

CA FOUNDATION **ACCOUNTS**

**SUPER
50**

QUESTIONS

**FOR
JUNE 2023
EXAMINATION**



**By
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Chapter 1 - Accounting Process

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24	Withdrawn from Bank	1,800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	

Solution:

Dr.						Cr					
Cash Book											
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

Note: If the received cheque is endorsed to the other party on the same day, then no entry is required. However, in the above case posting has been done through cash column as the endorsement is done on next day.

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

2022			₹
Apri	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

Solution:

Petty Cash Book

Receipts	Date	V. No.	Particulars	Total	Conveyance	Cartage	Stationery	Postage & Telegrams	Wages	Sundries
₹	2019			₹	₹	₹	₹	₹	₹	₹
20,000	April		To Cash							
	1									
	2		By Conveyance	500	500					
	3		By Cartage	2,500		2,500				
	4		By Postage and Telegrams	500				500		
	5		By Wages	600					600	
	5		By Stationery	400			400			
	6		By Repairs to machine	1,500						1,500
	6		By Conveyance	100	100					
	7		By Cartage	400		400				
	7		By Postage and Telegrams	700				700		
	8		By Cartage	3,000		3,000				
	9		By Stationery	2,000			2,000			
	10		By Sundry Expenses	5,000						5,000
				17,200	600	5,900	2,400	1,200	600	6,500

20,000		By Balance c/d	2,800					
2800		To Balance b/d	20,000					
17,200	11	To Cash						

Chapter 2 – Bills of Exchange

3. Mr. B accepted a bill for ₹ 10,000 drawn on him by Mr. A on 1st August, 2022 for 3 months. This was for the amount which B owed to A. On the same date Mr. A got the bill discounted at his bank for ₹ 9,800.

On the due date, B approached A for renewal of the bill. Mr. A agreed on condition that ₹ 2,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance B should accept a new bill for 3 months. These arrangements were carried through. On 31st December, 2022, B became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. A.

Solution: Journal Entries in the Books of Mr. A

Date	Particulars	Debit ₹	Credit ₹
2022			
August 1	Bills Receivable A/c Dr. To B 10,000 (Being the acceptance received from B to settle his account)	10,000	10,000
August 1	Bank A/c Dr. Discount A/c Dr. To Bills Receivable 10,000 (Being the bill discounted for ₹ 9,800 from bank)	9,800 200	
November 4	B Dr. To Bank Account 10,000 (Being the B's acceptance is to be renewed)	10,000	
November 4	B Dr. To Interest Account 240 (Being the interest due from B for 3 months i.e., $8000 \times 3/12 \times 12\% = 240$)	240	240
November 4	Cash A/c Dr. Bills Receivable A/c Dr. To B 10,240 (Being amount and acceptance of new bill received from B)	2,240 8,000	

December 31	B A/c	Dr.	8,000	
	To Bills Receivable A/c			8,000
	(Being B became insolvent)			
December 31	Cash A/c	Dr.	3,200	
	Bad debts A/c	Dr.	4,800	
	To B			8,000
	(Being the amount received and written off on B's insolvency)			

4. 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.

Solution:

Books of S. Samarth
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 (Payment received from Harshad against his acceptance for ₹ 5,000. Allowed him a discount of ₹ 20)			5,000
(iv)	Bills Payable Account To Bills Receivable Account (Bills Receivable from Patel endorsed to Sandeep in settlement of bills payable issued to him earlier)	Dr.	19,000	19,000

5. 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.

Solution: In the books of Anil Journal Entries

Date 2019	Particulars	Debit Amount ₹	Credit Amount ₹
5-Apr	Bills receivable account Dr. To Sanjay's account (Being acceptance received from Sanjay for mutual accommodation)	9,000	9,000
8-Apr	Bank account Dr. Discount account Dr. To Bills receivable account (Being bill discounted with bank)	8,820 180	9,000
8-Apr	Sanjay's account Dr. To Bank account To Discount account (Being one-third proceeds of the bill sent to Sanjay)	3,000	2,940 60
8-Jul	Sanjay's account Dr. To Bills payable account (Being Acceptance given)	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

Chapter 3 – Rectification of Errors

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

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

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

Solution:

Journal Entries in the books of Mr. Roy

Date	Particulars		LF	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)	Dr.		2,700	2,700
(2)	Suspense Account	Dr.		10,000	

	To Profit & Loss Adjustment A/c (Purchase Account overcast in the previous year; error now rectified).			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)	Dr.	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)	Dr.	1,000	1,000
(5)	Suspense Account To C's Account (₹ 500 received from C wrongly debited to his account; now rectified)	Dr.	1,000	1,000
(6)	Trade receivables To Suspense Account (₹ 500 due by Q not taken into trial balance; now rectified)	Dr.	500	500
(7)	R's Account To Profit & Loss Adjustment A/c (Sales to R omitted last year; now adjusted)	Dr.	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)	Dr.	198	198
(9)	Profit & Loss Adjustment A/c To Roy's Capital Account (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	Dr.	10,898	10,898
(10)	Roy's Capital Account To Suspense Account (Balance of Suspense Account transferred to the Capital Account)	Dr.	10,698	10,698

Profit and Loss Adjustment A/c
(Prior Period Items)

Particulars	₹	Particulars	₹
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 A/c

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

7. 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:

- (i) Sales Day Book was overcast by ₹ 1,000.
- (ii) A sale of ₹ 5,000 to X was wrongly debited to the Account of Y.
- (iii) General expenses ₹ 180 was posted in the General Ledger as ₹ 810.
- (iv) A Bill Receivable for ₹ 1,550 was passed through Bills Payable Book. The Bill was given by P.
- (v) Legal Expenses ₹ 1,190 paid to Mrs. Neetu was debited to her personal account.
- (vi) Cash received from Ram was debited to Shyam ₹ 1,500.
- (vii) 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

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

	(Correct of error by which general expenses of ₹ 180 was wrongly posted as ₹ 810)			
(iv)	Bills Receivable A/c Bills Payable A/c To P (Correction of error by which bill receivable of ₹ 1,550 was wrongly passed through BP book)	Dr. Dr.	1,550 1,550	3,100
(v)	P & L Adjustment A/c To Mrs. Neetu (Correction of error by which legal expenses paid to Mrs. Neetu was wrongly debited to her personal account)	Dr.	1,190	1,190
(vi)	Suspense A/c To Ram To Shyam (Removal of wrong debit to Shyam and giving credit to Ram from whom cash was received)	Dr.	3,000	1,500 1,500
(vii)	Suspense A/c To P&L Adjustment A/c (Correction of error by which Purchase A/c was excess debited by ₹90/-, ie: ₹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

Chapter 4 – Bank Reconciliation Statement

8. The Cash-book of M/s ABC shows ₹ 27,570 as the balance at Bank as on 31st March, 2017. But this does not agree with balance as per the Bank Statement. On scrutiny following discrepancies were found:

- (i) Subsidy ₹ 10,250 received from the government directly by the bank, but not advised to the

- company.
- (ii) On 15th March, 2017 the payments side of the Cash-book was under cast by ₹ 350.
 - (iii) On 20th March, 2017 the debit balance of ₹ 2,156 as on the previous day, was brought forward as credit balance in Cash-book.
 - (iv) A customer of the M/s ABC, who received a cash discount of 5% on his account of ₹ 2,000, paid to M/s ABC a cheque on 24th March, 2017. The cashier erroneously entered the gross amount in the Cash-Book.
 - (v) On 10th March, 2017 a bill for ₹ 5,700 was discounted from the bank, entered in Cash-book, but proceeds credited in Bank Statement amounted to ₹ 5,500 only.
 - (vi) A cheque issued amounting to ₹ 1,725 returned marked 'out of date'. No entry made in Cash-book.
 - (vii) Insurance premium ₹ 756 paid directly by bank under a standing order. No entry made in cash-book.
 - (viii) A bill receivable for ₹ 1,530 discounted for ₹ 1,500 with the bank had been dishonoured on 30th March, 2017, but advice was received on 1st April, 2017.
 - (ix) Bank recorded a Cash deposit of ₹ 1,550 as ₹ 1,505. Prepare Bank Reconciliation Statement on 31st March, 2017.

Solution:

Bank Reconciliation Statement on 31st March, 2017

Particulars			₹
Bank Balance as per Cash Book			27,570
Add:	(i)	Subsidy from government received directly by the bank not recorded in the Cash Book	10,250
	(iii)	Debit balance of ₹2,156 brought forward as credit balance on 20th March, 2017 in the Cash Book	4,312
	(vi)	Cheque issued returned marked 'out of date'	1,725
			16,287
			43,857
Less:	(ii)	Cash Book under cast on 15th March, 2017	350
	(iv)	Discount allowed to a customer, however entry made at gross amount in the Cash Book	100
	(v)	Commission charged by bank on discounting of bill, not considered in Cash Book	200
	(vii)	Insurance Premium paid directly by bank under standing instructions	756
	(viii)	Discounted B/R dishonoured; not entered in Cash Book	1,530
	(ix)	Bank recorded short cash deposit	45
			2,981
Balance as per Bank Statement			40,876

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

- (i) The Bank Pass Book had a debit balance of ₹ 25,000 on 30th June, 2018.

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

Solution:

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

10. 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:

- (i) A cheque for ₹ 11,14,000 deposited on 29th September, 2018 was credited by the bank only on 3rd October, 2018.
- (ii) A payment by cheque for ₹ 18,000 has been entered twice in the Cash book.
- (iii) 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.
- (iv) Bank charges amounting to ₹ 280 had not been entered in the cash book.
- (v) On 6th September 2018, the bank credited ₹ 30,000 to XYZ in error.
- (vi) 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.
- (vii) Cheques issued upto 30th September, 2018 but not presented for payment upto that date totalled ₹ 13,46,000.
- (viii) 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.

Solution:

Cash Book (Bank Column)

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

Bank Reconciliation Statement as on 30th September, 2018

Particulars	Amount ₹
Overdraft as per Cash Book	1,75,942
Add: Cheque deposited but not collected up to 30th 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 6th Sept.	(30,000)
Balance as per bank statement	86,058

Chapter 5 - Consignment

11. Ganpath of Nagpur consigns 500 cases of goods costing ₹ 1,500 each to Rawat of Jaipur. Ganpath pays the following expenses in connection with the consignment.

Particulars	₹
Carriage	15,000
Freight	45,000
Loading Charges	15,000

Rawat sells 350 cases at ₹ 2,100 per case and incurs the following expenses:

Clearing charges	18,000
Warehousing and Storage charges	25,000
Packing and selling expenses	7,000

It is found that 50 cases were lost in transit (which is an abnormal loss) and another 50 cases were in transit. Rawat is entitled to a commission of 10% on gross sales. Draw up the Consignment Account and Rawat's Account in the books of Ganpath.

Solution:

In the books of Ganpath
Consignment to Rawat of Jaipur Account

Particulars	₹	Particulars	₹
To Goods sent on Consignment	7,50,000	By Rawat (Sales)	7,35,000
To Bank (Expenses: (15,000+45,000+15,000))	75,000	By Goods lost in Transit 50 cases @ ₹ 1,650 each (WN1)	82,500
To Rawat (Expenses: (18,000+25,000+7,000))	50,000	By Consignment Inventories: In hand 50 @ ₹ 1,695 each (WN2)	84,750
To Rawat (Commission)	73,500	By Consignment Inventories: In transit 50 @ ₹ 1,650 each (WN3)	82,500
To Profit on Consignment Transfer to Profit & Loss A/c	36,250		82,500
	9,84,750		9,84,750

Rawat's Account

Particulars	₹	Particulars	₹
To Consignment to Jaipur A/c	7,35,000	By Consignment A/c (Expenses)	50,000
		By Consignment A/c (Commission)	73,500
		By Balance c/d	6,11,500
	7,35,000		7,35,000

Working Notes:

1. Consignor's expenses on 500 cases amounts to ₹ 75,000; it comes to ₹ 150 per case. The cost of cases lost will be computed at ₹ 1,650 per case i.e. $1,500+150$.
2. Rawat has incurred ₹ 18,000 on clearing 400 cases, i.e., ₹ 45 per case; while valuing closing inventories with the agent ₹ 45 per case has been added to cases in hand with the agent i.e. $1,500+150+45$.
3. The goods in transit (50 cases) have not yet been cleared. Hence the proportionate clearing charges on those goods have not been included in their value i.e. $1,500+150=1,650$.
4. It has been assumed that balance of ₹ 6,11,500 is not yet paid.

12. A Products Limited of Kolkata has given the following particulars regarding tea sent on consignment to C Stores of Mumbai:

	Cost price	Selling price	Qty consigned
5 Kg. Tin	₹ 100 each	₹ 150 each	1,000 Tins
10 Kg. Tin	₹ 180 each	₹ 250 each	1,000 Tins

- (i) The consignment was booked on freight "To Pay" basis. The freight was charged @ 5% of selling value.
- (ii) C Stores sold 500, 5 kg Tins and 800, 10 kg Tins. It paid insurance of ₹ 10,000 and storage charges of ₹ 20,000.
- (iii) C Stores is entitled to a fixed commission @ 10% on Sales.
- (iv) During transit 50 quantity of 5 kg Tin and 20 quantity of 10 kg Tin got damaged and the transporter paid ₹ 5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited.

Solution:

A Products Ltd.
Consignment to Mumbai Account

Particulars	₹	₹	Particulars	₹	₹
To Goods sent on Consignment A/c			By C Stores		
1,000 5 kg. tins @ ₹ 100	1,00,000		500, 5 kg. tins @ ₹ 150	75,000	
1,000 10 kg. tins. @ ₹ 180	1,80,000	2,80,000	800, 10 kg. tins. @ ₹ 250	2,00,000	2,75,000
To C Stores:			By Bank A/c		5,000
Freight	20,000		(Damage charges)		
Insurance	10,000		By Profit & Loss A/c -		
Storage charge	20,000		Abnormal loss (Net)		4,225
Commission	27,500	77,500	By Inventory on consignment A/c		83,025
To Profit & Loss A/c - Profit		9,750			
		3,67,250			3,67,250

Working Notes:

(i) Calculation of Freight	
Sale value of total consignment:	
1,000 5 kg. tins @ ₹ 150	1,50,000
1,000 10 kg. tins @ ₹ 250	<u>2,50,000</u>
	4,00,000
Freight @ 5% of above 20,000	
(ii) Inventories at the end:	
450, 5 kg. tins @ ₹ 100 (Selling Price ₹ 67,500)	45,000
180, 10 kg. tins. @ ₹ 180 (Selling Price ₹ 45,000)	32,400
	<u>77,400</u>
Add: Freight 5% of (Selling Price ₹ 1,12,500)	5,625
	<u>83,025</u>
(iii) Loss in transit:	
Cost of 50, 5 kg. Tins @ ₹ 100 & 20, 10 kg tins @ 180	8,600
Freight @ 5% of Selling Price ₹ 12,500	<u>625</u>
Gross abnormal Loss	9,225
Less: Damage charges received	<u>(5,000)</u>
Net abnormal Loss	4,225

13. Anand of Bangalore consigned to Raj of Pune, goods to be sold at invoice price which represents 125% of cost. Raj is entitled to a commission of 10% on sales at invoice price and 25% of any excess realized over invoice price. The expenses on freight and insurance incurred by Anand were ₹ 12,000. The account sales received by Anand shows that Raj has effected sales amounting to ₹ 1,20,000 in respect of 75% of the consignment. His selling expenses to be reimbursed were ₹ 9,600 10% of consignment goods of the value of ₹ 15,000 were destroyed in fire at the Pune godown and the insurance company paid ₹ 12,000 net of salvage. Raj remitted the balance in favour of Anand.

You are required to prepare Consignment Account and the account of Raj in the books of Anand along with the necessary calculations.

Solution:

Books of Anand
Consignment to Raj (Pune) Account

Particulars	₹	Particulars	₹
To Goods sent on Consignment A/c	1,50,000	By Goods sent on Consignment A/c (loading)	30,000
To Cash A/c	12,000	By Abnormal Loss	13,200
To Raj (Expenses)	9,600	(out of which ₹ 12,000 received from insurance co.)	
To Raj (Commission)	13,125	By Raj (Sales)	1,20,000
To Inventories Reserve A/c	4,500	By Inventories on Consignment A/c	24,300
		By General Profit & Loss A/c	1,725

	1,89,225		1,89,225
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Raj's Account

Particulars	₹	Particulars	₹
To Consignment A/c	1,20,000	By Consignment A/c	9,600
		By Consignment A/c	13,125
		By Bank A/c	97,275
	1,20,000		1,20,000

Working Notes:

- Calculation of Loading of goods sent on consignment: Abnormal Loss at Invoice price = ₹15,000.
Abnormal Loss as a percentage of total consignment = 10%.
Hence the value of goods sent on consignment = ₹15,000 × 100/10 = ₹1,50,000. Loading of goods sent on consignment = ₹1,50,000 × 25/125 = ₹30,000.
- Calculation of abnormal loss (10%):
Abnormal Loss at Invoice price = ₹15,000
Abnormal Loss at cost = ₹15,000 × 100/125 = ₹12,000
Proportionate expenses of Anand (10% of ₹12,000) = ₹1,200
₹13,200
- Calculation of closing Inventories (15%):
Anand's Basic Invoice price of consignment = ₹1,50,000
Anand's expenses on consignment = ₹12,000
₹1,62,000
Value of closing Inventories = 15% of ₹1,62,000 = ₹24,300
Loading in closing Inventories = ₹4,500 (30,000 × 15%)
- Calculation of commission:
Invoice price of the goods sold = 75% of ₹1,50,000 = ₹1,12,500
Excess of selling price over invoice price = (₹1,20,000 - ₹1,12,500) = ₹7,500
Total commission = 10% of ₹1,12,500 + 25% of ₹7,500
= ₹11,250 + ₹1,875
= ₹13,125

Note: Abnormal loss is calculated at cost and value of inventories is valued at invoice price as invoice price is given.

Chapter 6 - Depreciation

14. 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.

Solution:

In the books of Firm
Machinery Account

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

Working Note

Book Value of machines

	Machine I ₹	Machine II ₹	Machine III ₹
Cost of all machinery (Machinery cost for 2015)	40,000	10,000	25,000
Depreciation for 2015	4,000		
Written down value as on 31.12.2015	36,000		

Purchase 1.7.2016 (6 months)		10,000	
Depreciation for 2016	5,400	750	
Written down value as on 31.12.2016	30,600	9,250	
Depreciation for 6 months (2017)	2,295		
Written down value as on 1.7.2017	28,305		
Sale proceeds	28,000		
Loss on sale	305		
Purchase 1.7.2017			25,000
Depreciation for 2017 (6 months)		1,388	1,875
Written down value as on 31.12.2017		7,862	23,125
Depreciation for 6 months in 2018		590	
Written down value as on 1.7.2018		7,272	
Sale proceeds		2,000	
Loss on sale		5,272	
Depreciation for 2018			3,469
Written down value as on 31.12.2018			19,656

Chapter 7 - Inventory Valuation

15. A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15th April, 2018 on which date the total cost of goods in his godown came to ₹ 50,000. The following facts were established between 31st March and 15th April, 2018.

- Sales ₹ 41,000 (including cash sales ₹ 10,000)
- Purchases ₹ 5,034 (including cash purchases ₹ 1,990)
- Sales Return ₹ 1,000.
- On 15th March, goods of the sale value of ₹ 10,000 were sent on sale or return basis to a customer, the period of approval being four weeks. He returned 40% of the goods on 10th April, approving the rest; the customer was billed on 16th April.
- The trader had also received goods costing ₹ 8,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15th April. These sales are not included in above sales.

Goods are sold by the trader at a profit of 20% on sales.

You are required to ascertain the value of Inventory as on 31st March, 2018.

Solution: Statement of Valuation of Stock on 31st March, 2018

	₹	₹
Value of stock as on 15th April, 2018		50,000

Add:	Cost of sales during the period from 31st March, 2018 to 15th April, 2018		
	Sales (₹ 41,000 - ₹ 1,000)	40,000	
	Less: Gross Profit (20% of ₹ 40,000)	8,000	32,000
	Cost of goods sent on approval basis (80% of ₹ 6,000)		4,800
			86,800
Less:	Purchases during the period from 31st March, 2018 to 15th April, 2018	5,034	
	Unsold stock out of goods received on consignment basis (30% of ₹ 8,000)	2,400	7,434
			79,366

16. Raj Ltd. prepared their accounts financial year ended on 31st March 2019. Due to unavoidable circumstances actual stock has been taken on 10th April 2019, when it was ascertained at ₹ 1,25,000. It has been found that:

- Sales are entered in the Sales Book on the day of dispatch and return inwards in the Returns Inward Book on the day of the goods received back.
- Purchases are entered in the Purchase Book on the day the Invoices are received.
- Sales between 1st April 2019 to 9th April 2019 amounting to ₹ 20,000 as per Sales Day Book.
- Free samples for business promotion issued during 1st April 2019 to 9th April 2019 amounting to ₹ 4,000 at cost.
- Purchases during 1st April 2019 to 9th April 2019 amounting to ₹ 10,000 but goods amounts to ₹ 2,000 not received till the date of stock taking.
- Invoices for goods purchased amounting to ₹ 20,000 were entered on 28th March 2019 but the goods were not included in stock.

Rate of Gross Profit is 25% on cost. Ascertain the value of Stock as on 31st March 2019.

Solution:

Statement of Valuation of Physical Stock as on 31st March, 2019

	₹	₹
Value of stock as on 10th April, 2019		1,25,000
Add: Cost of sales during the intervening period		
Sales made between 1.4.2019 and 9.4.2019	20,000	
Less: Gross profit @20% on sales	(4,000)	16,000
Free sample		4,000
		1,45,000
Less: Purchases actually received during the intervening period:		

Purchases from 1.4.2019 to 9.4.2019	10,000	
Less: Goods not received upto 9.4.2019		(8,000)
	(2,000)	1,37,000
Add: Purchases during March, 2019 but not recorded in stock		20,000
Value of physical stock as on 31.3.2019		1,57,000

17. A) The following are the details of a spare part of Sriram mills

1-1-2020	Opening Inventory	Nil
1-1-2020	Purchases	100 units @ ₹ 30 per unit
15-1-2020	Issued for consumption	50 units
1-2-2020	Purchases	200 units @ ₹ 40 per unit
15-2-2020	Issued for consumption	100 units
20-2-2020	Issued for consumption	100 units

Find out the value of Inventory as on 31-3-2020 if the company follows First in first out basis

Solution:

First-in-First out basis

Sriram Mills

Calculation of the value of Inventory as on 31-3-2020

Date	Receipts			Issues			Balance		
	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
1-1-2020	Balance							Nil	
1-1-2020	100	30	3,000				100	30	3,000
15-1-2020				50	30	1,500	50	30	1,500
1-2-2020	200	40	8,000				50	30	1,500
							200	40	8,000
15-2-2020				50	30	1,500			
				50	40	2,000	150	40	6,000
20-2-2020				100	40	4,000	50	40	2,000

Therefore, the value of Inventory as on 31-3-2020: 50 units @ ₹ 40 = ₹ 2,000

B) The following are the details of a spare part of Sriram Mills:

1-1-2020	Opening Inventory	Nil
1-1-2020	Purchases	100 units @ ₹ 30 per unit

15-1-2020	Issued for consumption	50 units
1-2-2020	Purchases	200 units @ ₹ 40 per unit
15-2-2020	Issued for consumption	100 units
20-2-2020	Issued for consumption	100 units

Find out the value of Inventory as on 31-3-2020 if the company follows Weighted Average basis

Solution:

Weighted Average basis

Sriram Mills

Calculation of the value of Inventory as on 31-3-2020

Date	Receipts			Issues			Balance		
	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
1-1-2020	Balance							Nil	
1-1-2020	100	30	3,000				100	30	3,000
15-1-2020				50	30	1,500	50	30	1,500
1-2-2020	200	40	8,000				250	38	9,500
15-2-2020				100	38	3,800	150	38	5,700
20-2-2020				100	38	3,800	50	38	1,900

Therefore, the value of Inventory as on 31-3-2020 = 50 units @ ₹ 38 = ₹ 1,900

Chapter 8 - Sales on Approval

18. Ms. Madhu has supplied goods on sale or return basis to customers, the particulars of which are as under.

Date of dispatch	Party's name	Amount ₹	Remarks
01.03.2020	M/s. Piya	20,000	Awaiting approval from customers as on 31.03.2020
08.03.2020	M/s. Riya	25,000	Returned on 16.03.2020
15.03.2020	M/s. Ciya	24,000	Goods worth ₹ 4,000 returned on 20.03.2020
19.03.2020	M/s. Diya	22,500	Goods accepted on 24.03.2020
25.03.2020	M/s. Tiya	18,250	Good accepted on 28.03.2020
30.03.2020	M/s. Bhavya	23,000	Awaiting approval from customers as on 31.03.2020

Goods are sent on the terms of 10 days return window from the date of dispatch, failing which it will be treated as sales. The books of Madhu are closed on the 31st March, 2020.

Prepare the following accounts in the books of Madhu.

- (a) Goods on "sales or return, sold and returned day books".
 (b) Goods on sales or return total account.

Solution:

In the books of 'Madhu'
 Goods on sales or return, sold and returned day book.

Date 2020	Party to whom goods sent	L.F	Amount ₹	Date 2020	Sold ₹	Returned ₹
Mar 01	M/s. Priya		20,000	Mar 11	20,000	-
Mar 08	M/s. Riya		25,000	Mar. 16	-	25,000
Mar 15	M/s. Chiya		24,000	Mar. 20	20,000	4,000
Mar 19	M/s. Diya		22,500	Mar. 24	22,500	-
Mar 25	M/s. Tiya		18,250	Mar. 28	18,250	-
Mar 30	M/s. Bhavya		23,000	Pending approval		
			1,32,750		80,750	29,000

Goods on Sales or Return Total Account

Date	Particulars	Amount	Date	Particulars	Amount
2020			2020		
Mar. 31	To Returns	29,000	Mar. 31	By Goods sent on sales or return	1,32,750
	To Sales	80,750			
	To Balance c/d	23,000			
		1,32,750			1,32,750

19. Mr. Ganesh sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2018, the Trade Receivables balance stood at ₹ 75,000 which included ₹ 6,500 goods sent on approval against which no intimation was received during the year. These goods were sent out at 30% over and above cost price and were sent to-
 Mr. Adhitya ₹ 3,900 and Mr. Bakkiram ₹ 2,600.
 Mr. Adhitya sent intimation of acceptance on 25th April, 2018 and Mr. Bakkiram returned the goods on 15th April, 2018.
 Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31st March, 2018. Show also the entries to be made during April, 2018. Value of Closing Inventories as on 31st March, 2018 was ₹ 50,000.

Solution:

In the Books of Mr. Ganesh
 Journal Entries

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
2018 March 31	Sales A/c To Trade receivables A/c (Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)	Dr.		6,500	6,500
March 31	Inventories with Customers on Sale or Return A/c To Trading A/c (Note 1) (Being the adjustment for cost of goods lying with customers awaiting approval)	Dr.		5,000	5,000
April 25	Trade receivables A/c To Sales A/c (Being goods costing worth ₹ 3,900 sent to Mr. Aditya on sale or return basis has been accepted by him)	Dr.		3,900	3,900

Balance Sheet of Mr. Ganesh as on 31st March, 2018 (Extracts)

Liabilities	₹	Assets	₹	₹
		Trade receivables (₹ 75,000 - ₹ 6,500)		68,500
		Inventories-in-trade	50,000	
		Add: Inventories with customers on Sale or Return	5,000	55,000
				1,23,500

Note:

- Cost of goods lying with customers = $100/130 \times ₹ 6,500 = ₹ 5,000$
- No entry is required on 15th April, 2018 for goods returned by Mr. Bakkiram. Goods should be included physically in the Inventories

20. From the following information show the journal entries in the books of ABC Limited for the year ended 31st March, 2020.

- 100 units of goods costing ₹ 500 each sent to XYZ Limited on Sales or Return Basis @ ₹ 750 per unit. This transaction was however treated as actual sales in the books of accounts.
- Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ ₹ 700 per unit. No information was received about acceptability of balance units by the year end.

Solution:

In the books of ABC. Ltd. Journal Entries

Date	Particulars		L.F.	Dr. ₹	Cr. ₹
March. 31	Sales A/c (₹ 50 X 60) To XYZ Limited A/c (Being the 60 units of goods accepted by XYZ limited at 700 per unit.)	Dr.		3,000	3,000
	Sales A/c (40 X ₹ 750) To XYZ Limited A/c (Being the cancellation of original entry for sale in respect of 40 units of goods not yet returned or approved by customers)	Dr.		30,000	30,000
March. 31	Inventories with Customers on Sale or Return A/c To Trading A/c (Being the cost of goods sent to customers on approval or return basis not yet approved, adjusted)	Dr.		20,000	20,000

Note: Quantity of goods lying with XYZ as on 31.3.2020 = 100-60 = 40

Chapter 9 – Average Due Date

21. Average Due date from the following information:

Date of the bill	Terms	Amount
August 10, 2010	3 months	6,000
October 23, 2010	60 days	5,000
December 4, 2010	2 months	4,000
January 14, 2011	60 days	2,000
March 8, 2011	2 months	3,000

Solution: Due date = Date of bill + Period in month/days + 3 days

(Days of grace are applicable in case of Bills of Exchange / Promissory Note only).

Let the base date be 13.11.2010

Due date	Amount	Days	Product
10.8.2010 + 3 months + 3 days = 13.11. 2010	6,000	0	0
23.10.2010 + 60 days + 3 days = 24.12. 2010*	5,000	41	2,05,000

4.12.2010 + 2 months + 3 days = 7.2.2011	4,000	86	3,44,000
14.1.2011 + 60 days + 3 days = 18.3.2011	2,000	125	2,50,000
8.3.2011 + 2 months + 3 days = 11.5. 2011	3,000	179	5,37,000
	20,000		13,36,000

* Due Date Comes 25.12 which is a public holiday hence preceding working day is taken.

$$\text{Average Due Date} = \text{Base Date} + \frac{\text{Sum of Product}}{\text{Sum of Amount}}$$

$$= 13.11.2010 + 67 \text{ days}$$

= 19th January 2011

22. Rakesh had the following bills receivable and bills payable against Mukesh.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
1st June	3,400	3 month	29th May	2,500	2 month
5th June	2,900	3 month	3rd June	3,400	3 month
9th June	5,800	1 month	9th June	5,700	1 month
12th June	1,700	2 month			
20th June	1,900	3 month			

15th August was a public holiday. However, 6th September, was also declared as sudden holiday. Calculate the average due date, when the payment can be received or made without any loss of interest to either party.

Solution:

Let us take 12.07.2020 as Base date.

Bills receivable

Due date	No. of days from 12.07.2020	Amount	Product
04/09/2020	54	3,400	1,83,600
08/09/2020	58	2,900	1,68,200
12/07/2020	0	5,800	0
14/08/2020	33	1,700	56,100
23/09/2020	73	1,900	1,38,700
		15,700	5,46,600

Bills payable

Due date	No. of days from 12.07.2020	Amount	Product
----------	-----------------------------	--------	---------

01/08/2020	20	2,500	50,000
07/09/2020	57	3,400	1,93,800
12/07/2020	0	5,700	0
		11,600	2,43,800

Excess of products of bills receivable over bills payable = 5,46,600 - 2,43,800 = 3,02,800

Excess of bills receivable over bills payable = 15,700 - 11,600 = 4,100

Number of days from the base date to the date of settlement is 3,02,800

$$\frac{3,02,800}{4,100} = 73.85$$

(approx.)

Hence date of settlement of the balance amount is 74 days after 12th July i.e. 24th September. On 24th September, 2020 Mukesh has to pay Rakesh ₹ 4,100 to settle the account.

23. Mehnaaz accepted the following bills drawn by Shehnaaz.

On 8th March, 2018 ₹ 4,000 for 4 months.

On 16th March, 2018 ₹ 5,000 for 3 months.

On 7th April, 2018 ₹ 6,000 for 5 months

On 17th May, 2018 ₹ 5,000 for 3 months.

He wants to pay all the bills on a single day. Find out this date. Interest is charged @ 18% p.a. and Mehnaaz wants to save ₹ 157 by way of interest. Calculate the date on which he has to effect the payment to save interest of ₹ 157.

Solution:

Taking 19.6.2018 as a Base date

Transaction Date	Due Date	Amount	No. of days from the base date i.e. 19.6.2018	Product
8.3.2018	11.7.2018	4,000	22	88,000
16.3.2018	19.6.2018	5,000	0	0
7.4.2018	10.9.2018	6,000	83	4,98,000
17.5.2018	20.8.2018	5,000	62	3,10,000
		20,000		8,96,000

$$\text{Average Due Date} = \text{Base Date} + \frac{\text{Sum of Product}}{\text{Sum of Amount}}$$

$$= 19.6.2018 + \frac{₹ 8,96,000}{₹ 20,000}$$

= 19.6.2018 + 44.8 days (or 45 days approximately)

= 3.8.2018

Mehnaaz wants to save interest of ₹ 157. The yearly interest is ₹ 20,000 × 18% = ₹ 3,600.

Assume that days corresponding to interest of ₹ 157 are Y. Then, $3,600 \times \frac{Y}{365} = ₹ 157$
or $Y = 157 \times 365 / 3,600 = 15.9$ days or 16 days (Approx.)

Hence, if Mehnaaz wants to save ₹ 157 by way of interest, she should prepone the payment of amount involved by 16 days from the Average Due Date. Hence, she should make the payment on 18.7.2018 (3.8.2018 - 16 days).

Chapter 10 – Account Current

24. From the following particulars prepare an Account Current to be rendered by A to B at 31st December, reckoning interest @ 10% p.a.

2017		₹	2017		₹
July 1	Balance owing from B	600	Sept. 01	B accepted A's Bill at 3 months date	250
July 17	Goods sold to B	50	Oct.22	Goods bought from B	30
Aug. 1	Cash received from B	650	Nov. 12	Goods sold to B	20
Aug. 19	Goods sold to B	700	Dec. 14	Cash received from B	80
Aug. 30	Goods sold to B	40			
Sept. 1	Cash received from B	350			

Solution:

B in Account Current with A
(Interest from Due Date to Dec.31, 2017 @ 10% p.a.)

Dr.						Cr.					
Date	Particulars	Due Date	Amount (₹)	Days	Product	Date	Particulars	Due Date	Amount (₹)	Days	Product
July 1	To Balance b/d	July 1	600	184	1,10,400	Aug. 1	By Cash A/c	Aug. 1	650	152	98,800
July 17	To Sales A/c	July 17	50	167	8,350	Sept. 1	By Cash A/c	Sept. 1	350	121	42,350
Aug. 19	To Sales A/c	Aug 19	700	134	93,800	Sept. 1	By Bills Receivable	Dec. 4	250	27	6,750
Aug.30	To Sales A/c	Aug. 30	40	123	4,920	Oct. 22	By Purchases A/c	Oct. 22	30	70	2,100
Nov.12	To Sales A/c	Nov. 12	20	49	980	Dec. 14	By Cash A/c	Dec. 14	80	17	1,360
Dec.31	To Interest A/c ₹ (67,090 X 0.1 / 365)		18.38			Dec. 31	By Balance c/d		68.38		67,090
			1428.38		2,18,450				1428.38		2,18,450

25. Mr. A owed ₹ 4,000 on 1st January, 2019 to Mr. X. The following transactions took place between them. It is agreed between the parties that interest @ 10% p.a. is to be calculated on all transactions.

	₹
15 January, 2019 Mr. X sold goods to Mr. A	2,230
29 January, 2019 Mr. X bought goods from Mr. A	1,200
10 February, 2019 Mr. A paid cash to Mr. X	1,000
13 March, 2019 Mr. A accepted a bill drawn by Mr. X for one month	2,000

They agree to settle their complete accounts by one single payment on 15th March, 2019. Prepare Mr. A in Account Current with Mr. X and ascertain the amount to be paid. Ignore days of grace. Assume 1 year = 366 Days.

Solution:

Mr. A in Account Current with Mr. X
(Interest upto 15th March, 2019)

Dr.					Cr.				
Date	Particulars	Amt	Days	Product	Date	Particulars	Amt	Days	Product
2019					2019				
Jan. 01	To Balance b/d	4,000	75	3,00,000	Jan. 29	By Purchase a/c	1,200	46	55,200
Jan. 15	To Sales a/c	2,230	60	1,33,800	Feb. 10	By Cash a/c	1,000	34	34,000
Mar. 13	To Red Ink product (₹ 2,000 @ 29)			58,000	Mar. 13	By Bills receivable a/c	2,000		
Mar. 15	To Interest a/c $\text{₹}4,02,600 \times 10 \times 1$ $\times 100 \times 366$	110			Mar. 15	By Balance of product			4,02,600
						By Balance c/d (amt to be paid)	2,140		
		6,340		4,91,800			6,340		4,91,800

Chapter 11 - Final Accounts

26. The following are the balances as at 31st March, 2019 extracted from the books of Mr. XYZ.

	₹		₹
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300

Purchases	1,60,000	Carriage inward	1,125
Opening Stock	32,250	Carriage outward	1,350
Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		Interest paid on loan	3,000

Additional Information:

- Purchases include sales return of ₹ 2,575 and sales include purchases return of ₹ 1,725.
- Goods withdrawn by Mr. XYZ for own consumption ₹ 3,500 included in purchases.
- Wages paid in the month of April for installation of plant and machinery amounting to ₹ 450 were included in wages account.
- Free samples distributed for publicity costing ₹ 825
- Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
- Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
- Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2019 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2019, and a Balance Sheet as on that date. Also show the rectification entries.

Solution:**Rectification Entries**

	Particulars	Dr.	Cr.
(i)	Returns inward account	Dr. 2,575	
	Sales account	Dr. 1,725	
	To Purchases account		2,575
	To Returns outward account		1,725
	(Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified)		
(ii)	Drawings account	Dr. 3,500	
	To Purchases account		3,500

(iii)	(Being goods withdrawn for own consumption included in purchases, now rectified) Plant and machinery account To Wages account (Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified)	Dr. 450	450
(iv)	Advertisement expenses account To Purchases account (Being free samples distributed for publicity out of purchases, now rectified)	Dr. 825	825

Trading and Profit and Loss Account of Mr. XYZ
For the year ended 31st March, 2019

Dr.			Cr.		
To Opening stock		32,250	By Sales	2,13,575	
To Purchases	1,53,100		Less: Sales return	2,575	2,11,000
Less: Purchases return	1,725	1,51,375	By Closing stock		1,25,000
To Carriage inward		1,125	80,000 * 100/80 * 100/80		
To Wages		11,715			
To Gross profit c/d		1,39,535			
		3,36,000			3,36,000
To Salaries		22,550	By Gross profit b/d		1,39,535
To Rent		4,300	By Bad debts recovered		450
To Advertisement expenses		4,175			
To Printing and stationery		1,250			
To Bad debts		1,100			
To Carriage outward		1,350			
To Provision for doubtful debts					
5% of ₹ 1,20,00	6,000				
Less: Existing provision	3,200	2,800			
To Provision for discount on debtors					
2.5% of ₹ 1,14,000	2,850				
Less: Existing provision	1,375	1,475			
To Depreciation:					
Plant and machinery	3,000				
Furniture and fittings	1,025	4,025			
To Office expenses		10,160			
To Interest on loan		3,000			
To Net profit					

(Transferred to capital account)	83,800		
	1,39,985		1,39,985

Balance Sheet of Mr. XYZ as on 31st March, 2019

		Amount				Amount	
		₹	₹	Assets		₹	₹
Liabilities				Plant and machinery	20,000		
Capital account	65,000			Less: Depreciation	3,000	17,000	
Add: Net profit	83,800			Furniture and fittings	10,250		
	1,48,800			Less: Depreciation	1,025	9,225	
Less:	11,500	1,37,300		Closing stock			1,25,000
Drawings				Sundry debtors	1,20,000		
Bank overdraft		80,000		Less: Provision for doubtful debts	6,000		
Sundry creditors		47,500		Provision for bad debts	2,850	1,11,150	
Payable salaries		2,450		Prepaid rent			300
				Cash in hand			1,450
				Cash at bank			3,125
							2,67,250
							2,67,250

27. 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 :

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

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

Solution:

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			
		12,500			12,500
To Salary	2,500		By Gross Profit		1,100
Add: Outstanding salary	100	2,600	By Commission	500	
			Less: Advance	(100)	400
To Tax & Insurance	500		By Accrued interest		210
Add: Outstanding prepaid insurance	200		By Net Loss		2,500
	(50)	650			
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:			Closing stock		4,500
Salary	100		Cash in hand		1,500
Tax	200	300	Prepaid insurance		50
Commission received in advance		100			
		18,700			18,700

28. From the following Trial Balance of Hari and additional information prepare Trading and Profit & Loss Account for the year ended 31st March, 2016 and a Balance Sheet as on that date:

Trial Balance as at 31st March, 2016

	Dr.(Rs.)	Cr.(Rs.)
Capital	-	1,00,000
Furniture	20,000	-
Purchases	1,50,000	-
Debtors	2,00,000	-
Interest Earned	-	4,000
Salaries	30,000	-
Sales		-
	3,21,000	
Purchase Returns	-	5,000
Wages	20,000	-
Rent		15,000
Sales Return	10,000	-
Bad Debt Written off	7,000	-
Creditors	-	1,20,000
Drawings	24,000	-
Provision for Bad Debts	-	6,000
Printing & Stationery	8,000	-
Insurance	12,000	-
Opening Stock	50,000	-
Office Expenses	12,000	-
Provision for Depreciation	-	2,000
	5,58,000	5,58,000

Additional Information's:

- (1) Depreciate Furniture by 10% on original cost;
- (2) A provision for Doubtful Debts is to be created to the extent of 5% on Sundry Debtors;
- (3) Salaries for the month of March, 2016 amounting to Rs.3,000 were unpaid which must be provided for. However salaries included Rs.2,000 paid in advance;
- (4) Insurance amounting to Rs.2,000 is prepaid;
- (5) Provide for outstanding office expenses Rs.8,000;
- (6) Stock used for private purpose Rs.6,000;
- (7) Closing Stock-in-Trade Rs.60,000.

Solution:

M/s Hari

Trading and Profit and Loss Account for the year ended on 31.3.2016

Particulars		Rs.	Particulars		Rs.
To Opening stock		50,000	By Sales	3,21,000	
To Purchases	1,50,000		(-) Return	10,000	3,11,000
(-) Return	5,100	1,45,000	By Goods used		6,000
To Wages		20,000	By Closing stock		60,000
To Gross profit c/d		1,62,000			
		3,77,000			3,77,000
To Salaries	30,000		By Gross Profit b/d		1,62,000
(+) Outstanding salary	3,000		By Interest		4,000
(-) Advance salary	2,000	31,000			
To Rent		15,000			
To Bad debts	7,000				
(+) Provisions	4,000	11,000			
To Printing and Stationery		8,000			
To Insurance	12,000				
(-) Prepaid	2,000	10,000			
To Office expenses	12,000				
(+) Outstanding	8,000	20,000			
To Depreciation		2,000			
To Net profit transferred to Capital a/c		69,000			
		1,66,000			1,66,000

M/s Hari

Balance Sheet as on 31.3.2016

Liabilities		Rs.	Assets		Rs.
Capital	1,00,000		Furniture	20,000	
(+) Net profit	69,000		(-) Dep. Provision: Bal. B/f	2,000	
(-) Drawings	24,000		+ Current year dep.	2,000	4,000
(-) Goods taken	6,000	1,39,000	Stock		60,000
Creditors		1,20,000	Debtors	2,00,000	

Salary payable	3,000	(-) Provision: old b/f	6,000	
Expense payable	8,000	(-) Additional provision	4,000	1,90,000
		Advance salary		2,000
		Prepaid insurance		2,000
	2,70,000			2,70,000

Adjustment Entries

No.	Particulars	Dr. Rs.	Cr. Rs.
1.	Depreciation a/c Dr. To Depreciation provision a/c (Depreciation for the current year provided by SLM)	2,000	2,000
2.	Bad debt a/c Dr. To Provision for Bad debt a/c (Provision for additional bad debts created. Required prov. 5% on Debtors of Rs.2,00,000 i.e. Rs.10,000 less existing prov. Rs.6,000)	4,000	4,000
3.	Salary a/c Dr. To Salary payable a/c (Being salary for the month of March due) Advance Salary Dr. To Salary a/c (Being advance salary paid transferred to advance a/c)	3,000 2,000	3,000 2,000
4.	Prepaid Insurance a/c Dr. To Insurance expenses a/c (Being premium paid for next year, transferred to prepaid a/c)	2,000	2,000
5.	Office expenses a/c Dr. To Expenses payable a/c (Being provision made for expense payable)	8,000	8,000
6.	Drawings a/c Dr. To Goods used a/c (Being goods withdrawn by owner for personal use)	6,000	6,000
7.	Stock a/c Dr. To Trading a/c (Being closing stock adjusted)	60,000	60,000

Transfer Entries / Book Closing Entries

No.	Particulars	Dr. Rs.	Cr. Rs.
1.	Purchase return a/c Dr. To Purchase a/c (Being purchase return balance transferred to purchases a/c)	5,000	5,000
2.	Trading a/c Dr . To Opening stock a/c To Purchase a/c	2,15,000	50,000 1,45,000

No.	Particulars	Dr. Rs.	Cr. Rs.
	To Wages a/c (Being direct expenses of goods transferred to trading a/c)		20,000
3.	Sales a/c Dr. To Sales return a/c (Being sales return a/c transferred to sales a/c)	10,000	10,000
4.	Sales a/c Dr. Goods used a/c Dr. To Trading a/c (Being sales a/c and goods used a/c transferred to trading a/c)	3,11,000 6,000	3,17,000
5.	Trading a/c Dr. To Profit & Loss a/c (Being gross profit shown by trading a/c transferred to P&L a/c)	1,62,000	1,62,000
6.	Interest a/c Dr. To Profit & Loss a/c (Being indirect incomes transferred to P&L a/c)	4,000	4,000
7.	Profit & Loss a/c Dr. To Salary a/c To Rent a/c To Bad debt a/c To Printing and stationery a/c To Insurance a/c To Office expense a/c To Depreciation a/c (Being expenses a/c transferred to P&L a/c)	97,000	31,000 15,000 11,000 8,000 10,000 20,000 2,000
8.	Profit & Loss a/c Dr. To Capital a/c (Being net profit as per P&L a/c transferred to capital a/c)	69,000	69,000
9.	Capital a/c Dr. To Drawings a/c (Being drawing adjusted against capital a/c)	30,000	30,000

29. From the following Trial Balance of K. Katrak as on 31-3-2016. Prepare Trading Account, Profit and Loss Account for the year ended 31-3-2016, and a Balance Sheet as on that date after making necessary adjustments:

Trial Balance			
	Dr. Rs.		Cr. Rs.
K. Katrak's Drawings	12,000	K. Katrak's Capital	60,000
Furniture & Fixtures	4,000	Returns Outward	2,000
Plant & Machinery	30,000	Sales	1,30,000
Opening Stock	20,000	Creditors	12,000
Purchases	80,000	Loan at 6% p.a. taken from	
Salaries and wages	22,400	M. Mehta on 1-10-2015	10,000

Debtors	20,400	Discount	600
Return Inward	5,000		
Postage & telegrams	1,500		
Rent, Rates and taxes	3,600		
Bad debts written off	400		
Trade Expenses	200		
Interest on loan from M. Mehta	150		
Insurance	800		
Travelling Expenses	500		
Sundry Expenses	300		
Cash-in-hand	3,050		
Cash at Bank	10,300		
	<u>2,14,600</u>		<u>2,14,600</u>

Adjustments

- (1) Closing stock was valued at Rs.21,000;
- (2) Of the debtors Rs.400 are bad and should be written off. Create a reserve for bad debts at 5% on Sundry Debtors and a reserve for discount on Debtors at 2.5%.
- (3) Salaries Rs.800 for March,16 were not paid.
- (4) Interest on Capital is to be calculated at 6% p.a. and on drawings Rs.330.
- (5) Prepaid Insurance amounted to Rs.100.
- (6) Depreciate Furniture & Fixture by 5% and plant and machinery by 10%.

Solution:

M/S K. K. Katrak

Trading and Profit & loss Account for the year ended on 31.13.16

Particulars	Amount	Particulars	Amount
To Opening stock	20,000	By Sales	1,30,000
To Purchase	80,000	(-) Return Inward	5,000
(-) Return outward	2,000	By Closing stock	21,000
To Gross profit	48,000		
	<u>1,46,000</u>		<u>1,46,000</u>
To Depreciation: Furniture	200	By Gross Profit	48,000
Plants & Mach.	3,000	By Discount	600
	3,200		
To Sundry expenses	300		
To Travelling expenses	500		
To Trade expenses	200		
To Salary & wages	22,400		
+ Salary payable	800		
	23,200		
To Postage & Telegram	1,500		
To Rent, Rates & Taxes	3,600		
To Bad debts	400		
+ Addl Bad debts written off	400		
+ Provision for bad debts	1,000		

Particulars	Amount	Particulars	Amount
	1,800		
To Interest on loan from Mr. Mehta 150			
+ Interest payable 150	300		
To Insurance 800			
(-) Prepared Insurance 100	700		
To Discount on debtor Provided	475		
To Net profit transferred to P&L app.	12,825		
	<u>48,600</u>		<u>48,600</u>

Profit & loss Appropriation Account

Particulars	Amount	Particulars	Amount
To Interest on capital	3,600	By Net profit as per P&L account	12,825
To Balance profit transferred to capital a/c	9,555	By Interest on drawings	330
	<u>13,155</u>		<u>13,155</u>

Interest on capital, interest on drawing, salary/commission etc. to owners and transfer to reserves etc. is taken in P&L appropriation a/c.

Loan from Mr. Mehta has been taken 6 month ago for which the interest accrued is Rs.300 out of which Rs.150 has already been paid and accounted balance Rs.150 is payable and is accounted now.

Balance sheet as on 31.13.16

Liabilities	Rs.	Assets	Rs.
Capital 60,000		Furniture & fixture 4,000	
(+) Interest on Capital 3,600		(-) Depreciation 200	3,800
(-) Drawing 12,000		Plant & Machinery 30,000	
(-) Interest on drawing 330		(-) Depreciation 3,000	27,000
(+) Profit transfer from P&L a/c 9,555	60,825	Debtors 20,400	
Loan 10,000		(-) Bad debt written off 400	
Interest payable 150		20,000	
Creditors 12,000		(-) Provision for bad debt 5% 1,000	
Outstanding salary 800		19,000	
		(-) Provision for discount 2.5% 475	18,525
		Closing stock	21,000
		Prepaid Insurance	100
		Cash 3,050	
		+ Bank 10,300	13,350
	<u>83,775</u>		<u>83,775</u>

Chapter 12 - Partnership

Admission of Partner

30. Gopal and Govind are partners sharing profits and losses in the ratio 60:40. The firms Balance Sheet as on 31-03-2006 was as follows:

Liabilities	Rs.	Assets	Rs.
Capital Accounts			
Gopal	1,20,000	Fixed Assets	3,00,000
Govind	80,000	Investments	50,000
Long Term Loan	2,00,000	Current Assets	2,00,000
Current Liabilities	2,50,000	Loans and Advances	1,00,000
	6,50,000		6,50,000

Due to financial difficulties, they have decided to admit Guru as a Partner in the firm from 01-04-2006 on the following terms:

Guru will be paid 40% of the profits. Guru will bring in cash Rs.1,00,000 as capital. It is agreed that goodwill of the firm will be valued at 2 years purchase of 3 years normal average profits of the firm and Guru will bring in cash for his share of Goodwill. It was also decided that the partners will not withdraw their share of goodwill nor will the goodwill appear in the books of account.

The profits of the previous three years were as follows:

- For the year ended 31-03-2004 Profit Rs.20,000 (includes insurance claim received of Rs.40,000).
- For the year ended 31.03.2005 Loss Rs.80,000 (includes voluntary retirement compensation paid Rs.1,10,000).
- For the year ended 31.03.2006 Profit of Rs.1,05,000 (includes a profit of Rs.25,000 on the sale of assets).

It was decided to revalue the assets on 31.03.2006 as follows:

Fixed Assets	4,00,000
Investments	Nil
Current Assets	1,80,000
Loans and Advances	1,00,000

The new profit sharing ratio after the admission of Guru was 35:25:40.

Pass Journal Entries on admission, show goodwill calculation and prepare Revaluation Account, Partners Capital Accounts and Balance Sheet as on 01.04.2006 after the admission of Guru.

Solution:

Calculation & Adjustment for Goodwill.

Year	31.3.04	31.3.05	31.3.06
Profit as given	Cr. 20,000	Dr. 80,000	Cr. 1,05,000
Reversal of abnormal/ non recurring items:			
Insurance claim received	Dr. 40,000		
Retirement compensation paid		Cr. 1,10,000	

Year	31.3.04	31.3.05	31.3.06
Profit on sale of assets			Dr. 25,000
Normal profit	Dr. 20,000	Cr. 30,000	Cr. 80,000
Average future maintainable profit = $-20000+30,000 + 80,000 = 90,000 \div 3 = 30,000$			
Goodwill = $30,000 \times 2 = 60,000$			
Adjustment of Goodwill:			
Profit on account of goodwill	Gopal	Govind	Guru
Credit in Old ratio (Raise the goodwill)	Cr. 36,000	Cr. 24,000	--
Debit in New ratio (Reverse the goodwill)	Dr. 21,000	Dr. 15,000	Dr. 24,000
Difference (Cr.: Sacrifice and Dr.: Gain)	Cr. 15,000	Cr. 9,000	Dr. 24,000

Entry: Cash Dr. 24,000
 To Gopal 15,000
 To Govind 9,000

Capital Account

Particulars	Gopal	Govind	Guru	Particulars	Gopal	Govind	Guru
				By Balance b/f	1,20,000	80,000	--
				By Cash a/c	--	--	1,00,000
				By Cash (Goodwill adjustment) a/c	15,000	9,000	--
By Balance c/f	1,53,000	1,01,000	1,00,000	By Revaluation a/c	18,000	12,000	--
	1,53,000	1,01,000	1,00,000		1,53,000	1,01,000	1,00,000

Revaluation A/c

Particulars	Rs.	Particulars	Rs.
To Investment a/c	50,000	By Fixed asset a/c	1,00,000
To Current assets a/c	20,000		
To Profit a/c Gopal 18,000 Govind 12,000	30,000		
	1,00,000		1,00,000

Balance Sheet as on 1st April 2006

Liabilities	Rs.	Assets	Rs.
Capital		Fixed assets	4,00,000
Gopal 1,53,000		Current assets 1,80,000	
Govind 1,01,000		Cash/Bank 1,24,000	3,04,000
Guru 1,00,000	3,54,000	Loans and advances	1,00,000
Long term loan	2,00,000		
Liabilities	2,50,000		
	8,04,000		8,04,000

31. The Balance Sheet of A & B, a partnership firm, as at 31st March, 2006 is as follows:

Liabilities	Rs.	Assets	Rs.
Capital Account:		Goodwill	14,000
A 26,400		Land and Building	14,400
B 33,600	60,000	Furniture	2,200
Contingency Reserve	6,000	Stock	26,000
Sundry Creditors	9,000	Sundry Debtors	6,400
		Cash at Bank	12,000
	75,000		75,000

A & B share profits and losses as 1:2, They agree to admit C (who is also in business on his own) as a third partner from 1.4.2006.

The Assets are revalued as under:

Goodwill - Rs. 18,000, Land and Building Rs. 30,000, Furniture Rs. 6,000.

C brings the following assets into the partnership- Goodwill Rs. 6,000, Furniture Rs. 2,800, Stock Rs. 13,600.

Profits in the new firm are to be shared equally by the three partners and the Capital Accounts are to be so adjusted as to be equal. For this purpose, additional cash should be brought in by the partner or partners concerned.

Prepare the necessary accounts and the opening Balance Sheet of new firm, showing the amounts of cash, if any, which each partner may have to provide.

Solution:

Capital Account

Particulars	A	B	C	Particulars	A	B	C
				By Balance a/c	26,400	33,600	--
				By Contingency res. a/c	2,000	4,000	--
				By Goodwill a/c	1,333	2,667	--
				By Revaluation a/c	6,467	12,933	--
				By Goodwill a/c	--	--	6,000
To Balance c/d.	36,200	53,200	22,400	By Furniture, stock a/c	--	--	16,400
				By Balance b/f	36,200	53,200	22,400
To Balance c/f.	53,200	53,200	53,200	By Cash/ Bank a/c	17,000	--	30,800
	53,200	53,200	53,200		53,200	53,200	53,200

Revaluation Account

Particulars	Rs.	Particulars	Rs.
To Profit a/c		By Building a/c	15,600
A 6,467		By Furniture a/c	3,800
C 12,933	19,400		
	19,400		19,400

Cash/ Bank Account

Particulars	Rs.	Particulars	Rs.
To Balance b/f	12,000		
To Capital a/c			
A	17,000		
B	30,800	By Balance c/d	59,800
	59,800		59,800

Balance sheet

Liability	Rs.	Assets	Rs.
Capital		Goodwill	24,000
A	53,200	Land and building	30,000
B	53,200	Furniture	8,800
C	53,200	Stock	39,600
Creditor	9,000	Debtors	6,400
		Cash / Bank	59,800
	1,68,600		1,68,600

- Goodwill of the old firm is valued at Rs.18,000 whereas book value is Rs.14,000, thus there is profit due to Goodwill appreciation Rs.4,000 which is credited to old partners in old ratio.
- New partner also has goodwill value of which Rs.6,000 is credited to him. Thus the value of the goodwill of new firm is Rs.24,000 which is appearing in books, if they decide to write it off the same will be debited to new partners in new ratio.

Adjustment of Capital:

- Capital can be adjusted if required by the question.
- It can be adjusted in any ratio and taking anybody's capital as base.
- But if not clarified in the question then adjust in profit sharing ratio.
- If not clarified take total capital as base, in this case partner whose capital is short will bring cash and cash will be repaid to the partner whose capital is excess. Total capital will remain unchanged.
- If highest capital (highest capital per share of profit) is taken as base then other partners capital will fall short and they will contribute the required cash. (in this question it was hinted that partner or partners shall bring cash, hence this alternative considered). Total capital will increase.
- If smallest capital (smallest capital per share of profit) is taken as base then other partners capital will show excess capital and the same will be repaid to them.
- Adjustment of capital can be done through cash or through current account.

32. Amit and Sumit are partners sharing profits and losses in the ratio of 3 : 2. Their Balance Sheet as on 31st March 2011 is given below:

Liabilities	Amount	Assets	Rs.
Capital Accounts:		Land & Building	3,20,000
Amit	1,76,000	Investments	

Sumit	2,54,000	(Market value Rs. 55,000)	50,000
Loan from Puneet	3,00,000	Debtors	3,00,000
General Reserve	30,000	Less: Provision for	
Employer's Provident Fund	10,000	doubtful debts	10,000
Creditors	50,000	Stock	1,10,000
		Cash at Bank	50,000
Total	8,20,000	Total	8,20,000

They decided to admit Puneet as a new partner from 1st April, 2011 on the following terms:

- (1) Amit will give 1/3rd of his share and Sumit will give 1/4th of his share to Puneet.
- (2) Puneet's loan account will be converted into his capital.
- (3) The Goodwill of the firm is valued at Rs. 3,00,000. Puneet will bring his share of Goodwill in cash and the same was immediately withdrawn by the partners.
- (4) Land and building was found undervalued by Rs. 1,00,000.
- (5) Stock was found overvalued by Rs. 60,000.
- (6) Provision for doubtful debts will be made equal to 5% of debtors.
- (7) Investments are to be valued at their market price.

It was decided that the total capital of the firm after admission of new partner would be Rs. 10,00,000. Capital accounts of partners will be readjusted on the basis of their profit sharing ratio and excess or deficiency will be adjusted in cash.

You are required to prepare:

- (a) Revaluation A/c
- (b) Partner's Capital A/c
- (c) Balance Sheet of the firm after admission of new partner.

Solution:

Revaluation A/c

Particular	Rs.	Particular	Rs.
To Stock (overvalued)	60,000	By Land & building	1,00,000
To Provision for doubtful debts	5,000	By Investments	5,000
To Profit transferred to Amit's capital A/c	24,000		
Sumit's capital A/c	16,000		
	1,05,000		1,05,000

Partners' Capital Account

Particulars	Amit Rs.	Sumit Rs.	Puneet Rs.	Particulars	Amit Rs.	Sumit Rs.	Puneet Rs.
To Bank A/c	60,000	30,000	-	By Balance b/d	1,76,000	2,54,000	-
(Goodwill Withdrawn)				By Puneets' Loan A/c	-	-	3,00,000
To Balance c/d				By Bank A/c	60,000	30,000	

(Adjusted capital 10,00,000 in 4:3:3)	4,00,000	3,00,000	3,00,000	(Goodwill Adjustment) (W.N.2)			
				By Revaluation	24,000	16,000	-
				By General Reserve A/c	18,000	12,000	-
				By Bank A/c (Balancing figure)	1,82,000	18,000	-
	4,60,000	3,30,000	3,00,000		4,60,000	3,30,000	3,00,000

Balance Sheet as on 1st April, 2011
(After admission of a new partner - Puneet)

Liabilities	Amount Rs.	Assets	Amount Rs.
Capital accounts		Land and building (3,20,000 + 1,00,000)	4,20,000
Amit	4,00,000	Investments	55,000
Sumit	3,00,000	Debtors	3,00,000
Puneet	3,00,000	Less: Provision for doubtful debts (15,000)	2,85,000
Creditors	50,000	Stock (1,10,000 - 60,000)	50,000
Employers' provident fund	10,000	Cash at bank (W.N. 3)	2,50,000
	10,60,000		10,60,000

Working Notes:

(1) Calculation of incoming partner's share, new profit sharing ratio and sacrificing ratio

	Amit	Sumit
Old profit sharing ratio	3/5	2/5
Surrendered by old partners to puneet	$3/5 \times 1/3 = 1/5$	$2/5 \times 1/4 = 1/10$
Remaining share	$3/5 - 1/5 = 2/5$	$2/5 - 1/10 = 3/10$
Puneet's total share in profits = 1/5 i.e. $2/10 + 1/10 = 3/10$		
New profit sharing ratio of Amit : Sumit : Puneet = 2/5 i.e. 4/10 : 3/10 : 3/10 = 4:3:3		
Sacrificing ratio of Amit : Sumit is 1/5 i.e. 2/10 : 1/10 : or 2:1		

(2) Calculation of sharing of goodwill by old partners

Goodwill of the firm was Rs. 3,00,000

Share of Puneet in goodwill = Rs. $3,00,000 \times \frac{3}{10} =$ Rs.90,000

Goodwill will be distributed among the old partners in their sacrificing ratio of 2:1 i.e. Rs. 60,000 to Amit and Rs. 30,000 to Sumit. Goodwill is contributed by Puneet in cash which is credited to sacrificing partner & the same is withdrawn by Amit & Sumit.

(3) Calculation of closing balance of bank account after admission

Bank A/c

Particulars	Amount Rs.	Particulars	Amount Rs.
To Balance b/d	50,000	By Amit's capital A/c (Goodwill)	60,000
To Amit & Sumit A/c (Goodwill)	90,000	By Sumit's capital A/c (Goodwill)	30,000
To Sumit's capital A/c	18,000	By Balance c/d	2,50,000
To Amit's capital A/c	1,82,000		
	3,40,000		3,40,000

33. The following was the Balance Sheet of 'A' and 'B', who were sharing profits and losses 'the ratio of 2:1 on 31.12.2006:

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Plant and machinery	12,00,000
A	10,00,000	Building	9,00,000
B	5,00,000	Sundry debtors	3,00,000
Reserve funds	9,00,000	Stock	4,00,000
Sundry creditors	4,00,000	Cash	1,00,000
Bills payable	1,00,000		
	29,00,000		29,00,000

They agreed to admit 'C' into the partnership on the following terms:

- (i) The goodwill of the firm was fixed at Rs. 1,05,000.
- (ii) That the value of stock and plant and machinery were to be reduced by 10%.
- (iii) That a provision of 5% was to be created for doubtful debts.
- (iv) That the building account was to be appreciated by 20%.
- (v) There was an unrecorded liability of Rs. 10,000.
- (vi) Investments worth Rs. 20,000 (Not mentioned in the Balance Sheet) were taken into account.
- (vii) That the value of reserve fund, the values of liabilities and the values of assets other than cash are not to be altered.
- (viii) 'C' was to be given one-fourth share in the profit and was to bring capital equal to his share of profit after all adjustments.

Prepare Memorandum Revaluation Account, Capital account of the partners and the Balance Sheet of the newly reconstituted firm.

Solution:

Special note: Question requires that the value of reserves, assets & liabilities are not to be changed i.e. such undivided or unaccounted profit will continue to remain as it is in new firm. Hence we should find out, who are the gainer & sacrificer in the profit/loss on account of Reserves, Revaluation & Goodwill and adjust the same.

Memorandum Revaluation Account

Particulars	Rs.	Particulars	Rs.
To Stock	40,000	By Building	1,80,000
To Plant & machinery	1,20,000	By investments	20,000
To Provision for doubtful debts	15,000		
To Unrecorded liability	10,000		
To Profit on revaluation	15,000		
	2,00,000		2,00,000

Profit on account of Goodwill=1,05,000, Revaluation = 15,000 & Reserves = 9,00,000 thus totaling to Rs. 10,20,000 to be adjusted as follows:

Particulars	A	B	C
Credit to old partners in old ratio i.e. 2:1	Cr. 6,80,000	Cr. 3,40,000	
Debit to new partners in new ratio i.e. 2:1:1	Dr. 5,10,000	Dr. 2,55,000	Dr. 2,55,000
Difference (Dr. is Gain & Cr. is Sacrifice)	Cr. 1,70,000	Cr. 85,000	Dr. 2,55,000

Adjustment entry for the above:

C A/c Dr.	2,55,000	
To A A/c		1,70,000
To B A/c		85,000

Partners' Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
To A & B A/c	--	--	2,55,000	By Balance b/d	10,00,000	5,00,000	--
To Balance c/d (Refer W.N.2)	11,70,000	5,85,000	5,85,000	By C A/c	1,70,000	85,000	--
				By Bank (Bal. Fig.)			8,40,000
	11,70,000	5,85,000	8,40,000		11,70,000	5,85,000	8,40,000

Balance Sheet of newly reconstituted firm as on 31.12.2006

Liabilities	Rs.	Assets	Rs.
Capital Accounts		Plant & Machinery	12,00,00
A	11,70,00	Building	0
B	0	Sundry Debtors	9,00,000
C	5,85,000	Stock	3,00,000
Reserve Fund	5,85,000	Cash/Bank (1,00,000+8,40,000)	4,00,000
Sundry Creditors	9,00,00		9,40,000
	0		

Bills payable	4,00,00	
	0	
	1,00,000	
	37,40,000	37,40,000

Working Notes:

1. Calculation of new profit and loss sharing ratio

C is given $\frac{1}{4}$ share in the new profit sharing ratio.

Therefore, remaining share will be $\frac{4}{4} - \frac{1}{4} = \frac{3}{4}$ is for A & B

Since question is silent, this balance $\frac{3}{4}$ will be shared among A & B in their old proportion of 2:1

Hence Share of A will be = $\frac{3}{4} \times \frac{2}{3} = \frac{2}{4}$

Similarly Share of B will be = $\frac{3}{4} \times \frac{1}{3} = \frac{1}{4}$

& Thus New ratio will be between A, B, C = $\frac{2}{4} : \frac{1}{4} : \frac{1}{4} = 2:1:1$

2. Calculation of closing capital of C

Closing capitals of A & B after all adjustments are :

A=Rs.11,70,000 & B =Rs.5,85,000 i.e. total of A & B = Rs.17,55,000 for $\frac{3}{4}$ share.

Hence total capital of firm should be = $\text{Rs.}17,55,000 / \frac{3}{4} \times 4 = 23,40,000$

Hence, C's closing capital should be = $23,40,000 \times \frac{1}{4} = \text{Rs. } 5,85,000$ His account is already showing debit balance of Rs.2,55,000 hence C will have to contribute Rs.8,40,000

34. Dinesh, Ramesh and Naresh are partners in a firm sharing profits and losses in the ratio of 3:2:1. Their Balance Sheet as on 31st March, 2018 is as below:

Liabilities	(₹)	Assets	(₹)
Trade payables	22,500	Land & Buildings	37,000
Outstanding Liabilities	2,200	Furniture & Fixtures	7,200
General Reserve	7,800	Closing stock	12,600
Capital Accounts:		Trade Receivables	10,700
Dinesh 15,000			
Ramesh 15,000			
Naresh 10,000	40,000		
		Cash in hand	2,800
		Cash at Bank	2,200
	72,500		72,500

The partners have agreed to take Suresh as a partner with effect from 1st April, 2018 on the following items:

- Suresh shall bring ₹ 8,000 towards his capital.
- The value of stock to be increased to ₹ 14,000 and Furniture & Fixtures to be depreciated by 10%.
- Reserve for bad and doubtful debts should be provided at 5% of the Trade Receivables.

(iv) The value of Land & Buildings to be increased by ₹ 5,600 and the value of the goodwill be fixed at ₹ 18,000.

(v) The new profit sharing ratio shall be divided equally among the partners.

The outstanding liabilities include ₹ 700 due to Ram which has been paid by Dinesh. Necessary entries were not made in the books.

Prepare (i) Revaluation Account, (ii) Capital Accounts of the partners, (iii) Balance Sheet of the firm after admission of Suresh.

Solution:

(a) Revaluation Account

2018		₹	2018	₹	
April 1	To Provision for bad and doubtful debts	535	April 1	By Inventory in trade	1,400
	To Furniture and fittings	720		By Land and Building	5,600
	To Capital A/cs: (Profit on revaluation transferred)				
	Dinesh	2,872.50			
	Ramesh	1,915.00			
	Naresh	957.50			
		5,745			
		7,000			7,000

Partners' Capital Accounts

Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹	Particulars	Dinesh ₹	Ramesh ₹	Naresh ₹	Suresh ₹
To Dinesh & Ramesh			1,500	4,500	By Balance b/d	15,000	15,000	10,000	-
To Balance c/d			10,757.50	3,500	By General Reserve	3,900	2,600	1,300	
	26,972.50	21,015			By Cash	-	-	-	8,000
					By Naresh & Suresh	4,500	1,500	-	-
					By Outstanding Liabilities (Ram)	700	-	-	-
					By Revaluation A/c	2,872.50	1,915	957.50	-
	26,972.50	21,015	12,257.50	8,000		26,972.50	21,015	12,257.50	8,000

Working Note:

Calculation of sacrificing ratio

Partners	New share	Old share	Sacrifice	Gain
Dinesh	$\frac{1}{4}$	3/6	6/24	
Ramesh	$\frac{1}{4}$	2/6	2/24	
Naresh	$\frac{1}{4}$	1/6		2/24
Suresh	$\frac{1}{4}$			6/24

Entry for goodwill adjustment

Naresh (2/24 of ₹18,000)	Dr.		1,500	
Suresh (6/24 of ₹18,000)	Dr.		4,500	
To Dinesh (6/24 of ₹18,000)				4,500
To Ramesh (2/24 of ₹18,000)				1,500

Balance Sheet of M/s. Dinesh, Ramesh, Naresh and Suresh as on 1-4-2018

Liabilities	₹	₹	Assets	₹	₹
Trade payables		22,500	Land and Buildings		42,600
Outstanding Liabilities (2,200-700)		1,500	Furniture		6,480
Capital Accounts of Partners :			Inventory of goods		14,000
Mr. Dinesh	26,972.50		Trade receivables	10,700	
Mr. Ramesh	21,015.00		Less: Provisions	(535)	10,165
Mr. Naresh	10,757.50		Cash in hand		2,800
Mr. Suresh	3,500.00	62,245	Cash at Bank (2,200+8,000)		10,200
		86,245			86,245

Retirement of Partner

35. Atul, Balbir and Chatur were carrying on a business in partnership sharing profits in the ratio of 5:3:2 respectively. On 31st March, 2012 their Balance Sheet stood as follows:

Liabilities	Rs.	Assets	Rs.	Rs.
Atul's Capital	6,25,000	Goodwill		80,000
Balbir's Capital	3,75,000	Land and Buildings		7,00,000
Chatur's Capital	2,50,000	Furniture		1,65,000
General Reserve	1,00,000	Stock		2,86,000
Trade Creditors	2,10,000	Trade Debtors	1,80,000	
		Less: Provision for Doubtful	3,600	1,76,400

		Debts		1,52,600
		Cash at Bank		
Total	15,60,000			15,60,000

Atul retired on the above mentioned date and partners agreed that :

- (i) The current value of goodwill be taken to be equal to the book value of the asset.
- (ii) Land and Buildings be considered worth Rs. 9,00,000.
- (iii) The provision for bad debts on trade debtors be raised to 5%.
- (iv) Provision be made for compensation of Rs. 5,000 to an ex-employee.
- (v) Half of the amount due to Atul be paid immediately in cash and the balance be treated as 10% loan, repayable within 3 years.

In order to facilitate cash payment to Atul, Balbir and Chatur brought in Rs. 3,00,000 in the ratio of 3 : 2 respectively.

Prepare Revaluation Account, the Capital Accounts of all the partners and Bank Account. Also draw the Initial Balance Sheet of Balbir and Chatur, immediately after Atul's retirement.

Solution:

Revaluation Account

	Rs.		Rs.
To Provision for doubtful debts [(5% of 1,80,000) - 3,600]	5,400	By Land and Buildings	2,00,000
To Provision for compensation	5,000		
To Profit transferred:			
Atul	94,800		
Balbir	56,880		
Chatur	37,920		
	1,89,600		
	2,00,000		2,00,000

Partners' Capital Accounts

Particulars	Atul Rs.	Balbir Rs.	Chatur Rs.	Particulars	Atul Rs.	Balbir Rs.	Chatur Rs.
To Cash A/c	3,84,900			By Balance b/d	6,25,000	3,75,000	2,50,000
To 10% Loan	3,84,900			By General Reserve	50,000	30,000	20,000
To Balance c/d		6,41,880	4,27,920	By Revaluation A/c	94,800	56,880	37,920
	7,69,800	6,41,880	4,27,920	By Cash A/c		1,80,000	1,20,000
					7,69,800	6,41,880	4,27,920

Bank Account

	Rs.		Rs.
To Balance b/d	1,52,600	By Atul's Capital A/c	3,84,900
To Balbir's capital A/c	1,80,000	By Balance c/d	67,700

To Chatur's capital A/c	1,20,000	
	4,52,600	4,52,600

Balance Sheet of Balbir and Chatur
as at 31.03.2012 (after Atul's retirement)

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Goodwill	80,000
Balbir	6,41,880	Land and Buildings	9,00,000
Chatur	4,27,920	Furniture	1,65,000
10% Loan from Atul	3,84,900	Stock	2,86,000
Trade Creditors	2,10,000	Trade Debtors	
		Less: Provision for doubtful debts	1,71,000
		(9,000)	
Provision for Compensation	5,000	Cash at Bank	67,700
	16,69,700		16,69,700

Note: Present value of Goodwill is equal to book value hence there is no profit/loss on account of goodwill, hence no adjustment is required.

Retirement cum Admission of Partner

36. Ram, Rahim and Robert are partners, sharing Profits and Losses in the ratio of 5 : 3 : 2. It was decided that Robert would retire on 31.3.2005 and in his place Richard would be admitted as a partner with new profit sharing ratio between Ram, Rahim and Richard at 3 : 2 : 1.

Balance Sheet of Ram, Rahim and Robert as at 31.03.2005

Liabilities	Rs.	Assets	Rs.
Capital Accounts : Ram	1,00,000	Cash in Hand	20,000
Rahim	1,50,000	Cash at Bank	1,00,000
Robert	2,00,000	Sundry Debtors	5,00,000
General Reserve	2,00,000	Stock in Trade	2,00,000
Sundry Creditors	8,00,000	Plant & Machinery	3,00,000
Loan from Richard	2,00,000	Land & Building	5,30,000
	16,50,000		16,50,000

Retirement of Robert and admission of Richard is on the following terms:

- Plant & Machinery to be depreciated by Rs. 30,000.
- Land and Building to be valued at Rs. 6,00,000.
- Stock to be valued at 95% of book value.
- Provision for doubtful debts @ 10% to be provided on debtors.
- General Reserve to be apportioned amongst Ram, Rahim and Robert.
- The firm's goodwill to be valued at 2 years purchase of the average profits of the last 3 years.

The relevant figures are:

Year ended 31.3.2002 - Profit Rs. 50,000

Year ended 31.3.2003 - Profit Rs. 60,000

Year ended 31.3.2004 - Profit Rs. 55,000

- (g) Out of the amount due to Robert Rs. 2,00,000 would be retained as loan by the firm and the balance will be settled immediately.
- (h) Richard's capital should be equal to 50% of the combined capital of Ram and Rahim.

Prepare:

- (i) Capital accounts of the partners; and
(ii) Balance Sheet of the reconstituted firm.

Solution:

Partners' Capital Account

Dr.					Cr.				
Particulars	Ram Rs.	Rahim Rs.	Robert Rs.	Richard Rs.	Particulars	Ram Rs.	Rahim Rs.	Robert Rs.	Richard Rs.
To Revaluation A/c	10,000	6,000	4,000	—	By Balance b/d	1,00,000	1,50,000	2,00,000	—
To Robert's Loan	--	--	2,00,000	--	By General Reserve A/c	1,00,000	60,000	40,000	--
To Bank A/c	--	--	58,000	--	By Goodwill A/c (raised)	55,000	33,000	22,000	--
(Balancing figure)									
To Balance c/d	2,45,000	2,37,000	--	--		2,55,000	2,43,000	2,62,000	
	2,55,000	2,43,000	2,62,000						
To Goodwill A/c (written off)	55,000	36,667	--	18,333	By Balance b/d	2,45,000	2,37,000	--	--
To Balance c/d	1,90,000	2,00,333	--	1,95,167	By Loan from Richard A/c	--	--	--	2,00,000
					By Bank A/c (Bal. fig.)	--	--	--	13,500
	2,45,000	2,37,000	--	2,13,500		2,45,000	2,37,000		2,13,500

Balance Sheet of Ram, Rahim and Richard as at 31.03.2005

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Land & Building	6,00,000
Ram	1,90,000	Plant & Machinery	2,70,000
Rahim	2,00,333	Stock-in-trade	1,90,000
Richard	1,95,167	Sundry Debtors	5,00,000
Sundry Creditors	8,00,000	Less: Provision for Doubtful Debts	55,500
Robert's Loan	2,00,000	50,000	20,000
		Cash at Bank (note 4)	
		Cash in hand	
	15,85,500		15,85,500

Working Notes:

1. Revaluation A/c

Particulars	Rs.	Particulars	Rs.
-------------	-----	-------------	-----

To Plant & Machinery A/c	30,000	By Land & Building A/c	70,000
To Stock-in-trade A/c	10,000	By Partners' Capital A/cs:	
To Provision for Doubtful Debts A/c	50,000	Ram (5/10)	10,000
		Rahim (3/10)	6,000
		Robert (2/10)	4,000
	90,000		90,000

2. Calculation of value of goodwill:

Total profit of last 3 years: Rs. (60,000 + 50,000 + 55,000) = Rs. 1,65,000.

$$\text{Average Profit} = \frac{\text{Rs. } 1,65,000}{3} = \text{Rs. } 55,000$$

Goodwill = 2 years' Purchase of average profit = 2 x Rs. 55,000 = Rs. 1,10,000

3. Combined Capital of Ram and Rahim:		Rs.
Ram	: Rs. (2,45,000 - 55,000)	1,90,000
Rahim	: Rs. (2,37,000 - 36,667)	2,00,333
		<u>3,90,333</u>
Richard's Capital (50% of Rs. 3,90,333)		1,95,167
Cash to be brought in	: Rs. (2,00,000 - 18,333 - 1,95,167)	<u>13,500</u>

4. Dr.	Bank Accounts		Cr.
Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,00,000	By Robert's Capital A/c (paid off)	58,000
To Richard's Capital A/c	13,500	By Balance c/d - (balancing figure)	55,500
	<u>1,13,500</u>		<u>1,13,500</u>

37. 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		
	<u>34,45,000</u>		<u>34,45,000</u>

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.

Solution:

(i) Revaluation Account

Dr.	Rs.	Particulars	Rs.	Cr.
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.	A	B	C	D	Particulars	A	B	C	D	Cr.
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	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	3,00,000				
D's Capital A/c					
	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	
	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

38. Pathak, Quereshi, Ranjeet were partners sharing profits in the ratio of 7: 5 : 3 respectively. On 31st March, 2013 Quereshi retired when the firm's Balance Sheet was as follows

Liabilities	Rs.	Assets	Rs.
Capital Accounts :		Land and Building	10,00,000
Pathak	8,50,000	Plant & Machinery	4,65,000
Quereshi	6,20,000	Furniture, Fixtures & Fitting	2,30,100
Ranjeet	3,70,000	Stock	1,82,200
General Reserve	2,25,000	Trade Debtors	
Trade Creditors	1,13,000	2,00,000	1,94,000
		Less : Provision for Bad Debts	1,06,700
		6,000	
		Cash at Bank	
Total	21,78,000	Total	21,78,000

It was agreed that :

- (i) Land & Building be appreciated by 20%
- (ii) Plant & Machinery be depreciated by 10%
- (iii) Provision for Bad Debts be made equal to 4% of Trade Debtors.
- (iv) Outstanding repairs bill amounting to Rs. 1,500 be recorded in the books of account.
- (v) Goodwill of the firm be valued at Rs. 3,00,000 and Quereshi's capital account be credited with his share of goodwill without raising goodwill account .
- (vi) Half of the account due to Qureshi be immediately paid to him by means of a cheque and the balance be treated as a loan bearing interest @ 12% per annum.

After Quereshi's retirement, Pathak and Ranjeet admitted Swamy as a new partner with effect from 1st April, 2013. Pathak, Ranjeet and Swamy agreed to share profit in the ratio of 2:1:1 respectively. Swamy brought patents valued at Rs. 20,000 and Rs. 3,80,000 in cash including payment for his share of goodwill as valued by the old firm. The entire amount of Rs. 4,00,000 was credited to Swamy's Capital Account. Adjustment were made in the capital account for Swamy's share of goodwill.

You are required to:

- (a) Pass Journal Entries for all of the above transaction without any narration, and
- (b) Prepare a capital account of all the partners.

Solution:

Journal Entries (without narration)

(i)	Land & Building A/c	Dr.	2,00,000	
	To Revaluation A/c			2,00,000

(ii)	Revaluation A/c To Plant & Machinery A/c To Provision for Bad debt A/c $2,00,000 \times 4\% = 8000 - 6000 = 2000$ To Repairs charges outstanding A/c	Dr.	50,000	46,500 2,000 1,500
(iii)	Revaluation A/c To Pathak A/c To Quereshi A/c To Ranjeet A/c	Dr.	1,50,000	70,000 50,000 30,000
(iv)	General Reserve A/c To Pathak A/c To Quereshi A/c To Ranjeet A/c	Dr.	2,25,000	1,05,000 75,000 45,000
(v)	Pathak A/c $100000 \times 7/10$ Ranjeet A/c $100000 \times 3/10$ To Quereshi A/c $300000 \times 5/15$ (Goodwill adjustment on retirement)	Dr. Dr.	70,000 30,000	1,00,000
(vi)	Quereshi A/c To Bank A/c To 12% Quereshi's Loan A/c	Dr.	8,45,000	4,22,500 4,22,500
(vii)	Bank A/c Patent A/c To Swamy A/c	Dr. Dr.	3,80,000 20,000	4,00,000
(viii)	Swamy A/c To Pathak A/c To Ranjeet A/c (Goodwill adjustment on admission)	Dr.	75,000	60,000 15,000

Goodwill Adjustment on Retirement

		Pathak	Qureshi	Ranjeet
Credit in Old Ratio	7:5:3	Cr. 1,40,000	Cr. 1,00,000	Cr. 60,000
Debit in New Ratio	7:3	Dr. 2,10,000	--	Dr. 90,000
Cr. Sacrifice Dr. Gain		Dr. 70,000	Cr. 1,00,000	Dr. 30,000

Goodwill Adjustment on Admission

		Pathak	Ranjeet	Swamy
Credit in Old Ratio	7:3	Cr. 2,10,000	Cr. 90,000	-
Debit in New Ratio	2:1:1	Dr. 1,50,000	Dr. 75,000	Dr. 75,000
Cr. Sacrifice Dr. Gain		Cr. 60,000	Cr. 15,000	Dr. 75,000

Capital A/c

	Pathak	Quereshi	Ranjeet	Swamy		Pathak	Quereshi	Ranjeet	Swamy
Quereshi	70000	-	30000	-	Balance b/f	850000	620000	370000	-

Bank	-	422500	-	-	Revaluation	70000	50000	30000	-
12% Loan	-	422500	-	-	General Reserve	105000	75000	45000	-
Pathak	-	-	-	60000	Pathak	-	70000	-	-
Ranjeet	-	-	-	15000	Ranjeet	-	30000	-	-
					Bank	-	-	-	380000
					Patent	-	-	-	20000
					Swamy	60000	-	15000	-
Balance c/f	1015000	-	430000	325000					
	1085000	845000	460000	400000		1085000	845000	460000	400000

Death of Partner

39. P, Q and R were carrying on a business in partnership, sharing profits and losses in the ratio of 5 : 3 : 2 respectively. The firm earned a profit of Rs. 3,60,000 for the accounting year ended 31st March, 2012 on which date the firm's Balance sheet stood as follows:

Balance Sheet as at 31st March, 2012

Liabilities	Rs.	Assets	Rs.
P's Capital	7,00,000	Freehold Land and	8,00,000
Q's Capital	5,70,000	Building	3,50,000
R's Capital	4,30,000	Machinery	1,02,000
Creditors	79,400	Furniture & Fixtures	2,98,800
Outstanding Expenses	4,900	Stock	1,60,000
		Debtors	73,500
		Cash at Bank	
Total	17,84,300	Total	17,84,300

P died on 31st August, 2012, According to firm's partnership deed, in case of death of a partner:-

- Assets and Liabilities have to be revalued by an independent valuer.
- Goodwill is to be calculated at two years' purchase of average profits for the last three completed accounting years and the deceased partner's capital account is to be credited with his share of goodwill.
- The share of the deceased partner in the profits for the period between end of the previous accounting year and the date of death is to be calculated on the basis of the previous accounting year's profits. Post death of P, Q & R will share profit in the ratio of 3 : 2.

Profits for the accounting years 2009-2010 and 2010-2011 were as follows:-

	Rs.
For the year ended 31st March, 2010	2,90,000
For the year ended 31st March, 2011	3,40,000

Drawings by P from 1st April, 2012 to the date of his death totaled Rs. 46,000.

On revaluation, Freehold Land and Building was appreciated by Rs. 1,00,000; Machinery was depreciated by Rs. 10,000 and a Provision for Bad Debts were created @ 5% on Debtors as on 31st March, 2012. P's sole heir was given Rs. 5,00,000 immediately and the balance along with interest @ 12% per annum was paid to him on 31st March, 2013.

Prepare Revaluation Account, P's Capital Account and P's Heir Account, giving important working notes.

Solution:

Revaluation Account

Particulars	Rs.	Rs.	Particulars	Rs.
To Machinery		10,000	By Freehold Land & Building	1,00,000
To Provision for doubtful debts (5% of 1,60,000)		8,000		
To Capital Accounts:				
P	41,000			
Q	24,600			
R (Profit transferred)	16,400	82,000		
		1,00,000		1,00,000

P's Capital Account

Particulars	Rs.	Particulars	Rs.
To Drawings	46,000	By Balance b/d	7,00,000
To P's heir (Balance transferred)	11,00,000	By Q's Capital A/c (goodwill adj.)	1,98,000
		By R's Capital A/c (goodwill adj.)	1,32,000
		By Profit and Loss Adjustment A/c	75,000
		By Revaluation A/c	41,000
	11,46,000		11,46,000

P's Heir Account

Date	Particulars	Rs.	Date	Particulars	Rs.
31.08.2012	To Bank A/c	5,00,000	31.08.2012	By P's Capital A/c	11,00,000
31.03.2013	To Bank A/c	6,42,000	31.03.2013	By Interest A/c	
				$6,00,000 \times 12\% \times \frac{7}{12}$	42,000
		11,42,000			11,42,000

Working Notes:

1. Calculation of gaining ratio of Partners Q and R

	New share	Old share	Gaining share	Sacrificing share
P		5/10		5/10
Q	3/5 i.e. 6/10	3/10	$\frac{3}{5} - \frac{3}{10} = \frac{6-3}{10} = \frac{3}{10}$	
R	2/5 i.e. 4/10	2/10	$\frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$	

2. Calculation of Goodwill

	Profit Rs.
2009-10	2,90,000
2010-11	3,40,000
2011-12	3,60,000
	9,90,000

$$\text{Average Profit} = 9,90,000/3 = \text{Rs. } 3,30,000$$

$$\text{Goodwill} = 3,30,000 \times 2 = \text{Rs. } 6,60,000$$

$$\text{Share of P in goodwill} = 6,60,000 \times \frac{5}{10} = \text{Rs. } 3,30,000$$

Adjustment for P's share of goodwill through Q's and R's capital accounts (in their gaining ratio 3:2) :

Q's capital A/c	(3,30,000 × 3/5) Dr	Rs. 1,98,000	
R' s capital A/c	(3,30,000 × 2/5) Dr	Rs. 1,32,000	
To R' s capital A/c			3,30,000

Note: Alternatively weighted average can be taken because profits are in increasing trend.

3. Share of P in Profits for the period between 1.4.2012 to 31.8.2012 i.e. till the date of death

1st April, 2012 to 31st August, 2012	= 5 months	
Profit for year 2011-12	= Rs. 3,60,000	
Estimated profit for 5 months	$= 3,60,000 \times \frac{5}{12}$	=Rs. 1,50,000
Share of P	$= 1,50,000 \times \frac{5}{10}$	= Rs. 75,000

Chapter 13 - Non Profit Organisation

40. On the basis of the following information, prepare Income and Expenditure Account for the year ended 31st March, 2015:

Receipts and Payments Account for the year ended 31st March, 2015

Receipts	Rs.	Payment's	Rs.
To Cash in hand (opening)	1,300	By Salaries	2,58,000
To Cash at Bank (opening)	3,850	By Rent	71,500
To Subscriptions	4,94,700	By Printing & Stationery	3,870
To Interest on 8% Govt. Bonds	4,000	By Conveyance	10,600
To Bank Interest	160	By Scooter purchased	50,000
		By 8% Govt. Bonds	1,00,000

		By Cash in hand (closing)	840
		By Cash at Bank (closing)	9,200
	5,04,010		5,04,010

- (i) Salaries paid includes Rs. 6,000 paid in advance for April, 2015. Monthly salaries paid were Rs. 21,000.
- (ii) Outstanding rent on 31st March, 2014 and 31st March, 2015 amounted to Rs. 5,500 and Rs. 6,000 respectively.
- (iii) Stock of printing and stationery material on 31st March, 2014 was Rs. 340; it was Rs. 365 on 31st March, 2015.
- (iv) Scooter was purchased on 1st October, 2014. Depreciation @ 20% per annum is to be provided on it.
- (v) Investments were made on 1st April, 2014.
- (vi) Subscriptions due but not received on 31st March, 2014 and 31st March, 2015 totalled Rs. 14,000 and Rs.12,800 respectively. On 31st March, 2015 subscriptions amounting to Rs. 700 had been received in advance for April, 2015.

Solution:

Income and Expenditure Account for the year ended 31st March, 2015

Expenditure	Rs.	Income	Rs.
To Salaries	2,52,00	By Subscription	4,92,800
To Rent	0	By Interest on 8% Government bonds	8,000
To Printing and Stationery	72,000	By Bank Interest	160
To Conveyance	3,845		
To Depreciation on Scooter	10,600		
To Surplus	5,000		
	1,57,515		
	5,00,960		5,00,960

Working Notes:

	Rs.
(i) Salaries paid	2,58,000
Less: Salary paid in advance for April, 2015	6,000
Salaries for the year (21,000 X 12)	<u>2,52,000</u>
(ii) Rent paid	71,500
Add: Outstanding rent as on 31.3.2015	6,000
	<u>77,500</u>
Less : Outstanding rent as on 31.3.2014	5,500
Rent for the year 2014-2015	<u>72,000</u>
(iii) Printing and stationery: Purchase	3,870
Add: Stock as on 31 .3.2014	340
	<u>4,210</u>
Less: Stock as on 31.3.2015	365

Printing & stationery consumed during the year 2014-2015	3,845
(iv) Depreciation on scooter = Rs. 50,000 $\times \frac{20}{100} \times \frac{6}{12}$	5,000
(v) Interest on Government bonds received	4,000
Add: Interest due but not received as on 31.3.2015 (bal. fig.)	4,000
Interest income for the year 2014-2015	8,000
(vi) Subscription received	4,94,700
Add: Accrued subscription as on 31.3.2015	12,800
Less: Accrued subscription as on 31.3.2014	14,000
Unearned subscription for April, 2015	700 (14,700)
Income for the year 2014-2015	4,92,800

41. 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	22,700	
Amount received on maturity of government security inclusive of interest Rs. 8,000 (cost Rs. 80,000)		1,00,000	
		9,12,700	9,12,700

The club informs you that:

- 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.

Solution:

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	5,01,200	Interest Outstanding	54,000
Advance Membership Fees	16,000	Investments:	
Expense Outstanding	8,000	ICIC Bond 3,00,000	
		Govt. Securities 2,20,000	5,20,000
		Prepaid Expenses	7,000
		Cash 2,700	
		Bank 5,000	7,700
		Outstanding	
		Membership Fees 26,000	
		(-) Provision 2,000	24,000
	10,25,200		10,25,200

Working Notes :-

By preparing this accounts we get missing information which may be a transaction (complete the double entry of same) or a balance of that account. Complete accounting for whatever information is available in the question. Then by balancing the account you will get missing information as a balancing information.

Membership Fees A/c [subscription]

Particulars	₹.	Particulars	₹.
To Opening Outstanding	15,000	By Opening Advance Balance	10,000
To Income & Expenditure A/c	1,85,000	By Cash/Bank A/c	1,80,000
To Closing Advance Balance	16,000	By Closing Outstanding Balance	26,000
	2,16,000		2,16,000

Expenses A/c

Particulars	₹.	Particulars	₹.
To Opening Prepaid Balance	5,000	By Opening Outstanding	10,000
To Cash A/c	1,25,000	By Income & Expenditure A/c	1,21,000
To Closing Outstanding	8,000	By Closing Prepaid Balance	7,000
	1,38,000		1,38,000

Fixed Deposits A/c

Particulars	₹.	Particulars	₹.
To Opening Balance	2,00,000	By cash A/c	75,000
To Cash A/c	1,25,000	By Balance (c/f)	2,50,000
	3,25,000		3,25,000

Government Securities A/c

Particulars	₹.	Particulars	₹.
To Opening Balance	3,00,000	By Cash A/c (maturity proceed)	1,00,000
To Interest on Investment a/c	8,000	By Balance c/f	2,20,000
To Profit on Govt. security	12,000		
	3,20,000		3,20,000

Fixed Asset A/c

Particulars	₹.	Particulars	₹.
To Opening Balance	95,000	By Depreciation A/c	12,500
To Cash A/c	80,000	By Closing Balance	1,62,500
	1,75,000		1,75,000

Interest On Investment A/c

Particulars	₹.	Particulars	₹.
To Income & Expenditure A/c	62,000	By Govt. Security A/c	8,000
		By Closing Outstanding	54,000
	62,000		62,000

42. The following is the receipts and payments account of Jyoti Charitable Hospital for the year ended 31st March, 2016:

Receipts	Rs.	Payments	Rs.
To Balance b/d	1,40,000	By Payment for medicines	6,00,000
To Subscriptions	10,00,000	By Honorarium to doctor	2,00,000
To Donations	2,90,000	By Salaries	5,50,000
To Interest on investments @ 7% per annum for the year	1,40,000	By Sundry expenses	10,000
To Charity show collections	2,00,000	By Equipment's purchased	3,00,000
		By Charity show expenses	20,000
		By Balance c/d	90,000
	17,70,000		17,70,000

Additional information:

	On 1.4.2015 (Rs.)	On 31.3.2016 (Rs.)
Subscriptions due	10,000	20,000
Subscriptions received in advance	20,000	10,000
Stock of medicines	2,00,000	3,00,000
Creditors for medicines	1,60,000	2,40,000
Equipment's	4,20,000	6,00,000
Buildings	8,00,000	7,60,000

You are required to prepare income and expenditure account for the year ended 31st March, 2016 and balance sheet as at that date.

Solution:

Income & Expenditure A/c [P&L A/c]

Expenditure	Rs	Income	Rs
To Honorarium to Doctors a/c	2,00,000	By Donation A/c	2,90,000
To Salary A/c	5,50,000	By Interest A/c	1,40,000
To Sundry Expenses A/c	10,000	By Charity Show	
To Medicine A/c	5,80,000	Income	2,00,000
To Depreciation on Equipment A/c	1,20,000	(-)Expenses	20,000
To Depreciation on Building A/c	40,000	By Subscription A/c	10,20,000
To Surplus A/c	1,30,000		
	16,30,000		16,30,000

Balance Sheet As On 31.03.2016

Liability	Rs	Asset	Rs
Trust Fund	33,90,000	Investment	20,00,000
(+) Surplus	1,30,000	Subscription Outstanding	20,000
Advance Subscription	10,000	Medicine Stock	3,00,000
Creditors for medicine	2,40,000	Building	7,60,000
		Equipment	6,00,000
		Cash/Bank	90,000
	37,70,000		37,70,000

Working Notes:-

Important Points:

By preparing this accounts we get missing information which may be a transaction (complete the double entry of same) or a balance of that account. Complete accounting for whatever information is available in the question. Then by balancing the account you will get missing information as a balancing information.

Subscription A/c

Particulars	₹.	Particulars	₹.
To Opening Outstanding	10,000	By Opening Advance	20,000
To Income & Expenditure A/c	10,20,000	By Cash/Bank A/c (Received)	10,00,000
To Closing Balance (advance)	10,000	By Closing outstanding balance	20,000
	10,40,000		10,40,000

Medicine A/c

Particulars	Rs	Particulars	Rs
-------------	----	-------------	----

To Opening Balance (Op. Stock)	2,00,000	By Income & Expenditure A/c (consumed)	5,80,000
To Creditors A/c (Purchase)	6,80,000	By Closing Stock A/c	3,00,000
	8,80,000		8,80,000

Creditors For Medicine A/c

Particulars	Rs	Particulars	Rs
To Cash/Bank A/c (Payment)	6,00,000	By Opening Balance	1,60,000
To Closing balance c/f	2,40,000	By Purchase A/c (balancing fig.)	6,80,000
	8,40,000		8,40,000

Equipment A/c

Particulars	Rs	Particulars	Rs
To Opening Balance	4,20,000	By Depreciation A/c (bal. fig.)	1,20,000
To Cash/Bank A/c (Purchase)	3,00,000	By Closing Balance	6,00,000
	7,20,000		7,20,000

Building A/c

Particulars	Rs	Particulars	Rs
To Opening Balance	8,00,000	By Depreciation A/c (bal. fig.)	40,000
		By Closing Balance	7,60,000
	8,00,000		8,00,000

Balance Sheet As On 31.03.2015

Liability	Rs	Asset	Rs
Advance Subscription	20,000	Cash/Bank	1,40,000
Creditors For Medicine	1,60,000	Investment***	20,00,000
Trust Fund (Balancing figure)	33,90,000	Subscription Outstanding	10,000
		Stock Of Medicine	2,00,000
		Equipment	4,20,000
		Building	8,00,000
	35,70,000		35,70,000

*** Investment is calculated from interest. $\text{Investment} = 1,40,000/7 \times 100 = 20,00,000$.

43. The following is the income and expenditure account of a club for the year ended 31st March, 2014:

Expenditure:		Rs.
To Provision used:		
Opening stock	10,000	
Add: Purchases	1,40,000	
	<u>1,50,000</u>	

Less: Closing stock	5,000	1,45,000
To Salaries		18,000
To General expenses		5,000
To Depreciation on equipment's		1,000
To Surplus, i.e. excess of income over expenditure		28,000
		1,97,000
Income:		
By Subscriptions		34,000
By Sale of provisions		1,63,000
		1,97,000

The following balance sheets are also given to you:

Liabilities	On 31.3.2013	On 31.3.2014
Creditors for provisions	8,000	10,000
Capital fund	47,000	75,000
	55,000	85,000
Assets		
Equipment's (cost less depreciation)	10,000	25,000
Stock of provisions	10,000	5,000
Subscriptions receivable	5,000	10,000
Cash at bank and in hand	30,000	45,000
	55,000	85,000

Prepare the receipts and payments account of the club for the year ended 31st March, 2014.

Solution:

Receipt & Payment A/c

Receipt	Rs	Payment	Rs
To Opening balance	30,000	By Salary a/c	18,000
To Sale of Provisions a/c	1,63,000	By General expenses a/c	5,000
To Subscription a/c	29,000	By Creditors a/c	1,38,000
		By Equipment a/c	16,000
		By Closing balance a/c	45,000
	2,22,000		2,22,000

Working Notes:

Creditors A/c

Particulars	Rs	Particulars	Rs
To Cash / Bank a/c	1,38,000	By Opening balance	8,000
To Closing balance	10,000	By Purchase a/c	1,40,000
	1,48,000		1,48,000

Equipment A/c

Particulars	Rs	Particulars	Rs
To Opening balance	10,000	By Depreciation a/c	1,000
To Cash/ bank a/c	16,000	By Closing balance	25,000
	26,000		26,000

Subscription A/c

Particulars	Rs	Particulars	Rs
To Opening outstanding a/c	5,000	By Cash / Bank a/c	29,000
To Income & Expenditure a/c	34,000	By Closing outstanding a/c	10,000
	39,000		39,000

44. From the following particulars relating to Deena Nath Charitable Hospital, prepare
- receipts and payments account for the year ended on 31st March, 2016; and
 - balance sheet as on 31st March, 2016:

Income and Expenditure Account
For the year ended 31st March, 2016

Expenditure	Rs.	Income	Rs.
To Medicines used	29,980	By Subscriptions	56,000
To Honorarium to doctors	12,000	By Donations	9,500
To Salaries	27,500	By Interest on investment @ 11%	11,000
To Printing and stationery	1,100	By Income from film show:	
To Electricity	475	Proceeds	11,450
To Rent	6,000	Less: Expenses	780
To Depreciation on Furniture	2,100		
To Depreciation on equipment	3,250		
To Surplus i.e. excess of income over expenditure	4,765		
	87,170		87,170

Additional Information:

		On 1.4.2015	On 31.3.2016
(i)	Subscription due	120	160
(ii)	Subscriptions received in advance	64	100
(iii)	Electricity bills unpaid	92	115
(iv)	Stock of medicines	7,820	9,750
(v)	Estimated value of equipment's	11,600	13,900
(vi)	Furniture and fixtures	21,000	18,900
(vii)	Land	-	10,000
(viii)	Interest accrued on investments in 11% debentures costing Rs. 1,02,500 (face value: Rs. 1,00,000)	3,750	3,750

(ix)	Cash in hand	340	160
(x)	Cash at bank	9,000	?

Solution:

Receipt & Payment A/c

Receipt	Rs	Payment	Rs
To Opening balance		By Honorarium to doctors a/c	12,000
Cash 340		By Salary a/c	27,500
Bank 9,000	9,340	By Printing & Stationary a/c	1,100
To Donation a/c	9,500	By Rent a/c	6,000
To Charity show a/c	11,450	By Charity show a/c	780
To Interest a/c	11,000	By Land a/c	10,000
To Subscription a/c	55,996	By Equipment a/c	5,550
		By Electricity a/c	452
		By Medicine a/c	31,910
		By Closing balance	
		Cash 160	
		Bank (balancing figure) 1,834	1,994
	97,286		97,286

Balance Sheet as on 31.3.16

Liabilities	Rs	Assets	Rs
Trust Fund 1,55,974		Subscription outstanding	160
Surplus 4,765	1,60,739	Stock of Medicine	9,750
Advance subscription	100	Equipment	13,900
Electricity outstanding	115	Furniture	18,900
		Land	10,000
		Interest (receivable)	3,750
		Investment	1,02,500
		Cash	160
		Bank	1,834
	1,60,954		1,60,954

Working Note:

Balance Sheet as on 31.3.15

Liabilities	Rs	Assets	Rs
Advance subscription	64	Subscription outstanding	120
Electricity outstanding	92	Stock of Medicine	7,820
Trust Fund (Balancing figure)	1,55,974	Equipment	11,600
		Furniture	21,000
		Interest (receivable)	3,750
		Investment	1,02,500
		Cash	340

		Bank	9,000
	1,56,130		1,56,130

Medicine A/c

Particulars	Rs	Particulars	Rs
To Opening stock a/c	7,820	By Income & Expenditure	29,980
To Cash / Bank a/c	31,910	By Closing stock	9,750
	39,730		39,730

Electricity A/c

Particulars	Rs	Particulars	Rs
To Cash / Bank a/c	452	By Opening outstanding	92
To Closing outstanding a/c	115	By Income & Expenditure	475
	567		567

Furniture A/c

Particulars	Rs	Particulars	Rs
To Opening balance	21,000	By Depreciation a/c	2,100
		By Closing balance	18,900
	21,000		21,000

Equipment A/c

Particulars	Rs	Particulars	Rs
To Opening balance	11,600	By Depreciation a/c	3,250
To Cash / Bank a/c	5,550	By Closing balance	13,900
	17,150		17,150

Interest A/c

Particulars	Rs	Particulars	Rs
To Opening outstanding	3,750	By Cash / Bank a/c	11,000
To Income & Expenditure	11,000	By Closing outstanding	3,750
	14,750		14,750

Subscription A/c

Particulars	Rs	Particulars	Rs
To Opening outstanding	120	By Opening advance	64
To Income & Expenditure	56,000	By Cash / Bank a/c	55,996
To Closing advance	100	By Closing outstanding	160
	56,220		56,220

45. Following is the Income and Expenditure Account of Victoria Club for the year ending 31st March, 2016

Expenditures	Rs.	Incomes	Rs.
To Salaries & Wages	19,000	By Subscription	30,000
To Misc. Expenses (including Insurance)	2,000	By Entrance Fee Received	1,000

To Audit Fees	1,000	By Annual Sports Income		
To Chief Executives Honorarium	4,000	receipts	6,000	
To Printing & Stationery	1,800	Less: Expenses	3,000	3,000
To Annual Day Celebration Exp. 6,000				
Less: Donation 4,000	2,000			
To Interest on Bank Loan	600			
To Depreciation on Sports Equipment	1,200			
To Excess of Income over Expenditure	2,400			
	34,000			34,000

Additional Information:

	31.3.15 (Rs.)	31.3.16 (Rs.)
(1) Subscription Outstanding	2,400	3,000
(2) Subscription received in advance	1,800	1,080
(3) Salaries Outstanding	1,600	1,800
(4) Sports equipment (after deducting depreciation)	10,400	10,800
(5) Prepaid Insurance	--	240
(6) Cash in hand	?	6,400

7. The Club owned a sports ground of Rs. 40,000

8. The Club took a loan of Rs.8,000 from a bank during the yr 2014-15, which was not paid in 2015-16.

9. Audit fee of 2015-16 was outstanding, but Audit fees of Rs. 800 for 2014-15 was paid in 2015-16

Prepare Receipts and Payments Account for the year ending 31st March, 2016 and a Balance Sheet as on that date.

Solution:

In the books of Victoria Club

Receipts and Payments Account for the year ended on 31st March, 2016

Dr.			Cr.
Receipts	Rs.	Payments	Rs.
To Balance b/d (Balancing figure)	5,560	By Salaries and Wages (note 4)	18,80
To Subscription (note 3)	28,680	By Audit Fee	0 800
To Donation	4,000	By Sports Equipment's (note 2)	1,600
To Entrance fee	1,000	By Misc. Expenses 2,000	
To Receipt for Annual Sport	6,000	Add: Prepaid Insurance 240	2,240
		By Chief Executive's Honorarium	4,000
		By Printing & Stationery	1,800
		By Expenses on Annual Sports	3,000
		By Annual Day Celebration Expenses By	6,000
		Interest on Bank Loan	600
		By Balance c/d	6,400
	45,240		45,240

Balance Sheet of Victoria Club

As on 31st March, 2016

Liabilities	Rs.	Assets	Rs.
Capital Fund:		Cash	6,400
Opening Balance (note 1) 46,160		Subscription Outstanding	3,000
Add: Excess of Income		Sports Equipment 10,400	
Over Expenditure 2,400	48,560	Add: Additions	1,600
Salaries Outstanding	1,800	Less: Depreciation 12,000	
Audit Fee Outstanding	1,000	Sports Ground 1,200	10,800
Bank Loan	8,000	Prepaid Insurance	40,000
Subscription received in advance	1,080		240
	60,440		60,440

Working Notes:

1.

Balance Sheet of Victoria Club
as on 31st March, 2015

Liabilities	Rs.	Assets	Rs.
Capital Fund (Balancing figure)	46,160	Cash	5,560
Bank Loan	8,000	Sports Ground	40,000
Subscription received in advance	1,800	Sport Equipment after	10,400
Salaries Outstanding	1,600	Depreciation	
Audit fee Outstanding	800	Subscription Outstanding	2,400
	58,360		58,360

2.

Sports Equipment A/c

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Balance b/d	10,400	By Depreciation A/c	1,200
To Bank A/c (Balancing Figure)	1,600	By Balance c/d	10,800
	12,000		12,000

3.

Subscription A/c

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening outstanding subscription	2,400	By Opening advance subscription	1,800
To I&E a/c (Income)	30,000	By Cash/Bank a/c (received: bal. fig.)	28,680
To Closing advance subscription	1,080	By Closing outstanding subscription	3,000
	33,480		33,480

4.

Salary & Wages Account

To Cash/Bank a/c (Paid : Bal. fig.)	18,800	By Opening Outstanding B/f (Payable)	1,600
To Closing outstanding C/f (payable)	1,800	By Income & Exp. A/c (Expense)	19,000
Total	20,600	Total	20,600

Chapter 14 - Company Accounts

46. Piyush Limited is a company with an authorized share capital of ₹ 2,00,00,000 in equity shares of ₹ 10 each, of which 15,00,000 shares had been issued and fully paid on 30th June, 2018. The company proposed to make a further issue of 1,30,000 shares of ₹ 10 each at a price of ₹ 12 each, the arrangements for payment being:

- ₹ 2 per share payable on application, to be received by 1st July, 2018;
- Allotment to be made on 10th July, 2018 and a further ₹ 5 per share (including the premium) to be payable;
- The final call for the balance to be made, and the money received by 30th April, 2019.

Applications were received for 4,20,000 shares and were dealt with as follows:

- Applicants for 20,000 shares received allotment in full;
- Applicants for 1,00,000 shares received an allotment of one share for every two applied for; no money was returned to these applicants, the surplus on application being used to reduce the amount due on allotment;
- Applicants for 3,00,000 shares received an allotment of one share for every five shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- The money due on final call was received on the due date.

You are required to record these transactions (including cash items) in the journal of Piyush limited.

Solution:

Journal of Piyush Limited

Date 2018	Particulars		Dr. ₹	Cr. ₹
July 1	Bank A/c (Note 1 - Column 3) To Equity Share Application A/c (Being application money received on 4,20,000 shares @ ₹ 2 per share)	Dr.	8,40,000	8,40,000

July 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 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with allotment and on 90,000 shares refunded as per Board's Resolution No.....dated...)	Dr.	8,40,000	2,60,000 4,00,000 1,80,000
	Equity Share Allotment A/c To Equity Share Capital A/c To Securities Premium a/c (Being allotment money due on 1,30,000 shares @ ₹ 5 each including premium at ₹ 2 each as per Board's Resolution No....dated...)	Dr.	6,50,000	3,90,000 2,60,000
	Bank A/c (Note 1 - Column 8) To Equity Share Allotment A/c (Being balance allotment money received)	Dr.	2,50,000	2,50,000
	Equity Share Final Call A/c To Equity Share Capital A/c (Being final call money due on 1,30,000 shares @ ₹ 5 per share as per Board's Resolution No.....dated...)	Dr.	6,50,000	6,50,000
2019 April 30	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,30,000 shares @ ₹ 5 each received)	Dr.	6,50,000	6,50,000

Working Note :

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application (1x ₹ 2)	Amount Required on Application (2 x ₹ 2)	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)	20,000	20,000	40,000	40,000	Nil	Nil	1,00,000	1,00,000

To Equity Share Allotment A/c (Amount received against allotment on 49,000 shares @ ₹ 5 per share including premium ₹ 2 per share. X, holding 1,000 shares failed to pay allotment money.)			2,50,000
Equity Share Call A/c To Equity Share Capital A/c (Amount due from members in respect of call on 50,000 shares @ ₹ 4 per share as per Directors resolution no... dated...)	Dr.	2,00,000	2,00,000
Bank A/c To Equity Share Call A/c (Amount received against the call on 47,000 shares @ ₹ 4 per share.)	Dr.	1,88,000	1,88,000
'OR'			
Bank A/c Calls in Arrear A/c To Equity Share Call A/c (Amount received against the call on 47,000 shares @ ₹ 4 per share. X, holding 1,000 shares and Y, holding 2,000 shares failed to pay call money.)	Dr. Dr.	1,88,000 12,000	2,00,000
Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium A/c (1,000 x ₹ 2) To Equity Share Allotment A/c (1,000 X ₹ 5) To Equity Share Call A/c (3,000 X ₹ 4) To Forfeited Shares A/c (Being forfeiture of 3,000 equity shares for non-payment of allotment and call money on 1,000 shares and for non-payment of call money on 2,000 shares as per Board's Resolution No.....dated)	Dr. Dr.	30,000 2,000	5,000 12,000 15,000
'OR'			
Equity Share Capital A/c (3,000 x ₹ 10) Securities Premium A/c (1,000 x ₹ 2) To Calls in Arrear A/c (₹ 5,000 + ₹ 12,000) To Forfeited Shares A/c (Being forfeiture of 3,000 equity shares for non-payment of allotment and call money on 1,000 shares and for non-payment of call money on 2,000 shares as per Board's Resolution No... dated...)	Dr. Dr.	30,000 2,000	17,000 15,000
Bank A/c Forfeited Shares A/c To Equity Share Capital A/c	Dr. Dr.	20,000 5,000	25,000

(Being re-issue of 2,500 shares @ ₹8 each as per Board's Resolution No.....dated...)			
Forfeited Shares A/c To Capital Reserve A/c (Being profit on re-issue transferred to Capital Reserve)	Dr.	7,000	7,000

Balance Sheet of B Limited as at

Particulars	Notes No.	₹
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	1	4,98,000
Reserves and Surplus	2	1,05,000
Total		6,03,000
ASSETS		
Current assets		
Cash and cash equivalents (bank)		6,03,000*
Total		6,03,000

*(5,83,000 +20,000)

Notes to accounts

		₹	₹
1.	Share Capital		
	Equity share capital		
	Issued share capital		
	50,000 Equity shares of ₹ 10 each	5,00,000	
	Subscribed, called up and paid up share capital		
	49,500 Equity shares of ₹ 10 each	4,95,000	4,98,000
	Add: Forfeited shares	3,000	
2.	Reserves and Surplus		
	Securities Premium	98,000	
	Capital Reserve	7,000	1,05,000

Working Notes:

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

Amount forfeited per share of X

₹ 3

Less: Loss on re-issue per share	(₹ 2)
Surplus	₹ 1

Amount forfeited per share of Y	₹ 6
Less: Loss on re-issue per share	(₹ 2)
Surplus	₹ 4

Transferred to Capital Reserve: X share (1,000 × ₹ 1)	₹ 1,000
Y's Share (1,500 × ₹ 4)	₹ 6,000
Total	₹ 7,000

(2) Balance of Security Premium:

Total Premium amount receivable on allotment	=	1,00,00	0
less: Amount reversed on forfeiture	=	(2,000)	
Balance remaining	=	98,000	

48. Riya Limited issued 20,000 14% Debentures of the nominal value of ₹1,00,00,000 as follows:
- To sundry persons for cash at 90% of nominal value of ₹ 50,00,000.
 - To a vendor for purchase of fixed assets worth ₹ 20,00,000 - ₹ 25,00,000 nominal value.
 - To the banker as collateral security for a loan of ₹ 20,00,000 - ₹ 25,00,000 nominal value.
- You are required to prepare necessary journal entries Journal Entries.

Solution:**In the books of Riya Company Ltd. Journal Entries**

Date	Particulars		Dr. ₹	Cr. ₹
(a)	Bank A/c —To Debentures Application A/c (Being the application money received on 10,000 debentures @ ₹ 450 each)	Dr.	45,00,000	45,00,000
	Debentures Application A/c Discount on issue of Debentures A/c To 14% Debentures A/c (Being the issue of 10,000 14% Debentures @ 90% as per Board's Resolution No....dated...)	Dr. Dr.	45,00,000 5,00,000	50,00,000
(b)	Fixed Assets A/c To Vendor A/c	Dr.	20,00,000	20,00,000

	(Being the purchase of fixed assets from vendor)			
	Vendor A/c	Dr.	20,00,000	
	Discount on Issue of Debentures A/c To 14% Debentures A/c	Dr.	5,00,000	25,00,000
	(Being the issue of debentures of ₹ 25,00,000 to vendor to satisfy his claim)			
(c)	Bank A/c To Bank Loan A/c (See Note)	Dr.	20,00,000	20,00,000
	(Being a loan of ₹ 20,00,000 taken from bank by issuing debentures of ₹25,00,000 as collateral security)			

Note: No entry is made in the books of account of the company at the time of making issue of such debentures. In the "Notes to Accounts" of Balance Sheet, the fact that the debentures being issued as collateral security and outstanding are shown by a note under the liability secured.

49. Pure Ltd. issues 1,00,000 12% Debentures of ₹ 10 each at ₹ 9.40 on 1st January, 2018. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue.

Calculate the amount of discount to be written-off in each of the 5 years.

Solution:

Total amount of discount comes to ₹ 60,000 (₹ 0.6 X 1, 00,000). The amount of discount to be written-off in each year is calculated as under:

Year end Outstanding	Debentures	Ratio in which discount to be written-off	Amount of discount to be written-off
1st	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
2nd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
3rd	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
4th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000
5th	₹ 10, 00,000	1/5	1/5th of ₹ 60,000 = ₹ 12,000

50. On 1st January 2018 Ankit Ltd. issued 10% debentures of the face value of ₹ 20,00,000 at 10% discount. Debenture interest after deducting tax at source @10% was payable on 30th June and 31st December every year. All the debentures were to be redeemed after the expiry of five year period at 5% premium.

Pass necessary journal entries for the accounting year 2018.

Solution:

Journal Entries

			Dr. (₹)	Cr. (₹)
1-1-2018	Bank A/c	Dr.	18,00,000	
	Discount/Loss on Issue of Debentures A/c To 10% Debentures A/c To Premium on Redemption of Debentures A/c (For issue of debentures at discount redeemable at premium)	Dr.	3,00,000	20,00,000 1,00,000
30-6-2018	Debenture Interest A/c To Debenture holders A/c To Tax Deducted at Source A/c (For interest payable)	Dr.	1,00,000	90,000 10,000
	Debenture holders A/c Tax Deducted at Source A/c To Bank A/c (For payment of interest and TDS)	Dr. Dr.	90,000 10,000	1,00,000
31-12-2018	Debenture Interest A/c To Debenture holders A/c To Tax Deducted at Source A/c (For interest payable)	Dr.	1,00,000	90,000 10,000
	Debenture holders A/c Tax Deducted at Source A/c To Bank A/c (For payment of interest and tax)	Dr. Dr.	90,000 10,000	1,00,000
	Profit and Loss A/c To Debenture Interest A/c	Dr.	2,00,000	2,00,000