in April, 2021 (8 x 30,000)	2,40,000
Salaries of 8 employees for April 2021 to March, 2022 paid in May 2021 to March 2022 @ ₹ 33,000 for 11 months	29,04,000
Salaries of 2 trainees for October 2021 to February 2022 paid in November 2021 to March 2022 @ ₹ 21,000 for 5 months	2,10,000
	<u>33,54,000</u>

(iii) Outstanding salaries as at 31st March, 2022

8 employees @ ₹ 33,000 each for 1 month	2,64,000
2 trainees @ ₹ 21,000 each for 1 month	42,000
	<u>3,06,000</u>

(ii)

Mr. Kotriwal is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March 2022 has been given below:

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

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

telegram : ICAIXD

SOL: (i) Computation of Income for the year 2021-22:

	₹
Money received during the year related to 2021-22	5,00,000
Add: Money received in advance during previous years	1,50,000
Total income of the year 2021-22	<u>6,50,000</u>

(ii) Advance from Customers A/c

Date	Particulars	₹	Date	Particulars	₹
	To Sales A/c	1,50,000	1.4.2021	By Balance b/d	2,00,000
	(Advance related to current year			By Bank A/c (Balancing	1,20,000

(ii) Advance from Customers A/c

Date	Particulars	₹	Date	Particulars	₹
To Sales A/c	1,50,000	1.4.2021	By Balance b/d	2,00,000	
(Advance related to current year transferred to sales)			By Bank A/c (Balancing Figure)	1,20,000	
31.3.22 To Balance c/d	1,70,000				3,20,000

So, total money received during the year is:

	₹
Cash Sales during the year	5,00,000
Add: Advance received during the year	1,20,000
Total money received during the year	6,20,000

(III)

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

Raw Material A/c

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

Creditors A/c

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

TELEGRAM : ICAIXD

Manufacturing A/c

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

Additional Information:

- 1) Purchase of machinery worth ₹ 10,00,000 has been omitted. Machinery are chargeable at a depreciation rate of 10%.
- 2) Wages include the following
 - Paid to Factory Workers - ₹ 3,00,000
 - Paid to labour at office - ₹ 50,000
- 3) Direct Expenses include following:
 - Electricity charges of ₹ 80,000 of which 30% pertained to office.
 - Fuel Charges of ₹ 20,000
 - Freight Inwards of ₹ 35,000
 - Delivery charges to customers - ₹ 20,000.

telegram : ICAIXD

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

Manufacturing A/c

Particulars	Amount ₹	Particulars	Amount ₹
To Raw Material Consumed (Balancing Figure)	10,00,000	By Trading A/c (W.N. 4)	18,00,000
To Wages (W.N. 2)	3,00,000		
To Depreciation (W.N. 1)	3,00,000		
To Direct Expenses (W.N. 3)	2,00,000		
	18,00,000		18,00,000

Raw Material A/c

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To Opening Stock A/c	1,00,000		By Raw Material Consumed (from Trading A/c above)	10,00,000
	To Creditors A/c (W.N. 5)	13,00,000		By Closing Stock A/c (Balancing Figure)	4,00,000
		14,00,000			14,00,000

Working Notes:

- 1) Since purchase of Machinery worth ₹ 10,00,000 has been omitted.
So, depreciation omitted from being charged = ₹ 10,00,000 X 10%
= ₹ 1,00,000
Correct total depreciation expense = ₹ (2,00,000 + 1,00,000)
= ₹ 3,00,000
- 2) Wages worth ₹ 50,000 will be excluded from manufacturing account as they pertain to office and hence will be charged P&L A/c.
- 3) Expenses to be excluded from direct expenses:
Office Electricity Charges (80,000 X 30%) 24,000
Delivery Charges to Customers 20,000
Total expenses not part of Direct Expenses 44,000
=> Revised Direct Expenses = ₹ (2,44,000 - 44,000) = ₹ 2,00,000
Fuel charges are related to factory expenses and also freight inwards are incurred for bringing goods to factory/ godown so they are part of direct expenses.

(IV)

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

Trial Balance as on 31st March, 2022

Particulars	Dr. ₹	Particulars	Cr. ₹
Stock on 1st April 2021			
Raw Materials	21,000	Sundry Creditors	15,000
Work in Progress	9,500	Bills Payable	7,500
Finished goods	15,500	Sale of Scrap	2,500
Sundry Debtors	24,000	Commission Received	450
Carriage on Purchases	1,500	Provision for doubtful debts	1,650
Bills Receivable	15,000	Capital Account	1,00,000
Wages	13,000	Sales	1,67,200
Salaries	10,000	Bank Overdraft	8,500
Telephone, Postage etc.	1,000		

(IV)

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

Trial Balance as on 31st March, 2022

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

The following additional information is available:

Stocks on 31st March, 2022 were:

Raw Materials ₹ 16,200

Finished goods ₹ 18,100

Semi-finished goods ₹ 7,800

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

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

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

Office premises occupy 1/4 of total area.

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

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

TELEGRAM: ICAIXD

telegram : ICAIXD

SOL:**In the books of Mr. White
Manufacturing Account for the year ended 31st March, 2022**

Particulars	₹	Particulars	₹
Raw material consumed:		By Closing Stock of Work in Progress	7,800
To Opening Stock of Raw Materials	21,000	By Sale of Scrap	2,500
		By Cost of goods Manufactured	
Add: Purchases	85,000	(Transferred to Trading Account)	11,19,000
Less: Closing Stock	16,200		
To Opening Stock of WIP			9,500
To Wages	13,000		
Add: Outstanding Wages	2,000		15,000
To Carriage on Purchases			1,500
To Repairs to Plant			1,100
To Rent (3/4)			4,500
To Lighting (2/3)			900
To Depreciation of Plant			7,000
			1,29,300
			1,29,300

Trading Account for the year ended 31st March, 2022

Particulars	₹	Particulars	₹
To Opening Stock of finished goods	15,500	By Sales	1,67,200
To Cost of goods transferred from Manufacturing A/c	11,19,000	By Closing Stock of finished goods	18,100
To Gross Profit c/d	50,800		
	1,85,300		1,85,300

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

Particulars	₹	Particulars	₹
To Salaries	10,000	By Gross Profit b/d	50,800
Add: Outstanding	900	By Commission	450
To Telephone & Postage			1,000
To Repairs to Furniture			350
To Depreciation of furniture			750
To Rent (1/4)			1,500
To Lighting (1/3)			450
To General Expenses			1,500
To Provision for doubtful Debts: Required (1 % of ₹1,67,200)	1,672		
Less: Existing Provision	1,650		22
To Net Profit			34,778
			51,250

Balance Sheet as at 31st March, 2022

Capital and Liabilities	₹	Assets	₹
Capital Account	1,00,000	Plant & Machinery	70,000
Add: Net Profit	34,778	Less: Depreciation	7,000
Bank Loan			63,000
Sundry Creditors	8,500	Office Furniture	10,000
Bills Payable	15,000	Less: Depreciation	750
Salary Payable	7,500		9,250
Wages Payable	900	Closing Stock	
	2,000	Raw Materials	16,200
		Work in Progress	7,800
		Finished Goods	18,100
		Sundry Debtors	24,000
		Less: Provision for Bad & Doubtful Debts	22,328
			1,672

Wages Payable		2,000	Work in Progress		7,800
			Finished Goods		18,100
			Sundry Debtors		24,000
			Less: Provision for Bad & Doubtful Debts		1,672
					22,328
			Bills Receivable		15,000
			Cash at Bank		17,000
		1,68,678			1,68,678

(v)

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

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

TELEGRAM : ICAIXD

Other information :

- (i) Closing stock was valued at ₹ 4,500
- (ii) Salary of ₹ 100 and Tax of ₹ 200 are outstanding whereas insurance ₹ 50 is prepaid.
- (iii) Commission received in advance is ₹ 100.
- (iv) Interest accrued on investment is ₹ 210
- (v) Interest on overdraft is unpaid ₹ 300
- (vi) Reserve for bad debts is to be kept at ₹ 1,000
- (vii) Depreciation on furniture is to be charged @ 10%

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

SOL:

Trading & Profit and Loss Account
Mr. Sandeep for the year ended 31st December, 2018

Particulars	₹	₹	Particulars	₹	₹
To Opening Stock		1,400	By Sales	9,000	
To Purchase	12,000		Less: Sales return	(1,000)	8,000
Less: Purchase return	(2,000)		By Closing stock		4,500
To Gross Profit		1,100			

V.V.V.V.

Crimson traders profit and loss account for the year ended 31st March, 2022 includes the following information:

	₹
(i) Depreciation	57,500
(ii) Bad debts written off	21,000
(iii) Increase in provision for doubtful debts	18,000
(iv) Retained profit for the year	20,000
(v) Liability for tax	4,000

Required

State which one of the items (i) to (vi) above are – (a) transfer to provisions; (b) transfer to reserves; and (c) neither related to provisions nor reserves.

SOLUTION

- (a) Transfer to provisions - (i), (iii) (v)
- (b) Transfer to reserves - (iv)
- (c) Neither related to provisions nor reserves - (ii).

Balance Sheet of Mr. Sandeep as on 31.3.2018

Particulars	₹	₹	Particulars	₹	₹
Capital	16,000		Furniture	1,600	
Less: drawing	(2,000)		Less: Depreciation	(160)	1,440
Net loss	(2,500)		Bill receivable		3,000
Bank overdraft	2,000		Investment	4,000	
Add: interest	300		Add: accrued interest	210	4,210
Creditors			Debtors	5,000	
Bills payable			Less: Provision on bad debts	(1,000)	4,000
Outstanding expenses:			Closing stock		4,500
Salary	100		Cash in hand		1,500
Tax	200		Prepaid insurance		50
Commission received in advance					
	18,700				18,700

Q:11 (NPO)

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

	01.04.2018 ₹	31.03.2019 ₹
Outstanding subscription	1,40,000	2,00,000
Advance subscription	25,000	30,000
Outstanding salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports goods	15,000	25,000

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

Following Expenses were made during the year:

Sports Expenses: ₹ 50,000

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

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

	01.04.2018 ₹	31.03.2019 ₹
Outstanding subscription	1,40,000	2,00,000
Advance subscription	25,000	30,000
Outstanding salaries	15,000	18,000
Cash in Hand and at Bank	1,10,000	?
10% Investment	1,40,000	70,000
Furniture	28,000	14,000
Machinery	10,000	20,000
Sports goods	15,000	25,000

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

Following Expenses were made during the year:

Sports Expenses: ₹ 50,000

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

Misc. Expenses: ₹ 5,000

TELEGRAM : ICAIXD

T.O.L.

Receipts and Payments Account for the year ended 31-03-2019

Receipts	₹	Payments	₹
To balance b/d		By Salaries	60,000
Cash and bank	1,10,000	By Purchase of sports goods	10,000
To Subscription received (W.N.1)	2,45,000	₹ (25,000-15,000)	
To Sale of investments (W.N.2)	70,000	By Purchase of machinery	10,000
To Interest received on investment	14,000	₹ (20,000-10,000)	
To Sale of furniture	8,000	By Sports expenses	50,000
		By Rent paid	22,000
		₹ (24,000 -2,000)	
		By Miscellaneous expenses	5,000
		By Balance c/d	
		Cash and bank	2,90,000
	4,47,000		4,47,000

Income and Expenditure account for the year ended 31-03-2019

Expenditure	₹	₹	Income	₹	₹
To Salaries	60,000		By Subscription		3,00,000
Add: Outstanding for 2019	18,000		By Interest on Investment		
		Received	14,000		
Less: Outstanding for 2018	(15,000)	63,000	Accrued (W.N.5)	3,500	17,500
To Sports expenses	50,000				
To Rent	24,000				
To Miscellaneous exp-	5,000				
To Loss on sale of furniture (W.N.3)	6,000				
To Depreciation (W.N.4)					
Furniture	1,400				
Machinery	1,500				
Sports goods	2,250	5,150			
To Surplus		16,350			3,17,500
		3,17,500			

Working Notes:

1. Calculation of Subscription received during the year 2018-19

	₹
Subscription due for 2018-19	3,00,000
Add: Outstanding of 2018	1,40,000
Less: Outstanding of 2019	(2,00,000)
Add: Subscription of 2019 received in advance	30,000
Less: Subscription of 2018 received in advance	(25,000)
	2,45,000

2. Calculation of Sale price and profit on sale of investment

Face value of investment sold: ₹ 1,75,000 × 50% = ₹ 87,500

Sales price: ₹ 87,500 × 80% = ₹ 70,000

Cost price of investment sold: ₹ 1,40,000 × 50% = ₹ 70,000

Profit/Loss on sale of investment: ₹ 70,000 - ₹ 70,000 = NIL

3. Loss on sale of furniture

	₹
Value of furniture as on 01-04-2018	28,000
Value of furniture as on 31-03-2019	14,000
Value of furniture sold at the beginning of the year	14,000
Less: Sales price of furniture	(8,000)
Loss on sale of furniture	6,000

4. Depreciation

Furniture - ₹ 14,000 × 10% =	1,400
Machinery - ₹ 10,000 × 15% =	1,500
Sports goods - ₹ 15,000 × 15% =	2,250

5. Interest accrued on investment

	₹
Face value of investment on 01-04-2018	1,75,000
Interest @ 10%	17,500
Less: Interest received during the year	(14,000)
Interest accrued during the year	3,500

Note: It is assumed that the sale of investment has taken place at the end of the year.

telegram : ICAIXD

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

Receipt and Payment Account of Mumbai Club

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

TELEGRAM : ICAIXD

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

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

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

ICAIXD

SOL.

**Income and Expenditure Account of Mumbai Club
for the year ending 31st March, 2021**

Expenditure	₹	Income	₹
To Groundsman's fee	75,000	By Donations and Subscription (W.N.2)	2,45,000
To Rent of Ground	25,000		
To Club night' Expenses	38,000	By Receipts from bar room	20,000
Less: Contribution	(10,000)		
	28,000*		

To Printing & Office Expenses (W.N. 3)	28,000	By Proceeds of club night	78,000*
To Repairs to Equipment (W.N.4)	45,000	By Interest (5,000+2,000)	7,000
To Depreciation on Machinery (W.N. 5)	52,000		
To Honorarium to Secretary	60,000		
To Bonus to Groundsman	20,000		
To Excess of Income over Expenditure	17,000		
	3,50,000		3,50,000

* Alternatively, the profits from club night can be shown as the net amount of ₹ 50,000 (₹ 78,000 - ₹ 28,000) on the credit side of Income and Expenditure Account.

Balance Sheet of Mumbai Club as on 31st March, 2021

Liabilities	₹	Assets	₹
Outstanding Expenses:			
Groundsman Bonus	20,000	Cash in hand	25,000
Printing	8,000	Cash in Saving A/c	2,04,000
Honorarium (40,000+20,000)	60,000	Subscription Receivable	10,000
Bank Overdraft (25,000-20,000)	5,000	Interest Due	2,000
Capital Fund: Opening	2,88,000	Machinery & Equipment's	1,75,000
Add: Surplus for the year	17,000		
Add: Entrance Fees	18,000		
	3,23,000		
	4,16,000		4,16,000

Balance Sheet as on 1st April, 2020

Liabilities	₹	Assets	₹
Outstanding Expenses		Cash in hand	20,000
Printing	10,000	Cash in Saving A/c	1,93,000
Honorarium to Secretary	40,000	Cash in Current A/c	30,000
Capital Fund (Balancing Figure)	2,88,000	Subscription Receivable	15,000
		Machinery & Equipment's	80,000
	3,38,000		3,38,000

Calculation of Donations and Subscriptions ₹		
Donations and Subscriptions as per Receipt and Payments A/c		2,50,000
Add: Outstanding as on 31.03.21		10,000
Less: Outstanding as on 01.04.20		15,000
		2,45,000

Printing and Office Expenses ₹		
Printing and Office Expenses as per Receipt and Payments A/c		30,000
Add: Outstanding as on 31.03.21		8,000
Less: Outstanding as on 01.04.20		10,000
		28,000

Repairs to Equipment ₹		
Repairs as per Receipt and Payments A/c		50,000
Add: Outstanding as on 31.03.21		25,000
Less: Outstanding as on 01.04.20		30,000
		45,000

Depreciation on Machinery and equipment ₹		
Balance as on 01.04.20		80,000
Add: Purchases during the year		1,55,000
Less: Sale of Equipment		8,000
Less: Balance as on 31.03.21		1,75,000

Honorarium to Secretary	40,000	Cash in Current A/c	30,000
Capital Fund (Balancing Figure)	2,88,000	Subscription Receivable	15,000
		Machinery & Equipment's	80,000
	3,38,000		3,38,000

Calculation of Donations and Subscriptions		₹
Donations and Subscriptions as per Receipt and Payments A/c	2,50,000	
Add: Outstanding as on 31.03.21	10,000	
Less: Outstanding as on 01.04.20	15,000	
	2,45,000	

Printing and Office Expenses		₹
Printing and Office Expenses as per Receipt and Payments A/c	30,000	
Add: Outstanding as on 31.03.21	8,000	
Less: Outstanding as on 01.04.20	10,000	
	28,000	

Repairs to Equipment		₹
Repairs as per Receipt and Payments A/c	50,000	
Add: Outstanding as on 31.03.21	25,000	
Less: Outstanding as on 01.04.20	30,000	
	45,000	

Depreciation on Machinery and equipment		₹
Balance as on 01.04.20	80,000	
Add: Purchases during the year	1,55,000	
Less: Sale of Equipment	8,000	
Less: Balance as on 31.03.21	1,75,000	
	52,000	

TELEGRAM : ICAIXD

On 31st March, 2015 Writers Club a cultural association had the following assets and liabilities:

Liabilities	Rs.	Assets	Rs.
Trust fund	5,00,000	Cash	3,000
Accumulated surplus in income & expenditure a/c	1,05,000	Canara Bank: Savings a/c	7,000
Membership fee received in advance for 2016-2017	10,000	Fixed deposits	2,00,000
Outstanding expenses	10,000	Investments in: Government securities	3,00,000
		Fixed assets	95,000
		Membership fee receivable	15,000
		Prepaid expenses	5,000
	6,25,000		6,25,000

The following is the receipt and payment account for the year ended 31st March, 2016:

Receipts	Rs.	Payment	Rs.
Opening balance:			
Cash	3,000	Administrative expenses	1,25,000
Savings with Canara Bank	7,000	Program expenses including cost of printing souvenir	2,75,000
Membership fee received		Fixed deposits with Canara Bank	1,25,000
Up to 31/3/2015	14,000	Fixed assets purchased	80,000
For 2015-2016	1,50,000	Investments in ICICI Bond	3,00,000
For 2016-2017	16,000	Closing balance:	
Sale of tickets - Programmed		25,000 Cash	2,700
Advertisements in programmer souvenir	5,00,000	Savings with Canara Bank	5,000 7,700
Fixed deposits with Canara Bank	75,000		
Interest on bank a/c:			
Savings	700		
Fixed deposit	22,000	22,700	
Amount received on maturity of government security inclusive of interest Rs. 8,000 (cost Rs. 80,000)		1,00,000	
	9,12,700		9,12,700

The club informs you that:

- (i) Membership fee for 2015-2016 due is Rs. 25,000; it includes Rs. 1,000 due from the member who has not yet paid also for 2014-15; provision for irrecoverable membership is to be made in respect of this member.
- (ii) Income receivable on 31-3-2016 on ICICI bond is Rs. 30,000 and on government securities is Rs. 24,000.
- (iii) Prepaid expenses on 31-3-2016 amount to Rs. 7,000.
- (iv) Outstanding expenses on 31-3-2016 amount to Rs. 8,000.
- (v) Depreciation provision is to be Rs. 12,500.
- (vi) Program is an annual feature.

The club asks you to prepare:

- (a) Income and expenditure account for the year ended 31st March, 2016.
- (b) Balance sheet as at 31st March, 2016.

SOL.

Income & Expenditure A/c			
Expenditure	Rs	Income	Rs
To Bad Debts A/c	2,000	By Membership Fees A/c	1,85,000
To Depreciation A/c	12,500	By Bank Interest A/c	22,700
To Expenses A/c	1,21,000	By Program	
To Surplus c/f	3,96,200	Income	5,25,000
		(-) Expenses	2,75,000
		By Profit on sale	2,50,000
		of Govt. security A/c	12,000
		By Interest on Investment A/c	62,000
	5,31,700		5,31,700

Balance Sheet As On 31.03.2016

Liabilities	Rs	Asset	Rs
Trust Fund	5,00,000	Fixed Asset	1,62,500
Income & Expenditure 1,05,000	5,01,200	Fixed Deposits	2,50,000
(Accrued 3,00,000)	5,01,200	Interest Outstanding	54,000

Trust Fund	5,00,000	Fixed Asset	1,62,500
Income & Expenditure 1,05,000		Fixed Deposits	2,50,000
(+) Surplus 3,96,200	5,01,200	Interest Outstanding	54,000
Advance Membership Fees	16,000	Investments:	
Expense Outstanding	8,000	ICIC Bond 3,00,000	
		Govt. Securities 2,20,000	5,20,000
		Prepaid Expenses	7,000
		Cash 2,700	
		Bank 5,000	7,700
		Outstanding	
		Membership Fees 26,000	
		(-) Provision 2,000	24,000
	10,25,200		10,25,200

TELEGRAM : ICAIXD

TELEGRAM : ICAIXD

Q(12) IFR

- (i) A Limited is a company with an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being:
- (i) ₹ 2 per share payable on application, to be received by 31st May, 2020;
 - (ii) Allotment to be made on 10th June, 2020 and a further ₹ 5 per share (including the premium to be payable);
 - (iii) The final call for the balance to be made, and the money received by 31st December, 2020.

Applications were received for 5,60,000 shares and dealt with as follows:

- (1) Applicants for 10,000 shares received allotment in full;
- (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- (3) Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited.

Journal of A Limited

Date 2020	Particulars	Dr. ₹	Cr. ₹
May 31	Bank A/c (Note 1 – Column 3) To Equity Share Application A/c (Being application money received on 5,60,000 shares @ ₹ 2 per share)	Dr. 11,20,000	11,20,000
June 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 - Column 5)	Dr. 11,20,000	2,70,000 5,50,000

Journal of A Limited

Sol:

Date 2020	Particulars		Dr. ₹	Cr. ₹
May 31	Bank A/c (Note 1 – Column 3) To Equity Share Application A/c (Being application money received on 5,60,000 shares @ ₹ 2 per share)	Dr.	11,20,000	11,20,000
June 10	Equity Share Application A/c To Equity Share Capital A/c To Equity Share Allotment A/c (Note 1 - Column 5) To Bank A/c (Note 1–Column 6) (Being application money on 1,35,000 shares transferred to Equity Share Capital Account; on 2,75,000 shares adjusted with allotment and on 1,50,000 shares refunded as per Board's Resolution No.....dated....)	Dr.	11,20,000 2,70,000 5,50,000 3,00,000	
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium a/c (Being allotment money due on 1,35,000 shares @ ₹ 5 each including premium at ₹4 each as per Board's Resolution No.....dated....)	Dr.	6,75,000 1,35,000 5,40,000	

	Bank A/c (Note 1 – Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	1,25,000	1,25,000
Dec. 31	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 1,35,000 shares @ ₹ 7 per share as per Board's Resolution No.....dated....)	Dr.	9,45,000 9,45,000	
	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,35,000 shares @ ₹ 7 each received)	Dr.	9,45,000 9,45,000	

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application	Amount Required on Application	Amount adjusted on Allotment	Refund [3 – (4 + 5)]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	10,000	10,000	20,000	20,000	Nil	Nil	50,000	50,000
(ii)	50,000	25,000	1,00,000	50,000	50,000	Nil	1,25,000	75,000
(iii)	5,00,000	1,00,000	10,00,000	2,00,000	5,00,000	3,00,000	5,00,000	Nil
TOTAL	5,60,000	1,35,000	11,20,000	2,70,000	5,50,000	3,00,000	6,75,000	1,25,000

Also,

- (i) Amount Received on Application (3) = No. of shares applied for (1) X ₹2
- (ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 2

TELEGRAM : ICAIXD

(III)

Rashmi Limited issued at par 1,00,000 Equity shares of ₹10 each payable ₹2.50 on application; ₹3 on allotment; ₹ 2 on first call and balance on the final call. All the shares were fully subscribed. Mr. Nair who held 10,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 1000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Nair. Give journal entries to record these transactions.

telegram : ICAIXD

SOL.

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
	Bank A/c	Dr.	2,50,000	2,50,000
	To Equity Share Application A/c (Money received on applications for 1,00,000 shares @ ₹ 2.50 per share)	Dr.	2,50,000	2,50,000
	Equity Share Application A/c To Equity Share Capital A/c (Transfer of application money on 1,00,000 shares to share capital)	Dr.	3,00,000	3,00,000
	Equity Share Allotment A/c To Equity Share Capital A/c (Amount due on the allotment of 1,00,000 shares @ ₹ 3 per share)	Dr.	3,00,000	3,00,000
	Bank A/c To Equity Share Allotment A/c (Allotment money received)	Dr.	3,00,000	3,00,000
	Equity Share First Call A/c To Equity Share Capital A/c (Being first call made due on 1,00,000 shares at ₹ 2 per share)	Dr.	2,00,000	2,00,000
	Bank A/c To Equity Share First Call A/c To Calls in Advance A/c (Being first call money received along with calls in advance on 10,000 shares at ₹ 2.50 per share)	Dr.	2,25,000	2,00,000 25,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call made due on 1,00,000 shares at ₹ 2.50 each)	Dr.	2,50,000	2,50,000
	Bank A/c Calls in Advance A/c Calls in Arrears A/c To Equity Share Final Call A/c (Being final call received for 89,000 shares and calls in advance for 10,000 shares adjusted)	Dr.	2,22,500 25,000 2,500 2,50,000	
	Interest on Calls in Advance A/c To Shareholders A/c (Being interest made due on calls in advance of ₹25,000 at the rate of 12% p.a.)	Dr.	750	750
	Shareholders A/c	Dr.	750	

Equity Share First Call A/c	Dr.	2,00,000	
To Equity Share Capital A/c (Being first call made due on 1,00,000 shares at ₹ 2 per share)		2,00,000	
Bank A/c	Dr.	2,25,000	
To Equity Share First Call A/c		2,00,000	
To Calls in Advance A/c (Being first call money received along with calls in advance on 10,000 shares at ₹ 2.50 per share)		25,000	
Equity Share Final Call A/c	Dr.	2,50,000	
To Equity Share Capital A/c (Being final call made due on 1,00,000 shares at ₹ 2.50 each)		2,50,000	
Bank A/c	Dr.	2,22,500	
Calls in Advance A/c	Dr.	25,000	
Calls in Arrears A/c	Dr.	2,500	
To Equity Share Final Call A/c (Being final call received for 89,000 shares and calls in advance for 10,000 shares adjusted)		2,50,000	
Interest on Calls in Advance A/c	Dr.	750	
To Shareholders A/c (Being interest made due on calls in advance of ₹ 25,000 at the rate of 12% p.a.)		750	
Shareholders A/c	Dr.	750	
To Bank A/c (Being payment of interest made to shareholder)		750	

Shareholders A/c	Dr.	41.67	
To Interest on Calls in Arrears A/c (Being interest on calls in arrears made due at the rate of 10%)		41.67	
Bank A/c	Dr.	2,541.67	
To Calls in Arrears A/c		2,500	
To Shareholders A/c (Being money received from shareholder for calls in arrears and interest thereupon)		41.67	

TELEGRAM: ICAIXD

(III) PQR Limited issued 2,00,000 equity shares of, 10 each payable as ₹ 3 per share on application & ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from Mr. J, holding 5,000 shares who failed to pay the allotment and call money and Mr. K, holding 10,000 shares, who failed to pay the call money. All these 15,000 shares were forfeited. Out of the forfeited shares, 10,000 shares (including whole of J's shares) were subsequently re-issued to Mr. L as fully paid up at a discount of ₹ 1 per share.

Pass necessary journal entries in the books of PQR Limited. Also prepare Balance Sheet and notes to accounts of the company.

SOL:

In the books of PQR. Ltd.

Journal

Entry no.	Particulars		₹	₹
1	Bank A/c	Dr	6,00,000	
	To Equity Share Application A/c (Being application money on 2,00,000 shares @ ₹ 3 per share received)		6,00,000	
2	Equity Share Application A/c	Dr	6,00,000	
	To Equity Share Capital A/c (Being transfer of application money to Equity Share Capital on 2,00,000 shares @ ₹ 3 per share as per Director's Resolution no.... dated...)		6,00,000	
3	Equity Share Allotment A/c	Dr	10,00,000	
	To Equity Share Capital A/c		6,00,000	
	To Securities Premium A/c (Being amount due from shareholders in respect of allotment on 2,00,000 shares @ ₹ 5 per share including premium ₹ 2 per share as per Director's Resolution no.....dated.....)		4,00,000	
4	Bank A/c	Dr	9,75,000	
	To Equity Share Allotment A/c (Being amount received against allotment on 1,95,000 shares @ ₹ 5 per share including premium @ ₹ 2 per share)		9,75,000	
	OR			
	Bank A/c	Dr	9,75,000	
	Calls in Arrears A/c	Dr	25,000	
	To Equity Share Allotment A/c (Being amount received against allotment on 2,00,000 share @ ₹ 5 per share including premium @ ₹ 2 per share, Mr. J holding 5,000 shares failed to pay allotment money)		10,00,000	
5	Equity Share Call A/c	Dr	8,00,000	
	To Equity Share Capital A/c (Being amount due from shareholders in respect of call on 2,00,000 shares @ ₹ 4 per share as per Director's resolution no.....dated.....)		8,00,000	
6	Bank A/c	Dr	7,40,000	
	To Equity Share Call A/c (Being amount received against the call on 1,85,000 shares @ ₹ 4 per share)		7,40,000	
	OR			
	Bank A/c	Dr	7,40,000	
	Calls in Arrears A/c	Dr	60,000	
	To Equity Share Call A/c (Being amount received against the call on 1,85,000 shares @ ₹ 4 per share, J holding 5,000 shares and K holding 10,000 shares failed to pay call money)		8,00,000	
7	Equity Share Capital A/c (15,000 x ₹ 10)	Dr	1,50,000	
	Securities Premium A/c (5000 x ₹ 2)	Dr	10,000	
	To Equity Share Allotment A/c (5000 x ₹ 5)		25,000	
	To Equity Share Call A/c (15,000 x ₹ 4)		60,000	
	To Forfeited Shares A/c		75,000	

7	Equity Share Capital A/c (15,000 x ₹ 10) Securities Premium A/c (5000 x ₹ 2) To Equity Share Allotment A/c (5000 x ₹ 5) To Equity Share Call A/c (15,000 x ₹ 4) To Forfeited Shares A/c (Being forfeiture of 15,000 equity shares for non-payment of allotment and call money on 5,000 shares and for non-payment of call money on 10,000 shares as per Board's Resolution No.....dated)	Dr Dr Dr Dr Dr OR	1,50,000 10,000 25,000 60,000 75,000	
	Equity Share Capital A/c (15,000 x ₹ 10) Securities Premium A/c (5000 x ₹ 2) To Calls in Arrears A/c (₹ 25,000 + ₹ 60,000) To Forfeited Shares A/c (Being forfeiture of 15,000 equity shares for non-payment of allotment and call money on 5,000 shares and for non-payment of call money on 10,000 shares as per Board's Resolution No.....dated)	Dr Dr	1,50,000 10,000 85,000 75,000	
8	Bank A/c Forfeited Shares A/c To Equity Share Capital A/c (Being re-issue of 10,000 shares @ ₹ 9 each as per Board's Resolution No.....dated)	Dr Dr	90,000 10,000 1,00,000	
9	Forfeited Shares A/c To Capital Reserve A/c (Being profit on re-issue transferred to Capital Reserve)	Dr	35,000 35,000	

Balance Sheet of PQR as at.....

Particulars	Notes No.	₹
EQUITY AND LIABILITIES		
Shareholders' funds		
Share Capital	1	19,80,000
Reserves and Surplus	2	4,25,000
Total		24,05,000
ASSETS		
Current assets		
Cash and Cash Equivalents	3	24,05,000
Total		24,05,000

Notes to accounts

	₹	₹
1. Share Capital Equity share capital Issued share capital 2,00,000 Equity shares of ₹ 10 each Subscribed, called up and paid up share capital 1,95,000 Equity shares of ₹ 10 each Add: Forfeited shares	20,00,000 19,50,000 30,000	19,80,000
2. Reserves and Surplus Securities Premium Capital Reserve	3,90,000 35,000	4,25,000
3. Cash and Cash Equivalents Amount received on Share Application Amount Received on Share Allotment Amount Received on Share Call Amount Received on Re-issue of Shares	6,00,000 9,75,000 7,40,000 90,000	24,05,000

Working Note:

(1) Calculation of Amount to be Transferred to Capital Reserve

Amount forfeited per share of J	₹ 3 (₹ 1)	Amount forfeited per share of K	₹ 6 (₹ 1)
Less: Loss on re-issue per share		Less: Loss on re-issue per share	
Surplus Transferred to Capital Reserve: J's share (5,000 x ₹ 2)	₹ 2	Surplus	₹ 5
K's Share (5,000 x ₹ 5)		₹ 10,000	
Total		₹ 25,000	
		₹ 35,000	

(2) Balance of Security Premium

Total Premium amount receivable on allotment	= 4,00,000
Less: Amount reversed on forfeiture	= (10,000)
Balance remaining	= 3,90,000

TELEGRAM : ICAIXD

Q:14 Issue of Debentures

- (i) Y Company Limited issue 10,000 12% Debentures of the nominal value of ₹ 60,00,000 as follows:
(i) To a vendor for purchase of fixed assets worth ₹ 13,00,000 - ₹ 15,00,000 nominal value.
(ii) To sundry persons for cash at 90% of nominal value of ₹ 30,00,000.
(iii) To the banker as collateral security for a loan of ₹ 14,00,000 - ₹ 15,00,000 nominal value.

You are required to pass necessary Journal Entries.

(5 Marks)

SOL:

Journal Entries

Date	Particulars	Dr. ₹	Cr. ₹
(i)	Fixed Assets A/c To Vendor A/c (Being the purchase of fixed assets from vendor)	Dr. 13,00,000	13,00,000
	Vendor A/c Discount on Issue of Debentures A/c To 12% Debentures A/c (Being the issue of debentures of ₹ 15,00,000 to vendor to satisfy his claim)	Dr. 13,00,000 2,00,000	15,00,000
(ii)	Bank A/c To Debentures Application A/c (Being the application money received on 5,000 debentures @ ₹ 540 each)	Dr. 27,00,000	27,00,000
	Debentures Application A/c Discount on issue of Debentures A/c	Dr. 27,00,000 3,00,000	

Date	Particulars	Dr.	Cr.
(i)	Fixed Assets A/c To Vendor A/c (Being the purchase of fixed assets from vendor)	Dr. 13,00,000	13,00,000
	Vendor A/c Discount on Issue of Debentures A/c To 12% Debentures A/c (Being the issue of debentures of ₹ 15,00,000 to vendor to satisfy his claim)	Dr. 13,00,000 Dr. 2,00,000	15,00,000
(ii)	Bank A/c To Debentures Application A/c (Being the application money received on 5,000 debentures @ ₹ 540 each)	Dr. 27,00,000	27,00,000
	Debentures Application A/c Discount on issue of Debentures A/c To 12% Debentures A/c (Being the issue of 5,000 12% Debentures @ 90% as per Board's Resolution No....dated....)	Dr. 27,00,000 Dr. 3,00,000	30,00,000
(iii)	Bank A/c To Bank Loan A/c (See Note) (Being a loan of ₹14,00,000 taken from bank by issuing debentures of ₹15,00,000 as collateral security)	Dr. 14,00,000	14,00,000

Note: In the Balance Sheet the fact that the debentures being issued as collateral security and outstanding are shown under the respective liability.

- (ii) HOD Ltd. issues 2,00,000, 12% Debentures of ₹10 each at ₹9.40 on 1st January, 2022. Under the terms of issue, 1/5th of the debentures are annually redeemable by drawings, the first redemption occurring on 31st December, 2022. Calculate the amount of discount to be written-off from 2022 to 2026.

SOLUTION

Calculation of amount of discount to be written-off			
At the Year end	Debentures Outstanding before redemption	Ratio of benefit Derived	Amount of discount to be written-off
2022	₹ 20,00,000	5	5/15th of ₹ 1,20,000 = ₹ 40,000
2023	₹ 16,00,000	4	4/15th of ₹ 1,20,000 = ₹ 32,000
2024	₹ 12,00,000	3	3/15th of ₹ 1,20,000 = ₹ 24,000
2025	₹ 8,00,000	2	2/15th of ₹ 1,20,000 = ₹ 16,000
2026	₹ 4,00,000	1	1/15th of ₹ 1,20,000 = ₹ 8,000
TOTAL		15	₹ 1,20,000

Q:15 (REDMEPTION OF P.SHARE & DEB)

TELEGRAM : ICAIXD

X Ltd. gives you the following information as at 31st March, 2023:

Particulars		₹
EQUITY AND LIABILITIES		
1. Shareholders' funds		
a. Share capital		2,90,000
b. Reserves and Surplus		48,000
2. Current liabilities		
Trade Payables		56,500
ASSETS		
1. Property, Plant and Equipment		3,45,000
2. Non-current investments		18,500
3. Current Assets		
Cash and cash equivalents (bank)		31,000

The share capital of the company consists of ₹ 50 each equity shares of ₹ 2,25,000 and ₹ 100 each Preference shares of ₹ 65,000 (issued on 1.4.2021). Reserves and Surplus comprises Profit and Loss Account only.

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

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

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

Journal

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c To Share Application A/c (For application money received on 750 shares @ ₹ 50 per share)	Dr. 37,500	37,500

Share Application A/c	Dr.	37,500	
To Equity Share Capital A/c (For disposition of application money received)		37,500	
Preference Share Capital A/c	Dr.	65,000	
Premium on Redemption of			
Preference Shares A/c	Dr.	6,500	
To Preference Shareholders A/c (For amount payable on redemption of preference shares)		71,500	
Bank A/c	Dr.	15,000	
Profit and Loss A/c (loss on sale) A/c	Dr.	3,500	
To Investment A/c (For sale of investments at a loss of ₹ 3,500)		18,500	
Profit and Loss A/c	Dr.	27,500	
To Capital Redemption Reserve A/c (For transfer to CRR out of divisible profits an amount equivalent to excess of nominal value of preference shares over proceeds (face value of equity shares) i.e., ₹ 65,000 - ₹ 37,500)		27,500	
Preference Shareholders A/c	Dr.	71,500	
To Bank A/c (For payment of preference shareholders)		71,500	
Profit and Loss A/c	Dr.	6,500	
To Premium on Redemption of Preference Shares A/c (For writing off premium on redemption out of profits)		6,500	

Working Note:

Calculation of Number of Shares:	₹
Amount payable on redemption (₹ 65,000 + 10% of ₹ 65,000)	71,500
Less: Sale price of investment	(15,000)
	56,500
Less: Available bank balance (31,000 - 12,000)	(19,000)
Funds from fresh issue	—
∴ No. of shares = 37,500/50=750 shares	37,500

- (II) The capital structure of a company consists of 20,000 Equity Shares of ₹ 10 each fully paid up and 1,000 8% Redeemable Preference Shares of ₹ 100 each fully paid up (issued on 1-4-2021). Undistributed reserve and surplus stood as: General Reserve ₹ 80,000; Profit and Loss Account ₹ 20,000; Investment Allowance Reserve out of which ₹ 5,000, (not free for distribution as dividend) ₹ 10,000; Securities Premium ₹ 2,000; Cash at bank amounted to ₹ 98,000. Preference shares are to be redeemed at a premium of 10% and for the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilising the undistributed reserve and surplus, subject to the conditions that a sum of ₹ 20,000 shall be retained in general reserve and which should not be utilised.

Pass Journal Entries to give effect to the above arrangements.

SOLUTION

In the books of
Journal Entries

Date	Particulars	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.	
	To Equity Share Capital A/c	25,000	
	(Being the issue of 2,500 Equity Shares of ₹ 10 each at a premium of Re. 1 per share as per Board's Resolution No.....dated.....)		25,000
	General Reserve A/c	Dr.	60,000
	Profit & Loss A/c	Dr.	10,000
	Investment Allowance Reserve A/c	Dr.	5,000
	To Capital Redemption Reserve A/c (Being the amount transferred to Capital Redemption Reserve Account as per the requirement of the Act)		75,000
	8% Redeemable Preference Share Capital A/c	Dr.	1,00,000
	Premium on Redemption of Preference Shares A/c	Dr.	10,000
	To Preference Shareholders A/c (Being the amount paid on redemption transferred to Preference Shareholders Account)		1,10,000
	Preference Shareholders A/c	Dr.	1,10,000
	To Bank A/c (Being the amount paid on redemption of preference shares)		1,10,000
	Profit & Loss A/c	Dr.	10,000
	To Premium on Redemption of Preference Shares A/c (Being the premium payable on redemption is adjusted against Profit & Loss Account)		10,000

Working Note:

No of Shares to be issued for redemption of Preference Shares:	
Face value of shares redeemed	₹ 1,00,000
Less: Profit available for distribution as dividend:	
General Reserve : ₹(80,000-20,000)	₹ 60,000
Profit and Loss (20,000 - 10,000 set aside for adjusting premium payable on redemption of preference shares)	₹10,000
Investment Allowance Reserve: ₹(10,000-5,000)	₹ 5,000
	— ₹ 75,000
	— ₹ 25,000

Therefore, No. of shares to be issued = ₹ 25,000/₹10 = 2,500 shares.

(III)

- The books of B Ltd. showed the following balance on 31st December, 2023:
30,000 Equity Shares of ₹10 each fully paid; 18,000 12% Redeemable Preference Shares of ₹10 each fully paid; 4,000 10% Redeemable Preference Shares of ₹ 10 each, ₹ 8 paid up (all shares issued on 1st April, 2022).
Undistributed Reserve and Surplus stood as: Profit and Loss Account ₹ 80,000; General Reserve ₹ 1,20,000; Securities Premium Account ₹ 15,000 and Capital Reserve ₹ 21,000.

For redemption, 3,000 equity shares of ₹10 each are issued at 10% premium. At the same time, Preference shares are redeemed on 1st January, 2024 at a premium of ₹2 per share. The whereabouts of the holders of 100 shares of ₹10 each fully paid are not known.

A bonus issue of equity share was made at par, two shares being issued for every five held on that date out of the Capital Redemption Reserve Account. However, equity shares, issued for redemption are not eligible for bonus.

Show the necessary Journal Entries to record the transactions. (Ignore date column)

(SOL)

In the books of B Limited
Journal Entries

Particulars	Dr. (₹)	Cr. (₹)
12% Redeemable Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Being the amount payable on redemption of 18,000 12% Redeemable Preference Shares transferred to Shareholders Account)	Dr. 1,80,000 Dr. 36,000 Dr. 2,16,000	
Preference Shareholders A/c To Bank A/c (Being the amount paid on redemption of 17,900 preference shares)	Dr. 2,14,800 Dr. 2,14,800	
Bank A/c To Equity Shares Capital A/c To Securities Premium A/c (Being the issue of 3,000 Equity Shares of ₹ 10 each at a premium of 10% as per Board's Resolution No..... Dated....)	Dr. 33,000 Dr. 30,000 Dr. 3,000	30,000
General Reserve A/c Profit & Loss A/c To Capital Redemption Reserve A/c (Being the amount transferred to Capital Redemption Reserve A/c as per the requirement of the Act.)	Dr. 1,20,000 Dr. 30,000 Dr. 1,50,000	
Capital Redemption Reserve A/c To Bonus to Shareholders A/c (Being the amount appropriated for issue of bonus share in the ratio of 5:2 as per shareholders Resolution No..... dated....)	Dr. 1,20,000 Dr. 1,20,000	

Bonus to Shareholders A/c To Equity Share Capital A/c (Being the utilisation of bonus dividend for issue of 12,000 equity shares of ₹ 10 each fully paid)	Dr. 1,20,000	1,20,000
Profit & Loss A/c To Premium on Redemption of Preference Shares A/c (Being premium on redemption of preference shares adjusted against to Profit & Loss Account)	Dr. 36,000	36,000

Working Note:

- (1) Partly paid-up preference shares cannot be redeemed.
- (2) Amount to be Transferred to Capital Redemption Reserve Account
Face value of share to be redeemed ₹ 1,80,000
Less: Proceeds from fresh issue (excluding premium) ₹ 30,000
₹ 1,50,000

- (3) No bonus shares on 3,000 equity shares issued for redemption.

Note: Bonus shares does not result in receipt of cash, and hence the increase in share capital on account of bonus issue cannot be considered in determination of amount to be transferred to Capital Redemption Reserve.

Question 16 (PARTNERSHIP)

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

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

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

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

Required:

Prepare

- (a) Revaluation account;
- (b) Partners' capital accounts;

TELEGRAM : ICAIXD

(ii) The amount due to retiring partner shall be transferred to his loan account.

Required:

Prepare

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

SOL.

Revaluation Account

	₹		₹
To Buildings A/c	10,000	By Investments A/c	
To Plant and Machinery A/c	26,000	By Loss to Partners:	
To Provision for Doubtful Debts A/c	27,800		
		A 30,400	
		B 18,240	
		C 12,160	60,800
	63,800		63,800

A's Capital Account

	₹		₹
To Revaluation A/c	30,400	By Balance b/d	80,000
To Balance c/d	80,000	By Reserves A/c	10,000
		By C and D's Capital A/c	10,000
		By Bank A/c (balancing figure)	10,400
	1,10,400		1,10,400

B's Capital Account

	₹		₹
To Revaluation A/c	18,240	By Balance b/d	20,000
To Investments A/c	15,000	By Reserves A/c	6,000
To B's Loan A/c	22,760	By C and D's Capital A/c	30,000
	56,000		56,000

C's Capital Account

	₹		₹
To Revaluation A/c	12,160	By Balance b/d	30,000
To A and B's Capital A/c	20,000	By Reserves A/c	4,000
To Balance c/d	80,000	By Bank A/c (balancing figure)	78,160
	1,12,160		1,12,160

D's Capital Account

	₹		₹
To A and B's Capital A/cs	20,000	By Bank A/c	60,000
To Balance c/d	40,000		
	60,000		60,000

Bank Account

	₹		₹
To A's Capital A/c	10,400	By Bank Overdraft A/c	44,000
To C's Capital A/c	78,160	By Balance c/d	1,04,560
To D's Capital A/c	60,000		
	148,560		148,560

Balance Sheet of Dowell IIP.

as at 1st April, 2022

Liabilities	₹	Assets	₹
Capital Accounts:			
A 80,000		Land 10,000	
C 80,000		Buildings 1,90,000	
D 40,000	2,00,000	Plant and Machinery 1,04,000	
Long Term Debts 3,00,000		Furniture 43,000	
Trade payables 1,70,000		Inventories 1,30,000	
	1,70,000	Trade receivables 1,39,000	
B's Loan Account	22,760	Less: Provision for Doubtful Debts (27,800)	(1,11,200)
			1,04,560
	6,92,760		6,92,760

Note: Even though the problem says goodwill ₹ 1,00,000 to appear in new Balance Sheet, it is written off so as to company with Accounting Standard. Net entry for goodwill is:

C's capital	Dr. 20,000
D's capital	Dr. 20,000
To A's capital	10,000
To B's capital	30,000

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