



## **Mitkary Sir's CAPS Academy**

### **LATEST EXAMINATION QUESTIONS CA - FOUNDATION ACCOUNTING**

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#### **CHAPTER – 1 – THEORETICAL FRAMEWORK**

##### **True and False**

(RTP NOV 21)

1. State with reasons, whether the following statements are true or false:
  - (i) A tallied trial balance means that the books of accounts have been prepared as per accepted accounting principles.
  - (ii) The rationale behind the opening of a suspense account is to tally the trial balance.
  - (iii) Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
  - (iv) A partnership firm can acquire fixed assets in the name of the firm.
  - (v) Outstanding salaries for the previous year shall be shown as liability in the current year balance sheet.
  - (vi) The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
  - (vii) The debit notes issued are used to prepare Sales Return Book.
  - (viii) Bills receivable and bills payable books are type of subsidiary books.
  - (ix) The results and position disclosed by final accounts are not exact.
  
2. State with reasons, whether the following statements are true or false: [ RTP NOV 21]
  - (a) The financial statement must disclose all the relevant and reliable information in accordance with the Full Disclosure Principle.
  - (b) The debit notes issued are used to prepare Sales Return Book.
  - (c) Bank reconciliation statement is prepared to arrive at the bank balance.
  - (d) If Closing Stock appears in the Trial Balance then the closing inventory is not entered in Trading Account. It is shown only in the balance sheet.
  - (e) Depreciation is a non-cash expense and does not result in any cash outflow.
  - (f) Discount at the time of retirement of a bill is a gain for the drawee.
  - (g) In case the due date of a bill falls after the date of closing the account, the interest from the date of closing to such due date is known as Red-ink interest.
  - (h) A withdrawal of cash from the business by the proprietor should be charged to profit and loss account as an expense.
  - (i) Partners can share profits or losses in their capital ratio, when there is no agreement.
  - (j) Fees received for Life Membership is a revenue receipt as it is of recurring nature.
  - (k) Debenture interest is payable after the payment of preference dividend but before the payment of equity dividend.

3. State with reasons, whether the following statements are true or false: [ RTP MAY 22]
- (i) The gain from sale of capital assets need not be added to revenue to ascertain the net profit of a business.
  - (ii) Sale of office furniture should be credited to Profit and Loss Account.
  - (iii) The additional commission to the consignee who agrees to bear the loss on account of bad debts is called overriding commission.
  - (iv) A partnership firm can acquire fixed assets in the name of the firm.
  - (v) Debenture holders enjoy the voting rights in the company.

## CHAPTER – 2 – ACCOUNTING PROCESS

### JOURNAL ENTRIES

4. Classify the following errors under the three categories – Errors of Omission, Errors of Commission and Errors of Principle. [RTP NOV 21]
- (i) Sale of furniture credited to Sales Account.
  - (ii) Machinery sold on credit to Mohan recorded in Journal Properly but omitted to be posted.
  - (iii) Goods worth Rs. 5,000 purchased on credit from Ram recorded in the Purchase Book as Rs. 500.
  - (iv) Purchase worth Rs. 4,500 from Mr. X not recorded in subsidiary books.
  - (v) Credit sale wrongly passed through the Purchase Book.
5. Prepare Journal Entries for the following transactions in the books of Honey Singh [RTP NOV 22]
- (i) Employees had taken stock worth Rs. 10,000 (Cost price Rs. 7,500) on the eve of Gurupurab and the same was deducted from their salaries in the subsequent month.
  - (ii) Income tax liability of proprietor Rs. 8,500 was paid out of petty cash.
  - (iii) Goods costing Rs. 10,000 distributed as free samples (Sale Price Rs. 1,200)
  - (iv) Purchase of goods from Sunny of the list price of Rs. 15,000. He allowed 10% trade discount, Rs. 200 cash discount was also allowed for quick payment.
6. You are required to pass necessary journal entries in the books of Kewal: [RTP MAY 22]
- (i) Cheque amounting Rs. 9,000 from Hari Krishan in full settlement of his account for Rs. 10,000.
  - (ii) Withdrawn for personal use: Goods (Sales Price Rs. 8,000, Cost Rs. 6,000), cash Rs. 1,000
  - (iii) Goods costing Rs. 3,000 (Sale price Rs. 4,000) distributed as free samples.
  - (iv) Received commission Rs. 10,000, half of which does not relate of current year and is received in advance.
  - (v) Purchased second hand machinery from Jawahar for Rs. 30,000 against a cheque. Goods of Rs. 12,000 (Cost Rs. 9,000) used in repairs of this machinery which is necessary to make it ready for working.
7. (i) Employees had taken stock worth Rs. 25,000 (Cost price Rs. 22,500) on the eve of Deepawali and the same was deducted from their salaries in the subsequent month. [RTP MAY 21]
- (ii) Wages paid for erection of Machinery Rs. 16,000.
  - (iii) Income tax liability of proprietor Rs. 3,400 was paid out of petty cash.
  - (iv) Purchase of goods from Naveen of the list price of Rs. 20,000. He allowed 10% trade discount, Rs. 500 cash discount was also allowed for quick payment.

## SUBSIDIARY BOOKS & CASH BOOK

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

[ RTP NOV 21]

2021		Rs.
June 1	Received Rs. 1,00,000 for petty cash	
" 2	Paid taxi fare	2,000
" 3	Paid cartage	10,000
" 4	Paid for courier	2,000
" 5	Paid wages	2,400
" 5	Paid for stationery	1,600
" 6	Paid for the repairs to machinery	6,000
" 6	Auto fare	400
" 7	cartage	1,600
" 7	Paid for courier	2,800
" 8	Cartage	12,000
" 9	Stationery	8,000
" 10	Sundry expenses	20,000

9. From the following transactions, prepare the Purchases Returns Book of Sulpher &Co. and post them to ledger :

[ RTP NOV 22]

Date	Debit Note No.	Particulars
04.06.2022	101	Returned to Samuel Mills, Surat – 5 Calculator @ Rs.100.
09.06.2022		James Mills, Kota – accepted the return of calculator(which were purchased for cash) – 5 Kota Calculator @ Rs.40.
16.06.2022	102	Returned to David Mills, Bangalore –5 Calculator @ Rs.260.
30.06.2022		Returned one printer (being defective) @ Rs.3,500 to Lucas & co.

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

[ RTP MAY 22]

2021		Rs.
April 1	Received Rs.40,000 for petty cash	
" 2	Paid auto fare	1,000
" 3	Paid cartage	5,000
" 4	Paid for Courier	1,000
" 5	Paid wages	1,200
" 5	Paid for stationery	800
" 6	Paid for the repairs to machinery	3,000
" 6	Bus fare	200
" 7	Cartage	800
" 7	Courier	1,400
" 8	Cartage	6,000
" 9	Stationery	4,000
" 10	Sundry expenses	10,000

11. Prepare a Triple Column Cash Book from the following transactions and bring down the balance for the start of next month: [ RTP MAY 21]

2020		Rs.
Sep.	1 Cash in hand	6,000
	1 Cash at bank	24,000
	2 Paid into bank	2,000
	5 Bought furniture and issued cheque	3,000
	8 Purchased goods for cash	1,000
	12 Received cash from Mohan	1,960
	Discount allowed to him	40
	14 Cash sales	10,000
	16 Paid to Amar by cheque	2,900
	Discount received	100
	19 Paid into Bank	1,000
	23 Withdrawn from Bank for Private expenses	1,200
	24 Received cheque from Parul	2,860
	Allowed him discount	40
	26 Deposited Parul's cheque into Bank	
	28 Withdrew cash from Bank for Office use	4,000
	30 Paid rent by cheque	1,600

### RECTIFICATION OF ERRORS

12. M/s Shyam Textiles & Co. find the following errors in their books of account before preparation of Trial Balance. You are required to pass necessary journal entries: [ RTP NOV. 21]
- A purchase of Rs. 4,700 from M/s Timber & Co. was recorded in the accounts of M/s Ginger & Co. as Rs. 7,400. Day Book entry has also been passed incorrectly.
  - A sale of Rs. 9,500 to M/s Aman Bros. was recorded in M/s Manan Bros account as Rs. 5,900. Day Book entry has also been incorrectly passed.
  - Discount allowed Rs. 230 (as per Cash Book) has been posted to Commission Account. But the Cash Book total should be Rs. 320, because discount allowed of Rs. 90 to M/s Aman Bros. has been omitted.
  - A cheque of Rs. 6,400 drawn by M/s Aman Bros. has been dishonoured, but wrongly debited to M/s Manan Bros.
13. Give journal entries (with narrations) to rectify the following errors located in the books of a Trader after preparing the Trial Balance: [ RTP NOV. 22]
- Rs.35,000 paid for purchase of Air conditioner for the personal use of proprietor debited to Machinery A/c.
  - Goods returned by customer for Rs.5,000. The same have been taken into stock but no entry passed in the books of accounts.
  - An amount of Rs.4,500 received on account of Interest was credited to Commission account.
  - A sale of Rs.2,760 was posted from Sales Book to the Debit of M/s Sobha Traders at Rs. 2,670
14. The books of accounts of Dime Ltd. for the year ending 31.3.2021 were closed with a difference in books carried forward. The following errors were detected subsequently: [ RTP MAY 22]
- Return outward book was under cast by Rs.100.
  - Rs.1,500 being the total of discount column on the credit side of the cash book was not posted.

- (iii) Rs.6,000 being the cost of purchase of office furniture was debited to Purchase A/c.
  - (iv) A credit sale of Rs.760 was wrongly posted as Rs.670 to the customers' A/c. in the sales ledger.
  - (v) The Sales of Rs.10,000 was omitted to be recorded.
- Pass rectification entries in the next year.

**15.** Write out the Journal Entries to rectify the following errors, using a Suspense Account.

[RTP MAY 21]

- (1) Goods of the value of Rs. 5,000 returned by Mr. Sharma were entered in the Sales Day Book and posted therefrom to the credit of his account;
- (2) An amount of Rs 7,500 entered in the Sales Returns Book, has been posted to the debit of Mr. Hari, who returned the goods;
- (3) A sale of `20,000 made to Mr. Amit was correctly entered in the Sales Day Book but wrongly posted to the debit of Mr. Sumit as Rs 2,000;
- (4) Bad Debts aggregating Rs 15,000 were written off during the year in the Sales ledger but were not adjusted in the General Ledger; and
- (5) The total of "Discount Allowed" column in the Cash Book for the month of September, 2020 amounting to Rs 12,500 was not posted.

## CHAPTER – 3 - BANK RECONCILIATION

**16.** On 31st March, 2021 the pass-book of a trader showed a credit balance of Rs.15,65,000 but the passbook balance was different for the following reasons from the cash book balance:

[RTP NOV 21]

Cheques issued to 'X' for Rs. 60,000 and to 'Y' for Rs.3,84,000 were not yet presented for payment.

Bank charged Rs.350 for bank charges and 'Z' directly deposited Rs.1,816 into the bank account, which were not entered in the cash book.

Two cheques-one from 'A' for Rs.5,15,000 and another from 'B' for Rs.12,500 were collected in the first week of April, 2021 although they were banked on 25.03.2021.

Interest allowed by bank Rs.4,500.

Prepare a bank reconciliation statement as on 31st March, 2021.

**17.** The Cash-book of M/s Rajat shows Rs.1,10,280 as the balance at Bank as on 31<sup>st</sup> March, 2022. But this does not agree with balance as per the Bank Statement. On scrutiny following discrepancies were found:

[RTP NOV 22]

- (i) Subsidy Rs.41,000 received from the government directly by the bank, but not advised to the company.
- (ii) On 15<sup>th</sup> March, 2022 the payments side of the Cash-book was under cast by Rs.1400.
- (iii) On 20<sup>th</sup> March, 2022 the debit balance of Rs. 8624 as on the previous day, was brought forward as credit balance in Cash-book.
- (iv) A customer of the M/s Rajat, who received a cash discount of 5% on his account of Rs.80,000, paid to M/s Rajat a cheque on 24<sup>th</sup> March, 2022. The cashier erroneously entered the gross amount in the Cash-Book.
- (v) On 10<sup>th</sup> March, 2022 a bill for Rs.22,800 was discounted from the bank, entered in Cash-book, but proceeds credited in Bank Statement amounted to Rs.22,000 only.
- (vi) A cheque issued amounting to Rs.6,900 returned marked 'out of date'. No entry made in Cash-book.
- (vii) Insurance premium Rs.3,024 paid directly by bank under a standing order. No entry made in cash-book.
- (viii) A bill receivable for Rs.6,120 discounted for Rs. 6,000 with the bank had been dishonoured on 30<sup>th</sup> March, 2022, but advice was received on 1<sup>st</sup> April, 2022.
- (ix) Bank recorded a Cash deposit of Rs.6,550 as Rs. 6,505.

Prepare Bank Reconciliation Statement on 31<sup>st</sup> March, 2022.

- 18.** From the following particulars of M/s Swapnil enterprises, prepare a Bank reconciliation statement: [ RTP MAY22]
- (1) Bank overdraft as per Pass Book as on 31st March, 2021 was Rs. 8,800
  - (2) Cheques deposited in Bank for Rs. 5,800 but only Rs. 2,000 were cleared till 31st March.
  - (3) Cheques issued were Rs. 2,500, Rs. 3,800 and Rs. 2,000 during the month. The cheque of Rs. 5,800 is still with supplier.
  - (4) Dividend collected by Bank Rs. 1,250 was wrongly entered as Rs. 1,520 in Cash Book.
  - (5) Amount transferred from fixed deposit A/c into the current A/c Rs. 2,000 appeared only in Pass Book
  - (6) Interest on overdraft Rs. 930 was debited by Bank in Pass Book and the information was received only on 3rd April 2021.
  - (7) Direct deposit by M/s Rajesh Trader Rs.400 not entered in Cash Book.
  - (8) Corporation tax Rs.1,200 paid by Bank as per standing instruction appears in Pass Book only.
- 19.** From the following information (as on 31.3.2020), prepare a bank reconciliation statement after making necessary adjustments in the cash book: [ RTP MAY 21]

Particulars	
Bank balances as per the cash book (Dr.)	32,50,000
Cheques deposited, but not yet credited	44,75,000
Cheques issued but not yet presented for payment	35,62,000
Bank charges debited by bank but not recorded in the cash-book	12,500
Dividend directly collected by the bank	1,25,000
Insurance premium paid by bank as per standing instruction not intimated	15,900
Cash sales wrongly recorded in the Bank column of the cash-book	2,55,000
Customer's cheque dishonoured by bank not recorded in the cash-book	1,30,000
Wrong credit given by the bank	1,50,000

Also show the bank balance that will appear in the trial balance as on 31.3.2020.

## CHAPTER – 4 – INVENTORIES

- 20.** Submarine Ltd. keeps no stock records but a physical inventory of stock is made half yearly and the valuation is taken at cost. The company's year ends on 31<sup>st</sup> March, 2021 and their accounts have been prepared to that date. The stock valuation taken on 31<sup>st</sup> March, 2021 was however, misleading and you have been advised to value the closing stocks as on 31<sup>st</sup> March, 2021 with the stock figure as on 30<sup>th</sup> September, 2020 and some other information is available to you:
- (i) The cost of stock on 30<sup>th</sup> September, 2020 as shown by the inventory sheet was Rs.2,40,000.
  - (ii) On 30<sup>th</sup> September, stock sheet showed the following discrepancies:
    - (a) A page total of Rs. 15,000 had been carried to summary sheet as Rs. 16,000.
    - (b) The total of a page had been undercast by Rs. 600.
  - (iii) Invoice of purchases entered in the Purchase Book during the quarter from October, 2020 to March, 2021 totaled Rs. 2,10,000. Out of this Rs. 9,000 related to goods received prior to 30<sup>th</sup> September, 2020. Invoices entered in April, 2021 relating to goods received in March, 2021 totaled Rs.12,000.
  - (iv) Sales invoiced to customers totaled Rs.2,70,000 from September, 2020 to March, 2021. Of this Rs. 15,000 related to goods dispatched before 30<sup>th</sup> September, 2020. Goods dispatched to customers before 31<sup>st</sup> March, 2021 but invoiced in April, 2021 totaled Rs. 12,000.
  - (v) During the final quarter, credit notes at invoiced value of Rs. 3,000 had been issued to customers in respect of goods returned during that period. The gross margin earned by the company is 25% of cost.

You are required to prepare a statement showing the amount of stock at cost as on 31<sup>st</sup> March, 2021.

[RTP NOV. 21]



21. A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15<sup>th</sup> April, 2022 on which date the total cost of goods in his godown came to Rs. 2,50,000. The following facts were established between 31<sup>st</sup> March and 15<sup>th</sup> April, 2022. [ RTP NOV 22]

- (i) Sales Rs. 2,05,000 (including cash sales Rs. 50,000)
  - (ii) Purchases Rs. 25,170 (including cash purchases Rs. 9,950)
  - (iii) Sales Return Rs. 5,000
  - (iv) On 15th March, goods of the sale value of Rs. 50,000 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.
  - (v) The trader had also received goods costing Rs. 40,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15<sup>th</sup> 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, 2022.

22. A trader prepared his accounts on 31st March, each year. Due to some unavoidable reasons, no stock taking could be possible till 15<sup>th</sup> April, 2021 on which date the total cost of goods in his godown came to Rs. 1,50,000. The following facts were established between 31st March and 15<sup>th</sup> April, 2021. [ RTP MAY 22]

- (i) Sales Rs. 1,23,000 (including cash sales Rs. 30,000)
- (ii) Purchases Rs. 15,102 (including cash purchases Rs. 5,970)
- (iii) Sales Return Rs. 3,000.
- (iv) On 15th March, goods of the sale value of Rs. 30,000 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.
- (v) The trader had also received goods costing Rs. 24,000 in March, for sale on consignment basis; 20% of the goods had been sold by 31st March, and another 50% by the 15<sup>th</sup> 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, 2021.

23. Closing stock is valued by Zebra Stores on generally accepted accounting principles. Stock taking for the year ended 31<sup>st</sup> March, 2020 was completed by 10<sup>th</sup> April, 2020, the valuation of which showed a stock figure of Rs. 5,02,500 at cost as on the completion date. After the end of the accounting year and till the date of completion of stock taking, sales for the next year were made for Rs. 20,625, profit margin being 33.33 percent on cost. Purchases for the next year included in the stock amounted to Rs. 27,000 at cost less trade discount 10 percent. During this period, goods were added to stock of the mark up price of Rs. 900 in respect of sales returns. After stock taking it was found that there were certain very old slow moving items costing Rs. 3,375 which should be taken at Rs. 1,575 to ensure disposal to an interested customer. Due to heavy floods, certain goods costing Rs. 4,650 were received from the supplier beyond the delivery date of customer. As a result, the customer refused to take delivery and net realizable value of the goods was estimated to be Rs. 3,750 on 31<sup>st</sup> March, 2020. [ RTP MAY 21]

You are required to calculate the value of stock for inclusion in the final accounts for the year ended 31<sup>st</sup> March, 2020

## CHAPTER – 5 – CONCEPT & ACCOUNTING OF DEPRECIATION

24. The M/s Nishant Transport purchased 10 Buses at Rs. 15,00,000 each on 1st April 2017. On October 1st, 2019, one of the Buses is involved in an accident and is completely destroyed and Rs. 7,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of Rs. 18,00,000. The company writes off 10% on the original cost per annum. The company observes the calendar year as its financial year.

You are required to prepare the buses account for two years ending 31 Dec, 2020.

[ RTP NOV. 21]

25. A Firm purchased an old Machinery for Rs.37,000 on 1<sup>st</sup> January,2019 and spent Rs.3,000 on its overhauling. On 1<sup>st</sup> July 2020, another machine was purchased for Rs.10,000. On 1<sup>st</sup> July 2021, the machinery which was purchased on 1<sup>st</sup> January 2019, was sold for Rs.28,000 and the same day a new machinery costing Rs.25,000 was purchased. On 1<sup>st</sup> July,2022, the machine which was purchased on 1<sup>st</sup> July,2020 was sold for Rs.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 1<sup>st</sup> January,2020 and the rate was increased to 15% per annum. The books are closed on 31<sup>st</sup> December every year.

Prepare Machinery account for four years from 1<sup>st</sup> January,2019.

[ RTP NOV 22]

26. M/s. Seven Seas purchased a second-hand machine on 1<sup>st</sup> April, 2017 for Rs. 1,60,000. Overhauling and erection charges amounted to Rs. 40,000. Another machine was purchased for Rs. 80,000 on 1<sup>st</sup> Oct, 2017. On 1<sup>st</sup> Oct, 2019, the machine installed on 1<sup>st</sup> April, 2017 was sold for Rs. 1,00,000. Another machine for Rs. 30,000 was purchased and was installed on 31<sup>st</sup> December, 2019.

Under the existing practice the company provides depreciation @ 10% p.a. on original cost. However, from 1<sup>st</sup> April,2020 it decided to adopt WDV method and to charge depreciation @ 15% p.a. You are required to prepare Machinery account for the years 2017 to 2021.

[ RTP MAY 22]

27. M/s Roxy purchased a brand new machinery on 1<sup>st</sup> January 2017 for Rs. 3,20,000 and also incurred Rs. 80,000 on its installation. Another machinery was purchased on 1<sup>st</sup> July 2017 for ` 1,60,000. On 1<sup>st</sup> July 2019, the machinery purchased on 1<sup>st</sup> January 2017 was sold for Rs. 2,50,000. Another machinery was purchased and installed on 30<sup>th</sup> September 2019 for Rs. 60,000.

Under existing practice, the company provides for depreciation @10% p.a. on Original cost. However, from the year 2020 it decided to adapt WDV method and charge the depreciation @ 15% p.a. You are required to show the Machinery Account for the years 2019 and 2020 considering the books of accounts are closed on 31<sup>st</sup> December each year. [ RTP MAY 21]

## CHAPTER – 6 – ACCOUNTING FOR SPECIAL TRANSACTIONS

### BILL OF EXCHANGE & PROMISSORY NOTES

28. Prepare Journal entries for the following transactions in David's books.
- (i) David's acceptance to Samuel for Rs.5,000 discharged by a cash payment of Rs.1,000 and a new bill for the balance plus Rs.100 for interest.
  - (ii) Samantha's acceptance for Rs.8,000 which was endorsed by David to Flex was dishonoured. Flex paid Rs.50 noting charges. Bill withdrawn against cheque.
  - (iii) Simon retires a bill for Rs.2,000 drawn on him by David for Rs.20 discount.
  - (iv) David's acceptance to Ralph for Rs.20,000 discharged by Ralph's Kent's acceptance to David for a similar amount.

[ RTP NOV. 21]

29. Mr. Tanu accepted a bill for Rs. 1,00,000 drawn on him by Mr. Manu on 1<sup>st</sup> August,2021 for 3 months. This was for the amount which Tanu owed to Manu. On the same date Mr. Manu got the bill discounted at his bank for Rs. 98,000.

On the due date, Tanu approached Manu for renewal of the bill. Mr. Manu agreed on condition that Rs 20,000 be paid immediately along with interest on the remaining amount at 12% p.a. for 3 months and that for the remaining balance Tanu should accept a new bill for 3 months. These arrangements were carried through. On 31<sup>st</sup> December,2021, Tanu became insolvent and his estate paid 40%.

Prepare Journal Entries in the books of Mr. Manu.

[ RTP NOV. 22]

30. On 1<sup>st</sup> January 2021, Swapnil draws two bills of exchange for Rs 32,000 and Rs. 50,000. The bill of exchange for Rs .32,000 is for two months while the bill of exchange for Rs. 50,000 is for three months. These bills are accepted by Vishal. On 4<sup>th</sup> March, 2021, Vishal requests Swapnil to renew the first bill with interest at 15% p.a. for a period of two months. Swapnil agreed to this proposal. On 25<sup>th</sup> March, 2021, Vishal retires the acceptance for Rs.50,000, the interest rebate i.e. discount being Rs. 500. Before the due date of the renewed bill, Vishal becomes insolvent and only 50 paise in a rupee could be recovered from his estate.



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

[ RTP MAY 21]

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

## SALE OF GOODS ON APPROVAL OR RETURN BASIS

32. On 31<sup>st</sup> December, 2020 goods sold at a sale price of Rs. 6,000 were lying with customer, Sapna to whom these goods were sold on 'sale or return basis' were recorded as actual sales. Since no consent has been received from Sapna, you are required to pass adjustment entries presuming goods were sent on approval at a profit of cost plus 20%. Present market price is 10% less than the cost price.

[ RTP NOV 21]

33. Mr. Jai sends out goods on approval to few customers and includes the same in the Sales Account. On 31.03.2022, the Trade Receivables balance stood at Rs.1,50,000 which included Rs. 13,000 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-

[ RTP NOV 22]

Mr. Narayan Rs. 7,800 and Mr. Ram Rs.5,200.

Mr. Narayan sent intimation of acceptance on 25<sup>th</sup> April, 2022 and Mr. Ram returned the goods on 15<sup>th</sup> April, 2022.

Make the adjustment entries and show how these items will appear in the Balance Sheet as on 31<sup>st</sup> March, 2022. Show also the entries to be made during April, 2022. Value of Closing Inventories as on 31<sup>st</sup> March, 2022 was Rs. 1,00,000.

34. S Ltd. sells goods on Sale or Return basis. Customers having the choice of returning the goods within 15 days. During April 2021, the following are the details of the goods sent:

Date of dispatch	Party's name	Amount Rs.
April 2	M/s G	20,000
4	M/s H	36,000
16	M/s I	50,000
20	M/s J	16,000
24	M/s K	42,000
28	M/s L	60,000

Within the stipulated time G and I returned the goods while H, J and K informed that they have accepted the goods. Prepare the following in the books of 'S'.

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

35. 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 Rs.	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 Rs. 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 ason 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. [ RTP MAY 21]

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.

## CONSIGNMENT ACCOUNTING

- 36.** Shikha of Delhi consigned to Reema of Mumbai, goods to be sold at invoice price which represents 125% of cost. Reema is entitled to a commission of 10% on sales at invoice price and 25% of any excess realised over invoice price. The expenses on freight and insurance incurred by Shikha were Rs.45,000. The account sales received by Shikha shows that Reema has effected sales amounting to Rs. 4,50,000 in respect of 75% of the consignment. Her selling expenses to be reimbursed were Rs. 36,000. 10% of consignment goods of the value of Rs. 56,250 were destroyed in fire at the Mumbai godown. Reema remitted the balance in favour of Shika. [ RTP NOV 21]

You are required to prepare consignment account in the books of Shikha along with the necessary calculations.

- 37.** Sahu of Shimla consigned 30,000 kgs of Shampoo at Rs. 30 per kg to his agent Harsh at Ooty. He spent Rs. 5 per kg as freight and insurance for sending the Shampoo at Ooty. On the way 200 kgs. of Shampoo lost (which is to be treated as normal loss) and 800 kgs. of Shampoo was destroyed in transit. Rs. 18000 was paid to consignor directly by the Insurance company as Insurance claim. [ RTP NOV 22]

Harsh sold 15,000 kgs. at Rs. 60 per kg. He spent Rs. 33,000 on advertisement and recurring expenses.

You are required to calculate:

- (i) The amount of abnormal loss
  - (ii) Value of stock at the end and
  - (iii) Prepare Consignment account showing profit or loss on consignment, if Harsh is entitled to 5% commission on sales.
- 38.** On 1.1.2021, Mr. Sam of Kerala consigned to Mr. Alex of Chennai goods for sale at invoice price. Mr. Alex is entitled to a commission of 5% on sales at invoice price and 20% of any surplus price realized over and above the invoice price. Goods costing Rs. 5,00,000 were consigned to Chennai at the invoice price of Rs.7,50,000. The direct expenses of the consignor amounted to Rs. 50,000. On 31.3.2021, an account sales was received by Mr. Sam from Mr. Alex showing that he had effected sales of Rs.6,00,000 in respect of 4/5th of the quantity of goods consigned to him. Mr. Alex's direct expenses were Rs. 15,000. Mr. Alex accepted a bill drawn by Mr. Sam for Rs. 5,00,000 and remitted the balance due in cash. [ RTP MAY 22]
- You are required to prepare the consignment account and the account of Mr. Alex in the books of Mr. Sam.
- 39.** Mr. Divik of Jaipur purchased, 5,000 pieces of sarees at Rs. 500 per saree. Out of these 3,000 sarees were sent on consignment to Mr. Manoj of Pillani at the selling price of Rs. 600 per saree. The consignor paid Rs. 30,000 for packing and freight. Mr. Manoj sold 2,500 sarees at Rs. 625 per saree and incurred Rs. 10,000 for selling expenses and remitted Rs. 5,00,000 to Jaipur on account of Mr. Divik. Mr. Manoj is entitled to a commission of 5% on total sales plus a further commission at 20% of surplus price realized over invoice price. [ RTP MAY 21]
- You are required to prepare Consignment Account in the books of Mr. Divik and Mr. Divik's account in the books of agent Mr. Manoj.

## AVERAGE DUE DATE

40. Calculate average due date from the following information:

[RTP NOV. 21]

Date of bill	Term	Amount (Rs.)
1 <sup>st</sup> March, 2021	2 months	20,000
10 <sup>th</sup> March, 2021	3 months	15,000
5 <sup>th</sup> April, 2021	2 months	10,000
23 <sup>rd</sup> April, 2021	1 months	18,750
10 <sup>th</sup> May, 2021	2 months	25,000

41. Karan purchased goods from Arjun, the average due date for payment in cash is 10.08.2021 and the total amount due is Rs. 1,75,800. How much amount should be paid by Karan to Arjun, if total payment is made on following dates and interest is to be considered at the rate of 15% p.a. [RTP NOV 22]

- (i) On average due date
- (ii) On 28<sup>th</sup> August, 2021
- (iii) On 29<sup>th</sup> July, 2021

42. Sunder purchases goods on credit. His due dates for payments were as under:

[RTP MAY 22]

Transaction Date	Rs.	Due Date
March 5	1,200	April 08
April 15	800	May 18
May 10	1,100	June 13
June 5	1,600	July 10

Calculate Average due date.

42. From the following details calculate the average due date:

[RTP MAY 21]

Date of Bill	Amount (Rs.)	Usance of Bill
28 <sup>th</sup> January, 2020	2,500	1 month
20 <sup>th</sup> March, 2020	2,000	2 months
12 <sup>th</sup> July, 2020	3,500	1 month
10 <sup>th</sup> August, 2020	3,000	2 months

## ACCOUNT CURRENT

43. Mr. P owed Rs. 12,000 on 1st January, 2021 to Mr. Q. 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. [RTP NOV. 21]

	Rs.
15 January, 2021 Mr. Q sold goods to Mr. P	6,690
29 January, 2021 Mr. Q bought goods from Mr. P	3,600
10 February, 2021 Mr. P paid cash to Mr. Q	3,000
13 March, 2021 Mr. P accepted a bill drawn by Mr. Q for one month	6,000

They agree to settle their complete accounts by one single payment on 15th March, 2021.

Prepare Mr. P in Account Current with Mr. Q and ascertain the amount to be paid. Ignore days of grace.

44. X has a Current Account with Partnership firm. He had a debit balance of Rs. 85,000 as on 01-07-2021. He has further deposited the following amounts: Date Amount (Rs.) [RTP NOV 22]

14-07-2021 1,23,000

18-08-2021 21,000

He withdrew the following amounts:

Date Amount (Rs.)

29-07-2021 92,000

09-09-2021 11,500

45. The following are the transactions that took place between X and Y during the period from 1<sup>st</sup> October, 2020 to 31<sup>st</sup> March, 2021: [RTP MAY 22]

2020		Rs.
Oct.1	Balance due to X by Y	3,000
Oct 18	Goods sold by X to Y	2,500
Nov. 16	Goods sold by Y to X (invoice dated November, 26)	4,000
Dec.7	Goods sold by Y to X (invoice dated December, 17)	3,500
2021		Rs.
Jan. 3	Promissory note given by X to Y, at three months	5,000
Feb. 4	Cash paid by X to Y	1,000
Mar. 21	Goods sold by X to Y	4,300
Mar.28	Goods sold by Y to X (invoice dated April, 8)	2,700

Draw up an Account Current up to March 31<sup>st</sup>, 2021 to be rendered by X to Y, charging interest at 10% per annum. Interest is to be calculated to the nearest rupee.

46. On 1<sup>st</sup> January, 2020, Kamal 's account in Vimal's ledger showed a debit balance of Rs. 15,000. The following transactions took place between Vimal and Kamal during the quarter ended 31<sup>st</sup> March, 2020: [RTP MAY. 21]

2020			Rs.
Jan.	11	Vimal sold goods to Kamal	18,000
Jan.	24	Vimal received a promissory note from Kamal due after 3 months	15,000
Feb.	01	Kamal sold goods to Vimal	30,000
Feb.	04	Vimal sold goods to Kamal	24,600
Feb.	07	Kamal returned goods to Vimal	3,000
March	01	Kamal sold goods to Vimal	16,800
March	18	Vimal sold goods to Kamal	27,600
March	23	Kamal sold goods to Vimal	12,000

Accounts were settled on 31<sup>st</sup> March, 2020 by means of a cheque. Prepare an Account Current to be submitted by Vimal to Kamal as on 31<sup>st</sup> March, 2020, taking interest into account @ 10% per annum. Calculate interest to the nearest multiple of a rupee.

## CHAPTER – 7 – PREPARATION OF FINAL ACCOUNTS OF SOLE PROPRIETORS

47. The following are the balances as at 31st March, 2021 extracted from the books of Mr. Satender.

[RTP NOV 21]

	Rs.		Rs.
Plant and Machinery	78,200	Bad debts recovered	1800
Furniture and Fittings	41,000	Salaries	90,200
Bank Overdraft	3,20,000	Salaries payable	9,800
Capital Account	2,60,000	Prepaid rent	1,200
Drawings	32,000	Rent	17,200
Purchases	6,40,000	Carriage inward	4,500
Opening Stock	1,29,000	Carriage outward	5,400
Wages	48,660	Sales	8,61,200
Provision for doubtful debts	12,800	Advertisement Expenses	13,400
Provision for Discount on debtors	5,500	Printing and Stationery	5,000
Sundry Debtors	4,80,000	Cash in hand	5,800
Sundry Creditors	1,90,000	Cash at bank	12,500
Bad debts	4,400	Office Expenses	40,640
		Interest paid on loan	12,000

Additional Information:

- Purchases include sales return of Rs.10,300 and sales include purchases return of Rs. 6,900.
- Goods withdrawn by Mr. Satender for own consumption Rs.14,000 included in purchases.
- Wages paid in the month of April for installation of plant and machinery amounting to Rs. 1,800 were included in wages account.
- Free samples distributed out of purchases for publicity costing Rs. 3,300.
- Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
- Depreciation is to be provided on plant and machinery @ 20% p.a. and on furniture and fittings @ 10% p.a.
- Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2020 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, 2021, and a Balance Sheet as on that date. Also show the rectification entries.

48. The following is the Trial Balance of Mr. T on 31<sup>st</sup> March, 2022:

[RTP NOV 22]

	Dr. Rs.	Cr. Rs.
Capital	-	18,00,000
Drawings	2,10,000	-
Fixed Assets (Opening)	4,20,000	-
Fixed Assets (Additions 01.10.2022)	6,00,000	-
Opening Stock	1,80,000	-
Purchases	48,00,000	-
Purchases Returns	-	2,07,000

Sales	-	66,00,000
Sales Returns	2,97,000	-
Debtors	7,50,000	-
Creditors	-	6,60,000
Expenses	1,50,000	-
Fixed Deposit with Bank	6,00,000	-
Interest on Fixed Deposit	-	60,000
Cash	-	24,000
Suspense A/c	-	6,000
Depreciation	42,000	-
Rent (17 months upto 31.8.2022)	51,000	-
Investments 12% (01.8.2021)	7,50,000	-
Bank Balance	<u>5,07,000</u>	<u>-</u>
	<u>93,57,000</u>	<u>93,57,000</u>

Stock on 31<sup>st</sup> March, 2022 was valued at Rs. 3,00,000. Depreciation is to be provided at 10% per annum on fixed assets purchased during the year. A scrutiny of the books of account revealed the following matters:

- Rs 60,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn Rs.36,000 was used in the business for day-to-day expenses.
- Purchase of goods worth Rs. 48,000 was not recorded in the books of account upto 31.03.2022, but the goods were included in stock.
- Purchase returns of Rs. 3,000 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.
- Expenses include Rs. 18,000 in respect of the period after 31<sup>st</sup> March, 2022.

Give the necessary Journal Entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31<sup>st</sup> March, 2022.

49. Mr. Bansal submitted to you the following trial balance, which he has not been able to agree. Rewrite the trial balance and prepare trading and profit and loss account for the year ended 31.3.2021 and a balance sheet as on that date after giving effect to the undermentioned adjustments: [ RTP MAY 22]

Particulars	Dr.	Cr.
	Rs.	Rs.
Capital	-	16,000
Opening stock	17,500	-
Closing stock	-	18,790
Drawings	3,305	-
Returns inward	-	550
Carriage inward	1,240	-
Deposit with X	-	1,400
Returns outward	840	-
Carriage outward	-	725
Rent paid	800	-
Rent outstanding	150	-
Purchases	13,000	-
Sundry debtors	5,000	-



Sundry creditors	-	2,200
Furniture	1,500	-
Sales	-	29,000
Wages	850	-
Cash	1,370	-
Advertisement	<u>950</u>	<u>        </u>
	<u>46,505</u>	<u>68,665</u>

**Adjustments:**

1. Write off Rs. 600 as bad debt and make a provision for doubtful debts at 5% on balance sundry debtors.
2. Stock valued at Rs. 2,000 was destroyed by fire on 25th March, 2021, but insurance company admitted a claim for Rs. 1,500 only and paid the sum in April, 2021.
3. Depreciation to be provided on furniture at 10% per annum.

**50.** The following is the trial balance of Manan as at 31st March 2020:

[ RTP MAY 21]

	<i>Dr.</i>	<i>Cr.</i>
	<i>Rs.</i>	<i>Rs.</i>
Manan's capital account	-	1,53,380
Stock 1st April, 2019	93,600	-
Sales	-	7,79,200
Returns inward	17,200	-
Purchases	6,43,400	-
Returns outward	-	11,600
Carriage inwards	39,200	-
Rent & taxes	9,400	-
Salaries & wages	18,600	-
Sundry debtors	48,000	-
Sundry creditors	-	29,600
Bank loan @ 14% p.a.	-	40,000
Bank interest	2,200	-
Printing and stationary expenses	28,800	-
Bank balance	16,000	-
Discount earned	-	8,880
Furniture & fittings	10,000	-
Discount allowed	3,600	-
General expenses	22,900	-
Insurance	2,600	-
Postage & telegram expenses	4,660	-
Cash balance	760	-
Travelling expenses	1,740	-
Drawings	60,000	<u>        </u>
	<u>10,22,660</u>	<u>10,22,660</u>

The following adjustments are to be made:

- (1) Included amongst the debtors is Rs. 6,000 due from Rahul and included among the creditors Rs. 2,000 due to

him.

- (2) Provision for bad and doubtful debts be created at 5% and for discount @ 2% on sundry debtors.
- (3) Depreciation on furniture & fittings @ 10% shall be written off.
- (4) Personal purchases of Manan amounting to Rs. 1200 had been recorded in the purchases day book.
- (5) Interest on bank loan shall be provided for the whole year.
- (6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- (7) Credit purchase invoice amounting to Rs. 800 had been omitted from the books.
- (8) Stock on 31<sup>st</sup> March 2020 was Rs. 1,57,200.

Prepare (i) Trading & profit and loss account for the year ended 31.3.2020 and (ii) Balance sheet as on 31<sup>st</sup> March, 2020.

## CHAPTER – 8 – PARTNERSHIP ACCOUNTS

51. X, Y and Z entered into partnership on 1.1.2020 to share profits and losses in the ratio of 5:3:2. X personally guaranteed that Z's share of profit after charging interest on capitals at 6 % p.a. would not be less than Rs. 15,000 in any year. Capitals of X, Y and Z were Rs. 1,60,000, Rs. 1,00,000 and Rs. 80,000 respectively. [ RTP NOV 21]

Profits for the year ending 31.12.2020 before providing for interest on partner's capital was Rs. 79,500.

You are required to prepare the Profit and Loss Appropriation Account.

52. Amar, Akbar and Anthony are in partnership sharing profit and losses at the ratio of 2:5:3. The Balance Sheet of the partnership as on 31.12.2020 was as follows: [ RTP NOV 21]

**Balance Sheet of M/s Amar, Akbar, Anthony**

Liabilities	Rs.	Assets	Rs.
Capital A/cs		Sundry fixed assets	10,00,000
Amar	1,70,000	Inventory	2,00,000
Akbar	6,30,000	Trade receivables	1,00,000
Anthony	4,50,000	Bank	10,000
Trade payables	<u>60,000</u>		
	<u>13,10,000</u>		<u>13,10,000</u>

The partnership earned profit Rs. 4,00,000 in 2020 and the partners withdrew Rs. 3,00,000 during the year. Normal rate of return 30%.

You are required to calculate the value of goodwill on the basis of 3 years' purchase of super profit. For this purpose calculate super profit using average capital employed.

53. A, B and C entered into partnership on 1.1.2021 to share profits and losses in the ratio of 5 : 3 : 2. A personally guaranteed that C's share of profit after charging interest on capitals at 5% p.a. would not be less than Rs. 90,000 in any year. Capitals of A, B and C were Rs. 9,60,000, Rs. 6,00,000 and Rs. 4,80,000 respectively.

Profits for the year ending 31.12.2021 before providing for interest on partner's capital was Rs. 4,77,000.

You are required to prepare the Profit and Loss Appropriation Account.

54. Ashu and Suhan are partners in a firm. Their capital are Ashu Rs.15,00,000 and Suhan Rs.10,00,000. During the year ended 31<sup>st</sup> March, 2022 the firm earned a profit of Rs.7,50,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm: [RTP NOV 22]

- (i) By Capitalization Method; and
- (ii) By Super Profit Method if the goodwill is valued at 5 years' purchase of Super Profit.

- 55.** A and B are partners in a firm sharing profits and losses equally. On 1st April, 2020 the balance of their Capital Accounts were: A Rs. 50,000 and B Rs. 40,000. On that date the balances of their Current Accounts were: A Rs. 10,000 (credit) and B Rs. 3,000 (debit). Interest @ 5% p.a. is to be allowed on the balance of Capital Accounts as on 1.4.2020. B is to get annual salary of Rs. 3,000 which had not been withdrawn. Drawings of A and B during the year were Rs. 1,000 and Rs. 2,000 respectively. The profit for the year ended 31st March, 2021 before charging interest on capital but after charging B's salary was Rs. 70,000. It is decided to transfer 10% of divisible profit to a Reserve Account. Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2021 and show Capital and Current Accounts of the Partners for the year.
- 56.** Tina and Rita are partners in a firm. Their capitals are: Tina Rs. 6,00,000 and Rita Rs. 4,00,000. During the year ended 31st March, 2021 the firm earned a profit of Rs. 3,00,000. Assuming that the normal rate of return is 20%, calculate the value of goodwill on the firm: **[ RTP MAY 22]**
- By Capitalization Method; and
  - By Super Profit Method if the goodwill is valued at 3 years purchase of Super Profit.
- 57.** Rose, Lilly and Lotus start business with capital of Rs. 2,00,000/-, Rs. 3,00,000/- and Rs. 4,00,000 on 1st April 2019. Lotus is entitled to a salary of Rs. 50,000 per annum. Interest is allowed on capitals at 12% p.a. and is charged on drawings at 12% per annum. Profits are to be distributed in the ratio 1:2:3 after the above-mentioned adjustments. Rose was given guarantee of minimum profit of Rs. 50,000 by Lotus. Partners drawings during the year were Rose Rs. 40,000/-Lilly Rs. 30,000/- Lotus Rs. 20,000/-. Lotus had paid Rs. 10,000/- as tuition fees of his son on 31st March 2020, which was wrongly debited to salaries account. The profit for the year 2019-20 before allowing interest on capital and charging interest on drawings and salary paid to Lotus was Rs. 3,34,600/-. Assuming the capitals to be fixed, prepare the Profit and Loss Appropriation Account and the Capital and Current Accounts relating to the partners. **[ RTP MAY 21]**
- 58.** The profits and losses for the previous years are: 2017 Profit Rs. 5,000, 2018 Loss Rs. 8,500, 2019 Profit Rs. 25,000, 2020 Profit Rs. 37,500. The average Capital employed in the business is Rs. 1,00,000. The rate of interest expected from capital invested is 10%. The remuneration from alternative employment of the proprietor Rs. 3,000 p.a. Calculate the value of goodwill on the basis of 3 years' purchases of Super Profits based on the average of 4 years.
- 59.** Ramu and Mamu were partners in a firm sharing profits and losses in the ratio 3:2 Their Balance Sheet as on 31st March, 2020 was as follows: **[ RTP MAY 21]**

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

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

- He shall bring Rs. 1,50,000 as capital and goodwill.
- He shall get  $\frac{1}{5}$ <sup>th</sup> share in future profits, to be acquired equally from Ramu and Mamu.
- Goodwill of the firm to be valued at Rs. 2,50,000. It was agreed that goodwill shall not appear in the books of accounts.
- Land & Building is to be appreciated by 50% and inventory is revalued at Rs. 60,000
- Machinery to be depreciated by 20%. Debtors of Rs. 2,800 are to be written off as bad debts and a Reserve for doubtful debts should be created @ 5% of debtors.
- Furniture to be reduced to Rs. 40,000

7. After admission of Damu, capitals of the partners' to be adjusted in their new profitsharing ratio, taking Damu's capital as base.

You are required to prepare:

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

60. On 31<sup>st</sup> March, 2022, the Balance Sheet of Aadi, Arnav and Aarush sharing profits and losses in proportion to their Capital stood as below: [RTP NOV 22]

Liabilities	Rs.	Assets	Rs.
Capital Account:		Land and Building	1,20,000
Mr. Aadi	80,000	Plant and Machinery	80,000
Mr. Arnav	1,20,000	Stock of goods	48,000
Mr. Aarush	80,000	Sundry debtors	44,000
Sundry Creditors	<u>40,000</u>	Cash and Bank Balances	<u>28,000</u>
	<u>3,20,000</u>		<u>3,20,000</u>

On 1<sup>st</sup> April, 2022, Aadi desired to retire from the firm and remaining partners decided to carry on the business. It was agreed to revalue the assets and liabilities on that date on the following basis:

- (i) Land and Building be appreciated by 20%. Plant and Machinery be depreciated by 30%.
- (ii) Stock of goods to be valued at Rs. 40,000. Old credit balances of Sundry creditors, Rs. 8,000 to be written back.
- (iii) Provisions for bad debts should be provided at 5%. Joint life policy of the partners surrendered and cash obtained Rs. 30,200.
- (iv) Goodwill of the entire firm is valued at Rs. 56,000 and Aadi's share of the goodwill is adjusted in the A/cs of Arnav and Aarush, who would share the future profits equally. No goodwill account being raised.
- (v) The total capital of the firm is to be the same as before retirement. Individual capitals in their profit sharing ratio.
- (vi) Amount due to Mr. Aadi is to be settled on the following basis: @ 50% on retirement and the balance 50% within one year.

Prepare (a) Revaluation Account, (b) Capital Accounts of the partners, (c) Cash and Bank Account and (d) Balance Sheet of the new firm M/s Arnav & Aarush as on 1.04.2022.

61. Acme & Co. is a partnership firm with partners Mr. A, Mr. B and Mr. C, sharing profits and losses in the ratio of 10:6:4. The balance sheet of the firm as at 31<sup>st</sup> March, 2021 is as under: [RTP MAY 22]

Liabilities		Rs.	Assets	Rs.
Capitals:			Land	30,000
Mr. A	2,40,000		Buildings	6,00,000
Mr. B	60,000		Plant and machinery	3,90,000
Mr. C	90,000	3,90,000	Furniture	1,29,000
Reserves			Investments	36,000
(un-appropriated profit)		60,000	Inventories	3,90,000
Long Term Debt		9,00,000	Trade receivables	4,17,000
Bank Overdraft		1,32,000		
Trade payables		5,10,000		
		<u>19,92,000</u>		<u>19,92,000</u>

It was mutually agreed that Mr. B will retire from partnership and in his place Mr. F will be admitted as a partner with effect from 1<sup>st</sup> April, 2021. For this purpose, the following adjustments are to be made:

- (a) Goodwill is to be valued at ₹ 3 lakh but the same will not appear as an asset in the books of the reconstituted firm.
- (b) Buildings and plant and machinery are to be depreciated by 5% and 20% respectively. Investments are to be taken over by the retiring partner at ₹ 45,000. Provision of 20% is to be made on Trade receivables to cover doubtful debts.
- (c) In the reconstituted firm, the total capital will be ₹ 6 lakhs which will be contributed by Mr. A, Mr. B and Mr. C in their new profit sharing ratio, which is 2:2:1.
  - (i) The surplus funds, if any, will be used for repaying bank overdraft.
  - (ii) The amount due to retiring partner shall be transferred to his loan account.

You are required to prepare

- (a) Revaluation account;
- (b) Partners capital accounts;
- (c) Bank account; and
- (d) Balance sheet of the reconstituted firm as on 1st April, 2021.

## CHAPTER – 9 – FINANCIAL STATEMENTS OF NOT – FOR – PROFIT ORGANIZATIONS

**62.** The Receipts and Payments account of Peppapig Club prepared on 31<sup>st</sup> March, 2021 is as follows: [ RTP NOV 21]

**Receipts and Payments Account**

Receipts	Rs.	Amount Rs.	Payments	Amount Rs.
To Balance b/d		900	By Expenses (including Payment for sports material ₹ 5,400)	12,600
To Add: Outstanding of last year received this year	9,180		By Loss on Sale of Furniture (cost price Rs. 900)	360
	<u>360</u>		By Balance c/d	1,80,900
	9,540			
Less: Prepaid of last year	<u>180</u>	9,360		
To Other fees		3,600		
To Donation for Building		<u>1,80,000</u>		
		<u>1,93,860</u>		<u>1,93,860</u>

Additional information:

Peppapig club had balances as on 1.4.2020 : -Furniture Rs. 3,600;

Investment at 5% Rs. 54,000; Sports material Rs. 13,320;

Balance as on 31.3.2021 : Subscription Receivable Rs. 540;

Subscription received in advance Rs. 180; Stock of sports material Rs. 3,600.

Do you agree with above Receipts and Payments account? If not, prepare correct Receipts and Payments account and Income and Expenditure account for the year ended 31<sup>st</sup> March, 2021 and Balance Sheet on that date.

63. From the following information supplied by ABC. Club, prepare Receipts and Payments Account and Income and Expenditure Account for the year ended 31<sup>st</sup> March 2022. [ RTP NOV 22]

	01.04.2021 Rs.	31.03.2022 Rs.
Outstanding subscription	8,40,000	12,00,000
Advance subscription	1,50,000	1,80,000
Outstanding salaries	90,000	1,08,000
Cash in Hand and at Bank	6,60,000	?
10% Investment	8,40,000	4,20,000
Furniture	1,68,000	84000
Machinery	60,000	120000
Sports goods	90,000	150000

Subscription for the year amount to Rs. 18,00,000/-. Salaries paid Rs. 3,60,000. Face value of the Investment was Rs. 10,50,000, 50% of the Investment was sold at 80% of Face Value. Interest on investments was received Rs. 84,000. Furniture was sold for Rs.48,000 at the beginning of the year. Machinery and Sports Goods purchased and put to use at the last date of the year. Charge depreciation @ 15% p.a. on Machinery and Sports goods and @10% p.a. on Furniture.

Following Expenses were made during the year:

Sports Expenses: Rs. 3,00,000  
 Rent: Rs.1,44,000 out of which Rs. 12,000 outstanding  
 Misc. Expenses: Rs.30,000

64. From the following receipts and payments account of Pune Club, prepare income and expenditure account for the year ended 31.03.2021 and its balance sheet as on that date: [ RTP MAY 22]

Receipts	Rs.	Payments	Rs.
Cash in hand	4,000	Salary	2,000
Cash at bank	10,000	Repair expenses	500
Donations	5,000	Purchase of furniture	6,000
Subscriptions	12,000	Misc. expenses	500
Entrance fees	1,000	Purchase of investments	6,000
Interest received from bank	500	Insurance premium	200
Sale of old newspaper	150	Snooker table	8,000
Sale of drama tickets	1,050	Stationary	150
		Drama expenses	500
		Cash in hand (closing)	2,650
		Cash at bank (closing)	7,200
	33,700		33,700

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

- Subscriptions in arrear for year 2020-21 Rs. 900 and subscriptions in advance for 2021-22 Rs. 350.
- Insurance premium outstanding Rs. 40 and Misc. expenses prepaid Rs. 90.
- 50% of donation is to be capitalized.
- Entrance fees are to be treated as revenue income.
- 8% interest has accrued on investment for five months.
- Snooker table costing Rs. 30,000 was purchased on 31<sup>st</sup> March, 2020 and Rs. 22,000 were paid for it.



65. The following is the Receipts and payments account of Rotary Club for the year ended on 31st March, 2020

Dr                      Receipts and payments A/c for the year ended on 31st march 2020                      Cr			
Receipts	Amount (Rs.)	Payments	Amount (Rs.)
To balance b/d	8,450	By Salaries and wages	12,250
To Subscription	23,000	By Supply of refreshment	18,250
To Sale of refreshments	22,000	Sports equipment	27,500
To Entrance fees	26,000	By Telephone Charges	2,800
To interest on investments @ 7%	4,550	By Electricity charges	15,600
		By Honorarium charges	6,500
		By balance c/d	1,100
	84,000		84,000

Additional information:

1. Following are the assets and liabilities on 31st March, 2019:

Assets- Sports equipment- ` 32,000; Subscription in arrears- Rs. 7,600; furniture- Rs. 12,480

Liabilities- Outstanding Electricity charges- Rs.5,400; Subscription in advance- Rs. 6,250

2. Following are the assets and liabilities on 31st March, 2020-

Assets- Sports equipment- Rs. 50,500; Subscription in arrears- Rs. 5,200; furniture- Rs. 11,180

Liabilities- Outstanding Electricity charges- Rs. 3,800; Subscription in advance- Rs. 4,850

3. 50% of the entrance fees to be capitalized.

4. Interest on the investments is being received in full, and the investments have been made on 1.4.2018

You are required to prepare Income and Expenditure account and the Closing balancesheet as of 31st March 2020 in the books of Rotary Club.

## CHAPTER – 10 – COMPANY ACCOUNTS

66. On 1st April, 2020, States Ltd. issued 1,80,000 shares of Rs.10 each payable as follows:

Rs. 2 on application, Rs. 3 on allotment, Rs. 2 on First call 1st October, 2020; and Rs. 3 on Final call 1<sup>st</sup> February, 2021.

By 20th May, 1,50,000 shares were applied for and all applications were accepted. Allotment was made on 1st June. All sums due on allotment were received on 15<sup>th</sup> July; those on 1st call were received on 20<sup>th</sup> October. You are required to prepare the Journal entries to record the transactions when accounts were closed on 31<sup>st</sup> March, 2021. [ RTP NOV 21]

67. Radha Ltd. invited applications for issuing 2,00,000 equity shares of Rs. 10 each. The amounts were payable as follows:

On application - Rs. 3 per share

On allotment - Rs.5 per share

On first and final call - Rs.2 per share

Applications were received for 3,00,000 shares and pro-rata allotment was made to all the applicants. Money overpaid on application was adjusted towards allotment money. B, who was allotted 3,000 shares, failed to pay the first and final call money. His shares were forfeited. Out of the forfeited shares, 2,500 shares were reissued as fully paid-up @ Rs. 6 per share.

Pass necessary Journal entries to record the above transactions in the books of Radha Ltd.

[ RTP NOV 22]

68. On 1st June, 2020, Suraj Ltd. issued 43,000 shares of Rs 100 each payable as follows:

[ RTP MAY 22]

Rs. 20 on application;

Rs. 20 on allotment;

First call of Rs. 30 on 1st Dec, 2020; and

Second and final call of Rs. 30 on 1st March, 2021.

By 20th July, 40,000 shares were applied for and all applications were accepted. Allotment was made on 1st Aug. All sums due on allotment were received on 15th Sept; those on 1st call were received on 20th Dec.

You are required to journalise the transactions when accounts were closed on 31st March, 2021

- 69.** Alankit Limited issued at par 2,00,000 Equity shares of Rs.100 each payable Rs. 25 on application; Rs. 30 on allotment; Rs. 20 on first call and balance on the final call. All the shares were fully subscribed. Mr. Dhawan who held 40,000 shares paid full remaining amount on first call itself. The final call which was made after 3 months from first call was fully paid except a shareholder having 4,000 shares who paid his due amount after 2 months along with interest on calls in arrears. Company also paid interest on calls in advance to Mr. Dhawan. [ RTP MAY 21]

You are required to prepare journal entries to record these transactions.

- 70.** Mr. Samphat who was the holder of 12,000 preference shares of Rs. 100 each, on which Rs. 60 per share has been called up could not pay his dues on Allotment and First call each at Rs. 20 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Sushil at Rs. 50 per share paid-up as Rs. 60 per share.

You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

[ RTP NOV 21]

- 71.** Avantika Ltd. purchased machinery worth Rs. 9,90,000 from Avneet Ltd. The payment was made by issue of 10% debentures of Rs. 100 each. Pass the necessary journal entries for the purchase of machinery and issue of debentures when: (i) Debentures are issued at par; (ii) Debentures are issued at 20 % discount; and (iii) Debentures are issued at 20% premium. [ RTP NOV 21]

- 72.** Pure Ltd. issues 5,00,000 12% Debentures of Rs. 10 each at Rs. 9.40 on 1<sup>st</sup> January, 2022. Under the terms of issue, the Debentures are redeemable at the end of 5 years from the date of issue. [ RTP NOV 22]

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

- 73.** Delta Ltd. forfeited 600 shares of Rs. 10 each issued at a premium of 10% to W for non-payment of first and final call money of Rs. 3 (including Rs. 1 premium). At different intervals of time out of these 400 shares were re-issued to Z, credited as fully paid for Rs.9 per share and 100 shares were re-issued to X as Rs. 10 paid up for Rs. 11 per share. Record the journal entries for forfeiture and reissue of shares. [ RTP MAY 22]

- 74.** On 1st April 2020, XY Ltd. took over assets of Rs. 4,50,000 and liabilities of 60,000 of Himalayan Ltd. for the purchase consideration of Rs. 4,40,000. It paid the purchase consideration by issuing 8% debenture of Rs.100 each at 10% premium on same date.

XY Ltd. issued another 3000, 8% debenture of Rs. 100 at discount of 10% redeemable at premium of 5 % after 5 years. According to the terms of the issue Rs.30 is payable on application and the balance on the allotment on debentures. It has been decided to write off the entire loss on issue of discount in the current year itself.

You are required to pass the journal entries in the books of XY Ltd. for the financial year 2020-21

- 75.** Samuel who was the holder of 12,000 preference shares of Rs. 100 each, on which Rs. 75 per share has been called up could not pay his dues on Allotment and First call each at Rs. 25 per share. The Directors forfeited the above shares and reissued 10,000 of such shares to Mr. Robert at Rs. 65 per share paid-up as Rs.75 per share.

[ RTP MAY 21]

You are required to prepare journal entries to record the above forfeiture and re-issue in the books of the company.

- 76.** Priya Ltd. issued 25,00,000, 12% debentures of Rs. 10 each at a discount of 10% redeemable at par at the end of 10th year. Money was payable as follows : [ RTP MAY 21]

Rs. 4 on application

Rs. 5 on allotment

Record necessary journal entries regarding issue of debenture.