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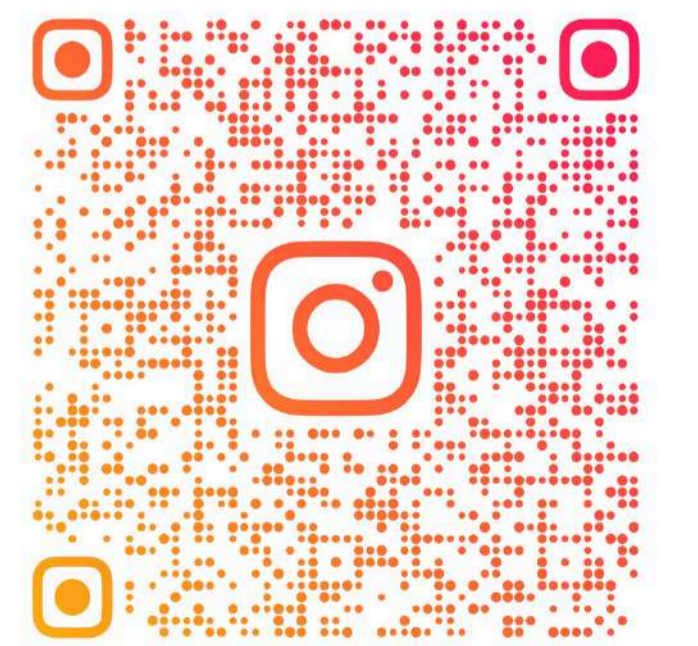


CA ADARSH JOSHI

CA , B.COM

FOUNDER

- 8+ years of teaching experience in CA education
- Subject Expert in:
CA Foundation – Paper 2: Business Laws
CA Intermediate – Paper 2: Corporate and Other Laws
- Has uploaded over 3000+ educational videos for CA Foundation and CA Inter students
- Known for his dynamic, conceptual and “fun-and-learn” teaching style
- Guided thousands of students across India to success in CA exams
- Strong academic background with B.Com (BMCC, Pune) and ACA qualification
- Widely appreciated for his clarity, energy, and practical approach to law subjects
- Through Shikshadwar, offers comprehensive classes, books, tests, and mentorship to CA students



CAADARSHJOSHI



CA DARSHAN JAIN

CA , CS , LLB , DISA , DIRM , B.COM

CO FOUNDER

- Chartered Accountant by profession & educator by passion
- Teaching Financial Accounting , Financial Management & Strategic Management to CA Students For 12 Years.
- Practicing Chartered Accountant For Past 13 years in The Field of Audit , Direct & Indirect Taxes & Management Consultancy
- Elected as Convenor of The Jalna CA CPE Chapter of WIRC of ICAI For 2 consecutive years 20-21 & 21-22.
- He Has Successfully Completed & Qualified Following Certificate Course Conducted By ICAI
 1. Forensic Accounting & Fraud Detection
 2. Concurrent Audit of Banks
 3. Goods & Service Tax (GST)
 4. Public Finance & Accounting
 5. Drafting & Pleading Before Authorities
 6. Wealth management & Financial Planning
 7. Artificial Intelligence



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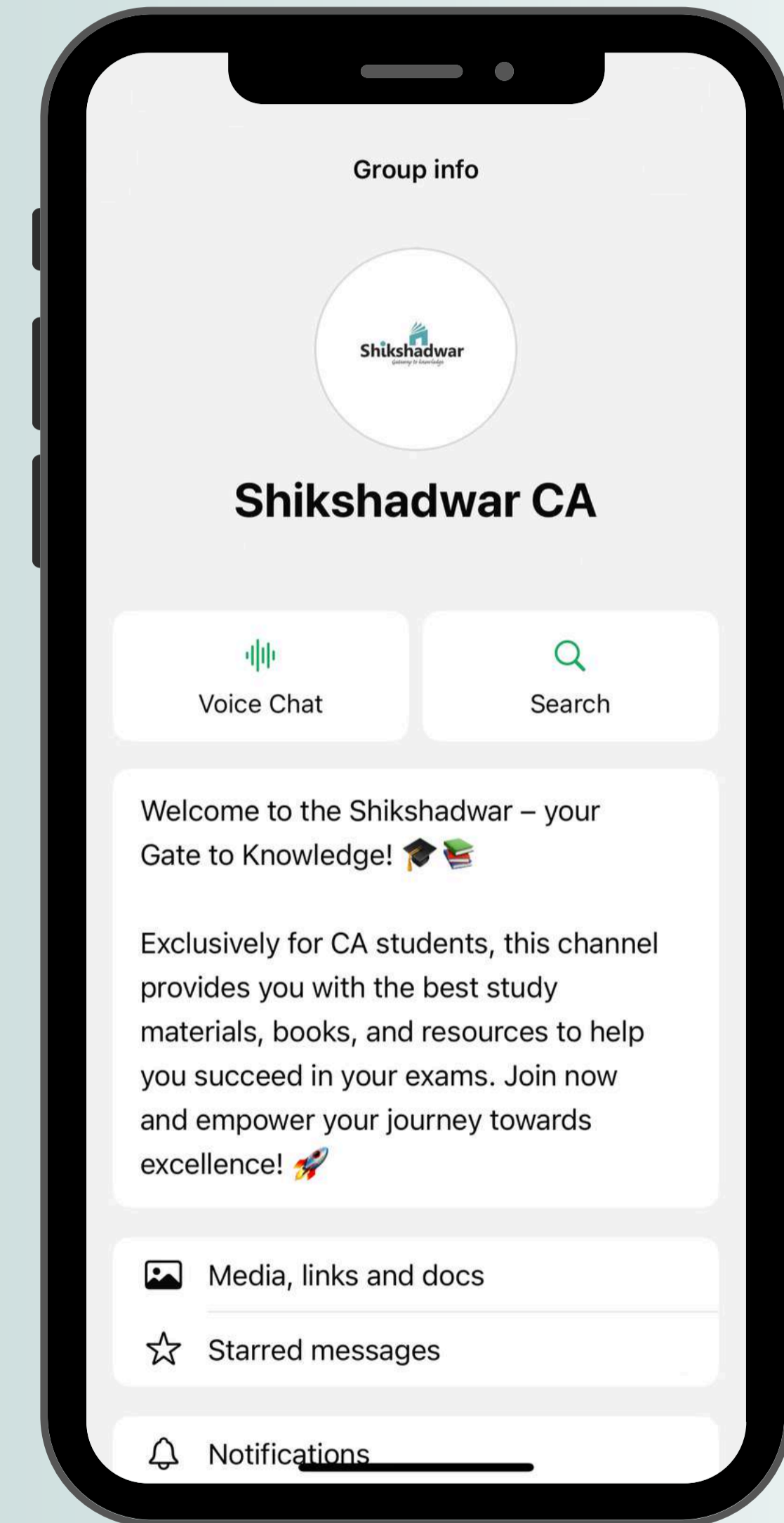
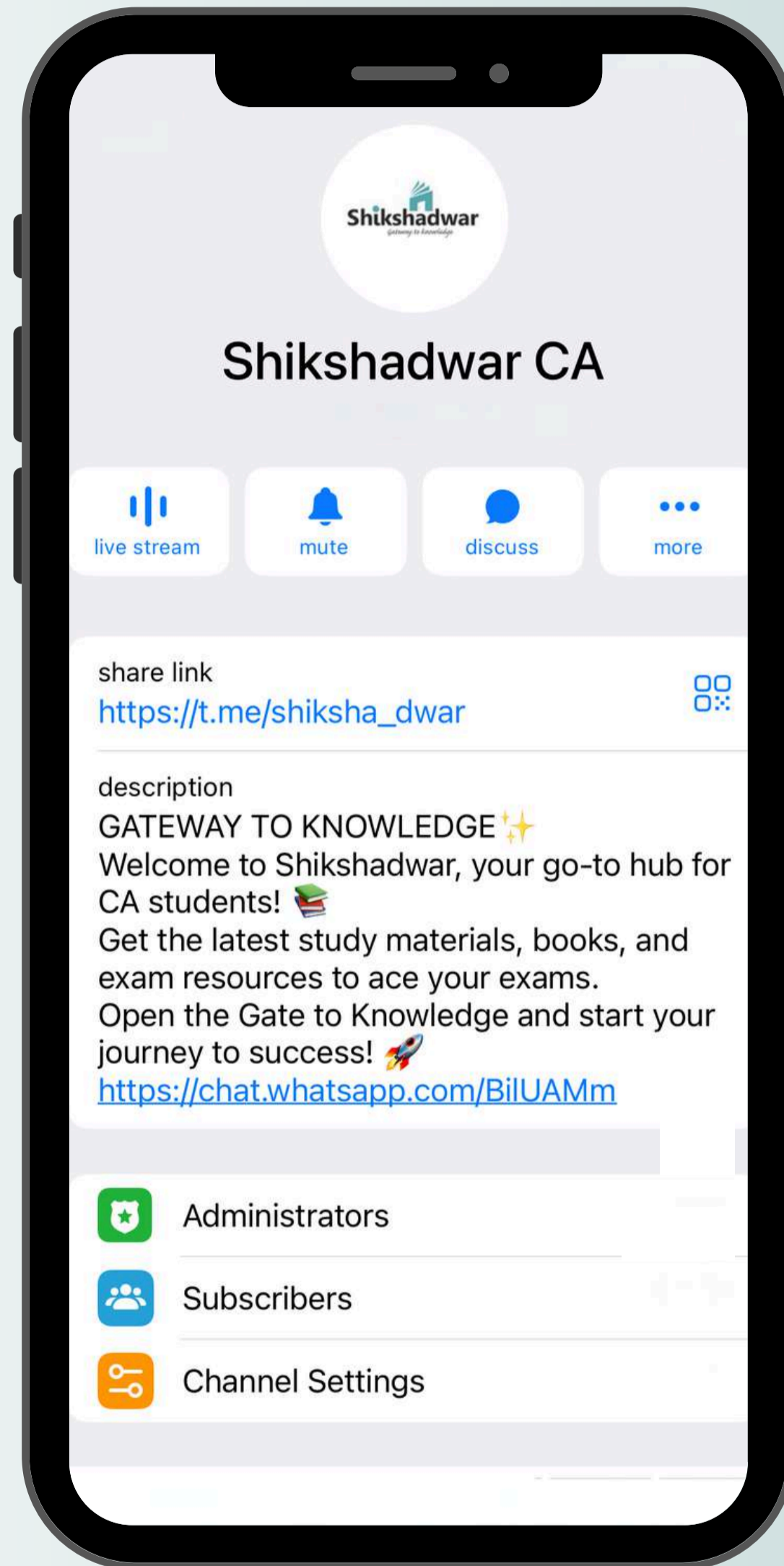
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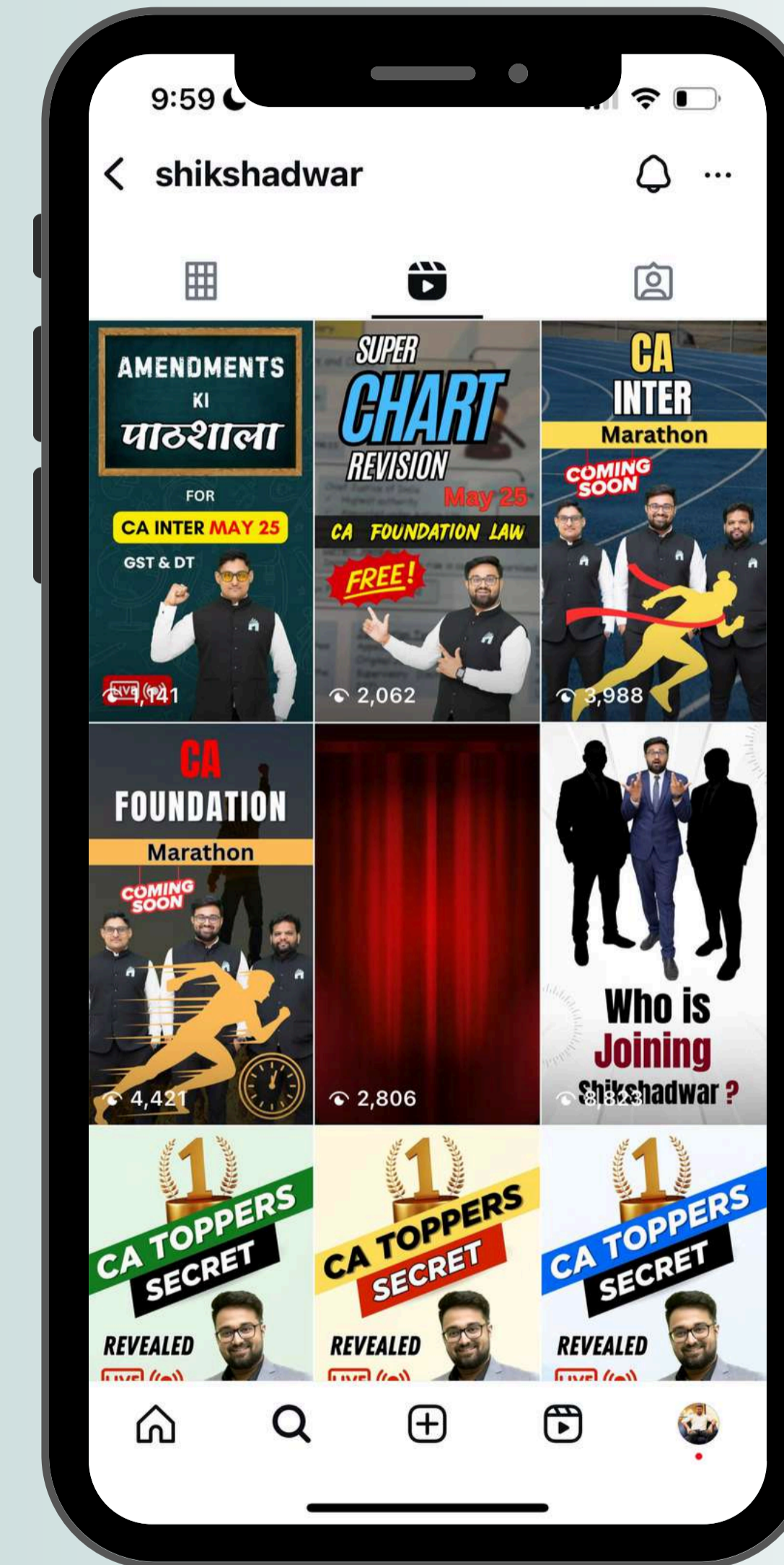
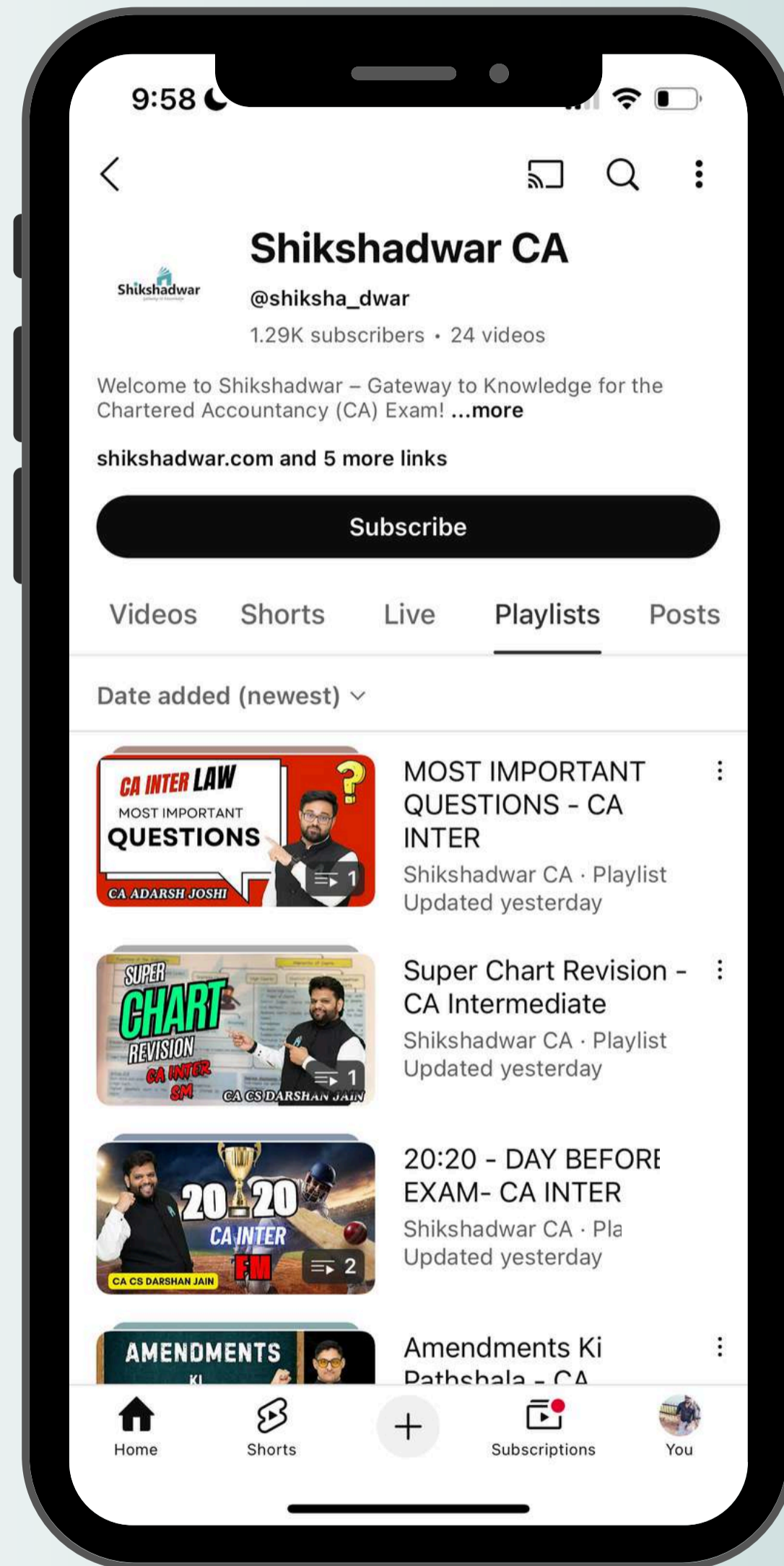
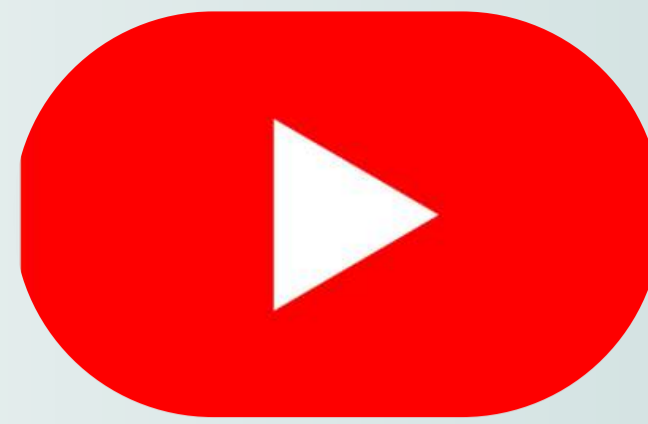
CA , LLB

- A multi-faceted professional with a Chartered Accountancy qualification and a Bachelor's degree in Law.
- Brings 7+ years of teaching experience across CA and CS professional courses.
- Specializes in:
 - Taxation at CA Intermediate and CS Executive levels
 - Economics at CA Foundation level
- Known for simplifying complex concepts with crystal-clear explanations and practical insights.
- Expert in delivering Fasttrack batches with proven accelerated learning techniques.
- Frequently invited as a visiting faculty for Taxation at reputed coaching institutes.
- Loved by students for his interactive teaching style, real-life examples, and exam-oriented approach.



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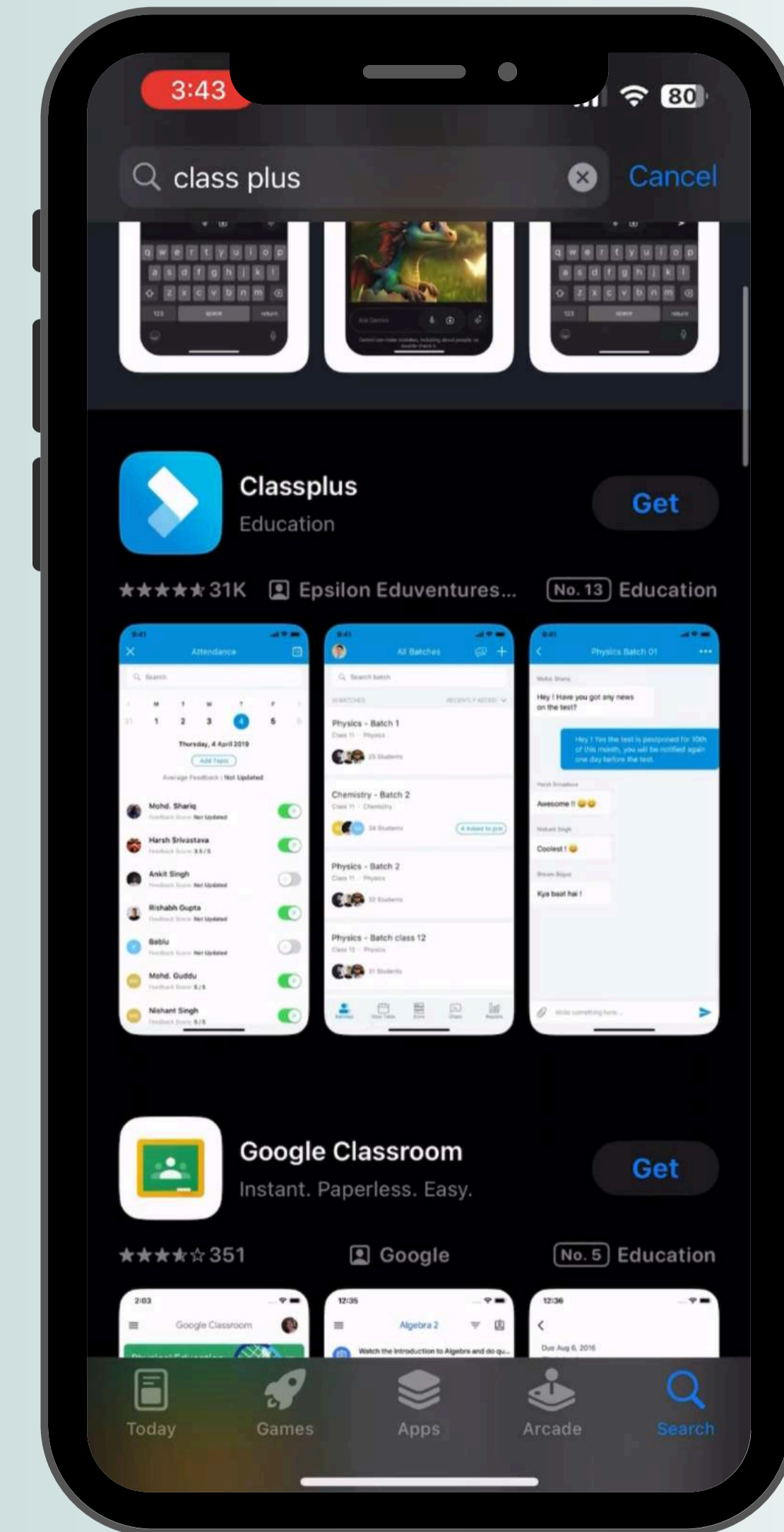
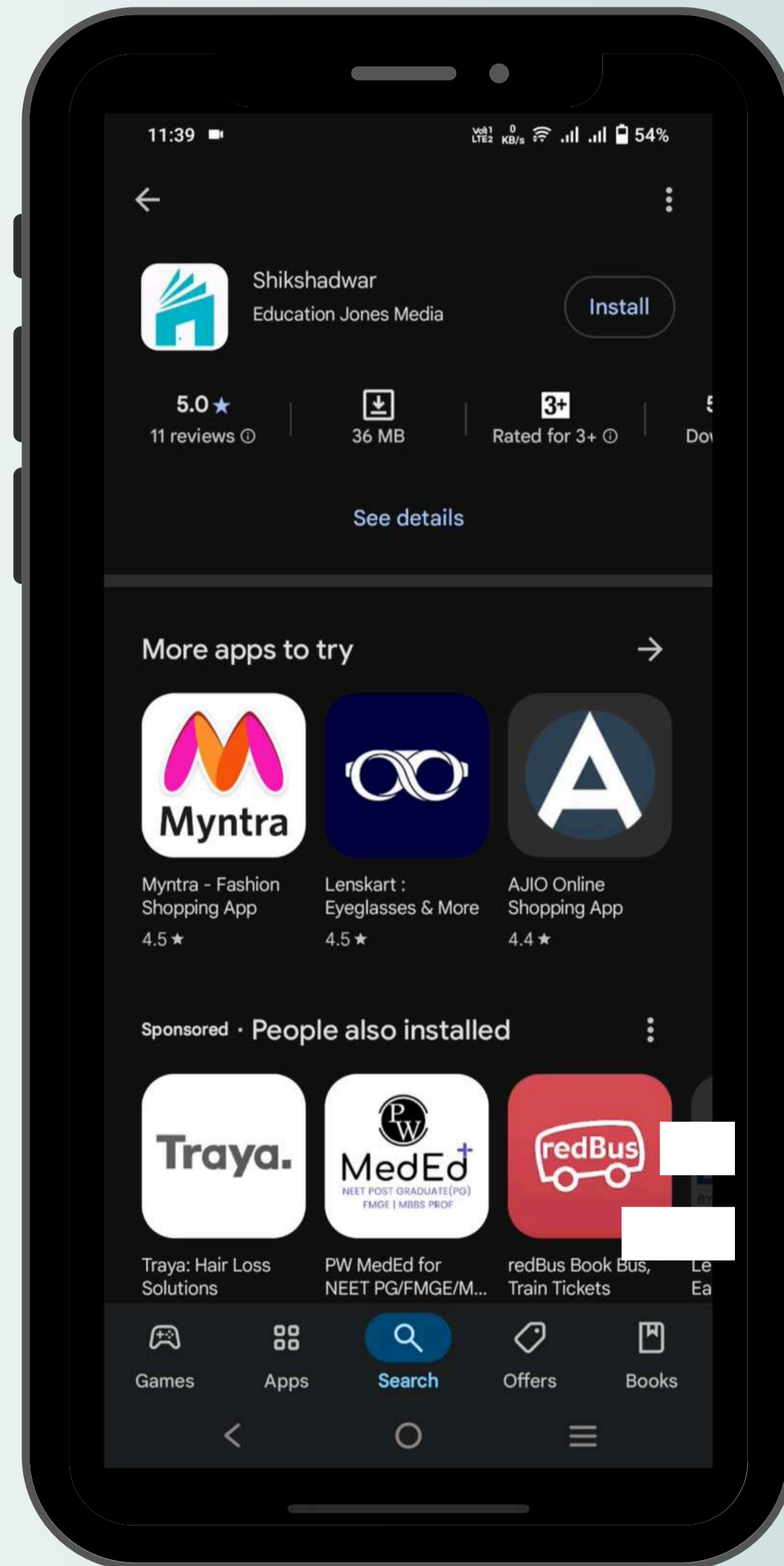
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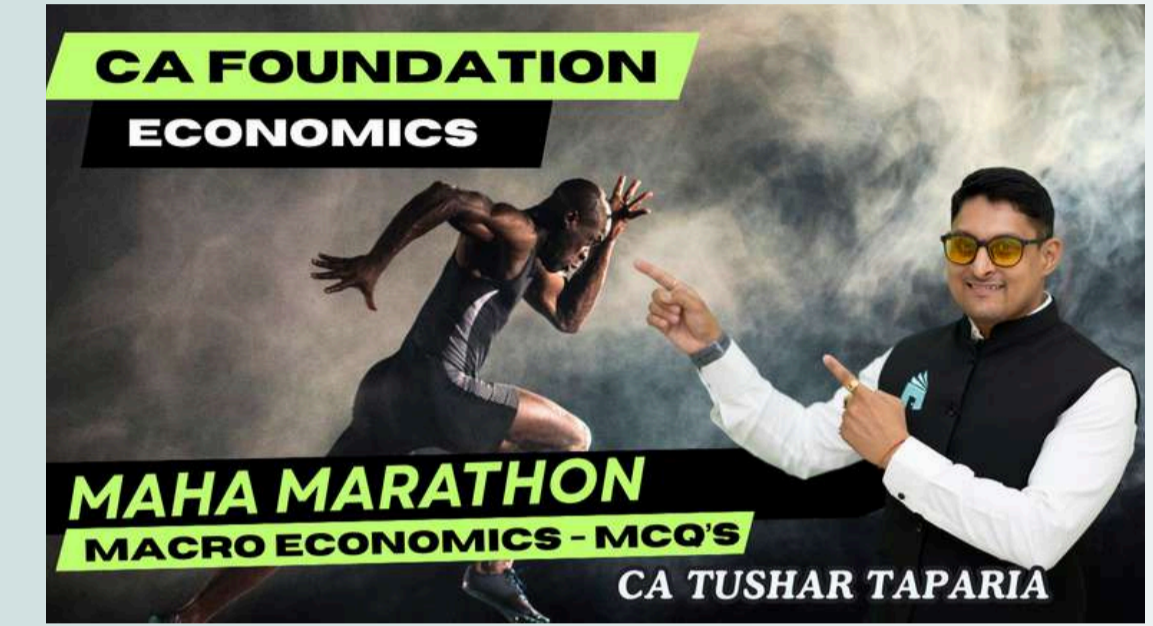
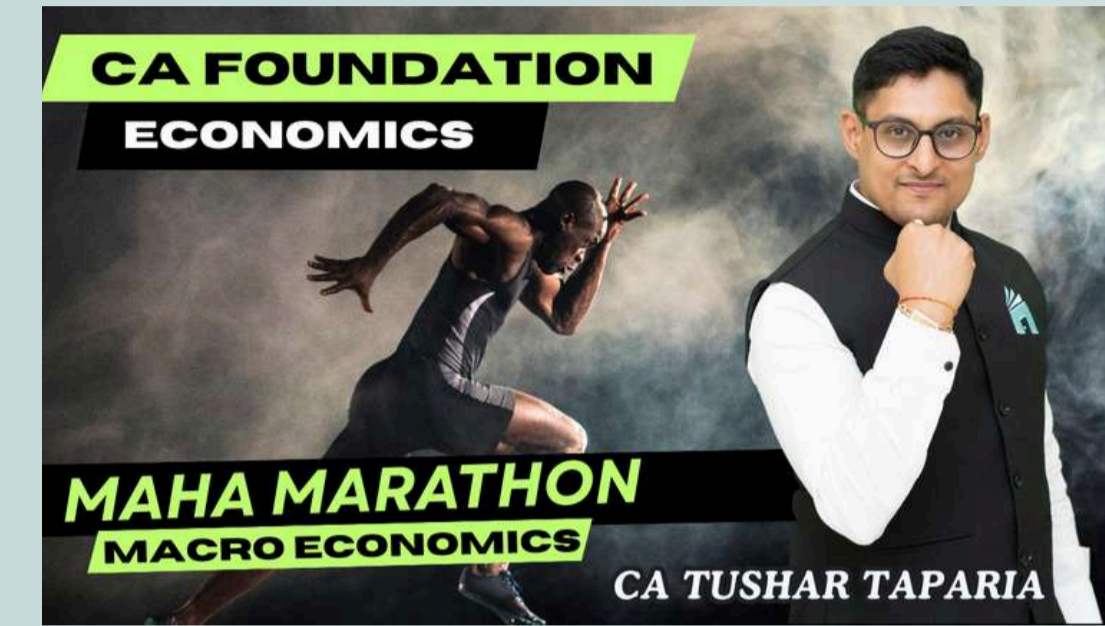
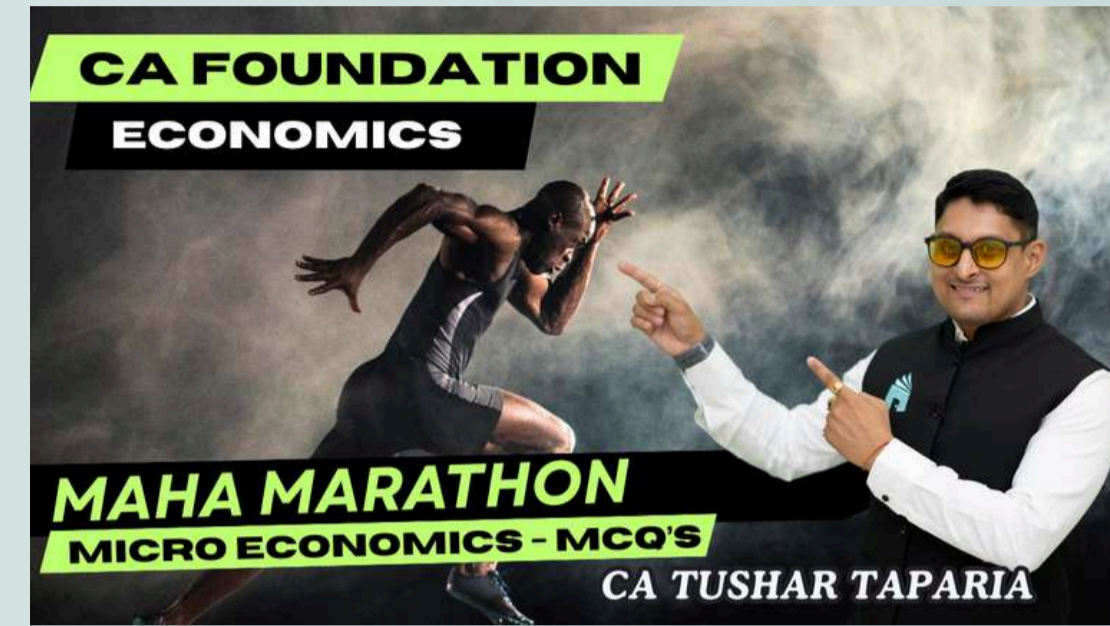
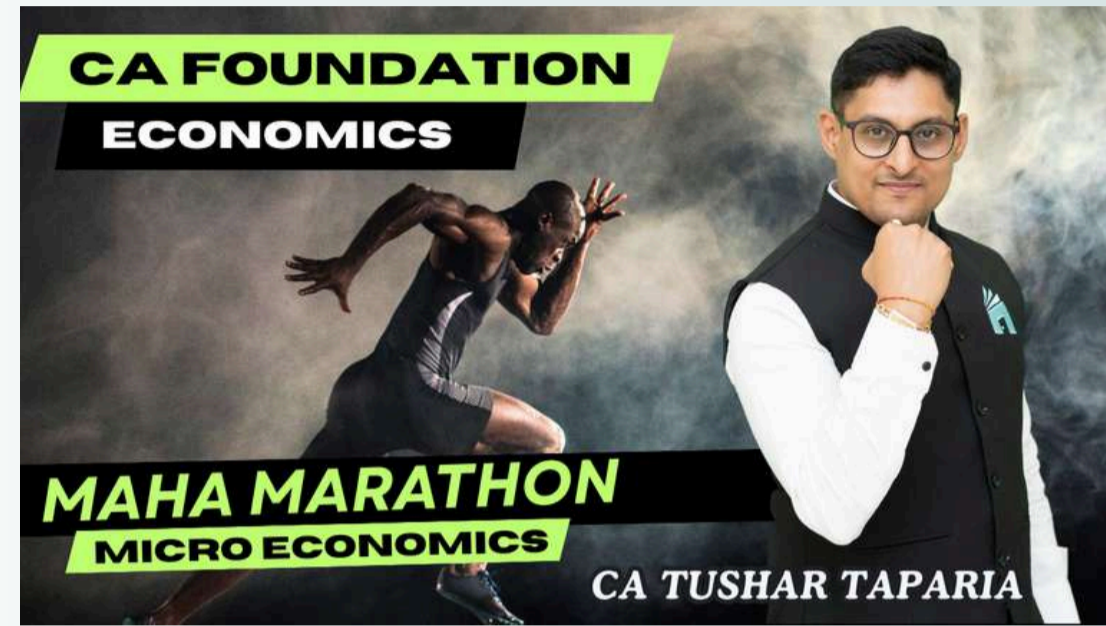
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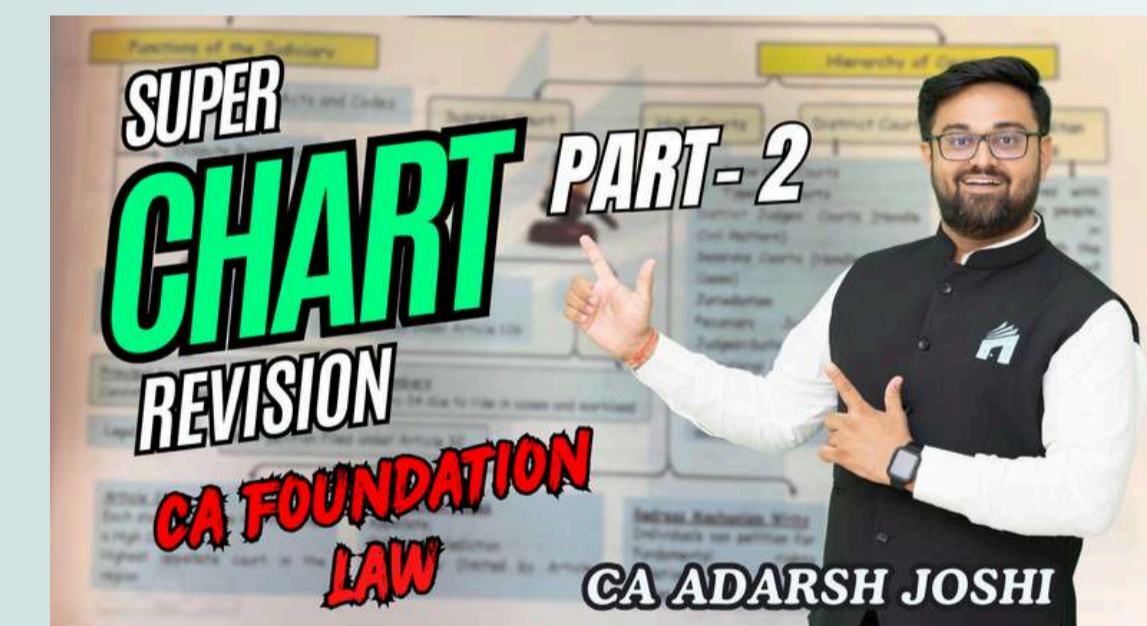
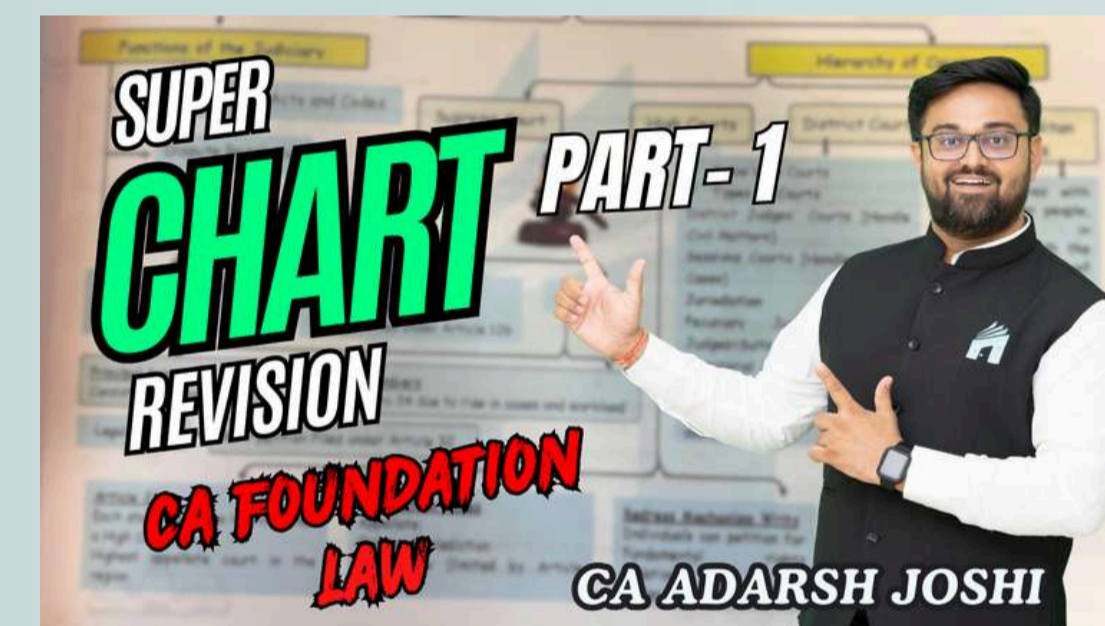
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CA FOUNDATION MAY 25

Marathons Live Streams



MAHA MARATHONS ECONOMICS



MAHA MARATHONS ACCOUNTING

SUPER CHART REVISION



20-20 SERIES









SUPER 80








AAKHRI WAR

CA FOUADATION MAY 25

Marathons Schedule With Links

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
28/4/2025	1.00 PM	CA TUSHAR TAPARIA	ECONOMICS	MICRO ECONOMICS	
29/4/2025	8.00 AM	CA ADARSH JOSHI	LAW	SUPER CHART REVISION - PART I	
1/5/2025	2.00 PM	CA TUSHAR TAPARIA	ECONOMICS	MICRO ECONOMICS - MCQ'S	
3/5/2025	1.00 PM	CA TUSHAR TAPARIA	ECONOMICS	MACRO ECONOMICS	
4/5/2025	8.00 AM	CA CS DARSHAN JAIN	ACCOUNTING	MAHA MARATHON - PART I	
6/5/2025	8.00 AM	CA ADARSH JOSHI	LAW	SUPER CHART REVISION - PART II	

DATE	TIME	EDUCATOR	SUBJECT	TOPICS	YOUTUBE LINK
9/5/2025	2.00 PM	CA TUSHAR TAPARIA	ECONOMICS	MACRO ECONOMICS - MCQ'S	
11/5/2025	8.00 AM	CA CS DARSHAN JAIN	ACCOUNTING	MAHA MARATHON - PART II	
14/5/2025	8.00 AM	CA CS DARSHAN JAIN	ACCOUNTING	20-20	
16/5/2025	8:00 am	CA ADARSH JOSHI	LAW	SUPER 80	
20/5/2025	3.00 PM	CA TUSHAR TAPARIA	ECONOMICS	AAKHRI WAR	



INDIA'S

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LIVE ((●))

MARATHON

FOR CA FOUNDATION ACCOUNTS



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ACCOUNTING

MAHA MARATHON

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**(BASICS , ROE , BRS , BOE , DEPRECIATION ,
PARTNERSHIP)**

**CA CS
DARSHAN JAIN**

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MAHA MARATHON
PART 2

**(INVENTORY , NPO , FINAL ACCOUNTS ,
SINGLE ENTRY , COMPANY ACCOUNTS)**

**CA CS
DARSHAN JAIN**



20 20

CA FOUNDATION

ACCOUNTING

CA CS DARSHAN JAIN



20-20

**TOP TWENTY QUESTION OF
— ACCOUNTS —**

ILLUSTRATION 1

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

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

Journal Entries in the books of Mr. Roy

Date	Particulars	LF	Amount	Amount
1	Motor Vehicles A/c.....Dr		2700	
	To Profit & Loss Adjustment A/c			2700
	(Being Purchase of Scooter wrongly debited to conveyance account now rectified) 3000 -10% Depreciation = 2700			
2	Suspense A/c.....Dr		10000	
	To Profit & Loss Adjustment A/c			10000
	(Being Purchase Account Over casted Earlier now Rectified)			

Date	Particulars	LF	Amount	Amount
3	Profit & Loss Adjustment A/c.....Dr		4000	
	To P A/c			4000
	(being Credit Purchase Recorded as Credit Sales Earlier , Now Rectified)			
4	B A/c.....Dr		1000	
	To A A/c			1000
	(Being Cash Received from A Posted to B Earlier , Now Rectified)			
5	Suspense A/c.....Dr		1000	
	To C A/c			1000
	(Being Amount Received from C was wrongly			

Date	Particulars	LF	Amount	Amount
6	Trade Receivables A/c.....Dr		500	
	To Suspense A/c			500
	(Being Balance of Due from Q Was omitted to be taken to Trial Balance Earlier , Now Rectified)			
7	R A/c...		2000	
	To Profit & Loss Adjustment A/c			2000
	(Being Sale to R not Recorded Earlier , Now Recorded)			

Date	Particulars	LF	Amount	Amount
8	Suspense A/c.....Dr		198	
	To Profit & Loss Adjustment A/c			198
	(Being Purchase Wrongly Posted as 2593 instead of 2395 Earlier , Now Rectified)			
9	Profit & Loss Adjustment A/c.....Dr		10898	
	To Roy's Capital A/c			10898
	(Being Balance of P/L adjustment Account transferred to Roy's Capital A/c)			
10	Roy's Capital A/c.....Dr		10698	
	To Suspense A/c			10698
	(Being balance of Suspense A/c transferred to Roy's Capital A/c as it was written to P/L			

Profit & Loss Adjustment A/c

Particulars	Amount	Particulars	Amount
To P A/c	4000	By Motor Vehicle A/c	2700
		By Suspense A/c	10000
To Roy's Capital A/c (Bal Fig)	10898	By R A/c	2000
		By Suspense A/c	198
	14898		14898

Suspense A/c

Particulars	Amount	Particulars	Amount
To Profit & Loss Adjustment A/c	10000	By Trade Receivables A/c	500
To C A/c	1000		
To Profit & Loss Adjustment A/c	198	By Roy's Capital A/c (Bal Fig)	10698
	11198		11198

ILLUSTRATION 2

Prepare a Bank Reconciliation statement for Satyam Traders as on 31st March, 2021

The cash book of Satyam Traders shows a debit balance of ₹ 4,12,200 at bank as on 31st March, 2021, but you find that it does not agree with the balance as per Pass Book. After checking you find the following:

1. On 12th March, 2021 the payment side of the Cash Book was under cast by ₹ 12,000/-
2. A cheque of ₹ 85,000 issued on 20th March, 2021 was not taken in the bank column.
3. On 22nd March, 2021 the debit balance of ₹ 18,500 as on the previous day, was brought forwards as credit balance.
4. Out of the total cheques amounting to ₹ 42,000 issued in, the last week of March, 2021, cheques aggregating ₹ 28,500 were encashed in March, 2021.
5. Dividends of ₹ 35,000 collected by the Bank and Fire insurance premium of ₹ 20,000 paid by it were not recorded in the cash book.

6. One cheque issued to a Creditor of ₹ 1,29,000 was recorded twice in the Cash book.
7. A debtor Mr. A has deposited the Cheque for ₹ 32,000 into the bank directly in the month of March, 2021 without intimating to Satyam Traders and the same cheque was dishonored by the bank due to insufficient funds in the month of March itself.
8. A cheque from customer for ₹ 5,000 was deposited in bank on 28th March,2021 but was dishonored and advice received from bank on 3rd April, 2021.
9. Bank paid credit card bill of ₹ 2,500 which is not recorded in cash book.
10. Bank wrongly credited cheque of ₹ 25,000 of other customer in our account.
11. Bank credited cheque of ₹ 2,000 in savings account of proprietor of Satyam Traders instead of crediting cheque in current account of Satyam Traders.
12. ₹ 500 discount received wrongly entered in bank column in cash book.
13. Bank debited charges ₹ 200 on 25th March for which no intimation received till 31st March.

CASE A – Books are closed on 31st March 2021

CASE B - Books are closed on 31st Dec 2021

CASE A
Cash Book (Amended Bank Column)

Particulars	Amount	Particulars	Amount
To Bal B/d	412200	By Under Casting of Cash Book	12000
To Error of carrying Forward	37000	By party A/c	85000
To Dividend A/c	35000	By Insurance Premium A/c	20000
To Party A/c (Twice Recorded)	129000	By Party A/c (Cheque Dishonor)	5000
To Discount Received	500	By Credit Card A/c	2500
		By Bank charges	200
		By Bal C/d (Bal Fig)	489000
	613700		613700

Satyam Traders

Bank Reconciliation Statement as at 31-03-2021

Sr.No	Particulars	Amount	Amount
A	Balance as Per Adjusted Cash Book		489000
B	Add -		
	Cheques issued But Not Yet Presented	13500	
	Wrong Credit Given By Bank	25000	38500
C	Less-		
	Cheque Deposited Credited in Saving Account		2000
D	Balance as Per Pass Book (A+B-C)		525500

No Effect in BRS for Cheque Deposited of Rs, 32000 & Dishonored in the Same Month.

CASE B
Satyam Traders

Bank Reconciliation Statement as on 31-3-2021

Sr.No	Particulars	Amount	Amount
A	Balance As Per cash Book		412200
B	Add -		
	Debit Balance carried Forward as credit Balance	37000	
	Cheques issued but Not presented	13500	
	Dividend Collected By bank Not recorded in Cash Book	35000	
	Cheque issued Recorded Twice in Cash Book	129000	
	Wrong Credit Given By Bank	25000	
	Discount Received Wrongly Credited in cash Book	500	240000

Sr.No	Particulars	Amount	Amount
C	Less –		
	Under casting of Payment Side of cash Book	12000	
	Cheque issued Not taken to bank Column	85000	
	Fire Insurance premium Paid By Bank Not Recorded in Cash Book	20000	
	Cheque Deposited Dishonoured	5000	
	Credit card Bill Paid Not Recorded in Cash Book	2500	
	Cheque Credited in Saving Account Instead of Current A/c	2000	
	Bank Charges Not Recorded in Cash book	200	126700
D	Balance As Per Pass Book (A+B-C)		525500

Note - No Effect in BRS for Cheque Deposited of Rs, 32000 & Dishonored in the Same Month.

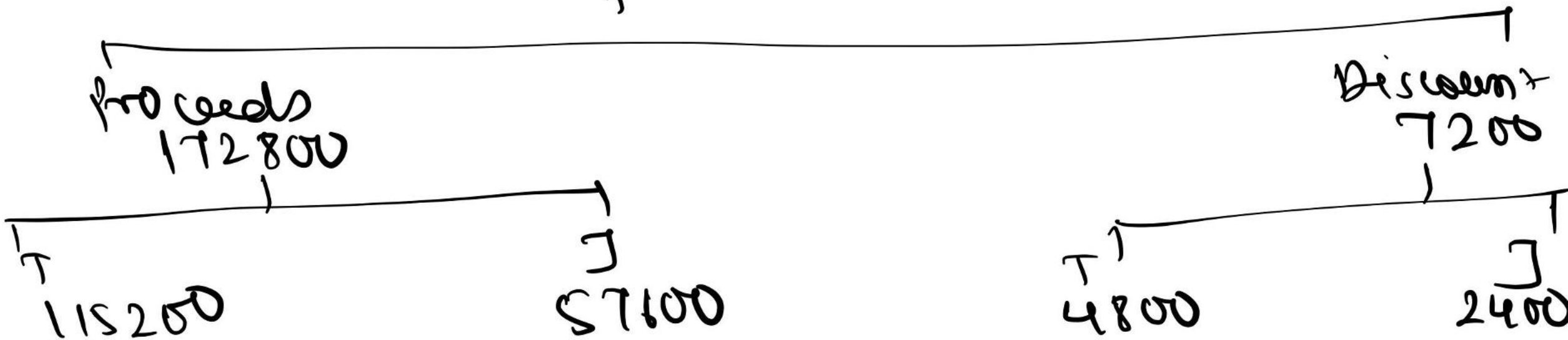
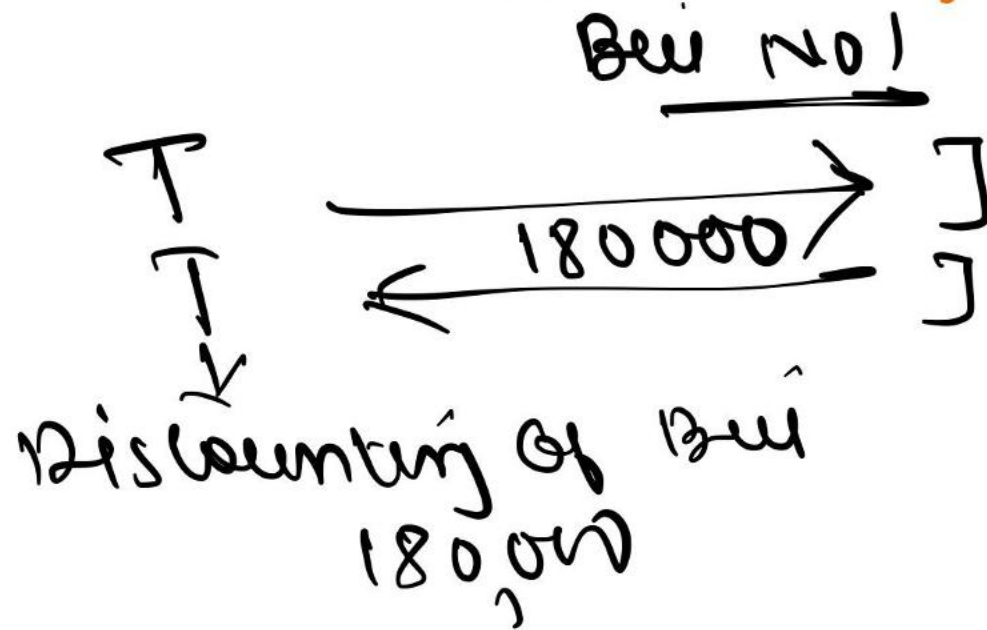
ILLUSTRATION 3

T draws on J a bill of exchange for ₹ 1,80,000 on 1st April, 2022 for 3 months. J accepts the bill and sends it to T, who gets it discounted from his banker for ₹ 1,72,800. T immediately remits ₹ 57,600 to J. On the due date, T, being unable to remit the amount due, accepts a bill for ₹ 2,52,000 for three months, which is discounted by J from his banker for ₹ 2,40,660. J sends ₹ 40,440 to T. Before the maturity of the bill, T becomes bankrupt and his estate paying fifty paise in a rupee.

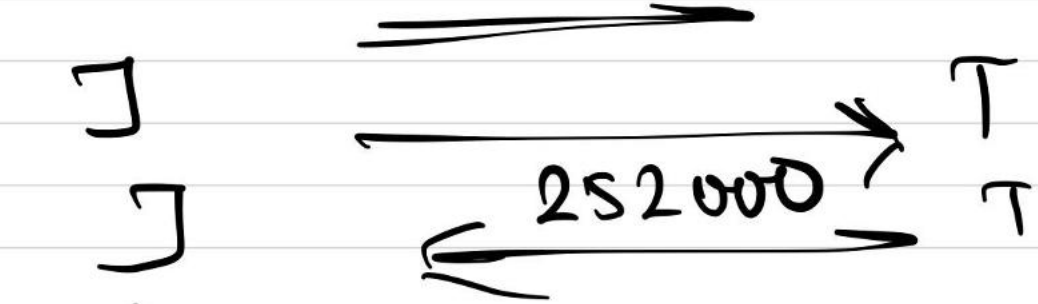
Give the journal entries in the books of T and J.

Working Note

Ascertainment of Discount to Be Borne By Parties to Bill of Exchange



Bill No 2



Bill I
Bill 160440
Discount 7560
168000

Discounting of bill

252000



Proceeds
240660

Discount
11340

$120000 + 40440 = 160440$

80220

7560

3780

In The Books of T Journal Entries

Date	Particulars	LF	Debit	Credit
1-4-22	Bills receivable A/c - Dr		180000	
	To J A/c			180000
	[Being bill drawn]			
1-4-22	Bank A/c - Dr		172800	
	Discount A/c - Dr		7200	
	To Bills receivable A/c			180000
	[Being bill discounted]			

Date	Particulars	LF	Debit	Credit
1-4-22	] A/c - Dr		65000	
	To Cash/Bank A/c			57400
	To Discount A/c			2400
	[Being proceeds shared with] & discount recorded]			
4-7-22	] A/c - Dr		252000	
	To Bills Payable A/c			252000
	[Being bill accepted]			

Date	Particulars	LF	Debit	Credit
4-7-22	Bank A/c - Dr		40440	
	Discount A/c - Dr		7560	
	To J A/c			48000
	[Being proceeds of bill 2 recorded)			
7-10-22	Bills Payable A/c - Dr		252000	
	To J A/c			252000
	[Being bill dishonored)			

Date	Particulars	LF	Debit	Credit
7-10-22	] A/c - Dr		158000	
	To Cash/Bank A/c			84000
	To Deficiency A/c			84000
	[Being final settlement made]			

In The Books of J Journal Entries

Date	Particulars	LF	Debit	Credit
1-4-22	T A/c - Dr		180 000	
	TO Buis payable A/c			180 000
	[Being Buis accepted]			
1-4-22	Cash / Bank A/c - Dr		57 600	
	Dis count A/c - Dr		2 400	
	TO T A/c			60 000
	[Being proceeds received & dis count recorded]			

Date	Particulars	LF	Debit	Credit
4-7-22	Bills receivable A/c - Dr		252000	
	TO T/A/C			252000
	[Being New Bill drawn]			
4-7-22	Bank A/c - Dr		240660	
	Discount A/c - Dr		11340	
	TO Bills receivable A/c			252000
	[Being Bill discounted with Bank]			

Date	Particulars	LF	Debit	Credit
4-7-22	Bills Payable A/c - Dr		180000	
	TO BANK A/c			180000
	(Being first bill honored)			
4-7-22	T A/c - Dr		48000	
	TO Cash/Bank A/c			40440
	TO Discount A/c			7560
	(Being proceeds shared & discount recorded)			

Date	Particulars	LF	Debit	Credit
7-10-22	T A/C - Dr		252000	
	TO Bank A/C			252000
	[Being discounted bill dishonored]			
7-10-22	Cash / Bank A/C - Dr		84000	
	Bad debts A/C - Dr		84000	
	TO T A/C			168000
	[Being final settlement]			

ILLUSTRATION 4

M/s. Green Channel purchased a second-hand machine on 1st January, 2017 for ₹ 1,60,000. Overhauling and erection charges amounted to ₹ 40,000.

Another machine was purchased for ₹ 80,000 on 1st July, 2017.

On 1st July, 2019, the machine installed on 1st January, 2017 was sold for ₹ 1,00,000. Another machine amounted to ₹ 30,000 was purchased and was installed on 30th September, 2019.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from the year 2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2020.

Machinery A/c

Date	Particulars	Amount	Date	Particulars	Amount
1-1-17	To Bank A/c	160000	31-12-17	By Depreciation A/c (20000+4000)	24000
1-1-17	To Bank A/c	40000	31-12-17	By Bal C/d (BF) (180000+76000)	256000
1-7-17	To Bank A/c	80000			
		280000			280000

Date	Particulars	Amount	Date	Particulars	Amount
1-1-18	To Bal B/d (180000+76000)	256000	31-12-18	By Depreciation A/c (20000 + 8000)	28000
			31-12-18	By Bal C/d (BF) (160000+68000)	228000
		256000			256000

Date	Particulars	Amount	Date	Particulars	Amount
1-1-19	To Bal B/d (160000+68000)	228000	1-7-19	By Depreciation on Machine Sold A/c	10000
30-9-19	To Bank A/c	30000	1-7-19	By Bank A/c	100000
			1-7-19	By P/L A/c	50000
			31-12-19	By Depreciation A/c (8000 + 750)	8750
			31-12-19	By Bal C/d (BF) (60000 + 29250)	89250
		258000			258000

Date	Particulars	Amount	Date	Particulars	Amount
1-1-20	To Bal B/d (60000+29250)	89250	31-12-20	By Depreciation A/c (9000 + 4388)	13388
			31-12-20	By Bal C/d (BF) (51000+24862)	75862
		89250			89250

ILLUSTRATION 5

On April 1, 2018 Shubra Ltd. purchased a machinery for ₹ 12,00,000. On Oct 1, 2020, a part of the machinery purchased on April 1, 2018 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.

Prepare Necessary Accounts Assuming provision For Depreciation Account is being Maintained

Machinery A/c

Date	Particulars	Amount	Date	Particulars	Amount
01/04/2018	To Bank A/c	12,00,000	31/03/2019	By Balance c/d (BF)	12,00,000
		12,00,000			12,00,000
01/04/2019	To Balance b/d	12,00,000	31/03/2020	By Balance c/d	12,00,000
		12,00,000			12,00,000

Date	Particulars	Amount	Date	Particulars	Amount
01/04/2020	To Balance b/d	12,00,000	01/10/2020	By Machinery Disposal A/c	80,000
01/10/2020	To Bank A/c	1,58,000	31/03/2021	By Balance c/d (BF)	12,78,000
		13,58,000			13,58,000

Provision for Depreciation A/c

Date	Particulars	Amount	Date	Particulars	Amount
31/03/2019	To Balance c/d (BF)	120000	31/03/2019	By Depreciation A/c	120000
		120000			120000
31/03/2020	To Balance c/d (BF)	2,28,000	01/04/2019	By Balance b/d	120000
			31/03/2020	By Depreciation A/c	108000
		2,28,000			2,28,000

Date	Particulars	Amount	Date	Particulars	Amount
01/10/2020	To Machinery Disposal A/c	18,440	01/04/2020	By Balance b/d	2,28,000
			01/10/2020	By Depreciation A/c (Asset sold)	3,240
31/03/2021	To Balance c/d (BF)	3,11,420	31/03/2021	By Depreciation A/c (90720+7900)	98,620
		3,29,860			3,29,860

Machinery Disposal A/c

Date	Particulars	Amount	Date	Particulars	Amount
01/10/2020	To Machinery A/c	80,000	01/10/2020	By Cash /Bank A/c	45,000
			01/10/2020	By Provision for Depreciation A/c	18,440
			31/03/2021	By P&L A/c (loss)	16,560
		80,000			80,000

Depreciation A/c

Date	Particulars	Amount	Date	Particulars	Amount
31/03/2019	To Provision for Depreciation A/c	120000	31/03/2019	By P&L A/c	120000
		120000			120000
31/03/2020	To Provision for Depreciation A/c	1,08,000	31/03/2020	By P&L A/c	1,08,000
		1,08,000			1,08,000
01/10/2020	To Provision for Depreciation A/c	3,240	31/03/2021	By P&L A/c	1,01,860
31/03/2021	To Provision for Depreciation A/c (90720+7900)	98,620			
		1,01,860			1,01,860

1/1/1/1 Ascertainment of Depreciation on Asset till date of sale.

Cost of asset on 1-4-18	80000
less - Depn for 18-19	<u>8000</u>
	72000
less - Depn for 19-20	<u>7200</u>
	64800
less - Depn for 20-21 [6 months]	<u>3240</u>
	61560
less - Value before sale	45000
less - <u>Loss</u>	<u>16560</u>

WIN 2 Ascertainment of Depreciation for 20-21

- Existing machine

$$1120000 - 10\% - 10\% = 907200 \times 10\% \quad 90720$$

- New machine

$$\frac{158000 \times 10\%}{12} \times 6$$

7900

98620

ILLUSTRATION 6

Ramu and Mamu were partners in a firm sharing profits and losses in the ratio 3:2
Their Balance Sheet as on 31st March, 2020 was as follows:

Liabilities	₹	Assets	₹
Capital :		Land & Building	1,50,000
Ramu	2,10,000	Machinery	1,80,000
Mamu	1,90,000	Furniture	44,000
General Reserve	60,000	Trade Receivables	42,800
Loan from LFC bank	25,000	Inventory	65,200
Trade Payables	21,000	Bank	24,000
	5,06,000		5,06,000

Damu was admitted as partner from 1st April, 2020 on the following terms:

1. He shall bring ₹ 1,50,000 as capital and goodwill.
2. He shall get $\frac{1}{5}$ th share in future profits, to be acquired equally from Ramu and Mamu.
3. Goodwill of the firm to be valued at ₹ 2,50,000. It was agreed that goodwill shall not appear in the books of accounts.
4. Land & Building is to be appreciated by 50% and inventory is revalued at ₹ 60,000
5. Machinery to be depreciated by 20%. Debtors of ₹ 2,800 are to be written off as bad debts and a Reserve for doubtful debts should be created @ 5% of debtors.
6. Furniture to be reduced to ₹40,000.
7. After admission of Damu, capitals of the partners' to be adjusted in their new profit sharing ratio, taking Damu's capital as base.

You are required to prepare:

1. Revaluation account
2. Partners' capital accounts.
3. Cash and bank account.
4. Balance Sheet after admission

Revaluation A/c

Particulars		Amount	Particulars	Amount
To Machinery		36000	By Land & Building	75000
To Furniture		4000		
To Bad Debts		2800		
To RDD		2000		
To Inventory		5200		
To Profit Transferred to Capital A/c				
Ramu	15000			
Mamu	<u>10000</u>	25000		
		75000		75000

Partners Capital A/c

Particulars	Ramu	Mamu	Damu	Particulars	Ramu	Mamu	Damu
To Ramu's & Mamu's Capital A/c			50000	By Bal B/d	210000	190000	
				By General Reserve A/c	36000	24000	
To Bank A/c (BF)	36000	99000		By Bank A/c			150000
				By Damu's Capital A/c	25000	25000	
To Bal C/d	250000	150000	100000	By Revaluation A/c	15000	10000	

Bank A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	24000	By Ramu's Capital A/c	36000
To Damu's Capital A/c	150000	By Mamu's Capital A/c	99000
		By Bal C/d (BF)	39000
	174000		174000

Balance Sheet
as on 1-4-20

Liabilities		Amount	Assets		Amount
Capital			Land & Building		225000
Ramu	250000		Machinery		144000
Mamu	150000		Furniture		40000
Damu	<u>100000</u>	500000	Trade Receivables	42800	
			Less – Bad Debts	<u>2800</u>	
				40000	
Loan from LFC Bank		25000	Less – RDD at 5%	<u>2000</u>	38000
Trade Payables		21000	Inventory		60000
			Bank		39000
		546000			546000

Working Notes

1. Calculation of Sacrificing Ratio & New PSR

$$\text{Ramu} = \frac{3}{5} - \left(\frac{1}{5} * \frac{1}{2}\right) = \frac{3}{5} - \frac{1}{10} = \frac{5}{10}$$

$$\text{Mamu} = \frac{2}{5} - \left(\frac{1}{5} * \frac{1}{2}\right) = \frac{2}{5} - \frac{1}{10} = \frac{3}{10}$$

$$\text{Damu} = \frac{1}{5} \text{ That is } = \frac{2}{10}$$

Therefore New PSR = 5:3:2

$$\text{SR} = 1:1$$

Working Notes

2. Treatment of Goodwill

Value of Firms Goodwill = 250000

Damu's Share in Goodwill = $250000 * 1/5 = 50000$

Adjustment Entry

Damu's Capital A/c....Dr 50000

To Ramu's Capital A/c 25000

To Mamu's Capital A/c 25000

Working Notes

3. Capital Adjustment After Admission of Damu

Amount Brought in By Damu 150000

Less – Amount of Goodwill 50000

Therefore, Amount of Capital 100000

Total Capital of Firm = $100000 \times 5/1 = 500000$

New Capital of All partners in Their New PSR Shall be

Ramu = 250000 , Mamu = 150000 & Damu = 100000

ILLUSTRATION 7

Aarav, Nirav and Purav are partners sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2020 was as follows:

Balance Sheet as on 31st March, 2020

Liabilities	₹	Assets	₹
Capital : Aarav	80,000	Building	50,000
Nirav	50,000	Machinery	67,500
Purav	35,000	Debtors	65,000
General Reserve	60,000	Stock	80,000
Trade Creditors	50,000	Bank	12,500
	2,75,000		2,75,000

Purav retired from the business on 1st April 2020 on the following terms:

1. Goodwill was to be valued at 2 years purchase of average profit of past 3 years.

31st March, 2018 ₹ 39,000

31st March, 2019 ₹ 50,000

31st March, 2020 ₹ 55,000

2. *Goodwill was not to be raised in the books of accounts.*
3. *Provision for Doubtful Debts was to be created on debtors at 5%. Machinery is to be depreciated by 10% and stock is revalued at ₹ 71,000.*
5. *Building to be appreciated by 20%.*
6. *Aarav and Nirav to bring in additional capital of ₹ 35,000 and ₹ 25,000 respectively.*
7. *Balance payable to Purav must be paid immediately.*

You are required to prepare:

1. *Revaluation account*
2. *Partners capital accounts.*
3. *Bank account.*
4. *Balance Sheet after retirement.*

Revaluation A/c

Particulars	Amount	Particulars	Amount
To Machinery	6750	By Building	10000
To Stock	9000		
To provision for Debtors	3250	By Loss Transfer to Capital A/c	
		Aarav	4500
		Nirav	3000
		Purav	<u>1500</u>
			9000
	19000		19000

Partners Capital A/c

Particulars	Aarav	Nirav	Purav	Particulars	Aarav	Nirav	Purav
To Purav Capital A/c	9600	6400		By Balance B/d	80,000	50,000	35,000
To Revaluation A/c	4500	3000	1,500	By General Reserve	30,000	20,000	10,000
				By Aarav & Nirav Capital A/c			16,000
To Bank A/c (Bal Fig)			59,500	By Bank A/c	35000	25000	
To Bal C/d (Bal Fig)	1,30,900	85,600					
	1,45,000	95,000	61,000		1,45,000	95,000	61,000

Bank A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	12500	By Purav's Capital A/c	59500
To Aarav's Capital A/c	35000	By Bal C/d (Bal Fig)	13000
To Nirav's Capital A/c	25000		
	72500		72500

Balance Sheet
As on 1-4-20

Liabilities		Amount	Assets		Amount
Capital A/c			Building		60000
Aarav	130900		Plant & Machinery		60750
Nirav	<u>85600</u>	216500	Debtors		65000
			Less - Provision		<u>3250</u>
			Stock		71000
Trade Creditors		50000	Bank Balance		13000
		266500			266500

WN 1 Calculation of Goodwill , Purav's Share in it & its Treatment

Average of Last Three year's profit = $39000+50000+55000/3$ Years
= 48000

value of Goodwill = 2yrs Purchase of Average profits of Three years
= 2×48000
= 96000

Purav's Share in Goodwill = $96000 \times 1/6 = 16000$

Journal Entry for Adjustment of Goodwill

Aarav Capital A/c....Dr 9600

Nirav Capital A/c....Dr 6400

To Purav Capital A/c 16000

ILLUSTRATION 8

Diya, Riya & Kiya are partners of M/s. DRK Fabrics sharing profits and losses in the ratio of 2:1:2. On 31st March 2020 their Balance Sheet was as under:

Liabilities	₹	Assets	₹
Capitals :		Land & Building	1,65,000
Diya	1,50,000	Furniture	75,000
Riya	1,80,000	Joint life Policy	60,000
Kiya	70,000	Inventory	88,740
General Reserve	1,40,000	Trade Receivable	96,750
Trade payables	60,000	Bank	1,14,510
	6,00,000		6,00,000

Kiya died on 30th September, 2020.

The partnership deed provides as follows:

- (a) *That partners be allowed interest at 12% p.a. on their capitals, but no interest be charged on drawings.*
- (b) *Upon the death of a partner, the goodwill of the firm be valued at one years' purchase of the average net profits (after charging interest on capital) for the four years to 31st March preceding the death of a partner. The profits of the firm before charging interest on capitals were*

<i>2016-17</i>	<i>1,62,000</i>
<i>2017-18</i>	<i>1,99,000</i>
<i>2018-19</i>	<i>1,87,000</i>
<i>2019-20</i>	<i>1,96,000</i>

Average capital during preceding four years may be assumed as ₹ 3,00,000

- (c) *Profits till the date of death to be ascertained on the basis of average profit of previous four years*
- (d) *Upon the death of a partner, she is to be credited with her share of the profits, interest on capitals etc. calculated till the date of death*

After the death of Kiya

- 1. ₹ 2,00,000 was received from insurance company against Joint life Policy.*
- 2. Land & Building was appreciated by 20%, Furniture to be depreciated by 10%, inventory to be revalued at ₹ 80,000. Bad debts amounted ₹ 1760.*
- 3. Amount payable to Kiya was paid in cash.*

You are required to prepare

- 1. Revaluation A/c*
- 2. Partners' Capital A/c*
- 3. Balance Sheet as on 30th September 2020, assuming other Assets and liabilities remaining the same.*

Revaluation A/c

Particulars	Amount	Particulars	Amount
To furniture	7500	By Land & Building	33000
To Inventory	8740		
To Bad Debts	1760		
To Profit Trf to Capital A/c			
Diya	6000		
Riya	3000		
Kiya	<u>6000</u>	15000	
	33000		33000

Partners Capital A/c

Particulars	Diya	Riya	Kiya	Particulars	Diya	Riya	Kiya
				By Bal B/d	1,50,000	180000	70,000
To Kiya Capital A/c	40,000	20,000		By General Reserve	56,000	28,000	56,000
				By JLP	56,000	28,000	56,000
				By Interest on Capital			4,200
To Bank A/c (BF)			2,79,800	By Riya & Diya Capital			60,000
To Bal C/d (Bal Fig)	2,28,000	2,19,000		By P/L Suspense A/c			27,600
				By Revaluation A/c	6,000	3,000	6,000
	268000	239000	279800		268000	239000	279800

Balance Sheet
As On 30-09-2020

Liabilities		Amount	Assets	Amount
Capital			Land & Building	198000
Diya	228000		Furniture	67500
Riya	<u>219000</u>	447000	Inventory	80000
			Trade Receivables	94990
			P/L Suspense A/c	31800
Trade Payables		60000	(4200 + 27600)	
			Bank A/c	34710
		507000		507000

Working Notes

1. Bank A/c

Particulars	Amount	Particulars	Amount
To Bal B/d	114510	By Kiya Capital A/c	279800
To JLP	200000		
		By Bal C/d (Bal Fig)	34710
	314510		314510

2. Ascertainment of Value of Firm's Goodwill & Its Treatment

value of Goodwill = 1Years Purchase of Average profits of Last 4 Years

$$\begin{aligned}\text{Average Profit of Last 4 Years} &= \frac{(162000 - 36000) + (199000 - 36000) + (187000 - 36000) + (196000 - 36000)}{4 \text{ years}} \\ &= 150000\end{aligned}$$

$$\text{Value of Goodwill} = 1 * 150000 = 150000$$

Diya A/c.....Dr	40000	
Riya A/c.... Dr	20000	
To Kiya A/c (150000*2/5)		60000

3. Ascertainment of Deceased partner's Share in Profit Upto The Date of Death & its Treatment

Average Profit of Last 4 Years before Int = $162000 + 199000 + 187000 + 196000 / 4 \text{ years} = 186000$
Net profit After After Interest on capital = $186000 - (400000 * 12\%) = 138000$
Profit of the Firm upto Death of Death & Kiya's Share in it = $138000 / 12M * 6M * 2/5 = 27600$

ILLUSTRATION 9

Amit, Sumit, and Kumar are partners sharing profit and losses in the ratio 2:2:1. The partners decided to dissolve the partnership on 31st March 2022 when their Balance Sheet was as under:

Liabilities	Amount	Assets	Amount
<i>Capital Accounts:</i>		<i>Land & Building</i>	<i>1,35,000</i>
<i>Amit</i>	<i>55,200</i>	<i>Plant & Machinery</i>	<i>45,000</i>
<i>Sumit</i>	<i>55,200</i>	<i>Furniture</i>	<i>25,500</i>
<i>General Reserve</i>	<i>61,500</i>	<i>Investments</i>	<i>15,000</i>
<i>Kumar's Loan A/c</i>	<i>15,000</i>	<i>Book Debts</i>	<i>60,000</i>
<i>Loan from D</i>	<i>1,20,000</i>	<i>Less: Prov. for bad debts</i>	<i><u>(6,000)</u></i>
<i>Trade Creditors</i>	<i>30,000</i>	<i>Stock</i>	<i>36,000</i>
<i>Bills Payable</i>	<i>12,000</i>	<i>Bank</i>	<i>13,500</i>
<i>Outstanding Salary</i>	<i>7,500</i>	<i>Capital Withdrawn:</i>	
		<i>Kumar</i>	<i>32,400</i>
	<i>3,56,400</i>		<i>3,56,400</i>

The following information is given to you:

- (i) Realization expenses amounted to ₹ 18,000 out of which ₹ 3,000 was borne by Amit.*
- (ii) A creditor agreed to takeover furniture of book value ₹ 12,000 at ₹ 10,800. The rest of the creditors were paid off at a discount of 6.25%.*
- (iii) The other assets realized as follows:*
 - Furniture - Remaining taken over by Kumar at 90% of book value*
 - Stock - Realized 120% of book value*
 - Book Debts - ₹ 12,000 of debts proved bad, remaining were fully realized*
 - Land & Building - Realized ₹ 1,65,000*
 - Investments - Taken over by Amit at 15% discount*
- (iv) For half of his loan, D accepted Plant & Machinery and ₹ 7,500 cash. The remaining amount was paid at a discount of 10%.*

(v) Bills payable were due on an average basis of one month after 31st March 2022, but they were paid immediately on 31st March @ 6% discount "per annum".

Prepare the Realization Account, Bank Account and Partners' Capital Accounts in the books of Partnership firm.

Realisation A/c

Particulars	Amount	Particulars	Amount
To Land & Building A/c	1,35,000	By Loan From D A/c	1,20,000
To Plant & Machinery A/c	45,000	By Trade creditors A/c	30,000
To Furniture A/c	25,500	By Bills payable A/c	12,000
To Investment A/c	15,000	By O/S Salary A/c	7,500
To Book Debts A/c	60,000	By Provision for Doubtful Debts A/c	6,000
To Stock A/c	36,000	By Kumar A/c (furniture) [(25,500-12000) X 90%]	12,150
To Cash A/c (exp)	15,000	By Cash A/c (Stock)	43,200
To Amit A/c (exp)	3,000	By Cash A/c (Debtors)	48,000
To Cash A/c (creditor) [(30,000-10,800)-6.25%]	18,000	By Cash A/c (land & Building)	1,65,000

Particulars	Amount	Particulars	Amount
To Cash A/c (Loan to D) [7500+(60,000 x 90%)]	61,500	By Amit Capital A/c (Investment)	12,750
To Cash A/c (BP) [12,000-($\frac{12,000 \times 6\%}{12} \times 1$)]	11,940		
To Cash A/c (salary)	7,500		
To Profit Transferred to Capital A/c			
Amit 9,264			
Sumit 9,264			
Kumar <u>4,632</u>	23,160		
	4,56,600		4,56,600

Partners Capital A/c

Particulars	Amit	Sumit	Kumar	Particulars	Amit	Sumit	Kumar
To Balance B/d			32,400	By Balance b/d	55,200	55,200	
To Realisation A/c			12,150	By General Reserve A/c	24,600	24,600	12,300
To Realisation A/c	12,750			By Kumar loan A/c			15,000
				By Realisation A/c	3,000		
				By Realisation A/c	9,264	9,264	4,632
To Bank (BF)	79,314	89,064		By Bank A/c (BF)			12,618
	92,064	89,064	44,550		92,064	89,064	44,550

Cash A/c

Particulars	Amount	Particulars	Amount
To Balance b/d	13,500	By Realisation A/c (exp)	15,000
To Realisation A/c (stock)	43,200	By Realisation A/c (creditors)	18,000
To Realisation A/c (Debtors)	48,000	By Realisation A/c (D's loan)	61,500
To Realisation A/c (Land & Building)	1,65,000	By Realisation A/c (salary)	7,500
To Kumar's capital A/c	12,618	By Amit's capital A/c	79,314
		By Sumit's capital A/c	89,064
		By Realisation A/c (BP)	11,940
	2,82,318		2,82,318

ILLUSTRATION 10

The following is the Balance Sheet of A, B, C on 31st December, 2022 when they decided to 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	<u>9,000</u>		
	49,000		<u>49,000</u>

The assets realized the following sums in installments:

<i>I</i>	<i>1,000</i>
<i>II</i>	<i>3,000</i>
<i>III</i>	<i>3,900</i>
<i>IV</i>	<i>6,000</i>
<i>V</i>	<u><i>20,100¹</i></u>
	<u><i>34,000</i></u>

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.

STATEMENT OF DISTRIBUTION OF CASH

PARTICULARS	AMOUNT REALISED	REALISATION EXPENSES	CREDITORS	A'S LOAN	PARTNERS CAPITAL			
					A	B	C	TOTAL
BALANCE DUE		500	2000	5000	15000	18000	9000	42000
CASH AVAILABLE	500	500	0	0	0	0	0	0
BALANCE DUE		0	2000	5000	15000	18000	9000	42000
AMOUNT REALISED IN FIRST INSTALLMENT	1000		1000	0				
BALANCE DUE			1000	5000	15000	18000	9000	42000
AMOUNT REALISED IN SECOND INSTALLMENT	3000		1000	2000				
BALANCE DUE			0	3000	15000	18000	9000	42000
AMOUNT REALISED IN THIRD INSTALLMENT	3900			3000	0	0	0	0
BALANCE DUE BEFORE ALLOCATING 900 SURPLUS					15000	18000	9000	42000
MPL OF 41100 (42000-900) TO BE DISTRIBUTED IN 2:2:1					-16440	-16440	-8220	-41100
AMOUNT AT CREDIT					-1440	1560	780	900
DEFICIENCY OF A TO W/OFF AGAINST B & C IN CAPITAL RATIO OF 18000:9000)					1440	-960	-480	0
AMOUNT PAID					0	600	300	900
BALANCE DUE					15000	17400	8700	41100

PARTICULARS	AMOUNT REALISED	REALISATION EXPENSES	CREDITORS	A'S LOAN	PARTNERS CAPITAL			
					A	B	C	TOTAL
AMOUNT REALISED IN FOURTH INSTALLMENT	6000							
MPL OF 35100 (41100-6000) TO DISTRIBUTED IN 2:2:1					-14040	-14040	-7020	-35100
AMOUNT AT CREDIT & PAID					960	3360	1680	6000
BALANCE DUE					14040	14040	7020	35100
AMOUNT REALISED IN FIFTH INSTALLMENT	20100							
MPL OF 15000 (35100-20100) TO DISTRIBUTED IN 2:2:1					-6000	-6000	-3000	-15000
AMOUNT AT CREDIT & PAID					8040	8040	4020	20100
BALANCE DUE LEFT UNPAID					6000	6000	3000	15000

ILLUSTRATION 11

Physical verification of stock in a business was done on 23rd June, 2020. The value of the stock was ₹ 48,00,000. The following transactions took place between 23rd June to 30th June, 2020:

- (i) Out of the goods sent on consignment, goods at cost worth ₹ 2,40,000 were unsold.
- (ii) Purchases of ₹ 4,00,000 were made out of which goods worth ₹ 1,60,000 were delivered on 5th July, 2020.
- (iii) Sales were ₹ 13,60,000, which include goods worth ₹ 3,20,000 sent on approval. Half of these goods were returned before 30th June, 2020.
- (iv) Goods are sold at cost plus 25%. However, goods costing ₹ 2,40,000 had been sold for ₹ 1,20,000.

Determine the value of stock on 30th June, 2020.

STATEMENT SHOWING COMPUTATION OF STOCK AS ON 30-6-2020

SR. NO	PARTICULARS	AMOUNT	AMOUNT
A	Stock as on 23-06-2020		4800000
B	Add -		
	Goods lying with Consignee	240000	
	Cost of Goods Purchased & Received	240000	
	Cost of Goods in Transit	160000	
	50% of Goods Returned by Customer to whom Goods Sent on Approval	128000	
	50% of Goods lying with Customer to whom Goods Sent on Approval	128000	896000
C	Less -		
	Cost of Normal Goods Sold	736000	
	Cost of Goods on Approval Basis	256000	
	Cost of Abnormal Goods	240000	1232000
D	Value of Stock as on 30-6-2020		4464000

Working Note – Bifurcation of Sales & Its Cost

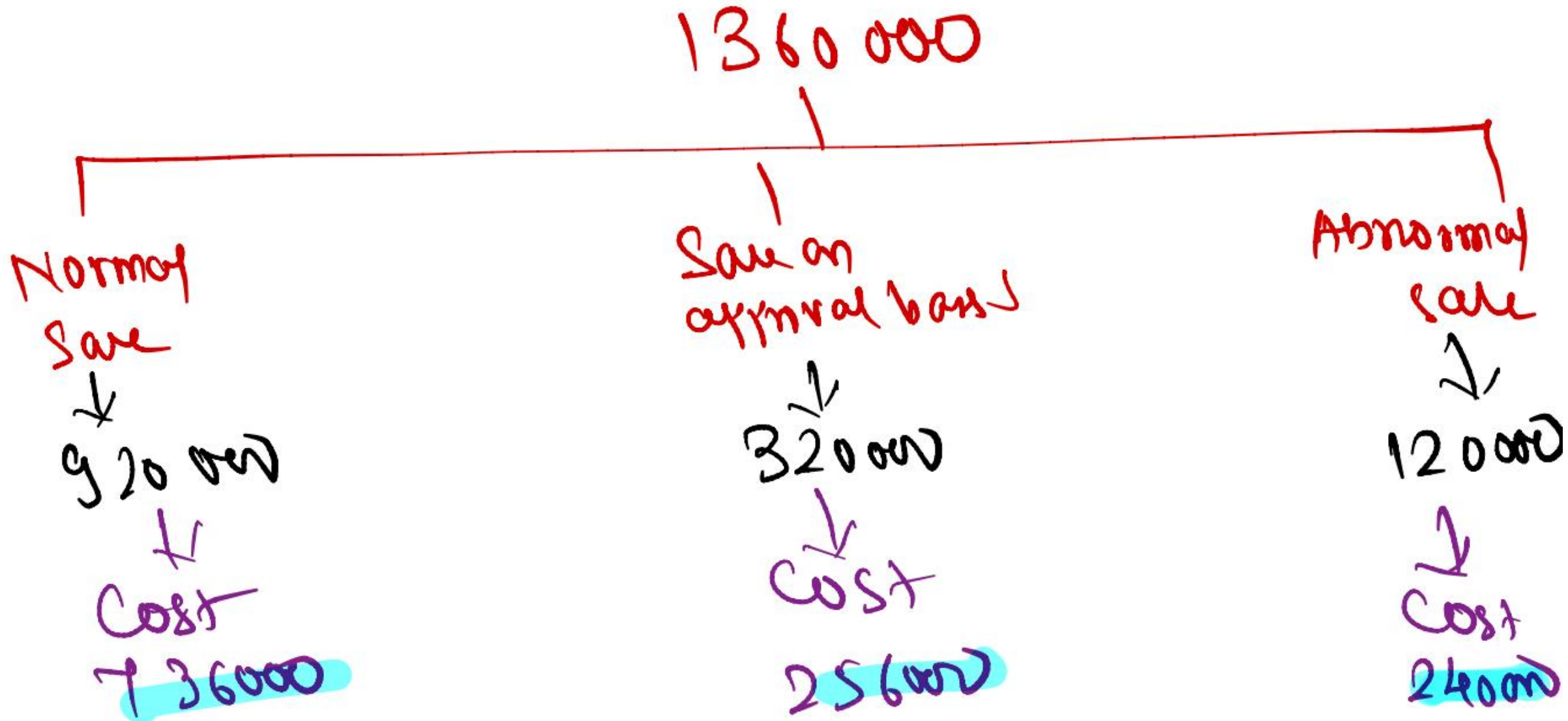


ILLUSTRATION 12

The following is the trial balance of Hari as at 31st December, 2017:

	<i>Dr.</i>	<i>Cr.</i>
	₹	₹
Hari's capital account	-	76,690
Stock 1 st January, 2017	46,800	-
Sales	-	3,89,600
Returns inward	8,600	-
Purchases	3,21,700	-
Returns outward	-	5,800
Carriage inwards	19,600	-

Rent & taxes	4,700	-
Salaries & wages	9,300	-
Sundry debtors	24,000	-
Sundry creditors	-	14,800
Bank loan @ 14% p.a.	-	20,000
Bank interest	1,100	-
Printing and stationary expenses	14,400	-
Bank balance	8,000	-
Discount earned	-	4,440
Furniture & fittings	5,000	-
Discount allowed	1,800	-
General expenses	11,450	-
Insurance	1,300	-

Postage & telegram expenses	2,330	-
Cash balance	380	-
Travelling expenses	870	-
Drawings	<u>30,000</u>	
	<u>5,11,330</u>	<u>5,11,330</u>

The following adjustments are to be made:

- (1) Included amongst the debtors is ₹ 3,000 due from Ram and included among the creditors ₹ 1,000 due to him.
- (2) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- (3) Depreciation on furniture & fittings @ 10% shall be written off.

- (4) Personal purchases of Hari amounting to ₹ 600 had been recorded in the purchases day book.
- (5) Interest on bank loan shall be provided for the whole year.
- (6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- (7) Credit purchase invoice amounting to ₹ 400 had been omitted from the books.
- (8) Stock on 31.12.2017 was ₹ 78,600.

Prepare (i) Trading & profit and loss account for the year ended 31.12.2017 and (ii) Balance sheet as on 31st December, 2017.

Trading & P/L A/c
For The year Ended 31-12-2017

Particulars	Amount	Particulars	Amount
To Opening Stock	46,800	By Sales	3,89,600
		Less – Return	<u>(8,600)</u>
			3,81,000
To Purchases	3,21,700	By Closing Stock	78,600
<u>Less</u>			
-Personal Purchases	(600)		
-Returns	(5,800)		
<u>Add</u>			
-Unrecorded Purchases	<u>400</u>		
	3,15,700		
To Carriage Inward	19,600		
To Gross Profit	77,500		
	4,59,600		4,59,600

Particulars		Amount	Particulars	Amount
To Rent & Taxes		4,700	By Gross Profit	77,500
To Salary & Wages		9,300	By Discount	4,440
To RDD		1,150		
To Provision for Discount on Debtors		437		
To General Exp		11,450		
To Insurance		1,300		
To Postage & Telegram		2,330		
To Depreciation on Furniture		500		
To Bank Interest	1,100			
Add O/s Interest	<u>1,700</u>	2,800		

Particulars		Amount	Particulars	Amount
To Printing & Stationery	14,400			
Less – Prepaid	<u>(3,600)</u>	10,800		
To Discount Allowed		1,800		
To Travelling Exp		8,70		
To Net Profit		34,503		
		81,940		81940

Balance Sheet as on 31-12-2017

Liabilities	Amount	Assets	Amount
Capital	76,690	Furniture & fixture	5,000
Less - Personal Purchases	(600)	Less - Depreciation @10%	(500)
Less - Drawings	(30,000)		
Add – Profit	<u>34,503</u>		
	80,593		4,500
		Closing Stock	78,600
		Cash Balance	380
14% Bank Loan	20,000	Prepaid Printing & Stationary	3,600
O/s Interest On Loan	1,700	Bank Balance	8,000
Sundry Creditors	14,800	Sundry Debtors	24,000
Add - Unrecorded Purchase	400	Less – Set off Against Creditors	
Less – Set off Against Debtors	<u>(1,000)</u>		(1,000)
	14,200	Less – RDD 5%	(1,150)
		Less – Provision for Discount	<u>437</u>
			21,413
	1,16,493		1,16,493

ILLUSTRATION 13

Following are the Manufacturing A/c, Creditors A/c and Trading A/c provided by Ms. Shivi related to 2019-20. There are certain figures missing from these accounts.

Raw Material A/c

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

Creditors A/c

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

Manufacturing A/c

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

Additional Information:

- 1) Purchase of machinery worth ₹ 10,00,000 has been omitted. Machinery are chargeable at a depreciation rate of 10%.
- 2) Wages include the following
 - Paid to Factory Workers - ₹ 3,00,000
 - Paid to labour at office - ₹ 50,000

3) Direct Expenses include following:

- ◆ Electricity charges of ₹ 80,000 of which 30% pertained to office.
- ◆ Fuel Charges of ₹ 20,000
- ◆ Freight Inwards of ₹ 35,000
- ◆ Delivery charges to customers - ₹ 20,000.

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

In The Books of M/s. Shivi			
Manufacturing A/c			
For the year Ended 31-03-2020			
Particulars	Amount	Particulars	Amount
To RM Consumed (Bal Fig)	1000000		
To Wages	350000		
Less - Wages for Office	<u>50000</u>	300000	
		By Trading Account (WN 2)	1800000
To Direct Manufacturing Expenses	244000		
Less - Electricity expenses of office	24000		
Less - Delivery Charges to customer	<u>20000</u>	200000	
To Indirect Manufacturing Expenses			
Depreciation (200000+100000)		300000	
		1800000	1800000
Raw Material A/c			
For the year Ended 31-03-2020			
Particulars	Amount	Particulars	Amount
To Opening Stock	100000	By RM Consumed	1000000
To Creditors (WN 1)	1300000	By Closing Stock (Bal Fig)	400000
	1400000		1400000

Working Notes

WN - 1 Creditors A/c

For the year Ended 31-03-2020

Particulars	Amount	Particulars	Amount
To Bank A/c	2200000	By Bal B/d	1500000
		By Purchases (Bal Fig)	1300000
To Bal C/d	600000		
	2800000		2800000

WN - 2 CALCULATION OF REVISED COST OF PRODUCTION

PARTICULARS	AMOUNT
Cost of Production as Per Manufacturing Account	1794000
Add - Depreciation on Plant	100000
Less - Electricity Expenses	24000
Less - Delievery Charges to customer	20000
Less - Wages of Office labour	50000
Revised Cost of Production	1800000

ILLUSTRATION 14

Summary of receipts and payments of Bombay Medical Aid society for the year ended 31.12.2020 are as follows:

Opening cash balance in hand ₹ 8,000, subscription ₹ 50,000, donation ₹ 15,000 (raised for meeting revenue expenditure), interest on investments @ 9% p.a. ₹ 9000, payments for medicine supply ₹ 30,000 Honorarium to doctor ₹ 10,000, salaries ₹ 28,000, sundry expenses ₹ 1,000, equipment purchase ₹ 15,000, charity show expenses ₹ 1,500, charity show collections ₹ 12,500.

Additional information:

	1.1.2020	31.12.2020
Subscription due	1,500	2,200
Subscription received in advance	1,200	700
Stock of medicine	10,000	15,000
Amount due for medicine supply	9,000	13,000
Value of equipment	21,000	30,000
Value of building	50,000	48,000

You are required to prepare receipts and payments account and income and expenditure account for the year ended 31.12.2020 and balance sheet as on 31.12.2020.

In The Books of Bombay Aid Medical Society
 Receipt & payment A/c
 For the Year Ended 31st Dec 2020

Reciepts	Amount	Payment	Amount
To bal b/d	8000		
To subscription	5000	By charity show expenses	1500
To donation	15000	By credits of medicine	3000
To interest on investment	9000	By honorariums to doctor	10000
To charity show collection	12500	By Salaries	28000
		By Sundry Expenses	1000
		By Equipment	15000
		By Bal C/d (B/F)	9000
	<u>94500</u>		<u>94500</u>

Income & Expenditure A/c
For the Year Ended 31st Dec 2020

Expenditure	Amount	Income	Amount
To medicine Consumed	29000	By Subscription	51200
		By Donations	15000
To Honorariums to Doctor	10000	By Interest on Investment	9000
To Salaries	28000	By Charity show collections	12500
To Sundry Expenses	10000	W.S.C - Exp	<u>1500</u>
To <u>Depreciation</u>			11000
Building 2000			
Equipment 6000	8000		
To Sundry (B/P)	10200		
	<u>86200</u>		<u>86200</u>

Working Notes

Subscription A/c

Particulars	Amount	Particulars	Amount
To bal b/d	1500	By bal b/d	1200
To I & E A/c (B/F)	51200	By Bank	50000
To Bal c/d	700	By Bal c/d	2200
	<u>53400</u>		<u>53400</u>

Medicine A/c

Particulars	Amount	Particulars	Amount
To bal b/d	10000		
To creditors for medicine	34000	By I & E A/c (B/F)	29000
	<u>44000</u>	By Bal c/d	15000
			<u>44000</u>

Creditors for Medicine A/c

Particulars	Amount	Particulars	Amount
		By bal bld	9000
TO Bank	30000		
		By Purchase of medicine (BF)	34000
TO Bal cld	<u>13000</u>		
	<u>43000</u>		<u>43000</u>

Equipments A/c

Particulars	Amount	Particulars	Amount
TO bal bld	21000		
TO Bank	15000	By Depreciations (BF)	6000
		By Bal cld	30000
	<u>36000</u>		<u>36000</u>

Building A/c

Particulars	Amount	Particulars	Amount
To bal b/d	5000		
		By Depreciation (BF)	2000
		By bal l/d	4800
	5000		5000

ILLUSTRATION 15

The Income Tax Officer, on assessing the income of Shri Moti for the financial years 2020-2021 and 2021-2022 feels that Shri Moti has not disclosed the full income. He gives you the following particulars of assets and liabilities of Shri Moti as on 1st April, 2020 and 1st April, 2022.

			₹
1-4-2020	Assets	:	
		Cash in hand	25,500
		Inventory	56,000
		Sundry debtors	41,500
		Land and Building	1,90,000
		Wife's Jewellery	75,000
	Liabilities	:	
		Owing to Moti's Brother	40,000
		Sundry creditors	35,000

1-4-2022	Assets	:	Cash in hand	16,000
			Inventory	91,500
			Sundry debtors	52,500
			Land and Building	1,90,000
			Motor Car	1,25,000
			Wife's Jewellery	1,25,000
			Loan to Moti's Brother	20,000
	Liabilities	:	Sundry creditors	55,000

During the two years the domestic expenditure was ₹ 4,000 p.m. The declared incomes of the financial years were ₹ 1,05,000 for 2020-2021 and ₹ 1,23,000 for 2021-2022 respectively.

State whether the Income-tax Officer's contention is correct. Explain by giving your workings.

STATEMENT OF AFFAIRS AS ON

LIABILITIES	01-04-20	01-04-22	ASSET	01-04-20	01-04-22
Capital (BF)	3,13,000	5,65,000	Loan to Moti's brother	-	20,000
Moti's brother	40,000		Cash-in-hand	25,500	16,000
Sundry Creditors	35,000	55,000	Inventory	56,000	91,500
			Debtors	41,500	52,500
			Land & building	1,90,000	1,90,000
			Wife's Jewelry	75,000	1,25,000
			Motor Car	-	1,25,000
	3,88,000	6,20,000		3,88,000	6,20,000

STATEMENT SHOWING COMPUTATION OF RPROFIT

SR.NO	PARTICULARS	AMOUNT
A	Closing Capital	5,65,000
B	Add- Drawings (4,000 x 12 months x 2 years)	96,000
C	Closing adjusted capital	6,61,000
D	Less- Opening capital	3,13,000
E	Profit for 20-21 & 21-22	3,48,000

Actual income = 3,48,000

Income declared = 105000+123000
= 2,28,000

Income suppressed = 348000- 228000
= 1,20,000

Conclusion:- Income tax officers contention is correct, Moti has declared his income less by 1,20,000

ILLUSTRATION 16

B Limited issued 50,000 equity shares of ₹ 10 each payable as ₹ 3 per share on application, ₹ 5 per share (including ₹ 2 as premium) on allotment and ₹ 4 per share on call. All these shares were subscribed. Money due on all shares was fully received except from X, holding 1000 shares who failed to pay the allotment and call money and Y, holding 2000 shares, failed to pay the call money. All those 3,000 shares were forfeited. Out of forfeited shares, 2,500 shares (including whole of X's shares) were subsequently re-issued to Z as fully paid up at a discount of ₹ 2 per share.

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

In The Books of B Ltd

Journal Entries

Sr.No	Particulars	LF	Amount	Amount
1	Bank A/c.....Dr (50000 Shares * 3)		150000	
	To Share Application A/c			150000
	(Being application received for 50000 Shares)			
2	Share Application A/c.....Dr		150000	
	Share Allotment A/c....Dr (50000*5)		250000	
	To Equity Share Capital A/c (50000*6)			300000
	To Securities Premium A/c (50000*2)			100000

Sr.No	Particulars	LF	Amount	Amount
3	Bank A/c....Dr (49000*5)		245000	
	To Share Allotment A/c			245000
	(Being Money received on Alottment)			
4	Share Call A/c...Dr (50000*4)		200000	
	To Equity Share Capital A/c			200000
	(Being Share call due)			

Sr.No	Particulars	LF	Amount	Amount
5	Bank A/c....Dr (47000 Shares * 4)		188000	
	To Share Call A/c			188000
	(Being Share call amount received)			
6	Equity Share Capital A/c...Dr (1000*10)		10000	
	Securities Premium A/c...Dr (1000*2)		2000	
	To Forfeited Shares A/c (1000*3)			3000
	To Share Allotment A/c (1000*5)			5000
	To Share Call A/c (1000*4)			4000

Sr.No	Particulars	LF	Amount	Amount
7	Equity Share Capital A/c...Dr (2000*10)		20000	
	To Forfeited Shares A/c (2000*6)			12000
	To Share Call A/c (2000*4)			8000
	(Being Y's 1000 Shares Forfieted)			
8	Bank A/c....Dr (2500*8)		20000	
	Forfeited Shares A/c....Dr (2500*2)		5000	
	To Equity Share Capital A/c (2500*10)			25000
	(Being 2500 Shares Forfeited)			

Sr.No	Particulars	LF	Amount	Amount
9	Forfeited Shares A/c....Dr (WN 1)		7000	
	To Capital Reserve A/c			7000
	(Being profit Transferred to Capital Reserve)			

Balance Sheet of B Ltd as on....

Particulars	Notes. No.	Rs.
Equity and Liabilities		
Shareholders' Funds		
Share Capital	1	498000
Reserve and surplus	2	105000
Total		603000
Assets		
Current Assets		
Cash and Cash equivalents (Bank)		603000
Total		603000

Notes to Accounts

Sr.No	Particulars	Rs.	Rs.
1	Share Capital		
	Equity share capital		
	Issued share capital		
	50,000 Equity shares of Rs.10 each	5,00,000	
	Subscribed, Called up and paid up share capital		
	49,500 equity shares of Rs.10 each	495000	
	Add: Forfeited Shares	3000	498000
2	Reserves and Surplus		
	Securities Premium	98000	
	Capital Reserve	7000	105000

WN 1 – Ascertainment of Amount To be transferred to Capital Reserve

X's Shares = (Profit on forfeiture - Loss on Reissue) * No. of shares Reissued

$$\text{X's Shares} = (3-2)*1000 = 1000$$

Y's Shares = (Profit on forfeiture - Loss on Reissue) * No. of shares Reissued

$$\text{Y's Shares} = (6-2)*1500 = 6000$$

ILLUSTRATION 17

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

	₹
Share capital:	
<i>Authorised capital:</i>	
15,000 12% Preference shares of ₹ 10 each	1,50,000
1,50,000 Equity shares of ₹ 10 each	<u>15,00,000</u>
	<u>16,50,000</u>
<i>Issued and Subscribed capital:</i>	
12,000 12% Preference shares of ₹ 10 each fully paid	1,20,000
1,35,000 Equity shares of ₹ 10 each, ₹ 8 paid up	10,80,000

Reserves and surplus:	
General Reserve	1,80,000
Capital Redemption Reserve	60,000
Securities premium (collected in cash)	37,500
Profit and Loss Account	3,00,000

On 1st April, 2022, the Company has made final call @ ₹ 2 each on 1,35,000 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 journal entries in the books of the company and prepare the extract of the balance sheet as on 30th April, 2022 after bonus issue.

Date	Particulars	LF	Debit	Credit
20-4-22	Securities Premium A/c Dr.		37,500	
	Capital Redemption Reserve A/c Dr		60,000	
	General Reserve A/c Dr.		1,80,000	
	Profit & Loss A/c Dr.		60,000	
	To Bonus to Shareholder's A/c			3,37,500
	(Being bonus declared in the ratio 1:4)			
20-4-22	Bonus to Shareholder's A/c Dr.		3,37,500	
	To Equity Share Capital A/c			3,37,500
	(Being 22,500 equity shares issued as bonus)			

Balance Sheet as 30-4-22 (Extract) (After Bonus)

	NOTE NO	AMOUNT
EQUITY AND LIABILITIES		
Shareholders Fund		
Share Capital	1	18,07,500
Reserves & Surplus	2	2,40,000

Note 1 – Share Capital

PARTICULARS	AMOUNT	AMOUNT
<u>Authorised Share Capital</u>		
15,000, 12% Preference Shares of 10 each	1,50,000	
1,68,750 Equity Shares of 10 each	16,87,500	
<u>Issued, Subscribed, Called up & Paid up Capital</u>		
12,000, 12% Preference Shares of 10 each Fully Paid	1,20,000	
1,68,750 Equity Shares of 10 each Fully Paid	16,87,500	18,07,500
(Out of the above 33,750 equity shares of 10 each issued by way of bonus)		
	Total	18,07,500

Note 2 – Reserves and Surplus

PARTICULARS	AMOUNT	AMOUNT
Securities Premium	37,500	
Less : Utilized for Bonus Issue	<u>(37,500)</u>	-
Capital Redemption Reserve	60,000	
Less : Utilized for Bonus Issue	<u>(60,000)</u>	-
General Reserve	1,80,000	
Less : Utilised for Bonus Issue	<u>(1,80,000)</u>	-
Profit & Loss A/c	3,00,000	
Less : Utilised for Bonus Issue	(60,000)	2,40,000
	Total	2,40,000

ILLUSTRATION 18

X company Limited issued 10,000 14% Debentures of the nominal value of 50,00,000 as follows –

- a) To sundry persons for cash at 90% of nominal value of Rs. 25,00,000
- b) To a vendor For purchase of fixed assets worth Rs. 10,00,000 - 12,50,000 nominal value
- c) To the banker as Collateral security for a loan of Rs. 10,00,000 - 12,50,000 nominal value.

Pass necessary journal entries

In the Books of X Ltd Journal Entries

Date	Particulars	LF	Debit	Credit
(a)				
(i)	Bank A/c Dr.		22,50,000	
	To Debenture Application & Allotment A/c			22,50,000
	(Being application received for 5,000 debentures)			
(ii)	Debenture Application & Allotment A/c Dr.		22,50,000	
	Discount on Issue of Debentures A/c Dr.		2,50,000	
	To 14% Debentures A/c			25,00,000
	(Being 5,000 debentures allotted at 10% discount)			

Date	Particulars	LF	Debit	Credit
b				
(i)	Fixed Assets A/c Dr.		10,00,000	
	To Vendor's A/c			10,00,000
	(Being fixed assets purchased)			
(ii)	Vendor's A/c Dr.		10,00,000	
	Discount on Issue of Debentures A/c Dr.		2,50,000	
	To 14% Debentures A/c			12,50,000
	(Being 2,500 debentures issued at 10% discount)			

Date	Particulars	LF	Debit	Credit
C				
(i)	Bank A/c Dr.		10,00,000	
	To Bank Loan A/c			10,00,000
	(Being loan availed)			
(ii)	Debenture Suspense A/c Dr.		12,50,000	
	To 14% Debenture A/c			12,50,000
	(Being 2,500 debenture issued as a collateral security)			

Note – In Case C we have followed 2nd method, alternatively 1st method can be followed wherein Journal Entries will be passed for loan taken & Issue of Debentures as a Collateral Securities shall be Disclosed in notes to Accounts of Balance Sheet.

ILLUSTRATION 19

Case Ltd. (unlisted company other than AIFI, Banking company, NBFC and HFC) provides the following information as at 31st March, 2022:

Particulars	₹
Shareholder's Funds	
(a) <i>Share Capital</i>	
<i>Authorized share capital:</i>	
45,000 equity shares of ₹ 10 each fully paid	4,50,000
<i>Issued and subscribed share capital:</i>	
30,000 equity shares of ₹ 10 each fully paid	3,00,000
(b) <i>Reserves and Surplus</i>	
<i>Profit & Loss Account</i>	1,62,000

Debenture Redemption Reserve

18,000

Non-current liabilities

(a) Long term borrowings

12% Debentures

1,80,000

Current Liabilities

(a) Trade payables

1,72,500

Non-current assets

(a) Property, Plant and Equipment (Freehold property)

1,72,500

(b) Non-current Investment: DRR Investment

27,000

Current assets

(a) Inventories

2,02,500

(b) Trade receivables

1,12,500

(c) Cash and bank balances:

Cash at bank

2,73,000

Cash in hand

45,000

At the Annual General Meeting on 1.4.2022, it was resolved:

- (a) To give existing shareholders the option to purchase one ₹ 10 share at ₹ 15 for every four shares (held prior to the bonus distribution). This option was taken up by all the shareholders.*
- (b) To issue one bonus share for every five shares held.*
- (c) To repay the debentures at a premium of 3%.*

Give the necessary journal entries for these transactions.

In the Books of Case Ltd

Journal Entry

Date	Particulars	LF	Debit	Credit
1	Bank A/c.....Dr. (7,500 X 15)		1,12,500	
	To Equity Share Application & Allotment A/c			1,12,500
	(Being application money received for 7,500 right shares in ratio of 1:4 @ Rs. 15)			
2	Equity Share Application & Allotment A/c Dr.		1,12,500	
	To Equity Share Capital A/c			75,000
	To Securities Premium A/c			37,500
	(Being 7,500 right shares issued)			

Date	Particulars	LF	Debit	Credit
3	Securities Premium A/c Dr.		37,500	
	Profit & Loss A/c Dr.		37,500	
	To Bonus to Shareholders A/c			75,000
	(Being bonus declared in the ratio of 1:5)			
4	Bonus to Shareholders A/c Dr.		75,000	
	To Equity Share Capital A/c			75,000
	(Being bonus shares issued)			

Date	Particulars	LF	Debit	Credit
5	12% Debentures A/c Dr.		1,80,000	
	Premium on Redemption of Debentures A/c Dr.		5,400	
	To Debenture Holders A/c			1,85,400
	(Being amount due on debentures)			
6	Bank A/c Dr.		27,000	
	To Debenture Redemption Reserve Investment A/c			27,000
	(Being investment realised)			

Date	Particulars	LF	Debit	Credit
7	Debenture Holders A/c Dr.		1,85,400	
	To Bank A/c			1,85,400
	(Being amount paid to Debenture holders)			
8	Debenture Redemption Reserve A/c Dr.		18,000	
	To General Reserve			18,000
	(Being DRR transferred to general reserve)			
9	Profit & Loss A/c Dr.		5,400	
	To Premium on Redemption of Debenture A/c			5,400
	(Being premium on redemption of debenture transferred to P&L A/c)			

Tutorial Note

1]

NO Entry for creation of DRIR

as DRIR is already available in
Books at 10% of FV of Debentures
Rs. 180000

2]

NO Entry for creation of DRIR

Investments as it is already available
in Books at 15% of FV of
Debentures Rs. 180000.

ILLUSTRATION 20

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

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

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

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

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

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

**In the Books of X Ltd.
Journal Entries**

Date	Particulars	LF	Debit	Credit
1	Bank A/c – Dr (750 x 50)		37,500	
	To Equity Share Capital A/c			37,500
	(Being 750 shares issued at Rs. 50 for redemption of preference shares)			
2	Profit & Loss A/c – Dr		27,500	
	To Capital Redemption Reserve A/c			27,500
	(Being amount Transferred to CRR)			

Date	Particulars	LF	Debit	Credit
3	Preference share Capital A/c – Dr		65,000	
	Premium on redemption of preference share A/c – Dr		6,500	
	To Preference shareholders A/c			71,500
	(Being Redemption Due)			
4	Bank A/c – Dr		15,000	
	Profit & Loss A/c – Dr		3,500	
	To Investment A/c			18,500
	(Being investment sold)			

Date	Particulars	LF	Debit	Credit
5	Preference shareholders A/c – Dr		71,500	
	To Bank A/c			71,500
	(Being Amount due on redemption paid)			
6	Profit & loss A/c – Dr		6,500	
	To Premium on redemption of preference shares			6,500
	(Being Premium on redemption Adjusted)			

WIN 1

Amount due on
Redemption

$$65000 + 6500 \\ = 71500$$

face value

65000

Premium

1500



P/L

fresh issue

(WIN 2)

37500

past profits

(B/F)

27500

WN 1 Computation of No of Shares to be Issued

Sr.no	Particulars	Debit
A	Amount Due on redemption (Nominal value)	65,000
B	Premium payable on redemption	6,500
C	Total Amount payable on redemption (A+B)	71,500
D	Less- Amount Received on sale of Investment	15,000
E	Bank Balance to be used for Redemption (31,000 – 12,000)	19,000
F	Amount to be raised from fresh issue (C-D-E)	37,500
G	Issue price per share	50
H	No. of Shares to be issued (F/G)	750 Shares

WN. 2. Computation of amount to be transferred to CRR

$$\begin{aligned} \text{Amount to be Transferred to CRR} &= \text{Nominal value of preference shares to be redeemed} \quad \text{—} \quad \text{Redemption out of fresh Issue} \\ &= 65,000 - 37,500 \\ &= 27,500 \end{aligned}$$

THANK YOU