



FINANCIAL

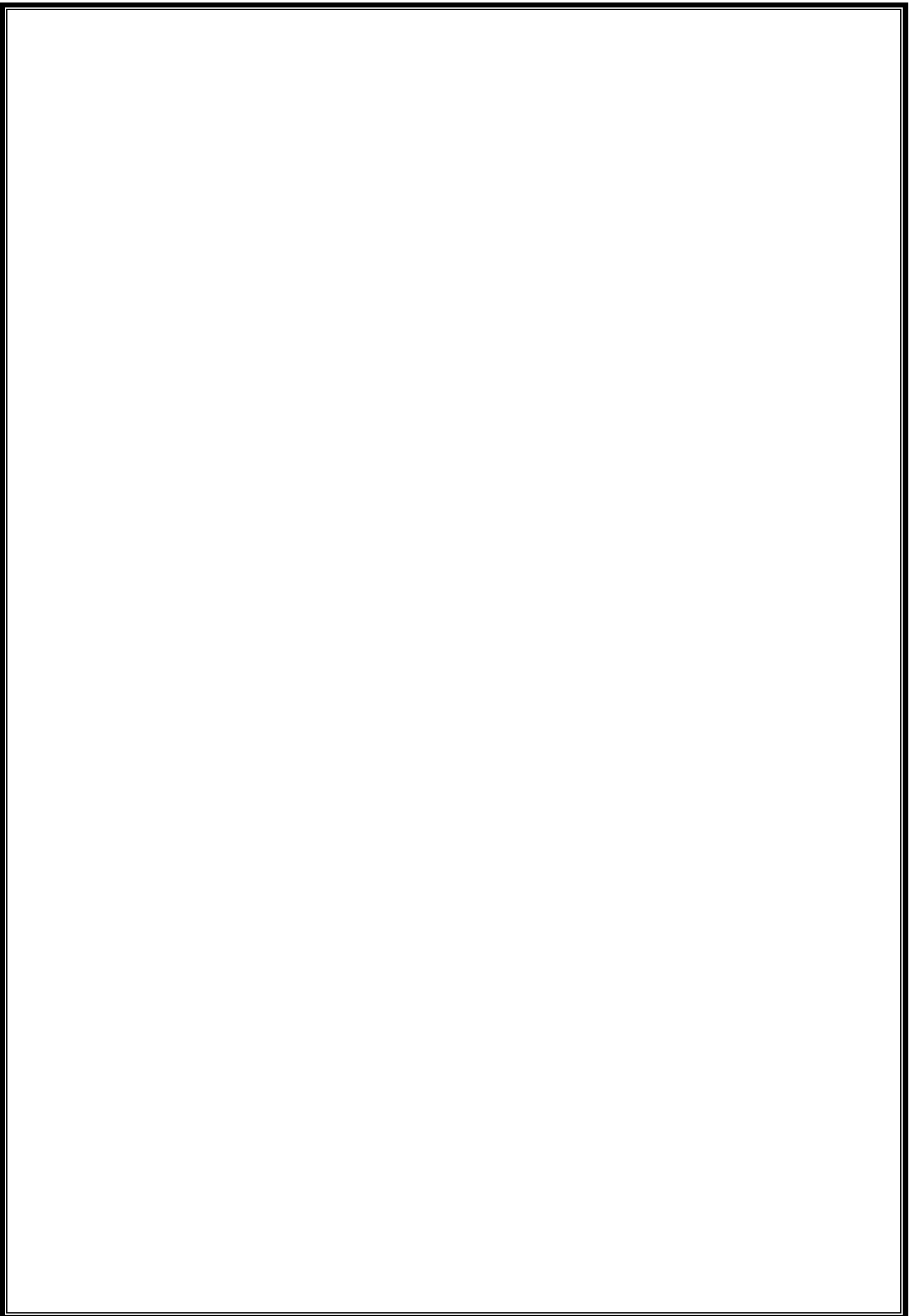
ACCOUNTING





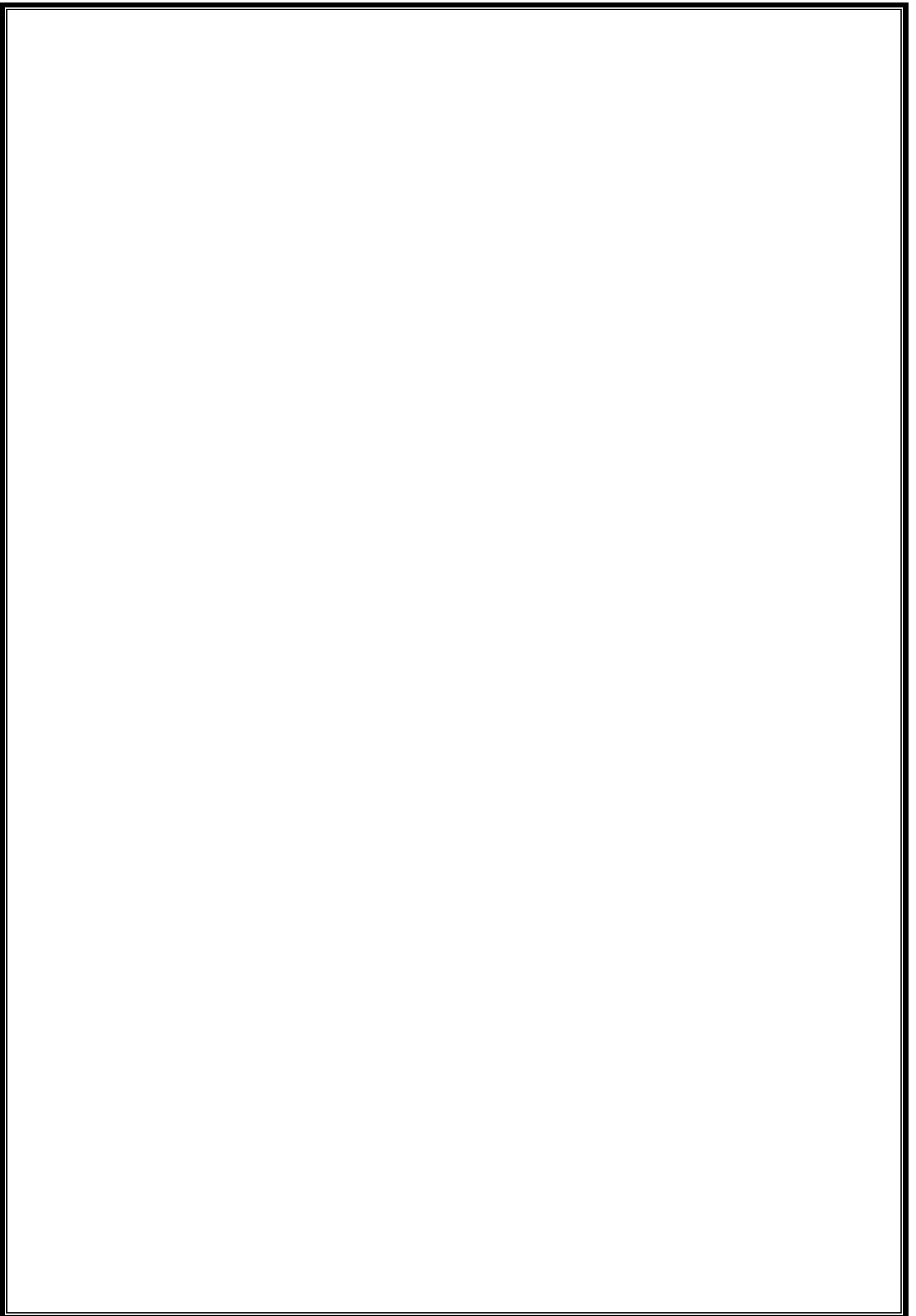
This piece of work is a result of constant urge for development and providing the best means to all willing students who look upon us for their bright future. This book is dedicated to my family because without their support this would have been impossible. I thank CA Navneet Mundhra, who works day and night together to make things easier and better for you all. I wish you all a bright future ahead. Happy learning!!

CA Avinash Sancheti, CS
(AIR 1 / 3 / 5)



CONTENT

No.	Chapter	Marks	Page No.
1	Basics of Accounting	5	1 - 7
2	Capital & Revenue Transactions	2	8 - 19
3	Depreciation	5	20 - 28
4	Bills of Exchange	5	29 - 37
5	Final Accounts of Profit making entities	5 - 10	38 - 53
6	Rectification of Errors	5	54 - 67
7	Final Accounts of Non - Trading entities	15	68 - 86
8	Consignment	5	87 - 97
9	Joint Venture	5	98 - 110
10	Self Balancing Ledgers	5	111 - 119
11	Royalty	5	120 - 125
12	Single Entry	10	126 - 142
13	Insurance Claim	10	143 - 153
14	Hire Purchase	5	154 - 163
15	Department	7	164 - 174
16	Branch	8	175 - 190



Basics of Accounting

Objective Type Questions

FILL IN THE BLANKS

1. The cash discount is allowed by _____ to the _____.
2. Profit means excess of _____ over _____.
3. Debtor is a person who _____ to others.
4. In a credit transaction, the buyer is given a _____ facility.
5. The fixed asset is generally held for _____.
6. The current liabilities are obligations to be settled in _____ period.
7. The withdrawal of money by the owner of business is called _____.
8. The amount invested by owners into business is called _____.
9. Transaction means exchange of money or money's worth for _____.
10. The net result of an income statement is _____ or _____.
11. The _____ shows financial position of the business as on a particular date.
12. The _____ discount is never entered in the books of accounts.
13. Vehicles represent _____ expenditure while repairs to vehicle would mean _____ expenditure.
14. Net worth is excess of _____ over _____.
15. Cash account is _____ account.
16. Liability account has _____ balance.
17. Interest account has _____ balance.
18. Opening entries are generally passed through _____.
19. Goodwill account is a/an _____.
20. The debit balance in a nominal account shows _____.
21. The allowance made for prompt payment is called _____.
22. The left hand side of an account is called _____ side.
23. If the debit side of goods account exceeds the credit side the difference will be _____.

Financial Accounting

24. The balance of _____ account will be shown in the debit column of trail balance.
25. The equality of debit and credit of the _____ does not mean that the individual accounts are also accurate.
26. Trail balance is statement which shows the _____ or the totals of all the accounts.
27. _____ lists the balance and the title of account in the ledger.
28. Closing stock appearing in the trial balance is shown on the _____ balance sheet.
29. The balance of liabilities account will be shown in the _____ of the trial balance.
30. _____ is the branch of accounting that deals with the process of ascertaining costs.
31. The main objective of accounting is to provide _____ information to the stakeholders.
32. When complete sequence of accounting procedure is done which happens frequently and repeated in same direction during an accounting period, it is called an _____.
33. _____ represents the excess of total assets over total liabilities of a business.
34. A liability that is expected to be settled in an entity's normal operating cycle is called _____ liability.
35. _____ concept treats a business as distinct from the individuals who own or manage it.
36. The left hand side of an account is called the _____ side while the right hand side of an account is called the _____ side.
37. The widely accepted set of rules, conventions, standards, and procedures for reporting financial information are called _____.
38. _____ basis of accounting is a method of recording transactions by which revenue, costs, assets and liabilities are reflected in the accounts of the period in which actual receipts and payments are made.
39. _____ basis of accounting is recognised under the Companies statute.

TRUE OR FALSE

1. Ram has assets of ₹ 20,000/- and liabilities of ₹ 4,000/- his capital therefore would be ₹16,000/-
2. Depreciation is loss.
3. Double accounting system owes its origin to Lucas pacioli.
4. Profit or loss have no effect on networth.
5. Capital account is a real account.
6. Trial balance is a final accounts.
7. Trial balance contains the balances of only personal and real accounts.
8. After preparation of ledgers, the next is the preparation of trial balance.
9. Journal is the book of final entry.
10. Trade discount will be entered in the book of accounts.
11. The transactions of a business are recorded in the journal chronologically and in a classified manner.
12. Book keeping being a routine and repetitive work, in today's world, it is taken over by the computer systems.

13. Information about financial position of a business is primarily provided in the Income Statement.
14. Trade discount is allowed by seller to buyer for making prompt payment.
15. Management accounting is primarily based on the data available from Financial Accounting.
16. The Periodicity concept assumes that 'a business will run for an indefinite period'.
17. GAAP stands for Globally Accepted Accounting Practices.
18. Under Hybrid Basis of accounting, incomes are recorded on cash basis while expenses are recorded on accrual basis.
19. The components of the Accounting Equation are Expenses, Incomes and Equity.
20. All transactions are events, but all events are not transactions.

MATCH THE FOLLOWING

GROUP-A

1. Salary account	a) Artificial personal account
2. Drawings account	b) Representative personal account
3. Furniture account	c) Personal account
4. Income received in advance	d) Real account
5. Modern Academy	e) Nominal account

GROUP-B

1. Cash discount	a) Obligation that may or may not materialise
2. Credit transactions	b) Excess of expenditure over income
3. Liability	c) Transactions without immediate cash settlement
4. Contingent liability	d) Amount owed by a business to external parties
5. Loss	e) Allowance by seller to buyer for prompt payment

GROUP-C

1. Cash book	a) Credit note issued to debtors
2. Sales book	b) Cash memos
3. Sales return book	c) Debit note issued to creditors
4. Purchase book	d) Inward invoice
5. Purchase return book	e) Outward invoice

RECOGNISE THE ACCOUNTING CONCEPT

- (1) The business will run for an indefinite period.
- (2) The business is distinct and separate from its owners.
- (3) The transactions are recorded at their original cost.
- (4) The transactions recorded are those that can be expressed in money terms.
- (5) Revenues will be recognized only if there is reasonable certainty that it will be paid for.
- (6) Accounting treatment once decided should be followed period after period.

Financial Accounting

- (7) Every transaction has two effects to be recorded in books of accounts.
- (8) Transactions are recorded even if an obligation is created and actual cash is not involved.
- (9) Stock of goods is valued at lower of its cost and realizable value.
- (10) Effects of an event must be recognized in the same accounting period.

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

The following transactions relate to Mr. J for the month of January, 2018. You are required to prepare an accounting equation from these transactions:

Jan, 2018	Transactions
1	Started business with cash ₹ 48,000.
4	Purchased goods in cash from D Bros. for ₹ 8,000.
6	Bought furniture worth ₹ 14,000 in cash.
9	Sold goods costing ₹ 2,500 to Mr. X for ₹ 4,000 in cash.
12	Purchased goods in credit from B & Sons. worth ₹ 28,000.
16	Sold goods costing ₹ 4,800 to Mr. Y for ₹ 6,000 on credit.
20	Paid ₹ 5,000 cash to B & Sons., the supplier.
22	Paid Salaries ₹ 1,600.
27	Received interest ₹ 1,400.
31	Collected ₹ 6,000 from his customer, Mr. Y

QUESTION 2

Ex. Book no.

Pg.No.

Journalize the following transactions in the books of Gaurav, post them into ledger and prepare trial balance for June 2013 :

June 1: Gaurav started business with ₹ 10,00,000 of which 25% amount was borrowed from wife.

June 4: Purchased goods from Aniket worth ₹ 40,000 at 20% TD and 1/5th amount paid in cash.

June 7: Cash purchases ₹ 25,000.

June 10: Sold goods to Vishakha ₹ 30,000 at 30% TD and received 30% amount in cash.

June 12: Deposited cash into bank ₹ 20,000.

June 15: Uninsured goods destroyed by fire ₹ 5,500.

June 19: Received commission ₹ 3,500.

June 22: Paid to Aniket ₹ 25,500 in full settlement of A/c. June 25: Cash stolen from cash box ₹ 1,000

June 27: Received from Vishakha ₹ 14,500 and discount allowed ₹ 200.

June 30: Interest received ₹ 2,400 directly added in our bank account.

QUESTION 3
Ex. Book no.
Pg.No.

Journalise the following transactions in the books of Shiva:

- 01.05.2015 - Started business with ₹5,00,000 of which 50% amount was borrowed from SBI and 20% of the amount was borrowed from his sister Patta.
- 05.05.2015 - Purchased goods from Chintu Mart worth ₹ 1,60,000 at 25% Trade discount and 40% amount paid in cash.
- 08.05.2015 - Sold goods to Satish ₹60,000 at 20% Trade discount and received 1/4th in cash.
- 15.05.2015 - Paid to Chintu Mart ₹69,000 in full settlement.

QUESTION 4
Ex. Book no.
Pg.No.

The total of debit side of the Trial Balance of Lotus Stores as at 31.03.2016 is ₹ 3,65,000 and that of the credit side is ₹ 2,26,000. After checking, the following mistakes were discovered:

Items of account	Correct figures	Figures as it appears in the Trial Balance (₹)
Opening Stock	15,000	10,000
Rent & Rates	36,000	63,000
Sundry Creditors	81,000	18,000
Sundry Debtors	1,04,000	1,58,000

Ascertain the correct total of the Trial Balance.

QUESTION 5
Ex. Book no.
Pg.No.

One of your clients, Mr. Singhania has asked you to finalise his accounts for the year ended 31st March, 2016. Till date, he himself has recorded the transactions in books of accounts. As a basis for audit, Mr. Singhania furnished you with the following statement.

Particulars	Dr. Balance (Rs.)	Cr. Balance (Rs.)
Singhanias Capital	-	1,556
Singhanias Drawings	564	-
Leasehold premises	750	-
Sales	-	2,750
Due from customers	-	530
Purchases	1,259	-
Purchases return	264	-
Loan from bank	-	256
Trade payables	528	-
Trade expenses	700	-
Cash at bank	226	-
Bills payable	100	-
Salaries and wages	600	-
Inventories (1.4.2015)	-	264

Financial Accounting

Particulars	Dr. Balance (Rs.)	Cr. Balance (Rs.)
Rent and rates	463	-
Sales return	-	98
	5,454	5,454

The closing Inventory on 31st March, 2016 was valued at Rs. 574. Mr. Singhania claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance.

QUESTION 6	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

The total of debit side of Trial Balance of a larger boot and shoe repairing firm as on 31.12.2013 is ₹ 1,66,590 and that of the credit side is ₹ 42,470. After several checking and rechecking the mistakes are discovered:

Items of Account	Correct Figure (as it would be)	Figures as it appear in the Trial Balance	
Opening Stock	14,900	14,800	
Repairs (outstanding)	61,780	61,780	(appear in the Debit side)
Rent & Taxes	2,160	2,400	
Sundry Creditors	6,070	5,900	
Sundry Debtors	8,060	8,310	

Ascertain the correct total of the Trial Balance.

QUESTION 7	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

Mr. Anil Roy, a junior lawyer, provides the following particulars for the year ended 31st December, 2012:

	₹
Fees received in cash in 2013	60,000
Salary paid to Staff in 2013	8,000
Rent of office in 2013	14,000
Magazine and Journal for 2013	1,000
Travelling and Conveyance paid in 2013	3,000
Membership Fees paid in 2013	1,600
Office Expenses paid in 2013	10,000

Additional Information:

Fees include ₹ 3,000 in respect of 2012 and fees not yet received is ₹ 7,000. Office rent includes ₹ 4,000 for previous year and rent of ₹ 2,000 not yet paid. Membership fees is paid for 2 years.

Compute his net income for the year 2013, under – (a) Cash Basis, (b) Accrual Basis and (c) Mixed or Hybrid Basis.

QUESTION 8**Ex. Book no.****Pg.No.**

Chandra runs a stationery business. From the following information relating to his business prepare Income Statement under: (a) Cash Basis, (b) Accrual Basis, and (c) Hybrid Basis:

Cash purchases	82,000
Credit purchases	1,35,000
Salaries paid	17,000
Rent paid	17,500
Insurance paid	18,500
Cash sales	2,20,000
Credit sales	3,00,000
Outstanding Salaries ₹5,000 & Outstanding Rent ₹2,800	
Prepaid insurance ₹3,000	

Capital and Revenue Transaction

Objective Type Questions

MULTIPLE CHOICE QUESTION

1. Money spent ₹ 10,000 as travelling expenses of the directors on trips abroad for purchase of capital assets is
(a) Capital expenditure (b) Revenue expenditure
(c) Prepaid revenue expenditure
2. Amount of ₹ 5,000 spent as lawyers' fee to defend a suit claiming that the firm's factory site belonged to the plaintiff's land is
(a) Capital expenditure (b) Revenue expenditure
(c) Prepaid revenue expenditure
3. Entrance fee of ₹ 2,000 received by Ram and Shyam Social Club is
(a) Capital receipt (b) Revenue receipt (c) Capital expenditures
4. Subsidy of ₹ 40,000 received from the government for working capital by a manufacturing concern is
(a) Capital receipt (b) Revenue receipt (c) Capital expenditures
5. Insurance claim received on account of machinery damaged completely by fire is
(a) Capital receipt (b) Revenue receipt (c) Capital expenditures
6. Interest on investments received from UTI is
(a) Capital receipt (b) Revenue receipt (c) Capital expenditures
7. Amount received from IDBI as a medium term loan for augmenting working capital is
(a) Capital expenditure (b) Revenue receipt
(c) Capital receipt
8. Revenue from sale of products, ordinarily, is reported as part of the earning in the period in which
(a) The sale is made (b) The cash is collected
(c) The products are manufactured

9. If repair cost is ₹ 25,000, whitewash expenses are ₹ 5,000 (both these expenses relate to presently used building), cost of extension of building is ₹ 2,50,000 and cost of improvement in electrical wiring system is ₹ 19,000; the amount to be expensed is -
(a) ₹ 2,99,000 (b) ₹ 44,000 (c) ₹ 30,000
10. Rs. 2,500 spent on the overhauling on purchase of second hand machinery:
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
11. Which of the following is a revenue expenditure?
(a) Freight paid on purchase of plant and machinery
(b) Legal expenses paid to acquire a property
(c) Annual whitewash of the factory building
(d) Expenses incurred to reduce working capital requirement
12. Loss caused by theft of cash by cashier after business hours is a :
(a) Revenue loss (b) Deferred revenue loss
(c) Capital loss (d) None of the above
13. Share Premium is a :
(a) Capital Receipt (b) Revenue Receipt
(c) Deferred Revenue Receipt (d) None of these
14. Assertion : Damages paid on account of breach of contract to supply certain goods is a capital expenditure.
Reasoning : Such damages are incurred in the ordinary course of business:
(a) Both the statements are correct and second is a correct explanation of the first
(b) Both the statements are correct but second is not a correct explanation of the first
(c) First statement is correct but second is not
(d) First statement is not correct but second is correct
15. Amount spent on increasing the seating capacity in a cinema hall is:
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred Revenue expenditure (d) None
16. Capital expenditure provide..... benefit:
(a) Short period (b) Long period (c) Very short period (d) None
17. An amount of Rs. 30,000 spent on traveling expenses of the company's director's to a foreign trip for purchase of an asset to be used in the production process. This is a:
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
18. Recovery of Bad debt is a :

- (a) Revenue Receipt (b) Capital Receipt
(c) Capital Expenditure (d) Revenue Expenditure
19. Amount spent on unsuccessful patent right is a :
- (a) Revenue Expenditure (Even though the amount is large)
(b) Deferred Revenue Expenditure (If the amount is large)
(c) Capital Expenditure
(d) None of these
20. Capital Receipts-are represented in:
- (a) Balance Sheet (b) Trading account
(c) Profit & Loss A/c (d) Manufacturing A/c
21. Preliminary Expenses are an example of:
- (a) Revenue Expenditure (b) Capital Expenditure
(c) Deferred Revenue Expenditure (d) All of these
22. Brokerage on the issue of shares and debentures is a _____ expenditure:
- (a) Revenue (b) Capital
(c) Deferred Revenue (d) Partly capital partly revenue
23. What is the difference between deferred revenue expenditure and prepaid expenses?
- (a) Accounting treatment
(b) Estimation of amount
(c) Benefit for more than one accounting period
(d) Nature of expenditure
24. Machinery was purchased for Rs. 10,000 and Rs. 500 paid as wages for erection of machinery. The account that should be debited is:
- (a) Wages A/c (b) Machinery A/c (c) Repairs A/c (d) Both (a) & (b)
25. An old machinery is purchased for Rs. 10,000. Installation charges of Rs. 1,000 were incurred. Repairs to the old machinery = Rs. 7,000 Repairs Account will be debited by:
- (a) Rs. 7,000 (b) Rs. 8,000 (c) Nil (d) None of the above
26. X Limited spent Rs. 10,00,000 towards construction of office building. It also spent Rs. 50,000 towards construction of temporary store and used the store for building construction purpose. On completion of building construction the store was dismantled and the materials were sold for Rs. 20,000. Mr. A, a supervisor was paid Rs. Rs. 60,000 as his salary during the period of construction and he devoted 2/3rd of his time for the building construction. The capitalized cost of office building was:
- (a) Rs. 10,00,000 (b) Rs. 11,10,000 (c) Rs. 10,90,000 (d) Rs. 10,70,000
27. A truck was purchased and after sometime, the name of the company was painted on it for advertisement purpose for Rs. 1,000/- This is :

- (a) Capital Expenditure (b) Deferred Revenue Expenditure
(c) Revenue Expenditure (d) None.
28. Medium term loan obtained from bank for augmenting working capital is:
(a) Revenue Expenditure (b) Capital Expenditure
(c) Revenue Receipt (d) Capital Receipt.
29. If repairs of Rs. 100 are done on a machinery then which account will be debited ?
(a) Machinery A/c (b) Repairs A/c (c) Capital A/c (d) Wages A/c.
30. Heavy advertisement expenditure should be treated as :
(a) Deferred Revenue Expenditure (b) Revenue expenditure
(c) Capital Expenditure (d) None of these.
31. Deferred Revenue Expenditure to the extent of not written off, is shown in Balance Sheet under the head:-
(a) Miscellaneous Expenditure(Other Non-current asset)
(b) Capital
(c) Current Liabilities
(d) Fixed Assets.
32. XYZ Limited has a house for 3 years. It used it as guest house. Now it incurred an expenditure for Rs. 2,50,000 for repairing the roof of this house. Expenses incurred on such repairs are:-
(a) Capital Expenditure (b) Revenue Expenditure
(c) Deferred Revenue Expenditure (d) None of the above.
33. Which of the following Expenses will not be included in the acquisition of plant?
(a) Purchase Price of Plant (b) Installation Expense
(c) Annual Maintenance charges (d) Delivery charges of the plant.
34. A new machine was purchased in Delhi and brought to Jaipur factory site for installation. The machine was damaged during transit and repair expenses were incurred amounting to Rs. 20,000. Such repair will be treated as :
(a) Capital expenditure (b) Revenue expense
(c) Deferred revenue expenditure (d) Reserves
35. Revenue Expenditure wrongly recorded as Capital Expenditure will result in:
(a) Overstatement of net profit and understatement of assets
(b) Overstatement of net profit and overstatement of assets
(c) Understatement of net profit and overstatement of assets
(d) Understatement of net profit and understatement of assets
36. Which of the following statement is false?
(a) Expenses in connection with obtaining a licence for running the Cinema is Capital expenditure
(b) Heavy advertisement expenses to introduce a new product is deferred revenue expenditure
(c) Cost of construction of building including cost of temporary huts for storing building mate-

rials is capital expenditure

(d) The cost of Rings and Pistons of an engine changed to increase its fuel efficiency is revenue expenditure

37. Expenditure incurred of Rs. 20,000 for trial run of a newly installed machinery would be:
- (a) Preliminary expenditure (b) Capital expenditure
(c) Revenue expenditure (d) Deferred revenue expenditure
38. Amount spent on increasing the seating capacity in cinema hall is:-
- (a) Capital Expenditure (b) Revenue Expenditure
(c) Deferred Revenue Expenditure (d) None of the above.
39. Renewal fee for patent is a:
- (a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) Development expenditure
40. Shivam purchased an old building for Rs. 50 lakhs. He demolished the building for the purpose of constructing shopping mall on the same site. Demolition cost was Rs.1 lakh. Construction cost of the mall was Rs. 35 lakhs. He inaugurated it and the inauguration cost was Rs. 50,000 Capital Expenditure was:
- (a) Rs. 86,00,000 (b) Rs. 86,50,000 (c) Rs. 85,00,000 (d) Rs. 85,50,000
41. Rohit is in real estate business. On 6th June, 2014 he sold a penthouse for Rs. 4 crores (costing Rs. 3.5 crores). The amount realised is a
- (a) Capital receipt and profit should be transferred to capital reserve.
(b) Revenue receipt and profit should be transferred to Profit and Loss A/c.
(c) Capital receipt and profit should be transferred to Profit and Loss A/c.
(d) Revenue receipt and profit should be transferred to General Reserve A/c.
42. Deepawali advance given to employees is_____.
- (a) Capital Expenditure (b) Revenue Expenditure
(c) Deferred Revenue Expenditure (d) Not an Expenditure
43. If repair cost is ₹20,000, whitewash expenses are ₹10,000, cost of extension of building is ₹2,50,000 and cost of improvement in electrical wiring system is ₹20,000. The amount of revenue expenses will be -
- (a) ₹2,70,000 (b) ₹3,00,000 (c) ₹30,000 (d) ₹50,000
44. A Motor Truck costing ₹15,000 and standing in the books at ₹7,250 was sold for ₹12,000
- (a) Capital Receipt ₹12,000 & Revenue Profit ₹4,750
(b) Capital Loss ₹4,750 & Capital Expenditure ₹12,000
(c) Capital Receipt ₹15,000 & Revenue Loss ₹7,750
(d) Revenue Receipt ₹12,000 & Capital loss ₹4,750
45. A Second Hand Car is purchased for ₹10,000, ₹1,000 is spent on repairs, ₹500 incurred to get the

car registered in owner's name and ₹1,200 paid as dealer's commission. Amount debited to car account will be -

- (a) ₹10,000 (b) ₹10,500 (c) ₹11,500 (d) ₹12,700

46. An expenditure is capital in nature when –
- (a) The receiver of the amount is going to treat it for the purchase of fixed assets.
(b) It increase the efficiency of fixed assets
(c) It is paid as interests on loans for the business
(d) It is maintains a fixed assets
47. Capital expenditures are recorded in the
- (a) Balance sheet (b) Profit and loss A/c (c) Trading a/c (d) Manufacturing a/c
48. Which of the following transaction is of capital nature
- (a) Purchases of a truck (b) Replacement of old trucks
(c) Cost of repairing of truck (d) All of the above
49. ₹ 5,000 incurred for upgradation of computer by installation of 128 MB Ram is
- (a) Capital expenditure (b) Deferred revenue expenditure
(c) revenue expenditure (d) None of the above
50. Entrance fee of ₹ 20,000 received by a club is a
- (a) Capital receipts (b) Revenue receipt
(c) Capital expenditure (d) Revenue expenditure
51. Life membership fees received by a club
- (a) Revenue expenditure (b) Capital expenditure
(c) Deferred revenue expenditure (d) Capital receipt
52. Cost of goods purchased for resale is an example of –
- (a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of these
53. Import duty of raw material purchased
- (a) Revenue expenditure (b) Capital expenditure
(c) Deferred revenue expenditure (d) None of these
54. Received from Soloman & co. an invoice for ₹ 1500 for repairs to factory walls
- (a) Revenue expenditure (b) Capital expenditure
(c) Deferred revenue expenditure (d) None of these
55. Company received from government for compulsory acquisition of land
- (a) Revenue receipt (b) Capital receipt
(c) Deferred revenue expenditure (d) None of these

Financial Accounting

56. All revenue receipts and expenditures are shown in: -
- | | |
|-------------------------|-------------------------------------|
| (a) Balance Sheet | (b) Trading and Profit and Loss A/c |
| (c) Cash Flow Statement | (d) Statement of Affairs |
57. A bad debt recovered during the year will be-
- | | |
|-------------------------|-------------------------|
| (a) Capital expenditure | (b) Revenue expenditure |
| (c) Capital Receipt | (d) Revenue Receipt |

FILL IN THE BLANKS

1. Revenue receipts are shown in _____.
2. Any donation received for a specific purpose is a _____.
3. Capital expenditure provide _____ benefit.
4. Amount received from a bank as a mid term loan for working capital _____.
5. ₹ 3,500 spent on painting new factory is _____.
6. Extension to building occupied on lease for 5 years _____.
7. ₹ 20,000 received from an issue of further shares the expenses of issue being ₹ 2500 _____.
8. Taxes paid _____.
9. Revenue is generally recognized as being earned at that point of time _____.
10. Capital receipts are shown in _____ side of balance sheet.
11. White washing expenses are _____.
12. ₹2,500 spent on the overhaul of Machinery purchased second hand is _____.
13. ₹1,200 spent on repairs on machinery _____.
14. Inauguration expenses incurred on the opening of new manufacturing unit in an existing business. _____.
15. Subsidy of ₹40,000 received from the government for working capital _____.

TRUE OR FALSE

1. An expenditure is revenue in nature, when it benefits the current period.
2. Paper purchased for use as stationery is capital expenditure.
3. Purchase of machinery for sale is revenue expenditure.
4. Gratuity and pension paid to employees after retirement is deferred revenue expenditure.
5. A bad debt recovered during the year is revenue receipt.
6. Freight paid on purchase of machinery is to be treated as Revenue Expenditure.
7. Repainting of building done every 3 years 'Revenue expenditure'.
8. Premium received on issue of share is capital profit.
9. A motor tuck costing ₹ 15,000 and standing in the books at ₹ 7,250 was sold for ₹1,200 then Capital loss ₹ 4,750 & capital receipt ₹ 1,200.
10. A motor car which was purchased for ₹ 20,000 had its book value ₹ 12,000 was sold for ₹ 25,000 the capital profit will be ₹ 5,000.

MATCH THE FOLLOWING**Group A**

1. Sale of Goods	a) Deferred Revenue Expenditure
2. Bank charges	b) Liability
3. Preliminary expenses	c) Revenue expense
4. Capital receipts are shown as	d) Profit & loss a/c
5. Revenue expenses are shown in	e) Revenue receipt

Group B

1. Rent paid in advance	a) Capital expenditure
2. Cost of copyrights	b) None
3. Petrol expenditure	c) Capital receipts
4. Special donations received	d) Revenue expenditure
5. Received interest	e) Revenue receipt

Practical Type Questions **QUESTION 1****Ex. Book no.****Pg.No.**

State with reasons whether the following statements are 'True' or 'False'.

- i. Overhaul expenses of second-hand machinery purchased are Revenue Expenditure.
- ii. Money spent to reduce working expenses is Revenue Expenditure.
- iii. Legal fees to acquire property is Capital Expenditure.
- iv. Amount spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the plaintiff's land is Capital Expenditure.
- v. Amount spent for replacement of worn out part of machine is Capital Expenditure.
- vi. Expense incurred on the repairs and white washing for the first time on purchase of an old building are Revenue Expenses.
- vii. Expenses in connection with obtaining a license for running the cinema is Capital Expenditure.
- viii. Amount spent for the construction of temporary huts, which were necessary for construction of the Cinema House and were demolished when the cinema house was ready is Capital Expenditure.

QUESTION 2**Ex. Book no.****Pg.No.**

State with reasons whether the following are Capital or Revenue Expenditure:

- i. Expenses incurred in connection with obtaining a license for starting the factory for Rs. 10,000.
- ii. Rs. 1,000 paid for removal of Inventory to a new site.
- iii. Rings and Pistons of an engine were changed at a cost of Rs. 5,000 to get fuel efficiency.
- iv. Money paid to Mahanagar Telephone Nigam Ltd. (MTNL) Rs. 8,000 for installing telephone in the office.
- v. A factory shed was constructed at a cost of Rs. 1,00,000. A sum of Rs. 5,000 had been incurred in the construction of temporary huts for storing building material.

QUESTION 3**Ex. Book no.****Pg.No.**

Good Picture starts a cinema house and incur the following expenditure during the first year ending 31st March 2016

- i. Second hand furniture worth Rs. 9,000 was purchased; repainting of the furniture costs Rs. 1,000.
- ii. The furniture was installed by own workmen, wages for this being Rs. 200.
- iii. Expenses in connection with obtaining a license for running the cinema worth Rs. 20,000. During the course of the year the cinema company was fined Rs. 1,000 for contravening rules. Renewal fee Rs. 2,000 for next year also paid.
- iv. Fire insurance Rs. 1,000 was paid on 1st October, 2015 for one year.
- v. Temporary huts were constructed costing Rs. 1,200. They were necessary for the construction of the cinema. They were demolished when the cinema was ready.

Point out how you would classify the above items.

QUESTION 4**Ex. Book no.****Pg.No.**

State with reasons, how you would classify the following items of expenditure:

- i. Overhauling expenses of Rs. 25,000 for the engine of a motor car to get better fuel efficiency,
- ii. Inauguration expenses of Rs.25 lacs incurred on the opening of a new manufacturing unit in an existing business.
- iii. Compensation of Rs. 2.5 crores paid to workers, who opted for voluntary retirement.

QUESTION 5**Ex. Book no.****Pg.No.**

Classify the following expenditures and receipts as capital or revenue:

- i. Rs. 10,000 spent as travelling expenses of the directors on trips abroad for purchase of capital assets.
- ii. Amount received from Trade receivables during the year.
- iii. Amount spent on demolition of building to construct a bigger building on the same site.
- iv. Insurance claim received on account of a machinery damaged by fire.

QUESTION 6**Ex. Book no.****Pg.No.**

Are the following expenditures capital in nature?

- i. M/s ABC & Co. run a restaurant. They renovate some of the old cabins. Because of this renovation some space was made free and number of cabins was increased from 10 to 13. The total expenditure was Rs. 20,000.
- ii. M/s New Delhi Financing Co. sold certain goods on installment payment basis. Five Customers did not pay installments. To recover such outstanding installments, the firm spent Rs. 10,000 on account of legal expenses.
- iii. M/s Ballav & Co. of Delhi purchased a machinery from M/s Shah & Co. of Ahmedabad. M/s Ballav & Co. spent Rs. 40,000 for transportation of such machinery.

QUESTION 7**Ex. Book no.****Pg.No.**

For each of the cases numbered below, indicate whether the income/expenditure is capital or revenue.

- i. Payment of wages to one's own employees for building a new office extension.
- ii. Regular hiring of computer time for the preparation of the firm's accounts.
- iii. The purchase of a new computer for use in the business.
- iv. The use of motor vehicle, hired for five years, but paid at every six months.

QUESTION 8**Ex. Book no.****Pg.No.**

State the nature (capital or revenue) of the following expenditure which were incurred by Vedanta & Co. during the year ended 30th June, 2015:

- i. ₹350 was spent on repairing a second hand machine which was purchased on 8th May, 2015 and ₹200 was paid on carriage and freight in connection with its acquisition.
- ii. A sum of ₹ 30,000 was paid as compensation to two employees who were retrenched.
- iii. ₹150 was paid in connection with carriage on goods purchased.

Financial Accounting

- iv. ₹20,000 customs duty is paid on import of a machinery for modernisation of the factory production during the current year and ₹ 6,000 is paid on import duty for purchase of raw materials.

QUESTION 9

Ex. Book no.

Pg.No.

State with reasons whether the following items relating to Parvati Sugar Mill Ltd. are capital or revenue:

- i. ₹50,000 received from issue of shares including ₹ 10,000 by way of premium.
- ii. Purchased agricultural land for the mill for ₹ 60,000 and ₹ 500 was paid for land revenue.
- iii. ₹5,000 paid as contribution to PWD for improving roads of sugar producing area.
- iv. ₹40,000 paid for excise duty on sugar manufactured.
- v. ₹70,000 spent for constructing railway siding.

QUESTION 10

Ex. Book no.

Pg.No.

State which of the following expenditures are capital, revenue, deferred revenue expenditures and capital loss:

- i. Cost of overhauling and painting a second hand truck newly purchased.
- ii. Cost of making more exits in a cinema hall under order of the Government.
- iii. ₹25,000 were spent on air conditioning the office of General Manager.
- iv. An old machine which stood in the books at ₹15,000 was sold for ₹13,000.
- v. ₹2,000 were paid as municipal tax in connection with a building which was purchased last year for ₹2,00,000.
- vi. ₹30,000 were spent on heavy advertising in connection with the introduction of a new product.
- vii. ₹500 was paid out in connection with carriage on goods purchased.
- viii. A temporary room constructed for ₹25,000 for storing raw materials for the construction of a big building.
- ix. ₹5,00,000 was spent on putting up a gallery in a theatre hall.
- x. Freight and Cartage amounting to ₹4,000 were paid on a purchase of a new plant and a sum of ₹2,000 was spent as erection charges of that plant.

QUESTION 11

Ex. Book no.

Pg.No.

State whether the following expenditures are capital, revenue or deferred revenue expenditures:

- Repairs to furniture.
- Legal expenses incurred to defend a suit for breach of contract to supply goods.
- Custom duty paid on imported machinery.
- Heavy expenditure incurred on advertising a new product.
- Carriage paid on goods purchased.
- Amount spent to overhaul a motor truck purchased second hand.
- Wages paid to workers for setting up new machinery.
- Preliminary expenses incurred in setting up a joint stock company.
- Wages paid to workers for converting raw materials into finished goods.

- Office rent paid in advance for three years.

QUESTION 12

Ex. Book no.

Pg.No.

Classify the following items as capital or revenue expenditure:

- An extension of railway tracks in the factory area;
- Wages paid to machine operators;
- Installation costs of new production machine;
- Materials for extension to foremen's offices in the factory;
- Rent paid for the factory;
- Payment for computer time to operate a new stores control system,
- Wages paid to own employees for building the foremen's offices.

Give reasons for your classification.

QUESTION 13

Ex. Book no.

Pg.No.

Classify the following items as capital or revenue expenditure with reasons:

- Freight charges of ₹12,000 incurred for machinery purchased for ₹2,00,000.
- ₹90,000 being expenditure incurred for well equipped labour welfare centre.
- Compensation of ₹1,50,000 each paid to three employees who were retrenched.
- Purchase of TV Set for ₹ 30,000 to be installed in the reception hall.

QUESTION 14

Ex. Book no.

Pg.No.

Mr. X is the owner of a cinema hall. He spent a heavy amount for complete renovation of the hall, for installation of ACs and for seating arrangements with cushion seats. As a result the revenue has been doubled. He also spent for few more doors for emergency exits.

State your opinion about the treatment of expenditures.

7. The main objective of providing depreciation is to
 - (a) Create secret reserve
 - (b) Reduce the book value of assets
 - (c) Allocate cost of the assets

8. Original cost of a machine was ₹ 25,20,000 salvage value was ₹ 1,20,000, useful life was 6 years. Annual depreciation under Straight Line Method:
 - (a) ₹ 4,20,000
 - (b) ₹ 4,00,000
 - (c) ₹ 3,00,000

9. The cost of a machine is ₹ 20,00,000. Two years later, the book value is ₹ 10,00,000. The Straight-line percentage depreciation is
 - (a) 50%
 - (b) 33-1/3%
 - (c) 25%

10. Which of the following assets does not depreciate?
 - (a) Machinery and equipment
 - (b) Patents
 - (c) Land

11. If the equipment account has a balance of Rs. 22,50,000 and the accumulated depreciation account has a balance of Rs. 14,00,000, the book value of the equipment is
 - (a) ₹ 36,50,000
 - (b) ₹ 8,50,000
 - (c) ₹ 14,00,000

12. Depreciation refers to the process of ___ -
 - (a) Asset valuation
 - (b) Allocation of cost of the assets over the period of its life
 - (c) verification of assets
 - (d) increasing or decreasing the value of asset

13. In case the depreciable assets are revalued, the provision for depreciation is based on
 - (a) market value of the assets
 - (b) historical cost of assets
 - (c) depreciated value of the assets
 - (d) The revalued amount over the estimate of the remaining useful life of such asset

14. Which of the following is the internal causes for depreciation?
 - (a) wear and tear
 - (b) depletion or exhaustion
 - (c) both a & b
 - (d) none of the above

15. Which are the methods of depreciation is prescribed by the income tax act ___
 - (a) straight line and annuity method
 - (b) sinking fund and double declining method
 - (c) equal installment and written down value method
 - (d) production hour and sum of year's digit method

16. Depreciation is not provided for which of the following asset?
 - (a) goodwill
 - (b) land
 - (c) inventory of goods
 - (d) both B & c

17. Obsolescence means decline in the value due to
 (a) physical wear and tear (b) efflux of time
 (c) fall in market price (d) innovations and inventions
18. The depreciation account is closed at the end of the year by transfer to the
 (a) general reserve a/c (b) profit and loss a/c
 (c) provision for depreciation a/c (d) fixed asset a/c
19. Which of the following is an external cause for depreciation:
 (a) Obsolescence (b) time element
 (c) abnormal occurrences (d) all of the above
20. Accumulated depreciation is an example of
 (a) A liability (b) An expense
 (c) An income (d) An unrecorded revenue
21. Depreciation of a ten-year lease is best done on the method
 (a) WDV (b) SLM (c) Annuity method (d) both a & b
22. Original cost is ₹ 1,50,000 residual value is ₹10,000, depreciation for 3rd year @ 10% p.a. under WDV method ____
 (a) 14,000 (b) 12150 (c) 11,340 (d) 12,240
23. For charging depreciation, on which of the following assets, the depletion method is adopted?
 (a) Plant & machinery (b) Land & building
 (c) Goodwill (d) Wasting assets like mines and quarries
24. The value of an asset after deducting depreciation from the historical cost is known as
 (a) Fair value (b) market value (c) net realizable value (d) book value
25. If the original cost of the machine = ₹1,00,000, life = 5 years residual value = ₹2,000. If the depreciation for 4th year as per SLM is ₹19,600, then the rate of depreciation p.a. is
 (a) 10% (b) 15% (c) 20% (d) 5%
26. Consider the following data pertaining to M/s. E Ltd. who constructed a cinema house -

Particulars	₹
Cost of second hand Furniture	90,000
Cost of repainting the Furniture	10,000
Wages paid for fixing the Furniture	2,000
Fire insurance premium	1,000

The amount debited to furniture account is -

- (a) ₹90,000 (b) ₹91,000 (c) ₹1,00,000 (d) ₹1,02,000
27. On purchase of second hand car for ₹10,000, the amount of ₹1,000 is spent on its repairs, ₹500 is incurred to get the car registered in own name and ₹1,200 is given as dealer's commission. The

amount debited to car A/c should be -

- (a) ₹10,000 (b) ₹10,500 (c) ₹11,500 (d) ₹12,700

28. On January 1, 2014 Victory Ltd., purchased a second hand machinery for ₹50,000 and spend ₹2,000 as shipping and forwarding charges, ₹1,000 as import duty, ₹1,000 as carriage inwards, ₹500 as repair charges, ₹200 as installation charges, ₹400 as brokerage of the middle man and ₹100 for an iron pad. Total cost of machinery is

- (a) ₹55,100 (b) ₹55,000 (c) ₹54,600 (d) ₹55,200

29. Amit Ltd. purchased a machine on 01.01.2014 for ₹1,20,000. Installation expenses were ₹10,000. Residual value at the end of the useful life of the asset is ₹5,000. On 01.07.2014, expenses for repairs were incurred to the extent of ₹2,000. Depreciation is provided under straight line method. Depreciation rate = 10%.

Annual Depreciation =

- (a) 13,000 (b) 17,000 (c) 21,000 (d) 25,000

30. An asset is purchased for ₹25,000, depreciation is to be provided annually according to straight line method. Useful life of the asset is 10 years and the residual value is ₹5,000. Rate of depreciation will be

- (a) 10% (b) 8% (c) 12% (d) 15%

31. On 1st January, 2014, Alpha Ltd. purchased a machine for ₹50,000 and spent ₹4,000 on its carriage and ₹2,000 on its installation. On the date of purchase, it was estimated that the effective life of the machine will be 10 years and after 10 years its scrap value will be ₹6,000. Depreciation is charged on straight line basis. Depreciation for the year 2014 will be

- (a) ₹4,600 (b) ₹5,000 (c) ₹4,800 (d) ₹4,500

32. Original Cost = ₹1,00,000. Life = 5 years. Expected salvage value = 2,000

a. Depreciation for 3rd year as per straight line method is -

- (a) 12,800 (b) 19,600 (c) 20,000 (d) 20,400

b. Rate of depreciation p.a. = _____

- (a) 20% (b) 19.8% (c) 19.6% (d) 19.4%

33. AVijay Traders purchased Car on 1.4.08 for Rs. 3,00,000. They are charging depreciation on written Down Value method. On 31.3.09 they sold the Car for Rs. 1,65,000 and incurred a loss of Rs. 7,5000. The rate of depreciation p.a. is :-

- (a) 10% (b) 15% (c) 20% (d) 25%

34. Following data pertaining to B limited are available: Cost of second hand plant Rs. 1,80,000, Cost of repairing the plant Rs. 20,000, Wages paid for installation of the plant Rs. 5,000, Fire insurance premium paid for the plant Rs. 2,000. The amount to be debited to plant account will be:

- (a) Rs. 1,80,000 (b) Rs. 2,00,000 (c) Rs. 2,05,000 (d) Rs. 2,07,000

35. ABC printers purchased a machine for Rs. 1,00,000, on 1st April, 2010. On 1st October, 2010 an another machine of Rs. 50,000 was purchased. Depreciation was provided annually 10% p.a. by fixed installment method. Find out the balance of machine account on 31st March, 2012:

- (a) Rs. 1,37,500 (b) Rs. 1,22,500 (c) Rs. 1,35,000 (d) Rs. 1,20,000

Financial Accounting

36. If depreciation rate is equal, the amount of depreciation in SLM method as compared to WDV method will be _____
- (a) Equal in first year but will be lesser in remaining year.
 - (b) Less in first year but will be more in remaining years.
 - (c) Equal in first year but will be more in remaining years.
 - (d) Less in first year but will be equal in remaining years.

FILL IN THE BLANKS

1. Depreciation means _____.
2. Amortization means _____.
3. Depreciation account is _____ (type of) account.
4. _____ is a charge against the profits.
5. The amount of depreciation charged on a machinery will be debited to _____ account.
6. Profit on sale of machinery is _____ to P & L.
7. The amount charged to depreciation declines in _____.
8. Formula to calculate rate of depreciation under diminishing balance method _____.
9. Depreciation is a _____ item.
10. Obsolescence of a depreciable asset is caused by _____ changes.
11. In case of down ward revaluation of an asset which is for the first time revalued, the account debited is _____.
12. _____ is an expenses accruing from use of fixed assets.
13. For providing depreciation on hand tools, the appropriate method of depreciation is _____.
14. In _____ method physical wear and tear are more important than economic obsolescence.
15. Formula to calculate depreciation under straight line method _____.

TRUE OR FALSE

1. In case of mineral resources depreciation is not provided, but depletion is charged.
2. Under straight line method the cost of the asset written off in equal proportion, during its economic life.
3. Depreciation is charged on tangible fixed assets and it is not charged on any current asset.
4. Depreciation is a process of allocation and not of valuation.
5. An asset is purchased for ₹ 25,000, depreciation is to be provided annually according to straight line method, useful life if the asset is 10 years and scrap value is ₹5,000. Is the rate of depreciation is 10%.
6. If the written down value of the machine on 1-1-95 is ₹9,72,000 and the method is RBM(WDV) and rate of depreciation is 10%. The value on 1-1-93 is ₹12,00,000.
7. Under the RBM of depreciation, the value of machinery never comes to zero and, under SLM of depreciation the value of machinery comes to zero at the end of its useful life.

8. Original cost of a machine was ₹ 2,52,000. Salvage value was ₹12,000, Depreciation for 2nd year @ 10% under WDV method is 21,600.
9. The portion of the acquisition of cost of the asset, yet to be allocated is known as written down value.
10. Under diminishing balance method, depreciation decrease every year.

MATCH THE FOLLOWING

GROUP -A

1. Patent	a) No depreciation
2. Building	b) Amortization
3. Mineral deposit	c) Wear and tear
4. Land	d) Depreciation
5. Internal cause	e) Depletion

GROUP -B

1. Straight line method	a) Equal installment method
2. Fixed assets & Depreciation	b) Depletion method
3. Reducing balance method	c) Written down value method
4. Units of production method	d) As-10

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

Calculate the amount and rate of depreciation under Straight Line Method in each of the following:-

Machine No.	Cost (₹)	Expenses in- curred at the time of purchase (₹)	Estimated Resid- ual Value (₹)	Expected useful life in years
1	90,000	10,000	20,000	8
2	24,000	7,000	3,100	6
3	1,05,000	20,000	12,500	3
4	2,50,000	30,000	56,000	5

QUESTION 2

Ex. Book no.

Pg.No.

On 1.1.11 machinery was purchased for ₹ 80,000. On 1.7.12 additions were made to the amount of ₹ 40,000. On 31.3.2013, machinery purchased on 1.7.2012, costing ₹ 12,000 was sold for ₹ 11,000 and on 30.06.2013 machinery purchased on 1.1.2014 costing ₹ 32,000 was sold for ₹ 26,700. On 1.10.2013, additions were made to the amount of ₹ 20,000. Depreciation was provided at 10% p.a. on the Diminishing Balance Method. Show the Machinery Accounts for three years from 2011-2013. (year ended 31st December)

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 3

Ex. Book no.

Pg.No.

The Machinery Account of a Factory showed a balance of Rs.1,90,000 on 1st January, 2015. Its accounts were made up on 31st December each year and depreciation is written off at 10% p.a. under the Diminishing Balance Method. On 1st June 2015, a new machinery was acquired at a cost of Rs. 28,000 and installation charges incurred in erecting the machine works out to Rs. 892 on the same date. On 1st June, 2015 a machine which had cost Rs. 4,374 on 1st January 2013 was sold for Rs. 750. Another machine which had cost Rs. 437 on 1st January, 2014 was scrapped on the same date and it realised nothing.

Write a plant and machinery account for the year 2015, allowing the same rate of depreciation as in the past calculating depreciation to the nearest multiple of a Rupee.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 4	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

On 1st April, 2010, a firm purchased a machinery for ₹2,00,000. On 1st October in the same year, additional machinery costing ₹1,00,000 was purchased. On 1st October, 2011, the machinery purchased on 1st April, 2010, having become obsolete, was sold off for ₹90,000. On 1st October, 2012, new machinery was purchased for ₹2,50,000 while the machinery purchased on 1st October, 2010 was sold for ₹85,000 on the same day. The firm provides depreciation on its machinery @ 10% p.a. on original cost on 31st March every year. Show Machinery A/c, Provision for Depreciation A/c and Depreciation A/c for the period of three years ending 31st March, 2013.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 5	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

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.

Required :

Calculate depreciation for the fourth year.

QUESTION 6	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

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

Required :

Calculate depreciation for the fourth year.

M/s Anshul & Co. commenced business on 1st January 2011, when they purchased plant and equipment for ₹ 7,00,000. They adopted a policy of charging depreciation at 15% per annum on diminishing balance basis and over the years, their purchases of plant have been:

Date	Amount ₹
1-1-2012	1,50,000
1-1-2015	2,00,000

On 1-1-2015 it was decided to change the method and rate of depreciation to straight line basis. On this date remaining useful life was assessed as 6 years for all the assets purchased before 1.1.2015 with no scrap value and 10 years for the asset purchased on 1.1.2015.

<u>Technical Point</u>	<u>Self Note</u>

Bills of Exchange

Objective Type Questions

MULTIPLE CHOICE QUESTION

1. A bill of exchange is drawn by a
(a) Creditor (b) Debtor (c) Debenture holder
2. At the time of drawing a bill, the drawer credits
(a) Bills Receivables A/c (b) Bills Payable A/c
(c) Debtor's A/c
3. A promissory note is made by a
(a) Seller (b) Purchaser (c) Endorsee
4. A bill of exchange contains
(a) An unconditional order (b) A promise
(c) A request to deliver the goods
5. A promissory note contains
(a) An unconditional order (b) A promise
(c) A request to deliver the goods
6. The rebate on the bill shows that
(a) It has been endorsed (b) It has been paid after the date of maturity
(c) It has been paid before the date of maturity
7. Notary Public may charge his fee from the
(a) Holder of bill of exchange (b) Drawer
(c) None
8. The person other than the original creditor to whom the amount in the bill is made payable to is known as the ____ of the bill.
(a) holder (b) payee (c) drawer (d) endorser

9. Payment of Bills of exchange is received
- (a) by drawer (b) by holder in due course of due date
(c) by endorsee (d) by bank
10. Retirement of bill means:
- (a) making payment before the due date (b) cancellation of the bill
(c) sending the bill for collection (d) endorsing the bill in favour of third party
11. At the time of retirement of a bill, the acceptor debits:
- (a) bills receivable account (b) bill payable account
(c) discount (d) none of the above
12. The party who is ordered to pay the amount is known as
- (a) Payee (b) Drawer (c) Drawee (d) Endorsee
13. In which of these ways a bill of exchange cannot be disposed of
- (a) discounting with bank (b) retain till maturity
(c) endorsement to creditors (d) destroyed
14. Bills receivable book is a part of the
- (a) ledger (b) balance sheet
(c) journal (d) profit and loss account
15. A person who endorses a bill is called
- (a) drawer (b) drawee (c) Bank (d) endorser
16. At the time of dishonor of an endorsed bill which one or these accounts would be credited by the drawee
- (a) Bill payable account (b) Drawer
(c) Bank (d) Bill dishonored account
17. Date on which the payment of the bill is to be made
- (a) Public holiday (b) Date of grace
(c) Due date (d) Due date of bill + 3 days
18. Kuntal draws a bill on shyam for ₹ 3,000. Kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:
- (a) Kuntal (b) Ram (c) Shyam (d) Rahim
19. If the due date is a public holiday what will be the due date of the bill
- (a) following day (b) preceding day (c) the same day only (d) one month later

FILL IN THE BLANKS

1. When a B/R is endorsed by the drawer what entry is passed by the drawee _____.
2. Negotiable instrument act was enacted in the year _____.
3. The debtor on whom a bill of exchange is drawn is called _____.
4. _____ is the date on which a bill falls due for payment.
5. X draws a trade bill of ₹25,000 for 6 months on Y. After holding the bill for 1.5 months, X discounts the bill with bank @ 10% p.a. the amount of discount on bill is _____.
6. A promissory note contains an _____ to pay.
7. A bill of exchange is a _____ of indebtedness of the purchaser of goods or services on credit.
8. Amount ordered to be paid by the drawer in a bill must be _____.
9. Renewal of a bill includes interest for the _____ period.
10. When the drawer discount the bill with bank before maturity the drawee passes _____ entry in his.
11. Rebate is given in case of _____ of a bill.
12. Bills receivable account is a _____ account.
13. Bills of exchange is a _____ instrument.
14. The cash allowance provided by the drawer to the drawee for the pre-payment of the bill is known as _____.
15. M sold goods worth ₹50,000 to N on 1.1.15. N immediately accepted a three months bill. On due date, N requested that the bill be renewed for a fresh period of 3 months. N agrees to pay interest @ 18% p.a. in cash. How much interest to be paid in cash by N? _____.

TRUE OR FALSE

1. Oral bill of exchange is also valid.
2. Creditors can draw a bill on debtors.
3. Bank will draw a bill on customer at the time of overdraft.
4. Retirement of bill means sending the bill for collection.
5. A person by whom the bill is endorsed is called endorser.
6. Foreign trade is facilitated with the help of foreign bills of exchange.
7. If the bill is assigned by the drawer it is invalid.
8. In case of endorsement of bill endorser debits endorsee and credits B/R account.
9. Endorser or drawer credits endorsee when the payment is received.
10. When a bill is retired under rebate the holder of a bill debits B/R account.

MATCH THE FOLLOWING

GROUP -A

1. Grace days	a) honour before due date
2. Accommodation bills	b) includes interest
3. Promissory note	c) Unconditional
4. Rebate of bill	d) loss of interest for drawer
5. Retirement	e) kite bills
6. Renewal of bill	f) 3 days

GROUP -B

1. Dishonour of a bill	a) drawee has no entry
2. Bill sent to bank collection	b) holder credits B/R account
3. Retiring a bill	c) drawer
4. Promissory note	d) Endorser
5. Maker of bill	e) conclusive proof
6. Person endorses a bill	f) foreign trade
7. Bills of exchange	g) drawer debits drawee account
8. Foreign bill of exchange	h) need not be accepted

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

On 1.1.2006, Nirmal purchased goods from Bimal for ₹30,000 on credit. On 4.1.2006, Nirmal sold the goods to Shyamal for ₹40,000 also on credit. For this purpose, he drew two bills on Shyamal for ₹20,000 each on 5.1.2006 payable after one month and two months respectively. On 8.1.2006, Nirmal endorsed the first bill in favour of Bimal along with a cheque of ₹10,000 to settle the amount due to him. However, the second bill was held by him till maturity. On due dates, both the bills were honoured. Show the entries in the books of Nirmal, Shyamal and Bimal.

QUESTION 2

Ex. Book no.

Pg.No.

Mohan sold goods to Sohan for ₹ 50,000. On 1st Jan 2015, Mohan drew a bill for three months on Sohan who accepted the same. Pass necessary journal entries in the books of Mohan and Sohan in following situations:

- (a) The bill is retained by Mohan till 31st March and Sohan paid it on that day upon presentation.
- (b) Bill is discounted with the bank and the bank pays ₹ 49,000 to Mohan. Sohan paid the bill on due date.
- (c) Mohan endorsed the bill to Rohan (his creditor) in settlement of his claim for ₹ 51,000. The bill is settled on the due date.
- (d) Mohan sent the bill to the bank for collection on due date. The bank collected bill amount and after deducting collection charges of ₹ 100 paid the balance to Mohan.

QUESTION 3

Ex. Book no.

Pg.No.

Bengal Traders purchased goods from Bombay Traders valued ₹6,000 on 1st January, 2006. They accepted a bill of exchange for the same amount for 3 months in favour of Bombay Traders on 3rd January, 2006. Bombay Traders endorsed the bill to his creditor Manubhai Patel in full settlement of a debt of ₹6,100. Manubhai Patel discounted the bill at his bankers at 5% p.a. on 3rd February, 2006. On the due date the bill was dishonoured and the banker charged a Noting expense of ₹50. Show Journal entries in the books of Bengal Traders, Bombay Traders, Manubhai Patel and Bank recording the above transactions.

QUESTION 4

Ex. Book no.

Pg.No.

Mohan sold goods to Gupta on 1st September, 2011 for ₹1,600. Gupta immediately accepted three months bill. On due date, Gupta requested that the bill be renewed for a fresh period of two months. Mohan agrees provided interest at 9%p.a. was paid immediately in cash. To this Gupta was agreeable. The second bill was met on due date. Give Journal entries in the books of Mohan.

QUESTION 5

Ex. Book no.

Pg.No.

A draws upon B three Bills of Exchange of ₹3,000, ₹2,000 and ₹1,000 respectively. A week later his first bill was mutually cancelled, B agreeing to pay 50% of the amount in cash immediately and for the balance plus interest ₹100, he accepted a fresh Bill drawn by A. This new bill was endorsed to C

Financial Accounting

who discounted the same with his bankers for ₹1,500. The second bill was discounted by A at 5%. This bill on maturity was returned dishonoured (noting charge being ₹30). The third bill was retained till maturity when it was duly met. Give the necessary journal entries recording the above transactions in the books of A.

QUESTION 6

Ex. Book no.

Pg.No.

Mr. David draws two bills of exchange on 1.1.2011 for Rs. 6,000 and Rs. 10,000. The bills of exchange for Rs. 6,000 is for two months while the bill of exchange for Rs. 10,000 is for three months. These bills are accepted by Mr. Thomas. On 4.3.2011, Mr. Thomas requests Mr. David to renew the first bill with interest at 18% p.a. for a period of two months. Mr. David agrees to this proposal. On 20.3.2011, Mr. Thomas retires the acceptance for Rs. 10,000, the interest rebate i.e. discount being Rs. 100. Before the due date of the renewed bill, Mr. Thomas becomes insolvent and only 50 paise in a rupee could be recovered from his estate.

You are to give the journal entries in the books of Mr. David.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 7

Ex. Book no.

Pg.No.

On 1st April Mr. Bala draws a bill of ₹ 1,20,000 on Mr. lala for the amount due for 4 months. on getting acceptance, on 5th April, Bala endorses it to Mr. Kala in full settlement of his claim of ₹1,40,000 by paying the difference in cash. Lala approached Bala on 25th July saying that he needed to renew the bill for a further period of 4 months at an interest of 12% p.a. which Bala accepted. a fresh bill including interest was accepted by lala on 1st August. Bala settled his liability to Kala by cheque. this was duly settled on the due date. Pass journal entries in the books of Bala and lala. Also show Bills Receivables A/c and Bills Payable A/c.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 8

Ex. Book no.

Pg.No.

Rita owed ₹1,00,000 to Siriman. On 1st October, 2016, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for ₹99,000 on 3rd October, 2016. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that ₹50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate.

Pass journal entries (with narration) in the books of Siriman.

QUESTION 9

Ex. Book no.

Pg.No.

For the mutual accomodation of 'X' and 'Y' on 1st April, 2011. 'X' drew a four months' bill on 'Y' for Rs. 4,000. 'Y' returned the bill after acceptance on the same date. 'X' discounts the bill from his bankers @ 6% per annum and remit 50% of the proceed to 'Y'. On due date 'X' is unable to send the amount due and therefore 'Y' draws a bill for Rs. 7,000, which is duly accepted by 'X'. 'Y' discounts the bill for Rs. 6,600 and sends Rs. 1,300 to 'X'. Before the bill is due for payment 'X' becomes insolvent. Later 25 paise in a rupee received from his estate. Record Journal entries in the books of 'X'.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 10

Ex. Book no.

Pg.No.

Vijay draws a bill for ₹ 60,000 and anand accepts the same for mutual accommodation of both of them to the extent of Vijay 2/3rd and anand 1/3rd. Vijay discounts it with bank for ₹ 56,400 and remits 1/3rd share to anand. Before the due date, anand draws another bill for ₹ 84,000 on Vijay in order to provide funds to meet the first bill on same sharing basis. the second bill is discounted at ₹ 81,600. With these proceeds, the first bill is settled and ₹ 14,400 were remitted to Vijay. Before the due date of the second bill, Vijay becomes insolvent and anand receives a dividend of only 50 paise in a rupee in full satisfaction. Pass journal entries in the books of Vijay.

QUESTION 11

Ex. Book no.

Pg.No.

Rahim, for mutual accommodation, draws a bill for ₹ 3,000 on Ratan. Rahim discounted it for ₹ 2,925. He remits ₹ 975 to Ratan. on the due date, Rahim is unable to remit his dues to Ratan to enable him to meet the bill. He, however, accepts a bill for ₹ 3,750 which Ratan discounts for ₹ 3,625. Ratan sends ₹ 175 to Rahim after discounting the above bill. Rahim becomes insolvent and a dividend of 80 paise in the rupee is received from his estate. Pass the necessary journal entries in the books of both the parties.

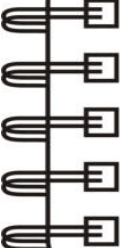
QUESTION 12

Ex. Book no.

Pg.No.

Anil draws a bill for Rs. 9,000 on Sanjay on 5th April, 2011 for 3 months, which Sanjay returns it to Anil after accepting the same. Anil gets it discounted with the bank for Rs. 8,820 on 8th April, 2011 and remits 1/3rd amount to Sanjay. On the due date, Anil fails to remit the amount due to Sanjay, but he accepts a bill for Rs. 12,600 for three months, which Sanjay discounts it for Rs. 12,330 and remits Rs. 2,220 to Anil. Before the maturity of the renewed bill, Anil becomes insolvent and only 50% was realised from his estate on 15th October, 2011.

Pass necessary Journal entries for the above transactions in the books of Anil.

	<u>Technical Point</u>	<u>Self Note</u>
		

QUESTION 13

Ex. Book no.

Pg.No.

Pass journal entries in the books of Hema for the following transactions:

- Hema's acceptance to Nanda for ₹5,000 renewed for 3 month with interest at 10% p.a.
- Nalini's acceptance to Hema was for ₹10,000 was retired one month before due date at a discount of 12% p.a.
- Discounted Natasha's acceptance to Hema for ₹4,000 with the bank for ₹3,920.
- Neela requests Hema to renew her acceptance for ₹3,500 for 3 months. Hema accepted on the condition that interest of ₹100 was paid in cash which Neela did.

	<u>Technical Point</u>	<u>Self Note</u>
		

QUESTION 14

Ex. Book no.

Pg.No.

Journalise the following transactions in K. Katrak's books.

- Katrak's acceptance to Basu for ₹2,500 discharged by a cash payment of ₹1,000 and a new bill for the balance plus ₹50 for interest.
- G. Gupta's acceptance for ₹4,000 which was endorsed by Katrak to M. Mehta was dishonoured, Mehta paid ₹20 noting charges. Bill withdrawn against cheque.
- D. Dalai retires a bill for ₹2,000 drawn on him by Katrak for ₹10 discount.

- (iv) Katrak's acceptance to P. Patel for ₹5,000 discharged by P. Mody's acceptance to Katrak for a similar amount.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 15	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Journalise the following in the books of Don :

- i) Bob informs Don that Ray's acceptance for Rs. 3,000 has been dishonoured and noting charges are Rs. 40. Bob accepts Rs. 1,000 cash and the balance as bill at three months at interest of 10% p.a. Don accepts from Ray his acceptance at two months plus interest @ 12% p.a.
- ii) James owes Don Rs. 3,200; he sends Don's own acceptance in favour of Ralph for Rs. 3,160 in full settlement.
- iii) Don meets his acceptance in favour of Singh for Rs. 4,500 by endorsing John's acceptance for Rs. 4,450 in full settlement.
- iv) Ray's acceptance in favour of Don retired one month before due date, interest is taken at the rate of 6% p.a.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 16	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Answer the following:

1. X sells goods to Y for ₹2,00,000. Instead of one bill, X draws three bills of ₹40,000; ₹60,000 and ₹1,00,000. What is the value involved in drawing three bills of exchange instead of one.
2. Sunny draws a bill on Vivek for three months. On the due date, Vivek finds himself in financial difficulties and requests sunny to to renew the bill for a period of one month. What is the virtue involved in renewing the bill.
3. What is the value involved in accepting an accomodation bill.
4. What is the reason that the drawer cannot suit drawee in case of dishonour of accomodation bill.

Final Accounts of Profit making entities

Objective Type Questions

MULTIPLE CHOICE QUESTION

- Prepayment of insurance premium will appear in the Balance Sheet and in the Insurance Account respectively as:
 - a liability and a debit balance.
 - an asset and a debit balance.
 - an asset and a credit balance.
 - a liability and a credit balance.
- Gross profit is the difference between:
 - sales and purchases
 - sales and cost of sales.
 - sales and total expenses.
 - sales and total liabilities.
- Payment made to a creditor subject to cash discount will :
 - reduce a liability, reduce an asset and add to expenses.
 - reduce a liability, add to an asset, and add to revenue.
 - reduce an asset, reduce a liability, and add to revenue.
 - reduce a liability, reduce an asset and decrease expenses.
- A customer returns goods already charged to him. We should:
 - debit his account.
 - credit his account.
 - make no entry on his account.
 - None of the above.
- Capital is the difference between
 - Income and expenses
 - Sales and Cost of goods sold
 - Assets and liabilities
 - None of the above.
- The capital of a sole trader would change as a result of:
 - A creditor being paid his account by cheque.
 - Raw materials being purchased on credit.
 - Fixed assets being purchased on credit.
 - Wages being paid in cash.
- A decrease in the provision for doubtful debts would result in:

- (a) An increase in liabilities. (b) A decrease in working capital.
(c) An increase in net profit. (d) None of the three.
8. Under-statement of closing work in progress in the period will
(a) Understate cost of goods manufactured in that period.
(b) Overstate current assets.
(c) Understate net income in that period.
(d) None of the three.
9. Sales is equal to
(a) Cost of goods sold – Gross profit. (b) Cost of goods sold + Gross profit.
(c) Gross profit – Cost of goods sold. (d) Net profit + cost of goods sold.
10. Closing Stock of previous year is overvalued by Rs. 50,000. Due to this:
(a) Previous year's profit is overstated and current year's profit is understated.
(b) Previous year's profit is understated and current year's profit is overstated.
(c) Previous years profit is overstated and current year's profit is overstated.
(d) Previous year's profit is understated and current year's profit is understated.
11. The purpose of preparing final accounts is to ascertain ____
(a) profit or loss (b) Capital
(c) The value of assets (d) Profit or loss and financial position
12. Fixed assets are
(a) Kept in the business for use over a long time for earning income (b) Meant for resale
(c) Meant for conversion into cash as quickly as possible (d) All of the above
13. A company wishes to earn a 20% profit margin on selling price. Which of the following is the profit mark upon cost, which will achieve the required profit margin?
(a) 33% (b) 25% (c) 20% (d) None of the above
14. At the time of preparation of financial accounts, bad debts recovered account will be transferred to
(a) Debtors A/c (b) Profit & Loss A/c
(c) Profit & loss Adjustment A/c (d) Profit & loss Appropriation A/c
15. Depreciation appearing in the Trial Balance should be
(a) Debited to P & L A/c
(b) Shown as liability in balance sheet
(c) reduced from related asset in balance sheet
(d) both (a) and (c) above
16. The profit and loss Account shows the
(a) financial results of the concern for a period

Financial Accounting

- (b) Financial position of the concern on particular date
(c) financial results of the concern on a particular date
(d) cost of goods sold during the period
17. Which of the following is not a financial statement?
(a) Profit and loss account (b) Balance sheet
(c) Cash flow statement (d) Trial balance
18. Based on which of the following concepts, is share capital account shown on the liabilities side of a balance sheet?
(a) business entity concept (b) money measurement concept
(c) going concern concept (d) matching concept
19. Closing stock appearing in the trial balance is shown in –
(a) trading A/c and balance sheet (b) profit and loss a/c
(c) balance sheet only (d) trading A/c only
20. Inventory is
(a) Included in the category of fixed assets (b) An investment
(c) A part of current assets (d) An intangible fixed asset.
21. At the year end, an amount outstanding for electricity consumed during that year will be dealt in the Accounts for the year by following the accounting concept of
(a) Realisation (b) Accrual
(c) Conservatism (d) None of the above
22. Contingent Liability would appear
(a) On the liability side (b) On the asset side
(c) As a note in Balance Sheet (d) None of the above

FILL IN THE BLANKS

- Insurance prepaid is shown on the _____ of the balance sheet.
- If sales are ₹2,000 and the rate of G.P on cost of goods sold is 25%, then the cost of goods sold will be _____.
- Goodwill is an _____ asset.
- _____ is the difference between assets and liabilities.
- Opening stock ₹50,000, closing stocks ₹40,000, purchases ₹1,90,000, profit margin is 25% on the sales, then sales are _____.
- Average stock = ₹12,000, closing stock is ₹ 3,000 more than opening stock. The value of closing stock will be _____.
- _____ contains closing balances of real and personal account.
- Expenses due but not yet paid are known as _____.
- Given old provision for bad & doubtful debt is ₹ 4,000, sundry debtors ₹50,000, new PBD re-

quired = 10% on sundry debtors, then the amount of additional provision to be credited is ₹ _____.

10. Bills receivable discounted but not due till the date of final accounts is shown in _____.
11. Assets appearing in the books having no real value are known as _____.
12. Various expenses accounts are closed by _____ the profit and loss account and _____ the expenses account.
13. Provisions for bad & doubtful debts account will show _____ balance.
14. Loss on sale of old car is shown on debit side of _____.

TRUE OR FALSE

1. Income earned but not received are called accrued incomes.
2. For a shirt factory, cotton is a finished goods.
3. State the following equation is true/false:
Gross profit – direct expenses + purchases + opening stock – closing stock = sales.
4. Carriage on goods purchased is shown in Trading Account.
5. The Balance Sheet will not give the information regarding the financial position as on particular date.
6. Preliminary expenses would be included in balance sheet as current asset.
7. Fixed assets are kept in the business for use over a long period.
8. Furniture and fittings is a current asset.
9. In sole trade, income tax is recorded as drawings.
10. All revenue receipts and expenditure are shown in trading and profit & loss account.

MATCH THE FOLLOWING

1. Carriage on goods purchased	a) Distribution overhead
2. Freight outward	b) Credit of P & L account
3. Concept relating to Profit and Loss A/c	c) Trading account
4. Packing expenses is example of	d) Debit of P & L A/c
5. Apprenticeship premium received	e) Matching concept

1. Gross profit rate on sale is 20%	a) current asset
2. Salary outstanding	b) Not a fixed asset
3. Rent prepaid	c) Book value
4. Fixed deposit in bank	d) 25% on cost
5. Fixed assets are included in Balance sheet at	e) Representative personal account

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.


Following are the ledger balances presented by M/s. P. Sen as on 31st March 2013.

Particulars	Amount	Particulars	Amount
Stock (1.4.2014)	10,000	Sales	3,00,000
Purchase	1,60,000	Return Inward	16,000
Carriage Inwards	10,000	Return Outward	10,000
Wages	30,000	Royalty on Production	6,000
Freight	8,000	Gas and Fuel	2,000

Additional Information:

1. Stock on 31.3.2013: (i) Market Price ₹ 24,000; (ii) Cost Price ₹ 20,000;
2. Stock valued ₹ 10,000 were destroyed by fire and insurance company admitted the claim to the extent of ₹ 6,000.
3. Goods purchased for ₹ 6,000 on 29th March, 2013, but still lying in-transit, not at all recorded in the books.
4. Goods taken for the proprietor for his own use for ₹ 3,000.
5. Outstanding wages amounted to ₹ 4,000.
6. Freight was paid in advance for ₹ 1,000.

Prepare Trading Account for the year?



Technical Point

Self Note

|

QUESTION 2

Ex. Book no.

Pg.No.

Prepare Bad Debts Accounts, Provision for Bad Debts Accounts under each of the above methods from the following information and also the Profit and Loss Account and Balance sheet:

Date	Particulars	Amount (₹)
01.01.2012	Provison for bad debts	5,000
31.12.2012	Bad debts written off	3,000
	Debtors	1,25,000
31.12.2013	Bad debts written off	2,500
	Debtors	1,00,000

Provision for Doubtful debts to be provided for @ 5% for 2012 and 2.5% for 2013.

QUESTION 3

Ex. Book no.

Pg.No.

On 01.01.2013 the balance of Provision for doubtful debts was ₹ 5,000. The Bad Debts during the year were ₹ 900. The Sundry Debtors as on 31.12.2013 stood at ₹ 40,400 out of these debtors of ₹ 400 are bad and cannot be realized. The Provision for Doubtful Debts is to be raised to 5% on Sundry Debtors. Show the necessary ledger accounts and the balance sheet.

QUESTION 4

Ex. Book no.

Pg.No.

On 01.04.2012, M/s Singh Bros. had a provision for bad debts of ₹ 6,500 against their book debts. During 2012-13, ₹ 4,200 proved irrecoverable and it was desired to maintain the provision for bad debts @4% on debtors which stood at ₹ 1,95,000 before writing off Bad Debts. They also decided to maintain a provision for discount on debtors @2%. Show Provision for Bad Debt Account and Provision for Discount on Debtors Account as would appear in the books of the firm in 2012-13.

QUESTION 5

Ex. Book no.

Pg.No.

On 31.12.2012, Sundry Debtors and Provision for Doubtful Debts are ₹ 50,000 and ₹ 5,000 respectively. During the year 2013, ₹ 3,000 are bad and written off on 30.9.2013, an amount of ₹ 400 was received on account of a debt which was written off as bad last year on 31.12.2013, the debtors left was verified and it was found that sundry debtors stood in the books were ₹ 40,000 out of which a customer Mr. X who owed ₹ 800 was to be written off as bad.

Prepare Bad Debt A/c. Provision for Doubtful A/c. assuming that some percentage should be maintained for provision for Doubtful debt as it was on 31.12.2012. Show also how the illustration appear in Profit & Loss A/c. and Balance Sheet.

QUESTION 6

Ex. Book no.

Pg.No.

A company maintains its reserve for bad debts @ 5% and a reserve for discount on debtors @ 2%. You are given the following details:

Particulars	2012	2013
	(₹)	(₹)
Bad debts	800	1,500
Discount allowed	1,200	500

Sundry debtors (before providing all bad debts and discounts) amounted to ₹60,000 on 31.12.2012 and ₹42,000 on 31.12.2013.

On 1.1.2012, Reserve for bad debts and Reserve of discount on debtors had balance of ₹4,550 and ₹800 respectively.

Show Reserve for Bad Debts and Reserve for Discount on Debtors Account.







QUESTION 7

Ex. Book no.

Pg.No.

On 31st December, 2014 sundry debtors and provision for bad debts stood at ₹ 60,000 and ₹ 4,500 respectively. During the year 2015, bad debts amounting to ₹ 3,460 were written off. On 30th June, 2015 an amount of ₹ 240 was received on account of a debt written off as bad last year. The debtors list on 31st December, 2015 was verified and it was found that amongst sundry debtors amounting to ₹ 40,680, Sri Becharam who owed ₹ 680 was to be written off as bad. It was decided to maintain the provision for bad debts at the same percentage as it was on 31st December, 2014.

Prepare bad debts account and provision for bad debts account. Also show how the relevant items would appear in the profit and loss account and balance sheet.

	<u>Technical Point</u>	<u>Self Note</u>
		
		
		
		
		
		

QUESTION 8

Ex. Book no.

Pg.No.

From the following particulars presented by Sri Tirthankar for the year ended 31st March, 2015, Prepare Profit and Loss Account.

Gross Profit ₹ 1,00,000; Rent ₹ 22,000; Salaries, ₹ 10,000; Commission (Cr.) ₹ 12,000; Insurance ₹ 8,000; Interest (Cr.) ₹ 6,000; Bad Debts ₹ 2,000; Provision for Bad Debts (1.4.2012) ₹ 4,000; Sundry Debtors ₹ 40,000; Discount Received ₹ 2,000; Plant & Machinery ₹ 80,000.

Adjustments:

- Outstanding salaries amounted to ₹ 4,000;
- Rent paid for 11 months;
- Interest due but not received amounted to ₹ 2,000
- Prepaid Insurance amounted to ₹ 2,000;
- Depreciate Plant and Machinery by 10% p.a.
- Further Bad Debts amounted to ₹ 2,000 and make a provision for Bad Debts @5% on Sundry Debtors.
- Commissions received in advance amounted to ₹ 2,000.

	<u>Technical Point</u>	<u>Self Note</u>
		
		
		
		
		
		

QUESTION 9

Ex. Book no.

Pg.No.

Following is the Trial Balance of M/s Brijesh and Sons. Prepare final accounts for the year ended on 31st March 2015.

Particulars	Debit (₹)	Credit (₹)
Stock as on 01-04-2014	2,00,000	-
Purchases and Sales	22,00,000	35,00,000
Blils receivables	50,000	-
Returns	1,00,000	50,000
Carriage Inwards	50,000	-
Debtors and Creditors	2,00,000	4,00,000
Carriage Outwards	40,000	-
Discounts	5,000	5,000
Salaries and wages	2,20,000	-
Insurance	60,000	-
Rent	60,000	-
Wages and salaries	80,000	-
Bad debts	10,000	-
Furniture	4,00,000	-
Brijesh's capital	-	5,00,000
Brijesh's drawing	70,000	-
Loose tools	1,00,000	-
Printing & stationery	30,000	-
Advertising	50,000	-
Cash in hand	45,000	-
Cash at bank	2,00,000	-
Petty Cash	5,000	-
Machinery	3,00,000	-
Commission	10,000	30,000
Total	44,85,000	44,85,000

Adjustments:

- (i) Stock on 31st March was valued at Cost price ₹ 4,20,000 and market price ₹ 4,00,000.
- (ii) Depreciate furniture @ 10% p.a. and machinery @ 20% p.a. on reducing balance method.
- (iii) Rent of ₹ 5,000 was paid in advance.
- (iv) Salaries & wages due but not paid ₹ 30,000.
- (v) Make a provision for doubtful debts @ 5% on debtors.
- (vi) Commission receivable ₹ 5,000.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 10	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Mr. Arvind kumar had a small business enterprise. He has given the trial balance as at 31st March 2013:

Particulars	Debit (₹)	Credit (₹)
Capital	-	1,00,000
Machinery	36,000	-
Depreciation on machinery	4,000	-
Repairs to machinery	5,200	-
Wages	54,000	-
Salaries	21,000	-
Income tax	1,000	-
Cash in hand	4,000	-
Land & Building	1,49,000	-
Depreciation on building	5,000	-
Purchases	2,50,000	-
Purchase return	-	3,000
Sales	-	4,98,000
Citi Bank	-	7,600
Accrued Income	3,000	-
Salaries outstanding	-	4,000
Bills receivable	30,000	-
Provision for doubtful debts	-	10,000
Bills payables	-	16,000
Bad debts	2,000	-
Discount on purchases	-	7,080
Debtors	70,000	-
Creditors	-	62,520
Opening stock	74,000	-
Total	7,08,200	7,08,200

Additional information:

1. Stock as on 31st March 2013 was valued at ₹ 60,000

2. Write off further ₹ 6,000 as bad debt and maintain a provision of 5% on doubtful debt.
3. Goods costing ₹ 10,000 were sent on approval basis to a customer for ₹ 12,000 on 30th March, 2013. This was recorded as actual sales.
4. ₹ 2,400 paid as rent for office was debited to Landlord's A/c and was included in debtors.
5. General Manager is to be given commission at 10% of net profits after charging his commission.
6. Works manager is to be given a commission at 12% of net profit before charging General Manager's commission and his own.

You are required to prepare final accounts in the books of Mr. Arvindkumar.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 11	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Abhay runs a small shop and deals in various goods. He has not been able to tally his trial balance and has closed it by taking the difference to Suspense A/c. It is given below:

Particulars	Debit (₹)	Credit (₹)
Capital	-	1,50,000
Drawings	75,000	-
Fixed Assets	1,35,000	-
Opening stock	36,500	-
Purchase & returns	6,75,000	13,500
Sales & returns	34,000	8,50,000
Debtors & Creditors	95,000	3,25,000
Expenses	45,750	-
Cash	-	3,000
Bank deposits & interest earned	55,000	5,750
Suspense A/c	-	4,000
Advertising	2,00,000	-
Total	13,51,250	13,51,250

Mr. Abhay has requested you to help him in tallying his trial balance and also prepare his final accounts. On investigation of his books you get the following information:

1. Closing Stock on 31st March 2013 was ₹ 45,000 at cost and could sell over this value.
2. Depreciation of ₹ 13,500 needs to be provided for the year.
3. A withdrawal slip indicated a cash withdrawal of ₹ 15,000 which was charged as drawing. How-

ever, it was noticed that ₹ 11,000 was used for business purpose only and was entered as expenses in cash book.

4. Goods worth ₹ 19,000 were purchased on 24th March 2013 and sold on 29th March 2013 for ₹23,750. Sales were recorded correctly, but purchase invoice was missed out.
5. Purchase returns of ₹ 1,500 were routed through sales return. Party's A/c was correctly posted.
6. Expenses include ₹ 3,750 related to the period after 31st March 2013.
7. Purchase book was over-cast by ₹ 1,000. Posting to suppliers' A/c is correct.
8. Advertising will be useful for generating revenue for 5 years.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 12	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

The following Trial Balance has been prepared from the books of Mr. Sexena as on 31st March, 2013 after making necessary adjustments for depreciation on Fixed Assets, outstanding and accrued items and difference under Suspense Account.

Trial Balance as at 31st March, 2013

Particulars	₹	Particulars	₹
Machineries	1,70,000	Creditors	82,000
Furniture	49,500	Capital	2,45,750
Debtors	38,000	O/s Salaries	1,500
Drawings	28,000	O/s Printing	600
Travelling Expenses	6,500	O/s Audit fees	1,000
Insurance	1,500	Bank interest	1,200
Audit Fees	1,000	Discount	1,800
Salaries	49,000	Sales	6,80,000
Rent	5,000		
Cash in hand	7,800		
Cash at Bank	18,500		
Opening stock	80,000		
Prepaid Insurance	250		
Misc Expense	21,200		
Discount	1,200		
Printing & stationery	1,500		
Purchase	4,60,000		

Particulars	₹	Particulars	₹
Depreciation:			
Machineries	30,000		
Furniture	5,500		
Suspense A/c	39,400		
	10,13,850		10,13,850

On the subsequent scrutiny following mistakes were noticed:

1. A new machinery was purchase for ₹ 50,000 but the amount was wrongly posted to Furniture Account as ₹ 5,000.
2. Cash received from Debtors ₹ 5,600 was omitted to be posted in the ledger.
3. Goods withdrawn by the proprietor for personal use but no entry was passed ₹ 5,000.
4. Sales included ₹ 30,000 as goods sold cash on behalf of Mr. Thakurlal who allowed 15% commission on such sales for which effect is to be given.

You are further told that:

1. Closing stock on physical verification amounted to ₹ 47,500.
2. Depreciation on Machineries and Furniture has been provided @ 15% and 10%, respectively, on reducing balancing system. Full year's depreciation is provided on addition.

You are requested to prepare a Trading and Profit & Loss Account for the year ended 31st March 2013 and a Balance Sheet as on that date so as to represent a True and Correct picture.

Technical Point

Self Note

|

QUESTION 13

Ex. Book no.

Pg.No.

The following Trail Balance has been extracted from the books of Mr. Agarwal as on 31.3.2013:

Trial Balance as on 31.3.2013


Particulars	₹	Particulars	₹
Purchases	6,80,000	Sales	8,38,200
Debtors	96,000	Capital	1,97,000
Drawings	36,000	Creditors	1,14,000
Bad debts	2,000	O/s Salary	2,500
Furniture & Fixtures	81,000	Sale of old papers	1,500
Office equipments	54,000	Bank overdraft (UBI)	60,000
Salaries	24,000		

Financial Accounting

Particulars	₹	Particulars	₹
Advance salary	1,500		
Carriage inward	6,500		
Misc Expense	12,000		
Travelling expense	6,500		
Printing & stationery	1,500		
Rent	18,000		
Electricity & Telephone	6,800		
Cash in hand	5,900		
Cash at bank	53,000		
Opening stock	50,000		
Repairs	7,500		
Motor car	56,000		
Depreciation:			
Furniture	9,000		
Office equipment	6,000		
	12,13,200		12,13,200

Additional Information:

- (i) Sales includes ₹ 60,000 towards goods for cash on account of a joint venture with Mr. Reddy who incurred ₹ 800 as forwarding expenses. The joint venture earned a profit of ₹ 15,000 to which Mr. Reddy is entitled to 60%.
- (ii) The motor car account represents an old motor car which was replaced on 1.4.2012 by a new motor car costing ₹ 1,20,000 with an additional cash payment of ₹ 40,000 laying debited to Purchase Account.
- (iii) UBI has allowed an overdraft limit against hypothecation of stocks keeping a margin of 20%. The present balance is the maximum as permitted by the Bank.
- (iv) Sundry Debtors include ₹ 4,000 as due from Mr. Trivedi and Sundry Creditors include ₹ 7,000 as payable to him.
- (v) On 31.3.2013 outstanding rent amounted to ₹ 6,000 and you are informed that 50% of the total rent is attributable towards Agarwal's resident.
- (vi) Depreciation to be provided on motor car @ 20% (excluding sold item). Mr. Agarwal requests you to prepare a Trading and Profit & Loss Account for the year ended 31.3.2013 and a Balance Sheet as on that date.

<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center; font-size: 2em; margin-top: 50px;"> </div>

QUESTION 14

Ex. Book no.

Pg.No.

The following is the schedule of balances as on 31.3.17 extracted from the books of Shri Gavaskar, who carries on business under the name and style of Messrs Gavaskar Viswanath & Co., at Bombay:

Particulars	Dr. (₹)	Cr. (₹)
Cash in hand	14,000	-
Cash at bank	26,000	-
Sundry Debtors	8,60,000	-
Stock on 1.4.2016	6,20,000	-
Furniture & fixtures	2,14,000	-
Office equipment	1,60,000	-
Buildings	6,00,000	-
Motor Car	2,00,000	-
Sundry Creditors	-	4,30,000
Loan from Viswanath	-	3,00,000
Provision for bad debts	-	30,000
Purchases	14,00,000	-
Purchase Returns	-	26,000
Sales	-	23,00,000
Sales Returns	42,000	-
Salaries	1,10,000	-
Rent for Godown	55,000	-
Interest on loan from Viswanath	27,000	-
Rates & Taxes	21,000	-
Discount allowed to Debtors	24,000	-
Discount received from Creditors	-	16,000
Freight on purchases	12,000	-
Carriage Outwards	20,000	-
Drawings	1,20,000	-
Printing and Stationery	18,000	-
Electricity Charges	22,000	-
Insurance Premium	55,000	-
General office expenses	30,000	-
Bad Debts	20,000	-
Bank charges	16,000	-
Motor car expenses	36,000	-
Capital A/c	-	16,20,000
TOTAL	47,22,000	47,22,000

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2017 and the Balance Sheet as at that date after making provision for the following:

- Depreciate: (a) Building used for business by 5 percent; (b) Furniture and fixtures by 10 percent; One steel table purchased during the year for ₹ 14,000 was sold for same price but the sale pro-

Financial Accounting

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

2. Value of stock at the close of the year was ₹ 4,40,000.
3. Two month's rent for godown is outstanding.
4. Interest on loan from Viswanath is payable at 12 percent per annum, this loan was taken on 1.5.2016.
5. Reserve for bad debts is to be maintained at 5 percent of Sundry Debtors.
6. Insurance premium includes ₹ 40,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 1.4.2016 to 30.6.17:

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 15

Ex. Book no.

Pg.No.


From the following trial balance and information, prepare trading and profit and loss account of Mr. Rishabh for the year ended 31.3.14 and a balance sheet as on that date:

Particulars	Dr. (₹)	Cr. (₹)
Capital	-	1,00,000
Drawings	12,000	-
Land & Building	90,000	-
Plant & Machinery	20,000	-
Furniture	5,000	-
Sales	-	1,40,000
Return outwad	-	4,000
Debtors	18,400	-
Loan from Gajanand on 1.7.13 6% p.a	-	30,000
Purchases	80,000	-
Return inward	5,000	-
Carraige	10,000	-
Sundry expenses	600	-
Printing & stationery	500	-
Insuance expense	1,000	-
Provision for bad debts	-	1,000
Provision for discount on debtors	-	380
Bad debts	400	-

Particulars	Dr. (₹)	Cr. (₹)
Profit of textile department	-	10,000
Stock of general goods on 1.4.13	21,300	-
Salaries and wages	18,500	-
Creditors	-	12,000
Trade expense	800	-
Stock of textile goods on 31.3.14	8,000	-
Cash at bank	4,600	-
Cash in hand	1,280	-
Total	2,97,380	2,97,380

Information:

- (i) Stock of general goods on 31.3.14 valued at ₹ 27,300.
- (ii) Fire occurred on 23.3.14 and ₹ 10,000 worth of general goods were destroyed. The insurance company accepted claim for ₹ 6,000 only and paid the claim money on 10.4.14.
- (iii) Bad debts amounting to ₹ 400 are to be written off. Provision for bad and doubtful debts is to be made at 5% and for discount at 2% on debtors. Make a provision of 2% on creditors for discount.
- (iv) Received ₹ 6,000 worth of goods on 27.3.14 but the invoice of purchase was not recorded in purchases book.
- (v) Rishabh took away goods worth ₹ 2,000 for personal use but no record was made thereof.
- (vi) Charge depreciation at 2% on land and buildings, 20% on plant and machinery, and 5% on furniture.
- (vii) Insurance prepaid amounts to ₹ 200.

<u>Technical Point</u>	<u>Self Note</u>
	<div style="border-left: 1px solid black; border-right: 1px solid black; height: 100px; width: 100%;"></div>

Rectification of Errors

Objective Type Questions

MULTIPLE CHOICE QUESTION

- Goods purchased from A for ₹10,000 passed through the sales book. The error will result in
 - Increase in gross profit.
 - Decrease in gross profit.
 - No effect on gross profit.
- If a purchase return of ₹1,000 has been wrongly posted to the debit of the sales returns account, but has been correctly entered in the suppliers' account, the total of the
 - Trial balance would show the debit side to be ₹1,000 more than the credit.
 - Trial balance would show the credit side to be ₹1,000 more than the debit.
 - The debit side of the trial balance will be ₹2,000 more than the credit side.
- If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called
 - Error of omission.
 - Error of commission.
 - Error of principle.
- Rs. 200 paid as wages for erecting a machine should be debited to
 - Repair account.
 - Machine account.
 - Capital account.
- On purchase of old furniture, the amount of ₹1,000 spent on its repair should be debited to
 - Repair account.
 - Furniture account.
 - Cash account.
- Goods worth ₹50 given as charity should be credited to
 - Charity account.
 - Sales account.
 - Purchase account.
- Goods worth ₹100 taken by proprietor for domestic use should be credited to
 - Sales account.
 - Proprietor's personal expenses.
 - Purchases account.
- Sales of office furniture should be credited to
 - Sales Account.
 - Furniture Account.
 - Purchase Account.

9. The preparation of a trial balance is for:
- (a) Locating errors of commission. (b) Locating errors of principle.
(c) Locating clerical errors.
10. Rs. 200 received from Smith whose account, was written o as a bad debt should be credited to:
- (a) Bad Debts Recovered account. (b) Smith's account.
(c) Cash account.
11. Purchase of office furniture ₹1,200 has been debited to General Expense Account. It is:
- (a) A clerical error. (b) An error of principle.
(c) An error of omission.
12. Following errors are rectified at the end of the year
- * Return inward book was undercast by ₹150
 - * Return outward book was overcast by ₹1,000
 - * A payment of ₹1,500 for salaries posted twice.
- The above errors if rectified, will give correct T/B. Before rectification, balance of suspense A/c -
- (a) ₹150 (Dr.) (b) ₹1,150 (Dr.) (c) ₹350 (Cr.) (d) ₹1,500 (Cr.)
13. Sales book was overcast by ₹100. The rectification is -
- (a) Writing "By Error of Casting in Sales Book". - ₹100 on the credit side of the Sales A/c in Ledger
(b) Passing a rectification entry in Journal Proper debiting Sales A/c by ₹100
(c) Writing "To Error Casting in Sales Book- ₹100 on the debit side of the Sales A/c in Ledger
(d) Passing a rectification entry in Journal Proper Debiting Suspense A/c by ₹100
14. An item of ₹72 has been debited to a personal account as ₹27, is an error of -
- (a) Commission (b) Omission (c) Principle (d) None of the above
15. Wages paid ₹2,500 for installation of new machinery wrongly debited to wages A/c instead of machinery A/c. It is an error of _____
- (a) Omission (b) Commission (c) Principle (d) Clerical Errors
16. Goods purchased from A for ₹30,000 passed through the sales book. The error will result in -
- (a) Increase in gross profit (b) Decrease in gross profit
(c) No effect on gross profit (d) Either (a) or (b)
17. Cartage paid for newly purchased machinery, posted to Cartage Account
- (a) Errors of Omission (b) Errors of Commission
(c) Errors of Principle (d) None of the above
18. Rs. 25,000 received from Ananya, credited in the account of Sashi. It is an error relating to -
- (a) Principles (b) Commission (c) Omission (d) Compensatory

19. Wages paid for the erection of a machine debited to Wages A/c It an example of:
(a) Error of Principle (b) Clerical Error (c) Error of Omission (d) Error of commission
20. Which type of error occurs when credit sales is wrongly posted to Purchase Day Book:
(a) Error of omission (b) Error of commission
(c) Compensatory error (d) Error of principle
21. Which of the following mentioned error will not affect the Trial Balance?
(a) Purchase book was undercast by Rs. 5,000
(b) White washing charges Rs. 10,000 were debited to Building Account.
(c) Credit sales of Rs. 2,000 to P was correctly recorded in sales book but not posted in P's account.
(d) Cash paid to Brij Bihari Rs. 500 was debited to Brij Bhushan's account by Rs. 5,000.
22. Rectification entries are first recorded in _____
(a) Ledger (b) Subsidiary books (c) Journal proper (d) Trial balance.
23. Goods purchased of Rs. 100 from N was not recorded at all. What will be its effect on the trial Balance ?
(a) Will tally (b) Will not tally (c) Will have no affect (d) None of these.
24. Whenever errors are noticed in the accounting records, they should be rectified _____
(a) At the time of preparation of trial balance (b) without waiting the accounting year to end
(c) After the preparation of final accounts (d) in the next accounting year
25. Errors of carry forward from one year to another affects ____
(a) personal account (b) real account (c) nominal account (d) both (a) and (b)
26. Which of these errors affect only one account
(a) errors of casting (b) errors of carry forward
(c) errors of posting (d) All the three
27. If goods worth ₹ 1,750 returned to supplier is wrongly entered in sales returns book as ₹ 1,570, then ____
(a) net profit will decrease by ₹ 3,140 (b) Gross profit will increase by ₹ 3,320
(c) gross profit will decrease by ₹ 3,500 (d) Gross profit will decrease by ₹ 3,320
28. Which of the following is one sided error
(a) ₹500 purchase of old equipment not recorded in the books of account at all
(b) ₹500 being expense on travelling expense credited to travelling expenses
(c) both
(d) none
29. Which of the following errors affects the agreement of a trial balance?
(a) Mistake in balancing an account

- (b) omitting to record a transaction entirely in the subsidiary books
 (c) recording of a wrong entry in the subsidiary books
 (d) Posting an entry on the correct side but in the wrong account
30. Which of these errors affect two or more accounts
 (a) errors of complete omission (b) errors of principle
 (c) errors of posting to wrong account (d) all the three

FILL IN THE BLANKS

1. Unintentional omission or commission of amounts and accounts in the process of recording transactions are known as _____.
2. In case trial balance does not agree difference is put to _____.
3. If an effect of an error is cancelled by the effect of some other error, it is commonly known as _____.
4. The equality of debits and credits can be tested periodically by preparing a _____.
5. It is easy to detect _____ than to _____.
6. On purchase of old furniture, the amount spent on its repair should be debited to _____.
7. A credit sale wrongly passed through purchases book will _____ the trial balance.
8. Goods sold to Sethi for ₹640 was recorded in his account as ₹460. In the rectifying entry, Sethi's account will be debited with _____.
9. Casting errors is an error in _____.
10. Goods sold to Busy & Co on credit, worth ₹4,000 were not recorded in books. The rectification entry is _____.
11. Treating revenue expenses as a capital expenditure is an example of _____ errors.
12. The difference in the trial balance is transferred to _____ account.
13. ₹ 200 received from Smith whose account was written off as a bad debt should be credited to _____.
14. _____ amount will be credited in Gopal Account when goods purchased from Gopal for ₹3,600 but were recorded as ₹6,300.
15. Rectified entries to be passed in _____.

TRUE OR FALSE

1. Error of commission permit the trial balance to agree.
2. The discount column of the cash book is not posted is an example of error of omission.
3. Full omission do not affect trial balance.
4. An error in wrong casting of the sales day book will not affect the personal account of debtors.
5. Mistake in balancing an account will affect the agreement of a trial balance.
6. Total of purchase journal is short by ₹1,000 will not affect trial balance.

Financial Accounting

7. Recording a transaction in a wrong book of original entry with wrong amount will affect the trial balance.
8. Undercasting or overcasting of a subsidiary book is an example of error of commission.
9. The mistake of treating a liability as an income or vice versa will affect the trial balance.
10. ₹ 500 purchase of old equipment not recorded in the books of account at all is an one sided error.

MATCH THE FOLLOWING

1. Compensating errors	a) Not recording a business transaction
2. Error of omission	b) Charging a revenue item to capital
3. Error of principle	c) Effect of one error gets compensated by the other
4. Error of commission	d) Error in totaling
5. Error of omission	e) Errors which are not disclosed by trial balance

1. Clerical errors	a) If the transaction is recorded partly.
2. Error is made in carry forward	b) If the entry is recorded twice.
3. Error of commission	c) Errors raised due to negligence, overlook
4. Error of principle	d) Errors which are disclosed by trial balance
5. Error of omission	e) Errors which are not disclosed by trial balance

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

The following errors were found in the book of Ram Prasad & Sons. Give the necessary entries to correct them if the errors were located before preparation of Trial Balance.

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

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 2

Ex. Book no.

Pg.No.

How would you rectify the following errors in the book of Rama & Co. if the errors were located before preparation of Trial Balance:

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

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 3	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

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.


<u>Technical Point</u>	<u>Self Note</u>

QUESTION 4	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

Mr. Agarwal could not agree the Trial Balance. He transferred to the Suspense Account of ₹ 296, being excess of the debit side total. The following errors were subsequently discovered.

- (i) Sales Day Book was overcast by ₹ 300
- (ii) An amount of ₹ 55, received from Mr. Y was posted to his account as ₹ 550
- (iii) Purchases Return Book total on a folio was carried forward as ₹ 221, instead of ₹ 112
- (iv) A car sale of ₹ 1,235 duly entered in the Cash Book but posted to Sales A/c as ₹ 235
- (v) Rest of the difference was due to wrong total in Salaries A/c.

Show the Journal entries to rectify the above errors.

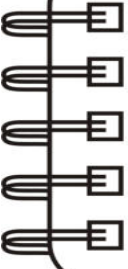
<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center; border-left: 1px solid black; border-right: 1px solid black; height: 100px;"> </div>

QUESTION 5	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

The following errors, affecting the account for the year 2015 were detected in the books of Jain Brothers, Delhi:

- (1) Sale of old Furniture ₹150 treated as sale of goods.
- (2) Receipt of ₹ 500 from Ram Mohan credited to Shyam Sunder.
- (3) Goods worth ₹100 brought from Mohan Narain have remained unrecorded so far.
- (4) A return of ₹120 from Mukesh posted to his debit.
- (5) A return of ₹ 90 to Shyam Sunder posted as ₹ 9 in his account.
- (6) Rent of proprietor's residence, ₹ 600 debited to rent A/c.
- (7) A payment of ₹ 215 to Mohammad Sadiq posted to his credit as ₹125.
- (8) Sales Book added ₹ 900 short.
- (9) The total of Bills Receivable Book ₹ 1,500 left unposted.

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

<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center; border-left: 1px solid black; border-right: 1px solid black; height: 100px;"> </div>

QUESTION 6	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

You are presented with a trial balance of S Ltd as on 30.06.2013 showing the credit is in excess by ₹ 415 which was been carried to Suspense Account. On a close scrutiny of the books, the following errors were revealed:

- a. A cheque of ₹ 3,456 received from Sankar after allowing him a discount of ₹ 46 was endorsed to Sharma in full settlement for ₹ 3,500. The cheque was finally dishonored but no entries are passed in the books.
- b. Goods of the value of ₹ 230 returned by Sen were entered in the Purchase Day Book and posted

therefrom to Das as ₹ 320.

c. Bad debts aggregating ₹ 505 written off during the year in the Sales Ledger but were not recorded in the general ledger.

d. Bill for ₹ 750 received from Mukherjee for repairs to Machinery was entered in the Inward Invoice Book as ₹ 650.

e. Goods worth ₹ 1,234 Purchased from Mr. Y on 28.6.2013 had been entered in Day Book and credited to him but was not delivered till 5th June 2013. Stock being taken by the purchase on 30.06.2013. The title of the goods was, however, passed on 28.06.2013.

f. ₹ 79 paid for freight on Machinery was debited to freight account as ₹ 97.

You are required to pass the necessary journal entries for correcting the books.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 7

Ex. Book no.

Pg.No.

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

- (i) Purchase returns day book had been correctly entered and totalled at ₹6,160, but had been posted to the ledger.
- (ii) Discounts received ₹1,320 had been debited to discounts allowed.
- (iii) The Sales account had been under added by ₹10,000.
- (iv) A credit sale of ₹1,470 had been debited to a customer account at ₹1,740.
- (v) A vehicle bought originally for ₹7,000 four years ago and depreciated to ₹1,200 had been sold for ₹1,500 in the beginning of the year but no entries, other than in the bank account had been passed through the books.
- (vi) An accrual of ₹560 for telephone charges had been completely omitted.
- (vii) A bad debt of ₹1,560 had not been written off and provision for doubtful debts should have been maintained at 10% of Trade receivables which are shown in the trial balance at ₹23,390 with a credit provision for bad debts at ₹2,320.
- (viii) Tools bought for ₹1,200 had been inadvertently debited to purchases.
- (ix) The proprietor had withdrawn, for personal use, goods worth ₹1,960. No entries had been made in the books.

Required:

- (i) Pass rectification entries without narration to correct the above errors before preparing annual accounts.
- (ii) Prepare a statement showing effect of rectification on the reported net profit before correction of

these errors.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 8	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

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

- (1) The totals of debit side of “Expenses Account” have been cast in excess by ₹ 50.
- (2) The “Sales Account” has been totalled in short by ₹100.
- (3) One item of purchase of ₹25 has been posted from the day book to ledger as ₹250.
- (4) The sale return of ₹100 from a party has not been posted to that account though the Party’s account has been credited.
- (5) A cheque of ₹500 issued to the Suppliers’ account (shown under Trade payables) towards his dues has been wrongly debited to the purchases.
- (6) A credit sale of ₹50 has been credited to the Sales and also to the Trade receivables Account.

You are required to

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

<u>Technical Point</u>	<u>Self Note</u>

Mr. A closed his books of account on September 30, 2014 inspite of a difference in the trial balance. The difference was ₹830 the credits being short; it was carried forward in a Suspense Account. In 2015 following errors were located:

- (i) A sale of ₹2,300 to Mr. Lala was posted to the credit of Mrs. Mala.
- (ii) The total of the Returns Inward Book for July, 2014 ₹1,240 was not posted in the ledger.
- (iii) Freight paid on a machine ₹5,600 was posted to the Freight Account as ₹6,500.
- (iv) While carrying forward the total in the Purchases Account to the next page, ₹65,590 was written instead of ₹56,950.
- (v) A sale of machine on credit to Mr. Mehta for ₹9,000 on 30th Sept. 2014 was not entered in the books at all. The book value of the machine was ₹6,750.

Pass journal entries to rectify the errors?

<u>Technical Point</u>	<u>Self Note</u>

You are presented with a trial balance of S Ltd as on 30.06.2013 showing the credit is in excess by ₹ 415 which was been carried to Suspense Account. On a close scrutiny of the books, the following errors were revealed:

1. A cheque of ₹ 3,456 received from Sankar after allowing him a discount of ₹ 46 was endorsed to Sharma in full settlement for ₹ 3,500. The cheque was finally dishonored but no entries are passed in the books.
2. Goods of the value of ₹ 230 returned by Sen were entered in the Purchase Day Book and posted therefrom to Das as ₹ 320.
3. Bad debts aggregating ₹ 505 written off during the year in the Sales Ledger but were not recorded in the general ledger.
4. Bill for ₹ 750 received from Mukherjee for repairs to Machinery was entered in the Inward Invoice Book as ₹ 650.
5. Goods worth ₹ 1,234 Purchased from Mr. Y on 28.6.2013 had been entered in Day Book and credited to him but was not delivered till 5th June 2013. Stock being taken by the purchase on 30.06.2013. The title of the goods was, however, passed on 28.06.2013.
6. ₹ 79 paid for freight on Machinery was debited to freight account as ₹ 97.

You are required to pass the necessary journal entries for correcting the books.

QUESTION 11

Ex. Book no.

Pg.No.

Give journal entries to rectify the following:

- (1) A purchase of goods from Ram amounting to ₹150 has been wrongly entered through the Sales Book.
- (2) A Credit sale of goods amounting ₹120 to Ramesh has been wrongly passed through the Purchase Book.
- (3) On 31st December, 2016 goods of the value of ₹300 were returned by Hari Saran and were taken inventory on the same date but no entry was passed in the books.
- (4) An amount of ₹ 200 due from Mahesh Chand, which had been written off as a Bad Debt in a previous year, was unexpectedly recovered, and had been posted to the personal account of Mahesh Chand.
- (5) A Cheque for ₹100 received from Man Mohan was dishonoured and had been posted to the debit of Sales Returns Account.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 12

Ex. Book no.

Pg.No.

A merchant's trial balance as on June 30, 2015 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered:

- (i) The total of the Purchases Book of one page, ₹4,539 was carried forward to the next page as ₹4,593.
- (ii) A sale of ₹573 was entered in the Sales Book as ₹753 and posted to the credit of the customer.
- (iii) A return to a creditor, ₹510 was entered in the Returns Inward Book; however, the creditor's account was correctly posted.
- (iv) Cash received from C. Dass, ₹620 was posted to the debit of G. Dass.
- (v) Goods worth ₹840 were despatched to a customer before the close of the year but no invoice was made out.
- (vi) Goods worth ₹1,000 were sent on sale or return basis to a customer and entered in the Sales Book. At the close of the year, the customer still had the option to return the goods. The sale price was 25% above cost.

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

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 13	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Rectifying the following errors by way of journal entries and work out their effect on profit or loss of the concern:

- a. Return inward book was cast short by ₹ 500.
- b. ₹ 300 received from Ram has been debited to Mr. Shyam.
- c. Wages paid for the installation of a machine debited to wages account for ₹ 1,000.
- d. A purchase made for ₹ 1,000 was posted to purchase account as ₹ 100.
- e. Purchase of furniture amounting to ₹ 3,000 debited to purchase account.
- f. Goods purchased for proprietor's use for ₹ 1,000 debited to purchase account.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 14	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

The Trial Balance of a concern has agreed but the following mistakes were discovered after the preparation of final Accounts.

- (a) No adjustment entry was passed for an amount of ₹ 2,000 relating to outstanding rent.
- (b) Purchase book was overcast by ₹ 1,000.
- (c) ₹ 4,000 depreciation of Machinery has been omitted to be recorded in the book.
- (d) ₹ 600 paid for purchase of stationary has been debited to Purchase A/c.
- (e) Sales books was overcast by ₹ 1,000.
- (f) ₹ 5,000 received in respect of Book Debt had been credited to Sales A/c.

Show the effect of the above errors in Profit and Loss Account & Balance Sheet.

QUESTION 15

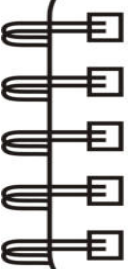
Ex. Book no.

Pg.No.

The books of accounts of A Co. Ltd. for the year ending 31.3.2013 were closed with a difference of ₹21,510 in books carried forward. The following errors were detected subsequently:

- (a) Return outward book was under cast by ₹ 100.
- (b) ₹ 1,500 being the total of discount column on the credit side of the cash book was not posted.
- (c) ₹ 6,000 being the cost of purchase of office furniture was debited to Purchase A/c.
- (d) A credit sale of ₹ 760 was wrongly posted as ₹ 670 to the customers A/c. in the sales ledger.
- (e) The Sales A/c was undercasted by ₹ 10,000 being the carry over mistakes in the sales day book.
- (f) Closing stock was overcasted by ₹ 10,000 being casting error in the schedule or inventory.

Pass rectification entries in the next year. Prepare suspense account and state effect of the errors in determination of net profit of last year.

	<u>Technical Point</u>	<u>Self Note</u>
		

Final Accounts of Non - Trading Entities

Objective Type Questions

MULTIPLE CHOICE QUESTION

- Scholarship granted to students out of specific funds provided by Government will be debited to
(a) Income and Expenditure Account. (b) Receipts and payments Account.
(c) Funds. (d) None of the three.
- In case of NPO, excess of total assets over liabilities is known as
(a) Profits. (b) Surplus. (c) Capital Fund. (d) Accumulated Fund.
- General donations are credited to
(a) Receipts and Payments Account. (b) Income and Expenditure Account.
(c) Capital Fund. (d) Fund Account.
- Interest on prize funds is
(a) Credited to Income and Expenditure Account.
(b) Credited to Receipts and Payments Account.
(c) Capital Fund.
(d) Added to prize fund.
- Special aids are
(a) Treated as capital receipts. (b) Treated as revenue receipts.
(c) Added to Capital Fund. (d) Both (a) and (c).
- Endowment fund receipt is treated as -
(a) Capital Receipt (b) Revenue Receipt (c) Loss (d) Expenses
- Which one of the following is not prepared by non-profit organizations
(a) Profit and loss account (b) Income & Expenditure account
(c) receipts and payments account (d) Balance sheet
- Legacy are generally -
(a) Capitalized (b) Treated Loss

- (c) Revenue Expenses (d) Deferred Revenue expenses
9. Any donation received for a specific purpose is a
(a) Assets (b) Revenue receipts (c) Capital receipts (d) None of the above
10. The receipts and payments account of a non-profit organization is a
(a) Nominal Account (b) Real Account
(c) Income Statement Account (d) Financial Account
11. The capital of a non-profit organization is generally known as
(a) Equity (b) Accumulated Fund (c) Finance Reserve (d) Cash Fund
12. If ₹1,500 was outstanding at the beginning of the year towards subscription and ₹10,000 is received during the year, with ₹2,500 still outstanding at the end of the year the amount to be taken to Income and Expenditure Account is
(a) ₹11,000 (b) ₹8,500 (c) ₹10,000 (d) None of the above
13. Any revenue expenses for which a separate fund is available will be
(a) Debited to the separate fund
(b) Debited to income and expenditure account
(c) Capitalized and shown in the balance sheet
(d) None of the above
14. Sale of old materials must be shown on the credit side of
(a) Cash Book (b) Income and expenditure account
(c) Balance Sheet (d) None of the above
15. The information for the preparation of receipts and payments account is taken from
(a) Cash Book (b) Income and expenditure account
(c) Cash Book and Balance Sheet (d) None
16. The receipts and payments account shows the following details:
Subscription Arrears ₹500
Current ₹10,500
Advance ₹800
There are ₹1,200 members each paying an annual subscription of ₹10. The amount to be credited to income and expenditure account will be
(a) ₹11,800 (b) ₹ 11,300 (c) ₹12,000 (d) None of the above
17. Any income arising from special fund will be credited to
(a) Special fund in the balance sheet (b) Income and expenditure account
(c) General fund in the Balance Sheet (d) None of the above
18. Income and expenditure account shows subscriptions at ₹10,000. Subscriptions accrued in the beginning of the year and at the end of the year were ₹1,000 and ₹1,500 respectively. The figure of

Financial Accounting

subscriptions received appearing in receipts and payments account will be

- (a) ₹9,500 (b) ₹ 11,000 (c) ₹10,000 (d) None of the above

19. Which of the following item(s) is (are) shown in the income and expenditure account

- (a) Only items of capital nature
(b) Only items of revenue nature which are received during the period of accounts
(c) Only items of revenue nature pertaining to the period of accounts
(d) Both the items of capital and revenue nature

20. Which of the following item does not match with receipts and payments account?

- (a) It is a summarized cash book
(b) Transactions are recorded in it on cash basis
(c) It records revenue transactions only
(d) it serves the purpose of a real account

FILL IN THE BLANKS

1. In a receipts and payments account the payments are recorded on the _____ side.
2. The closing debit balance in the receipts and payments account indicates the _____ balance at the end of the year.
3. The income and expenditure account is prepared on the basis of _____ system of accounting.
4. A debit balance in the income and expenditure account denotes excess of _____.
5. Income and expenditure matches all _____ receipts against Revenue payments pertaining the relevant accounting year.
6. Any amount received towards Endowment fund is a _____ Receipt.
7. Interest received on special fund investments will be added to _____ fund in the balance sheet.
8. Subscriptions received in advance will figure in the _____.
9. Any revenue expenditure relating to special fund must be deducted from _____.
10. Out of ₹5,00,000 collection for the building ₹3,00,000 is invested and the balance spent on building. Income from investments ₹20,000. The balance to be shown in the building fund _____.

TRUE OR FALSE

1. Receipts and payments account is nothing but a consolidated summary of the Cash Book.
2. Receipts and payments account is a real account.
3. Income and expenditure account is a real account.
4. Entrance fees unless otherwise stated is to be taken as a capital receipt.
5. Donations unless otherwise stated is to be taken as a capital receipt.
6. Sale of old materials must be credited to capital fund in the balance sheet.

7. Income and expenditure relating to special funds should not be dealt with in the income and expenditure account.
8. Receipts and payments account is a summary of all capital receipts and payments.
9. Any subscriptions received in advance are treated as capital receipts and are therefore taken to the liabilities side of the balance sheet.
10. Payment of honorarium is treated as a capital expenditure.
11. Income and Expenditure Account is prepared by adopting accrual principle of accounting.
12. Items of receipts and payments which are revenue in nature and which relate to any accounting period, are shown in the Income and Expenditure Account.

MATCH THE FOLLOWING

1. Non-trading concerns collect money at Regular intervals from members. These are known as	a) Entertainment programmes, stage shows funds raising programs
2. Non-trading concerns collect amount at the time of admission it is known as	b) Income & expenditure account
3. Non-trading concerns collect funds through	c) Balance sheet
4. Revenue incomes and expenditures are shown	d) Subscriptions
5. Capital items are shown in	e) Entrance fee

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

During 2016, subscription received in cash is ₹42,000. It includes ₹1,600 for 2015 and ₹600 for 2017. Also ₹3,000, has still to be received for 2016.

Required

Calculate the amount to be credited to Income and Expenditure Account in respect of subscription.

QUESTION 2

Ex. Book no.

Pg.No.

On 31st December 2013, a club had subscription in arrears of ₹16,000 and in advance ₹4,000. During the year ended 31-12-2014, the club received subscription of ₹2,08,000 of which ₹10,400 was related to 2015. On 31st December 2014, there were 4 members who had not paid subscription for 2014 @ ₹1,600 per person. Write up subscription Account for the year 2014.

QUESTION 3

Ex. Book no.

Pg.No.

The sports club of Orissa had received in 2013-2014 ₹ 2,000 towards subscription. Subscription for 2012 -13 unpaid on 1.4.2013 were ₹ 200. Subscriptions paid in advance on 31.3.2013 were ₹ 50 and the same on 31.3.2014 was ₹ 40.

Subscriptions for 2013-2014 unpaid on 31.3.2014 were ₹ 90.

Show how the subscriptions item will appear in the Income and Expenditure Account.

QUESTION 4

Ex. Book no.

Pg.No.

During the year ended 31st March, 2016, Sachin Cricket Club received subscriptions as follows:

Particulars	₹
For year ending 31st March, 2015	12,000
For year ending 31st March, 2016	6,15,000
For year ending 31st March, 2017	18,000
Total	6,45,000

There are 500 members and annual subscription is ₹ 1,500 per member.

On 31st March, 2016, a sum of ₹ 15,000 was still in arrears for subscriptions for the year ended 31st-March, 2015.

Ascertain the amount of subscriptions that will appear on the credit side of Income and Expenditure-Account for the year ended 31st March, 2016. Also show how the items would appear in the Balance-Sheet as on 31st March, 2015 and the Balance Sheet as on 31st March, 2017.

QUESTION 5

Ex. Book no.

Pg.No.

From the following information, prepare the Subscription Account for the year ending on March, 31, 2013:

- (i) Subscription in arrears on 31.03.2012 ₹ 1,500
- (ii) Subscription received in advance on 31.03.2012 ₹ 1,000
- (iii) Amount of Subscription received during 2012-13 ₹ 40,000, which includes ₹ 500 for the year 2011-12, ₹ 1,500 for the year 2013-14.
- (iv) Subscription outstanding ₹ 1,000.

QUESTION 6

Ex. Book no.

Pg.No.

Suppose salaries paid during 2016 were ₹23,000. The following further information is available:

Particulars	₹
Salaries unpaid on 31st March, 2015	1,400
Salaries prepaid on 31st March, 2015	400
Salaries unpaid on 31st March, 2016	1,800
Salaries prepaid on 31st March, 2016	600

Required

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

QUESTION 7

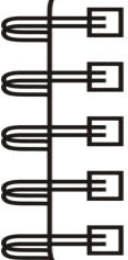
Ex. Book no.

Pg.No.

The accumulated balance of Life Membership fees at the beginning of the year 2012 was ₹6,40,000. This represents the balance of life membership fees paid by 20 members since the club started about 4 years ago. In the current year, 10 new life memberships were received totaling ₹ 4,00,000.

It's the policy of the club to spread these fees over 20 years to income. The amount payable per person is always ₹ 40,000.

What is the amount to be recognised as income for the current year and what amount will be deferred through the balance sheet?

<u>Technical Point</u>	<u>Self Note</u>
	

Financial Accounting

QUESTION 8

Ex. Book no.

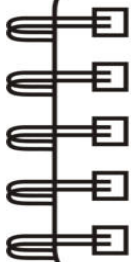
Pg.No.

From the following particulars, prepare Receipts and Payments Account

	₹
Cash in hand	2,000
Cash at Bank	6,000
Subscriptions	3,000
Donations received	2,400
Furniture purchased	1,600
General Expenses	1,000
Postage	400
Stationery	600
Lockers Rent Received	1,800
Office Expenses	800
Closing balance of Cash	7,000

Technical Point

Self Note



QUESTION 9

Ex. Book no.

Pg.No.

From the following particulars, prepare Income and Expenditure Account.

	₹
Fees Collected (including ₹3,000 on account of last year)	28,000
Meeting Expenses	2,000
Travelling & Conveyance	800
Fees for the year outstanding	5,000
Salary paid (including ₹300 on account of last year)	2,400
Salary outstanding	400
Entertainment Expenses	500
Tournament Expenses	1,000
Purchase of Books and Periodicals (includes ₹2,000 for purchase of books)	3,000
Rent	1,200
Postage, Telephone and Telegram charges	1,700
Printing & Stationery	500
Donations received	800

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 10	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

The following information was obtained from the books of Young Bengal Club as on 31-03-2013 at the end of first year of the club. Prepare the Receipts & Payments A/c, Income & Expenditure A/c and Balance sheet of the club:

- (1) Donations received for Building & Books - ₹ 2,00,000
- (2) Other revenue incomes and receipts were:

Particulars	Revenue Income	Actual receipts
Entrance Fees	17,000	17,000
Subscription	20,000	19,000
Locker rent	600	600
Sundry Income	1,600	1,060
Refreshment Account	Nil	16,000

- (3) Other revenue expenditure and actual payments were:

Particulars	Revenue Exp.	Actual payments
Land (Cost ₹10,000)	Nil	10,000
Furniture (Cost ₹1,46,000)	Nil	1,30,000
Salaries	5,000	4,800
Maintainance of play ground	2,000	1,000
Rent	8,000	8,000
Refreshment Account	Nil	8,000

Donations were utilized to the extent of ₹25,000 for buying books, balance were unutilized. In order to keep it safe, 9% Govt. Securities were purchased on 31-3-2013 for ₹1, 60,000. Remaining amount was put in bank as term deposit on 31-3-2013. Depreciate Furniture and books @ 10% for the whole year.

<u>Technical Point</u>	<u>Self Note</u>


Following is the summary of Receipts and Payments of Radix Clinic for the year ended 31st March, 2017:

Particulars	Amount (₹)
Opening Cash Balance	56,000
Donation Received (including ₹ 50,000 for Building Fund.)	1,55,000
Payment to creditors for Medicines Supply	2,10,000
Salaries	70,000
Purchase of Medical Equipments	1,05,000
Medical Camp Collections	87,500
Subscription Received	3,50,000
Interest on Investments @ 9% p.a.	63,000
Honorarium to Doctors	1,90,000
Telephone Expenses	6,000
Medical Camp Expenses	10,500
Miscellaneous Expenses	7,000

Additional Information:

Sl.	Particulars	01.04.2016	31.03.2017
1	Subscription Due	10,500	15,400
2	Subscription Received in Advance	8,400	4,900
3	Stock of Medicine	70,000	1,05,000
4	Medical Equipments	1,47,000	2,14,200
5	Building	3,50,000	3,15,000
6	Creditor for Medicine Supply	63,000	91,000
7	Investments	7,00,000	7,00,000

You are required to prepare Receipts and Payments Account and Income and Expenditure Account for the year ended 31st March, 2017 and the Balance Sheet as on 31st March, 2017.

<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center; font-size: 2em; margin-top: 50px;"> </div>

QUESTION 12

Ex. Book no.

Pg.No.

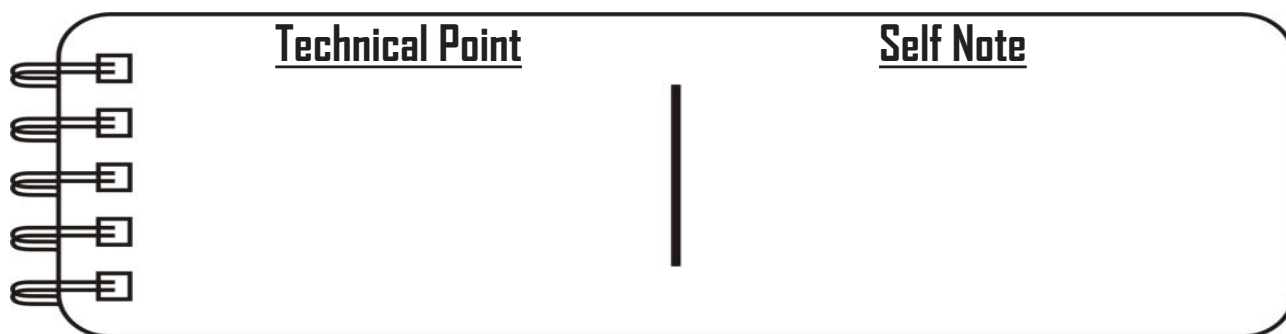
From the following Receipts and Payments Account of Shyam Club for the year ended 31st December, 2015:

Dr. Receipts and Payments Account Cr.

Receipts	Amount (₹)	Payments	Amount (₹)
Cash in hand	150	Mowing Machine	1,100
Cash at Bank	2,100	Ground men's fee	1,500
Subscription	5,800	Rent	500
Rent of the Hall	3,000	Salaries to coaches	4,500
Life Membership fee	2,000	Office Exp	2,400
Entrance fee (income)	200	Sports equipment purchased	1,200
Donations (Gen)	1,500	Cash in hand	350
Sale of Gross	100	Cash at Bank	3,300
	14,850		14,850

Subscriptions due on 31st December, 2014 and December, 2015 were ₹900 and ₹800 respectively. Subscriptions received also included subscriptions for the year 2015 ₹200. Sports equipment in hand on 31st December 2014 was ₹1,100. The value placed on his equipment in hand on 31st December 2015 was ₹1,300. The mowing machine was purchased on 1st January, 2015 and is to be depreciated @ 20% per annum. Office expenses include ₹300 for 2014 and ₹400 are still due for payment.

Prepare Income and Expenditure account and Balance Sheet relating to the year 2015.



QUESTION 13

Ex. Book no.

Pg.No.

The Sportwriters Club gives the following Receipts and Payments Account for the year ended March 31, 2016:

Receipts and Payments Account

Receipts	₹	Payments	₹
To Balance b/d	4,820	By Salaries	12,000
To Subscriptions	28,600	By Rent and electricity	7,220
To Miscellaneous income	700	By Library books	1,000
To Interest on Fixed deposit	2,000	By Magazines and newspapers	2,172

Financial Accounting

Receipts	₹	Payments	₹
		By Sundry expenses	10,278
		By Sports equipments	1,000
		By Balance c/d	2,450
	36,120		36,120

Figures of other assets and liabilities are furnished as follows:

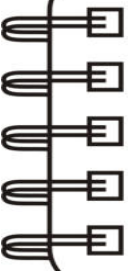
Particulars	As at March, 31	
	₹	₹
	2015	2016
Salaries outstanding	710	170
Outstanding rent & electricity	864	973
Outstanding for magazines and newspapers	226	340
Fixed Deposit (10%) with bank	20,000	20,000
Interest accrued thereon	500	500
Subscription receivable	1,263	1,575
Prepaid expenses	417	620
Furniture	9,600	??
Sports equipments	7,200	??
Library books	5,000	??

The closing values of furniture and sports equipments are to be determined after charging depreciation at 10% and 20% p.a. respectively inclusive of the additions, if any, during the year. The Club's library books are revalued at the end of every year and the value at the end of March 31, 2016 was ₹ 5,250.

Required:

From the above information you are required to prepare:

- The Club's Balance Sheet as at March 31, 2015;
- The Club's Income and Expenditure Account for the year ended March 31, 2016.
- The Club's Closing Balance Sheet as at March 31, 2016.

<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center;"> </div>

QUESTION 14

Ex. Book no.

Pg.No.

The following was the Receipts and Payments Account of Exe Club for the year ended March. 31, 2016

All the figures in thousands

Receipts	₹	Payments	₹
Cash in hand	100	Groundsman's Fee	750
Balance at Bank as per Pass Book:		Moving Machine	1,500
Deposit Account	2,230	Rent of Ground	250
Current Account	600	Cost of Teas	250
Bank Interest	30	Fares	400
Donations and Subscriptions	2,600	Printing & Office Expenses	280
Receipts from teas	300	Repairs to Equipment	500
Contribution to fares	100	Honorarium to Secretary and Treasurer of 2015	400
Sale of Equipment	80	Cash in Hand	250
Net proceeds of Variety Entertainment	780	Balance at Bank as per Pass Book:	
Donation for forth coming Tournament	1,000	Deposit Account	3,090
		Current Account	150
	7,820		7,820

You are given the following additional information:

Particulars	April 1, 2015	March 31, 2016
	₹	₹
Subscription due	150	100
Amount due for printing etc.	100	80
Estimated value of machinery and equipment	800	1,750
Interest not yet entered in the Pass book	-	20
Bonus to Groundsman o/s.	-	300

For the year ended March 31, 2016, the honorarium to the Secretary and Treasurer are to be increased by a total of ₹200.

Required

Prepare the Income and Expenditure Account for period ending 31-03-2016 and the relevant Balance Sheet.

Technical Point

Self Note

|

From the following data, prepare an Income and Expenditure Account for the year ended 31st December, 2016, and Balance Sheet as at that date of the Mayura Hospital.

Receipts and Payments Account for the year ended 31 December, 2016

Receipts	₹	₹	Payments	₹	₹
To Balance b/d			By Salaries (₹3,600 for 2015)		15,600
Cash	400		By Electricity and water charges		1,200
Bank	<u>2,600</u>	3,000	By Hospital Equipment		8,500
To Subscriptions :			By Furniture purchased		3,000
For 2015	2,550		By Additions to Building		25,000
For 2016	12,250		By Printing & Stationery		1,200
For 2017	<u>1,200</u>	16,000	By office expenses		1,000
To Government Grant :			By Diet expenses		7,800
For building	40,000		By Rent and rates (₹150 for 2017)		1,000
For maintenance	<u>10,000</u>	50,000	By Investments		10,000
Fees from sundry Patients		2,400	By Balance c/d		
To Donations (not to be capitalised)		4,000	Cash	700	
To Net collections from benefit shows		3,000	Bank	<u>3,400</u>	4,100
		78,400			78,400

Additional information :

₹

Value of building under construction as on 31.12.2016 70,000

Value of hospital equipment on 31.12.2016 25,500

Building Fund as on 1.1. 2016 40,000

Subscriptions in arrears as on 31.12.2015 3,250

Investments in 8% Govt. securities were made on 1st July, 2016.

Technical Point

Self Note

|

QUESTION 16

Ex. Book no.

Pg.No.

The following is the Receipts and Payments Account of Lion Club for the year ended 31st March, 2016.

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

The assets and liabilities as on 1.4.2015 were as follows:

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

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

- (i) Subscription received in advance as on 31st March, 2016 was ₹ 18,000.
- (ii) Outstanding subscription as on 31st March, 2016 was ₹ 7,000.
- (iii) Outstanding expenses are salaries ₹ 8,000 and electricity ₹ 15,000.
- (iv) 50% of the entrance donation was to be capitalized. There was no pending membership as on 31st March, 2016.
- (v) The cost of assets sold net as on 1.4.2015 was ₹ 10,000.
- (vi) Depreciation is to be provided at the rate of 10% on assets.
- (vii) A sum of ₹ 20,000 received in October 2015 as entrance donation from an applicant was to be

Financial Accounting

refunded as he has not fulfilled the requisite membership qualifications. The refund was made on 3.6.2016.

(viii) Purchases made during the year amounted ₹ 15,00,000.

(ix) The value of closing stock was ₹ 2,10,000.

(x) The club as a matter of policy, charges off to income and expenditure account all purchases made on account of crockery, cutlery, glass and linen in the year of purchase.

You are required to prepare an Income and Expenditure Account for the year ended 31st March, 2016 and the Balance Sheet as on 31st March, 2016 along with necessary workings.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 17	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

The following summary of the Cash Book has been prepared by the treasurer of a club:

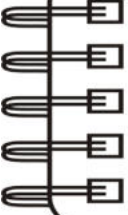
Receipts	₹	Payments	₹
To balance b/d	4,740	By Wages - outdoor staff	13,380
To Subscription	29,720	By Restaurant purchases	50,400
To Entrance fees	3,200	By Rent - 18 months to July 30, 2013	7,500
To Restaurant receipts	56,800	By Rates	2,700
To Games & Competition receipts	13,640	By Secretary's Salary	3,120
To Due to secretary for petty expenses	80	By Lighting	7,200
		By Competition prizes	4,000
		By Printing & postage	6,000
		By Fixed deposits	8,000
		By balance c/d	5,880
	1,08,180		1,08,180

On April 1, 2012 the club's assets were:- Furniture ₹ 48,000, Restaurant stock ₹ 2,600; Stock of prizes ₹ 800; ₹ 5,200 was owing for supplies to the restaurant.

On March, 31, 2013, the Restaurant stocks were ₹ 3,000 and prizes in hand were ₹ 500, while the club owed ₹ 5,600 for restaurant supplies.

It was also found that subscriptions unpaid at March 31, 2013, amounted to ₹ 1,000 and that the figure of ₹ 29,720 shown in the Cash Book included ₹ 700 in respect of previous year and ₹ 400 paid in advance for the following year.

Prepare an account showing the Profit or Loss made on the Restaurant and a General Income and Expenditure Account for the year ended 31.3.2013, together with a Balance Sheet as at that date, after writing 10% off the Furniture.

 <p style="text-align: center;"><u>Technical Point</u></p>	<p style="text-align: center;"><u>Self Note</u></p>
---	---

QUESTION 18

Ex. Book no.

Pg.No.

The Income and Expenditure Account of the Calcutta Club is:

Income and Expenditure Account for the year ended 31st December, 2013

Dr.

Cr.

Expenditure	₹	Income	₹
To Salaries	1,750	By Subscriptions	2,000
To General Expenses	500	By Donations	1,050
To Depreciation	300		
To Surplus	500		
	3,050		3,050

Adjustments are made in respect of the following:

- (1) Subscription for 2012 unpaid at 1.1.2013 ₹ 200; ₹ 180 of which was received in 2013.
- (2) Subscription paid in advance at 1.1.2013 ₹ 50.
- (3) Subscription paid in advance at 31.12.2013 ₹ 40.
- (4) Subscription for 2012 unpaid at 31.12.2013 ₹ 70.
- (5) Sundry Asset at the beginning of the period ₹ 2,600; Sundry Asset after depreciation ₹ 2,700 at the end of the period.
- (6) Cash balance at 1.1.2013 ₹ 160.

Prepare a Receipts and Payments Account.

QUESTION 19

Ex. Book no.

Pg.No.

From the following Income and Expenditure Account and the Balance Sheet of a club, prepare its Receipts and Payments Account and Subscription Account for the year ended 31st March, 2016:

Income & Expenditure Account for the year 2015-16

Expenditure	₹	Income	₹
To Upkeep of Ground	10,000	By Subscriptions	17,320
To Printing	1,000	By Sale of Newspapers (Old)	260
To Salaries	11,000	By Lectures	1,500
To Depreciation on Furniture	1,000	By Entrance Fee	1,300
To Rent	600	By Misc. Income	400
		By Deficit	2,820

Financial Accounting

Expenditure	₹	Income	₹
	23,600		23,600

Balance Sheet as at 31st March, 2016

Liabilities	₹	₹	Assets	₹
Subscription in Advance (2016-17)		100	Furniture	9,000
Prize Fund :			Ground and Building	47,000
Opening Balance	25,000		Prize Fund Investment	20,000
Add : Interest	<u>1,000</u>		Cash in Hand	2,300
	26,000		Subscription (outstanding) (2015-16)	700
Less : Prizes	<u>(2,000)</u>	24,000		
General Fund :				
Opening Balance	56,420			
Less : Deficit	<u>(2,820)</u>			
	53,600			
Add : Entrance Fee	<u>1,300</u>	54,900		
		79,000		79,000

The following adjustments have been made in the above accounts:

- (1) Upkeep of ground ₹ 600 and Printing ₹ 240 relating to 2014-2015 were paid in 2015-16.
- (2) One-half of entrance fee has been capitalised by transfer to General Fund.
- (3) Subscription outstanding in 2014-15 was ₹ 800 and for 2015-16 ₹700.
- (4) Subscription received in advance in 2014-15 was ₹200 and in 2015-16 for 2016-17 ₹ 100.

Technical Point

Self Note

|

QUESTION 20	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

The following is the Income and Expenditure Account of Gama Club for the year ended 31st March, 2017:

Income and Expenditure Account for the year ended 31st March, 2017

Expenditure	₹	Income	₹
To Salaries	19,500	By Subscription	68,000
To Rent	4,500	By Donation	5,000
To Printing	750		

Final Accounts of Non - Trading entities

To Insurance	500		
To Audit Fees	750		
To Games & Sports	3,500		
To Subscriptions written off	350		
To Miscellaneous Expenses	14,500		
To Loss on sale of Furniture	2,500		
To Depreciation on sports eqp.	6,000		
To Depreciation on furniture	3,100		
To Excess of income over expenditure	17,050		
	73,000		73,000

Additional information:

Particulars	April 1, 2016	March 31, 2017
	₹	₹
Subscription in arrears	2,600	3,700
Advance Subscriptions	1,000	1,500
Outstanding expenses:		
Rent	500	800
Salaries	1,200	350
Audit Fee	500	750
Sports Equipment less depreciation	25,000	24,000
Furniture less depreciation	30,000	27,900
Prepaid Insurance	-	150

Book value of furniture sold is ₹ 7,000. Entrance fees capitalized ₹ 4,000. On 1st April, 2016 there was no cash in hand but Bank Overdraft was for ₹ 15,000. On 31st March, 2017 cash in hand amounted to ₹ 850 and the rest was Bank balance.

Prepare the Receipts and Payments Account of the Club for the year ended 31st March, 2017.

<u>Technical Point</u>	<u>Self Note</u>

The receipts and payments account and the income and expenditure account of a Club for the year ended 31st December, 2016 were as follows:

Receipts and Payments Account

Receipts	₹	₹	Payments	₹
To Balance b/d		2,500	By Books purchased	1,000
To Subscriptions:			By Printing and Stationery	200
2015	600		By Salary	1,500
2016	<u>4,300</u>	4,900	By Advertisement	200
To Interest		500	By Electric Charge	400
To Donation for special fund		300	By Balance c/d	7,350
To Rent:				
2015	150			
2016	<u>300</u>	450		
To Govt. Grants		2,000		
		10,650		10,650

Income and Expenditure Account

Expenditure	₹	Income	₹
To Salary	2,800	By Interest	400
To Tent Hire	200	By Subscription	4,800
To Electric charges	400	By Rent	2,300
To Depreciation on Building	750	By Govt. Grant	2,000
To Printing and Stationery	200		
To Advertisement	150		
To Surplus	5,000		
	9,500		9,500

The club's assets as on 1st January 2016 were :

Building ₹ 15,000; Books ₹10,000

Furniture ₹4,000; Investments ₹10,000

Liabilities as on that date were ₹50 for advertisement and ₹100 for salary.

Required: Prepare the balance sheet of the club on 31st December, 2015 and 31st December, 2016.

Technical Point

Self Note

|

Objective Type Questions 

MULTIPLE CHOICE QUESTION

1. Profit and loss on consignment is -
(a) Share between consignor and consignee (b) Retained / borne by consignor
(c) Retained / borne by consignee (d) Transferred to general reserve
2. Normal loss in case of consignment means -
(a) Loss which cannot be ignored (b) Loss which is uncertain
(c) Loss which is certain and can be avoided (d) None of these
3. Commission will be shared between
(a) Consignor & Consignee (b) Only Consignee
(c) Only Consignor (d) Third Party
4. In case del-credere commission is allowed to consignee, then he bears
(a) Bad debts (b) Consignors expenses
(c) Consignees expenses (d) All of these.
5. Out of the following at which point the treatment of "Sales" and "Consignment" is same:
(a) Ownership transfer. (b) Money receive. (c) Inventories outflow.
6. If del-credere commission is allowed for bad debt, consignee will debit the bad debt amount to:
(a) Commission Earned A/c (b) Consignor's A/c
(c) Trade receivables (Customers) A/c
7. Which of these is/are recurring (indirect expenses)?
(a) Transit insurance and freight (b) octroi
(c) loading and unloading (d) godown rent and insurance
8. On receipt of goods the consignee debits which of these accounts
(a) purchase account (b) goods account (c) consignors account (d) none of these

Financial Accounting

9. Goods sent on consignment account is of the nature of
(a) personal account (b) nominal account (c) Real account (d) sales account
10. Out of the given option which cannot be treated as part of cost of purchase for valuing stock on hand
(a) packing (b) octroi (c) Delivery charges (d) freight
11. The consignment accounting is made on the following basis
(a) Accrual Basis (b) Realization basis (c) Cash basis (d) All of above
12. Which of these accounts are not opened in the books of consignor?
(a) Consignment account (b) Commission account
(c) Goods sent on consignment account (d) Consignee's personal account
13. For closing stock held by consignee which account must be debited
(a) consignment stock account (b) sales account
(c) consignee account (d) consignment account
14. A proforma invoice is sent by
(a) consignee to consignor (b) consignor to consignee
(c) debtor to consignee (d) debtor to consignor

FILL IN THE BLANKS

1. The person who sends the goods for sale on fixed commission basis is _____.
2. When the consignor sends goods to consignee he prepares a _____.
3. A periodic statement furnished by the consignee to consignor is _____.
4. Del credere commission is allowed to cover the risk of _____.
5. Where goods are sent on consignment, credit is given to _____ in the books of consignor.
6. Goods costing ₹ 2,00,000 sent out to consignee at cost +25%. Invoice value of the goods will be _____.
7. Stock reserve is created to adjust _____.
8. Goods of the invoice value of ₹ 1,20,000 sent out to consignee at 20% profit on cost. The loading amount will be _____.
9. Extra commission given to the consignee, for making him responsible for bad debts. This extra commission is known as _____.
10. Balance in consignment account shows _____.
11. X of Kolkata sends out certain goods to Y of Mumbai at cost + 25%. 1/2 of the goods received by Y is sold at ₹ 1,76,000 at 10% above IP. Invoice value of goods sent out is _____.
12. X of Kolkata sends out 400 bags to Y on Delhi costing ₹ 200 each consignor expenses ₹2,000. Y's expenses: non selling ₹ 2,000 and selling ₹1,000. 300 bags were sold by Y. Value of consignment stock will be _____.

13. The balance of consignment stock is shown on the _____ side of the balance sheet.
14. Consignment account is _____ Account.
15. Goods costing ₹ 1,80,000 sent out to consignee to show a profit of 20% on the invoice price. Invoice price of the good will be _____.

TRUE OR FALSE

1. Goods sent on consignment account is of the nature of real account
2. Goods valued at invoice price refers to valued at lower price than its original cost
3. Balance in consignment account shows profit and loss on consignment.
4. Profit and loss on consignment is retained / borne by consignor.
5. Commission will be shared between only consignee.
6. The details contained in account sales are unsold stock left with the consignee.
7. All proportionate consignee's expenses will be added up for valuation of consignment stock.
8. In consignment, the goods are dispatched on the basis that the goods will be sold on behalf of and at the expenses of and at the risk of the consignee.
9. Cost of the goods include all expenses incurred till the goods reach the premises of the consignee's godown.
10. Accounts sales is a statement furnished by consignor to consignee.

MATCH THE FOLLOWING

Group -A

1. Ownership right of the consignment stock is always with the	a) loss which is unavoidable
2. Consignment stock account is a	b) ₹2,50,000
3. Goods sent to consignment at cost +33-1/3 %. The Percentage of loading on invoice price will be	c) consignor
4. Goods costing ₹ 2,00,000 sent out to consignee at Cost +25% . Invoice value of the goods will be	d) 25%
5. Main objective of sending goods at invoice price is to	e) Real account
6. Normal loss is case of consignment means	f) keep the real profit a secret

Group -B

1. Del credere commission is calculated on	a) Consignor account
2. Closing stock with consignee is shown in the balance sheet of Consignor which account should be credited.	b) Total sales
3. On receipt of advance from consignee in books of Consignor, which A/c is to be credited	c) Original cost plus non-recurring (direct) expense incurred by both Consignor and consignee
4. Account sales indicate	d) Consignment A/c

Financial Accounting

5. The unsold stock on consignment is valued at Price is to	e) Consignee's A/c
6. On earning the commission on sales, the consignee Debits in his books	f) The net amount due by consignee to consignor

Practical Type Questions 

QUESTION 1

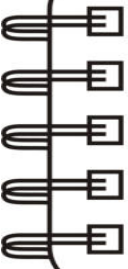
Ex. Book no.

Pg.No.

MR. NAITIK sends goods to the value of ₹ 9,37,500 at cost to MR. JATIN on consignment basis to be sold at 5% commission on sales on 01.01.2015. Jatin accepted a bill of ₹ 2,50,000 drawn by Naitik for 4 months on the same date. Naitik discounted the bill with his banker @ 15% p.a. on 04.02.2015. Naitik incurred ₹ 75,000 by way of freight and other expenses, whereas expenses of Jatin were ₹ 50,000 out of which 60% were non-recurring. Jatin sent the final balance of ₹ 7,68,750 to Naitik on 31.03.2015 along with account sales. The Gross Profit margin is 25% on Sales and 10% of Goods Remained unsold with Jatin.

You are required to prepare:

- (i) Consignment Account and
- (ii) Jatin Account – in the books of Mr. Naitik.

	<u>Technical Point</u>	<u>Self Note</u>
		

QUESTION 2

Ex. Book no.

Pg.No.

Ajay of Jaipur sent goods of ₹ 2,50,000 to Vijay of Mumbai on consignment. Ajay paid ₹8,500 as railway freight and ₹ 4,240 as insurance. 2% goods are damaged in the Vijay's godown due to normal circumstances. Vijay incurred cartage ₹ 5,140 and selling expenses ₹ 14,700. Calculate the value of stock of unsold 15% of goods sent to Vijay.

QUESTION 3

Ex. Book no.

Pg.No.

From the following particulars ascertain the value of unsold stock on Consignment.

Goods sent (1,000 kgs.)	₹20,000
Consignor's expenses	₹4,000
Consignees non-recurring expenses	₹3,000
Sold (800 kgs.)	₹40,000
Loss due to natural wastage (100 kgs.)	

QUESTION 4


Ex. Book no.

Pg.No.

Miss Rakhi consigned 1,000 radio sets costing Rs. 900 each to Miss Geeta, her agent on 1st July 2011. Miss Rakhi incurred the following expenditure on sending the consignment.

Freight	₹7,650
Insurance	₹3,250

Miss Geeta received the delivery of 950 radio sets. An account sale dated 30th November, 2011 showed that 750 sets were sold for Rs. 9,00,000 and Miss Geeta incurred Rs. 10,500 for carriage. Miss Geeta was entitled to commission 6% on the sales effected by her. She incurred expenses amounting to Rs. 2,500 for repairing the damaged radio sets remaining in the inventories. Miss Rakhi lodged a claim with the insurance company which was admitted at Rs. 35,000. Show the Consignment Account and Miss Geeta's Account in the books of Miss Rakhi.

	<u>Technical Point</u>	<u>Self Note</u>
		

QUESTION 5

Ex. Book no.

Pg.No.

Shri Mehta of Bombay consigns 1,000 cases of goods costing Rs. 100 each to Shri Sundaram of Madras. Shri Mehta pays the following expenses in connection with consignment:

	Rs.
Carriage	1,000
Freight	3,000
Loading charges	1,000

Shri Sundaram sells 700 cases at Rs. 140 per case and incurs the following expenses:

Clearing charges	850
Warehousing and storage	1,700
Packing and selling expenses	600

It is found that 50 cases have been lost in transit and 100 cases are still in transit.

Shri Sundaram is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Sundaram's Account in the books of Shri Mehta.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 6	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

On 1st July, 2013 B. Dutta of Kolkata consigned 250 Computers costing ₹ 28,000 each to T. Ramasami, Chennai. Expenses of ₹ 17,000 were met by the consignor. T. Ramasami spent ₹ 14,500 for clearance on 31st July, 2013 and selling expenses were ₹ 1,500 per computer as and when the sale made by consignee. T. Ramasami sold on 4th September, 2013, 150 computers at ₹ 40,000 per computer and again on 21st September, 75 computers at ₹ 42,500. Mr. Ramasami was entitled to a commission of ₹1,500 per computer sold plus one-fourth of the amount by which the gross sale proceeds less total commission there on exceeded a sum calculated at the rate of ₹ 35,000 per computer sold. T. Ramasami sent the account sale and the amount due to B. Dutta on 30th September, 2013 by bank demand draft. You are required to show the consignment account and T. Ramasami's account in the books of B. Dutta.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 7	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

Elephant Oil Mills, Hyderabad consigned 10,000 kg of mustard oil to Trumpet Oil Mills, Mumbai on 1st April, 1994. The cost of the oil was Rs. 3 per kg. Elephant Oil Mills paid Rs. 5,000 as freight and insurance. During transit 250 kg. oil were accidentally destroyed for which the insurer paid to the consignors Rs. 500 in full settlement of the claim. Elephant Oil Mills sold 7,800 kg. of oil at Rs 4 per kg. The expenses paid by them being Rs 300 on godown rent, Rs. 1,000 on advertisement and Rs 2,500 paid to salesmen towards their salaries. Elephant Oil Mills is entitled to a commission of 2% plus 1.5% del credere. A debtor who had bought 500 kg was able to pay only 75% of the amount due from him. Trumpet Oil Mills also reported a loss of 100 kg. due to leakage. Trumpet Oil Mills paid the amount due by bank draft.

Show the Accounts in the books of the consignor.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 8	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

Gavaskar of Mumbai sent 100 TV sets to Kapil of Chandigarh on consignment basis. The cost price of each set is Rs. 3,000. Gavaskar paid Rs. 100 for cartage, Rs. 1,500 for railway freight and Rs. 400 for insurance premium. He drew a bill payable after two months for Rs. 50,000, which was accepted by Kapil, by way of security against the consignment. He then discounted the bill for Rs. 49,900. Kapil paid Rs. 600 as godown rent and Rs. 400 as sundry expenses. He sold 90 sets @ Rs. 5,400 per set. But he could not realize the sale proceeds of 5 sets from the customers. He was entitled to receive 4% ordinary commission and 1 % del credere commission. The net amount due from Kapil was received in time.

Prepare the Consignment Account, Kapil Account and Advance against Consignment Account in the books of Gavaskar.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 9	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

A of Agra sent on consignment goods valued ₹ 1,00,000 to B of Mumbai on 1st March, 2016. He incurred the expenditure of ₹ 12,000 on freight and insurance. A's accounting year closes on 31st December. B was entitled to a commission of 5% on gross sales plus a del-credere commission of 3%. B took delivery of the consignment by incurring expenses of ₹ 3,000 for goods consigned.

On 31.12.2016, B informed on phone that he had sold all the goods for ₹ 1,50,000 by incurring selling expenses of ₹ 2,000. He further informed that only ₹ 1,48,000 had been realized and rest was considered irrecoverable, and would be sending the cheque in a day or so for the amount due along with the accounts sale.

On 5.1.2017, A received the cheque for the amount due from B and incurred bank charges of ₹ 260 for collecting the cheque. The amount was credited by the bank on 9.1.2017.

Write up the consignment account finding out the profit/loss on the consignment, B's account, Provision for expenses account and Bank account in the books of the consignor, recording the transactions upto the receipt and collection of the cheque.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 10	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Usha Brothers sent 100 sewing machines on consignment basis to Vahin. The cost of each machine was ₹300 but the consignor prepared the proforma invoice at 25% above cost. The company spent ₹ 800 on packing. While taking delivery of the goods, Vahin had to spend ₹950 as freight, octroi and cartage. By the end of the year, Vahin sold 80 machines @ ₹410 per machine. He paid ₹1,100 as godown rent. He was entitled to a commission of 5% on sales.

Show Consignment Account, Consignment Stock Account and Consignment Stock Reserve Account in consignor's ledger.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 11	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Sree Traders of Gujrat purchased 10,000 sarees @ ₹100 per saree. Out of these 6,000 sarees were sent on consignment to Nirmala Traders of Kolkata at the selling price of ₹120 per saree. The consignors paid ₹3,000 for packing and freight. Nirmala Traders sold 5,000 sarees @ ₹125 per saree and incurred ₹1,000 for selling expenses and remitted ₹5,00,000 to Gujrat on account. They are entitled to a commission of 5% on total sales plus a further of 25% commission on any surplus price realized over ₹120 per saree. 3,000 sarees were sold at Gujrat @ ₹110 per saree. Owing to fall in market price, the value of stock of saree in hand is to be reduced by 5%.

You are required to prepare (i) Consignment Account, and (ii) Nirmala Traders Account.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 12	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Lubrizols ltd. of Mumbai consigned 1,000 barrels of lubricant oil costing ₹ 800 per barrel to Central oil co. of Kolkata on 1.1.2013. Lubrizols ltd. paid ₹ 50,000 as freight and insurance. 25 barrels were destroyed on 7.1.2013 in transit. The insurance claim was settled at ₹ 15,000 and was paid directly to the consignor.

Central oil took delivery of the consignment on 19.1.2013 and accepted a bill drawn upon them by lubrizols ltd., for ₹ 5,00,000 for 3 months. On 31.3.2013 Central Oil reported as follows:

- (i) 750 barrels were sold as ₹ 1,200 per barrel.
- (ii) The other expenses were:

	(₹)
Clearing charges	11,250
Godown Rent	10,000
Wages	30,000
Printing, Stationery, advertisement	20,000

25 barrels of oil were lost due to leakage which is considered to be normal loss. Central oil co. is entitled to a commission of 5% on all the sales affected by them. Central oil company paid the amount due in respect of the consignment on 31st March itself.

Show the Consignment Account, the Account of Central Oil Co., and the Lost -in-Transit Account as they will appear in the books of Lubrizols ltd.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 13

Ex. Book no.

Pg.No.

Shri Babubhai oil mills of Baroda sent 10,000 kg of oil to M/s Gupta & Sons in Delhi. The cost of oil is ₹ 40 per kg. Babubhai paid ₹ 5,000 as freight and ₹ 2,500 as insurance. In transit 250 kg of oil was accidentally destroyed for which insurance company paid ₹ 450 in full settlement to Babubhai. M/s Gupta & Sons took delivery of the balance. Later they reported that 7,500 kg was sold @ ₹ 60 per kg. Expenses incurred by them were rent ₹ 2,000, advertisement ₹ 5,000 and salaries ₹ 5000. M/s Gupta & Sons are entitled to commission of 3% and Del credre commission of 1.5%. One customer who purchased 1,000 kg paid only 80% of the amount due. M/s Gupta & Sons also reported loss of 100 kg due to leakage. The final amount due was settled.

Prepare necessary ledger accounts in the books of Babubhai.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 14

Ex. Book no.

Pg.No.

IRANI & CO., of Chennai had consigned 6,000 shirts to Vikram of Jaipur at cost of ₹425 each. Irani & Co., paid freight ₹50,000 and insurance ₹7,500. During the transit 550 shirts were totally damaged by fire. Vikram took delivery of the remaining shirts and paid ₹82,000 on custom duty. Vikram had sent a bank draft to Irani & Co. for ₹3,50,000 as advance payment. 5,000 shirts were sold by him at ₹550 each. Expenses incurred by Vikram on godown rent and advertisement, etc. amounted to ₹12,000. He is entitled to a commission of 5%. One of the customer to whom the goods were sold on credit could not pay the value of 40 shirts which is not recoverable. Vikram settled his account immediately. Nothing was recovered from the insurer for the damaged goods. You are required to prepare:

- (i) Consignment to Vikram Account.
- (ii) Vikram Account – in the book of IRANI & CO.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

Joint Venture

Objective Type Questions

MULTIPLE CHOICE QUESTION

- If any Inventories is taken over by the venturer, it will be treated as an:
 - Income of the joint venture, hence credited to Joint Venture Account
 - Expenses of Joint Venture, hence debited to Joint Venture Account
 - To be ignored as Joint Venture Transaction
- Joint venture account is of the nature of
 - Personal A/c
 - Nominal A/c
 - Real A/c
 - Suspense account
- Memorandum joint venture account is
 - personal account
 - real account
 - nominal account
 - none of the above
- What is the nature of joint venture with co-venturer account?
 - Nominal account
 - Real account
 - Personal account
 - None of these
- Which of the following statement is true?
 - There is no difference between joint venture and partnership
 - Consignment and joint venture is same
 - There is not separate act for joint venture
 - In case of joint venture, the number of third party is one only
- Which of the following accounts are maintained in the joint venture when separate set of books are maintained
 - Joint bank A/c
 - Joint venture A/c
 - Co-venturer A/c
 - All of these
- If a co-venturer takes away goods under memorandum joint venture method, then he will debit these goods in his books to
 - Joint venture account
 - Personal account
 - Purchases account
 - Sales account
- For opening joint bank account, in case of separate sets of books:
 - Joint venture a/c will be debited and Venturer's capital A/c will be credited

- (b) Joint Bank A/c is debited and Venturer's capital A/c is credited
 (c) Joint venture A/c is debited and Joint Bank A/c will be credited
 (d) Joint Bank A/c will be debited and Joint venture A/c will be credited
9. When unsold stock is taken away by a co - venturer, then _____ account is debited:
 (a) Joint Stock (b) Joint Venture
 (c) Joint Bank Account (d) Co - venturers capital account
10. Joint Venture Accounting follows which concept:
 (a) Accrual Concept (b) Going Concern Concept
 (c) Cost Concept (d) Cash Basis
11. When co-ventures initially contribute for a joint venture which account should be debited in case when separate set of books are maintained:
 (a) Purchases A/c (b) Joint venture A/c (c) Venture's Capital A/c (d) Joint bank A/c
12. If separate set of books is maintained and discount is received at the time of purchase of goods then such a discount will be treated as :
 (a) Income of Joint Venture hence credited to joint venture account
 (b) Expense of Joint Venture hence debited to joint venture account
 (c) Will not be recorded in books of account
 (d) Credited to co-venturers account
13. For material supplied from own stock by any of the venturer, the correct journal entry will be : (In case of Separate set of books of a joint venture)
 (a) Joint Venture A/c Dr.
 To Venturer's Capital A/c
 (b) Joint Venture A/c Dr.
 To Joint Bank A/c
 (c) Joint Venture A/c Dr.
 To Materials A/c
 (d) Joint Bank A/c Dr.
 To Joint Venture A/c
14. Memorandum joint venture account is prepared:
 (a) When separate set of books is maintained
 (b) When each co-venturer keeps record of all the transactions himself
 (c) When each co-venturer keeps records of their own joint venture transaction
 (d) None of these
15. X spending a sum of Rs. 10,000 on account of joint venture, will be credited to _____ account in case of the records being maintained in the books of X.:
 (a) Memorandum J.V. (b) Joint Venture (c) Co - Venturers (d) Cash

16. Following are the characteristics of joint venture except:
- (a) No common firm name
 - (b) Contribution of funds
 - (c) Sharing of profits/losses
 - (d) None of these
17. Which of the following methods of valuation of closing stock is followed in joint venture accounting?
- (a) Net realizable value
 - (b) Cost price
 - (c) Least of cost or Net realizable value
 - (d) None of these
18. In case of Joint Venture, a minor:
- (a) Can be a co-venturer for the benefit of the venture.
 - (b) Can be a co-venturer if all other co-venturers agree.
 - (c) Can be a co-venturer if permitted by the competent authority.
 - (d) Cannot be a co-venturer
19. Which of the following statement is true?
- (a) Co-venturers always shares profits and losses equally.
 - (b) Number of co-venturers can never be more than two.
 - (c) The relationship between co-venturers is principal & agent.
 - (d) Co-venturers may contribute funds for running the venture.
20. When the record of transactions relating to joint venture are made in the books of one venturer, then the venturer recording the transactions, records his share of investment by
- (a) Debiting Cash A/c
 - (b) Crediting Cash A/c
 - (c) Crediting his personal A/c
 - (d) No entry required.
21. In case of Joint Venture business, the method of accounting to be followed is decided by:
- (a) Separate act for Joint Venture
 - (b) Accounting Standard
 - (c) Co-ventures as per their convenience
 - (d) ICAI
22. In case of Joint Venture, for purchase of machinery from Joint Bank account, in case separate set of books are maintained, the correct journal entry will be:
- (a) Debit Machinery A/c and Credit Joint Bank A/c
 - (b) Debit Joint Venture A/c and Credit Joint Bank A/c
 - (c) Debit Machinery A/c and Credit Venture's Capital A/c
 - (d) Debit Joint Venture A/c and Credit Machinery A/c

FILL IN THE BLANKS

1. The account opened in the bank in joint name of the co-ventures is _____
2. Partners of Joint venture business are called _____
3. Under Memorandum Joint venture, each co-venturer opens only one account which is in the nature of a _____
4. When goods are sold for the joint venture, the account to be credited in separate set of books _____
5. The accounts to be credited for transferring profit on Joint venture in the books of the coventurer maintaining accounts regarding joint venture are _____
6. Generally, when the size of the venture is _____, the co-venture keep separate set of books of account for the joint venture.
7. _____ is the concept which the joint venture accounting does not follow.
8. _____ is credit balance of joint venture account.
9. _____ is not a part of double entry system.
10. When co-venture initially contribute for a joint venture _____ account should be debit in the case when separate set of books are maintained.
11. Maximum number of members in joint venture business _____
12. Memorandum Joint-venture account is prepared to find out _____ in venture.
13. Joint venture does not follow _____ basis of accounting.
14. When separate set of books is maintained, expenses paid by venture will be _____ to joint venture account.
15. Co-venturer account is _____ account.

TRUE OR FALSE

1. Expenses incurred by co-venturer are debited in joint venture account.
2. The profit to be shared between the venture in agreed ratio.
3. In joint venture, provisions of partnership act applies.
4. The transactions regarding transfer of goods from one venturer to another venturer will affect book-keeping entries.
5. If goods costing Rs. 10,000 destroyed by an accident, insurance claim nil then no entry will be made in the books of joint venture.
6. Joint venture has a definite life.
7. Joint venture agreement must be registered.
8. Memorandum joint venture account is a real account.
9. Contract money received is credited to Joint venture account.
10. Joint bank account is a Nominal account.

MATCH THE FOLLOWING

1. Memorandum joint venture account	a) Co-venturers
2. Joint venture account is	b) Memorandum account
3. Partners of joint venture business	c) Nominal account
4. Under joint bank account method which Account is not opened	d) to find out profit or loss
5. The account opened in the bank in Joint name of the co-ventures	e) joint bank account

1. The nature of joint venture with co-venturer A/c	a) Memorandum A/c
2. Expenses incurred by co-venture are debited to	b) Profit
3. The account is not a part of double entry system	c) personal account
4. Memorandum joint venture account is	d) joint venture
5. Credit balance of joint venture account	e) Nominal account

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

B and C enter a joint venture to prepare a film for the Government. The Government agree to pay Rs. 1,00,000. B contributes Rs. 10,000 and C contributes Rs. 15,000. These amounts are paid into (Joint Bank Account. Payments made out of the joint bank account were:

Particulars	Rs.
Purchase of equipment	6,000
Hire of equipment	5,000
Wages	45,000
Materials	10,000
Office expenses	5,000

B paid Rs. 2,000 as licensing fees. On completion, the film was found defective and Government made a deduction of Rs. 10,000. The equipment was taken over by C at a valuation of Rs. 2,000. Separate books were maintained for the joint venture whose profits were divided in the ratio of B-2/5 and C-3/5. Give ledger accounts.

QUESTION 2

Ex. Book no.

Pg.No.

X and Y entered into a joint venture for purchase and sale of some household items. They agreed to share profits and losses in the ratio of their respective contributions. X contributed ₹ 10,000 in cash and Y ₹ 13,000. The whole amount was placed in a Joint Bank Account. Goods were purchased by X for ₹ 10,000 and expenses paid by Y amounted to ₹ 2,000. They also purchased goods for ₹ 15,000 through the Joint Bank Account. The expenses on purchase and sale of the articles amounted to ₹ 6,000 (including those met by Y). Goods costing ₹ 20,000 were sold for ₹ 45,000 and the balance were lost by fire.

Prepare Joint Venture Account, Joint Bank Account and the Ventures' Accounts closing the venture.

QUESTION 3

Ex. Book no.

Pg.No.

Das, Bose and Gupta undertake to erect a five storied mansion for National Housing Trust Ltd. The contract price is agreed at ₹25,00,000 to be paid in cash ₹22,00,000 by four equal installments and the balance amount in 8% Debentures of the company. They agree to share equally the profit or loss.

They opened a Joint Banking Account with cash contributed as follows: Das-₹3,00,000: Bose- ₹3,75,000 and Gupta-₹2,00,000 Das arranges the preparation of building plans, etc., and pays ₹32,000 as architect's fees. Bose brings a concrete mixer and other implements valued at ₹80,000 and Gupta brings a motor lorry valued at ₹75,000.

They paid in cash for the following;

Particulars	₹
Materials	12,26,800
Wages	7,33,200
Sundry expenses	20,000

Financial Accounting

Particulars	₹
Plant	60,000

On completion of the venture concrete mixer is sold ₹50,000 and plant and other implements are sold as scrap for ₹10,000. Gupta takes back the motor lorry at ₹40,000. Subsequently Das took over the Debentures issued by the company at a valuation of ₹2,80,000.

Show the necessary ledger accounts for the joint venture.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 4	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

John and Smith entered into a joint venture business to buy and sale garments to share profits or losses in the ratio of 5:3. John supplied 400 bales of shirting at ₹500 each and also paid ₹ 18,000 as carriage & insurance. Smith supplied 500 bales of suiting at ₹ 480 each and paid ₹ 22,000 as advertisement & carriage. John paid ₹50,000 as advance to Smith. John sold 500 bales of suiting at ₹ 600 each for cash and also all 400 bales of shirting at ₹650 each for cash. John is entitled for commission of 2.5% on total sales plus an allowance of ₹2,000 for looking after business. The joint venture was closed and the claims were settled. Prepare Joint Venture Account and Smith's Account in the books of John and John's Account in the books of Smith.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 5	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

A and B entered into a joint venture agreement to share the profits and losses in the ratio of 2:1. A supplied goods worth ₹ 60,000 to B incurring expenses amounting to ₹ 2,000 for freight and insurance. During transit goods costing ₹ 5,000 became damaged and a sum of ₹ 3,000 was recovered from the insurance company. B reported that 90% of the remaining goods were sold at a profit of 30% of their original cost. Towards the end of the venture, a fire occurred and as a result the balance Inventories lying unsold with B was damaged. The goods were not insured and B agreed to compensate A by paying in cash 80% of the aggregate of the original cost of such goods plus proportionate expenses incurred by A. Apart from the share of profit of the joint venture, B was also entitled under the agreement to

a commission of 5% of net profits of joint venture after charging such commission. Selling expenses incurred by B totalled ₹ 1,000. B had earlier remitted an advance of ₹ 10,000. B duly paid the balance due to A by Bank Draft.

You are required to prepare (i) Joint Venture Account and (ii) B's Account in A's books.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 6	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

Bharat and Sujit joined together as co-venturers for equal share in profits through sale of television cabinets. On March 31, 2015. Bharat purchased 2,000 cabinets at ₹ 1,250 each for cash and sent 1,500 of these to sujit for sale, the selling price of each being ₹ 1,300. All the cabinets were sold by April 30, 2015 by both and the proceeds collected.

Each venturer recorded in his books only those transactions concluded by him, final profit and loss being ascertained through a Memorandum joint venture Account.

The expenses met by the venturer were:

Particulars	₹
Bharat: Freight and insurance	12,000
Selling expenses	5,000
Sujit: Clearing charges	1,000
Selling expenses	12,000

Final settlement between the venturers took place on May 31, 2015. You are required to show:

- (a) Joint venture with sujit A/c in the books of Bharat
- (b) Joint venture with Bharat A/c in the books of sujit; and
- (c) Memorandum joint venture Account.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 7

Ex. Book no.

Pg.No.

D of Delhi and M of Mumbai entered into a joint venture for the purpose of buying and selling second-hand computers, M to make purchases and D to effect sales. The profit and loss was to be shared equally by D and M. A sum of ₹ 1,50,000 was remitted by D to M towards the venture.

M purchased 22 old computers for ₹ 1,50,000 and paid ₹ 90,000 for their reconditioning and sent them to Delhi. His other expenses were: Buying commission ₹ 10,000; Cartage ₹ 2,000 and Miscellaneous ₹ 1,000.

D took delivery of the computers and paid ₹ 2,700 for Octroi and ₹ 1,000 for Cartage. He sold 12 computers at ₹ 22,000 each; 4 computers at ₹ 21,000 each and 3 computers at ₹ 20,000 each. He retained remaining computers for his personal use at an agreed value of ₹ 15,000. His other expenses – Insurance ₹ 2,500; Rent ₹ 4,000; Brokerage ₹ 12,000 and Miscellaneous ₹ 2,000.

Each party's ledger contains a record of his own transactions on account of joint venture. Prepare a statement showing the result of the venture and the account of the venturer in D's ledger as it will finally appear, assuming that the matter was finally settled between the parties.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 8

Ex. Book no.

Pg.No.

A and B decided to work on a joint venture to sale electric motors. On 20th May, 2014, A purchased 200 electric motors at ₹ 1,750 each and dispatched 150 motors to B incurring ₹ 10,000 as freight and insurance. 10 motors got damaged in transit. On 1st Feb, 2015, insurance company paid ₹ 5,000 to A in full settlement of the claim. On 15th March, 2015, A sold 50 motors at ₹ 2,250 each. He received ₹ 1,50,000 from B on 1st April, 2015. On 25th May, 2015, B took delivery of motors and paid ₹ 1700 for clearing, repairs ₹ 3,000 and rent of ₹ 6,000. B sold motors as on 1st Feb, 2015 – 10 damaged motors at ₹ 170 each, on 15th March 2015 – 40 motors at ₹ 2,000 each, on 1st April, 2015 – 20 motors at ₹ 3,150 each and on 1st April, 2015 - 80 motors at ₹ 2,500 each. It was agreed that they would be entitled for a commission of 10% on the respective sales made by them and that the profit or losses will be shared by A & B in the ratio of 2:1. On 30th April 2015, B remits the cash to A to close the venture Prepare "Joint venture with B A/c" in the books of A and the memorandum joint venture A/c.

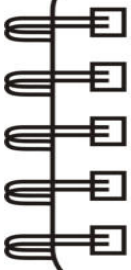
<u>Technical Point</u>	<u>Self Note</u>

QUESTION 9	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

Prabir and Mihir doing business separately as building contractors undertake jointly to build a skyscraper for a newly started public limited company for a contract price of ₹ 1,00,00,000 payable as ₹ 80,00,000 in cash and the balance by way of fully paid equity shares of the new company. A Bank Account was opened for this purpose in which Prabir paid ₹ 25,00,000 and Mihir ₹ 15,00,000. The profit sharing ratio was agreed as 2:1 between Prabir and Mihir. The transactions were:

- (a) Advance received from the company ₹ 50,00,000
- (b) Wages to contractors ₹ 10,00,000
- (c) Bought materials ₹ 60,00,000
- (d) Material supplied by Prabir ₹ 10,00,000
- (e) Material supplied by Mihir ₹ 15,00,000
- (f) Architect's fees paid from Joint Bank Account ₹ 21,00,000

The contract was completed and the price was duly paid. The joint venture was duly closed by Prabir taking all the shares at ₹18,00,000 and Mihir taking over the balance material for ₹3,00,000. Prepare the Joint Venture Account, Joint Bank Account, Co-venturer's Accounts and Shares Account.

	<p><u>Technical Point</u></p>	<p><u>Self Note</u></p>

QUESTION 10	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Dilip and raj are doing business separately as engineering contractors. They undertake jointly to build and install new machinery for a company for a contract price of ₹ 1,34,000. ₹ 84,000 payable in installments in cash and the balance as fully paid share in the new company. A bank account is opened in joint names. Dilip paying ₹ 45,000 and Raj ₹20,000. They agree to share profits and losses in the proportion of 3/5 and 2/5 respectively. The transactions were as follows:

Particulars	₹
Amount advance to suppliers for supply of materials	52,000
Value of materials supplied by suppliers	89,000
Balance amount paid to suppliers in full and final settlement	35,500
Paid wages	36,000
Materials purchased in cash	2,500
Engineering consultant's fee paid	3,250
Materials supplied by Dilip from stock	9,250
Value of stocks lost by fire and not covered by insurance	3,500

The contract was completed and price duly received. Dilip took all the shares at an agreed value of ₹

Financial Accounting

47,000 and Raj took the balance stock of materials worth ₹ 3,500 at an agreed value of ₹ 2,750. Show the necessary ledger accounts assuming a separate set of books is opened.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 11	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Daga of Kolkata sent to Lodha of Kanpur goods costing ₹ 40,000 on consignment at a commission of 5% on gross sales. The packaging and forwarding charges incurred by consignor amounted to ₹ 4,000. The consignee paid freight and carriage of ₹ 1,000 at Kanpur. Three-fourth of the goods were sold for ₹ 48,000. Then the consignee remitted the amount due from him to consignor along with the account sale, but he desired to return the goods still lying unsold with him as he was not agreeable to continue the arrangement of consignment. He was then persuaded to continue on joint venture basis sharing profit or loss as Daga 3/5th and Lodha 2/5th. Daga then supplied another lot of goods of ₹ 20,000 and lodha sold out all the goods in his hand for ₹ 50,000 (gross). Daga paid expenses ₹ 2,000 and lodha ₹ 1,700 for the second lot of goods.

Show necessary Ledger A/c in the books of both parties. No final settlement of balance due is yet made.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 12	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Satish and Sunit made a JV to underwrite the subscription at par of the equity share capital of Soft Systems Ltd. consisting of 100,000 shares of ₹ 10 each. They agreed to pay all expenses up to the allotment of shares. They agreed to share profits or losses in the ratio of 3:2. The consideration in return for this underwriting was allotment of 12,000 other shares of ₹ 10 each at par to be issued to them fully paid. Satish provided for ₹ 12,000 registration fees, ₹ 11,000 advertisement, ₹ 7,500 for printing & distributing prospectus and ₹ 2,000 for printing & stationery. Sunit paid ₹ 3,000 office rent, ₹ 13,750 as legal charges, and ₹ 9,000 salary of clerks. The issue fell short by 15,000 shares. Satish took these over on joint a/c by paying for the same in full. He sold the entire holding at ₹ 12 (net). Sunit sold the 12,000 shares allotted as consideration at the same price. Prepare necessary ledger accounts in the books of

both parties.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 13	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

A and B entered into a joint venture of underwriting the subscription of the entire share capital of the Copper Mines Ltd. consisting of 1,00,000 equity shares of ₹ 10 each and to pay all expenses upto allotment. The profits were to be shared by them in proportion of 3/5th and 2/5th. The consideration in return for this agreement was the allotment of 12,000 other shares of ₹ 10 each to be issued to them as fully paid. 'A' provided funds for registration fees ₹12,000, advertising expenses of ₹11,000, for expenses on printing and distributing the prospectus amounting to ₹ 7,500 and other printing and stationery expenses of ₹ 2,000. B contributed towards payment of office rent ₹ 3,000, legal charges ₹ 13,750, salary to clerical staff ₹ 9,000 and other petty disbursements of ₹1,750. The prospectus was issued and applications fell short by 15,000 shares. A took over these on joint account and paid for the same in full. The venturers received the 12,000 fully paid shares as underwriting commission. They sold their entire holding at ₹ 12.50 less 50 paise brokerage per share. The net proceeds were received by A for 15,000 shares and B for 12,000 shares.

Required

Write out the necessary accounts in the books of A showing the final adjustments.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 14	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

P and Q entered into a joint venture for underwriting the subscription at par of 25,000 shares of ₹ 10 each of a Joint Stock Company. They agreed to share profits or losses in the ratio of 3:2 respectively. The consideration for guaranteeing the subscription was 250 other shares of ₹ 10 each fully paid to be issued to them. The public took up 24,000 of the shares and the remaining shares of the guaranteed issue were taken up by P and Q who provide cash equally. The entire shareholding of the venture was then sold through other brokers, 60% at a price of ₹ 9.50 less brokerage 50 paise per share, 20% at a price of ₹ 9.75 less brokerage 50 paise per share and the balance were taken over by P and Q equally

Financial Accounting

at ₹ 9.00 per share. Prepare a Joint Venture account, the Joint Bank account, and capital accounts of P and Q.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 15

Ex. Book no.

Pg.No.

M and N decided to work in partnership with the following scheme, agreeing to share profits as under:

M — $\frac{3}{4}$ th share.

N — $\frac{1}{4}$ th share.

They guaranteed the subscription at par of 10,00,000 shares of ₹ 1 each in U Ltd. And to pay all expenses up to allotment in consideration of U Ltd. issuing to them 50,000 other shares of ₹1 each fully paid together with a commission @ 5% in cash which will be taken by M and N in 3 : 2. M and N introduced cash as follows:

Particulars	₹
M — Stamp Charges, etc.,	4,000
Advertising Charges	3,000
Printing Charges	3,000
N — Rent	2,000
Solicitor's Charges	3,000

Application fell short of the 10,00,000 shares by 30,000 shares and N introduced ₹ 30,000 for the purchase of those shares. The guarantee having been fulfilled, U Ltd. handed over to the venturers 50,000 shares and also paid the commission in cash. All their holdings were subsequently sold by the venturer N receiving ₹ 18,000 and M ₹ 50,000. Write-up necessary accounts in the books of both the parties on the presumption that Memorandum Joint Venture Account is opened for the purpose.

<u>Technical Point</u>	<u>Self Note</u>

Self Balancing Ledgers

Objective Type Questions

MULTIPLE CHOICE QUESTION

- Which of the following transactions will not appear under Control/Adjustments Accounts under self-balancing system?
 - Credit sales
 - Amount paid to creditors
 - Provision for doubtful debt
 - B/R dishonoured
- Which of the following transactions will appear under Control/Adjustments Accounts under self balancing system?
 - Cash sales
 - B/R as endorsed dishonoured
 - Bad debt recovery
 - B/R discounted
- Total Debtor Account and Total Creditors Account are maintained under
 - Self-balancing system
 - Sectional balancing system
 - Both the system
 - None of the above
- Which of the following is true?
 - Under self-balancing system all the ledger are self-balanced.
 - Under self-balancing system only General Ledger is self-balanced.
 - Under Sectional Balancing system only Debtors' Ledger is self-balanced.
 - Under Sectional Balancing system only Creditors' Ledger is self-balanced.
- Which of the following is true?
 - Self-balancing system is based on double entry system of book keeping.
 - Self-balancing system is not based on double entry system of book keeping.
 - Sectional balancing system is based on double entry system of book keeping.
 - Sectional balancing system is not based on double entry system of book keeping.

TRUE OR FALSE

1. All debtors' related transactions are recorded in General Ledger Adjustment Account under Debtors Ledger.
2. All creditors' related transactions are recorded in General Ledger Adjustment Account under Creditors Ledger.
3. All debtors' related transactions are recorded in Creditors Ledger Adjustment Account under General Ledger.
4. All creditors' related transactions are recorded in Debtors Ledger Adjustment Account under General Ledger.
5. Under Self Balancing Ledger system trial balance can be prepared for each individual ledger.

MATCH THE FOLLOWING

1. Sales Ledger Adjustment A/c is kept in	a) Purchase ledger
2. Purchase Ledger Adjustment A/c is kept in	b) General ledger
3. General Ledger Adjustment A/c (for creditors) is kept in	c) Sales ledger
4. General Ledger Adjustment A/c (for debtors) is kept in	d) General ledger

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

From the following information prepare (1) Debtors ledger adjustment account in the General ledger, and (2) General ledger adjustment account in the Debtors ledger:

Particulars	Amount
Opening Balance of Sundry Debtors	
Dr.	40,000
Cr.	2,000
Cash & cheques received	1,60,000
Credit Sales as per sales day book	2,00,000
Discount allowed	6,000
Return inward	4,000
Bad debts	3,000
B/R received	20,000
B/R dishonoured	2,000
Provision for Bad Debts	2,000
Closing credit balance of Debtors	6,000
Transfer from Creditors' ledger to Debtors' ledger	1,200
Transfer from Debtors' ledger to Creditors' ledger	1,000

Technical Point**Self Note****QUESTION 2**

Ex. Book no.

Pg.No.

Prepare the Creditors ledger adjustment account as it would appear in General ledger and General ledger adjustment account as it would appear in Creditors ledger for the year ended 31st March 2013 from the following particulars.

Particulars	Amount
Sundry creditors (on 1.4.2012)	
Cr.	10,000
Dr.	1,000
Purchases (including cash purchase of ₹ 10,000)	50,000
Returns outward	2,000
Cash paid to creditors	20,000

Discount allowed by creditors	3,000
Trade Discount	1,000
Bills Receivable endorsed to creditors	2,000
Bills Payable issued during the year	4,000
Bills Payable dishonoured	2,000
Bills payable renewed	1,000
Interest on Bills Payable renewed	100
Sundry charges paid for dishonor of Bills Payable	100
Total of set-off in Debtors ledger	3,000
Sundry creditors (on 31.3.2013) (Dr.)	4,000

Technical Point

Self Note

|

QUESTION 3	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

The following information is available from the books of the trader for the period 1st Jan. to 31st March 2013:

1. Total Sales amounted to ₹ 70,000 including the sale of old furniture for ₹ 10,000 (book value is ₹ 12,300). The total cash sales were 80% less than total credit sales.
2. Cash collection from Debtors amounted to 60% of the aggregated of the opening Debtors and credit sales for the period. Discount allowed to them amounted to ₹ 2,600
3. Bills receivable drawn during the period totaled ₹ 7,000 of which bills amounting to ₹ 3,000 were endorsed in favour of suppliers. Out of these endorsed bills, a Bill receivable for ₹ 1,600 was dishonoured for non-payment, as the party became insolvent and his estate realized nothing.
4. Cheques received from customer of ₹ 5,000 were dishonoured; a sum of ₹ 500 is irrecoverable.
5. Bad Debts written-off in the earlier year realized ₹ 2,500.
6. Sundry debtors on 1st January stood at ₹ 40,000.

You are required to show the Debtors ledger adjustment account in the general ledger.

QUESTION 4


Ex. Book no.

Pg.No.

Following information is available from the books of a trader from January 1 to March 31, 2011.

- (i) Total Sales amounted to ₹ 60,000 including the sale of old furniture for ₹ 1,200 (Book Value ₹ 3,500). The total cash Sales were 80% less than the total credit Sales.
- (ii) Cash collection from debtors amounted to 60% of the aggregate of the opening debtors and the credit Sales for the period. Debtors were allowed cash discounts for ₹ 2,600.
- (iii) Bills Receivable drawn during the three months totalled ₹6,000 of which bills amounting to ₹ 3,000 were endorsed in favour of suppliers. Out of these endorsed B/R, a B/R for ₹ 600 was dishonoured for nonpayment as the party became insolvent, his estate realizing nothing.
- (iv) Cheques received from Sundry customers for ₹ 6,000 were dishonoured; a sum of ₹ 500 is irrecoverable. Bad Debts written off in the earlier years realized ₹2,500.
- (v) Sundry Debtors, as on 1st January 2011, stood at ₹ 40,000.

You are required to show the Debtors ledger adjustments accounts in the general ledger.

	<u>Technical Point</u>	<u>Self Note</u>
		

QUESTION 5

Ex. Book no.

Pg.No.

From the following particulars, which have been extracted from the book of G & co., for the year ended 31.12.2013, prepare General ledger adjustment account in the Creditors ledger and Debtors ledger adjustment account in the General ledger:

Particulars	Amount
Opening Balance of Sundry Debtors	
Dr.	20,000
Cr.	300
Opening Balance of Sundry Creditors	
Dr.	200
Cr.	15,000
Purchases (including cash ₹ 4,000)	12,000
Sales (including cash ₹ 6,000)	25,000
Cash paid suppliers in full settlement of claims of ₹ 9,000	8,500
Cash received from customers in full settlement of claims of ₹ 15,000	14,100
Bills payable accepted (including renewals)	2,000

Bills Payable withdrawn upon renewals	500
interest on Bills Payable renewed	20
Bills Receivable received	3,000
Bills Receivable endorsed	800
Bills Receivable as endorsed dishonoured	300
Bills Receivable discounted	1,400
Bills Receivable dishonoured	400
Interest charged on dishonoured bills	30
Transfer from one ledger to another ledger	600
Returns (Cr.)	700
Debtors balance (31.12.2013) Cr.	450
Creditors balance (31.12.2013) Dr.	10,870

Technical Point

Self Note

|

QUESTION 6	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

The summarized analysis of the accounts of the outstanding debtors of a firm at the date of the annual closing of amount as under:

Debtors	Goods sold	Goods returned	Cash & cheque received	Discount allowed	B/R received
P	3,000	-	2,000	500	-
Q	2,000	500	1,000	-	-
R	5,000	-	3,000	-	-
S	10,000	1,000	6,000	500	1,000
T	12,000	1,500	8,000	1,000	1,000

Debtors' balance at the beginning of the year was ₹ 4,500. Out of the above receipts of a bill for ₹ 700 given by S was dishonoured, noting charges amounting to ₹ 20. Prepare Debtors ledger adjustment account in General ledger and General ledger adjustment account in Debtors ledger.

Technical Point

Self Note

|

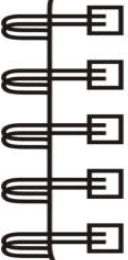
QUESTION 7

Ex. Book no.

Pg.No.

How will you show the following items in General Ledger Adjustment Account in Debtors Ledger and General Ledger Adjustment Account in Creditors Ledger?

Particulars	Amount (₹)
Opening Balance of Debtors' Ledger	40,000
Opening Balance of Creditors' Ledger	20,000
Credit Sales	92,000
Credit Purchases	59,600
Transfer from Debtors' Ledger to Creditors' Ledger	6,000
Bill receivable endorsed to Creditors	8,000
Endorsed Bills dishonoured	2,000
Bad Debts written off (after deducting bad debts recovered ₹ 600)	4,400
Provision for Doubtful Debts	1,100
Provision for Discount on Debtors	2,000
Reserve for Discount on Creditors	4,000
Cash Sales	6,000
Cash Purchases	8,000
Bill Receivable Collected on maturity	10,000
Bills Receivable discounted	12,000
Bills Payable matured	14,000
Discount allowed	3,000
Discount received	1,200
Allowances from Creditors	6,400
Closing Debtors Balance (As per General Ledger Adjustment Account)	1,20,000(Cr.)
Closing Creditors Balance (As per General Ledger Adjustment Account)	60,000(Dr.)
Discount allowed to Debtors ₹ 1,000 was recorded as discount received from Creditors	



Technical Point

Self Note

|

QUESTION 8	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

From the following information prepare the necessary adjustment accounts as they would appear in the General Ledger of Vatika Ltd.

Particulars	Amount (₹)
Closing debtors balance (as per General Ledger Adjustment A/c)	60,000(Cr.)
Credit sales	40,000
Credit purchases	15,000
Paid to creditors	7,500
Discount allowed	1,500
Bills payable accepted	5,000
Discount received	500
Received from debtors	20,000
Bad debts	5,000
Closing creditors balance (as per General Ledger Adjustment A/c)	30,000(Dr.)
Bill accepted by customers	3,000

Discount allowed to debtors ₹500 was recorded as discount received from creditors.

QUESTION 9	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

M/s. Big Systematic Ltd. maintains self-balancing ledgers preparing control accounts at the end of each calendar month. On 3rd January, 2018 the accountant of the company located the following errors in the books of account:

- (A) An amount of ₹ 8,700 received from customer Mehra was credited to Mehta, another customer.
- (B) The sales book for December, 2017 was under cast by ₹ 1,000.
- (C) Goods invoiced at ₹ 15,600 were returned to supplier, M/s Mega Ltd. but no entry was made in the books for this return made on 28th December, 2017.

Pass the necessary Journal Entries to rectify the above mentioned errors.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 10

Ex. Book no.

Pg.No.

M/s JAGGU & Co. maintains Ledger on Self – Balancing System on 31st March, 2015, the General Ledger discloses the following Balances:

Debtors Ledger Adjustment Account	₹ 5,63,360 (Dr.)
Creditors Ledger Adjustment Account	₹ 2,31,615 (Cr.)

On scrutiny of ledgers the following errors were detected:

1. An overcast of Bills Receivable Book by ₹ 5,000.
2. An undercast of Sales Book by ₹ 6,000.
3. Goods returned by Pankaj ₹ 4,600 have been entered in Sales Returns Book but not posted to Pankaj's Account in Debtors Ledger.
4. Cash discount allowed to customers amounting to ₹ 22,580 has not been taken into consideration while preparing Adjustment Accounts.
5. An overcast of Purchases Book by ₹ 10,000.
6. Goods for ₹ 6,300 purchased on credit correctly entered in Purchases Book but wrongly posted as ₹ 3,600 in the Creditor's Personal Account in Purchases Ledger.

Required: Pass necessary Journal entries to rectify the Adjustment Accounts in different ledgers.

<u>Technical Point</u>	<u>Self Note</u>

Royalty

Objective Type Questions

MULTIPLE CHOICE QUESTION

- Short-workings means
 - Excess of minimum rent over actual royalty amount.
 - Excess of actual royalty amount over minimum rent.
 - Excess of maximum rent over actual royalty amount.
- The rent payable by the tenant to the landlord irrespective of the fact whether he has derived any benefit or not out of the property let out to him by the landlord is termed as
 - Dead Rent
 - Fixed Rent
 - Either (a) or (b).
- In case the right to recoup short workings has expired, the balance in the short-workings accounts is transferred to
 - Landlord's account.
 - Profit and Loss account.
 - Royalty account.
- Short workings can be recouped out of
 - Minimum rent
 - Excess of actual Royalty over minimum rent
 - Excess of minimum rent over actual Royalty
 - Profit and Loss Account
- Ground Rent or Surface rent means
 - Minimum Royalty payable
 - Maximum Royalty payable
 - fixed rent payable in addition to minimum rent
 - Rent recovered at the end of lease term

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

India Coal Ltd. got the lease of a colliery on the basis of ₹ 5 per tonne of coal raised subject to a Minimum Rent of ₹ 2,00,000 p.a. The tenant has the right to recoup short-workings during first four years of the lease and not afterwards.

The output from colliery was:

Year	Output (Tonnes)
1	18,000
2	26,000
3	50,000
4	60,000
5	1,00,000

You are required to give the Journal entries and ledger accounts in the books of India Coal Ltd.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 2

Ex. Book no.

Pg.No.

On 1st April, 2011 State Collieries Co. took on lease a mine from Omega Co. Under the contract, royalty was payable @ ₹ 10 per tonne of coal extracted with an annual minimum rent of ₹ 1,00,000. Short-workings, if any were recoverable only during the first three years of the contract. The output for the first four years is noted below:-

Year	Output (tonnes)
For the year ended 31st March, 2012	6,000
For the Year ended 31st March, 2013	10,500
For the Year ended 31st March, 2014	13,000
For the Year ended 31st March, 2015	20,000

Pass journal entries in the books of the landlord for all the four years.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 3	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

The Bihar Coal Co. Ltd. holds a lease of coal mines for a period of twelve years, commencing from 1st April 2006. According to the lease, the company is to pay ₹ 7.50 as royalty per ton with a minimum rent of ₹ 1,50,000 per year. Short workings can, however, be recovered out of the royalty in excess of the minimum rent of the next two years only. For the year of a strike, the minimum rent is to be reduced to 60%. The output in tons for the 6 years ending 31st March, 2012 is as under :

2006-07: 10,000; 2007-08: 12,000; 2008-09: 25,000; 2009-10: 20,000; 2010-11: 50,000; and 2011-12: 15,000 (strike).

Write up the necessary Ledger Accounts in the books of Bihar Coal Co. Ltd.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 4	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

BANSAL COAL LTD., leased land from Mr. BUTCHER. M at a royalty of ₹2.50 per tonne of coal raised. Minimum rent was ₹2,40,000. Shortworkings was to be recouped during the first 4 years. The coal raised in the first 4 years was as follows:

Year	Output (tonnes)
For the year ended 31st March, 2013	80,000
For the Year ended 31st March, 2014	90,000
For the Year ended 31st March, 2015 (strike for 3 months)	60,000
For the Year ended 31st March, 2016	1,20,000

There was a provision for proportionate reduction in minimum rent in case of stoppage of work by strike, lock out, accident etc.

You are required to prepare:
 (i) Royalty Account

(ii) Shortworking Account

(iii) Butcher. M Account- in the book of BANSAL COAL LTD.

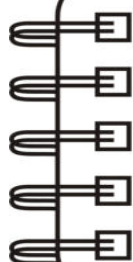
QUESTION 5

Ex. Book no.

Pg.No.

A Ltd. obtain from B.S. Ltd. a lease of some coal-bearing land, the terms being a royalty of ₹ 15 per ton of coal raised subject to a minimum rent of ₹ 75,000 p.a. with a right of recoupment of short-working over the first four years of the lease. From the following details, show (i) Short-working Account, (ii) Royalty Account and (iii) B.S. Ltd. Account in the books of A. Ltd.

Year	Sales (Tons) (₹)	Closing Stock (Tons) (₹)
2009	2,000	300
2010	3,500	400
2011	4,800	600
2012	5,600	500
2013	8,000	800

Technical Point**Self Note****QUESTION 6**

Ex. Book no.

Pg.No.

The following information has been obtained from the books of a lessee relating to the years 2008-09 to 2011-12 :

Payments to Landlord (after tax deducted @ 20% at Source) :

2008-09	₹ 12,000
2009-10	₹ 12,000
2010-11	₹ 12,000
2011-12	₹ 19,200

Short-working recovered :	2009-10	₹ 2,500
	2010-11	₹ 1,000

Short-working written-off : 2010-11 ₹ 500

Balance of Short-working Account forward on April 1, 2008 ₹ 800 (which are in 2008-09). According to the terms of agreement short-working is recoverable within the next two years following the year in which short-working arises.

You are required to show the necessary accounts in the books of the lessee for the four years ended

31st March 2012.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 7	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

A fire occurred in the office premises of lessee in the evening of 31.3.2012 destroying most of the books and records. From the documents saved, the following information is gathered:

Short-working recovered :

2009-10	₹ 4,000 (towards short-workings which arose in 2006-07)
2010-11	₹ 8,000 (including ₹ 1,000 for short-working 2007-08)
2011-12	₹ 2,000

Short-working lapsed :

2008-09	₹ 3,000
2009-10	₹ 3,600
2011-12	₹ 2,000

A sum of ₹ 50,000 was paid to the landlord in 2008-09. The agreement of Royalty contains a clause of Minimum Rent payable for fixed amount and recoupment of short-workings within 3 years following the year in which Shortworkings arise.

Information as regards payments to landlord subsequent to the year 2008-09 is not readily available. Show the Short – working account and the Royalty account in the books of lessee.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 8

Ex. Book no.

Pg.No.

On 1st April, 2009 Mahi Limited obtained a mine on lease from Kachari Limited. The terms were as follows:

(i) Royalty at ₹25 per tonne raised.

(ii) Minimum Rent ₹1,50,000 per annum.

(iii) Short workings can be recouped in the next two years only but subject to a maximum of ₹ 37,500 per year. In the event of strike, the minimum rent would be taken pro-rata on the basis of actual working days but in the event of lockout, the lease would enjoy concession in respect of minimum rent for 50% of the period of lockout. In addition to the above, Mahi Ltd. has been granted a right to receive cash subsidy equal to 50% of the Unrecoupable shortworkings by the State Government up to the first 5 years of the lease.

The production during the first six years was as follows: -

Year	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Production (in tones)	2,000	3,000	8,000	9,000	4,000 (strike for 73 days)	6,000 (lock- out for 2 months)

Show the necessary ledger accounts in the books of Mahi limited.

<u>Technical Point</u>	<u>Self Note</u>

Single Entry

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

From the following particulars presented by Rama Brothers, who maintain their accounts under Single Entry System, calculate total Purchase and total Sales.

Particulars	Balance on	
	1.4.2012 (₹)	31.3.2013 (₹)
Debtors	28,000	24,000
Bills Receivable	14,000	15,000
Creditors	16,000	32,000
Bills Payable	8,000	15,000

Transaction during the year	Amount (₹)
Cash Received from Debtors	2,00,000
Cash paid to creditors	1,60,000
Discount Allowed	1,000
Discount Received	2,000
Bad Debts	3,000
Returns Inwards	5,000
Return Outward	6,000
Bills Receivable dishonoured	4,000
Cash paid against Bills Payable	10,000
Cash Received against Bills Receivable	16,000
Cash Sales	60,000
Cash Purchase	40,000

QUESTION 2

Ex. Book no.

Pg.No.

X does not maintain proper books of accounts. From the following information, prepare Trading and Profit & Loss Account for the year ended December, 31, 2017 and a Balance Sheet as on that date:

Assets and Liabilities	On 31.12.2016 (₹)	On 31.12.2017 (₹)
Sundry Debtors	9,000	12,500
Stock	4,900	6,600
Furniture	500	750
Sundry Creditors	3,000	2,250

Analysis of the other transactions are:

Particulars	(₹)
Cash collected from Debtors	30,400
Cash paid to Creditors	22,000
Salaries	6,000
Rent	750
Office Expenses	900
Drawings	1,500
Fresh Capital Introduced	1,000
Cash Sales	750
Cash Purchases	2,500
Discount Received	350
Discount Allowed	150
Return Inward	500
Return Outward	400
Bad Debts	100

He had ₹ 2,500 cash at the beginning of the year.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 3

Ex. Book no.

Pg.No.

Mrs. Laxmi, a retail trader needs final accounts for the year ended 31-03-2013 for the purpose of taking a bank loan. However, she informs you that principle of double entry had not been followed. With following inputs, prepare a Profit & Loss A/c for the year ended 31-03-2013 and Balance sheet as on 31-03-2013. Details of receipts and payments:

	Particulars	(₹)
(1)	Cash deposited in bank	3,500
(2)	Dividend on personal A/c deposited into bank	250
(3)	Tuition fees of Laxmi's daughter paid by cheque	4,500
(4)	Rent for the year by cheque	9,000
(5)	Cash received from debtors	52,500
(6)	Paid to creditors	40,025
(7)	Salaries & wages paid in cash	9,000
(8)	Transportation in cash	2,750
(9)	Office electricity in cash	6,600
(10)	Electricity (house) in cash	7,200
(11)	General expenses in cash	890

Opening and closing balances of assets & liabilities:

Particulars	31-3-2012	31-3-2013
Stock	42,500	22,500
Bank	55,500	20,500
Cash	10,850	10,500
Debtors	16,800	14,800
Creditors	15,600	22,800
Investments	15,000	15,000

She also informs you that she draws ₹6,000 from bank on monthly basis and some debtors deposit cheques directly in bank.

Technical Point	Self Note

QUESTION 4

Ex. Book no.

Pg.No.

Mr. Kumar kept no books of accounts for his business. An analysis of his rough Cash Book for the calendar year 2015 shows the following particulars :

Receipts	₹	Payments	₹
Received from Debtors	60,000	Overdraft on 1-1-2015	7,400
Further Capital introduced	5,000	Paid to Creditors	25,000
		Business Expenses	10,000
		Wages paid	15,500
		Proprietor's drawings	3,000
		Balance at Bank on 31-12-2015	4,000
		Cash in hand	100
	65,000		65,000

The following information are also available:

Assets & Liabilities	On 31-12-2014 (₹)	On 31-12-2015 (₹)
Debtors	53,000	88,000
Creditors	15,000	19,500
Stock-in-trade	17,000	19,000
Plant and Machinery	20,000	20,000
Furniture and Fittings	1,400	1,400

All his sales and purchases were on credit

From the above particulars prepare Trading and Profit and Loss Account for the year ended 31-12-2015 and a Balance Sheet as at that date after providing for depreciation on Plant and Machinery @ 10% p.a. and on Furniture and Fittings @ 5% p.a.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 5

Ex. Book no.

Pg.No.

Mr. Jaiswal commenced business as a Cloth Merchant on 1st January, 2015 with a capital of ₹ 2,000. On the same day, he purchased furniture for cash ₹ 600. The books are maintained by Single Entry. From the following particulars (i) calculate the cash in hand as on 31-12-15, (ii) prepare a Trading and Profit and Loss Account for the year ending 31st December, 2015 and (iii) a Balance Sheet as on that date :

Particulars	₹
Sales (including cash sales of ₹ 1,400)	3,400
Purchases (including cash purchases of ₹ 800)	3,000
Jaiswal's drawings	240
Salaries of Staff	400
Bad Debts written off	100
Business Expenses	140
Stock of goods on 31-12-2015	1,300
Sundry Debtors on 31 -12-2015	1,040
Sundry Creditors on 31-12-2015	720

Mr. Jaiswal took cloth costing ₹ 100 from the shop for private use and paid ₹ 40 cash to his son, but omitted to record these transactions in his books. Provide depreciation on furniture at 10 per cent per annum.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 6

Ex. Book no.

Pg.No.

The following information is supplied from defective records. You are required to prepare Trading and Profit & Loss Account for the year ended 31st December, 2015 and Balance Sheet as on that date:

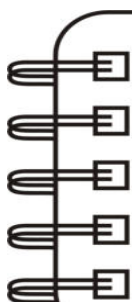
Assets & Liabilities	1st January 2015	31st January 2015
	₹	₹
Creditors	15,770	12,400
General Expenses owing	600	330
Sundry assets	11,610	12,040
Stock	8,040	11,120
Cash in hand and at Bank	6,960	8,080
Debtors	?	17,870

Details relating to the year's transactions :

Particulars	₹
Cash and discount credited to Debtors	64,000
Returns from Debtors	1,450
Bad debts	420
Sales—Cash and Credit	71,810
Discount allowed by Creditors	700
Returns to Creditors	400
Capital introduced (paid into Bank)	8,500
Receipts from Debtors (paid into Bank)	62,500
Cash purchases	1,030
Expenses paid by cash	9,570
Purchase of machinery by cheque	430
Withdrawn from Bank into cash	9,240
Drawings by cheque	3,180
Cash payment into Bank	5,000
Cash in hand at end	1,200
Payments to Creditors by cheque	60,270

Technical Point

Self Note



QUESTION 7	Ex. Book no.	Pg.No.
------------	--------------	--------

The books of Mr. Z showed the following information:

Assets & Liabilities	January 1, 2016	December 31, 2016
	₹	₹
Bank balance	??	50,000
Debtors	??	87,500
Creditors	??	46,000
Stock	50,000	62,500
Fixed assets	7,500	9,000

The following are the details of the bank transactions (figures in ₹)

Receipts from customers	3,40,000	Expenses paid	49,250
Payment to Creditors	2,80,000	Drawings	25,000
Capital brought in	5,000	Purchase of Fixed Assets	5,000


Financial Accounting

Sale of Fixed Assets	1,750		
----------------------	-------	--	--

Other information:

1. Cost of goods sold ₹ 2,60,000;
2. Gross profit @25% on cost of goods sold;
3. Book value of fixed assets sold ₹ 2,500.

Prepare Trading, Profit & loss Account for the year ended December 31, 2016.

 <h3 style="text-align: center; text-decoration: underline;">Technical Point</h3>	<h3 style="text-align: center; text-decoration: underline;">Self Note</h3>
--	--

QUESTION 8	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

The Statement of Affairs of Mr. M on Saturday, the 31st December 2015 was as follows:

Liabilities	₹	Assets	₹
Capital	50,000	Fixed Assets	30,000
Sundry Creditors	10,000	Stock	10,000
Liability for Expenses	1,000	Debtors	15,000
		Bank	5,000
		Cash	1,000
	61,000		61,000

Mr. M did not maintain his books on the Double Entry System. But he carefully follows the following system:

1. Every week he draws ₹ 200.
2. After meeting his weekly sundry expenses (₹ 100 on average) and his drawings, the balance of weekly collections is banked at the commencement of the next week.
3. No cash purchase is made and creditors are paid by cheques.
4. Sales are at fixed price which include 20% profit on sales.
5. Credit sales are few and are noted in a diary. Payments are received in cheques only from such parties.
6. Expenses other than sundries and other special drawings are made in cheques.
7. All unpaid bills are kept in a file carefully.

The following are his bank transactions for 13 weeks :

Particulars	₹	Particulars	₹
Balance on Jan 1	5,000	Creditors paid	600
Cheques deposited	2,000	Rent paid	3,000
Cash deposited	42,000	Expenses (other than Sundry Expenses)	5,400
		Balance on April 1	40,000
	49,000		49,000

After 13 weeks on 1st April (Monday) the entire cash was missing when it was to be deposited in the bank. The following further facts are ascertained :

1. Stock on that day was valued at ₹ 4,000 ;
2. Sundry Debtors amounted to ₹ 20,000 as per diary ;
3. Sundry Creditors were ₹ 8,000 as per unpaid bills file. Find out the amount of cash missing.

Technical Point	Self Note

QUESTION 9

Ex. Book no.

Pg.No.

N is a small trader. He maintains no books but only an account with a bank in which all takings are lodged after meeting business expenses and his personal drawings and in which all payments for business purchases are passed through.

You are required to ascertain his trading result for the year ended 31-3-15 and Balance Sheet as on that date from the following information:

- (i) The bank statement shows deposits during the year of ₹ 12,020 and withdrawals of ₹ 11,850.
- (ii) The Assets and Liabilities on 31-3-16 were: Stock—₹ 1,100; Book Debts—₹ 1,150; Bank balance—₹ 320; Furniture—₹ 2,000 and Trade creditors—₹ 400.
- (iii) In the absence of reliable information, estimates are supplied on the following matters:
 - (a) The Stock and Book Debts have each increased by ₹ 100 during the year.
 - (b) There was no purchase or sale of furniture during the year.
 - (c) The trade creditors were ₹ 200 on 1-4-95.
 - (d) During the year the personal expenses amounted to ₹ 800 and business expenses ₹ 700.

QUESTION 10

Ex. Book no.

Pg.No.

Anand started business on 1.1.2016 with his own capital ₹ 20,000 and an interest free loan of ₹ 20,000 from a friend. His business makes toys, which are selling at ₹ 40 each. Anand, who has little knowledge of accountancy, produced the following information at the end of the first year's trading:

Cash received: Sale proceeds of 2,000 toys ₹ 80,000.

Cash paid: Wages ₹ 28,000; Raw Materials ₹ 13,600; Rent ₹ 8,000; General Expenses ₹ 4,800; Loan repaid ₹ 6,000.

You ascertain the following additional information:

1. A further 300 toys sold in 2016, but not received for the year end.
2. ₹ 3,600 of raw materials received in the year, but not paid for.
3. The only stock at 31.12.2016 was ₹ 1,600 raw materials.
4. The rent covered the period from 1.1.2016 to 31.3.2017.
5. Expenses included ₹ 800 withdrawn by Anand for his own use.
6. The initial capital and loan of ₹ 40,000 was used to buy Machinery [with 4-year life and an anticipated residual value of ₹ 8,000].
7. The Wages figure included ₹ 10,000 for installing the machinery.
8. The Machinery is to be depreciated under reducing balance method @ 25% p.a. for the whole year.

Prepare a Trading and Profit & Loss Account for the year ended 31.12.2016 and a Balance Sheet as on the date.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 11

Ex. Book no.

Pg.No.

Raja, a sole trader furnishes you with the following bank summary for the year ended December 31, 2017.

Particulars	(₹)	(₹)	(₹)
Balance on December 31, 2016			11,000
Add: Deposits:			
Cash [out of cash sales]		1,25,000	
Collection from Credit Customers		3,50,000	
Income from Personal Investment		36,000	5,11,000
			5,22,000
Deduct: Cash Withdrawn from:			
Shop Expenses	40,000		

Personal Drawings	20,000	60,000	
Cheques issued to Suppliers of:			
Goods	3,50,000		
Services	40,000	3,90,000	
Cheques issued for Personal Purposes		55,000	
Bank Charges		500	5,05,500
Balance on December 31, 2017			16,500

Raja informs you that he had the following Assets and Liabilities in addition to the Bank Balances described on December 31:

Asset & Liabilities	2017 (₹)	2016 (₹)
Assets:		
Cash Balance	7,000	4,000
Amounts due from Customers	37,000	27,500
Unsold Inventory at Cost	13,000	10,000
Prepaid Expenses	3,000	2,000
	60,000	43,500
Liabilities:		
Creditors for:		
Goods	23,000	28,000
Services	2,500	1,500
	25,500	29,500

He also informs you that:

- He uses 75% of cash sale proceeds for making cash purchases; the remaining balance being deposited in Bank.
- He had allowed cash discount of ₹ 5,000 to his credit customers for prompt payment; he was allowed cash discount ₹ 7,000 by his suppliers of goods for prompt payment.
- Collections from credit customers and payments to suppliers of goods are invariably by crossed cheques.

Raja ask you to show his capital account and prepare:

- Receipt and payment account for the year ended December 31, 2017
- Trading and Profit & Loss account for the year ended December 31, 2017
- Balance Sheet as on December 31, 2017

Technical Point	Self Note

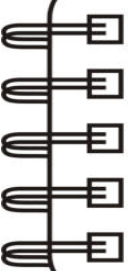
ANSHU keeps his books under single entry system. On 31st March, 2014 his Balance Sheet was as follows:

Liabilities	₹	Assets	₹
Capital	4,50,000	Fixed Assets	2,25,000
Creditors	8,70,000	Stock	9,15,000
Bills Payable	1,87,500	Debtors	2,22,000
Expenses Outstanding	67,500	Bills Receivable	90,000
Prepaid Insurance	3,000	Cash/Bank Balance	1,20,000
	15,75,000		15,75,000

- (i) Following is the summary of cash and bank transaction for the year ended 31st March, 2015:
 Cash Sales ₹ 1,10,70,000; Collection from Debtors ₹ 22,65,000; Payments to Creditors ₹ 1,12,60,500; Paid for Bills Payable ₹ 12,22,500; Sundry Expenses Paid ₹ 9,31,050; Drawings for Domestic expenses by Mr. Anshu ₹ 3,60,000; Cash and Bank Balance as on 31-03-2015 ₹ 1,90,950.
- (ii) Following further details are furnished:
 Gross Profit on Sales @ 10%; Bills Receivable from Debtors during the year ₹ 6,52,500; Discount Allowed to Debtors ₹ 54,000; Discount Received from Creditors ₹ 42,000; Bills Receivable Endorsed to Creditors ₹ 22,500; Annual Fire Insurance Premium paid (This is paid on 1st August every year) ₹ 9,000; Depreciation on Fixed Assets @ 10%.
- (iii) Balance as on 31-03-2015 are given below:
 Stock in hand ₹ 9,75,000; Debtors ₹ 2,28,000; Bills Receivable ₹ 2,10,000; Outstanding Expenses ₹ 7,500; Bills payable ₹ 2,10,000.

You are required to prepare:

- Trading and Profit and Loss Account for the year ended March 31, 2015; and
- Balance Sheet as on March 31, 2015.

<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center; border-left: 1px solid black; border-right: 1px solid black; height: 100px;"> </div>

QUESTION 13

Ex. Book no.

Pg.No.

The following is the Balance Sheet of MR. SILGARDO as on March 31,2015

Liabilities	₹	Assets	₹
Capital Account	4,80,000	Buildings	3,25,000
Loan	1,50,000	Furniture	50,000
Trade Creditors	3,10,000	Motor Car	90,000
		Stock	2,00,000
		Trade Debtors	1,70,000
		Cash in hand	20,000
		Cash at Bank	85,000
	9,40,000		9,40,000

A fire occurred on the night of 31st March, 2016, in which all books and records were lost. The cashier had absconded with the available cash. Mr. SILGARDO gives you the following information :

- His sales for the year ended March 31, 2016 were 20% higher than the previous years. He always sells his goods at cost plus 20%, 20% of the total sales for the year ended March 31, 2016 was for cash.
- There were no cash purchases.

Technical Point	Self Note

QUESTION 14

Ex. Book no.

Pg.No.

The following information relates to the business of ABC Enterprises, who requests you to prepare a Trading and Profit & Loss A/c for the year ended 31st March, 2017 and a Balance Sheet as on that date.

Assets & Liabilities	01.04.2016 (₹)	31.03.2017 (₹)
Furniture	60,000	63,500
Stock	80,000	70,000
Sundry Debtors	1,60,000	?
Sundry Creditors	1,10,000	1,50,000
Prepaid Expenses	6,000	7,000
Outstanding Expenses	20,000	18,000
Cash in Hand & Bank Balance	12,000	26,250

- Cash transaction during the year:
 - Collection from Debtors, after allowing discount of ₹ 15,000 amounted to ₹ 5,85,000.
 - Collection on discounting of Bills of Exchange, after deduction of discount of ₹ 1,250 by bank, totalled to ₹ 61,250.
 - Creditors of ₹ 4,00,000 were paid ₹ 3,92,000 in full settlement of their dues.

Financial Accounting

- (iv) Payment of Freight inward of ₹ 30,000.
 - (v) Amount withdrawn for personal use ₹ 70,000.
 - (vi) Payment for office furniture ₹ 10,000.
 - (vii) Investment carrying annual interest of 6% were purchased at ₹ 95 (200 shares, face value ₹ 100 each) on 1st October, 2016 and payment made thereof.
 - (viii) Expenses including salaries paid ₹ 95,000.
 - (ix) Miscellaneous receipts of ₹ 5,000.
- (c) Bills of exchange drawn on and accepted by customers during the year amounted to ₹ 1,00,000. of those, bills of exchange of ₹ 20,000 were endorsed in favour of creditors An endorsed bill of exchange of ₹ 4,000 was dishonored.
- (d) Goods costing ₹9,000 were used as advertising material.
- (e) Goods are invariably sold to show a gross profit of 20% on sales.
- (f) Difference in cash book, if any, is to be treated as further drawing or introduction of capital by proprietor of ABC enterprises.
- (g) Provide at 2% for doubtful debts on closing debtor.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 15

Ex. Book no.

Pg.No.

Mr. Prakash keeps his accounts on single entry system. He has given following information about his assets and liabilities.

Assets & Liabilities	On 31-3-2015	On 31-3-2016
Creditors	55,200	58,500
Cash at bank	600	1,500
Bills payable	26,400	28,200
Bills receivables	16,200	18,300
Debtors	45,600	56,000
Stock in trade	31,000	47,300
Machinery	66,200	78,000
Computer	18,000	17,000

During the year, Prakash brought in additional ₹7,500 cash in business. He withdrew goods of ₹2,100 and cash of ₹7,200 for his personal use. Interest on opening capital is to be given at 5% and interest on drawing is to be charged at 10%.

Prepare Statement of profit or loss for the year ended 31-03-2016.

QUESTION 16

Ex. Book no.

Pg.No.

On 1st April 2012, Neha started a beauty Parlour. She acquired a shop for ₹12,00,000 and paid ₹2,00,000 for interior fittings. She put ₹4,00,000 into business bank A/c. She carried on till 31st March 2013, when she wanted to know what the parlour has earned over the period. She has approached you to find out the business results with following information as on 31-03- 2013:

In addition to the shop and fitting she had following possessions: Stock ₹6,00,000, Motor car (purchased on 30-09-2012) ₹5,50,000, Cash at bank ₹2,50,000. Based on her limited knowledge she has told you to charge depreciation of 2% p.a. on shop, 5% p.a. on fittings and 20% on car.

On 31-3-2013, ₹ 1,40,000 was payable to creditors and ₹ 1,00,000 to a friend for money borrowed for business. She had withdrawn ₹ 2,000 per month from the business.

Prepare her Statement of profit or loss for the year.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 17

Ex. Book no.

Pg.No.

The following information is available from Sachin who maintains books of accounts on single entry system.

Particulars	01.04.2016	31.03.2017
Cash and bank	20,000	21,000
Sundry debtors	17,000	25,000
Stock	40,000	60,000
Furniture	29,000	29,000
Creditors	32,000	22,000
10 % loan from Mrs. Sachin	30,000	30,000

Sachin withdrew ₹5,000 from the business every month for meeting his household expenses. During the year he sold investments held by him privately for ₹35,000 and invested the amount in his business. At the end of the year 2015- 16, it was found that full years interest t on loan from Mrs. Sachin had not been paid. Depreciation @ 10% p.a was to be provided on furniture for the full year. Shop assistant was to be given a share of 5% on the profits ascertained before charging such share.

Calculate profit earned during the year ended 31.03.2016 by Sachin.

QUESTION 18

Ex. Book no.

Pg.No.

Mr. Dave does not maintain his accounts strictly on double entry system. The following statement of affairs was, however, prepared by him as on 31st March, 2014:

Statement of Affairs

Liabilities	₹	Assets	₹
Capital account	28,000	Leasehold land	2,075
Sundry creditors	3,170	Plant and machinery	4,940
Bills payable	2,150	Stock-in-trade	9,673
		Book debts	15,550
		Cash in hand	1,082
	33,320		33,320

On 31st March, 2015 it was learnt that he had introduced further capital of ₹1,000 on 1st July, 2014 and he had drawn ₹1,580 on various dates during the year. It was also ascertained that the proprietor had taken ₹75 worth of goods for his own use.

Statement prepared on the same date disclosed that book debts were ₹14,640, creditors were ₹2,039 and bills payable were ₹1,775. The stock was valued at ₹11,417 and the cash in hand amount to ₹917 on the same date.

You are required to prepare: (a) a Statement of profit or loss for the year 2014 -15; and (b) a Statement of affairs of Dave as on 31st March, 2015 taking into consideration the following:

5% reserve to be created on book debts, 7-½ % depreciation to be written off Plant and Machinery, ₹125 to be written off the lease, 5% interest to be allowed on capital.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 19

Ex. Book no.

Pg.No.

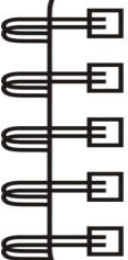
Mr. A does not maintain complete double entry books of accounts. From the following details determine profit for the year and prepare a statement of affairs as at the end of the year.

₹1,000 (cost) furniture was sold for ₹5,000 on 1st January, 2014. 10% depreciation is to be charged on furniture. Mr. A has drawn ₹1,000 per month. ₹2,000 was invested by Mr. A in 2014.

Assets & Liabilities	01.01.14	31.12.14
	₹	₹
Stock	40,000	60,000
Debtors	30,000	40,000
Cash	2,000	1,000
Bank	10,000	5,000 (overdraft)

Creditors	15,000	25,000
Outstanding expenses	5,000	8,000
Furniture (cost)	3,000	2,000

Bank balance on 1st January, 2014 is as per Cash book, but the Bank overdraft on 31st December, 2014 is as per Bank statement. ₹2,000 cheques drawn in December, 2014 have not been encashed within the year.

 <p style="text-align: center;"><u>Technical Point</u></p>	<p style="text-align: center;"><u>Self Note</u></p>
--	--

QUESTION 20

Ex. Book no.

Pg.No.

Mr. A keeps his books on Single Entry System. The following balances and some other information have been found from his books. You are required to prepare a Profit & Loss Statement for the year ended 31.12.2017.

Assets & Liabilities	31.12.2016	31.12.2017
Cash in hand	21,600	20,000
Bank Overdraft	20,000	15,000
Stock-in-Trade	11,200	22,800
Sundry Debtors	12,000	18,000
Sundry Creditors	12,000	9,000
Bills Receivable	7,000	9,000
Bills Payable	2,000	1,000
Land & Building	50,000	50,000
Furniture	5,000	5,000

Other information:

- (a) During the year Mr. A had drawn ₹ 16,000 in cash and Rs. 4,000 in goods for his personal use.
- (b) Depreciation is to be charged on Land & Building and on Furniture at 2% p.a. and 10% p.a. respectively.
- (c) Provision for Bad Debt is to be made at 5% and provision on Bills Receivable at 2 ½ % is to be made.

Kapil does not keep complete records of his business transactions. His Statement of affairs as on 1st April, 2016 is given below:

Liabilities	₹	Assets	₹
Sundry Creditors	16,500	Cash	7,450
Outstanding Expenses	3,500	Sundry Debtors	25,350
Capital	50,000	Stock	30,300
		Furniture	6,900
	70,000		70,000

For the year ended 31st March, 2017, his drawings have been ₹ 15,000. Goods worth ₹ 600 have also been withdrawn by him for personal use. On 1st October, 2016, there was a transfer of his household furniture worth ₹ 2,100 to the business. On 31st March, 2017, his assets and liabilities were as under:

Liabilities	₹	Assets	₹
Sundry creditors	18,600	Cash	6,580
Outstanding expenses	4,300	Sundry debtors	36,900
		Stock	40,320
		Furniture	9,000
		Prepaid Rent	400

Depreciate Furniture @ 10% per annum, create a Provision for Bad Debts on Sundry Debtors @ 5% and allow 5% Interest on Capital which was at the beginning. Ascertain the profit or loss for the year ended 31st March, 2017 and prepare the Statement of Affairs as on 31st March, 2017.

<u>Technical Point</u>	<u>Self Note</u>

Objective Type Questions 

MULTIPLE CHOICE QUESTION

1. Indemnity period means:
 - (a) It is the period that begins from the date of occurrence of damage and ends on any date within 12 months from the former.
 - (b) This period indicates the time-span during which the normal activities of the business are believed to be disrupted.
 - (c) Both of these
 - (d) None of these
2. Standing charges means:
 - (a) Fixed charges
 - (b) Variable charges
 - (c) Both
 - (d) None of these
3. Gross profit means:
 - (a) Net profit plus insured standing charges
 - (b) Net profit minus insured standing charges
 - (c) Both of these
 - (d) All of these
4. Short sales means:
 - (a) Standard sales exceeds Actual sales
 - (b) Actual sales exceeds Standard sales
 - (c) Both of these
 - (d) None of these
5. Standard turnover means:
 - (a) Turnover immediately preceding the date of damage
 - (b) Turnover during damage period
 - (c) Both of these
 - (d) None of these

FILL IN THE BLANKS

1. Annual turnover is the turnover during the 12 months immediately _____ the date of the damage.
2. Standard turnover corresponds with the _____ period.
3. Under insurance claim 'Standing charges' means _____ Standing charges only.
4. If the policy value is _____ value of stock lost, is called over insurance.

Financial Accounting

5. Average clause arises in case of_____.

MATCH THE FOLLOWING

	Column - A		Column - B
1	Average clause	A	Policy value > value of stock lost
2	Over insurance	B	Loss of stock *Policy value / Value of stock on the date of fire
3	Gross claim = Net claim	C	Cannot fetch usual gross profit
4	Net claim in average clause	D	In case of over insurance
5	Defective items	E	Under insurance

TRUE OR FALSE

1. Increased cost of working means expenditure incurred during indemnity period.
2. Turnover means amount payable to the insured for his selling goods and services.
3. Salvage of stock means stock saved during accident.
4. Unusual item and defective item is separate under insurance claim
5. Defective items mean goods which cannot fetch the usual rate of gross profit.

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

The godown at KODIAC LTD. was engulfed in fire on 31st May, 2015 as a result of which a part of stock burnt to ashes. The stock was covered by Fire Policy for ₹2,00,000 subject to Average Clause. The records of the company revealed the following particulars:

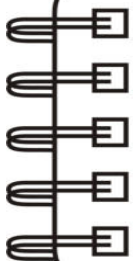
Actual Value of Stock as on 31.05.2015 ₹4,00,000

The Value of Salvaged Stock ₹90,000

You are required to ascertain the amount of claim to be lodged with the Insurance Company.

Technical Point

Self Note



QUESTION 2


Ex. Book no.

Pg.No.

X Ltd. has taken out a fire policy of ₹ 1,60,000 covering its stock. A fire occurred on 31st March, 2013. The following particulars are available :

Particulars	₹
Stock as on 31.12.2012	60,000
Purchases to the date of fire	2,60,000
Sales to the date of fire	1,80,000
Carriage Inwards	1,600
Commission on purchase to be paid	@2%
Gross Profit Ratio	50% on cost

You are asked to ascertain (i) total loss of stock; (ii) amount of claim to be made against the Insurance Company assuming that the policy was subject to average clause. Stock salvage amounted to ₹41,360.

Technical Point	Self Note
	

QUESTION 3

Ex. Book no.

Pg.No.

Fire occurred in the premises of X & Co. on 1st September, 2016 and stock of the value of ₹ 1,01,000 was salvaged and the business books and records were saved. The following information was obtained:

Particulars	₹
Purchase for the year ended 31.3.2016	7,00,000
Sales for the year ended 31.3.2016	11,00,000
Purchase from 1.3.2016 to 1.9.2016	2,40,000
Sales from 1.3.2006 to 1.9.2016	3,60,000
Stock on 31.3.2015	3,00,000
Stock on 31.3.2016	3,40,000

Further information is also given that the stock on 31.3.2016 was overvalued by ₹ 20,000. Purchases and sales occur evenly over the months.

Calculate the amount of the claim to be presented to the insurance company in respect of losses. Rate of gross profit is to be based on the year ended 31.3.2016.

QUESTION 4

Ex. Book no.

Pg.No.


A fire occurred in the premises of Sri. G. Vekatesh on 1.4.2013 and a considerable part of the stock was destroyed. The stock salvaged was ₹ 28,000. Sri Venkatesh had taken a fire insurance policy for ₹17,10,000 to cover the loss of stock by fire.

You are required to ascertain the insurance claim which the company should claim from the insurance company for the loss of stock by fire. The following particulars are available:

Particulars	₹	Particulars	₹
Purchases for the year 2012	9,38,000	Stock on 1.1.12	1,44,000
Sales for the year 2012	11,60,000	Stock on 31.12.2012	2,42,000
Purchases from 1.1.13-1.4.13	1,82,000	Wages paid during 2012	1,00,000
Sales from 1.1.13-1.4.13	24,00,000	Wages paid 1.1.13-1.4.13	1,80,000

Sri Venkatesh had in June 2012 consigned goods worth ₹ 50,000, which unfortunately were lost in an accident. Since there was no insurance cover taken, the loss had to be borne by him in full.

Stocks at the end of each year for and till the end of calendar year 2011 had been valued at cost less 10%. From 2012, however there was a change in the valuation of closing stock which was ascertained by adding 10% to its costs.



Technical Point

Self Note

QUESTION 5

Ex. Book no.

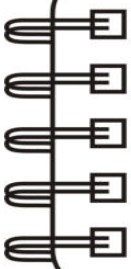
Pg.No.

On 1.4.2013, godown of Y Ltd. was destroyed by fire. The records of the company revealed the following particulars:

Particulars	₹
Stock on 1.1.2012	75,000
Stock on 31.12.2012	80,000
Purchases during 2012	3,10,000
Sales during 2012	4,00,000
Purchase from 1.1.2013 to the date of fire	75,000
Sales from 1.1.2013 to the date of fire	1,00,000

In valuing Closing Stock of 2012, ₹ 800 was written off whose cost was ₹ 4,800. Part of this stock was sold in 2013 at a loss of ₹ 400 at ₹ 2,400. Stock salvaged was ₹ 5,000. The godown and the cost of which was fully insured.

Indicate from above amount of claim to be made against the insurance company.

Technical PointSelf Note**QUESTION 6**

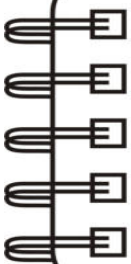
Ex. Book no.

Pg.No.

On 30.09.2013 the stock of Harshvardhan was lost in a fire accident. From the available records the following information is made available to you to enable you to prepare a statement of claim of the insurer:

Particulars	Amount	Particulars	Amount
Stock at cost on 1.4.2012	75,000	Purchases less returns for the year ended 31.3.2013	6,30,000
Stock at cost on 31.3.2013	1,04,000	Purchase less returns up to 30.09.2013	3,68,100
Sales less returns for the year ended 31.3.2013	5,07,500	Sales less returns up to 30.09.2013	2,90,000

In valuing the stock on 31.03.2013 due to obsolescence 50% of the value of the stock which originally cost ₹ 12,000 had been written-off. In May 2013, $\frac{3}{4}$ th of these stocks had been sold at 90% of original cost and it is now expected that the balance of the obsolete stock would also realize the same price, subject to the above, G.P had remained uniform throughout. Stock to the value of ₹ 14,400 was salvaged.

Technical PointSelf Note**QUESTION 7**

Ex. Book no.

Pg.No.

A & Co. suffered a loss of stock due to fire on 31.3.2007. From the following information prepare a statement showing the claim for the loss to be submitted:

Particulars	₹
Purchase for the year 2006	3,20,000
Sales for the year 2006	4,05,200
Purchase from 1.1.2007 to 31.3.2007	1,08,000

Financial Accounting

Sales from 1.1.2007 to 31.3.2007	1,22,800
Stock on 1.1.2006	76,800
Stock on 1.1.2007	63,600

An item of goods purchased in 2005 at a cost of ₹ 20,000 was valued at ₹ 12,000 on 31.12.05. Half of these goods were sold during 2006 for ₹ 5,200 and the remaining stock was valued at ₹ 4,800 on 31.12.06. $\frac{1}{4}$ th of the original stock was sold for ₹ 2,800 in February'07 and the remaining stock was valued at 60% of the original cost. With the exception of this item, the rate of gross profit remained fixed. The stock salvaged was estimated at ₹ 24,000. The insurance policy value was for ₹ 3,00,000.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 8	Ex. Book no.	Pg.No.
-------------------	--------------	--------

From the following information, calculate the amount of claim for loss of stock with Insurance Company C Ltd:

Particulars	₹
Purchase for the year 2014	9,15,000
Sales for the year 2014	12,00,000
Purchase from 1.1.2015 to 30.6.2015	8,00,000
Sales from 1.1.2005 to 30.6.2015	9,90,000
Stock on 1.1.2014	1,35,000
Stock on 1.1.2015	1,50,000

You are informed that:

- (i) In 2015 the purchase prices raised by 20% above the level prevailing in 2014.
- (ii) In 2015 the selling prices hiked by 10% over the level prevailing in 2014.
- (iii) Salvaged value of stock ₹ 20,000.
- (iv) Fire insurance policy for ₹ 1,48,750 to cover the loss of stock by fire.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 9

Ex. Book no.

Pg.No.

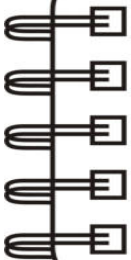
The factory premises of AURISHI LTD. were engulfed in the fire on August 16, 2016, as a result of which a major part of stock burnt to ashes. The stock was covered by policy for ₹ 90,000, subject to Average Clause. The records at the office of the company revealed the following information:

Particulars	₹
Stock on 1st April, 2015	1,15,200
Purchases during the year ended 31st March, 2016	4,80,000
Sales during the year ended 31st March, 2016	6,07,800
Closing stock on 31st March, 2016	95,400
Purchases from 1st April, 2016 to August 16, 2016	1,62,000
Sales from 1st April, 2016 to August 16, 2016	1,84,200

An item of stock purchased in 2014 at a cost of ₹ 30,000 was valued at ₹ 18,000 on 31st March, 2015, due to obsolescence. Half of this stock was sold in July, 2015 for ₹ 7,800; the remaining was valued at ₹ 7,200 on 31st March, 2016. One-fourth of the original stock was sold in June, 2016 for ₹ 4,200.

Salvaged stock was valued at ₹ 36,000.

You are required to compute the amount of claim to be lodged with Insurance Company for Loss of Stock.

Technical Point**Self Note****QUESTION 10**

Ex. Book no.

Pg.No.

A fire occurred on 15th September 2013 in the premises of Sen & Co. from the following figures, calculate the amount of claim to be lodged with the insurance company for loss of stock.

Particulars	Amount
Stock at cost on 1.1.2012	40,000
Stock at cost on 1.1.2013	60,000
Purchases in 2012	80,000
Purchase from 1.1.2012 to 15.9.2013	1,76,000
Sales in 2012	1,20,000
Sales from 1.1.2013 to 15.9.2013	2,10,000

During the current year cost of purchase has risen by 10% above last years' level. Selling prices have gone up by 5%. Salvage value of stock after fire was ₹ 4,000.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 11	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

From the following particulars, prepare a claim for loss of profits under the consequential loss policy:

Particulars	₹
Date of fire	30.6.2016
Period of indemnity	6 months
Sum insured	40,000
Turnover for the year ended 30.6.16	2,00,000
Net profit for the accounting year ending 31.3.16	12,500
Standing charges for the accounting year ending 31.3.16	28,500
Turnover for the year ending 31.3.16	1,98,000
Turnover for the indemnity period from 1.7.16 to 31.12.16	56,000
Turnover for the period from 1.7.15 to 31.12.15	1,10,000

The turnover of the year 2016–17 had shown a tendency of increase of 10% over the turnover of the preceding year.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 12

Ex. Book no.

Pg.No.

From the following particulars prepare a claim for loss of profits under the Consequential Loss Policy.
Date of Fire: June 30, 2013

Period of indemnity: Six Months

Particulars	Amount
Sum Insured	25,000
Turnover for the year ended June 30, 2013	1,00,000
Net Profit for the accounting year ending March 31, 2013	6,250
Standing charges for the accounting year ending March 31, 2013	14,250
Turnover for the year ending March 31, 2013	99,000
Turnover for the indemnity period from 1.7.13 – 31.12.13	28,000
Turnover for the period from 1.7.12 – 31.12.12	55,000

The turnover of the year 12-13 had shown a tendency of increase of 10% over the turnover of the preceding year.

Technical Point	Self Note

QUESTION 13

Ex. Book no.

Pg.No.


A fire occurred on 1st July, 2012 in the premises of A. Ltd. and business was practically disorganized up to 30th November 2012. From the books of account, the following information was extracted:

Sl. No.	Particulars	Amount
1.	Actual turnover from 1st July 2013 to November, 2013	1,20,000
2.	Turnover from 1st July to 30th November, 2012	4,00,000
3.	Net Profit for the last financial year	1,80,000
4.	Insured Standing Charges for the last financial year	1,20,000
5.	Turnover for the last financial year	10,00,000
6.	Turnover for the year ending 30th June, 2013	11,00,000
7.	Total Standing Charges for the year	1,44,000

The company incurred additional expenses amounting to ₹ 18,000 which reduced the loss in turnover. There was also a savings during the indemnity period of ₹ 4,972.

The company holds a 'Loss of Profit' policy for ₹ 3,30,000 having an indemnity period for 6 months. There has been a considerable increase in trade and it has been agreed that an adjustment of 20% be made in respect of upward trend in turnover.

Compute claim under 'Loss of Profit Insurance.

 <p style="text-align: center;"><u>Technical Point</u></p>	<p style="text-align: center;"><u>Self Note</u></p>
--	--


QUESTION 14	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

There was a serious fire in the premises of M/s. ABC on 1.9.2013. Their business activities were interrupted until 31st December, 2013, when normal trading conditions were re-established. M/s. ABC are insured under the loss or profit policy for ₹ 42,000 the period of indemnity being six months. You are able to ascertain the following information:

- (i) The net profit for the year ended 31st December, 2012 was ₹ 20,000
- (ii) The annual insurable standing charges amounted to ₹ 30,000, of which ₹ 2,000 were not included in the definition of insured standing charges under the policy.
- (iii) The additional cost of working in order to investigate the damage caused by the fire amounted to ₹ 600 and but for the expenditure the business would have had to shut down.
- (iv) The savings in insured standing charges in consequence of the fire amounted to ₹ 1,500.
- (v) The turnover for the period for four months ended April 30, August 31, December 31, in each of the years 2012 and 2013 was as follows:

Year	Amount	Amount	Amount
2012	65,000	80,000	95,000
2013	70,000	80,000	15,000

You are required to compute the relevant claim under the terms of the loss of profit policy.

 <p style="text-align: center;"><u>Technical Point</u></p>	<p style="text-align: center;"><u>Self Note</u></p>
--	--

QUESTION 15

Ex. Book no.

Pg.No.

A fire occurred in the premises of BRIGHT LTD. on 1st August 2015. The company had a loss of profit policy for ₹6.00 lakhs which was subject to average clause. Sale from 1st August, 2014 to 31st July, 2015 were ₹50 lakhs and from 1st August, 2014 to 30th Nov, 2014 being ₹15 lakh. During the indemnity period which lasted four months sales amounted to only ₹2,00,000. The company made up its accounts on 31st March. The Profit and Loss Account for the year ended 31st March, 2015 is given below.

Profit & Loss Account for the year ended 31st March, 2015

Particulars	₹	Particulars	₹
Opening Stock	5,00,000	Sales	47,50,000
Purchases	30,00,000	Closing Stock	2,50,000
Manufacturing Expenses	3,35,000		
Fixed Expenses	3,62,500		
Variable Selling Expenses	4,52,500		
Net Profit	3,50,000		
	50,00,000		50,00,000

Comparing the sales of first four months of year 2015-16 those of year, it was found that sales were 20% higher in the year 2015-16.

You are required to compute the amount of claim to be lodged with the Insurance Company under the Loss of Profit Policy.

QUESTION 16

Ex. Book no.

Pg.No.

CCL wants to take up a loss of profit policy. Turnover during the current year is expected to increase by 20%. The company will avail overdraft facilities from its bank @ 15% interest to boost up the sales. The average daily overdraft balance will be around ₹ 3 Lakh. All other fixed expenses will remain same. The following further details are also available from the previous year's account:

Particulars	₹
Total variable expenses	24,00,000
Fixed expenses:	
Salaries	3,30,000
Rent, Rates and Taxes	30,000
Travelling expenses	50,000
Postage, Telegram & Telephone	60,000
Director's fees	10,000
Audit fees	20,000
Miscellaneous income	70,000
Net Profit	4,20,000

Determine the amount of policy to be taken for the current year.

Hire Purchase

Objective Type Questions

MULTIPLE CHOICE QUESTION

- Under Hire-Purchase agreement ownership is transferred:
 - As soon as the first installment is paid
 - Until the last installment is paid
 - Both the cases
 - None of these
- Full cash price of the asset is forfeited under:
 - Asset accrual method
 - Credit purchase with interest method
 - Both the methods
 - None of these
- Under installment system, the seller treats the transaction as a
 - Credit sale
 - Cash sale
 - Mix sale
 - None of these
- Interest is charged on the amount
 - Paid amount
 - Outstanding amount
 - Hire-Purchase price
 - None of these
- Assets are generally repossessed at a mutual agreed
 - value
 - current price
 - Installments due
 - None of these

5. In the hire purchase system interest charged by vendor is calculated on the basis of

(a) Outstanding cash Price	(b) Hire purchase Price
(c) Installment amount	(d) None of the above
6. Shiva purchased a laptop on hire-purchase system. As per terms, he is required to pay ₹ 7,500 down, ₹10,000 at the end of first year, ₹7,500 at the end of second year, and ₹12,500 at the end of third year. Interest is charged at 12% per annum. The interest payable with the installment at the end of second year will be

(a) ₹900	(b) ₹1,999	(c) ₹804	(d) ₹1,760
----------	------------	----------	------------
7. Excess of hire purchase price over cash price is know as

(a) Installment	(b) Cash down payment
(c) Interest	(d) Capital value of asset
8. Arti Ltd. purchased a machine on hire purchase system for a cash price ₹5,00,000 to be paid as ₹78,700 cash down and the balance by three equal annual installment of ₹ 2,00,000 each. If interest is charged @ 20% per annum then amount of interest payable in second installment will be

(a) ₹1,00,000	(b) ₹61,112	(c) ₹33,328	(d) ₹84,260
---------------	-------------	-------------	-------------
9. In Hire Purchase system cash price plus interest is know as

(a) Capital value of asset	(b) Book value of asset
(c) Hire purchase price of asset	(d) Hire purchase charges

FILL IN THE BLANKS

1. Selling price under Hire-purchase basis is _____ than selling price under cash basis.
2. The act of revival of custody of the asset is called _____
3. The buyer gets possession and ownership of the asset under _____ system right from signing the contract.
4. Under Hire- purchase system ownership of the asset is transferred as soon as _____ installment is paid.
5. Every installment paid under Hire-purchase system consists of partly _____ and partly interest charge.

TRUE OR FALSE

1. The buyer gets immediate possession but not ownership of the asset under installment payment system on signing of contract.
2. The possession and ownership of the asset is immediately transferred to the buyer under Hire-purchase system on signing the contract.
3. Down payment plus installments including interest is termed as cash price
4. The Hire-purchaser records the asset at Hire-purchase price
5. Repossession of the asset is done by Hire-vendor due to non-payment of installments in due time.
6. In a hire purchase system of maintaining accounts, when there is default in making payments in appropriate time, the owner takes back the ownership of the goods.
7. Excess of hire-purchase price over cash price is known as penalty imposed on hire purchaser by

the vendor.

8. In Hire Purchase transaction the right to sell or transfer of the goods remains with Seller.

MATCH THE FOLLOWING

	Column - A		Column - B
1	Hire-Purchaser can record the asset at its	A	Cash price + interest
2	Hire-Purchase price	B	Interest
3	Installment payment system-Ownership transferred	C	Capital expenditure
4	Excess of Hire-purchase price over cash price	D	When first installment is paid
5	Payment towards cash price under Hire-purchase system	E	Cash down price

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

X purchased a T.V on hire-purchase system. As per terms he is required to pay ₹ 3,000 down, ₹4,000 at the end of first year, ₹ 3,000 at the end of second year, and ₹ 5,000 at end of third year. Interest is charged at 12% p.a. You are required to calculate total cash price of T.V and interest paid with each installment.

QUESTION 2

Ex. Book no.

Pg.No.

A motor car is sold on instalment payment system, the payment for which is made as: ₹50,000 as immediate deposit and the balance to be paid on five equal annual instalments of ₹40,000 each. The interest is charged at 12% on unpaid cash price. If the present value of annuity of ₹1 for five years at 12% is ₹3.605, calculate the cash price of motor car.

QUESTION 3

Ex. Book no.

Pg.No.

Answer the following questions:

- (a) ₹30,000 is the annual instalment to be paid for three years (given present value of an annuity of ₹1 p.a. @5% interest is ₹2.7232). Ascertain the cash price in cash of Hire Purchase.
- (b) Madhu purchased a machinery on hire purchase basis on 1st April, 2014, ₹75,000 was paid immediately and the remaining amount was to be paid in three annual instalments of ₹1,00,000 each. Interest rate is 15% per annum. Calculate the cash price.

QUESTION 4

Ex. Book no.

Pg.No.

On 1.1.2010 X purchase a plant from Y on hire purchase system. The hire purchase rate was settled at ₹60,000, payable as to ₹ 15,000 on 1.1.2010 and ₹ 15,000 at the end of three successive year. Interest was charged @5% p.a. The asset was to be depreciated in the books of the purchaser at 10% p.a. on Reducing Balance Method. Given the present value of an annuity of Re. 1 p.a. @5% interest is ₹2.7232.

Ascertain the cash price.

QUESTION 5

Ex. Book no.

Pg.No.

X & Co. purchased a Motor car on April 1, 2009 on hire-purchase paying ₹ 60,000 cash down and balance in four annual installments of ₹ 55,000, ₹ 50,000, ₹ 45,000 and ₹ 40,000 each Installment comprising equal amount of cash price at the end of each accounting period. You are required to calculate total cash price and amount of interest in each Installment.

QUESTION 6

Ex. Book no.

Pg.No.

X Ltd. Purchased a scooter van on hire purchase from Y Ltd. on 1.1.2016. The terms of payment was ₹ 10,000 on delivery, ₹ 10,400 at the end of first year, ₹ 9,600 at the end of the second year and ₹ 8,800 at the end of the third year, inclusive of finance charges.

You are required to calculate total cash price and amount of interest in each Installment.

Financial Accounting

QUESTION 7

Ex. Book no.

Pg.No.






Moon purchased a machine on Hire Purchase System. The total cost price of the machine was ₹15,00,000 payable 20% down and four annual instalments of ₹4,20,000, ₹3,90,000, ₹3,60,000 and ₹3,30,000 at the end of the 1st year, 2nd year, 3rd year and 4th year respectively. Calculate the interest included in each year's installment assuming that the sales were made at the beginning of the year.

QUESTION 8

Ex. Book no.

Pg.No.

On 1.1.2009 Mr. X took delivery from Mr. Y of 5 machines on a hire purchase system. ₹ 4,000 being paid on delivery and the balance in five installments of ₹ 6,000 each, payable annually on 31st December. The vendor company charges 5% interest p.a. on yearly balances. The cash price of 5 machines was ₹ 30,000. Show the entries (without narration), Assets Account, Mr. Y Account for 5 years assuming that the purchaser charges depreciation @20% on straight line method.

	<u>Technical Point</u>	<u>Self Note</u>
		
		
		
		
		

QUESTION 9






Ex. Book no.

Pg.No.

On 01.01.2010 Dola Ltd. purchased a Taxi from Sayan Ltd., on hire purchase system. A Down payment of ₹15,000 and 3 equal instalments together with interest @ 5% per annum on the outstanding balance of capital sum are to be made. The amount of last installment payment was ₹15,750. Depreciation has to be provided @ 10% under reducing balance method.

At the end of 3rd year the taxi was sold for ₹25,000 in cash.

Prepare Taxi Account and Vendor Account in the books of Dola Ltd.

	<u>Technical Point</u>	<u>Self Note</u>
		
		
		
		
		

QUESTION 10

Ex. Book no.

Pg.No.

On 1.1.14 Mr. Sen purchased a machine under hire purchase from Mr Das. The cash price of the machine was ₹ 15,500. The payments for the purchase were agreed to be made as follows:

On signing the agreement on 1.1.14 ₹ 3,000, at the time of year ending- first year ₹ 5,000, second year ₹ 5,000, and third year ₹ 5,000.

Make necessary ledger accounts in the books of Gupta assuming depreciation was charged annually

@10% on the diminishing balance method.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 11	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

On 01.01.2011 A purchased five Machines each costing ₹ 1,58,500 each from B Payment was to be made 20% down and the remainder in four equal annual instalments commencing from 31.12.2011 with interest at 10% p.a. A writes off depreciation @20% on the diminishing balance.

Give the necessary journal entries and ledger accounts in the books of A and B under Sales Method. Also show how the relevant of items will appear in the Balance Sheet.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 12	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

On 1.1.2011, A purchased 5 Machines from B. Payment was to be made — 20% down and the balance in four annual instalments of ₹2,80,000, ₹ 2,60,000, ₹ 2,40,000 and ₹ 2,20,000 commencing from 31.12.2011. The vendor charged interest @ 10% p.a. A writes off depreciation @ 20% p.a. on the original cost.

On A's failure to pay the instalment due on 31.12.2012, B repossessed all the machines on 01.01.2013 and valued them on the basis of 40% p.a. depreciation on W.D.V. basis. B after incurring ₹6,000 on repairs sold the machines for ₹2,66,000 on 30th June 2013. Prepare the relevant accounts in the books of A and B.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 13

Ex. Book no.

Pg.No.

X purchased a truck for ₹ 2,80,000, payment to be made ₹ 91,000 down and 3 installments of ₹ 76,000 each at the end of each year. Rate of interest is charged at 10% p.a. Buyer depreciates assets at 15% p.a. on written down value method.

Because of financial difficulties, X, after having paid down payment and first installment to the end of 1st year could not pay second installment and seller took possession of the truck. Seller, after spending ₹ 9,200 on repairs of the asset sold for ₹ 1,50,000. Show the relevant accounts in the books of the purchaser & the vendor.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 14

Ex. Book no.

Pg.No.

Exe Ltd. purchased a vehicle for ₹2,80,000, down payment to be made ₹91,000 and 3 installments of ₹76,000 each at the end of each year. Rate of interest is charged at 10% p.a. Buyer depreciates assets at 15% on written down value method.

Because of financial difficulties, Exe Ltd. after having paid the down payment and first installment at the end of 1st year, could not pay the second installment. Hence, the seller took possession of the vehicle. The Seller after spending ₹ 9.200 on repairs of the asset, sold it for ₹1,50,000. Show the relevant accounts in the books of the purchaser and the vendor.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 15

Ex. Book no.

Pg.No.

On 1.1.2011, A purchased 5 Machines from B. Payment was to be made—20% down and the balance in four annual instalments of ₹2,80,000, ₹ 2,60,000, ₹ 2,40,000 and ₹ 2,20,000 commencing from 31.12.2011. The vendor charged interest @ 10% p.a. A writes off depreciation @ 20% p.a. on the original cost.

On A's failure to pay the instalment due on 31.12.2012, after negotiations on 01.01.2013 B agreed to leave two machines with A adjusting the value of the other three machines against the amount due. The machines being valued at cost less 40% p.a. depreciation on W.D.V basis, B after spending ₹6,000 on repairs of each of such machines sold @ ₹70,000 on 30th June 2013. Prepare the relevant accounts

in the books of A and B.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 16

Ex. Book no.

Pg.No.

A Transport purchased from Kolkata Motors 3 Tempos costing ₹50,000 each on the hire purchase system on 1.1.2011. Payment was to be made ₹30,000 down and the remainder in 3 equal annual instalments payable on 31.12.2011, 31.12.2012 and 31.12.2013 together with interest @ 9% p.a. A Transport writes off depreciation at the rate of 20% p.a. on the diminishing balance. It paid the instalment due at the end of the first year i.e. 31.12.2011 but could not pay the next on 31.12.2012. Kolkata Motors agreed to leave one Tempo with the purchaser on 31.12.2012 adjusting the value of the other 2 Tempos against the amount due on 31.12.2012. The Tempos were valued on the basis of 30% depreciation annually on W.D.V. basis.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 17

Ex. Book no.

Pg.No.

On 1 January 2012, A purchased from B a plant valued at ₹7,45,000; payment to be made by four semi-annual instalments of ₹2,10,000 each; interest being charged at 5% per half year. A paid the first instalment on 1st July 2012 but failed to pay the next. B repossessed the plant on 4 January 2013. On 5 January 2013, after negotiation, A was allowed to retain the plant of which the original cash price was ₹3,90,000 and he was to bear the loss on the remainder which was taken over by B on that date for ₹3,75,000. B waived the interest after 31st December 2012. Another agreement was signed for payment of the balance amount.

Show by ledger accounts the necessary records in the books of A charging depreciation at 10% per annum half yearly on the written down value.

QUESTION 18

Ex. Book no.

Pg.No.

Z sold 3 Machinery for a total cash sale price of ₹6,00,000 on hire purchase basis to X on 01.01.2011. The terms of agreement provided for 30% as cash down and the balance of the cash price in three equal instalments together with interest at 10% per annum compounded annually. The instalments were payable as per the following schedule:

Financial Accounting

1st instalment on 31.12.2012; 2nd instalment on 31.12.2013 and 3rd instalment on 31.12.2014. X paid the 1st instalment on time but failed to pay thereafter. On his failure to pay the second instalment, Z repossessed two machineries and valued them at 50% of the cash price. X charges 10% p.a. depreciation on straight line method.

Prepare necessary ledger accounts in the books of X for 2011-2013.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 19

Ex. Book no.

Pg.No.

Z Associates purchased seven trucks on hire purchase on 1st July, 2012. The cash purchase price of each truck was ₹ 1,00,000. The company has to pay 20% of the cash purchase price at the time of delivery and the balance in five half yearly instalment starting from 31st December, 2012 with interest at 5% per annum at half yearly rates. On the Company's failure to pay the instalment due on 30th June 2013, it was agreed that the Company would return 3 trucks to the vendor and the remaining four would be retained. The vendor agreed to allow him a credit for the amount paid against these 3 trucks less 25%. Show the relevant Accounts in the books of the purchaser and vendor assuming the books are closed in June every year and depreciation @ 20% p.a. is charged on Trucks. Vendor after spending ₹2,000 on repairs sold away all the three trucks for ₹ 80,000.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 21

Ex. Book no.

Pg.No.

On 1st April, 2012 Gauru & Co. purchased a machinery on hire purchases system from Machinery Mart for a cash price of ₹ 7,50,000 to be paid as ₹ 1,18,050 cash down and the balance by three equal annual installments of ₹ 3,00,000 each. Interest is charged @ 20% per annum. Gauru & Co. has decided to write off depreciation on machinery @ 15% per annum on diminishing balance method. Gauru & Co. paid the installment due at the end of the first year but could not pay the next installments. On 31st March, 2014 the Machinery Mart took the possession of the machinery. On 15th April, 2014 the Machinery Mart spent ₹30,000 on the repairs of the machinery and sold it for ₹1,80,000 on 20th April, 2014. Installment due on 31.03.2014 was paid by Gauru & Co. on 10th April. You are required to prepare:

(i) Gauru & Co.'s Account and Returned Stock Account in the books of Machinery Mart.

(ii) Machinery Account and Machinery Mart's Account in the books of Gauru & Co.

<u>Technical Point</u>	<u>Self Note</u>

Department

Objective Type Questions

MULTIPLE CHOICE QUESTION

- Bad debts are apportioned among departments in the proportion of
 - Sales of each department
 - Number of units sold by each department
 - Cost of sales of each department
 - None of the above
- The goods are transferred from department X to Department Y at selling price which includes a profit of 25% on cost. Stock valued at ₹65,000 in Department Y represents goods received from Dept X, then the amount of stock reserve on closing stock will be
 - ₹16,250
 - ₹13,000
 - ₹21,667
 - None of the above
- Goods are transferred from Department X to Department Y at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ₹18,000, then the amount of stock reserve on closing stock will be
 - ₹6,000
 - ₹4,500
 - ₹9,000
 - None of the above
- In Departmental Accounting, Lighting and Heating expenses are apportioned between departments in the ratio of
 - Sales
 - Purchase
 - No. of light points
 - Production orders

MATCH THE FOLLOWING

	Expenses		Allocation Bases
1.	Discount Allowed	A	No. of employees
2.	Canteen expenses	B	Floor space
3.	Rent	C	Value of Machinery
4.	Insurance on Machinery	D	Sales

Practical Type Questions

QUESTION 1

Ex. Book no.

Pg.No.

From the following Trial Balance, prepare Departmental Trading and Profit and Loss Account for the year ended 31.12.2013 in the books of Sri S. Maity:

Particulars	Dr. (₹)	Cr. (₹)
Stock (1.1.2013):		
Dept. A	5,400	
Dept. B	4,900	
Purchases:		
Dept. A	9,800	
Dept. B	7,350	
Sales:		
Dept. A		16,900
Dept. B		13,520
Wages:		
Dept. A	1,340	
Dept. B	240	
Rent	1,870	
Salaries	1,320	
Lighting and Heating	420	
Discount Allowed	441	
Discount Received		133
Advertising	738	
Carriage Inward	469	
Furniture and Fittings	600	
Plant and Machinery	4,200	
Sundry Debtors	1,820	
Sundry Creditors		3,737
Capital		9,530
Drawings	900	
Cash in hand	32	
Cash at Bank	1,980	
Total	43,820	43,820

The following information is also provided:

- Rent and Lighting and Heating are to be allocated between Factory and Office in the ratio of 3:2.
- Rent, Lighting and Heating, Salaries and Depreciation are to be apportioned to A and B Depts. as 2:1.
- Other expenses and incomes are to be apportioned to A and B Depts. on suitable basis.

The following adjustments are to be made:

Rent Prepaid ₹370; Lighting and Heating outstanding ₹180; Depreciation of Furniture and Fittings @

Financial Accounting

10% p.a. and Plant and Machinery @ 10% p.a.

The Stock at 31.12.2012: Dept. A ₹2,748; Dept. B ₹2,401.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 2	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

The Trading and Profit & Loss Account of Bindas Ltd. for the year ended 31st March is as under :

Particulars		Amount (₹)	Particulars		Amount (₹)
Purchases:			Sales:		
Transistors	(A)	1,60,000	Transistors	(A)	1,75,000
Tape Recorders	(B)	1,25,000	Tape Recorders	(B)	1,40,000
Spare parts for Servicing and Repair Job	(C)	80,000	Servicing and Repair Jobs	(C)	35,000
Salaries and wages		48,000	Stock on 31st March:		
Rent		10,800	Transistors	(A)	60,100
Sundry Expenses		11,000	Tape Recorders	(B)	20,300
Net Profit		40,200	Spare parts for Servicing and Repair Job	(C)	44,600
		4,75,000			4,75,000

Prepare Departmental Accounts for each of the three Departments A, B and C mentioned above after taking into consideration the following :

- Transistors and Tape Recorders are sold at the Showroom. Servicing and Repairs are carried out at the Workshop.
- Salaries and wages comprise as follows: Showroom 3/4th and Workshop 1/4th. It was decided to allocate the Showroom Salaries and Wages in ratio 1:2 between Departments A and B.
- Workshop Rent is ₹ 500 per month. Showroom Rent is to be divided equally between Departments A and B.
- Sundry Expenses are to be allocated on the basis of the turnover of each Department.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 3

Ex. Book no.

Pg.No.

Mr. Y is the proprietor of a retail business which has two main departments which sell respectively Computers and Printers. On 31.12.2017, the balances in the books of the business were as follows:

Particulars	Dr. (₹)	Cr. (₹)
Capital		71,000
Sales — Computers		59,000
Printers		29,500
Purchases — Computers	20,000	
Printers	10,000	
Stock on 1.1.2017 — Computers	2,320	
Printers	2,136	
Salaries — Computers	20,560	
Printers	15,440	
Advertising	615	
Discount allowed — Computers	400	
Printers	200	
Drawings	3,000	
Buildings (Cost)	43,000	
Equipment at W.D.V. — Computers	18,000	
Printers	7,000	
Debtors and Creditors	10,200	5,319
Bank	5,600	
Rent and Rates	1,580	
Canteen Charges	875	
Heating and Lighting	880	
Insurance of Stock	940	
General Administrative Expenses	2,073	
Total	1,64,819	1,64,819

Additional information:

- At 31.12.2017, the following amounts were outstanding: Salaries— Computers ₹250; Printers ₹170; Heating and Lighting ₹20.
- The general administrative expenses and the rent and rates included prepayments of ₹33 and ₹80 respectively.
- Stocks at 31.12.2017 were: Computers ₹2,800; Printers ₹2,450.
- Depreciation is to be provided on equipment at 10% on W.D.V.
- The managers of the Computers and Printers departments are to be paid a commission of 5% of the net profit (prior to the commission payment) of the respective departments.

Financial Accounting

(vi) In apportioning the various expenses between the two departments due regard is to be given to the following information:

	Number of Workers	Average Stock Levels (₹)	Floor Area (sq.mt)
Computers	18	5,000	8,000
Printers	12	4,400	4,000

(vii) The general administrative expenses are primarily incurred in relation to the processing of purchases and sales invoices.

Prepare a Departmental Trading and Profit and Loss Account and the Balance Sheet.

Technical Point

Self Note

|

QUESTION 4	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

Excel Manufacturers carried on business with two departments: Raw Materials and Manufacturing. The finished goods are produced by the Manufacturing Department with raw materials supplied from Raw Materials Department at selling price.

Prepare Departmental Trading and Profit and Loss Account for the year ending on 31st December, 2017 after allocation of expenses on reasonable basis between the two departments.

Necessary particulars are furnished below:

Particulars	Raw Materials Department(₹)	Manufacturing Department (₹)
Opening Stock	60,000	10,000
Purchases	4,00,000	3,000
Raw materials transferred to Manufacturing Department	60,000	-----
Sales	4,40,000	90,000
Manufacturing Expenses	-----	12,000
Selling Expenses	800	400
Closing Stock	40,000	12,000

It is estimated that the cost of closing stock in the hands of Manufacturing Department consists of 80% for raw materials and 20% for manufacturing expenses. The rate of gross profit earned during the preceding year by the Raw Materials Department was 10%. Other administrative expenses are as follows:(i) Salaries ₹ 2,500; (ii) Insurance premium ₹ 800.

QUESTION 5

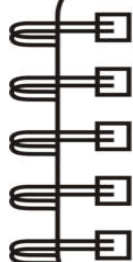
Ex. Book no.

Pg.No.

The firm AB & Co. has two departments — Cloth and Tailoring. Tailoring department gets all its requirements of cloth from the cloth department at the usual selling price. From the following particulars prepare Departmental Trading and Profit and loss account for the year ended 31st March, 2017:

Particulars	Cloth Department (₹)	Tailoring Department (₹)
Opening Stock	60,000	8,000
Purchases	3,40,000	5,000
Raw materials transferred to Manufacturing Department	50,000	-----
Sales	4,00,000	80,000
Manufacturing Expenses	-----	12,000
Selling Expenses	5,000	2,000
Closing Stock	1,00,000	15,000

The stock in tailoring department may be assumed to consist 80% cloth and 20% other expenses. General expenses of the business for the year came to ₹23,000. In 2016-17 the cloth department earned a gross profit of 30% on sales.

Technical Point**Self Note****QUESTION 6**

Ex. Book no.

Pg.No.

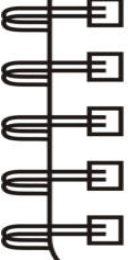
Pooma Ltd. has 2 departments M & S. From the following particulars, prepare Departmental Trading Account & Consolidated Trading Account for the year ended 31st March, 2013.

Particulars	M (₹)	S (₹)
Opening Stock	20,000	12,000
Purchases	92,000	68,000
Carriage Inwards	2,000	2,000
Wages	12,000	8,000
Sales (excluding inter departmental transfers)	1,40,000	1,12,000
Purchased Goods transferred:		
By S to M	10,000	—
By M to S	—	8,000
Finished Goods transferred:		
By S to M	35,000	—
By M to S	—	40,000

Financial Accounting

Return of Finished Goods:		
By M to S	10,000	—
By S to M	—	7,000
Closing Stock:		
Purchased Goods	4,500	6,000
Finished Goods	24,000	14,000

Purchased Goods have been transferred at their respective departmental Purchase Cost & Finished Goods at Departmental Market Price. 20% of Finished Stock (Closing) at each Department represented Finished Goods received from the other Department.



Technical Point

Self Note

|

QUESTION 7	Ex. Book no.	Pg.No.
------------	--------------	--------

S & Co. has two departments A and B. From the following particulars prepare departmental trading account and consolidated trading account for the year ending December 31, 2014:

Particulars	Dept A (₹)	Dept. B (₹)
Opening stock (at cost)	20,000	12,000
Purchases	92,000	68,000
Carriage	2,000	2,000
Wages	12,000	8,000
Sales	1,40,000	1,12,000
Purchased goods transferred :		
by B to A	10,000	-
by A to B	-	8,000
Finished goods transferred :		
by B to A	35,000	-
by A to B	-	40,000
Return of finished goods :		
by B to A	10,000	-
by A to B	-	7,000
Closing stock :		
(i) Purchased goods	4,500	6,000
(ii) Finished goods	24,000	14,000

You are informed that purchased goods have been transferred mutually at their respective departmental purchase cost and finished goods at departmental market price and that 20% of the finished stock (closing) at each department represented finished goods received from the other department.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 8

Ex. Book no.

Pg.No.

A Ltd. has two departments P and Q. Department P sells goods to department Q at normal selling price. From the following particulars, prepare Departmental Trading and Profit and Loss Account for the year ended on 31.12.2017 and also ascertain the net profit to be included in the Balance Sheet.

Particulars	Dept. P (₹)	Dept. Q (₹)
Opening stock	5,00,000	Nil
Purchases	28,00,000	3,00,000
Goods from department P	—	8,00,000
Wages	3,50,000	2,00,000
Travelling expenses	20,000	1,60,000
Closing stock at cost to the department	8,00,000	2,09,000
Sales	30,00,000	20,00,000
Printing and stationery	30,000	25,000

The following expenses incurred for both the departments were not apportioned between the departments:

- (a) Salaries ₹3,30,000.
- (b) Advertisement expenses ₹1,20,000.
- (c) General expenses ₹5,00,000.
- (d) Depreciation is to be charged @ 30% on the machinery value of ₹96,000.

The advertisement expenses of the departments are to be apportioned in the turnover ratio. Salaries and depreciation apportioned in the ratio of 2:1 and 1:3 respectively. General expenses are to be apportioned in the ratio of 3:1.

<u>Technical Point</u>	<u>Self Note</u>

Financial Accounting

QUESTION 9	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

X & Co. has three operating departments. The details of operations of each department during 2014 had been as follows:

Particulars	Dept. I (₹)	Dept. II (₹)	Dept. III (₹)
Sales to customers	4,00,000	6,00,000	8,00,000
Purchases from outsiders	3,00,000	4,00,000	5,00,000
Opening stock (out of local purchase)	80,000	1,00,000	1,20,000
Transfer to department III	1,35,000	----	-----
Closing stock	50,000	50,000	1,00,000
Common expenses:			
Selling commission			36,000
Depreciation			45,000
Administration expenses			1,60,000
Interest on capital			90,000
Stock of department III includes 20% transfers from department I.			

Prepare Departmental Profit and Loss Account and ascertain the net profit of the company after considering the following details:

Particulars	Dept. I	Dept. II	Dept. III
Fixed assets installed (₹)	3,60,000	2,00,000	1,60,000
Capital employed (₹)	2,00,000	3,00,000	3,00,000
Administration expenses to be shared	4/10	3/10	3/10

Department I transfers supplies to department III at normal selling price less 10%.

Technical Point

Self Note

|

QUESTION 10	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Department X sells goods to department Y at a profit of 25% on cost and to department Z at 10% profit on cost. Department Y sells goods to X and Z at a profit of 15% and 20% on sales respectively. Department Z charges 20% and 25% profit on cost to department X and Y respectively.

Department managers are entitled to 10% commission on net profit subject to unrealised profit on departmental sales being eliminated. Departmental profits after charging manager's commission, but before adjustment of unrealised profit are as under:

Particulars	(₹)
Department X	36,000
Department Y	27,000
Department Z	18,000

Stock lying at different departments at the end of the year are as under:

Particulars	Dept. X	Dept. Y	Dept. Z
	₹	₹	₹
Transfer from Department X	—	15,000	11,000
Transfer from Department Y	14,000	—	12,000
Transfer from Department Z	6,000	5,000	—

Find out the correct departmental profit after charging manager's commission.

Technical Point

Self Note

|

QUESTION 11	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Department A sells goods to Department B at a profit of 25% on cost and to Department C at 10% profit on cost. Department B sells goods to Department A and Department C at a profit of 15% and 20% on sales respectively. Department C charges 20% and 25% profit on cost and Department A and Department B respectively.

Department managers are entitled to 10% commission on net profit after eliminating unrealised profit on department sales being eliminated. Departmental profit after charging managers commission but before adjustment of unrealized profits are: Dept. A ₹ 72,000; Dept. B ₹ 54,000; and Dept. C ₹ 36,000. Stock lying at different departments at the end of the year are:

Particulars	Department A (₹)	Department B (₹)	Department C (₹)
Transfer from Department A	---	30,000	22,000
Transfer from Department B	28,000	---	24,000
Transfer from Department C	12,000	10,000	---

Find out the correct departmental profit after charging manager's commission.

Technical Point

Self Note

|

QUESTION 12

Ex. Book no.

Pg.No.

X Limited has three departments and submits the following information for the year ending on 31st March, 2017.

Particulars	A	B	C	Total (₹)
Purchases (units)	5,000	10,000	15,000	-----
Purchases(Amount)	-----	-----	-----	8,40,000
Sales (units)	5,200	9,800	15,300	-----
Selling price (₹ per unit)	40	45	50	
Closing stock (units)	400	600	700	

You are required to prepare Departmental Trading Account of X Limited assuming that the rate of profit on sales uniform in each case.

Technical Point

Self Note

|

QUESTION 13

Ex. Book no.

Pg.No.

The following details are available in respect of a business for a year.

Department	Opening Stock	Purchase	Sales
X	120 units	1,000 units	1,020 units at ₹ 20.00 each
Y	80 units	2,000 units	1,920 units at ₹ 22.50 each
Z	152 units	2,400 units	2,496 units at ₹ 25.00 each

The total value of purchases is ₹ 1,00,000. It is observed that the rate of Gross Profit is the same in each department. Prepare Departmental Trading Account for the above year.

Branch Accounting

Objective Type Questions

MULTIPLE CHOICE QUESTION

- In which of the following methods of Branch accounting, abnormal loss does not require any separate treatment?
 - Debtors System
 - Stock and Debtors System
 - Branch Trading and Profit & Loss Account System
 - All of the above
- Which account is used for transactions concerned with head office supplying resources to the branch?
 - Capital account
 - Current account
 - Branch account
 - Joint venture account
- Branches not keeping full system of accounting are called —————
 - Independent branches
 - Partial branches
 - Dependent branches
 - None of these
- The head office prepares branch account to find out ————— earned by branch
 - Dividend
 - Revenue
 - Capital
 - Profit
- account is a practical means of controlling the stock at branch.
 - Bank Account
 - Branch account
 - Branch Stock Account
 - Branch Stock Adjustment Account

TRUE OR FALSE

- For apparent profit or loss (i.e. difference between sales price and invoice price), journal entry is passed involving Branch Stock A/c and Branch Stock Adjustment A/c.
- Under Stock Debtors System of Branch accounting, Branch Stock A/c is maintained at cost price.
- The objective of keeping Branch Stock A/c at invoice price under Stock Debtors System is to ensure control over stock.
- Branch Stock Adjustment A/c is used to record the loading on stock and on goods sent and to record the apparent profit or loss.

Financial Accounting

5. Branch Stock Account is always prepared at cost price.
6. In Branch Accounting system, the Branch prepares the periodic returns based on which the accounting records are maintained at the Head office.
8. Goods in transit are recorded in the books of H.O.
9. When the goods are returned by Branch, Goods sent to Branch A/c will be debited in the books of Head Office.
10. Branch account is prepared in the books of Head office under Debtors' method of accounting.

Practical Type Questions

QUESTION 1

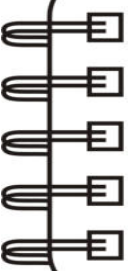
Ex. Book no.

Pg.No.

From the following information, prepare Delhi Branch Account in the books of Head office for the year ending on 31st March 2013:

Particulars	₹	Particulars	₹
Opening Stock (at cost)	17,80,000	Discount allowed to Customers	5,000
Opening Debtors	1,40,000	Bad Debts written off	10,000
Opening Petty Cash	2,500	Credit sales	72,94,000
Furniture (in the beginning)	60,000	Cash Sales	3,20,000
Opening Creditors	60,000	Petty Expenses paid by Branch	80,000
Goods sent to Branch (at Cost)	52,20,000	Cheques sent to Branch for expenses:	
Goods returned by Branch to H.O (at cost)	78,000	Salaries	3,00,000
Goods returned by Customers to Branch	57,000	Rent and Insurance	1,20,000
Cash received by Branch from its Customers	61,10,000	Petty Cash	78,700

Goods are sold to customers at cost plus 50%. Depreciate the furniture @ 10% p.a.

<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center; font-size: 2em; margin-top: 50px;"> </div>

QUESTION 2

Ex. Book no.

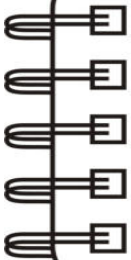
Pg.No.

From the following details regarding the Kolkata Branch of X and Co., prepare a Branch Account in respect of the year 2017: (all figures in ₹)

Stock on 1.1.2017	24,000	Returns to head office	9,600
Stock on 31.12.2017	19,200	Bad debts	1,200
Debtors on 1.1.2017	20,000	Discounts allowed	620
Debtors on 31.12.2017	23,000	Returns from customers	6,000
Goods sent to branch during 2017	84,000	Expenses paid by the head office:	
Cash sales	51,600	Salaries and wages	16,800
Credit sales	72,000	Rent (from 1.1.2017 to 31.3.2018)	10,500
Normal loss	4,000	Sundry expenses	7,200

Technical Point

Self Note



|

QUESTION 3

Ex. Book no.

Pg.No.

From the following particulars relating to Kanpur Branch for the year ending 31.12.2012, prepare Branch Account in the books of head office.

Particulars	₹	Particulars	₹
Balances on 1.1.2012:		Cash paid by debtors direct to Head Office	22,000
Stock	40,000	Discount allowed	1,100
Debtors	14,000	Cash sent to branch for expenses:	
Petty cash	1,500	Rent: ₹12,000; Salaries: ₹5,400; Petty cash: ₹4,000	
Furniture	12,000	Insurance (from 1.4.2012 to 31.3.2013)	1,600
Prepaid fire insurance	1,150	Goods returned by the branch	4,000
Outstanding salaries	2,100	Goods returned by the debtors	7,000
Goods sent to branch	2,80,000	Stock on 31.12.2012	38,000
Cash sales	3,30,000	Petty expenses paid by the branch	2,850
Credit sales	1,83,000	Provide depreciation on furniture @ 10% p.a.	
Cash received from debtors	1,35,000	Loss of stock by fire	4,800

<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center; border-left: 1px solid black; border-right: 1px solid black; height: 100px;"> </div>

QUESTION 4	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

A head office in Calcutta supplies goods to its branch at Madras at cost. The branch sells the goods for cash and on credit and remits the proceeds to the head office promptly, the branch expenses being met by the head office by cheque. The following are the transactions relating to the branch for the year ended 31st December, 2015 :

Particulars	₹
Stock at Branch on 01-01-2015	6,000
Debtors at Branch on 01-01-2015	8,000
Goods sent to Branch during the year	45,000
Total sales at Branch (including cash sales ₹ 22,000)	74,000
Goods returned by Branch	2,000
Goods returned by Customers	2,000
Collections from Debtors	42,000
Discount allowed	2,000
Bad Debt written off	1,000

Cheques sent by Head Office towards Branch Expenses—	₹
Salaries	5,000
Rent	2,500
Petty expenses	500
Total	8,000
Stock at Branch on 31-12-15	9,000

Prepare Branch Account and Goods sent to Branch Account in the H.O. books.

<u>Technical Point</u>	<u>Self Note</u>
	<div style="text-align: center; border-left: 1px solid black; border-right: 1px solid black; height: 100px;"> </div>

QUESTION 5

Ex. Book no.

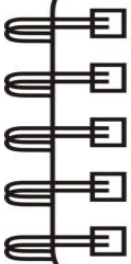
Pg.No.

Prepare a Branch account in the books of Head Office from the following particulars for the year ended 31st March, 2013 assuming that H.O. sold goods at cost price 25%.

Particulars	Amount	Particulars	Amount
Stock on 1.4.2012 (I.P.)	12,500	Bad Debts	2,000
Debtors on 1.4.2012	5,000	Allowances to customers	1,000
Purchase on 1.4.2012	1,000	Returns Inwards	1,000
Goods sent to branch (I.P.)	40,000	Cash sent to Branch:	
Goods return to H.O. (I.P.)	5,000	Rates & Taxes	3,000
Cash Sales	12,000	Salaries	8,000
Cash received from Debtors	30,000	Misc. Exps.	1,000
		Stock on 31.03.2013 (I.P.)	15,000
		Debtors on 31.03.2013	4,000
		Petty Cash on 31.03.2013	1,000

Technical Point

Self Note



QUESTION 6

Ex. Book no.


Pg.No.

ABC Company is having its branch at Mumbai. Goods are invoiced to the branch at 20% profit on sale. Branch has been instructed to send all cash daily to head office. All expenses are paid by head office except petty expenses which are met by the Branch Manager. From the following particulars, prepare Branch Account in the books of Head Office.

Particulars	₹	Particulars	₹
Stock on 1st April, 2016 (Invoice Price)	30,000	Discount Allowed to Debtors	160
Sundry Debtors on 1st April, 2016	18,000	Expenses Paid by Head Office:	
Cash in Hand as on 1st April, 2016	800	Rent	1,800
Office Furniture on 1st April, 2016	3,000	Salary	3,200
Goods Invoiced from the Head Office (Invoice Price)	1,60,000	Stationery and Printing	800
Goods Return to Head Office	2,000	Petty Expenses Paid by the Branch	600
Goods Return by Debtors	960	Depreciation to be Provided on Branch Furniture at 10% p.a.	-

Financial Accounting

Cash Received from Debtors	60,000	Stock on 31st March, 2017 (at Invoice Price)	28,000
Cash Sales	1,00,000		
Credit Sales	60,000		

 <h3 style="text-align: center; margin: 0;"><u>Technical Point</u></h3>	<h3 style="text-align: center; margin: 0;"><u>Self Note</u></h3>

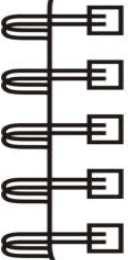
QUESTION 7

Ex. Book no.

Pg.No.

A H.O. invoiced to their Delhi Branch during the year ended 31-12-2015 goods at selling price (being $33\frac{1}{3}\%$ added to cost) amounting to ₹ 74,000. The credit sales of the Branch were ₹ 31,000 and cash sales ₹ 17,000. The Branch returned ₹ 2,000 stock at invoice price and had returns from customers ₹ 1,000. The discounts allowed to customers by the Branch amounted to ₹ 1,200. The Branch remitted to H.O. ₹ 38,600 being the amount of cash sales and receipts from customers. The opening and closing stocks of the Branch were ₹ 15,000 and ₹ 39,000 respectively at selling price. The Branch had Debtors of ₹ 12,000 at the beginning. Loss through pilferage was ascertained to be ₹ 1,000 at selling price.

Write up the necessary accounts to record the above in the books of H. O. under synthetic method.

 <h3 style="text-align: center; margin: 0;"><u>Technical Point</u></h3>	<h3 style="text-align: center; margin: 0;"><u>Self Note</u></h3>

QUESTION 8

Ex. Book no.

Pg.No.

From the following information, prepare Branch Account showing the profit or loss of the branch.

Particulars	₹
Opening Stock	30,000
Goods sent to branch	90,000
Sales	1,20,000
Expenses: Salaries	10,000
Other Expenses	4,000

The closing stock could not be ascertained, but it is known that the branch usually sells at cost plus 20%. The branch manager is entitled to a commission of 5% on the profit of the branch before charging such commission.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 9	Ex. Book no.	Pg.No.
-------------------	---------------------	---------------

A company with its Heads Office at Kolkata has a Branch at Chennai. The Branch receives all goods from Head Office who remits cash for all expenses. Total sales by Branch for year ended 31.03.2012 amounted to ₹ 6,50,000 out of which 75% on Credit. Other details for Chennai Branch were as under:

Particulars	01.04.2011	30.03.2012
Stock	4,000	30,000
Debtor	45,000	30,000
Petty Cash	250	---

Petty Cash sent by Head Office ₹ 3,000 but ₹ 2,500 is spent for Petty Expenses. The expenses of ₹ 45,000 are actually spent by Branch. All sales are made by the Branch at Cost plus 25%.

You are required to prepare the Chennai Branch A/c in the books of Head Office for the year ended 31.03.2012.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 10	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

A head office in Calcutta has a branch in Ahmedabad to which goods are invoiced at cost price. The following are the transactions between the head office and the branch for the year ending December 31st, 2015 :

Particulars	₹	₹
Stock at Branch on 01-01-2015		12,500
Debtors at Branch on 01-01-2015		12,000

Financial Accounting

Petty Cash at Branch on 01-01-2015		300
Goods sent to Branch		45,000
Remittances from Branch :		
Cash Sales	16,000	
Money received from Debtors	<u>29,500</u>	45,500
Goods returned to H. O.		3,000
Bad Debts at Branch		500
Discount allowed to Branch Debtors		1,300
Goods returned by customers to Branch		2,000
Cheques sent to Branch :		
for Salaries and Wages	9,000	
for Insurance	3,000	
for Petty Cash	<u>510</u>	12,510
Stock at Branch on 31-12-2015		15,000
Debtors at Branch on 31-12-2015		22,500
Petty Cash at Branch on 31-12-2015		200

Write up the ledger accounts in the books of H. O. to record the above transactions.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 11

Ex. Book no.

Pg.No.

Mr. X, a cloth trader of Kolkata opened a Branch at Kanpur on 1-4-2012. The goods were sent by Head Office to the Branch and invoiced at selling price to the Branch, which is 25% of the cost price of Head Office. The following are the particulars relating to the transactions of the Kanpur Branch:

Particulars	₹
Goods sent to Branch (at cost to H.O.)	4,50,000
Sales — Cash	2,10,000
— Credit	3,20,000
Cash collected from Debtors	2,85,000
Return from Debtors	10,000
Discount Allowed	8,500
Cash sent to Branch:	
for Freight	30,000
for Salaries	8,000

for other expenses	12,000
Spoiled clothes written off at invoice price	10,000
Normal loss estimated at	15,000

Prepare Branch Stock Account, Branch Debtors Account and Branch Adjustment Account showing the net profit of the Branch.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 12	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

K Ltd. of Kanpur has a branch at Kolkata. Goods sent to branch are invoiced at selling price i.e. cost plus 33%. From the following particulars, you are required to prepare Branch Stock Account and Branch Adjustment Account as they would appear in the head office books.

Particulars	₹
Stock on 01.04.2016 at invoice price	15,000
Stock on 01.04.2016 at invoice price	12,000
Goods sent to Kolkata during the year at invoice price	1,00,000
Sales at branch:	
For credit	32,000
For cash	75,000
Returns to head office at invoice price	5,000
Invoice value of goods lost by fire not covered by insurance	1,000

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 13

Ex. Book no.

Pg.No.

Multichained Stores Ltd. Delhi, has its branches at Lucknow and Chennai. It charges goods to its Branches at cost plus 25%. Following information is available of the transactions of the Lucknow Branch for the year ended on 31st March 2013:

Particulars	₹
Balances on 01.04.2012:	
Stock (at invoice price)	30,000
Debtors	10,000
Petty Cash	50
Transactions during 2012-13 (Lucknow Branch):	
Goods send to Lucknow Branch (at invoice price)	3,25,000
Goods returned to Head Office (at invoice price)	10,000
Cash Sales	1,00,000
Credit Sales	1,75,000
Goods pilfered (at invoice price)	2,000
Goods lost by fire (at invoice price)	5,000
Insurance Co. paid to H.O. for loss by fire at Lucknow	3,000
Cash sent for petty expenses	34,000
Bad debts at Branch	500
Goods transferred to Chennai Branch under H.O. advice	15,000
Insurance charges paid by H.O.	500
Goods returned by Debtors	500
Balance on 31.03.2013:	
Petty Cash	230
Debtors	14,000

Goods worth ₹15,000 (including above) sent by Lucknow Branch to Chennai Branch was in-transit on 31.03.2013.

Show the following accounts in the books of Multichained Stores Ltd.: (a) Lucknow Branch Stock Account; (b) Lucknow Branch Debtors Account; (c) Lucknow Branch Adjustment Account; (d) Lucknow Branch Profit & Loss Account, and (e) Stock Reserve Account.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 14

Ex. Book no.

Pg.No.

Priya Sales Corporation of Jaipur has a Branch at Kota to which goods are sent @ $33\frac{1}{3}\%$ above cost. The Branch makes sales both for cash and on credit. Branch expenses are paid direct from Head Office and the Branch has to remit all cash received into the Head Office Bank Account at Kota.

Following further details are given for the year ended 31st March, 2012:

Particulars	(₹)
Goods sent to Branch (at invoice price)	18,00,000
Goods returned by Branch (at invoice price)	20,000
Stock at Branch on 1.4.2011 (at invoice price)	2,40,000
Branch Debtors on 1.4.2011	2,15,000
Sales during the year:	
- Cash	5,80,000
- Credit	11,40,000
Cash received from Branch debtors	10,45,000
Discount allowed to by Branch to debtors	14,800
Bad debts	9,200
Sales return at Kota Branch	25,000
Salaries and wages at Branch	1,80,000
Rent, Rates and Taxes at Branch	42,000
Sundry expenses at Branch	15,000
Stock at Branch on 31.3.2012 (at invoice price)	3,60,000

You are required to show Branch Stock Account, Branch Adjustment Account, Branch Expenses Account, Branch Debtors Account, Goods sent to Branch Account and Branch Profit & Loss Account in the books of the Head Office.

Technical Point

Self Note

|

QUESTION 15

Ex. Book no.

Pg.No.

During the year ended 31st December, 2015, X & Co. of Madras sent to their Branch at Bombay goods costing ₹ 1,00,000. They used to invoice to the Branch at a price designed to show a gross profit of $33\frac{1}{3}\%$ on invoice price. Collections at the Branch from debtors amounting to ₹ 26,390 were all sent to Head Office.

Branch transactions during the year were:

Cash Sales— ₹ 1,21,050

Credit Sales— ₹ 27,600

Goods returned by customers— ₹ 300

Goods returned to Head Office— ₹ 780 (invoice price)

Financial Accounting

Particulars	On 31-12-14	On 31-12-15
	₹	₹
Stock (at invoice price)	2,250	2,700
Sundry Debtors	1,320	2,230

Goods at the Branch of ₹ 1,260 (invoice price) were lost. Insurance Company paid ₹ 730 on the claim. Branch expenses, paid by Head Office, amount to ₹ 36,780.

Show the necessary Ledger Accounts as would appear in the Head Office books recording the above transactions relating to the Branch including Branch Profit & Loss Account.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 16

Ex. Book no.

Pg.No.

Jaggu & Co., (Delhi) operates a branch at Jaipur to which goods are invoiced at wholesale price which is cost plus 25%. The branch sells the goods at the retail price which is wholesale price plus 20%.

The following information provided for the year ended 31.03.2014:

Stock at the branch on 01.04.2013	1,65,000
Goods invoiced to the branch during the year	17,82,000
Expenses of the branch for the year	1,10,000
Gross profit made by the branch	3,30,000
Stock at the branch on 31.03.2014	1,98,000

Some goods were destroyed by the fire during the year.

You are required to prepare Branch Stock Account, Branch Profit & Loss Account and Branch Stock Reserve Account in the books of Head Office for the year ended 31st March, 2014.

QUESTION 17

Ex. Book no.

Pg.No.

P.K.Co. Ltd. with their head office at Kolkata, invoiced goods to their Mumbai branch at invoice price. The invoice price is 20% less than list price, which is cost plus 100% with instruction that sales are made at list price.

From the following particulars ascertain the profit earned by the head office and branch:

Particulars	Kolkata H.O.(₹)	Mumbai Branch(₹)
Opening stock	40,000	32,000
Purchases	2,00,000	—
Goods sent to branch at cost price	62,500	—
Goods received from head office at invoice price	—	96,000
Sales	1,70,000	80,000

Trade expenses	14,000	8,000
----------------	--------	-------

Stock at head office is valued at cost price but those of branch are valued at invoice price.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 18	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Pass the journal entries to rectify or adjust the following in the books of Kolkata Branch for the year ending 31st March, 2014:

- (i) Kolkata Branch paid ₹ 25,000 as salary to a visiting Head Office Official. The branch has debited the amount to salaries account.
- (ii) Goods costing ₹ 15,000 purchased by Kolkata Branch, but payment made by Head Office. The Head Office has wrongly debited this amount to its own purchase account.
- (iii) Depreciation on branch assets, of which accounts are maintained by the Head Office, not provided for ₹ 5,500.
- (iv) Goods worth ₹ 30,000 were returned by a customer of Kolkata Branch to Head Office.
- (v) ₹40,000 remitted by Kolkata Branch to Head Office on 29th March, 2014 was received on 3rd April, 2014.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 19	Ex. Book no.	Pg.No.
--------------------	---------------------	---------------

Give the journal entries to rectify or adjust the following in the books of the Head Office :

- (i) Goods purchased by branch ₹ 7,500 but payment made by Head Office. The Head Office has wrongly debited this amount to its own purchases account.
- (ii) Branch paid ₹ 6,500 as salary to a visiting Head Office official. The Branch has debited the amount to salaries account.
- (iii) Depreciation ₹ 11,250 in respect of Branch Shop whose account is kept in Head Office Books.
- (iv) Expenses ₹ 5,600 to be charged to the Branch for work done on its behalf by the Head Office.

(v) Goods sent by the Head Office to Branch ₹ 25,000 not yet received by the Branch.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 20

EX. BOOK NO.

PG.NO.

Show what journal entries would be passed by the Jaipur Head Office to record the following transactions in their Books on 31st March, 2012, the closing date:

- A remittance of ₹ 35,000 made by Sikar Branch to Head Office on 29th March, 2012 and received by the Head Office on 5th April, 2012.
- Goods of ₹ 63,000 sent by the Head Office to the Bikaner Branch on 28 March, 2012 and received by the later on 4th April, 2012.
- Sikar Branch paid ₹ 30,000 as salary to a visiting Head Office Official. The Branch has debited the amount to salaries account.

<u>Technical Point</u>	<u>Self Note</u>

QUESTION 21

Ex. Book no.

Pg.No.

Give Journal Entries in the books of Branch A to rectify or adjust the following:

- Head Office expenses ₹ 3,500 allocated to the Branch, but not recorded in the Branch Books.
- Depreciation of branch assets, whose accounts are kept by the Head Office not provided earlier for ₹ 1,500.
- Branch paid ₹ 2,000 as salary to a H.O. Inspector, but the amount paid has been debited by the Branch to Salaries account.
- H.O. collected ₹ 10,000 directly from a customer on behalf of the Branch, but no intimation to this effect has been received by the Branch.
- A remittance of ₹ 15,000 sent by the Branch has not yet been received by the Head Office.
- Branch A incurred advertisement expenses of ₹ 3,000 on behalf of Branch B.

QUESTION 22

Ex. Book no.

Pg.No.

A Kolkata head office passes an entry at the end of each month to adjust the position arising out of inter-branch transactions during the month. From the following inter-branch transactions in April, 2014, make the entry in the books of Kolkata head office:

- (a) Delhi branch:
- (i) Received goods from Nagpur branch ₹9,000 and Ahmedabad branch RS.6,000.
 - (ii) Sent goods to Ahmedabad branch ₹15,000 and Nagpur branch ₹12,000.
 - (iii) Received bills receivable from Ahmedabad branch ₹9,000.
 - (iv) Sent acceptances to Nagpur branch ₹6,000 and Ahmedabad branch ₹3,000.
- (b) Kanpur branch [apart from (a) above]:
- (i) Received goods from Nagpur branch ₹15,000 and Delhi branch ₹6,000.
 - (ii) Cash sent to Nagpur branch ₹3,000 and Delhi branch ₹6,000.
- (c) Nagpur branch [apart from (a) and (b) above]:
- (i) Sent goods to Ahmedabad branch ₹9,000.
 - (ii) Received bills receivable from Ahmedabad branch ₹9,000.
 - (iii) Received cash from Ahmedabad ₹5,000.

	<u>Technical Point</u>	<u>Self Note</u>
E		
E		
E		
E		
E		

QUESTION 23

Ex. Book no.

Pg.No.

Show adjustment Journal entry in the books of Head Office at the end of April, 2013 for incorporation of inter-branch transactions assuming that only Head Office maintains different branch accounts in its books.

- A. Delhi Branch:
1. Received goods from Mumbai - ₹ 35,000 and ₹ 15,000 from Kolkata.
 2. Sent goods to Chennai- ₹ 25,000, Kolkata- ₹ 20,000.
 3. Bill Receivable received - ₹ 20,000 from Chennai.
 4. Acceptances sent to Mumbai - ₹ 25,000, Kolkata - ₹ 10,000.
- B. Mumbai Branch (apart from the above):
5. Received goods from Kolkata - ₹ 15,000, Delhi - ₹ 20,000.
 6. Cash sent to Delhi - ₹ 15,000, Kolkata - ₹ 7,000.
- C. Chennai Branch (apart from the above):

7. Received goods from Kolkata - ₹ 30,000.
 8. Acceptances and Cash sent to Kolkata - ₹ 20,000 and ₹10,000 respectively.
- D. Kolkata Branch (apart from the above):
9. Sent goods to Chennai - ₹ 35,000.
 10. Paid cash to Chennai - ₹15,000.
 11. Acceptances sent to Chennai - ₹15,000.