

CAF ACCOUNTS MAY26

IMPORTANT QUESTIONS

BY ICAIXD

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- Q.1 Enter the following transaction in Cash Bank with Discount and Bank columns. Cheques are first treated as cash receipts -

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24	Withdrawn from Bank	1,800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

Dr.						Cash Book						Cr		
Date	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹	Date	Particulars	L.F.	Discount ₹	Cash ₹	Bank ₹			
2020						2020								
March 1	To Balance b/d			15,000		March 1	By Balance b/d				500			
2	To Sales			3,000		3	By Sushil Bros.		100		3,400			
5	To Sales				2,800	7	By Adit			6,200				
6	To Srijan			6,200		9	By Bank	C		6,800				
9	To Cash A/c	C			6,800	12	By Adit				6,200			
10	To Aviral		50		3,600	24	By Cash A/c	C			1,800			
12	To Srijan			6,200		28	By Sanchit				3,000			
15	To Sales A/c				3,200	30	By Commission				60			
24	To Bank A/c	C		1,800		31	By Balance c/d			19,200	1,440			
			50	32,200	16,400				100	32,200	16,400			

Q.2

Prepare a Triple Column Cash Book from the following transactions and bring down the balance for the start of next month:

2019			₹
Nov.	1	Cash in hand	3,000
	1	Cash at bank	12,000
	2	Paid into bank	1,000
	5	Bought furniture and issued cheque	1,500
	8	Purchased goods for cash	500
	12	Received cash from Mohan	980
		Discount allowed to him	20
	14	Cash sales	5,000
	16	Paid to Amar by cheque	1,450
		Discount received	50
	19	Paid into Bank	500
	23	Withdrawn from Bank for Private expenses	600
	24	Received cheque from Parul	1,430
		Allowed him discount	20
	26	Deposited Parul's cheque into Bank	
	28	Withdrew cash from Bank for Office use	2,000
	30	Paid rent by cheque	800

Dr.					Cr.						
Date		Particulars	Discount	Cash	Bank	Date		Particulars	Discount	Cash	Bank
2019			₹	₹	₹	2019			₹	₹	₹
Nov. 1	To	Balance b/d	–	3,000	12,000	Nov. 2	By	Bank (C)		1,000	
Nov. 2	To	Cash (C)		–	1,000	Nov. 5	By	Furniture A/c			1,500
Nov. 12	To	Mohan	20	980		Nov. 8	By	Purchase A/c		500	
Nov. 14	To	Sales A/c		5,000		Nov. 16	By	Amar	50		1,450
Nov. 19	To	Cash (C)			500	Nov. 19	By	Bank (C)		500	
Nov. 24	To	Parul (Note 2)	20	1,430		Nov. 23	By	Drawings A/c			600
Nov. 26	To	Cash (C)			1,430	Nov. 26	By	Bank (C)		1,430	
Nov. 28	To	Bank (C)		2,000		Nov. 28	By	Cash (C)			2,000
						Nov. 30	By	Rent A/c			800
						Nov. 30	By	Balance c/d		8,980	8,580
			<u>40</u>	<u>12,410</u>	<u>14,930</u>				<u>50</u>	<u>12,410</u>	<u>14,930</u>
Dec. 1	To	Balance b/d		8,980	8,580						

Note:

- (1) Discount allowed and discount received ₹ 40 and ₹ 50 respectively should be posted in respective Accounts in the ledger.
- (2) When cheque is not promptly deposited into Bank, first it is entered in the Cash Column and subsequently at the time of deposit, Bank Account is debited and Cash Account is credited.

Q.3

2019			₹
April	1	Received ₹ 20,000 for petty cash	
"	2	Paid auto fare	500
"	3	Paid cartage	2,500
"	4	Paid for Postage & Telegrams	500
"	5	Paid wages	600
"	5	Paid for stationery	400
"	6	Paid for the repairs to machinery	1,500
"	6	Bus fare	100
"	7	Cartage	400
"	7	Postage and Telegrams	700
"	8	Cartage	3,000
"	9	Stationery	2,000
"	10	Sundry expenses	5,000

Receipts ₹	Date 2019	V. No.	Particulars	Total ₹	Con- veyance ₹	Cartage ₹	Statio- nery ₹	Postage & Telegrams ₹	Wages ₹	Sundries ₹
20,000	April 1		To Cash							
	2	1	By Conveyance	500	500					
	3	2	By Cartage	2,500		2,500				
	4	3	By Postage and Telegrams	500				500		
	5	4	By Wages	600					600	
	5	5	By Stationery	400			400			
	6	6	By Repairs to machine	1,500						1,500
	6	7	By Conveyance	100	100					
	7	8	By Cartage	400		400				
	7	9	By Postage and Telegrams	700				700		
	8	10	By Cartage	3,000		3,000				
	9	11	By Stationery	2,000			2,000			
	10	12	By Sundry Expenses	5,000						5,000
				17,200	600	5,900	2,400	1,200	600	6,500
			By Balance c/d	2,800						
20,000				20,000						
2800			To Balance b/d							
17,200	11		To Cash							

Q.4

From the following information prepare the Purchase. Book of Mis. Shyam & Company:

(i) Purchased from Red & Company on credit:

10 pairs of black shoes.@ ₹ 800 per Pair.

5 pairs of brown shoes @ 900 per pair

Less: Trade Discount @ 10%

(ii) Purchased Computer from M/s. Rahul. Enterprises on credit for ₹ 40,000.

(iii) Purchased from Blue & Company in cash:

5 pairs of black shoes @ ₹ 700 per pair

15 pairs of brown shoes@ ₹ 100 per pair

Less: Trade Discount @ 15%

PURCHASES BOOK

<i>Date</i>	<i>Particulars</i>	<i>L.F.</i>	<i>Amount ₹</i>
(i)	Red & Co.		
	10 pair of black shoes @ ₹ 800		8,000
	5 pair of Brown shoes @ ₹ 900		<u>4,500</u>
			12,500
	Less: 10% trade discount		<u>(1,250)</u>
			11,250

Note:

1. Purchases made in cash are entered in cash book not in purchase book.
2. Purchase of computer cannot be entered in the Purchase Book but entered in journal proper.

Q.5

From the following transactions, prepare the Purchases Returns Book of Alpha & Co., a saree dealer and post them to ledger :

<i>Date</i>	<i>Debit Note No.</i>	<i>Particulars</i>
04.01.2020	101	Returned to Goyal Mills, Surat – 5 polyester sarees @ ₹ 100.
09.01.2020		Garg Mills, Kota – accepted the return of sarees (which were purchased for cash) – 5 Kota sarees @ ₹ 40.
16.01.2020	102	Returned to Mittal Mills, Bangalore – 5 silk sarees @ ₹ 260.
30.01.2020		Returned one typewriter (being defective) @ ₹ 3,500 to B & Co.

Purchase Returns Book

<i>Date</i>	<i>Debit Note No.</i>	<i>Name of supplier</i>	<i>L.F.</i>	<i>Amount</i>
2020				
Jan. 4	101	Goyal Mills, Surat		500
Jan. 16	102	Mittal Mills, Bangalore		<u>1,300</u>
Jan. 31		Purchases Returns Account (Cr.)		<u>1,800</u>

Q.6

One of your clients Mr. X asked you to finalize his account for the year ended 31st March, 2022. As a basis for audit, Mr. X furnished you with the following statement:

	Dr.	Cr.
X's Capital		4,668
X's Drawings	1,692	
Leasehold Premises	2,250	
Sales		8,250
Due from customers		1,590
Purchases	3,777	
Purchase Return	792	
Loan from Bank		768
Trade Expense	2,100	
Trade Payable	1,584	
Bills Payable	300	
Salaries and Wages	1,800	
Cash at Bank	678	
Opening Inventory		792
Rent and Rates	1,389	
Sales Return		294
	16,362	16,362

The closing inventory was ₹1,722. Mr. X claims that he has recorded every transaction correctly as the trial balance is tallied. Check the accuracy of the above trial balance and

Corrected Trial Balance of Mr. X as on 31st March, 2022

Particulars	Dr. Amount ₹	Cr. Amount ₹
X's Capital		4,668
X's Drawings	1,692	
Leasehold premises	2,250	
Sales		8,250
Due from customers	1,590	
Purchases	3,777	
Purchases returns		792
Loan from Bank		768
Trade expenses	2,100	
Trade Payable		1,584
Bills payable		300
Salaries and Wages	1,800	
Cash at Bank	678	
Inventory (1.4.2021)	792	
Rent and rates	1,389	
Sales return	294	
	16,362	16,362

Reasons:

1. Due from customers is an asset, so its balance will be a debit balance.
2. Purchases return account always shows a credit balance because assets goes out.
3. Trade Payable is a liability, so its balance will be a credit balance.
4. Bills payable is a liability, so its balance will be a credit balance.
5. Inventory (opening) represents assets, so it will have a debit balance.
6. Sales return account always shows a debit balance because assets come in.

Q.7

You are required to pass necessary journal entries of the following

- (i) Employees had taken stock worth ₹ 50,000 (Cost price ₹ 45,000) on the eve of New year and the same was deducted from their salaries in the subsequent month.
- (ii) Wages paid for erection of Machinery ₹ 16,000.
- (iii) Withdrawn for personal use: Goods(Sales Price 8,000, Cost 6,000) Cash 1,000
- (iv) Purchase of goods from Sandeep of the list price of ₹ 60,000. He allowed 10% trade discount, ₹1,500 cash discount was also allowed for quick payment.
- (v) Purchased second hand machinery from Jawahar industries for ₹ 3,00,000 plus CGST and SGST @ 6% each. Paid ₹ 1,00,000 immediately by cheque and balance to be paid after two months.

	Particulars	Dr.	Cr.
		Amount (₹)	Amount (₹)
(i)	Salaries A/c Dr. To Purchase A/c (Being entry made for stock taken by employees)	45,000	45,000
(ii)	Machinery A/c Dr.	16,000	
	To Bank A/c (Being wages paid for erection of machinery)		16,000
(iii)	Drawings A/c To Purchases A/c To Cash A/c (Being goods and cash withdrawn for personal use)	7,000	6,000 1,000
(iv)	Purchase A/c To Bank A/c To Discount Received A/c (Being the goods purchased from Sandeep for ₹ 60,000 @ 10% trade discount and cash discount of ₹ 1,500)	54,000	52,500 1,500
(v)	Machinery A/c Dr. Input CGST A/c Dr. Input SGST A/c Dr. To Bank A/c To Jawahar Industries A/c (Being machinery purchased from Jawahar and paid 1,00,000 immediately CGST and SGST @ 6% each)	3,00,000 18,000 18,000	1,00,000 2,36,000

Q.8

Prepare Journal Entries for the following transactions in the books of Harpreet

- (i) Customer's cheque for ₹ 4,000 returned dishonoured for insufficient funds in his accounts. The customer had availed a cash discount of ₹ 400.
- (ii) Income tax liability of proprietor ₹ 8,500 was paid out of petty cash.
- (iii) Defective goods worth ₹ 5,000 are sold for 3,000.
- (iv) Purchase of goods from Sunny of the list price of ₹ 20,000. He allowed 5% trade discount, ₹ 200 cash discount was also allowed for quick payment.
- (v) Purchased goods from Sarah industries for ₹ 50,000 plus CGST and SGST@6% each.
- (vi) Goods given as charity costing ₹ 1,600, sale price ₹ 2,000. CGST and SGST @ 6% each was paid at the time of purchase of such goods

Journal Entries in the books of Harpreet

	Particulars	Dr.	Cr.
		Amount (₹)	Amount (₹)
(i)	Customers (Debtors) A/c Dr. To Bank A/c To Discount Allowed A/c (Being customer cheque returned unpaid by bank, cash discount allowed earlier)	4,400	4,000 400
(ii)	Drawings A/c Dr. To Petty Cash A/c (Being the income tax of proprietor paid out of business money)	8,500	8,500
(iii)	Cash A/c Dr. Profit and Loss A/c To Sales A/c (Being defective goods costing ₹ 5,000 were sold for a loss of ₹ 2,000)	3,000 2,000	5,000

(iv)	Purchase A/c	Dr.	19,000	
	To Bank A/c			18,800
	To Discount Received A/c			200
	(Being the goods purchased from Sunny for ₹ 19,000 @ 5% trade discount and cash discount of ₹ 200)			
(v)	Purchases A/c	Dr.	50,000	
	Input CGST A/c	Dr.	9,000	
	Input SGST A/c	Dr.	9,000	
	To Sarah Industries			68,000
	(Being goods purchased and CGST and SGST payable at 6% each)			
(vi)	Charity A/c	Dr.	1,792	
	To Purchases A/c			1,600
	To Input CGST A/c			96
	To Input SGST A/c			96
	(Being goods given as charity, input CGST and input SGST debited at the time of purchases reversed)			

Q.9

Pass a journal entry in each of the following cases:

- (i) A running business was purchased by Mohan with following assets and liabilities:
Cash ₹ 20,000, Land ₹ 40,000, Furniture ₹ 10,000, Stock ₹ 20,000, Creditors ₹ 10,000, Bank Overdraft ₹ 20,000.
- (ii) Sold goods to Gagandeep for ₹ 1,00,000 at trade discount of 20% and charged IGST @12%
- (iii) Goods distributed by way of free samples, ₹ 10,000.
- (iv) goods of list price ₹ 40,000 returned by Gagandeep.
- (v) Kuldeep became an insolvent and could pay only 50 paise in a rupee. Amount due from him ₹ 6,000.

			₹	₹
(i)	Cash A/c	Dr.	20,000	
	Land A/c	Dr.	40,000	
	Furniture A/c	Dr.	10,000	
	Stock A/c	Dr.	20,000	
	To Creditors			10,000
	To Bank overdraft			20,000
	To Capital A/c			60,000
(Being commencement of business by Mohan by taking over a running business).				

(ii) Gagandeep's A/c	Dr.	89,600	
To Sales A/c			80,000
To Output GST A/c			9,600
(being goods sold to Gagandeep at trade discount of 20% and charged IGST @12%)			
(iii) Advertisement Expenses A/c	Dr.	10,000	
To Purchases A/c			10,000
(Being goods distributed as free sample)			
(iv) Sales Return A/c	Dr.	32,000	
Output IGST A/c	Dr.	3,840	
To Gagandeep A/c			35,840
(Being goods returned by Gagandeep and output IGST charged at the time of sales now reversed)			
(v) Cash A/c	Dr.	3,000	
Bad Debts A/c	Dr.	3,000	
To Kuldeep			6,000
(Being Kuldeep become insolvent)			

ICAI XD PREMIUM

Q: 3:RECTIFICATION OF ERRORS

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

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

SOL.

If a Suspense Account is not opened.

- (a) Since sales book has been casted ₹100 short, the Sales Account has been similarly credited ₹100 short. The correcting entry is to credit the Sales Account by ₹100 as 'By wrong totalling of the Sales Book ₹100'.

- (b) To rectify the omission, the Returns Inwards Account has to be debited and the account of Green & Co. credited. The entry:

Returns Inward Account	Dr.	₹150	
To Green & Co.			₹150
(Goods returned by the firm, previously omitted from the Returns Inward Book)			

- (c) Gupta & Co. have been debited ₹250 instead of being credited. This account should now be credited by 500 to remove the wrong debit and to give the correct credit. The entry will be on the credit side.. "By errors in posting ₹500".

- (d) By this error Purchases Account has to be debited by ₹1,000 whereas the debit should have been to the Furniture Account. The correcting entry will be:

Furniture Account	Dr.	₹1,000	
To Purchases Account			₹1,000
(Correction of the mistake by which of the Furniture Account)			

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

Red & Black	Dr.	₹15	
To Discount Account			₹15
(Rectification of the error by which the discount allowed by the firm was not entered in Cash Book)			

- (f) In this case the account of the customer has been correctly posted; the Discount Account has been debited ₹18 short since it has been omitted from the discount column on the debit side of the cash book. The discount account should now be debited by the entry: "To Omission of entry in the Cash Book ₹18."

If a Suspense Account is opened :

	Particulars	Dr. (₹)	Cr. (₹)
(a)	Suspense Account	100	
	To Sales Account		100
	(Being the correction arising from under-casting of		

(b)	Return Inward Account	150	
	To Green & Co		150
	(Being the recording of unrecorded returns)		

(c)	Suspense Account	500	
	To Gupta & Co.		500
	(Being the correction of the error by which Gupta & Co. was debited instead of being credited by ₹ 250).		

(d)	Furniture Account	1,000	
	To Purchases Account		1,000
	(Being the correction of recording purchase of furniture as ordinary purchases)		

(e)	Red & black	15	
	To Discount Account		15
	(Being the recording of discount omitted to be recorded)		

(f)	Discount Account	18	
	To Suspense Account		18
	(Being the correction of omission of the discount allowed from Cash Book customer's account already posted correctly).		

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

Notes:

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

Notes:

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

(ii) (MOST ASKED)

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

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

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

Journal Entries in the books of Mr. Roy

Sol:

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

(8)	Suspense Account To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, ₹ 2,593, instead of ₹ 2,395, now adjusted)	198	198
(9)	Profit & Loss Adjustment A/c To Roy's Capital Account (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	10,898	10,898
(10)	Roy's Capital Account To Suspense Account (Balance of Suspense Account transferred to the Capital Account)	10,698	10,698

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

Profit and Loss Adjustment Account

(Prior Period Items)

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

Suspense Account

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

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

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

SOL:

Solution: Journal Entries

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

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

Q:4 (BRS) 10 marks

(REVISE 2- TIME)

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

Sol.



Cash Book (Bank Column)

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

Bank Reconciliation Statement as on 30th September, 2018

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

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

Bank Reconciliation Statement of Mr. Karan as on 31st Dec., 2021

Particulars	Details	Amount
Balance as per the Cash Book		2,60,400
Add: Wrong Casting in Cash book as on 15 th December, 2021	10,000	
Mistake in bringing forward ₹ 8,460 debit balance as credit balance on 20 th Dec., 2021	16,920	
Cheques issued but not presented:		
Issued	12,370	
Encashed	9,360	3,010
Dividends directly collected by bank but not yet entered in the Cash Book	35,000	
Cheque recorded twice in the Cash Book	1,75,000	
Bill for Collection credited in Bank not entered in Cash Book	53,000	2,92,930
Less: Cheques issued but not entered in the Bank column	1,18,000	5,53,330
Fire Insurance Premium paid by the bank directly not yet recorded in the Cash Book	7,900	
Discount allowed wrongly entered in Cash Book	1,800	(1,27,700)
Balance as per the Pass Book		4,25,630

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

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

Solution:

SOL

Bank Reconciliation Statement as on 30th June 2018

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

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

(i)

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

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

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

Sol:

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

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

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

(ALMOST IN EVERY MTP RTP)

(ii):

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

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

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

Sol:

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

Working Notes:

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

Q:6 (DEPRECIATION)

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

SOL: Depreciation per year = ₹ 6,00,000 / 10 = ₹ 60,000

Depreciation on SLM charged for three years = ₹ 60,000 x 3 years = ₹ 1,80,000

Book value of the computer at the end of third year = ₹ 6,00,000 - ₹ 1,80,000 = ₹ 4,20,000.

Remaining useful life as per previous estimate = 7 years

Remaining useful life as per revised estimate = 5 years

Depreciation from the fourth year onwards = ₹ 4,20,000 / 5 = ₹ 84,000 per annum

(ii) (MUST DO ATLEAST 2 TIMES)

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

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

Truck A/c

Date	Particulars	Amount	Date	Particulars	Amount
2019			2019		
Jan-01	To balance b/d	35,00,000	Oct-01	By bank A/c	35,00,000
Oct-01	To Profit & Loss A/c Profit on settlement of Truck (W.Note 1)	7,50,000	Oct-01	By Depreciation on lost assets	7,50,000

Date	Particulars	Amount	Date	Particulars	Amount
Oct-01	To Bank A/c	60,00,000	Dec-31	By Depr eciation A/c (W Note 3)	93,00,000
			Dec-31	By balance c/d	2,82,00,000
		4,17,50,000			4,17,50,000
2020			2020		
Jan-01	To balance b/d	2,82,00,000	Dec-31	By Depreciation A/c (W Note 3)	1,02,00,000
			Dec-31	By balance c/d	1,80,00,000
		2,82,00,000			2,82,00,000

Working Note:**1. Profit on settlement of truck**

Original cost as on 1.7.2017	50,00,000
Less: Depreciation for 2017 (6 months)	5,00,000
	<u>45,00,000</u>
Less: Depreciation for 2017	10,00,000
	<u>35,00,000</u>

Less: Depreciation for 2017	10,00,000
	<u>35,00,000</u>
Less: Depreciation for 2019 (9 months)	7,50,000
	<u>27,50,000</u>
Less: Amount received from insurance company	35,00,000
Profit on settlement of truck	<u>7,50,000</u>

2. Calculation of WDV of 10 trucks as on 01.01.2018

	Amount
WDV of 1 truck as on 31.12.2017 (Refer W.N 1)	35,00,000
WDV of 10 trucks as on 01.01.2018	<u>3,50,00,000</u>

3. Calculation for Depreciation for 2018 and 2019

	Amount
Depreciation for 2018	
On 9 trucks (₹ 50,00,000 x 9 x 20%)	90,00,000
On new truck (₹ 60,00,000 x 1 x 20% x 3/12)	<u>3,00,000</u>
Depreciation for 2018	<u>93,00,000</u>
Depreciation for 2019	

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

In the books of Firm
Machinery Account

SOLL

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

Q:7 bills of exchange and promissory notes

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

In the books of Harry
Journal Entries

Sol:

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

In the books of Gorge
Journal Entries

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

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

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

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

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

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

SOL:

Journal Entries in the books of Mr. A

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

receivable (No.3)			
Alternately combined entry may be given for the first three entries of Aug.18 :			
Aug.16	Bank/ Cash A/c	Dr.	8,020
	Bills Receivable (No. 3) A/c	Dr.	12,480
	To B's A/c		20,020
	To interest A/c		480
(Being the ₹ 8,020 paid in cash and new bill (Bills receivable No. 3) accepted for 3 months)			

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

SOL Solution: In the books of Anil Journal Entries

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

Q:8 Accounting for bonus issue and right issue

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

Sol:

Ex-right value of the shares = (Cum-right value of the existing shares + Rights shares x Issue Price) / (Existing Number of shares + No. of right shares)

= (₹ 240 × 2 Shares + ₹ 120 × 1 Share) / (2 + 1) Shares

= ₹ 600 / 3 shares = ₹ 200 per share.

Value of right = Cum-right value of the share – Ex-right value of the share

= ₹ 240 – ₹ 200 = ₹ 40 per share.

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

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

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

(ii) (INTER PVQ)

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

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

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

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

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

Sol:

Journal Entries in the books of Sujata Foods Ltd.

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

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

Issued and Subscribed Capital:

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

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

SOL

XYZ Ltd.
Journal Entries

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

XYZ Ltd.
Journal Entries

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

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

Q:9 Accounts from incomplete records

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

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

Ankur introduced ₹ 10,000 as fresh capital on 1st October, 2023. He also withdrew ₹ 5,000 every month for his household expenses.

During the year, there was no sale or fresh purchase of furniture and fittings. Ascertain the profit earned by Ankur during the year ended 31st March, 2024 after depreciating furniture and fittings @ 10% per annum and creating a provision for bad debts @ 5% on debtors.

so

Statement of Profit

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

Working Note 1

Statement of Affairs as on 1st April, 2023

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

Working Note 2

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

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

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

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

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

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

Details of his bank transactions were as follows:

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

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

sol

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

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

Balance Sheet as on 31st December, 2023

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

Working Notes:

1. Fixed assets account

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

2. Bank account

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

3. Debtors account

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

TELEGRAM: ICAIIBD

4. Creditors account

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

5. Balance Sheet as on 1st January, 2023

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

TELEGRAM : ICAIXD

Q:10 (FINAL ACCOUNT) 20 MARKS

10+5+5) YA 20 MARKS DIRECT

- (i) Sengupta & Co. employs a team of eight workers who were paid ₹50,000 per month each in the year ending 31st March, 2021. At the start of financial year 2021-2022, the company raised salaries by 10% to ₹33,000 per month each.
- On October 1, 2021 the company hired two trainees at salary of ₹21,000 per month each. The work force are paid salary on the first working day of every month, one month in arrears, so that the employees receive their salary for January on the first working day of February etc.
- You are required to calculate:
- Amount of salaries which would be charged to the profit and loss for the year ended 31st March, 2022
 - Amount actually paid as salaries during 2021-22
 - Outstanding Salaries as on 31st March, 2022

Sol:

(i) Salaries to be charged to profit and loss account for the year ended 31st March, 2022:	
Salaries of 8 employees for full year @ ₹ 33,000 per month each	31,68,000
Salaries of 2 trainees for 6 months @ ₹ 21,000 p.m.	2,52,000
	<u>34,20,000</u>
(ii) Salaries actually paid in 2021-22	
March, 2021 salaries paid in April, 2021 (8 x 30,000)	2,40,000
Salaries of 8 employees for April, 2021 to March, 2022 paid in May 2021 to March 2022 @ ₹ 33,000 for 11 months	29,04,000
Salaries of 2 trainees for October 2021 to February 2022 paid in November 2021 to March 2022 @ ₹ 21,000 for 5 months	2,10,000
	<u>33,54,000</u>
(iii) Outstanding salaries as at 31st March, 2022	
8 employees @ ₹ 33,000 each for 1 month	2,64,000
2 trainees @ ₹ 21,000 each for 1 month	42,000
	<u>3,06,000</u>

- (ii) Mr. Kotriwal is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March 2022 has been given below:
- On 1.4.2021 he had a balance of ₹ 2,00,000 advance from customers of which ₹ 1,50,000 is related to year 2021-22 while remaining pertains to year 2022-23. During the year 2021-22 he made cash sales of ₹ 5,00,000. You are required to compute:
- Total income for the year 2021-22.
 - Total money received during the year if the closing balance in advance from customers account is ₹ 1,70,000.

telegram : ICAIXD

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

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

(ii) Advance from Customers A/c

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

(ii) Advance from Customers A/c

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

So, total money received during the year is:

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

(iii)

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

Raw Material A/c

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

Creditors A/c

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

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:

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

TELEGRAM : ICAIXD

telegram : ICAIXD

Sol

Manufacturing A/c

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

Raw Material A/c

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

Working Notes:

- Since purchase of Machinery worth ₹ 10,00,000 has been omitted.
So, depreciation omitted from being charged = ₹ 10,00,000 X 10%
= ₹ 1,00,000
Correct total depreciation expense = ₹ (2,00,000 + 1,00,000)
= ₹ 3,00,000
- Wages worth ₹ 50,000 will be excluded from manufacturing account as they pertain to office and hence will be charged P&L A/c.
- Expenses to be excluded from direct expenses:

Office Electricity Charges (80,000 X 30%)	24,000
Delivery Charges to Customers	20,000
Total expenses not part of Direct Expenses	44,000
=> Revised Direct Expenses	= ₹ (2,44,000 - 44,000) = ₹ 2,00,000

 Fuel charges are related to factory expenses and also freight inwards are incurred for bringing goods to factory/godown so they are part of direct expenses.

(iv)

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

Trial Balance as on 31st March, 2022

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

(iv)

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

Trial Balance as on 31st March, 2022			
Particulars	Dr. ₹	Particulars	Cr. ₹
Stock on 1st April 2021			
Raw Materials	21,000	Sundry Creditors	15,000
Work in Progress	9,500	Bills Payable	7,500
Finished goods	15,500	Sale of Scrap	2,500
Sundry Debtors	24,000	Commission Received	450
Carriage on Purchases	1,500	Provision for doubtful debts	1,650
Bills Receivable	15,000	Capital Account	1,00,000
Wages	13,000	Sales	1,67,200
Salaries	10,000	Bank Overdraft	8,500
Telephone, Postage etc.	1,000		
Repairs to Office Furniture	350		
Cash at Bank	17,000		
Office Furniture	10,000		
Repairs to Plant	1,100		
Purchases	85,000		
Plant and Machinery	70,000		
Rent	6,000		
Lighting	1,350		
General Expenses	1,500		
	3,02,800		3,02,800

The following additional information is available:

Stocks on 31st March, 2022 were:

Raw Materials ₹ 16,200

Finished goods ₹ 18,100

Semi finished goods ₹ 7,800

Salaries and wages unpaid for March 2022 were respectively, ₹ 800 and ₹ 2,000

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

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

Office premises occupy 1/4 of total area.

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

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

TELEGRAM : ICAIXD

telegram : ICAIXD

SOL:

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

Particulars	₹	Particulars	₹
Raw material consumed:		By Closing Stock of Work in Progress	7,800
To Opening Stock of Raw Materials	21,000	By Sale of Scrap	2,500
		By Cost of goods Manufactured	
Add: Purchases	85,000	(Transferred to Trading Account)	1,19,000
Less: Closing Stock	16,200		
	89,800		
To Opening Stock of WIP	9,500		
To Wages	13,000		
Add: Outstanding Wages	2,000		
	15,000		
To Carriage on Purchases	1,500		
To Repairs to Plant	1,100		
To Rent (3/4)	4,500		

To Lighting (2/3)	900		
To Depreciation of Plant	7,000		
	1,29,300		1,29,300

Trading Account for the year ended 31st March, 2022

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

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

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

Balance Sheet as at 31st March, 2022

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

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

(v)

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

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

Other information :

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

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

TELEGRAM : ICAI_XO

SOL.

Trading & Profit and Loss Account of

Mr. Sandeep for the year ended 31st December, 2018

Particulars	₹	₹	Particulars	₹	₹
To Opening Stock		1,400	By Sales	9,000	
To Purchase	12,000		Less: Sales return	(1,000)	8,000
Less: Purchase return	(2,000)	10,000	By Closing stock		4,500
To Gross Profit		1,100			

Particulars	₹	₹	Particulars	₹	₹
To Salary	2,500	12,500	By Gross Profit		1,100
Add: Outstanding salary	100	2,600	By Commission	500	
To Tax & Insurance	500		Less: Advances	(1,000)	400
Add: Outstanding	200		By Accrued Interest		210
Prepaid insurance	(50)	850	By Net Loss		2,500
To Bad debt	500				
Opening provision	(1,000)				
Closing provision	1,000	500			
To Interest on overdraft		300			
To Depreciation on furniture		160			
		4,210			4,210

Balance Sheet of Mr. Sandeep as on 31.3.2018

Particulars	₹	₹	Particulars	₹	₹
Capital	16,000		By Furniture	1,600	
Less: drawing	(2,000)		Less: Depreciation	(160)	1,440
Net loss	(2,500)	11,500	Bill receivable		3,000
Bank overdraft	2,000		Investment	4,000	
Add: interest	300	2,300	Add: accrued interest	210	4,210
Creditors	2,000		Debtors	5,000	
Bills payable	2,500		Less: Provision on bad debts	(1,000)	4,000
Outstanding expenses:					
Salary	100		Closing stock		4,500
Tax	200	300	Cash in hand		1,500
Commission received in advance	100	100	Prepaid insurance		50
		18,700			18,700

V.V.V.V.

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

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

Required

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

SOLUTION

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

Q:11 (NPO)

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

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

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

Following Expenses were made during the year:

Sports Expenses:	₹ 50,000
Rent	₹ 24,000 out of which ₹ 2,000 outstanding

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

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

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

Following Expenses were made during the year:

Sports Expenses: ₹ 50,000

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

Misc. Expenses: ₹ 5,000

TELEGRAM : ICAIXD

SOL

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

Receipts	₹	Payments	₹
To balance b/d		By Salaries	60,000
Cash and bank	1,10,000	By Purchase of sports goods	10,000
To Subscription received (W.N.1)	2,45,000	₹ (25,000-15,000)	
To Sale of investments (W.N.2)	70,000	By Purchase of machinery	10,000
To Interest received on investment	14,000	₹ (20,000-10,000)	
To Sale of furniture	8,000	By Sports expenses	50,000
		By Rent paid	22,000
		₹ (24,000 - 2,000)	
		By Miscellaneous expenses	5,000
		By Balance old	2,80,000
		Cash and bank	4,47,000
	4,47,000		

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

Expenditure	₹	Income	₹
To Salaries	60,000	By Subscription	3,00,000
Add: Outstanding for 2019	18,000	By Interest on investment	
	78,000	Received	14,000
Less: Outstanding for 2018	(15,000)	Accrued (W.N.5)	3,500
	63,000		17,500
To Sports expenses	50,000		
To Rent	24,000		
To Miscellaneous exp.	5,000		
To Loss on sale of furniture (W.N.3)	6,000		
To Depreciation (W.N.4)			
Furniture	1,400		
Machinery	1,500		
Sports goods	2,250		
	5,150		
To Surplus	1,64,250		
	3,17,500		3,17,500

Working Notes:

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

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

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

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

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

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

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

3. Loss on sale of furniture

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

4. Depreciation

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

5. Interest accrued on investment

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

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

telegram : ICAIXD

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

Receipt and Payment Account of Mumbai Club

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

TELEGRAM: ICAIXD

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

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

For the year ended March 31, 2021, the honorarium to the Secretary is to be increased by a total of ₹ 20,000 and Ground man is to receive a bonus of ₹ 20,000. Prepare Income and Expenditure Account for period ended 31st March, 2021 and the Balance Sheet as at that date. (10 Marks)

CAIXD

SOL.

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

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

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

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

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

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

Balance Sheet as on 1st April, 2020

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

Calculation of Donations and Subscriptions

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

Printing and Office Expenses

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

Repairs to Equipment

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

Depreciation on Machinery and equipment

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

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

Calculation of Donations and Subscriptions

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

Printing and Office Expenses

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

Repairs to Equipment

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

Depreciation on Machinery and equipment

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

TELEGRAM: KALXD

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

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

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

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

The club informs you that:

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

The club asks you to prepare:

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

SOL.

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

Balance Sheet As On 31.03.2016

Liabilities	Rs	Asset	Rs
Trust Fund	5,00,000	Fixed Asset	1,62,500
Income & Expenditure	1,05,000	Fixed Deposits	2,50,000
(-) Surplus	3,96,200	Interest Outstanding	54,000

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

TELEGRAM : ICAIIXD

TELEGRAM : ICAIIXD

Q(12) IFR

(i)

A Limited is a company with an authorised share capital of ₹ 1,00,00,000 in equity shares of ₹ 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these ₹ 10 shares at a price of ₹ 14 each, the arrangement of payment being :

- (i) ₹ 2 per share payable on application, to be received by 31st May, 2020;
- (ii) Allotment to be made on 10th June, 2020 and a further ₹ 5 per share (including the premium to be payable);
- (iii) The final call for the balance to be made, and the money received by 31st December, 2020.

Applications were received for 5,50,000 shares and dealt with as follows:

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

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

Journal of A Limited

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

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Sol

Journal of A Limited

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

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

Working Note:

Calculation for Adjustment and Refund

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

Also,

(i) Amount Received on Application (3) = No. of shares applied for (1) X ₹ 2

(ii) Amount Required on Application (4) = No. of shares allotted (2) X ₹ 2

TELEGRAM : ICAIXD

(ii)

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

telegram : ICAIXD

Sol.

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

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

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

TELEGRAM : ICAIXO

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

SOL:

In the books of PQR. Ltd.

Journal

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

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

Balance Sheet of PQR as at.....

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

ASSETS		
Current assets		
Cash and Cash Equivalents	3	24,05,000
Total		24,05,000

Notes to accounts

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

Working Note:

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

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

(2) Balance of Security Premium

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

TELEGRAM: KAIXD

Q:14 Issue of Debentures

(i) Y Company Limited issues 10,000 12% Debentures of the nominal value of ₹ 60,00,000 as follows:

- To a vendor for purchase of fixed assets worth ₹ 13,00,000 - ₹ 15,00,000 nominal value.
- To sundry persons for cash at 90% of nominal value of ₹ 30,00,000.
- To the banker as collateral security for a loan of ₹ 14,00,000 - ₹ 15,00,000 nominal value.

You are required to pass necessary Journal Entries.

(5 Marks)

SOL:

Journal Entries

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

SOL:

Journal Entries

Date	Particulars		Dr. ₹	Cr. ₹
(i)	Fixed Assets A/c	Dr.	13,00,000	
	To Vendor A/c			13,00,000
	(Being the purchase of fixed assets from vendor)			
	Vendor A/c	Dr.	13,00,000	
	Discount on issue of Debentures A/c	Dr.	2,00,000	
	To 12% Debentures A/c			15,00,000
	(Being the issue of debentures of ₹ 15,00,000 to vendor to satisfy his claim)			
(ii)	Bank A/c	Dr.	27,00,000	
	To Debentures Application A/c			27,00,000
	(Being the application money received on 5,000 debentures @ ₹ 540 each)			
	Debentures Application A/c	Dr.	27,00,000	
	Discount on issue of Debentures A/c	Dr.	3,00,000	
	To 12% Debentures A/c			30,00,000
	(Being the issue of 5,000 12% Debentures @ 95% as per Board's Resolution No.dated....)			
(iii)	Bank A/c	Dr.	14,00,000	
	To Bank Loan A/c (See Note)			14,00,000
	(Being a loan of ₹14,00,000 taken from bank by issuing debentures of ₹15,00,000 as collateral security)			

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

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

SOLUTION

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

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

TELEGRAM : ICAIXD

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

Particulars	₹
EQUITY AND LIABILITIES	
1. Shareholders' funds	
a Share capital	2,90,000
b Reserves and Surplus	48,000
2. Current liabilities	
Trade Payables	56,500
ASSETS	
1. Property, Plant and Equipment	3,45,000
2. Non-current investments	78,500
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:

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

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

Journal

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

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

Working Note:

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

- (ii) The capital structure of a company consists of 20,000 Equity Shares of ₹ 10 each fully paid up and 1,000 8% Redeemable Preference Shares of ₹ 100 each fully paid up (issued on 1.4.2021).
Undistributed reserve and surplus stood as: General Reserve ₹ 80,000; Profit and Loss Account ₹ 20,000; Investment Allowance Reserve out of which ₹ 5,000, (not free for distribution as dividend) ₹ 10,000; Securities Premium ₹ 2,000. Cash at bank amounted to ₹ 98,000. Preference shares are to be redeemed at a Premium of 10% and for the purpose of redemption, the directors are empowered to make fresh issue of Equity Shares at par after utilising the undistributed reserve and surplus, subject to the conditions that a sum of ₹ 20,000 shall be retained in general reserve and which should not be utilised.

Pass Journal Entries to give effect to the above arrangements.

SOLUTION

In the books of

Journal Entries

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

Working Note:

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

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

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

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

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

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

(SOL)

In the books of B Limited

Journal Entries

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

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

Working Note:

(1) Partly paid-up preference shares cannot be redeemed.

(2) Amount to be Transferred to Capital Redemption Reserve Account

Face value of share to be redeemed	₹ 1,80,000
Less: Proceeds from fresh issue (excluding premium)	(₹ 30,000)
	<u>₹ 1,50,000</u>

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

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

Question 16 (PARTNERSHIP)

Dowell & Co. with partners Mr. A, Mr. B and Mr. C, are sharing profits and losses in the ratio of 10:5:4. 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	Furniture	43,000
Reserves		Investments	12,000
(un-appropriated profit)	20,000	Inventories	1,30,000
Long Term Debt	3,60,000	Trade receivables	1,39,000
Bank Overdraft	44,000		
Trade payables	1,70,000		
	<u>5,64,000</u>		<u>6,64,000</u>

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:

- Goodwill is to be valued at ₹ 1 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- 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.
- 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.
 - The surplus funds, if any, will be used for repaying bank overdraft.
 - The amount due to retiring partner shall be transferred to his loan account.

Required:

Prepare

- Revaluation account;
- Partners' capital accounts;

TELEGRAM: ICAIXD

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

Required:

Prepare

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

SOL.

Revaluation Account			
	₹		₹
To Buildings A/c	10,000	By Investments A/c	3,000
To Plant and Machinery A/c	26,000	By Loss to Partners:	
To Provision for Doubtful Debts A/c	27,800	A	30,400
		B	18,240
		C	12,160
	63,800		60,800
			63,800

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

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

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

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

Bank Account			
	₹		₹
To A's Capital A/c	10,400	By Bank Overdraft A/c	44,000
To C's Capital A/c	78,160	By Balance c/d	1,04,560
To D's Capital A/c	60,000		
	1,48,560		1,48,560

Balance Sheet of Dowell Iip.
as at 1st April, 2022

Liabilities		₹ Assets		₹	
Capital Accounts:		Land			10,000
A	80,000	Buildings			1,90,000
C	88,000	Plant and Machinery			1,04,000
D	48,000	Furniture			43,000
Long Term Debts	3,00,000	Inventories			1,30,000
Trade payables	1,70,000	Trade receivables	1,39,000		

B's Loan Account	22,760	Less: Provision for Doubtful Debts	(27,800)	1,11,200
		Balance at Bank		1,04,560
	6,92,760			6,92,760

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

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

MUST JOIN TELGRAM CHANNEL : ICAIXD



YT/TELEGRAM : ICAI XD

CA FOUNDATION ACCOUNTS ADDITIONAL QUESTIONS

BILLS OF EXCHANGE - (ADDITION)

Prepare Journal entries for the following transactions in Samarth's books.

- (i) Samarth's acceptance to Aarav for ₹ 1,250 discharged by a cash payment of ₹ 500 and a new bill for the balance plus ₹ 25 for interest.
- (ii) G. Gupta's acceptance for ₹ 4,000 which was endorsed by Samarth to Sahni was dishonoured. Sahni paid ₹ 20 noting charges. Bill withdrawn against cheque.
- (iii) Harshad retires a bill for ₹ 5,000 drawn on him by Samarth for ₹ 20 discount.
- (iv) Samarth's acceptance to Patel for ₹ 19,000 discharged by Sandeep Chadha's acceptance to Samarth for a similar amount.

Journal Entries		Dr.	Cr.
(i)	Bills Payable A/c Dr.	1,250	
	To Aarav A/c		1,250
	Interest A/c Dr.	25	
	To Aarav A/c		25
	Aarav A/c Dr.	500	
	To Cash A/c		500
	Aarav A/c Dr.	775	
	To Bills Payable A/c		775
(ii)	(a) G. Gupta	Dr. 4,020	
	To Sahni		4,020
	(G. Gupta's acceptance for ₹ 4,000 endorsed to Sahni dishonoured, ₹ 20 paid by Sahni as noting charges)		
	(b) Sahni	Dr. 4,020	
	To Bank Account		4,020
	(Payment to Sahni on withdrawal of bill earlier received from Mr. G. Gupta)		
(iii)	Bank Account	Dr. 4,980	
	Discount Account	Dr. 20	
	To Bills Receivable Account		5,000
	(Payment received from Harshad against his acceptance for ₹ 5,000. Allowed him a discount of ₹ 20)		
(iv)	Bills Payable Account	Dr. 19,000	
	To Bills Receivable Account		19,000
	(Bills Receivable from Patel endorsed to Sandeep in settlement of bills payable issued to him earlier)		

Company accounts: ADDITION

Give necessary journal entries for the forfeiture and re-issue of shares:

- (i) X Ltd. forfeited 300 shares of ₹ 10 each fully called up, held by Ramesh for non-payment of allotment money of ₹ 3 per share and final call of ₹ 4 per share. He paid the application money of ₹ 3 per share. These shares were re-issued to Suresh for ₹ 8 per share.

- (ii) X Ltd. forfeited 200 shares of ₹ 10 each (₹ 7 called up) on which Naresh had paid application and allotment money of ₹ 5 per share. Out of these, 150 shares were re-issued to Mahesh as fully paid up for ₹ 6 per share.
- (iii) X Ltd. forfeited 100 shares of ₹ 10 each (₹ 6 called up) issued at a discount of 10% to Dimple on which she paid ₹ 2 per share. Out of these, 80 shares were re-issued to Simple at ₹ 8 per share and called up for ₹ 6 share.

(i) **Journal Entries in the books of X Ltd.**

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c To Equity Share Allotment money A/c (300 x ₹ 3) To Equity Share Final Call A/c (300 x ₹ 4) To Forfeited Shares A/c (300 x ₹ 3) (Being the forfeiture of 300 equity shares of ₹ 10 each for non-payment of allotment money and final call, held by Ramesh as per Board's resolution No.....dated.....)	Dr.	3,000	900 1,200 900
(b)	Bank Account (300 x 8) Forfeited Shares Account (300x 2) To Equity Share Capital Account (Being the re-issue of 300 forfeited shares @ ₹ 8 each as fully paid up to Suresh as per	Dr. Dr.	2,400 600	3,000
(c)	Board's resolution No.....dated.....) Forfeited Shares Account To Capital Reserve Account (Being the profit on re-issue, transferred to capital reserve)	Dr.	300	300

(ii)

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c (200 x ₹ 7) To Equity Share First Call A/c (200 x ₹ 2) To Forfeited Shares A/c (200 x ₹ 5) (Being the forfeiture of 200 equity shares of ₹ 10/- (₹7 called up) for non-payment of first call @ ₹ 2/- per share as per Board Resolution No..... dated.....)	Dr.	1,400	400 1,000
(b)	Bank Account Forfeited Shares Account To Equity Share Capital Account (Being the re-issue of 150 forfeited shares as fully paid up as per Board's resolution No..... dated.....)	Dr. Dr.	900 600	1,500
(c)	Forfeited Shares Account To Capital Reserve Account (Being the profit on re-issue, transferred to capital reserve)	Dr.	150	150

Working Note:

Balance in forfeited shares account on forfeiture of 150 shares (150 x 5)	₹750
Less: Forfeiture of 150 shares	(₹600)
Profit on re-issue of shares	₹150

(iii)

Date			Dr. ₹	Cr. ₹
(a)	Equity Share Capital A/c (100 x ₹ 6)	Dr.	600	
	To Equity Share Final Call A/c (100 x ₹ 3) To Discount on issue of shares (100 x ₹ 1) To Forfeited Shares A/c (100 x ₹ 2) (Being the forfeiture of 100 equity shares issued at a discount as per Board's resolution No.....dated.....)			300 100 200
(b)	Bank Account (80 x ₹ 6) Discount on issue of shares (80 x ₹ 1) Forfeited Shares A/c (80 x ₹ 1) To Equity Share Capital Account (80 x ₹ 8) (Being the re-issue of 80 shares fully paid up as per Board's Resolution No.....dated.....)	Dr. Dr. Dr.	480 80 80	640
(c)	Forfeited Shares Account To Capital Reserve Account		80	80

	To Equity Share Final Call A/c (100 x ₹ 3)			300
	To Discount on issue of shares (100 x ₹ 1)			100
	To Forfeited Shares A/c (100 x ₹ 2)			200
	(Being the forfeiture of 100 equity shares issued at a discount as per Board's resolution No.....dated.....)			
(b)	Bank Account (80 x ₹ 6)	Dr.	480	
	Discount on issue of shares (80 x ₹ 1)	Dr.	80	
	Forfeited Shares A/c (80 x ₹ 1)	Dr.	80	
	To Equity Share Capital Account (80 x ₹ 8)			640
	(Being the re-issue of 80 shares fully paid up as per Board's Resolution No.....dated.....)			
(c)	Forfeited Shares Account		80	
	To Capital Reserve Account			80
	(Being the profit on re-issue, transferred to capital reserve)			

Working Note:

Balance in forfeited shares account on forfeiture of 100 shares (100 x 2) ₹ 200.00	
Forfeited shares balance for 80 shares	₹ 160
Less: Forfeiture of 80 shares	<u>(₹ 80.00)</u>
Profit on re-issue of shares	₹ 80.00

Note: It may be noted that the facts given in the question are not in compliance with Companies Act, 2013. As per Section 53 of Companies Act, 2013 a company cannot issue shares at discount except for in case of sweat equity shares and therefore any issue on discount by the company is void. However, the above answer has been given strictly based on the information provided in the question.

PSH - (ADDITION)

The Balance Sheet of XYZ Ltd. as at 31st March, 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)

With the help of the details in 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)

Journal Entries

		₹	₹
8% Preference Share Final Call A/c Dr. To 8% Preference Share Capital A/c (For final call made on preference shares @ ₹ 30 each to make them fully paid up)	15,00,000	15,00,000	15,00,000
Bank A/c Dr. (48,000 x ₹ 30) Calls in arrears A/c Dr. (2,000 x ₹ 30) To 8% Preference Share Final Call A/c (For receipt of final call money on preference shares)	14,40,000 60,000	15,00,000	15,00,000

Preference Share Capital A/c Dr. (2000 X ₹ 100) To Calls in Arrears A/c Dr. (2000 X ₹ 30) To Shares Forefeited A/c Dr. (2000 X ₹ 70) (For Shares Forefeited after shareholders fail to pay the Final Call)	2,00,000	60,000 1,40,000	60,000 1,40,000
Bank A/c Dr. To Equity Share Application A/c (For receipt of application money on 50,000 equity shares @ ₹ 20 per share)	10,00,000	10,00,000	10,00,000
Equity Share Application A/c Dr. To Equity Share Capital A/c (For capitalisation of application money received)	10,00,000	10,00,000	10,00,000
Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (For allotment money due on 50,000 equity shares @ ₹ 35 per share including a premium of ₹ 10 per share)	17,50,000	12,50,000 5,00,000	12,50,000 5,00,000
Bank A/c Dr. To Equity Share Allotment A/c (For receipt of allotment money on equity shares)	17,50,000	17,50,000	17,50,000



General Reserve A/c To Capital Redemption Reserve A/c (For transfer of CRR the amount not covered by the proceeds of fresh issue of equity shares i.e., 48,00,000 – 10,00,000 – 12,50,000)	Dr.	25,50,000	25,50,000
8% Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (For amount payable to preference shareholders on redemption at 5% premium)	Dr. Dr.	48,00,000 2,40,000	50,40,000
Preference Shareholders A/c To Bank A/c (For amount paid to preference shareholders)	Dr.	50,40,000	50,40,000

General Reserve A/c To Premium on Redemption A/c (For writing off premium on redemption of preference shares)	Dr.	2,40,000	2,40,000
Shares Forfeited A/c To Capital Reserve A/c (For transferring balance to Capital Reserve A/c after redemption of preference shares)	Dr.	1,40,000	1,40,000

Note: Amount received (excluding premium) on fresh issue of shares till the date of redemption should be considered for calculation of proceeds of fresh issue of shares. Thus, proceeds of fresh issue of shares ₹ 22,50,000 (₹10,00,000 application money plus ₹ 12,50,000 received on allotment towards share capital) will be considered.

Q.2

The books of B Ltd. showed the following balance on 31st December, 2023:

30,000 Equity Shares of ₹ 10 each fully paid; 18,000 12% Redeemable Preference Shares of ₹10 each fully paid; 4,000 10% Redeemable Preference Shares of ₹ 10 each, ₹ 8 paid up (all shares issued on 1st April, 2022).

Undistributed Reserve and Surplus stood as: Profit and Loss Account ₹ 80,000; General Reserve ₹ 1,20,000; Securities Premium Account ₹ 15,000 and Capital Reserve ₹ 21,000.

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

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

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

Journal Entries

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

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

Working Note:

- (1) Partly paid-up preference shares cannot be redeemed.
- (2) Amount to be Transferred to Capital Redemption Reserve Account

Face value of share to be redeemed	₹ 1,80,000
Less: Proceeds from fresh issue (excluding premium)	<u>₹ 30,000</u>
	<u>₹ 1,50,000</u>
- (3) No bonus shares on 3,000 equity shares issued for redemption.

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

BONUS - (ADDITION)

Following notes pertain to the Balance Sheet of Mars Company Limited as at 31st March 2022:

	₹
<i>Authorised capital:</i>	
50,000 12% Preference shares of ₹ 10 each	5,00,000
5,00,000 Equity shares of ₹ 10 each	50,00,000
	<u>55,00,000</u>
<i>Issued and Subscribed capital:</i>	
50,000 12% Preference shares of ₹ 10 each fully paid	5,00,000

4,00,000 Equity shares of ₹ 10 each, ₹ 8 paid up	32,00,000
<i>Reserves and surplus:</i>	
General Reserve	1,60,000
Capital Redemption Reserve	2,40,000
Securities premium (collected in cash)	2,75,000
Revaluation Reserve	1,00,000
Profit and Loss Account	16,00,000

On 1st April, 2022, the Company has made final call @ ₹ 2 each on 4,00,000 equity shares. The call money was received by 25th April, 2022. Thereafter, on 1st May 2022 the company decided to capitalise its reserves by way of bonus at the rate of one share for every four shares held, it decided that there should be minimum reduction in free reserves.

On 1st June 2022, the Company issued Rights shares at the rate of two shares for every five shares held on that date at issue price of ₹ 12 per share. All the rights shares were accepted by the existing shareholders and the money was duly received by 20th June 2022.

Show necessary journal entries in the books of the company for bonus issue and rights issue.

Journal Entries in the books of Mars Ltd.

2022		Dr. ₹	Cr. ₹
April 1	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Final call of ₹ 2 per share on 4,00,000 equity shares made due)	8,00,000	8,00,000
April 25	Bank A/c Dr. To Equity Share Final Call A/c (Final call money on equity shares received)	8,00,000	8,00,000
May 1	Capital Redemption Reserve A/c Dr. Securities Premium A/c Dr. General Reserve A/c Dr. Profit and Loss A/c (b.f.) Dr.	2,40,000 2,75,000 1,60,000 3,25,000	
	To Bonus to Shareholders A/c (Bonus issue of one shares for every four shares held, by utilising various reserves as per Board's resolution dated.....)		10,00,000
	Bonus to Shareholders A/c Dr. To Equity Share Capital A/c (Capitalisation of profit)	10,00,000	10,00,000
June 20	Bank A/c Dr. To Securities Premium A/c To Equity Share Capital A/c (Being Rights issue of 2 shares for every 5 shares held as per board resolution dated)	24,00,000	4,00,000 20,00,000

PARTNERSHIP - (ADDITION)

A, B and C are partners of the firm ABC & Co., sharing profits and losses in the ratio of 5:3:2. Following is the Balance Sheet of the firm as at 31.3.2008:

Liabilities	Rs.	Assets	Rs.
Partners' Capital Accounts:		Goodwill	1,00,000
A	4,50,000	Building	10,50,000
B	1,30,000	Machinery	6,50,000
C	1,70,000	Furniture	2,15,000
Investment Fluctuation Reserve	1,00,000	Investments (Market value Rs. 75,000)	60,000
Contingency Reserve	75,000	Stock	6,50,000
Long Term Loan	15,00,000	Sundry Debtors	6,95,000
Bank Overdraft	2,20,000	Advertisement Suspense	25,000
Sundry Creditors	8,00,000		
	34,45,000		34,45,000

It was decided that B would retire from the partnership on 1.4.2008 and D would be admitted as a partner on the same date. Following adjustments are agreed amongst the partners for the retirement/admission:

- (i) Goodwill is to be valued at Rs. 5,00,000, but the same will not appear as an asset in the books of the firm.
- (ii) Building and Machinery are to be revalued at Rs. 10,00,000 and Rs. 5,20,000 respectively.
- (iii) Investments are to be taken over by B at the market value.
- (iv) Provision for doubtful debts is to be maintained at 20% on Sundry Debtors. -
- (v) The capital of the reconstituted firm will be Rs. 10,00,000 to be contributed by the partners A, C and D in their new profit sharing ratio of 2:2:1.
- (vi) Surplus funds, if any will be used to pay the Bank Overdraft,
- (vii) Amount due to retiring partner B will be transferred to his Loan Account.

Prepare:

- (i) Revaluation Account;
- (ii) Capital Accounts of the partners; and
- (iii) Balance Sheet of the firm after reconstitution.

Revaluation Account			
Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Building A/c	50,000	By Investments A/c	15,000
To Machinery A/c	1,30,000	By Partners' Capital	3,04,000
To Provision for Doubtful Debts A/c	1,39,000	A/cs	1,52,000
		A	91,200
		B	60,800
		C	
	3,19,000		3,19,000

(ii)

Partners' Capital Accounts									
Dr.					Cr.				
Particulars	A	B	C	D	Particulars	A	B	C	D

Revaluation Account

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Building A/c	50,000	By Investments A/c	15,000
To Machinery A/c	1,30,000	By Partners' Capital	3,04,000
To Provision for Doubtful Debts A/c	1,39,000	A/cs	1,52,000
		A	91,200
		B	60,800
		C	
	3,19,000		3,19,000

(ii)

Partners' Capital Accounts

Dr.									Cr.
Particulars	A Rs.	B Rs.	C Rs.	D Rs.	Particulars	A Rs.	B Rs.	C Rs.	D Rs.
To Revaluation A/c	1,52,000	91,200	60,800	—	By Balance b/d	4,50,000	1,30,000	1,70,000	—
To Goodwill (B.V. written off)	50,000	30,000	20,000	—	By Contingency Reserve	37,500	22,500	15,000	—
To A & B (G. Adj)	—	—	1,00,000	1,00,000	By Investment Fluctuation Reserve	50,000	30,000	20,000	—
To Investments	—	75,000	—	—	By C & D (Goodwill Adjustment) (note 2)	50,000	1,50,000	—	—
To Advertisement Suspense	12,500	7,500	5,000	—					
To B's Loan A/c (Balancing figure)	—	1,28,800	—	—					
To Balance c/d (note 3)	4,00,000	—	4,00,000	2,00,000	By Bank (Balancing figure)	27,000	—	3,80,800	3,00,000
	6,14,500	3,32,500	5,85,800	3,00,000		6,14,500	3,32,500	5,85,800	3,00,000

(iii)

Balance Sheet as on 1.4.2008 (After Retirement of B and admission of D)

Liabilities	Rs.	Assets	Rs.
Partners' Capital Accounts		Building	10,00,000
A	4,00,000	Machinery	5,20,000
C	4,00,000	Furniture	2,15,000
D	2,00,000	Stock	6,50,000
Long Term Loan	15,00,000	Debtors	6,95,000
B's Loan	1,28,800	Less: Provision for Doubtful Debts	1,39,000
Sundry Creditors	8,00,000	Cash at Bank (note 1)	4,87,800
	34,28,800		34,28,800

Working Notes:

1. Dr.

Bank A/c

Cr.

Particulars	Rs.	Particulars	Rs.
To A's Capital	27,000	By Balance b/d (Overdraft)	2,20,000
A/c To C's	3,80,800	By Balance c/d (Balancing figure)	4,87,800
Capital A/c To D's Capital A/c	3,00,000		
	7,07,800		7,07,800

2. Book value of Goodwill, appearing in the Balance Sheet of Rs. 1,00,000 is first written off and then an adjusting entry is passed for revalued goodwill of Rs. 5,00,000 in sacrificing and gaining ratio of partners.

Particulars	A	B	C	D
Credit to old partners in old ratio i.e. 5:3:2	Cr.2,50,000	Cr.1,50,000	Cr.1,00,000	---
Debit to new partners in new ratio i.e. 2:2:1	Dr.2,00,000	--	Dr.2,00,000	Dr.1,00,000
Difference (Dr. is Gain & Cr. is Sacrifice)	Cr.50,000	Cr.1,50,000	Dr.1,00,000	Dr.1,00,000

Adjusting entry to adjust Goodwill:

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
	C's Capital A/c Dr.		1,00,000	
	N's Capital A/c Dr.		1,00,000	

2. Book value of Goodwill, appearing in the Balance Sheet of Rs. 1,00,000 is first written off and then an adjusting entry is passed for revalued goodwill of Rs. 5,00,000 in sacrificing and gaining ratio of partners.

Particulars	A	B	C	D
Credit to old partners in old ratio i.e. 5:3:2	Cr.2,50,000	Cr.1,50,000	Cr.1,00,000	---
Debit to new partners in new ratio i.e. 2:2:1	Dr.2,00,000	--	Dr.2,00,000	Dr.1,00,000
Difference (Dr. is Gain & Cr. is Sacrifice)	Cr.50,000	Cr.1,50,000	Dr.1,00,000	Dr.1,00,000

Adjusting entry to adjust Goodwill:

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
	C's Capital A/c Dr.		1,00,000	
	D's Capital A/c Dr.		1,00,000	
	To A's Capital A/c			50,000
	To B's Capital A/c			1,50,000
	(Being the goodwill adjusted through capital accounts of partners)			

3. Capital of A, C and D as per new ratio: Total capital given 10,00,000	Rs.
A's Share = $\frac{2}{5}$ of Rs. 10,00,000	= 4,00,000
C's Share = $\frac{2}{5}$ of Rs. 10,00,000	= 4,00,000
D's Share = $\frac{1}{5}$ of Rs. 10,00,000	= 2,00,000

NPO - (ADDITION)

The Income and Expenditure Account of the Women Club for the Year ended on December 31, 2021 is as follows.

Expenditure	₹	Income	₹
To Salaries	47,500	By Subscription	75,000
To General Expenses	5,000	By Entrance Fees	2,500
To Audit Fee	2,500	By Contribution for Annual Dinner	10,000
To Secretary's honorarium	10,000	By Annual Sports Meet Receipts	7,500
To Stationary and Printing	4,500		
To Annual Dinner Expenses	15,000		
To Interest and bank charges	1,500		
To Depreciation	3,000		
To Surplus	6,000		
	95,000		95,000

This account had been prepared after the following adjustments:

	₹
Subscription outstanding at the end of 2020	6,000
Subscription received in advance on 31 st December, 2020	4,500
Subscription received in advance on 31 st December, 2021	2,700
Subscription outstanding on 31 st December, 2021	7,500

Salaries outstanding at the beginning and end of the year 2021 were respectively ₹ 4,000 and ₹ 4,500. General Expenses include insurance prepaid to the extent of ₹ 600. Audit fee for the year 2021 is as yet unpaid. During the year 2021 audit fee for the year 2020 was paid amounting to ₹ 2,000

The Club owned a freehold lease of ground valued at ₹ 1,00,000. The club had sports equipment on 1st January, 2021 valued at ₹ 26,000. At the end of the year 2021, after depreciation, this equipment amounted to ₹ 27,000. In the year 2020, the Club had raised a bank loan of ₹ 20,000. This was outstanding throughout the year 2021. On 31st December, 2021 in hand was ₹ 16,000.

You are required to:

Prepare the Receipts and Payments Account for the year ended on December 31, 2021 and the Balance Sheet as on that date.

The Women Club

Receipts and Payments Account for the year ended 31st December, 2021

Receipts		₹	₹	Payments		₹	₹
To	Balance b/d (balancing figure)		13,900	By	Salaries (W.N.2)		47,000
To	Subscriptions (W.N.1)		71,700	By	General Expenses	5,000	
To	Entrance Fees		2,500		Add: Paid for 2022	600	5,600
To	Contribution for annual dinner		10,000	By	Audit fee (2021)		2,000
To	Annual sport meet receipt		7,500	By	Secy. Honorarium		10,000
				By	Stationery & Printing		4,500
				By	Annual Dinner Expenses		15,000
				By	Interest & Bank Charges		1,500
				By	Sports Equipment's [27,000 -- (26,000 - 3,000)] (W.N.3)		4,000
				By	Balance c/d		16,000
			1,05,600				1,05,600
To	Balance b/d		16,000				

Balance Sheet of Women Club as on December 31, 2021

Liabilities		Assets	
Subscription received		Freehold Ground	1 00 000

Liabilities			Assets		
Subscription received in advance		2,700	Freehold Ground		1,00,000
Audit Fee Outstanding		2,500	Sport Equipment:		
Salaries Outstanding		4,500	As per last		
Bank Loan		20,000	Balance Sheet	26,000	
Capital Fund:			Additions	4000	
Balance as per previous				30,000	
Balance Sheet	1,15,400		Less: Depreciation	(3,000)	27,000
Add: Surplus for 2021	6,000	1,21,400	Subscription Outstanding		7,500
			Insurance Prepaid		600
			Cash in hand		16,000
		1,51,100			1,51,100

Balance Sheet of Women Club as on 31st December, 2020

Liabilities	₹	Assets	₹
Subscriptions received in advance	4,500	Freehold Ground	1,00,000
Salaries outstanding	4,000	Sports Equipment	26,000
Audit fees unpaid	2,000	Subscriptions Outstanding	6,000
Bank Loan	20,000	Cash in hand	13,900
Capital Fund (balancing figure)	1,15,400		
	1,45,900		1,45,900

Working Note 1:

Calculation of Subscription received during the year ended 31st December, 2021

	₹
Subscription as per Income & Expenditure account	75,000
Add: Subscription outstanding at the end of 2020	6,000
Add: Subscription received in advance on 31.12.2021	2,700
	83,700
Less: Subscription received in advance on 31.12.2020	(4,500)
Less: Subscription outstanding on 31.12.2021	(7,500)
	71,700

Working Note 2:

Salaries as per income & expenditure	47,500
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Working Note 2:

Salaries as per income & expenditure	47,500
<i>Add:</i> Opening outstanding	4,000
<i>Less:</i> Closing outstanding	<u>(4,500)</u>
Total Salary paid	47,000

Working Note 3:

Purchase of Sports equipment = Closing Balance + Depreciation- Opening

$$= 27,000 + 3,000 - 26,000 = ₹ 4,000$$

Discuss the basic considerations in distinguishing between capital and revenue expenditure.

The balance of Machinery Account of a firm on 1st April, 2020 was ₹ 28,54,000. Out of this, a plant having book value of ₹ 2,16,090 as on 1st April, 2020 was sold on 1st July, 2020 for ₹ 82,000. On the same date a new plant was purchased for ₹ 4,58,000 and ₹ 22,000 was spent on its erection. On 1st November, 2020 a new machine was purchased for ₹ 5,60,000. Depreciation is written off @ 15% per annum under the diminishing balance method. Calculate the depreciation for the year ended 31st March, 2021.

The basic considerations in distinction between capital and revenue expenditures are:

(a)	Nature of business: For a trader dealing in furniture, purchase of furniture is revenue expenditure but for any other trade, the purchase of furniture should be treated as capital expenditure and shown in the balance sheet as asset. Therefore, the nature of business is a very important criterion in separating expenditure between capital and revenue.
(b)	Recurring nature of expenditure: If the frequency of an expense is quite often in an accounting year then it is said to be an expenditure of revenue nature while non-recurring expenditure is infrequent in nature and do not occur often in an accounting year. Monthly salary or rent is the example of revenue expenditure as they are incurred every month while purchase of assets is not the transaction done regularly therefore, classified as capital expenditure unless materiality criteria defines it as revenue expenditure.
(c)	Purpose of expenses: Expenses for repairs of machine may be incurred in course of normal maintenance of the asset. Such expenses are revenue in nature. On the other hand, expenditure incurred for major repair of the asset so as to increase its productive capacity is capital in nature.
(d)	Effect on revenue generating capacity of business: The expenses which help to generate income/revenue in the current period are revenue in nature and should be matched against the revenue earned in the current period. On the other hand, if expenditure helps to generate revenue over more than one accounting period, it is generally called capital expenditure.
(e)	Materiality of the amount involved: Relative proportion of the amount involved is another important consideration in distinction between revenue and capital.

Calculation of depreciation for the year ended 31.3.21

	Machine I (28,54,000 - 2,16,000) ₹	Machine II Purchased on 1 st July ₹	Machine III Purchased on 1 st Nov ₹	Depreciation on sold machine IV ₹
Book value as on 1 st April, 2020	26,38,000	4,80,000	5,60,000	2,16,000
Depreciation @15%	3,95,700 (for full year)	54,000 (for 9 months)	35,000 (for 5 months)	8,100 (for 3 months)

Total depreciation (I + II + III + IV)

₹ 4,92,800



UNEXPECTED QUESTIONS
LAST DAY REVISION
CA FOUNDATION ACCOUNTS

CA FOUNDATION ACCOUNTS

The balance sheet of Thapar on 31st April, 2021 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Trade payables	75,96,000	Plant & Machinery	30,00,000
Expenses Payable	1,50,000	Furniture & Fixtures	3,00,000
Capital	50,00,000	Trade receivables	14,00,000
		Cash at Bank	6,50,000
	67,56,000	Inventories	13,00,000
			66,50,000

During 2021-22, his Profit and Loss Account revealed a net profit of ₹ 10,50,000. This was after allowing for the following:

- (a) Rent received from property let out ₹ 2,00,000.
- (b) Depreciation on Plant and Machinery @ 40% and on Furniture and Fixtures @ 5%.
- (c) A provision for Doubtful Debts @ 3% of trade receivables as at 31st March, 2022.

But while preparing the Profit and Loss Account he had forgotten to provide for (i) outstanding expenses totalling ₹ 1,80,000 and (ii) prepaid insurance to the extent of ₹ 20,000.

His current assets and liabilities on 31st March, 2022 were: Inventories ₹ 14,50,000; Trade receivables ₹ 20,00,000; Cash at Bank ₹ 10,35,000 and Trade payables ₹ 71,40,000.

During the year he withdrew ₹ 6,00,000 for domestic use.

Required

Draw up his Balance Sheet at the end of the year.

SOLUTION

Profit and Loss Account (Revised)

Particulars	₹	Particulars	₹
To Outstanding expenses	1,80,000	By Balance b/d	18,50,000
To Net profit	10,50,000	By Prepaid insurance	20,000
	18,50,000		18,50,000

Balance Sheet of Thapar as at 31st March, 2022

Liabilities	₹	Assets	₹	₹
Capital	50,00,000	Cash at Bank	10,35,000	
And Net Profit	18,50,000	Trade receivables	20,00,000	
	68,50,000	Less: Provision for doubtful debts	(1,00,000)	19,00,000
Less: Drawings	(6,00,000)	Plant and Machinery	30,00,000	
Outstanding expenses	1,80,000	Less: Depreciation	(3,00,000)	27,00,000
Trade payables	71,40,000	Furniture & Fixtures	3,00,000	
		Less: Depreciation	(15,000)	2,85,000
		Inventories	14,50,000	
		Prepaid insurance	20,000	
	73,90,000		73,90,000	

1.

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

2022	₹
April - 1 Received ₹ 20,000 for petty cash	
" 2 Paid auto fare	800
" 3 Paid cartage	2,500
" 4 Paid for Postage & Telegrams	500
" 5 Paid wages	600
" 5 Paid for stationery	400
" 6 Paid for the repairs to machinery	1,500
" 6 Bus fare	300
" 7 Cartage	400
" 7 Postage and Telegrams	700
" 8 Cartage	3,000
" 9 Stationery	2,000
" 10 Sundry expenses	5,000

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

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

Required

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

SOLUTION

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

Q.

Mr. Birla is a proprietor engaged in business of trading electronics. An excerpt from his Trading & P&L account is as follows:

Trading and P&L A/c for the year ended 31st March, 2022

Particulars	₹	Particulars	₹
To Cost of Goods Sold	45,00,000	By Sales	C
To Gross Profit c/d	D		
	E	By Gross Profit b/d	E
To Rent A/c	26,00,000		D
To Office Expenses	13,00,000	By Miscellaneous Income	E
To Selling Expenses	B		
To Commission to Manager (on Net Profit before charging such commission)	2,00,000		
To Net Profit	A		
	G		60,00,000

Commission is charged at the rate of 10%.

Selling Expenses amount to 1% of total sales.

You are required to compute the missing figures.

SOL

A) Computation of Net Profit:

Commission Manager = Rate of Commission X Net Profit before charging such commission

So, Commission to manager = 10/100 X Net Profit before charging such commission

= ₹ 2,00,000 = 10/100 X Net Profit before charging such commission

= Net Profit before charging such commission = ₹ 20,00,000

=> Net Profit (A) = ₹ (20,00,000 - 2,00,000) = ₹ 18,00,000

B) Computation of Selling Expenses:

Total income appearing in P&L A/c = ₹ 60,00,000

Total expenses other than selling expenses = ₹(26,00,000 + 13,00,000 + 2,00,000) = ₹ 41,00,000

So, Selling Expenses + Remaining Expenses + Net Profit = Total Income

= Selling Expenses = ₹ 60,00,000 - ₹ 41,00,000 - ₹ 18,00,000

= Selling Expenses = ₹ 1,00,000

C) Computation of Sales:

We have been given selling expenses amount to 1% of Sales

So, Sales = $\frac{\text{Selling Expenses}}{1} \times 100 = \frac{1,00,000}{1} \times 100 = ₹ 100,00,000$

D) Computation of Gross Profit:

In Trading A/c

We have been given selling expenses amount to 1% of Sales

$$\text{So, Sales} = \frac{\text{Selling Expenses}}{1} \times 100 = \frac{1,00,000}{1} \times 100 = ₹ 100,00,000$$

D) Computation of Gross Profit:

In Trading A/c

Particulars	₹	Particulars	₹
To COGS	45,00,000	By Sales (from C above)	100,00,000
To Gross Profit (Balancing Figure)	55,00,000		
Total (F)	100,00,000	Total (F)	100,00,000

So, Gross Profit (D) = ₹ 55,00,000

E) Miscellaneous Income = Total Income in P&L - Gross Profit
= ₹ (60,00,000 - 55,00,000) = ₹ 5,00,000

F) = ₹ 100,00,000 (As computed in D above)

G) = ₹ 60,00,000 (Total of both sides of P&L is equal after balancing has been done)

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

SOLUTION

Calculation of amount of discount to be written-off

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

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

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

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

SOL.

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

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

(ii) Advance from Customers A/c

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

So, total money received during the year is:

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

(ii)

Advance from Customers A/c

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

So, total money received during the year is:

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

THEORY

Discuss the limitations which must be kept in mind while evaluating the Financial Statements.
(ALL MOST EVERY MTP)

OR

DIFFERENCES - BILL OF EXCHANGE AND PROMISSORY NOTE

OR

DIFFERENCE :Between capital and revenue expenditure

Difference between Going Concern Concept and Cost Concept.

OR

Explain the differences between Money measurement concept and Matching Concept

OR

Which subsidiary books are normally used in a business?

OR

State the causes of difference between the balance shown by the pass book and the cash book. OR