Q. Discuss Briefly the Relationship of Accounting with
(i) Economics (ii) Statistics (iii) Law.

Q. What Services can a Chartered Accountant provide to the Society?

Q. ~~Dist~~ Write a Short Note on:

(i) Money measurement Concept
(ii) Matching concept
(iii) Materiality Concept
(iv) Going Concern Concept
(v) Cost Concept
(vi) Periodicity Concept

Q. Difference Btw Provision & Contingent Liability & Liability & Contingent Liability.

Q. Briefly Define Accounting Policies & in which circumstantes we can make Change in it.

Q. Briefly Describe (i) Historal Cost (ii) Current Cost (iii) Reliasable Cost (iv) Present Value.

Q. Distinguish Btw Real A/C & Nominal A/C

Q. What are the advantages of Subsidiary Books?

Q. What do you understand by Error of Commision, Omission, Principle & Compensating Error

Q. Diff Btw Periodic & Perpetual inventory.

Q. Diff Btw SLM & WDV method.

Q. Diff Btw BOE & PN.

Q. Diff Btw Receipts Payment & Income & Exp A/C?

Q. Diff Btw Calls in Arrear & Calls in Advance

Q. Explain the objectives of Accounting Standards in Brief

Q. State the advantages of Setting accounting Standards.

Q. What do you mean by Retirement and Renewal of Bill?

25,000. CGST and SGST = ₹ 25,000 × 6% = ₹ 1,500 each.

ILLUSTRATION 10

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

(i) *Sold goods to Mukesh at the list price of ₹ 50,000 less 20% trade discount.*

(ii) *Sold goods to Mukesh at the list price of ₹ 1,00,000 less 20% trade discount and 5% cash discount.*

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

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

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

Required:

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

The ... amount column. The total in the amount colu
total purchase made in a period.

ILLUSTRATION 1

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

2022

Feb. 1. *Purchased from Brown & Co. on credit :*

5 gross pencils @ ₹100 per gross,

1 gross register @ ₹ 240 per doz.

Less : Trade Discount @ 10%

2. *Purchased for cash from the Stationery Mart;*

10 gross exercise books @ ₹ 300 per doz.

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

4. *Purchased on credit from The Paper Co.*

5 reams of white paper @ ₹100 per ream.

10 reams of ruled paper @ ₹150 per ream.

Less : Trade Discount @ 10%

5. *Purchased one dozen gel pens @ ₹15 each from M/s. Verma Bros. on credit.*

Make out the Purchase Book of M/s. Narain & Co.

SOLUTION

ILLUSTRATION 5

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

2022		₹
March 1	Cash in Hand	15,000
	Overdraft in Bank	500
2	Cash Sales	3,000
3	Paid to Sushil Bros. by cheque	3,400
	Discount received	100
5	Sales through credit card	2,800
6	Received cheque from Srijan	6,200
7	Endorsed Srijan's cheque in favour of Adit	
9	Deposit into Bank	6,800
10	Received cheque from Aviral and deposited the same into Bank by allowing discount of ₹ 50	3,600

12	*Adit informed that Srijan's cheque is dishonoured. Now cash is received from Srijan and amount is paid to Adit through own cheque*	
15	*Sales through Debit Card*	*3,200*
24	*Withdrawn from Bank*	*1,800*
28	*Paid to Sanchit by cheque*	*3,000*
30	*Bank charged 1% commission on sales through Debit/Credit Cards*	

SOLUTION

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

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

ILLUSTRATION 4

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.

SOLUTION

ILLUSTRATION 8

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

(1) *Purchase of a scooter was debited to conveyance account ₹3,000.*

(2) *Purchase account was over-cast by ₹10,000.*

(3) *A credit purchase of goods from Mr. P for ₹2,000 was entered as a sale.*

(4) *Receipt of cash from Mr. A was posted to the account of Mr. B ₹1,000.*

(5) *Receipt of cash from Mr. C was posted to the debit of his account, ₹500.*

(6) *₹500 due by Mr. Q was omitted to be taken to the trial balance.*

(7) *Sale of goods to Mr. R for ₹2,000 was omitted to be recorded.*

(8) *Amount of ₹2,395 of purchase was wrongly posted as ₹2,593.*

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

balance of ₹ 758 as per pass-book.

ILLUSTRATION 6

On 30th December, 2022 the bank column of A. Philip's cash book showed a debit balance of ₹4,610. On examination of the cash book and bank statement you find that:

1. *Cheques amounting to ₹ 6,30,000 which were issued to trade payables and entered in the cash book before 30th December, 2022 were not presented for payment until that date.*
2. *Cheques amounting to ₹ 2,50,000 had been recorded in the cash book as having been paid into the bank on 30th December, 2022, but were entered in the bank statement on1st January, 2023.*
3. *A cheque received for ₹ 73,000 had been dishonoured prior to 30th December, 2022, but no record of this fact appeared in the cash book.*
4. *A dividend of ₹ 3,80,000, paid direct to the bank had not been recorded in the cash book.*
5. *Bank interest and charges amounting to ₹ 4,200 had been charged in the bank statement but not entered in the cash book.*
6. *No entry had been made in the cash book for a trade subscription of ₹ 10,000 paid vide banker's order in November, 2022.*
7. *A cheque for ₹ 27,000 drawn by B. Philip had been charged to A. Philip's bank account by mistake in December, 2022.*

You are required:

(a) *to make appropriate adjustments in the cash book bringing down the correct balance, and*

(b) *to prepare a statement reconciling the adjusted balance in the cash book with the balance shown in the bank statement.*

ILLUSTRATION 6

M/s X, Y and Z are in retail business, following information are obtained from their records for the year ended 31st March, 2022:

Goods received from suppliers		
(subject to trade discount and taxes)	₹	*15,75,500*
Trade discount 3% and GST 11%		
Packaging and transportation charges	₹	*87,500*
Sales during the year	₹	*22,45,500*
Sales price of closing inventories	₹	*2,35,000*

Find out the non-historical cost of inventories using adjusted selling price method.

SOLUTION

ILLUSTRATION 10

Inventory taking for the year ended 31st March, 2022 was completed by 10th April 2022, the valuation of which showed a inventory figure of ₹ 16,75,000 at cost as on the completion date. After the end of the accounting year and till the date of completion of inventory taking, sales for the next year were made for ₹ 68,750, profit margin being 33.33 % on cost. Purchases for the next year included in the inventory amounted to ₹ 90,000 at cost less trade discount 10 %. During this period, goods were added to inventory at the mark up price of ₹ 3,000 in respect of sales returns. After inventory taking it was found that there were certain very old slow-moving items costing ₹ 11,250, which should be taken at ₹ 5,250 to ensure disposal to an interested customer. Due to heavy flood, certain goods costing ₹ 15,500 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be ₹ 12,500 on 31st March. Compute the value of inventory for inclusion in the final accounts for the year ended 31st March, 2022.

SOLUTION

Statement showing the valuation of Inventory

ILLUSTRATION 8

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

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

SOLUTION

ILLUSTRATION 9

A firm purchased second hand machinery on 1st January, 2019 for ₹ 3,00,000, subsequent to which ₹ 60,000 and ₹ 40,000 were spent on its repairs and installation, respectively. On 1st July, 2020 another machinery was purchased for ₹ 2,60,000. On 1st July, 2021, the first machinery having become outdated was auctioned for ₹ 3,20,000 and on the same date, another machinery was purchased for ₹ 2,50,000.

On 1st July, 2022, the second machinery was also sold off and it fetched ₹ 2,30,000.

Depreciation was provided on machinery @ 10% on the original cost annually on 31st December, under the straight line method.

ILLUSTRATION 8

Rita owed ₹1,00,000 to Siriman. On 1st October, 2021, Rita accepted a bill drawn by Siriman for the amount at 3 months. Siriman got the bill discounted with his bank for ₹99,000 on 3rd October, 2021. Before the due date, Rita approached Siriman for renewal of the bill. Siriman agreed on the conditions that ₹50,000 be paid immediately together with interest on the remaining amount at 12% per annum for 3 months and for the balance, Rita should accept a new bill at three months. These arrangements were carried out. But afterwards, Rita became insolvent and 40% of the amount could be recovered from his estate.

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

SOLUTION

ILLUSTRATION 9

On 1st July, 2022 Gorge drew a bill for ₹1,80,000 for 3 months on Harry for mutual accommodation. Harry accepted the bill of exchange. Gorge had purchased goods worth ₹1,81,000 from Jack on the same date. Gorge endorsed Harry's acceptance to Jack in full settlement. On 1st September, 2022, Jack purchased goods worth ₹1,90,000 from Harry. Jack endorsed the bill of exchange received from Gorge to Harry and paid ₹ 9,000 in full settlement of the amount due to Harry. On 1st October, 2022, Harry purchased goods worth ₹2,00,000 from Gorge. Harry paid the amount due to Gorge by cheque. Give the necessary Journal Entries in the books of Harry , Gorge and Jack.

SOLUTION

ILLUSTRATION 2

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

	₹
Opening Work-in-Process (10,000 units)	*16,000*
Closing Work-in-Process (12,000 units)	*20,000*
Opening inventory of Raw Materials	*1,70,000*
Closing inventory of Raw Materials	*1,90,000*
Purchases	*8,20,000*
Hire charges of machine @ ₹ 0.60 per unit manufactured	
Hire charges of factory	*2,20,000*

Direct wages-Contracted @ ₹ 0.80 per unit manufactured and @ ₹ 0.40 per unit of	
Closing W.I.P.	
Repairs and Maintenance	*1,80,000*
Units produced – 5,00,000 units	

Required

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

SOLUTION

In the Books of Mr. Vimal

ILLUSTRATION 11

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

Balance Sheet as on 31st March, 2021

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

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

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

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

Membership subscription included ₹ 10,000 received in advance and 75% of the entrance fees is to be capitalized.

Rent for ₹ 4,000 and salaries for ₹ 3,000 are outstanding.

Books are to be depreciated @ 10% including additions. Electrical fittings and furniture are al to be depreciated at the same rate.

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

SOLUTION

Smith Library Society

ILLUSTRATION 9

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

Receipts and Payments Account

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

Figures of other assets and liabilities are furnished as follows:

	As at March 31	
	₹	₹
	2021	2022
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, 2022 was ₹5,250.

Required

From the above information you are required to prepare:

(a) The Club's Balance Sheet as at March 31, 2021;

(b) The Club's Income and Expenditure Account for the year ended March 31, 2022.

(c) The Club's Closing Balance Sheet as at March 31, 2022.

SOLUTION

ILLUSTRATION 6

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

SOLUTION

Goodwill = ₹ 1,80,000

ILLUSTRATION 2

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

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

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

SOLUTION

ILLUSTRATION 6

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

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

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

(i) C to purchase one–third of the goodwill for ₹ 2,000 and provide ₹ 10,000 as capit Goodwill not to appear in books.

(ii) *Further profits and losses are to be shared by A, B and C equally.*

(iii) *Plant and machinery is to be reduced by 10% and ₹ 500 is to be provided for estimated bad debts. Inventory is to be taken at a valuation of ₹ 24,940.*

(iv) *By bringing in or withdrawing cash, the capitals of A and B are to be made proportionate to that of C on their profit-sharing basis.*

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

SOLUTION

ILLUSTRATION 2

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

Balance Sheet as on 31.12.2022

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

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

Required:

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

		5	55	–

ILLUSTRATION 4

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

Balance Sheet of K, L and M as on 31.3.2022

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

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

You are required to give:

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

ILLUSTRATION 5

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

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

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

(a) *Goodwill is to be valued at ₹ 1 lakh but the same will not appear as an asset in the books of the reconstituted firm.*

(b) *Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹ 15,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.*

(c) *In the reconstituted firm, the total capital will be ₹ 2 lakhs which will be contributed by Mr. A, Mr. C and Mr. D in their new profit sharing ratio, which is 2:2:1.*

(i) *The surplus funds, if any, will be used for repaying bank overdraft.*

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

Required:

Prepare

(a) *Revaluation account;*

(b) *Partners' capital accounts;*

(c) *Bank account; and*

(d) *Balance sheet of the reconstituted firm as on 1st April, 2022.*

SOLUTION

Working Note

D's loss will be borne by A and B only because only solvent partners having credit balance has to bear the loss on account of insolvency. C will bring his share of loss in cash.

ILLUSTRATION 5

M/s X, Y, and Z who were in partnership sharing profits and losses in the ratio of 2:2:1 respectively, had the following Balance Sheet as on December 31, 2022:

Liabilities		₹	₹	Assets	₹	₹
Capital:	X	29,200		Fixed Assets		40,000
	Y	10,800		Stock		25,000
	Z	10,000	50,000	Book Debts	25,000	
Z's Loan			5,000	Less: Provision	(5,000)	20,000
Loan from Mrs. X			10,000	Cash		1,000
Sundry Trade Creditors			25,000	Advance to Y		4,000
			90,000			90,000

The firm was dissolved on the date mentioned above due to continued losses. After drawing up the balance sheet given above, it was discovered that goods amounting to ₹ 4,000 have been purchased in November, 2022 and had been received but the purchase was not recorded in books.

Fixed assets realized ₹ 20,000; Stock ₹ 21,000 and Book Debt ₹ 20,500. Similarly, the creditors allowed a discount of 2% on average. The expenses of realization come to ₹ 1,080. X agreed to take over the loan of Mrs. X. Y is insolvent, and his estate is unable to contribute anything.

Give accounts to close the books; work according to the decision in Garner vs. Murray.

SOLUTION

ILLUSTRATION 7

The following is the Balance Sheet of A, B, C on 31st December, 2022 when they decided dissolve the partnership:

Liabilities	₹	Assets	₹
Creditors	2,000	Sundry Assets	48,500
A's Loan	5,000	Cash	500
Capital Accounts:			
A	15,000		
B	18,000		
C	9,000		
	49,000		49,000

The assets realized the following sums in installments:

I	1,000
II	3,000
III	3,900
IV	6,000
V	20,100[1]
	34,000

The expenses of realization were expected to be ₹ 500 but ultimately amounted to ₹ 400 only. Show how at each stage the cash received should be distributed between partners. They share profits in the ratio of 2:2:1.

DATE: / /

Q2. ABC Ltd issued 1,50,000 Eq shares of ₹10 Each at ₹2 per share premium the amount was payable as follows.

3+2P on Application ₹5 (Inc. ₹2 Premium)
on Allotment ₹4
on first & final call Balance.

the Application were Received 1,50,000 Shares & Pro rata Allotment was made to 1,20,000 Application. & Remaining Rejected by Company. One Shareholder Sachin who applied 3600 Shares only Paid did not pay allotment Money & His Shares forfeited immediately. Another Shareholder Virat Hold 3000 shares did not pay final Call Money & His Shares Forfeited. Out of forfeited Shares 3000 Reissued at the rate ₹12 per share as fully paid up

Pass Journal Entries & Prepare Bank A/C. Reissued Shares (~~Sachin~~ Virat A/C)

...ing cash transactions).

On 1st April 2022 Sheru Ltd. issued 1,00,000 12% debentures of ₹100 each at a discount of 5%, redeemable on 31st March, 2027. Issue was oversubscribed by 20,000 debentures, who were refunded their money. Interest is paid annually on 31st March. You are required to prepare:

(i) Journal Entries at the time of issue of debentures.

(ii) Discount on issue of Debenture Account

(iii) Interest account and Debenture holder Account assuming TDS is deducted @ 10%.

ILLUSTRATION 3

Following notes pertain to the Balance Sheet of Solid Ltd. as at 31st March, 2022:

	₹
Authorised capital :	
10,000 12% Preference shares of ₹ 10 each	1,00,000
1,00,000 Equity shares of ₹ 10 each	10,00,000
	11,00,000
Issued and Subscribed capital:	
8,000 12% Preference shares of ₹ 10 each fully paid	80,000
90,000 Equity shares of ₹ 10 each, ₹ 8 paid up	7,20,000
Reserves and Surplus :	
General reserve	1,60,000
Revaluation reserve	35,000
Securities premium (collected in cash)	20,000
Profit and Loss Account	2,05,000
Secured Loan:	
12% Debentures @ ₹ 100 each	5,00,000

On 1st April, 2022 the Company has made final call @ ₹ 2 each on 90,000 equity shares. The call money was received by 20th April, 2022. Thereafter the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held. Show necessary entries in the books of the company and prepare the extract of the Balance Sheet immediately after bonus issue assuming that the company has passed necessary resolution at its general body meeting for increasing the authorised capital.

SOLUTION

ILLUSTRATION 9

The Balance Sheet of XYZ Ltd. as at 31st December, 2021 inter alia includes the following information:

	₹
50,000, 8% Preference Shares of ₹100 each, ₹70 paid up	*35,00,000*
1,00,000 Equity Shares of ₹100 each fully paid up	*1,00,00,000*
Securities Premium	*5,00,000*
Capital Redemption Reserve	*20,00,000*
General Reserve	*50,00,000*
Bank	*15,00,000*

Under the terms of their issue, the preference shares are redeemable on 31st March, 2022 at 5% premium. In order to finance the redemption, the company makes a rights issue of 50,000 equity shares of ₹ 100 each at ₹ 110 per share, ₹ 20 being payable on application, ₹ 35 (including premium) on allotment and the balance on 1st January, 2023. The issue was fully subscribed and allotment made on 1st March, 2022. The money due on allotment were duly received by 31st March, 2022. The preference shares were redeemed after fulfilling the necessary conditions of Section 55 of the Companies Act, 2013.

You are asked to pass the necessary Journal Entries. (Ignore date column)

ILLUSTRATION 10

With the help of the details in Illustration 9 above and further assuming that the Preference Shareholders holding 2,000 shares fail to make the payment for the Final Call made under Section 55, you are asked to pass the necessary Journal Entries and show the relevant extracts from the balance sheet as on 31st March, 2022 with the corresponding figures as on 31st December, 2021 assuming that the shares in default are forfeited after giving proper notices. (Ignore date column)

SOLUTION

(10,000 X 100)].

ILLUSTRATION 2

The following balances appeared in the books of Paradise Ltd (unlisted company other than AIFI, Banking company, NBFC and HFC) as on 1-4-2021:

(i) 12 % Debentures ₹ 7,50,000

(ii) Balance of DRR ₹ 25,000

(iii) DRR Investment 1,12,500 represented by 10% ₹ 1,125 Secured Bonds of the Government of India of ₹ 100 each.

Annual contribution to the DRR was made on 31st March every year. On 31-3-2022, balance at bank was ₹ 7,50,000 before receipt of interest. The investment were realised at par for redemption of debentures at a premium of 10% on the above date.

You are required to prepare the following accounts for the year ended 31st March, 2022:

(1) Debentures Account

(2) DRR Account

(3) DRR Investment Account

(4) Bank Account

(5) Debenture Holders Account.