9 Bank Reconciliation Statement

Q.No1:- The cash book of a firm showed an overdraft of Rs. 30,000 on 31st March, 1999. A comparison of the entries in the case book and pass book revealed that-

(i) On 22nd March, 1999, cheques totalling Rs 6,000 were sent to bankers for collection. Out of these, a cheque for ₹ 1,000 was wrongly recorded on the credit side of the cash book and cheques amounting to ₹ 300 could not be collected by bank before 1st April, 1999.

(ii) A cheque for ₹ 4,000 was issued to a supplier on 28th March, 1999. The cheque was presented to bank on 4th April, 1999.

(iii) There were debits of ₹ 2,600 in the pass book for interest on overdraft and bank charges, but the same had not been recorded in the cash book.

(iv) A cheque for ₹ 1,000 was issued to a creditor on 27th March, 1999 but by mistake the same was not recorded in the cash book. The cheque was, however, duly encashed by 31st March, 1999.

(v) As per standing instructions, the banker collected dividend of ₹ 500 on behalf of the firm and credited the same to its account by 31st March, 1999. The fact was, however, intimated to the firm on 3rd April, 1999.

You are required to prepare a bank reconciliation statement as on 31st March, 1999.

Ans. (Overdraft as per pass book ₹ 27,400)

Q.No2 :- From the following information supplied by Anil, prepare the bank reconciliation statement as on 31st March, 2001 after amending the cash book on that date:

		₹
(i)	Bank overdraft as per cash book	16,500
(ii)	Cheques issued but not presented for payment	8,750
(iii)	Cheques deposited with the bank but not collected	10,500
(iv)	Cheques recorded in the bank column of the cash book but not sent to the bank for collection	2,000
(v)	Bank charges debited in the bank statement	250
(vi)	A bill for ₹ 3,000 (discounted with the bank in February, 2001) dishonoured on 31st March, and noting charges paid by the bank.	30
(vii)	Premium on the life insurance policy of Anil paid by the bank as per standing instructions	1,800

Ans. (Overdraft as per pass book ₹ 25,330)

Q.No3 :- On 31st March, 2001, the bank pass book of a trader showed an overdraft of ₹ 9,000. A comparison of entries in the pass book with those in the case book revealed the following:

(i) Cheques for ₹ 15,000 deposited with the bank on 29th March, 2001 were not credited by the bank before 1st April, 2001.

(ii) ₹ 7,000 withdrawn from bank for office use were entered in the cash book as ₹ 9,000.

(iii) Bank charged ₹ 300 as service charges but the transaction was not recorded in the cash book.

(iv) Cheques were issued for ₹ 17,700 on 28th March, 2001 out of which cheques for ₹ 7,700 were presented to the bank for payment after 31st March, 2001.

(v) Debit side total of the bank column of the cash book was carried forward as Rs.1,13,900 instead of ₹ 1,31,900.

Prepared a bank reconciliation statement as on 31st March, 2001.

Ans. (Overdraft as per cash book Rs.21,400)

Q.No4:- From the following information supplied by Kuber, prepare his bank reconciliation statement as on 31st March, 2002 after amending the cash book on that date:

	₹
Bank overdraft as per bank statement	1,65,000
Cheques issued but not presented for payment	87,500
Cheques deposited with the bank but not collected	1,05,000
Cheques recorded in the bank column of the cash book but not sent to the bank for collection	20,000
Payments received from customers direct by the bank	35,000
Bank charges debited in the statement	200
A bill for ₹ 30,000 (discounted with the bank in February at ₹ 29,780) dishonoured on 31st March and noting charges paid by the bank ₹ 100	
Premium on life insurance policy of Kuber paid by the bank on standing advice.	1,800

Overdraft (credit balance) in cash book on 25th March, 2002. ₹ 80,000 carried over as debit balance on the next day. Ans. (Overdraft as per cash book ₹ 1,27,500)

Q.No5:- On 31st March, 2002, the cash book of Rahul showed a bank overdraft of ₹ 7,640. On the same date, Rahul received the bank statement, On perusal of the statement, Rahul ascertained the following information:

		₹
(i)	Cheques deposited but not credited by the bank	10,000
(ii)	Interest on securities collected by the bank, but not recorded in the cash book.	1,280
(iii)	Dividend collected by the bank directly, but not recorded in the cash book	1,000
(iv)	Cheques issued, but not presented for payment	37,400
(v)	Bank charges not recorded in the cash book	340

From the above information, you are required to prepare the bank reconciliation statement to ascertain the balance as per bank statement. (Balance as per Passbook book ₹ 21,700)

Q.No6 :- On 31st March, 2003, Manish received a bank statement which showed a credit balance of ₹ 14,000. An examination of the cash book and bank statement revealed the following:

(i) Cheques for ₹ 11,400 deposited with the bank for collection were credited by the bank on 3rd April, 2003.

(ii) Cheques issued, but not presented for payment upto 31st March, 2003 totalled ₹ 37,600.

(iii) A payment by cheque for ₹ 1,600 has been entered twice in the cash book.

(iv) On 30th March, 2003, the bank credit ₹ 20,000 to Manish by mistake.

(v) The bank collected interest on securities amounting to ₹ 17,400, but the advice was received by Manish on 3rd April, 2003.

(vi) A bill of exchange for ₹ 10,000 was discounted by Manish with the bank. The bill was dishonoured on the due date, but no entry had been made in the cash book till 31st March, 2003.

(vii) Bank charges amounting to ₹ 580 had not been entered in the cash book.
Prepare a bank reconciliation statement. Ans. (Overdraft as per cash book ₹ 40,620)

Q.No7:- On 31st March, 2004, Prateek received a bank statement of his current account which showed a debit balance of ₹ 14,000. An examination of the cash book and bank statement revealed the following:

(i) Cheques for ₹ 11,400 deposited with the bank for collection were credited by the bank of 3rd April, 2004.

(ii) Cheques issued, but not presented for payment upto 31st March, 2004 totalled ₹ 37,600.

(iii) A payment by cheque for ₹ 1,600 has been entered twice in the cash book.

(iv) On 30th March, 2004, the bank credited ₹ 20,000 to Prateek by mistake.

(v) The Bank collected interest on securities amounting to ₹ 17,400, but the advice was received by Prateek on 3rd April, 2004.

(vi) A bill of exchange for ₹ 10,000 was discounted by Prateek with the bank. The bill was dishonoured on the due date, but no entry had been made in the cash book till 31st March, 2004.

(vii) Bank charges amounting to ₹ 580 had not been entered in the cash book.

Prepared a bank reconciliation statement. Ans. (Overdraft as per cash book ₹ 68,620)

Q.No8:- On 31st March, 2005, the cash book of a trader showed a bank overdraft of Rs. 7,640. On a comparison of the cash book with the bank pass book, the trader ascertained the following differences:

	₹
Cheques deposited with the bank, but not credited by the bank	10,000
Interest on securities collected by the bank, but not yet recorded in the cash book	1,280
Dividend collected by the bank, but not yet recorded in the cash book	1,000
Cheques issued, but not yet presented to the bank for payment	37,400
Bank charges not yet recorded in the cash book	340

From the above information, you are required to prepare the bank reconciliation statement showing balance as per pass book. Also ascertain the balance as per cash book after recording the missing items. (Balance as per pass book ₹ 21,700)

Q.No9 :- From the following information, prepare a bank reconciliation statement as on 30th September, 2005:

(i) Overdraft as per cash book, ₹ 12,000.

(ii) Cheques for ₹ 40,000 were sent to the bank for collection, but cheques for ₹ 25,000 only had been collected and credited.

(iii) Cheques worth ₹ 30,000 were issued, but cheques for ₹ 18,000 only were presented for payment.

(iv) Bill discounted with bank for ₹ 30,000 was dishonoured.

(v) A customer paid ₹ 28,000 directly into bank account.

(vi) Bank charged interest ₹ 250 on overdraft.

(vii) A cheque for ₹ 5,000 from a customer correctly recorded in the cash book, but was omitted to be sent to the bank for collection.

(viii) Fire insurance premium paid by bank under instructions, ₹ 2,000 not recorded in cash book. (Overdraft as per pass book ₹ 24,250)

Q.No10 :- From the following particulars, ascertain the balance as would appear in the bank pass book of Ram Prasad on 31st January, 2007. The cash book showed a credit balance of Rs82,000 on that date:

		₹
(i)	Cheques issued, but not presented for payment by 31st January, 2007	23,000
(ii)	Cheques paid into bank, but not cleared by 31st January, 2007	30,000
(iii)	Interest charged on overdraft appeared in the pass book only.	500
(iv)	Bank charges debited by bank, but not recorded in the cash book	200
(v)	Interest on debentures collected by bank, but not recorded in the cash book.	6,000
(vi)	Bank paid insurance premium as per standing instructions, not yet recorded in the cash book.	2,200
(vii)	A customer paid into the firm's bank account directly	10,000

Ans. (Overdraft as per pass book ₹ 24,250)

Q.No11 :- From the following particulars, prepare a bank reconciliation statement as on 31st March, 2007:

(i) Bank balance as per cash book ₹ 40,000.

(ii) A cheque for ₹ 8,000 received from a customer on 28th March, 2007 was recorded in the cash book, but deposited with the bank after 31st March, 2007.

(iii) A cheque for ₹ 2,500 issued to a supplier was recorded twice in the cash book.

(iv) A cheque for ₹ 1,050 issued to a supplier was recorded as for ₹ 1,500 in the cash book.

(v) A cheque for ₹ 2,050 issued to a supplier was recorded as for Rs. 2,000 in the cash column of the cash book.

(vi) The debit balance of ₹ 16,000 on a day was brought forward on the next day as a credit balance.

(vii) The payment side of the bank column of the cash book was under cast by ₹ 10,000.

Ans. (Balance as per pass book ₹ 56,900)

Q.No12 :- From the following particulars, prepare a bank reconciliation statement as on 31st March, 2008:

		₹
(i)	Bank balance as per pass book	16,000
(ii)	Cheque deposited into bank, but not recorded in cash book	900
(iii)	Cheque received and recorded in cash book in bank column but not sent to bank.	1,200
(iv)	Credit side of bank column cast short.	100
(v)	Insurance premium paid directly by bank as per standing instructions, yet to be recorded in cash book.	700

(vi)	Cheques issued, but not yet presented to bank for payment.	2,500
(vii)	Bills discounted dishonoured, but not yet recorded in cash book.	10,000

(Balance as per cash book Rs.21,400)

Q.No13 :- From the following particulars, prepare a bank, reconciliation statement and arrive at the balance as per cash book as on 30th June, 2008:

(i) Credit balance as per pass book ₹ 4,750.

(ii) Cheque issued on 28th June, 2008, but presented for payment on 4th July, 2008: ₹ 14,800.

(iii) Cheques deposited in the bank on 29th June, 2008, but credited by bank on 3rd July, 2008: ₹ 8,950.

(iv) Bank debited bank charges, but not yet recorded in cash book: ₹ 150.

(v) Dividend or shares collected and credited by bank, but not yet recorded in cask book ₹ 1,200. (Overdraft as per cash book ₹ 2,150)

Q.No14 :- On the basis of following information, prepare a bank reconciliation statement as at

		₹
(i)	Bank balance as per cash book as on 31st December, 2008	10,000
(ii)	Cheque deposited for collection, but not credited by the bank before 1st January, 2009	7,500
(iii)	Incidental charges appearing in the pass book on 30th December, 2008 with no advice received yet	50
(iv)	Cheques issued, but not presented to bank for payment before 1st January, 2009	4,000

31st December,2008:-

(Balance as per Pass book ₹ 6,450)

Q.No15 :- While comparing the cash book of Mayank with the bank pass book on 30th September, 2009 you find the following:

(i) The bank pass book showed a debit balance of ₹ 15,000.

(ii) Bank paid insurance premium ₹ 2,000, but it was recorded as ₹ 200 only in cash book.

(iii) Cheques issued in favour of supplies in September, 2009 amounted to ₹ 55,000, but cheques for ₹ 50,000 only were presented for payment up to 30th September, 2009.

(iv) Direct deposit of ₹ 10,000 in Mayank's bank account by a customer on 25th September, 2009 had not been recorded in the cash book.

(v) Dividend collected by bank, but not recorded in cash book ₹ 1,000.

(vi) Bank charged ₹ 300 for its services, but they were yet to be recorded in cash book.

(vii) Cheques amounting to ₹ 78,000 were deposited with bank in the last week of September, 2009 but cheques for ₹ 51,000 only had been cleared before 1st October, 2009.

Prepare the bank reconciliation statement ascertaining bank balance/overdraft as per cash book.

(Overdraft as per cash book ₹ 900)

Q.No16 :- Rim Zim Ltd. maintains a current account with the State Bank of India. On 31st March, 2010, the bank column of its cash book showed a debit balance of ₹ 1,54,300. However, the bank statement showed a different balance as on that date. The following were the reasons for the difference:

		₹
(i)	Cheques deposited, but not yet credited by the bank	75,450
(ii)	Cheques issued, but not yet presented for payment	80,760
(iii)	Bank charges not yet recorded in the cash book	1,135
(iv)	Cheques received by the bank directly from trade debtors	1,35,200
(v)	Insurance premium paid by the bank as per standing Instructions, but not yet recorded in the cash book	15,400
(vi)	Dividend collected by the bank, but not yet recorded in the cash book	1,000

Find out the balance as per the bank statement as on 31st March, 2010.

(Balance as per pass book ₹ 2,79,275)

Q.No16 :- On 30th June, 2010, the pass book of Nataraj showed a bank overdraft of ₹ 46,000. The following additional information is available. You are required to prepare a bank reconciliation statement as on the above mentioned date:

(i) Out of total cheques issued, cheques for ₹ 22,000 have not been presented for payment so far.

(ii) Cheques paid into bank for collection, but not yet cleared total ₹ 31,000.

(iii) Bank has charged ₹ 2,300 as interest on overdraft; it does not appear in cash book.

(iv) A customer has directly deposited ₹ 8,300 with bank in Nataraj's account for which there is no entry in cash book.

(v) Dividend on shares collected by bank and credited in the pass book amounts to ₹ 2,000 for which no intimation has been given to Nataraj so far.

(vi) A bill for ₹ 10,000 discounted with the bank was dishonoured on maturity. Bank has debited Nataraj with ₹ 10,100 including Rs.100 for noting charges, the transaction has not yet been recorded in cash book. (Overdraft as per cash book ₹ 34,900)

Q.No17 :- On the basis of following details, prepare the bank reconciliation statement and ascertain the balance as per pass book on 28th February, 2011:

(i) Bank balance as per cash book on 28th February, 2011 ₹ 1,700.

(ii) Chequs deposited with bank but not yet cleared ₹ 12,000.

(iii) Cheques in hand of the cashier not yet deposited with bank ₹ 3,000.

(iv) Amount charged by bank for certain services but not yet recorded in cash book ₹ 100.

(v) Dividend collected by bank and appearing in pass book, but not yet recorded in cash book ₹ 1,500.

(vi) Cheques issued on 28th February, 2011 to suppliers, but presented to bank for payment on 3rd March, 2011 ₹ 14,000

10 Rectification of Errors

Q.No1 :- Pass journal entries to rectify the following errors and prepare suspense account:

(i) Rs. 1,080 received from Mohan was posted to the debit of his account.

(ii) Rs.200 being purchases returns was posted to the debit of purchases account.

(iii) Rs. 400 received as discount was posted to the debit of discount account.

(iv) Rs. 1,148 paid for repairs of motor car was debited to motor car account as Rs.148.

(v) Rs. 400 paid to Suresh was debited to Satish.

Assume that there are no other errors.

Ans. Difference in suspense (Dr.) Rs.2360

Q. No 2 :- On 28th February, 1999, the trial balance of X did not agree. X put that difference in a newly opened suspense account. Subsequently, the following errors were located:

(i) The returns inward book for January, 1999 had been cast Rs.1,000 short.

(ii) A purchase of Rs.1,671 had been posted to the debit of the creditor's account as Rs.1,617. The creditor is Panna and Co.

(iii) A sale ofRs.2,000 to Singhi and Co. was credited to the account of the customer.

(iv) A sale of Rs.4,000 has been passed through the purchases book. The customer's account has, however, been correctly debited.

(v) While carrying forward the total of sales book from one page to the next, the amount was written as Rs.1,76,658 instead of Rs.1,67,568.

Pass journal entries to rectify the above mentioned errors. Also prepare the suspense account assuming that all the errors have been located.

Ans. Difference in Trial Balance (Dr.) Rs.2,802

Q. No 3 :- A merchant, while balance his books of account, finds that the trial balance shows excess credit of Rs.1,700. Being required to prepare the final accounts, he places the difference to a newly opened suspense account which he carries forward. In the next accounting year, the following errors are discovered:

(i) Goods bought from Narayan amounting to Rs.5,000 had been posted to the credit of Narayan as Rs.5,500.

(ii) A discounted bill receivable for Rs.20,000 was returned by the bank as having been dishonoured. The amount of the bill was credited to bank and debited to bills receivable account.

(iii) An item of Rs.1,000 entered in the sales return book was posted to the debit of Pandey who had returned the goods.

(iv) Sundry items of furniture sold for Rs.26,000 had been entered in the sales book, Ignore depreciation and profit or loss on the sale.

(v) Discount amounting to Rs.200 from a creditor had been duly entered in the creditor's account, but not posted to discount account.

Draft journal entries necessary for rectifying the abovementioned errors. Prepare the suspense account and show the ultimate effect of the errors on the last year's profit by preparing profit and loss adjustment account.

Q.No4 :- An accountant prepared a trial balance on 31st January, 2000, which revealed a difference in the book of account. He put the difference in a newly opened suspense account. During February, 2000, he detected the following errors:

(i) The total of the returns outward book, Rs.4,200 had not been posted in the ledger.

(ii) A purchase of Rs.3,500 from Y had not been entered in the purchases book. However, Y's account had been correctly credited with the amount.

(iii) A sale of Rs.3,900 to Z had been credited to his account as Rs.2,900.

(iv) Furniture sold for Rs.5,400 had been entered as Rs.4,500 in sales book.

(v) Goods worth Rs.500 taken by proprietor for personal use had not been recorded at all.

(vi) Wages paid for on installation of machinery, Rs.1,000 had been debited to wages account. Pass journal entries to rectify the above mentioned errors and prepare suspense account assuming that all the errors have been located.

Q. No 5 :- Pass journal entries to rectify the following errors assuming the existence of suspense account:

(i) Goods bought from Vijay amounting to Rs.27,500 was posted to the credit of his account as Rs.25,700.

(ii) Sales book was overcast by Rs.10,000.

(iii) While carrying forward the total of one page of the purchases book to the next page, the amount of Rs.64,750 was written as Rs.61,750.

(iv) Purchase returns to Goenka Brothers worth Rs.15,500 were not recorded in purchases returns book, but the account of Goenka Brothers was duly debited for the amount.

(v) Drawings of goods by proprietor costing Rs.1,500 were not recorded in the books of account.

The suspense account had a debit balance of Rs.1,600 prior to the above adjustments. Prepare the suspense account and comment on the same.

Ans. Closing balance of Suspense Account is (Dr.) Rs.5,900

Q.No6 :- Rectify the following errors and prepare the suspense account on the assumption that all the errors have been located and rectified:

(i) A sum of Rs.10,800 received from Mohan was posted to the debit of his account.

(ii) Rs.2,000 being purchases returns were posted to the debit of purchases account.

(iii) Discount received Rs.400 was posted to the debit of discount account.

(iv) Rs.11,480 paid for repairs of motor car were debited to motor car account as Rs.1,480.

(v) A sale for Rs.23,500 to Sethi was entered in the sales book asRs. 25,300.

(vi) While carrying forward the balance on one page in Kalra's account, the amount of Rs.2,500 was written on the credit side instead of the debit side.

Ans. Difference in suspense (Cr.) Rs.11,400

Q. No 7 :- On 28th February, 2002, the trial balance of Zahir did not agree. The proprietor put the difference in a newly opened suspense account. Subsequently, the following errors were located:

(i) The purchases book for January, 2002 has been cast Rs.1,000 short.

(ii) A credit sale for Rs.6,000 has been passed through the purchases book. The customer's account has, however, been correctly debited.

(iii) A credit purchase for Rs.6,710 had been posted to the debit of the creditors' account as Rs.6,170; Rajan being the concerned creditor.

Pass journal entries to rectify the above mentioned errors. Also prepare the suspense account assuming that there are no other errors.

Difference in suspense (Cr.) Rs.23,880

Q.No8 :- A book-keeper finds that the trial balance is out by excess debit of Rs.500. He puts the difference to a newly opened suspense account. Later on, he detects the following errors:

(i) Goods worth Rs. 15,000 purchased from Ravi, but entered in the sales book.

(ii) Received a promissory note for Rs.25,000 from Arun, but entered in the bills payable book.

(iii) An item of Rs.3,500 relating to prepaid rent account was omitted to be brought forward.

(iv) An item of Rs.2,000 in respect of purchase returns to Roshan had been wrongly entered in the purchases book.

(v) Rs.5,000 paid to Hari against acceptance was debited to Harish.

(vi) A bill was received for repairs of furniture for Rs.2,500. The amount was debited to furniture account. Pass journal entries to rectify the above errors and prepare the suspense account. (Difference in suspense (Cr.) Rs.500)

Q.No9 :- On 31st March, 2003, the trial balance of Kunal did not agree. To prepare the final accounts, the proprietor put the difference in a newly opened suspense account. In the next accounting year, the following errors were located:

(i) Rs.18,500 paid for the purchase of a machine was charged to office expenses account.

(ii) Cash sales of Rs.3,550 was posted as Rs.3,505.

(iii) Purchase returns book was under cast by Rs.100.

(iv) Goods amounting to Rs.860 sold to Raman were correctly entered in the sales book but were posted as Rs.866 to the buyer's account.

Pass journal entries to rectify the abovementioned errors and prepare the suspense account assuming that all the errors have been located. Ans. Difference in suspense (Cr.) Rs.151

Q.No10 :- The trial balance of Hari did not agree. He put the difference in a newly opened suspense account. Later on, he located the following errors:

(i) A credit sale of Rs.2,000 to Urvashi and Co. was credited to their account.

(ii) A credit purchase for Rs.6,710 from Supreme Industries had been posted to their debit as Rs.6,170.

(iii) The return inwards book had been cast Rs.1,000 short.

(iv) A credit sale of Rs.10,000 had been passed through the purchases day book. The customer's account had, however, been correctly debited.

(v) Rs. 3,750 paid as wages for the erection of a new machine had been charged to wages account.

Pass journal entries to rectify the above errors and prepare the suspense account.

Ans. Difference in suspense (Cr.) Rs.27,880

Q.No11 :- On 31st March, 2005, an accountant of a sole proprietorship concern could not agree his trial balance. He put the difference in a newly opened suspense account and closed the books of account for the year. In the subsequent accounting year, the following errors in the books for the year 2004-05 were located:

(i) Rs.8,000 paid for purchase of office furniture was posted to the purchases account.

(ii) The sales book was overcast by Rs.100.

(iii) Wages paid for erection of machinery, Rs.2,750 had been debited to wages account as Rs.5,250.

(iv) A cheque for Rs.7,330 was received from Rao after allowing him a discount of Rs.70. It was endorsed in favour of Sen in full settlement of Rs.7,500. The cheque was dishonoured, but no entry for dishonour was passed in the books.

Pass journal entries to rectify the above-mentioned errors. Also prepare the suspense account and profit and loss adjustment account assuming that all the errors have been located.

Ans.Difference in suspense (Cr.) Rs.2,400

Q.No12 :- The trial balance of Sudhakar did not tally. The credit side exceeded by ` 1,455. This amount was entered on the debit side of suspense account and the trial balance was made to tally. Later on, the following errors were discovered:

(i) Good worth Rs.1,250 were sold to Mahesh on credit. This was entered in the sales book, but was not posted.

(ii) Goods worth Rs.313 were returned by Ahmed. The amount was credited to his account, but was not recorded in the returns inwards book.

(iii) Manoj paid Rs.670, but his account was wrongly credited with Rs.607.

(vi) An amount of Rs.375 owed by Dinesh was omitted from the schedule of sundry debtors.

(v) The sales book was undercast by Rs.420.

Pass journal entries to rectify the above errors and show the suspense account.

Ans.Difference in suspense (Dr.) Rs.1455

Q.No13 :- The books of account of Jawahar for the year ended 31st March, 2007 were closed with difference in the trial balance carried forward. Subsequently, the following errors were detected:

(i) Rs.1,500 being the total of discount column on the credit side of the cash book was not posted in general ledger.

(ii) Closing stock was overstated by Rs.9,000 being casting error in the schedule of inventory.

(iii) Returns outward book was under cast by Rs.150.

(iv) A credit sale of Rs. 870 was wrongly posted as Rs. 780 to the customer's account in the sale ledger.

(v) Rs.6,000 being the cost of purchase of office furniture was entered in the purchase book.

Pass rectification entries, prepare suspense account and find out the effect of rectification of errors on profit as on 31st March, 2007. Ans.Difference in suspense (Cr.) Rs.1,560, P&L a/c 1,350

Q.No14 :- Before preparing the final accounts, an accountant prepared a trial balance which did not agree. He transferred the difference to a suspense account. Before preparing the final accounts, he was able to located the following errors:

(i) Rs.20,000 paid by way of salaries were not posted from the cash book to the ledger.

(ii) Rs. 100 paid for conveyance was debited to car maintenance account.

(iii) Purchases account includes purchase of machinery costing Rs.25,000.

(iv) The cash column in the cash book on the receipt side was under cast by Rs.300.

(v) The account of a customer showing a debit balance of Rs.2,500 was omitted from the schedule of trade debtors.

Pass journal entries to rectify the above mentioned errors and prepare suspense account assuming that all the errors have been located. Ans.Difference in suspense (Dr.) Rs.22,800

Q.No15 :- During the course of an accounting year, the accountant prepared a trial balance which did not tally. He put the difference in a suspense account. Subsequently, he located the following errors in his books of account:

(i) The total of the returns outwards book, Rs.21,500 has not been posted.

(ii) A sale of Rs.4,300 to Ramesh has been credited to him as Rs.3,400.

(iii) A sale of Rs.2,960 to Shyamhas been recorded in sales book as Rs.2,690.

(iv) Old furniture sold for cash worth Rs.5,400 has been entered in sales account as Rs.4,500. There was no profit or loss on sale.

(v) Goods taken by proprietor worth Rs. 1,000 have not been recorded in the books of account at all.

Pass journal entries to rectify the above mentioned errors and prepare suspense account assuming no error has remained undetected. Ans.Difference in suspense (Cr.) Rs.14,700

Q.No16 :- During the course of an accounting year, an Accountant found a difference in the trial balance. He put this difference in a newly opened suspense account. Subsequently, he located the following errors in his books of account:

(i) Goods purchased from Shiv for Rs.10,000, but entered in sales book.

(ii) Received a bill receivable for Rs.18,000 from Ganesh, but recorded in bills payable book.

(iii) An item of Rs.4,000 in respect of purchases returns, wrongly debited to purchases account.

(iv) An item of Rs. 2,000 relating to pre-paid salary account omitted to be brought forward.

(v) Paid Rs.1,000 an account of repair of furniture, but wrongly debited to furniture account.

Pass journal entries to rectify the abovementioned errors and prepare suspense account assuming that no error remained undetected. Ans. Difference in suspense (Cr.) Rs.6,000)

Q.No17 :- Pass journal entries to rectify that following errors. The trial balance had Rs.1,860 excess credit. The difference has been posted to a suspense account:

(i) The total of returns inwards book has been cast Rs.2,000 short.

(ii) The purchase of an office table costing Rs.6,000 has been passed through the purchases day book.

(iii) A sum of Rs.7,500 paid to workman for wages for making showcases has been charged to wages account.

(iv) A purchase of Rs.1,340 has been posted to the creditor's account as Rs.600.

(v) A cheque of Rs.4,000 received from Y has been dishonoured; it has been posted to the debit of allowances account.

After passing journal entries, prepare the suspense account.

Ans. Difference in suspense (Dr.) Rs.1860

Q.No18 :- At the end of an accounting year, the trial balance of a concern agreed but the following errors were discovered after preparing the final accounts.

(i) No adjustment entry was passed for an amount of Rs.2,000 of outstanding rent.

(ii) Purchases book was overcast by Rs.1,000.

(iii) Depreciation of Rs.4,000 on machinery had been omitted to be recorded in the books.

(iv) Rs.600 paid for purchases of stationery had been debited to purchases account.

(v) Sales book was overcast by Rs.1,000.

(vi) Rs.5,000 received in respect of book debts had been credited to sales accounts.

Show the effect of each one of the abovementioned errors on the net profit of the year to which these errors pertain. If the net profit as per profit and loss account isRs.3,22,000, what is the correct profit arrived at after the rectification of above errors?

Q.No19 :- The books of Ramesh did not agree. The difference of Rs.12,700 in trial balance was placed to the debit of suspense account. Subsequently, the following errors were located. Pass journal entries to rectify the errors and prepare the suspense account:

(i) The total of the purchases return book Rs.2,100 has not been posted.

(ii) A sale of ` 4,300 to Ram has been credited to his account as Rs.3,400.

(iii) A purchase from Suresh for Rs.4,000 has been entered in the sales book. However, Suresh has been correctly credited with Rs.4,000.

(iv) Old furniture sold on credit for Rs.5,400 has been recorded in the sales book as Rs.4,500.

(v) Goods taken away by Ramesh, the proprietor for his personal use worth Rs.750 have not been recorded in the books of account at all. Difference in suspense (Dr.) Rs.12,700

Q. No 20 :- The following errors were located in the books of Suresh after his books of account had been closed for the accounting year ended 31st March, 2011 and the difference in trial balance had been transferred to a newly opened suspenses account:

(i) Sales book for the month of January, 2011 was overcast by Rs.100.

(ii) A sum of ` 4,000 received from Chandanwas debited to his account as Rs.400.

(iii) Credit purchase of goods from Sonu for Rs.12,000 was debited to Monu.

(iv) Purchase of office furniture for Rs.6,000 was entered in the purchases book.

(v) Credit purchase of goods for Rs.15,000 from Mahesh was recorded as credit sale of goods to Mahesh.

Pass necessary journal entries to rectify the abovementioned errors. Also prepare suspense account and profit and loss adjustment account to nullify the effect of errors on the profit for the year ended 31st March, 2011.

10 Depreciation

Straight line method

Q.No1 :- Rama Company purchased on 1st January 2015, Machinery for Rs. 18,000 and spent Rs. 2,000 on its installation. Depreciation is to be provided every year @ 20% p.a. on the original cost.

Show the Machinery Account for the first three years. The accounting year ends on 31st December.

Q.No2 :- on 1st July, 2015, Gaur & Co., purchased machinery worth Rs. 40,000. On 1st July 2017,it buys additional machinery worth Rs. 10,000. On 30th June 2018, half of the machinery purchased on 1st July 2015 is sold for Rs. 9500. The company writes off 10% on the original cost of assets. The accounts are closed every year on 31 December.

Q.No 9 :- A firm purchased a plant on 1st April, 2002 for Rs.10,00,000. The plant had an estimated useful life of 5 years. The firm used straight line method of depreciation. An extension was carried out for Rs.2,00,000 and it was made operational from 1st April; 2004. Prepare the plant account for all the seven years assuming that the extension was capable of being used independently of existing plant and expected to last 5 years from its installation.

Written down method

Q.No3 :- knight enterprise purchased Plant and Machinery for Rs. 1,00,000 on 1st October 2014. It decided to write off depreciation @ 20% p.a. on written down value method. On 1st January2017 it purchases another machinery for Rs. 40,000.

Show the Machinery Account upto the year ending 31st March 2018. The accounting year ends on 31st March.

Q.No4 :- A company whose accounting year is the calendar year purchased on 1st April, 2008 machinery costing Rs.30,000.

It further purchased machinery on 1st October, 2008 costing Rs. 20,000 and on 1st July 2010 costing rs. 10,000.

On 1st January, 2010 one-third of the machinery which was installed on 1st April, 2008 became obsolete and was sold for Rs. 3,000.

Show the machinery account would appear in the books of the company. The depreation is to be charged at @ 10% p.a.on written down value method.

Q.No 4 :-On 1st April, 2002, Good Luck Ltd. agreed to purchase a machine on hire-purchase basis from Modern Machinery Ltd. The cash price of the machine was Rs.4,00,000.

The company was required to pay Rs.1,60,000 down and the balance as to be paid in three annual instalments of Rs. 80,000 each plus interest @ 10% per annum. First instalment was paid on 31st March, 2001. Show machine account and the personal account of Modern Machinery Ltd. for all the three years in the books of Good Luck Ltd. which depreciated the machine @ 15% per annum using diminishing balance method. Assume the books of account are closed every year on 30st March.

Q.No 6 :- On 1st April, 2001, Zora Ltd. purchased machines for Rs.1,20,000 and on 30th September, 2002 it acquired additional machines at a cost of Rs.20,000. On 30th June, 2003, one of the original machines which cost Rs.5,000 was found to have become obsolete and was sold as a scrap for Rs.500. It was replaced on the same date by a new machine costing Rs.8,000. depreciation is to be provided @ 15% per annum on the basis of diminishing balance method. Show the machinery account for the first three years. The company closes its books on 31st March every year.

Q.No 11 :- On 1st April, 2007, Brite Ltd. purchased a machine for Rs.1,50,000 and spent Rs.30,000 on its installation. On 1st October, 2008, a new machine was purchased at a cost of Rs.1,20,000. On 30th June, 2009, the first machine got damaged and was sold as a scrap for Rs.25,000. On 1st July, 2009, the machine was replaced by a new machine purchased for `Rs. 2,60,000 and a sum of Rs.40,000 was spent on its installation.

Show machinery account for the three years ended 31st March, 2010 while charging depreciation @ 10% per annum as per the written down value method. Accounts of Brite Ltd. are closed every year on 31st March.

Change in method (prospective)

Q.No5 :- A company purchased on 31st January, 2010 a second hand machinery for Rs. 28,000 and spent Rs. 2,000 on its repairs. On 1st April 2011 additional machinery purchased costing Rs. 20,000. On 1st July 2010, a machinery purchased on 1st January 2010, became obsolete and was sold off Rs.20,000.

Depreciation was provided annually on 31st December @10% p.a. on the original cost of assets. In 2011, however, the company changed this method of providing depreciation and adopted the method of written off @15% p.a. on written down value method. Show the Machinery account from the year 2010 to 2012.

Change in method (retospective)

Q.No 3 :- Deva Ltd. charges depreciation on its plant and machinery @ 10% per annum on the diminishing balance method. On 31st March, 2000, the company decides to adopt straight line method of charging depreciation with retrospective effect from 1st April, 1996, the rate of depreciation being 15%. On 1st April, 1999, the plant and machinery account stood in the books at Rs.2,91,600. On 1st July, 1999, a sum of Rs.65,000 was realised by selling a machine cost of which on 1st April, 1996 was Rs.90,000. On 1st January, 2000, a new machine was acquired at a cost of Rs.1,50,000.

Show the plant and machinery account in the books of the company for the year ended 31st March, 2000.

Q.No 5 :-A firm, which depreciates its machinery at 10% per annum on written down value method, had on 1st April, 2002 Rs.9,72,000 in the debit of machinery account. During the year ended 31st March, 2003, a part of the machinery purchased on 1st April, 2000 for Rs.80,000, was sold for Rs.45,000 on 1st October, 2002 and a new machinery at a cost of Rs.1,50,000 was purchased and installed on the same date, installation charges being Rs.8,000. On 31st March, 2003, the firm decided to change its method of charging depreciation from written down value method to straight line method with effect from 1st April, 2000, the rate of depreciation remaining the same as before.

Show machinery account for the year ended 31st March, 2003 after incorporating the effect of the above mentioned transactions.

Q.No 7 :- A firm which depreciates its machinery at 10% on diminishing balance method had on 1st April, 2005 Rs.9,72,000 to the debit of machinery account. During the year ended 31st March, 2006, a part of machinery purchased on 1st April, 2003 for Rs.80,000, was sold for Rs.45,000 on 1st October, 2005 and a new machinery at a cost of Rs.1,50,000 was purchased and installed on the same date, installation charges being Rs.8,000. On 31st March, 2006 before providing depreciation for the year 2005-06, the firm wanted to change the method of charging depreciation from diminishing balance method to straight line method with effect from 1st April, 2003, the rate of depreciation remaining the same as before.

Q.No 12 :- On 1st April, 2007, Arrow Ltd. purchased machinery costing Rs.1,00,000 and decided to provide depreciation on it @ 10% per annum by using straight line method. The company closes its books every year on 31st March.

On 31st March, 2011, before providing depreciation, the company decided to changes this method of depreciation from straight line method to written down value method retrospectively w.e.f. 1st April, 2007, the rate of depreciation remaining the same. Prepare machinery account for the year ended 31st March, 2011.

Provision for Depreciation

Q.No1 :-The cost of the machinery is use with a firm on 1st April, 1997 was Rs. 6,25,000 against which the depreciation provision stood at Rs.2,62,500 on that date; the firm provided depreciation at 10% of the diminishing value. On 31st December, 1997, two machines costing Rs. 15,000 and Rs.12,000 respectively, both purchased on 1st October, 1994, had to be discarded because of damage and had to be replaced by two new machines costing Rs. 50,000 and Rs.37,500 respectively. One of the discarded machines was sold for Rs.20,000 against the other it was expected that Rs.7,500 would be realisable. Show the relevant accounts in the ledger of the firm for the year ended 31st March, 1998.

Sinking fund method

Q.No 2 :- On 1st July, 1990, Glory Ltd. purchased a machine for Rs.1,10,000 and spent Rs.6,000 on its installation. The expected life of the machine is 4 years at the end of which the estimated scrap value will be Rs.16,000. Desiring to replace the machine on the expiry of its life, the company establishes a sinking fund. Investments are expected to realise 12% interest.

On 30th June, 1994, the machine was sold off as scrap for Rs.18,000 and this investments were realised at 5% less than the book value. On 1st July, 1994, a new machines was installed at a cost of Rs.1,25,000. Sinking fund tables show that Re. 0.2092 invested each year will produce Re. 1 at the end of 4 years at 12%. Show the necessary ledger accounts in the books of Glory Ltd. for all the years.

Q.No 8 :- On 1st April, 2004, Moon Ltd. purchased a plant for Rs.10,00,000. On 1st October, 2004, an additional plant was purchased costing Rs.5,00,000. On 1st October, 2005, the plant purchased on 1st April, 2004 was sold off for Rs.4,00,000. On 1st October, 2006, a new plant was purchased for Rs.12,00,000 and the plant purchased on 1st October, 2004 was sold for Rs.4,20,000 on the same date.

Annuity method

Q.No 10 :-On 1st April, 2005, a company acquired a lease of land for a term of 5 years at a cost of Rs.4,00,000. It is proposed to depreciate the lease by annuity method charging 5% per annum interest.

Show the lease account for the entire period of 5 years. A reference to the annuity tables shows that to depreciate Re. 1 by annuity method over 5 years, charging 5% per annum interest, one must write off a sum of Re. 0.230975 every year.

11 Final Accounts

FINAL ACCOUNTS

Q.No 1:- The following is the trial balance of Arman as on 31st March, 2004:

	Dr. (`)	Cr. (`)
Capital account	--	8,00,000
Drawings account	60,000	--
Stock on 1st April, 2003	4,50,000	--
Purchases	26,00,000	--
Sales	--	31,00,000
Furniture	1,00,000	
Sundry debtors	4,00,000	

Freight and Octroi	46,000	
Trade expenses	5,000	
Salaries	55,000	
Rent	24,000	
Advertising expenses	50,000	
Insurance premium	4,000	
Commission	--	13,000
Discount	2,000	
Bad debts	16,000	
Provision for bad debts	--	9,000
Cr editors	--	2,00,000
Cash in hand	52,000	
Bank	58,000	
Goodwill (at cost)	2,00,000	
	41,22,000	41,22,000

Adjustments:

(i) Stock on 31st March, 2004 was valued at Rs.5,30,000.

(ii) Salaries have been paid so far for 11 months only.

(iii) Unexpired insurance included in the figure of Rs.4,000 appearing in the trial balance is Rs.1,000.

(iv) Commission earned but yet received amounting Rs.1,220 is to be recorded in books of account.

(v) Provision for bad debts is to be brought upto 3% of sundry debtors.

(vi) Manager is to be allowed a commission of 10% of net profits after charging such commission.

(vii) Furniture is depreciated @ 10% per annum.

(viii) Only one-forth of advertising expenses are to be written off.

Prepared the trading and profit and loss account for the year ended 31st March, 2004 and balance sheet as on that date.

Q.No 2 :- From the following figures extracted from the books of Mohan, you are required to prepare a trading account and profit and loss account for the year ended 31st March, 2005 and a balance sheet as on that date after making the necessary adjustments:

	(` in '000)
Mohan's capital	22,880
Mohan's drawings	1,320
Plant and machinery	9,900
Freehold property	6,600
Purchases	11,000
Returns outwards	110

Salaries	1,320
Office expenses	715
Office furniture	550
Discount (Dr.)	132
Sundry debtors	2,926
Loan to Krishna @ 10% per annum, balance on 1st April, 2004	4,400
Cash at bank	2,926
Bills payable	550
Stock on 1st April, 2004	3,850
Wages	3,520
Sundry creditors	4,400
Gas and fuel	297
Bad debts	66
Freight	990
Loose tools on 1st April, 2004	220
Factory lighting	286
Provision for doubtful debts	88
Interest on loan to Krishna	110
Cash in hand	264
Sales	23144

Adjustments:

(i) Stock on 31st March, 2005, was valued at ` 7,260 thousand:

(ii) Depreciate plant and machinery by $33\frac{1}{3}\%$, furniture by 10% and freehold property by 5%;

(iii) Loose tools were valued at Rs.176 thousand on 31st March, 2005; and

(iv) Of the sundry debtors, Rs.6 thousand are bad and should be written off. Maintain a provision of 5% on sundry debtors for doubtful debts.

Q.No 3:- The following is the schedule of balance on 31st March, 2007 extracted from the books of Dinesh:

	Debit (`)	Credit (`)
Cash in hand	1,400	--
Cash at bank	2,600	--
Sundry debtors	86,000	--
Stock as on 1st April, 2006	62,000	--
Furniture and fixtures	21,400	--
Office equipments	16,000	--
Buildings	60,000	--
Motor car	20,000	--
Sundry creditors	--	43,000
Loan	--	30,000
Provision for bad debts	--	3,000
Purchases	1,40,000	--
Purchases return	--	2,600
Sales	--	2,30,000

Sales return	4,200	--
Salaries	11,000	--
Rent for godown	5,500	--
Interest on loan	2,700	--
Rates and taxes	2,100	--
Discount allowed to debtors	2,400	--
Discount received from creditors	--	1,600
Freight on purchases	1,200	--
Carriage outwards	2,000	--
Drawings	12,000	--
Printing and stationery	1,800	--
Electric charges	2,200	--
Insurance premium	5,500	--
General office expenses	3,000	--
Bad debts	2,000	--
Bank charges	1,600	--
Motor car expenses	3,600	--
Capital account	--	1,62,000
	4,72,200	4,72,200

Prepare the trading and profit and loss account for the year ended 31st March, 2007 and the balance sheet as on that date after making the following adjustments:

(i) Provide depreciation on-

(a) Building @ 5%

(b) Furniture and fixture @ 10%

(c) Office equipments @ 15%; and

(d) Motor car @ 20%.

(ii) Value of stock at the close of the year was Rs.44,000.

(iii) Provision for bad debts is to be maintained at 5% of sundry debtors.

(iv) Insurance premium includes Rs.4,000 paid towards proprietor's life insurance policy and the balance of the insurance charges covers the period from 1st July, 2006 to 30th June, 2007.

Q.No 4 :- From the following data, you are required to prepare the trading and profit and loss account for the year ended 31st March, 2006 and a balance sheet as on that date:

	As on 1st April, 2005 (`)	As on 31st March, 2006 (`)
Creditors	1,57,700	1,24,000
Sundry expenses outstanding	6,000	3,300
Sundry assets	1,16,100	1,20,400
Stock-in-trade	80,400	1,11,200
Cash in hand and at bank	69,600	80,800
Trade debtors	1,65,300	1,78,700

The following are the details relating to transactions during the year:

	`
Cash and discount credited to debtors	6,40,000
Sales return	14,500
Bad debts	4,200
Sales (cash and credit)	7,18,100
Discount allowed by trade creditors	7,000
Purchase returns	4,000
Additional capital – paid into bank	85,000
Realisatiosn from debtors – paid into bank	6,25,000
Cash purchases	10,300
Cash expenses	95,700
Paid by cheque for furniture purchased	4,300
Household expenses drawn from bank	31,800
Cash paid into bank	50,000
Cash drawn from bank	92,400
Cheques issued to trade creditors	6,02,700

Q.No 5 :- From the following balances extracted from the books of Karan and the additional information, prepare the trading and profit and loss account for the year ended 31st March, 2010 and also show the balance sheet as on that date:

	Debit Balance (`'000)	Credit Balance (`'000)
Stock on 1st April, 2009	625	--
Purchases and sales	903	1,372

Returns	22	13
Capital account	--	300
Drawings	45	--
Land and buildings	300	--
Furniture and fittings	80	--
Trade debtors and trade creditors	250	450
Cash in hand	35	--
Investments	100	--
Interest	--	5
Commission	--	30
Direct Expenses	75	--
Postage, stationery and telephone	25	--
Fire insurance premium	20	--
Salaries	90	--
Bank overdraft	--	400
	2,570	2,570

Additional Information:

(i) Closing stock on 31st March, 2010 is valued at Rs.6,50,000. Goods worth Rs.5,000 are reported to have been taken away by the proprietor for his personal use at home during the year.

(ii) Interest on investments Rs. 5,000 is yet to be received while Rs.10,000 of the commission received is yet to be earned.

(iii) Rs.5,000 of the fire insurance premium paid is in respect of the quarter ending 30th June, 2010.

(iv) Salaries Rs.10,000 for March, 2010 and bank overdraft interest estimated at Rs.20,000 are yet to be recorded as outstanding charges.

(v) Depreciation is to be provided on land and buildings @ 5% per annum and on furniture and fittings @ 10% per annum.

(vi) Make a provision for doubtful debts @ 5% of trade debtors.

Q.No 6 :- After passing the necessary Journal Entries for the adjustments given below, prepare Trading and Profit and LossAccount for the year ending 31st March, 2002 and Balance Sheet as that date, from the following Trial Balance of Subhash Bros.

TRIAL BALANCE

Dr. Balances	Rs.	Cr. Balances	Rs.

Drawings	1,500	Capital	20,000
Goodwill	3,000	Sundry Creditors	4,000
Land and Buildings	6,000	Purchases Returns	250
Plant and Machinery	4,000	Sales	12,000
Loose Tools	300	Provision for Bad and	
Bills Receivable	800	Doubtful Debts	450
Stock, 01.04.2001	4,000	Provision for discount	
Purchases	5,100	on Debtors	171
Wages	2,000	Loan at 6%	2,000
Carriage Inwards	100	Discount Received	150
Carriage Outwards	40	Commission Received	200
Coal, Gas and Coke	580	Bills Payable	1,139
Salaries	500		
Rent, Rates and Taxes	280		
Discount Allowed	150		
Cash at Bank	2,500		
Cash-in-Hand	40		
Sundry Debtors	4,500		
Repairs	180		
Printing and Stationery	55		
Bad Debts	320		
Advertisement (Special)	3,000		
Advertisement (Normal)	350		
Sales Returns	200		
Furniture and Fixtures	120		
General expenses	525		
Provision for Discount on creditors	160		
Interest on Loan	60		
	40,360		40,360

Adjustments :

(a) Closing Stock on 31st March, 2002, amounted to Rs.7,827.
(b) Depreciate : Plant and Machinery @ 5%, Loose Tools @ 15%and Furniture and Fixtures @ 20%.
(c) Prvide for bad and Doubtful Debts @ 5%, and for Discount on Debtors and Creditors @ 2%.
(d) Outstanding : Wages Rs.100 and Rent, Rates and Taxes Rs.50.
(e) Write off one-third of Advertisement (Special)
(f) Interest on Loan has been paid for six months only.
(g) A bill for Rs.500 included in Bills Receivable has been dishonored.
(h) The Manager is entitles to a commission of 5% on net profits after charging such commission.

Illustration 11. From the following Trial Balance of Hari and additional information, prepare :

(i) Trading and Profit and Loss Account for the year ended 31st March, 2001; and

(ii) A Balance Sheet as on that date.

Name of Accounts	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
Purchases Returns		5,000
Wages	20,000	
Rent	15,000	
Bad Debts written off	7,000	
Creditors		1,20,000
Drawings	24,000	
Provision for Bad Debts		6,000
Printing and Stationery	8,000	
Insurance	12,000	
Opening Stock	50,000	
Office Expenses	12,000	
Provision for Depreciation		2,000
Sales Returns	10,000	
	5,58,000	5,58,000

Adjustments :

(a) Depreciate Furniture by 10% on original cost.
(b) A provision for Doubtful Debts is to be created to the extent of 5% on Sundry Debtors.
(c) Salaries for the month by March 2002 amounting to Rs.3,000 were unpaid which must be provided for. However, salaries included Rs.2,000 paid in advance.
(d) Insurance amounting to Rs.2,000 is prepaid.
(e) Provide for outstanding office expenses Rs.8000.
(f) Stock used for private purposes Rs.6,000.
(g) Closing stock Rs.60,000.

Q.No 7 :- .From the following balances and information, prepare

1.Trading and Profit and loss A/c of X for the year ended 31st March, 2002;

2. a Balance Sheet as on that date.

TRIAL BALANCE

Debit Balances	Rs.	Credit Balances	Rs.

Plant and Machinery	3,600	X's Capital A/c	1,00,000
Dep.on Plant and Machinery	400	Purchase Returns	300
Repairs to Plant	524	Sales	49,800
Wages	5,400	Bank Overdraft	760
Salaries	2,100	Salaries Outstanding	400
Income Tax of X	100	Provision for Doubtful Debts	1,000
Cash and Bank Balances	400	Bills Payable	1,600
Land and Buildings	14,900	Discount on Purchases	708
Depreciation on Buildings	500	Creditors	6,252
Purchases	25,000		
Accrued Income	300		
Bills Receivable	3,000		
Bad Debts	200		
Debtors	7,000		
Opening Stock	7,400		
	70,820		**70,820**

Adjustments:

(a) Closing Stock Rs.6,000.
(b) Write off further Rs.600 for Bad Debts and maintain a provision for Doubtful Debts at 5% on Debtors.
(c) Goods costing Rs.1,000 were sent to customer for Rs.1,200 on 30th March, 2002, on sale or returns basis. This was recorded as actual sales.
(d) Rs.240 paid as rent of the office was debited to Landlord A/c and were included in the list of Debtors.
(e) General Manager is to be given commission at 10%of net profit after charging the commission of the works manager and his own.
(f) Works manager is to be given commission at 12% of net profit before charging the commission of General Manager and his own.

Q.No 8 :- The following is the Trial Balance of Dhruv as at 31st March, 2002 :

	Rs.		Rs.
Dhruv's Capital A/c	76,690	Bank Interest (Dr.)	1,100
Stock on 1st April 2001	46,800	Printing and Stationery Expenses	14,400
Sales	3,89,600	Bank Balance	8,000
Returns Inwards	8,600	Discount Earned	4,440
Purchases	3,21,700	Furniture and Fittings	5,000
Returns Outwards	5,800	Discount Allowed	1,800
Carriage Inwards	19,600	General Expenses	11,450
Rent and Taxes	4,700	Insurance	1,300
Salaries and Wages	9,300	Postage and Telegrams Expenses	2,330
Sundry Debtors	24,000	Cash Balance	380
Sundry Creditors	14,800	Travelling Expenses	870
Bank Loan @ 14% per annum	20,000	Drawings	30,000

The following adjustments are to be made :

(a) Included amongst the Debtors Rs.3,000 due from Ram and included among the Creditors Rs.1,000 due to him.
(b) Provision for Bad and Doubtful Debts to be created at 5%and for Discount @ 2% for Sundry Debtors.
(c) Depreciation on Furniture and Fittings @ 10% shall be written off.
(d) Personal purchases of Dhruv amounting to Rs.600 had been recorded in the Purchase Day book.
(e) Interest on Bank Loan shall be provided for the whole year.
(f) A quarter of the amount of printing and stationery expenses is to be carried forward of the next year.
(g) Credit purchase invoice amounting to Rs.400 have been omitted from the books.
(h) Stock on 31st March, 2002 was Rs.78,600.

Prepare Trading and Profit and Loss A/c for the year ended 3st March, 2002 and Balance Sheet as on 31st March 2002.

Q.No 9 :- From the following trial balance and information prepare :

1. Trading and Profit and Loss A/c of Mr.Rishab for the year ended 31st March, 2002 ; and

2. A Balance Sheet as on that date

TRIAL BALANCE

Debit Balances	Rs.	Credit Balances	Rs.
Drawings	12,000	Capital	1,00,000
Land and Buildings	90,000	Sales	1,40,000
Plant and Machinery	20,000	Returns Outwards	4,000
Furniture	5,000	Loan from Gajanand on 01.07.2001 @ 6% per annum	30,000
Debtors	18,400	Provision for Doubtful Debts	1,000
Purchases	80,000	Provision for Discount on Debtors	380
Returns Inwards	5,000	Profit of Textile Deptt.	10,000
Carriage	10,000	Creditors	12,000
Sundry Expenses	600		
Printing and Stationery	500		
Insurance Expenses	1,000		
Bad Debts	400		
Stock of General Goods on 01.04.2001	21,300		
Salaries and Wages	18,500		
Trade Expenses	800		
Stock of Textile Goods on 31.03.2002	8,000		
Cash at Bank	4,600		
Cash-in-Hand	1,280		
	2,97,380		**2,97,380**

Information

(a) Stock of general goods on 31st March, 2002 valued at Rs.27,300.
(b) Fire occurred on 23rd March, 2002 and Rs.10,000 worth of general goods were destroyed. The insurance Company accepted claim for Rs.6,000 only and paid the claim money on 10th April, 2002.
(c) Bad Debts amounting to Rs.400 are to be written off. Provision for Doubtful Debts is to be made at 5% and for discount at 2% on debtors. Make a provision of 2% on creditors for discount.
(d) Received Rs.6,000 worth of goods on 27th March, 2002 but the invoice of purchases was not recorded in the Purchases Book.
(e) Rishab took away goods worth Rs.2,000 for personal use but no record was made thereof.
(f) Charge depreciation at
(i) 2% on Land and Buildings ;

(ii) 20% on Plant and Machinery ; and

(iii) 5% on Furniture

Q.No 10 :- The following is the Trial Balance of K on 31st March, 2002 :

TRIAL BALANCE

Debit Balances	Rs.	Credit Balances	Rs.
Drawings	60,000	Capital	8,00,000
Purchases	15,95,000	Sales	23,10,000
Opening Stock	75,000	Creditors	3,00,000
Freight on Purchases	25,000	Discounts Received	15,000
Wages (11 months up to 28.02.2002)	66,000	Provision for Doubtful Debts	8,000
Salaries	1,40,000	Interest on Investments	12,000
Postage, Telegrams and Telephones	12,000		
Printing and Stationery	18,000		
Miscellaneous Expenses	30,000		
Investments	1,00,000		
Debtors	2,50,000		
Bad Debts	15,000		
Buildings	3,00,000		
Machinery	5,00,000		
Furniture	40,000		
Commission on Sales	45,000		
Insurance (year up to 31.07.2002)	24,000		
Bank Balance	1,50,000		
	34,45,000		**34,45,000**

Adjustments :

(a) Closing Stock Rs.2,25,000.
(b) Machinery worth Rs.45,000 purchased on 1st Oct.2001 was shown as purchases. Freight paid on the machinery was Rs.5,000, which is included in Freight on purchases.
(c) Commission is payable at 2 ½ % on sales.
(d) Investments were sold at 10% profit, but the entire sale proceeds have been taken as sales.
(e) Write off Bad Debts Rs.10,000 and create a provision for Doubtful Debts at 5% of Debtors.
(f) Depreciate Buildings by 2 ½% per annum and Machinery, Furniture at 10% per annum.

Prepare

1.Trading and Profit and Loss Account for the year ending 31st March, 2002; and

2.Balance sheet as on that date.

.

Q.No1 : A and B are partners in a firm . A is entitled to a salary of Rs 1200 p.m. together with a commission of 10% of the net profit before charging any commission. B is entitled to a salary of RS 3000 p.a together with a commission of 10% of net profit after charging all commission . Net Profit before charging any commission was RS 33000. Prepare Profit and Loss Appropriation account and Show the distribution of profit. (Ans – Divisional profit RS 27000)

Q.No 2: U and Me started a Partnership business on 1st January 2008. They contributed RS 48000and Rs 36000 respectively, as their capital. The terms of the partnership agreement are as follows:

(a) 20% of the profit to be transferred to General Reserve.
(b) Interest on capital @ 12% p.a. and interest on Drawing @ 10% p.a.
(c) U and Me to get a monthly salary of Rs 1200 and Rs 1800 respectively.
(d) U is entitled to a commission of Rs 4200.
(e) Sharing of profit and losses will be in their capital ratio.
The profit for the year ended 31st December 2008 before making above appropriation was Rs 75,225. The Drawing of U and Me were Rs 24,000 and 30,000 respectively.
Required: Prepare Profit and Loss Appropriation account and partner's capital account .

(Ans – Divisional profit RS 12,600)

Q.No3. Aand B are partner in a firm sharing profit and lossesin the ratio of 3:2. The balances standing to the credit of their Accounts as on 1st January 2010 were A Rs 1,00,000 and b Rs 80,000.
The terms of the partnership deed provide for the following
(a) That the partners will be paid interest on their capital @15% p.a.
(b) Both the partners to get a monthly salary of Rs 2,000 each. The year's profit for the year ended 31stdec. 2010, before making the appropriation and charging on interest on drawing were Rs 2,00,000. The drawings of A and B were Rs 30,000 and Rs 40,000 respectively. The firm decided to charge interest on drawings from the partners to be charged @20% p.a.
Required: Prepare Profit and Loss Appropriation Account and Partner's Capital Accounts assuming that their Capitals are fluctuating.

Q.No4: A B and C are in partnership with capital of Rs 24,000 and Rs 18,000and Rs 12,000 respectively. B and C are entitled to annual salaries of Rs 1,200 and Rs 1800 respectively payable before division of profits .interest on Capital is allowed @5% p.a. , but interest is not charged on drawing. Of the first 7200 divisible as profit in any year, A is entitled to 50%, B to 30% and C to 20% . Annual profits in excess of Rs 7,200 are divisible equally. The profit for the year ended 31st December 2010 was Rs 12,060 after debiting partners salaries but before charging interest on capital. The partners drawing for the year were –

A Rs 4,800; B Rs 4,500 and C Rs 2,400. The balance on the partners current accounts on 1stJanuary , 2010 were A Rs 1,800 (cr); B Rs 300(cr);C Rs 600 (dr).

Required: Prepare Profit and Loss Appropriation Account a, Partner's Capital Accounts and Current Account for the year 2010.Assuming that their Capitals are fixed.

Past Adjustment

Q.no5. X ,Y and Z are partners with equal profit sharing ratio and their capital are Rs 1,00,000 and Rs 80,000 respectively . Interest on capital allowed @10% p.a. But after closing the books of accounts it was discovered that interest on capital had been omitted so partners decided without changing the balance sheet pass a necessary adjusting entries in the firm's book.

Q.no.6. A, B and C are partner in a firm with sharing ratio 3:2:1 and their capital are Rs 1,00,000;Rs 80,000; and Rs 60,000 respectively . After closing the books of accounts it was discovered that interest on capital had been credited @8% instead of 10% .Give adjusting journal entry.

Q.no.7. A, B and C are partner in a firm with sharing ratio 3:2:1 and their capital are Rs 80,000;Rs 60,000; and Rs 40,000 respectively . After closing the books of accounts it was discovered that interest on capital had been credited @10% instead of 8% .Give adjusting journal entry.

Q.no.8.A , B and C are partners in a firm. They have omitted interest on capital @10% p.a.for three years ended 31st march 2007 . Their fixed capitals on which interest was to be calculated throught were:

A	Rs 1,00,000
B	Rs 80,000
C	Rs 70,000

Give the necessary adjusting journal entry with working notes.

Q.no.9. X ,Y and Z are partners with sharing ratio 3:2:1. After the final accounts have been prepared, it was discovered that interest on drawings had not been taking into consideration. Interest on drawings of partners amounting to X Rs.250, Y Rs180, and Z Rs 100. Give adjusting journal entry.

Q.no.10. X ,Y and Z are partners with sharing ratio 3:2:1. Afer the final accounts have been prepared, it was discovered that interest on drawings @5% had not been taking into consideration. The drawing of the partnersamounting to X Rs.15,000, Y Rs12,600, and Z Rs 12,000. Give adjusting journal entry.

Q.no.11. Ram , Shyam and Mohan are partners have omitted interest on capital for three year ended on 31st December 2012. Their fixed capitals in three years were Ram Rs 40,000, ShyamRs 25,000 and Mohan Rs 15,000. Rate on interest on capital is 12% p.a. their profit sharing ratio were 2010- 5:2:1, 2011- 3:2:1, 2012- 2:1:1.Give adjusting journal entry.

Q.no.12. A, B and C are partner with sharing ratio 2:2:1 and their capital are Rs.80,000, Rs 50,000 and Rs. 40,000 respectively. After closing the books of accounts it was discovered that interest on capital @10% p.a. and interest on drawings 8% p.a. had been omitted. Partner decided Pass a necessary adjusting a journal entry without changing balance sheet.

GUARANTEED PARTNERSHIP

On the admission of a new partner, the old partners may given a guarantee that he (new partner) shall receive a certain minimum, should the normal share to which he is entitled fall short of a stipulated amount. Usually, the old partners undertake this obligation, although in some cases, only one of such partners, may himself assume responsibility. There are three types of guarantee.

(1) Guarantee is given by the firm to the partner (in profit sharing ratio or in agreed capital ratio):-

Under this clause, the share of each partner should be computed first without considering guaranteed clause. If the guaranteed partner's share fall short of the stipulated minimum amount, the same deficiency must be compensated by other existing partners as per profit sharing ratio or in agreed ratio.

(2) Guarantee is given by the partner to the partner :- Under this agreement, the guaranteed partner is given his minimum amount. If there is any shortfall, the same deficiency must be compensated by such partner who has given such guarantee. Other remaining partner's share will not affected at all.

(3) Guarantee is given by the partner to the firm :-under this agreement, the incoming or any one of the partner of the firm, given a guarantee to the firm for a certain amount of profit. But if any deficiency arise in profit must be beard by guaranteed partner to the firm out of his share in the firm.

Problem no. 1:- X, Y and Z are in partnership, sharing profit and losses in the ratio of 3:2:1. Z's share , is however, guaranteed by X and Y at a fixed minimum of Rs. 8,000. The net profit for the year ended 31st December 2012 was Rs. 36000. Show the Profit and Loss Appropriation Accounts indicating the amounts finally due to each partner.

Problem no. 2:- A, B and C entered into a partnership on 1st January 2012, sharing profit and losses in the ratio 2:2:1. A, however, personally guaranteed that C's share of profit, after charging interest on capital @5% p.a., would not be less than Rs. 8,000 in any year. The capital were : A Rs. 50,000; B Rs. 30,000 and C Rs. 20,000. The profit year ended 31st Dec. 2012 amounted to Rs. 35,000.

Show the Profit and Loss Appropriation Accounts.

Problem no. 3:- X and Y were in partnership sharing profit and losses in the ratio 3:1. They took Z into partnership on a monthly salary of Rs. 800 and 10% of the profits after charging salary and such commission or 1/5th share of profits, whichever is higher. Should the latter exceed the former, the excess is to be borne by X. the profit for the year ended 31st Dec.2012 after charging salary amounted to Rs. 1,05600. Show the distribution of profit among the partner.

Problem no.4:-A and B were in partnership, sharing profit and losses in the ratio of 3:2. In appreciation of the services of their clerk C, who was in receipt of a salary of Rs. 2,400p.a.and a commission of 5%on the net profit after charging such salary and commission, they took him into partnership as from 1st April 2012, giving him 1/8th share of profits.

The agreement provided that any excess over his former remuneration to which C becomes entitled will be borne by A and B in the ratio of 2:3.

The profit for the year ended 31st March 2012 amounted to Rs. 44,400.

Prepare statement showing the distribution of the profit amongst all the partners.

Problem no.5:- The Chartered Accountants X, Y and Z form a partnership, profits being divisible in the ratio of 3:2:1 subject to the following :

(1) Z's share of profit is guaranteed to be not less than Rs. 15,000 p.a.

(2) Y gives guarantee to the effect that gross fees earned by him shall be equal to his average gross fees of the proceeding five years when he was carrying on profession alone (which average work out at Rs.25,0000). The profit for the first year of the partnership is Rs. 75,000. The gross fees earned by Y for the are Rs. 16,000.

You are required to show the distribution of profits.

MIX QUESTION

Question 1:- Basu, Harish And Jadav are partner in a firm with capital contribution of Rs.50,000; Rs. 40,000 and Rs. 30,000 respectively:

Their Partnership agreement provides for the following:

(i) Interest on capital to be allowed @10% p.a

(ii) Interest on drawings to be charged @ 10% p.a

(iii) Harish and Jadav are each to be paid salaries @ Rs. 500 per month.

(iv) Basuis to be paid a commission of 5% of the net profit.

(v) The remaining profit are to be divided as follows :
40% to Basu; 30% to Harish; and 20% to Jadav and 10% carried to a Reserve Account.

The net profit for the year ended 31.12.2008 was Rs. 50,000. Basu withdrew Rs. 1,000 Per month at the beginning of each month. Harish withdrew Rs. 1,000 per month in the middle of each month and jadav withdraw Rs. 1,000 per month at the end of each month.

You are required to prepare the Profit and Loss Appropriation account for the year ended 31.12.2008 only.

Question -2 Anil, Kamal and Vimal are partners in a firm. Their Capital Account on 1st January 2005, stood at Rs. 1,20,000 Rs. 60,000 and Rs. 60,000 respectively.

Vimal Advanced a sum of Rs, 20,000 to the firm on 1.1.2005 in the form of a loan. the partners withdrew Rs. 4,000 each during the year.

The partnership deed provides for the following:

(i) Interest of 5% p.a to be allowed on the loan taken from the partner.

(ii) Interest on capitals to be allowed @ 10% p.a.

(iii) Interest on Drawings to be charged @ 5% p.a.

(iv) Kamal to be allowed an annual salary of Rs. 5,000.

(v) Profit and losses to be shared in the ratio 5:3:2.

Ignoring all the terms of the deed, the net profit of Rs. 90,000 for the year ended 31st December 2005, was divided equally among the partners.

Pass a Single Journal Entry to rectify the error. **(Show the working clearly)**

Q. 2. Sanjay, Madhav and Bijoy are partners in a registered firm. Balances of their capital accounts as on 1st April, 1998 were Rs.25,000, Rs.15,000 and Rs.5,000 respectively. The partnership agreement provides-

(i) Bijoy shall be credited with a salary of Rs.300 per month.

(ii) Interest on capital is allowed @ 10% per annum and interest on drawings is charged @ 15% per annum.

(iii) After providing (i) and (ii) mentioned above and after making a provision for extra remuneration mentioned in this para (iii), Bijoy shall be entitled to 5% of all the profits in excess of Rs.7,000.

(iv) Madhav is to have one-fifth of the profit after charging all amount under (i) to (iii) above and in this para (iv) The balance of profits is to be divided between Sanjay and Bijoy in the ratio of 7:1 respectively.

Bijoy contributed additional capital of Rs.5,000 on 1st October, 1998. Sanjay has withdrawn Rs.2,000 on 1st August, 1998 and Rs.1,600 and 31st December, 1998, whereas Bijoy did not withdraw any amount. Madhav has withdraw Rs.400 at the end of each quarter.

The net profit for the year ended 31st March, 1999 before making above adjustments was Rs.40,500.

You are required to prepare profit and loss appropriation account for the year ended 31st March, 1999 and the partners' capital accounts.

Q.1: A and B are partners in a firm . A is entitled to a salary of Rs 1200 p.m. together with a commission of 10% of the net profit before charging any commission. B is entitled to a salary of Rs. 3000 p.a together with a commission of 10% of net profit after charging all commission . Net Profit before charging any commission was RS 33000. Prepare Profit and Loss Appropriation account and Show the distribution of profit.

Q.2: U and Me started a Partnership business on 1st January 2008. They contributed RS 48000and Rs 36000 respectively, as their capital. The terms of the partnership agreement are as follows:

(f) 20% of the profit to be transferred to General Reserve.
(g) Interest on capital @ 12% p.a. and interest on Drawing @ 10% p.a.
(h) U and Me to get a monthly salary of Rs 1200 and Rs 1800 respectively.
(i) U is entitled to a commission of Rs 4200.
(j) Sharing of profit and losses will be in their capital ratio.
The profit for the year ended 31st December 2008 before making above appropriation was Rs 75,225. The Drawing of U and Me were Rs 24,000 and 30,000 respectively.
Required: Prepare Profit and Loss Appropriation account and partner's capital account .

Q.3: X ,Y and Z are partners with equal profit sharing ratio and their capital are Rs 1,00,000 and Rs 80,000 respectively . Interest on capital allowed @10% p.a. But after closing the books of accounts it was discovered that interest on capital had been omitted so partners decided without changing the balance sheet pass a necessary adjusting entries in the firm's book.

Q.4: A, B and C are partner in a firm with sharing ratio 3:2:1 and their capital are Rs 1,00,000;Rs 80,000; and Rs 60,000 respectively . After closing the books of accounts it was discovered that interest on capital had been credited @8% instead of 10% .Give adjusting journal entry.

Q.5: A, B and C are partner in a firm with sharing ratio 3:2:1 and their capital are Rs 80,000;Rs 60,000; and Rs 40,000 respectively . After closing the books of accounts it was discovered that interest on capital had been credited @10% instead of 8% .Give adjusting journal entry.

Q.6: X, Y and Z are in partnership, sharing profit and losses in the ratio of 3:2:1. Z's share , is however, guaranteed by X and Y at a fixed minimum of Rs. 8,000. The net profit for the year ended 31st December 2012 was Rs. 36000. Show the Profit and Loss Appropriation Accounts indicating the amounts finally due to each partner.

A and B shared profits in the ratio of 2:1 respectively. On 31st March, 2000, their balance sheet stood as follows:

Liabilities	`	Assets	`
Sundry creditors	35,500	Cash in hand	22,500
General reserve	6,000	Bill receivable	3,000

A's capital	30,000	Sundry debtors	16,000
B's capital	16,000	Stock	15,000
		Furniture	6,000
		Machinery	25,000
	87,500		87,500

On 1st April, 2000, C was admitted into partnership on the following terms:

(i) That C bring in ` 10,000 as his capital for one-fourth share in future profits.

(ii) That a goodwill account be raised in the books of the firm at ` 15,000.

(iii) That the value of machinery be raised to ` 30,000.

(iv) That stock and furniture be depreciated by 10% and a provision for doubtful debts be crated at 5% on sundry debtors.

(v) That the capital accounts of the partners be readjusted on the basis of their profit sharing ratio and any additional amount be debited or credited to their current accounts.

Prepare the necessary ledger accounts and the opening balance sheet of the new firm.

Q.N0. P and Q are partners in a firm sharing profits and losses in the ratio of 2:1 respectively. They admit R into partnership on the terms that R will bring in ` 15,000 for goodwill and will bring such an amount that his capital will be one-third of the total capital of the new firm.

R is given one-third share in future profits. At the time of admission of R, the balance sheet of P and Q was as under:

Liabilities	`	Assets	`
Capital account:		Machinery	60,000
P	70,000	Furniture	5,000
Q	60,000	Stock	40,000
Sundry creditors	25,000	Sundry debtors	15,000
		Cash at bank	35,000
	1,55,000		1,55,000

On an independent valuation, I is found that the stock is overvalued by ` 2,500. It is decided to depreciate furniture and machinery at 10% and 5% respectively and to make a provision of ` 1,500 on sundry debtors for doubtful debts.

Pass the journal entries for all the abovementioned transactions and prepare the initial balance sheet of the new firm.

Q.NO. On 31st March, 2005, the balance sheet of P, R and S sharing profits and losses in the ratio of 6:5:3 respectively stood as follows:

Liabilities	`	Assets	`
Sundry creditors	37,800	Cash	3,780
Bills payable	12,600	Sundry debtors	52,920
General reserve	21,000	Stock	58,800
Capital accounts:		Furniture	14,700

P	70,800	Land and buildings	1,00,800
R	59,700		
S	29,100		
	2,31,000		2,31,000

On 1st April, 2005, they agree to admit Q into partnership giving him 1/8th share on the following terms:

(i) Furniture be depreciated by ` 1,840.

(ii) Stock be valued 10% less than the balance sheet value.

(iii) A provision of ` 2,640 be made for outstanding repairs-bill.

(iv) The value of land and buildings having appreciated be brought upto ` 1,47,840.

(v) Q brings in cash ` 29,400 as his capital and ` 7,000 as his share of goodwill. The amount brought in by Q as goodwill be transferred to all the old partners in the appropriate ratio.

After making the above adjustments, the capital accounts of the old partners be adjusted on the basis of proportion of Q's capital to his share in the business by bringing in or taking out cash.

You are required to prepare revaluation account, capital accounts of all the partners and cashbook. Also draw a balance sheet as at 1st April, 2005 after Q's admission.

Q.N0. Ajay and Binoy are partners in a firm sharing profits and losses in the ratio of 2: respectively. On 31st March, 2006 their balance sheet stood as follows:

Liabilities	`	Assets	`
Bills payable	6,000	Cash at bank	90,000
Sundry creditors	90,000	Bills receivable	20,000
General reserve	42,000	Sundry debtors	1,00,000
Ajay's capital	2,82,000	Stock	1,60,000
Binoy's capital	2,40,000	Furniture	40,000
		Machinery	2,50,000
	6,60,000		6,60,000

On 1st April 2006, a new partner Hari was admitted into the partnership on the following terms:

(i) That Hari brings in cash `60,000 as goodwill for his one-third share in future profits.

(ii) That Hari brings such an amount that his capital will be one-third of total capital of the new firm.

(iii) That the value of stock to be raised to `1,68,000.

(iv) That furniture and machinery be depreciated by 5% and 10% respectively.

(v) That a provision for doubtful debts be created at 5% on sundry debtors.

(vi) That the capital accounts of the partners be re-adjusted on the basis of their profit sharing ratio through their current accounts.

Prepare the necessary ledger accounts and the opening balance sheet of the new firm.

Q.N0. Ashok and Biju were partners sharing profits and losses in the ratio of 3:1 respectively. The following was their balance sheet as on 31st March, 2008:

Liabilities	`	Assets	`
Creditors	1,20,000	sundry debtors	2,00,000
Bank overdraft	1,50,000	Stock	2,20,000
Ashok's capital	1,50,000	Furniture	40,000
Biju's capital	1,00,000	Machinery	60,000
	5,20,000		5,20,000

On 1st April, 2008, Chandra was admitted to the firm on the following terms:

(i) Chandra would provide `1,00,000 as a capital and pay `20,000 as goodwill for his one-third share in future profits. Goodwill account would not appear in the books.

(ii) Ashok, Biju and Chandra would share profits equally.

(iii) Machinery would be reduced by 10% and `5,000 would be provided for bad debts. stock would be valued at `2,49,400

(iv) Capital accounts of old partners would be adjusted in the profit sharing ratio on the basis of Chandra's capital by bringing in or taking out cash.

Pass necessary journal entries and prepare partners capital accounts and balance sheet of the new firm.

Q.NO. Amar, Bharat and Chatur were equal partners. On 31st March, 2010, their balance sheet stood as follows:

Liabilities	`	Assets	`
Capital accounts:		Building	1,95,000
Amar	1,68,000	Furniture	24,000
Bharat	1,26,000	Stock	1,14,000
Chatur	60,000	Debtors	1,08,000
Creditors	70,000	Cash at bank	6,000
Bills payable	23,000		
	4,47,000		4,47,000

On 1st Apirl, 2010, the firm decided to admit Dalbir as an equal partner on the following terms:

(i) Dalbir would bring `90,000 as his share of goodwill and `1,50,000 as capital. No goodwill account would be opened.

(ii) 10% Depreciation be charged on furniture.

(iii) 5% Provision for doubtful debts be created on debtors.

(iv) A liability of `7,200 be created against bills discounted

(v) Building be valued at `2,70,000.

Pass necessary journal entries. Also prepare revaluation account and the capital accounts of all the partners.

Questions 1.

X,Y,Z are partners sharing profits and losses in the ratio of 2:2:1 respectively. Their Balance sheet as 31st march 2003 is as given below :-

Balance sheet (as on 31st march 2003)

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Sundry creditors	51,400	Land And Building	1,00,000
O/s Liabilities	6,000	Furniture	26,000
General Reserves	26,000	Stock	47,000
Capital		Sundry Debtors	22,000
X	48,000	cash	4,400
Y	48,000		
Z	20,000		
	1,99,400		**1,99,400**

The Partners decided to admit Mr. T as a partner with effect from 1st April 2003, on the following terms.

(i) Mr.T will bring Rs. 20,000 as capital Rs.10,000 as his share of goodwill.

(ii) Mr. T could bring only Rs. 2,500 as goodwill in cash and rest was raised by partners.

(iii) The value of stock should be increased by Rs.10,000. The furniture should be depreciated by 10% and value of land and building should be enhanced by 20%.

(iv) Provision for bad and doubtful debts should be made at 10% of the debtors.

(v) The outstanding liability includes Rs. 2,000 due to Mr. R which has been paid by Mr. X privately. Necessary entry is to be passed to reimburse Mr. X before admitting the new partner.

(vi) The new profit sharing ratio between X, Y, Z & T is 5:5:3:2.

(vii) Creditors include Rs. 5,000 received as commission from Mr. A.

(viii) Partners decided not to show goodwill in the books of the new firm.

Give necessary journal entries to incorporate the above changes. Also prepare capital accounts of partners and balance sheet of the new firm.

Question .4. Angad and Vivek are partners in a firm sharing profits and losses in the ratio of 3:2.Their Balance Sheet as on 1.1.2005 stood as follows:

Balance sheet as on 1.1.05

Liabilities		Amount (Rs)	Assets	Amount (Rs)
General Reserve		10,000	Debtors	18,000
Creditors		15,000	Stock	20,000
Capital Accounts			Furniture	10,000
Angad	30,000		Plant	30,000
Vivek	25,000	55,000	Cash	2,000

	80,000		**80,000**

Gopal is admitted as partner on the above date on the following terms:

(i) He will pay Rs. 10,000 towards goodwill for ¼th share in profits.

(ii) The assets are to be revalued as under:
Plant Rs. 32,000; Stock Rs. 18,000

(iii) A provision for bad debts at 5% on debtors has to be created.

(iv) A sum of Rs. 1,400 included in creditors is not to be paid. There is an unrecorded liability for Rs. 5,000 which is to be recorded in the books.

(v) Gopal is to bring in Rs. 20,000 as Capital. The capitals of the other partners is to be adjusted in the new profit sharing ratio. For this purpose current accounts are to be opened.

Prepare :

(a) The capital Accounts of Angad, Vivek and Gopal.

(b) The balance sheet of the new firm.

Question .5

The following is the balance sheet of james and Dias as on 31.12.07

Liabilities	Amount (Rs)	Assets	Amount (Rs)
James's Capital	60,000	Land	6,000
Dias' Capital	40,000	Building	40,000
Creditors	18,000	Furniture	4,000
		Stock	25,000
		Investments	16,000
		Bank	15,000
		cash	12,000
	1,18,000		1,18,000

The partners shared profits and losses in the ratio of 3:2

Form 01-01-2008 they agreed to share profits and Losses equally.

for this purpose , the following particulars are provided:-

(a) Building is to be appreciated by 25%
(b) Current value of furniture is to be taken at Rs.3000.
(c) Land is valued at Rs. 15,000.
(d) Stock is valued to 30,000.

Prepare a revaluation account, partners capital accounts and the received balance sheet as on 01-01-08

Question 6:- Lucy, Rahul and Sanjay are partners sharing profits and losses in the ratio of 1:2:3. Arun is admitted as a partner who brings inRs. 20,000 as his capital for 1/5th share in their profits. Goodwill of the firm is to be valued at an average of the last three years profits which were

Rs.25,000;Rs28,000;and Rs.37,000 respectively.Arun is unable to bring in cash towards his share of premium for goodwill.

Give the journal entries if goodwill already appears in the books at Rs. 24,000.

Question 7:- David and Bimal are partners sharing frofits and losses in the ratio 3:2. Their Balance sheet as on 31st march , 2010 was as follows :

Balance sheet as on 31st March 2010

Liabilities	Rs.	Assets.	Rs.
Sundry Creditors	82,000	Cash	32,000
General reserve	3,000	stock	15,000
Capital A/c		Debtors 9400	
David 18,000		Less : Provision for	
Bimal 12,000	30,000	Doubtful debts 400	9,000
		Building	55,000
		Furniture	4,000
	1,15,000		**1,15,000**

They admitted Chander as a new partner on 1.4.2010 and the new profit sharing ration became 5:3:2. Chander introduced a capital of Rs. 16,000 Chander was unable to bring any cash for goodwill and so it was decided to value the goodwill on the basis of his share in the profits and the capital contributed by him. the following revaluation were made at the time of Chander's admission:

(i) Stock had been overvalued by Rs, 750 and furniture by Rs. 500.

(ii) Provision for doubtful debts to be increased by Rs.. 100.

(iii) A creditor for Rs. 2,350 was paid off by Bimal privately for which he was not to be reimbursed.

Perpare the Revaluation account Partners Capital accounts and a Balance sheet of the new firm on the date of Chander's admission. Show your working clearly.

Q.No 1 :- A, B and C are partners sharing profits and losses in the ratio of 2:1:1 respectively. On 31st March, 1998, their balance sheet was as follows:

	Rs.		Rs.
A's capital	10,000	Goodwill	3,000
B's capital	6,000	Freehold property	9,000
C's capital	4,000	Furniture	1,000

Creditors	4,000	Joint life policy	2,000
Bills payable	2,000	Stock	5,500
		Debtors	4,500
		Cash at bank	1,000
	26,000		26,000

A died on 1st April, 1998. The firm had taken a joint life policy for ` 15,000, the payment for which was received by the firm. According to the partnership deed, on retirement or death of a partner, the goodwill was to be valued at $1^1/_2$ times of the average profit for the last four year. The profits for the last four years were Rs.6,000, Rs.7,500, Rs.9,000 and Rs.9,500 respectively. For paying the amount due to A's legal representative, B and C brought as much cash as would bring their capitals in profit sharing ratio and the firm would have a cash balance of Rs.3,000.

Pass journal entries to record the abovementioned transactions and prepare partners' capital accounts.

A, B and C were carrying on business in partnership sharing profits in the ratio of 5:3:2 respectively. On 31st March, 2000, their balance sheet stood as follows:

Liabilities	`	`
Capital accounts:		
A	1,00,000	
B	60,000	
C	35,000	1,95,000
Trade creditors		31,180
Outstanding expenses		2,745
		2,28,925

Assets	
Buildings	75,000
Furniture	22,550
Stock	69,840
Trade debtors	26,900
Bills receivable	10,000
Cash at bank	24,635
	2,28,925

C retired on the above mentioned date on the following terms:

(i) Buildings be appreciated by 25%

(ii) Furniture be depreciated by 10%

(iii) Provision for doubtful debts @ 4% of trade debtors be created.

(iv) Goodwill account be raised with ` 60,000, the agreed value of firm's goodwill.

(v) The amount finally due to C be paid immediately, A and B bringing in ` 20,000 each to facilitate the payment.

A and B agreed to share profits in future in the ratio of 3:2 respectively. Immediately after C's retirement, they wrote off goodwill account.

Prepare revaluation account, partners' capital accounts and cash book. Also draw the balance sheet immediately after the above mentioned transactions have been completed.

2002 – Dec (5) The following is the balance sheet as on 31st March, 2002 of Alex, Best and Cooper who share profits in the ratio of 4:2:1 respectively:

Liabilities		`
Capital Accounts:		
Alex	- ` 30,000	
Best	- ` 20,000	
Cooper	- ` 15,000	65,000
General reserve		10,500
Sundry creditors		15,000
Bill payable		3,000
		93,500

Assets	
Goodwill	10,000
Land and buildings	20,000
Plant and machinery	26,500
Motor vehicle	10,000
Stock	15,000
Sundry debtors	11,000
Cash	1,000
	93,500

On the above date, Alex retired and the following arrangements were agreed upon.

(i) Goodwill of the firm be valued at ` 24,000.

(ii) The assets and liabilities be re-valued as under:

Stock - ` 12,000; sundry debtors - ` 10,500; land and buildings - ` 22,600; plant and machinery - ` 25,000; and sundry creditors - ` 14,000.

(iii) Best and Cooper to introduce ` 20,000 and ` 5,000 respectively into the business. A sum of ` 16,200 be paid to Alex immediately and the balance be paid in three equal annual instalments together with interest at 9% per annum. Best the Cooper agreed not be retain goodwill in the books.

Give journal entries to record the above transactions and prepare the balance sheet of the firm after Alex's retirement. Also show Alex's loan account until it is paid off.

2007 – Dec (6) The balance sheet of X, Y and Z who were sharing profits and losses in the ratio of their capitals stood as follows on 31st March, 2007.

Liabilities	`	Assets		`
Sundry creditors	69,000	Cash at bank		55,000
Capital accounts:		Sundry debtors	50,000	
X	2,00,000	Less: Provision for bad debts	1,000	49,000
Y	1,50,000	Stock		80,000
Z	1,00,000	Plant and machinery		85,000
		Land and Buildings		2,50,000
	5,19,000			5,19,000

Y retired and the followed adjustments of assets and liabilities were agreed upon before the ascertainment of the amount payable by the firm to Y-

(i) that the stock be depreciated by 6%.

(ii) that provision for doubtful debts be brought upto 5% on debtors;

(iii) that the land and buildings be appreciated by 20%.

(iv) that a provision of `7,700 be made in respect of outstanding legal charges;

(v) that the goodwill of the entire firm be fixed at `1,08,000 and Y's share of the same be adjusted into capital accounts of X and Z who are going to share in future in the ratio of 5/8 and 3/8 respectively; and

(vi) that the assets are liabilities (except cash) were to appear in the balance sheet at their old figures.

Prepare necessary ledger accounts to give effect to the above arrangements and the balance sheet of X and Z transferring Y's share of capita to his loan account.

2009 – June (8) P, Q and R were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st March, 2009, their balance sheet was as follows:

Liabilities	`	Assets	`

Capitals:			Land and building		5,50,000
P	7,00,000		Machinery		3,00,000
Q	4,00,000		Furniture		1,65,000
R	3,00,000	14,00,000	Stock		2,80,000
Creditors		1,15,000	Debtors	2,00,000	
			Less : Provision		
			for bad debts	10,000	1,90,000
			Cash at bank		30,000
		15,15,000			15,15,000

Creditors and all the assets except debtors and cash at bank were taken over by M. Ltd. for `12,00,000 payable in the form of fully paid equity shares of `10 each issued at par. M. Ltd. valued land and building at `5,70,000.

The firm was able to realise `1,80,000 only from debtors. Expenses of dissolution came to `3,000.

The shares were distributed among the partners in their profit sharing ratio. The remaining amounts due to partners were settled in cash.

Prepare ledger accounts in the books of the firm.

Question 1

The Balance sheet of Arun, Tarun and Varun who were sharing profits in the ration of 4:3:2 stood as follows on 31st December 2004.

Balance sheet(as on 31st December 2004)

Liabilities		Amount (Rs.)	Assets	Amount (Rs.)
Creditors		19,000	Stock	25,000
Provident fund		12,500	Cash in bank	2,500
General Reserve		4,500	Debtors	15,500
Capital :			Advertising expenditure A/c	9,000
Arun	40,000		Plant & Expenditure A/c	34,000
Tarun	30,000		Building	45,000
Varun	25,000	95,000		
		1,31,000		1,31,000

Tarun retired on the above on the following terms:

(i) The assets an Liabilities need not be revalued.

(ii) The firm had a joint life policy for Rs. 60,000 which was surrendered for Rs. 13,500.

(iii) The Goodwill of the entire firm be fixed at Rs. 10,800 and Tarun's share of the same be adjusted into the accounts of Arun and Varun who are to share the profit in future in the ratio of 5:3.

(iv) The entire capital of the new firm be fixed at Rs. 56,000 and the capital of Arun and Varun to be proportionate to their new profit sharing ratio. For this purpose actual cash is to be brought in or paid off.

Prepare :

(a) The Capital Account of Arun and Varun after the retirement of Tarun.

(b) The Balance sheet of Arun and Varun after the retirement of Tarun.

Death of a Partner

Q.No 1 :- A, B and C are partners sharing profits and losses in the ratio of 2:1:1 respectively. On 31st March, 1998, their balance sheet was as follows:

	Rs.		Rs.
A's capital	10,000	Goodwill	3,000
B's capital	6,000	Freehold property	9,000
C's capital	4,000	Furniture	1,000
Creditors	4,000	Joint life policy	2,000
Bills payable	2,000	Stock	5,500
		Debtors	4,500
		Cash at bank	1,000
	26,000		26,000

A died on 1st April, 1998. The firm had taken a joint life policy for ` 15,000, the payment for which was received by the firm. According to the partnership deed, on retirement or death of a partner, the goodwill was to be valued at $1^1/_2$ times of the average profit for the last four year. The profits for the last four years were Rs.6,000, Rs.7,500, Rs.9,000 and Rs.9,500 respectively. For paying the amount due to A's legal representative, B and C brought as much cash as would bring their capitals in profit sharing ratio and the firm would have a cash balance of Rs.3,000.

Pass journal entries to record the abovementioned transactions and prepare partners' capital accounts.

P, Q and R were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st March, 2001, their balance sheet stood as follows:

Liabilities	`	Assets	`
Creditors	27,500	Goodwill	12,500
General reserve	15,000	Buildings	65,000
P's capital	75,000	Machinery	75,000
Q's capital	62,500	Stock	30,000
R's capital	37,500	Debtors	20,000

		Cash at bank	15,000
	2,17,500		2,17,500

R died on 1st August, 2001. It was agreed that-

(i) Goodwill be valued at $2\frac{1}{2}$ years purchase of the average profits for the last four years which were:

Year	Amount
	`
1997 – 1998	32,500
1998 – 1999	30,000
1999 – 2000	40,000
2000 – 2001	37,500

(ii) Machinery be valued at ` 7 0,000 and buildings be valued at ` 82,500.

(iii) For the purpose of calculating R's share in the profits for the period from 1st April, 2001 till the date of his death, it be assumed that profits of this year would be the same as had been earned in the year 2000 – 2001.

(iv) A sum of ` 10,500 be paid immediately to R's executors and the balance be transferred to a loan account carrying interest @ 10% per annum.

Pass the necessary journal entries to record the above mentioned transactions.

2006 – June (6) (b) Aman, Raman and Suman were partners sharing profits in the ratio of 3:2:1 respectively. The profit and sales for the year ended 31st March, 2007 were `3 lakh and `10 lakh respectively.

Aman died on 30th November, 2007. Calculate the share of deceased partner in the profits for the period from 1st April, 2007 to 30th November, 2007, if the same is calculated:

(i) On the basis of sales which were `8 lakhs from 1st April, 2007 to 30th November, 2007.

(ii) On the basis of time.

Also pass the necessary journal entry for the share.

Question 2 :-

Ahmed, Bina and Chitra are partners sharing profits and looses in the ration of 3:2:1 their balance sheet ass on 31st March 2010 stood as under.

Liabilities	Rs.	Assets.	Rs.
Ahmed's Capital	15,000	Equipment	3,00,000
Bina's Capital	1.00,000	Furniture	50,000
Chitra's Capital	50,000	Stock	75,000
General Reserve	1,20,000	Debtors	80,000
Bills Payable	20,000	Cash	10,000
Creditors	75,00		
	5,15,000		5,15,000

Ahmed died on 31.03.2010 and the following decisions were taken by the surviving partners according to the partnership deed:

(a) Equipment to be revalued at Rs. 3,50,000 and furniture to appreciate by Rs. 10,000.
(b) A Provision of 10% to be created for doubtful debts.
(c) Stock to be revalued at Rs. 83,000
(d) The goodwill of the firm was valued at Rs. 30,000 On Ahmed's death.
The surviving partners finally agreed that the values of assets and liabilities must remain the same and as such, there must not be any change in their book values as a result of the above mentioned adjustments, excepting the bank balance .
The amount payable to Ahmed was transferred to his executor's account.
Prepare partners Capital Account and a Balance sheet of Bina and Chitra.

Q.no 2 : P, Q and R were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st March, 2001, their balance sheet stood as follows:

Liabilities	`	Assets	`
Creditors	27,500	Goodwill	12,500
General reserve	15,000	Buildings	65,000
P's capital	75,000	Machinery	75,000
Q's capital	62,500	Stock	30,000
R's capital	37,500	Debtors	20,000
		Cash at bank	15,000
	2,17,500		2,17,500

R died on 1st August, 2001. It was agreed that-

(i) Goodwill be valued at $2\frac{1}{2}$ years purchase of the average profits for the last four years which were:

Year	Amount
1997 – 1998	32,500
1998 – 1999	30,000
1999 – 2000	40,000
2000 – 2001	37,500

(ii) Machinery be valued at ` 70,000 and buildings be valued at ` 82,500.

(iii) For the purpose of calculating R's share in the profits for the period from 1st April, 2001 till the date of his death, it be assumed that profits of this year would be the same as had been earned in the year 2000 – 2001.

(iv) A sum of ` 10,500 be paid immediately to R's executors and the balance be transferred to a loan account carrying interest @ 10% per annum.

Pass the necessary journal entries to record the above mentioned transactions.

Question 1:-

Field, Meadow and Park were in partnership sharing profit and losses equally. Their Balance Sheet as on 30th June, 2004 was as under:

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital		Plant and Machinery	19,010
Field : 30,800		Furniture & Fixtures	3,392
Meadow : 10,080		Sundry Debtors	11,330
Park : 15,760	56,720	Joint Life Policy	9,684
Sundry Creditors	14,176	Bills Receivable	6,890
Bills Payable	6,720	Stock in Trade	23,950
		Cash in Bank	3,360
	77,616		**77,616**

The Value of Joint life policy shown in the shown in the Balance sheet represents the surrender value of the policy taken by the firm for Rs. 24,000 to enable the settlement of account with the partner's estate in case of death of a partner during the continuance of the firm.

Field died on 1st July, 2004 the remaining partners could not arrive at any understanding with legal representatives of field. Consequently, it was decided that the firm would be dissolved, subject to the following adjustment:

(a) The sum assured for joint life policy was realized from the insurance company.
(b) Plant and Machinery realized at 70% of the book value.
(c) Furniture and Fixtures were taken over by the partner Park at a market value of Rs. 2000.
(d) Bills Receivable and sundry debars had to be discounted at 5%
(e) Stock in trade comprised ;
    (i) Easily marketable items – 70% the total inventory which were realized in full.
    (ii) Obsolete items- 10% of the total inventory which had to be discarded:

(iii) the rest of the items in the stock realized 50% of their book value.

(f) A liability for Rs, 1,100 which had not been recorded in the books of the firm had to be settled by the firm before its dissolution.

You are required to prepare Realization Account. **(ISC 2005)**

Que.2.

Prakash, Kiran andRishab are Partners in a firm sharing profits and losses in the ratio of 3:2:1.TheirBalance sheet as on 31st March 2006 stood as follows :

Balance sheet(as on 31st December 2006)

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Creditors	25,000	Cash at bank	2,000
Bills Payable	10,000	Debtors 20,000	
General Reserve	27,000	Less- provision for	
Workmen's Compensation fund	3,000	Bad debts 2,000	38,000
Mrs. Prakash's loan	5,000	Stock	25,200
Capital :		Investments	20,000
Prakash 60,000		Bills Receivable	8,000
Kiran 40,000	1,00,000	Machinery	60,000
		Goodwill	6,000
		Profit and loss	19,800
		Rishab's capital	11,000
	1,70,000		1,70,000

On the above date the firm was dissolved and the following transactions took place :

I. The assets were sold off for the following amounts :
Stock Rs. 20,200; Debtors Rs. 15,000; Machinery Rs. 40,000 and investment Rs.18,000.

II. Kiran took over the bills receivable at Rs. 7,000 and the bills Payable at book value.

III. There was an unrecorded asset of Rs. 4000 which was sold for Rs. 1,200.

IV. Prakash agreed to pay off his wife's loan.

V. A contingent liability for a bill discounted at 8,000 was settled by Prakash.

VI. Creditors were settled at a discount of 10% and goodwill realized Rs. 5,000.
VII. Realization expenses were Rs. 2,100 which were met by Kiran.

You are required to:

(a) Pass the necessary Journal Entries.
(b) Prepare the Realization Account on the Dissolution of the firm.
(c) Prepare the capital Accounts of the partners.

2001 – Pune (4) P, Q and R are partners sharing profits and losses equally. On 31st March, 2001, their balance sheet stood as follows:

Liabilities	`	Assets	`
Bills payable	16,000	Cash at bank	15,000
Creditors	1,19,000	Debtors	1,25,000
Loan from Q	25,000	Stock	2,90,000
General reserve	30,000	Furniture	40,000
P's current account	15,000	Machinery	1,20,000
Q's current account	15,000	R's current account	30,000
P's capital account	2,00,000		
Q's capital account	1,00,000		
R's capital account	1,00,000		
	6,20,000		6,20,000

The firm was dissolved on the above- mentioned date. P agreed to pay creditors at par. Q took over the entire furniture for ` 36,000. The remaining assets were sold for ` 5,53,000. Bills payable were retired for a discount of ` 100 received for payment before the due dates of maturity. Expenses of dissolution amount to ` 1,200.

Prepare important ledger accounts and cash book. The current accounts and the capital accounts may be prepared in columnar form.

2001 – Dec (4) As partners A, B and C shared profits and losses in the ratio of 4:3:2 respectively. On 31st March, 2001, their balance sheet was shown as under:

Liabilities	`	Assets	`
Creditors	3,50,000	Cash at bank	1,00,000
A's capital	4,00,000	Debtors	2,00,000
B's capital	2,00,000	Stock	5,50,000
C's capital	50,000	Furniture	1,50,000
	10,00,000		10,00,000

On the date, the partners decided to dissolve the firm. A took over part of the furniture for ` 40,000 and the remaining furniture was sold in auction for ` 10,000. Debtors realised ` 1,50,000. Stock was sold for ` 2,70,000. Expenses totalled ` 20,000.

Prepare important ledger accounts and cashbook closing the books of account. C was insolvent and his estate was not in a position to contribute anything towards his deficiency. Apply Garner vs. Murray rule. Calculations may be made to the nearest rupees.

2003 – Dec (8) X, Y and Z decide to dissolve their partnership firm on 31st March, 2003 when their balance sheet stands as under:

Liabilities			`	Assets	`
Creditors			34,000	Cash at bank	25,000
Capital account:				Debtors	62,000
X	`	1,20,000		Stock	37,000
Y	`	90,000		Tools	8,000
Z	`	60,000	2,70,000	Motor car	12,000
Sundry creditors				Furniture	60,000
				Machinery	1,00,000
			3,04,000		3,04,000

Y and Z agree to form a new partnership to carry on the business and it is agreed that they will acquire from the old firm the following assets at amounts shown against them:

Stock	40,000
Tools	5,000
Motor car	25,000
Furniture	78,000
Machinery	84,000
Goodwill	60,000

The partnership agreement of X, Y and Z provides that trading profits or losses will be divided among X, Y and Z in the ratio 3:2:1 respectively and that capital profits or losses will be divided in proportion of their capitals.

Debtors realise ` 59,000 and discount amounting to ` 720 are secured on payment due to creditors.

Prepare the necessary accounts of X, Y and Z giving effect to these transactions and also prepare the opening balance sheet of Y and Z who bring the necessary cash in the ratio of 3:2 respectively to pay to X.

2004 – June (4) Ram, Shyam and Mohan were partners sharing profits and losses in the ratio of 5:3:2 respectively. Their balance sheet as on 31st March, 2004 was as follows:

Liabilities			`	Assets		`
Sundry creditors			2,30,000	Furniture and fixtures		60,000
General reserves			1,00,000	Stock		2,60,000
Ram	`	2,00,000		Debtors	` 4,00,000	
Shyam	`	1,60,000		Less Provision		
Mohan	`	30,000	3,90,000	for bad debts	` 20,000	3,80,000

Sundry creditors		Cash	20,000
	7,20,000		7,20,000

The firm was dissolved as on the above mentioned date. Assets realised as follows:

Furniture, and fixtures: ` 20,000; Stock: ` 2,00,000 and debtors: ` 2,40,000.

Sundry creditors to the extent of ` 1,000 were paid in full. The total payment to sundry creditors was ` 2,09,000. It was found that there was a liability of ` 61,000 for damages which had also to be paid.

Winding up expenses amounted to ` 20,000. Mohan became insolvent and he could pay only 20 paise in a rupee.

Prepare ledger accounts to close the books of the firm following Garner Vs. Murray rule.

2004 – Dec (7) P, Q and R are partners sharing profits in the ratio of 5:3:2 respectively. On 31st March, 2004, their balance sheet was as follows:

Liabilities	`	Assets	`
Creditors	23,000	Cash	2,000
General reserve	10,000	Debtors	38,000
P's capital	20,000	Stock	26,000
Q's capital	16,000	Patent	6,000
R's capital	3,000		
	72,000		72,000

Due to financial crisis, the firm was dissolved. The assets realised as follows:

Stock ` 16,000; patent ` 1,900; and debtors ` 22,000. The creditors were paid less discount amounting to ` 2,100. The expenses of dissolution were ` 2,000. R because insolvent and only ` 120 were recovered from him.

Prepare the ledger accounts following the Garner vs. Murray Rule.

2005 – June (5) X, Y and Z were partners in a business sharing profits and losses equally. Their balance sheet as at 31st March, 2005 was as follows:

Balance Sheet as at 31st March, 2005

Liabilities	`	Assets	`
X's capital	1,60,000	Machinery	4,00,000
Z's capital	1,00,000	Furniture	1,60,000
X's loan	2,00,000	Stock	5,60,000
Creditor	10,00,000	Debtor	2,00,000
		Cash at bank	10,000
R's capital		Y's capital (overdrawn)	1,30,000
	14,60,000		14,60,000

`

Machinery	1,40,000
Furniture	1,00,000
Stock	2,60,000
Debtors	1,10,000

Expenses on realisation totalled ` 10,000. All the partners were insolvent. While a sum of `20,000 was received from Y's private assets, nothing could be recovered from the private estates of X and Z.

Prepare the realisation account, partners' capital accounts. creditors account and deficiency account in the firm's ledger. Also show cash book.

2005 – June (50 X, Y and Z were sharing profits in the ratio of 3:1:1 respectively. They decided to dissolve their firm on 31st March, 2006 when position was as follows:

Liabilities		`	Assets		`
Capitals:			Machinery		51,000
X	82,500		Furniture		3,000
Y	30,000		Stock		23,400
Z	21,000	1,33,500	Debtors	72,600	
Loan		4,500	Less:		
Sundry creditors		18,000	Provision for bad debts	3,600	69,000
			Cash in hand		9,600
		1,56,000			1,56,000

(i) X agreed to takeover furniture at ` 2,400, debtors amounts to ` 60,000 at ` 51,600 and also the creditors at their book value.

(ii) Y agreed to takeover stock at ` 21,000 and a part of the machinery at ` 21,600 (being book value less 10%)

(iii) Z agreed to takeover the remaining machinery at 90% of the book value less ` 300 as allowance. He also assumed the responsibility for the payment of loan together with accrued interest ` 90 (not recorded in the books).

(iv) Dissolution expenses amounted to ` 810.

(v) The remaining debtors were sold to a debt – collecting agency at 50% of book value.

Prepare the important ledger accounts to close the books of account.

2006 – Dec (6) Following was the balance sheet of a firm as at 31st March, 2006:

Liabilities	`	Assets	`
Creditors	2,04,800	Bank balance	11,000
P’s loan account	60,000	Debtors	1,92,120
Q’s loan account	24,000	Stock	1,28,000
P’s current account	42,400	Machinery	57,200
Q’s current account	5,000	Land	1,68,000
Capital accounts:			
P	1,20,000		
Q	80,000		
R	40,000		
	5,76,200		5,76,200

It was decided to dissolve the firm on that date. The assets (with the exception of bank balance) realised ` 4,53,600. The firm had to pay ` 3,000 for an outstanding bill not recorded in the banks. R became insolvent and ` 2,000 were realised from his estate. Prepare necessary ledger accounts in the Books of the firm when-

(i) Partners’ capitals were fixed; and

(ii) Garner vs. Murrary rule was followed.

2007 – June (4) (b) Leela, Sweta and Shyama are in partnership. They share profits in the ratio of 5:3:2. The following is their balance sheet as at 31st March, 2006 on which date they dissolve partnership:

Liabilities		`	Assets	`
Creditors		2,00,000	Premises	2,00,000
Loan account-Leela		50,000	Plant and machinery	1,50,000
Capital accounts:				
	`			
Leela	2,50,000		Furniture	68,500
Sweta	75,000		Stock	2,04,000
Shyama	2,25,000	5,50,000	Debtors	1,77,500
		8,00,000		8,00,000

It was agreed to repay the amounts due to the partners as and when he assets were realized, viz.,:

	`
1st May, 2006	1,50,000
1st June, 2006	3,65,000
1st September, 2006	2,35,000

Prepare a statement showing the distribution of cash using maximum loss method and write up the cash account.

2009 – June (8) P, Q and R were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st March, 2009, their balance sheet was as follows:

Liabilities		`	Assets		`
Capitals:			Land and building		5,50,000
P	7,00,000		Machinery		3,00,000
Q	4,00,000		Furniture		1,65,000
R	3,00,000	14,00,000	Stock		2,80,000
Creditors		1,15,000	Debtors	2,00,000	
			Less : Provision		
			for bad debts	10,000	1,90,000
			Cash at bank		30,000
		15,15,000			15,15,000

Creditors and all the assets except debtors and cash at bank were taken over by M. Ltd. for `12,00,000 payable in the form of fully paid equity shares of `10 each issued at par. M. Ltd. valued land and building at `5,70,000.

The firm was able to realise `1,80,000 only from debtors. Expenses of dissolution came to `3,000.

The shares were distributed among the partners in their profit sharing ratio. The remaining amounts due to partners were settled in cash.

Prepare ledger accounts in the books of the firm.

2009 – Dec (4) A, B, C and D shared profits and losses in the ratio of 4:3:2:1 respectively. The firm was dissolved on 31st March, 2009. The firm's balance sheet on that date was as follows:

Balance Sheet as on 31st March, 2009

Liabilities	`	Assets	`
Bills payable	20,000	Cash at bank	8,000
Creditors	1,20,000	Bills receivable	40,000
Capital accounts:		Debtors	1,40,000
A	80,000	Stock	92,000
C	1,20,000	Capital accounts:	
		B	40,000
		D	20,000
	3,40,000		3,40,000

Bills receivable and debtors realised 90% of their book values. Stock was sold for `78,000. Outstanding salary of 2,000 which was not shown in the above balance sheet was also paid. The realisation expenses amounted to `6,000 and were paid by D.B. was insolvent and only `32,000 could be recovered from his estate. Garner vs Murray rule was applied. Prepare realisation account and partners' capital accounts.

Issue Of Shares

ISSUE OF SHARES AT PAR

Problem 1: - A Ltd. Offered to the public 10,000 equity shares of Rs. 10 each payable as follows:

On application	Rs. 3 per share
On allotment	Rs. 3 per share
On first call	Rs. 2 per share
On final call	Rs. 2 per share

The company received applications for 50,000 shares which is duly allotted. Both the calls were made and duly received.

Share issue expenses amounting to Rs. 10,000, being the payment made to the registrar to the issue.

Pass journal entries in the books of the company.

Problem 2 : - A limited company was incorporated with a capital of Rs. 40,00,000 consisting of 2,00,000 equity shares of Rs. 10 each and 1,00,000 preference shares of Rs. 20 each. It offered to the public 10,000 equity and 5,000 preference shares payable as follows:

	Equity shares	preference shares
	Rs.	Rs.
On application	2	4
On allotment	3	6
On first call	2	4
On second and final call	3	6

The company received applications for just 1,00,000 equity and 50,000 preference shares. The shares were duly allotted and all moneys duly received.

Required:

Journalise the above transactions (including cash);

ISSUE OF SHARES AT A PREMIUM

Problem 3 : - ABC Ltd. Issued 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 5 per share payable as follows :

On application	2	
On allotment	8	(including premium)
On first call	3	
On final call	2	

All the shares offered were subscribed for by the public and cash duly received. Share issue expenses amounting to Rs. 10,000 and these expenses will be written off against security premium reserve. Pass Journal Entries to record the above issue of shares.

Problem 4 : - Bright Ltd., offered 2,00,000 equity shares of Rs. 10 each at a premium of 40% payble as follows:

Rs. 4 (including 50% of premium) on application.

Rs. 5 (including the balance premium) on allotment.

Rs. 5 on first and final call.

The company received applications for 2,00,000 shares which it duly allotted. All the moneys including premium were received on due dates.

Pass the Journal Entries and prepare Cash book.

ISSUE OF SHARES AT PREMIUM

Problem 5 : - Raj and Raj Ltd. Offered 50,000 shares of Rs. 10 each at a premium of Rs. 2 per share, payable as under:

On Application Rs. 2 per share

On allotment Rs. 5 (including premium)

On first and final call – Balance amount.

The company received applications for 48,000 shares which it duly allotted. All moneys payable on allotment and share first call were duly received.

Record the above transactions in the books of the Company.

ISSUE OF SHARES AT DISCOUNT

Problem 6 : - A limited company issued 10,000 Equity shares of Rs. 10 each, at a discount of 8% , payable as Rs. 1.50 on application, Rs. 2.50 on allotment and the balance on first and final call. The company has complied with all the legal formalities necessary for the issue of shares at a discount.

The entire issue was subscribed and allotted and all the money due on allotment and first call was received.

Show the Journal Entries to record this issue.

Problem 7 : - Raj and Raj Ltd. Offered 50,000 shares of Rs. 10 each at a premium of Rs. 2 per share, Payable as under:

On application Rs. 2 per share
On Allotment Rs. 5 (including premium)
On first and final call – Balance amount.

The company received applications for 48,000 shares which it duly allotted. All moneys payable on allotment and share first call were duly received.

Record the above transactions in the books of the Company.

Problem 8 : - Star Ltd. Offered to the public for subscription 1,00,000 shares of Rs. 10 each at a discount of 10% payable as follows:

On Application	Rs. 2
On Allotment	Rs. 3
On first and final call	Rs. 4

Applications were received for 90,000 shares which were duly accepted. All money due on allotment and first and final call were received when due.

Recorded the above transactions relating to issue of shares in the books of the Company. The company decides to write off Discount on issue of shares over a period of five years.

Problem 9 : - ABC Ltd., with an authorized capital of 15,000 equity shares of Rs. 10 each, issued 12,000 shares to the public for subscription at a discount of Rs. 2 per share applicable during allotment, called-up as follows:

Re. 1 on application;
Rs. 3 on allotment;
Rs. 2 on first call;
Rs. 2 on final call.

Q, a holder of 100 shares, failed to pay the allotment money and his shares were forfeited after the first call was made.

R, a holder of 200 shares, failed to pay the first call money and his shares were forfeited after the final call was made.

Subsequently, 50 shares of Q and 100 shares of R were reissued to S at Rs. 7 each.

From the above, you are required to prepare:

Show the Journal Entries to record this issue and prepare bank account.

CALLS IN ARREARS

Problem 10 : - X Ltd., is registered with a nominal capital of Rs. 10,00,000 divided into 1,00,000 shares of Rs. 10 each. It offered to the public for subscription 80,000 shares, payable as Rs. 2 on application;

Rs. 3 on allotment; and the balance on a call when required by the company.

The company received applications for 1,60,000 shares. The directors allotted to applicants one – half of the shares applied for. The company receives all the money due on allotment and first and final call, except the first and final call on 1,000 shares held by A.

Pass the Journal Entries in the books of the company.

Problem 11 : - Goodluck Co. Ltd., issued on 1 st January, 2002, 1,00,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows:

Rs. 2 per share on application;

Rs. 5 per share on allotment (including premium); and

The balance as and when the company reduce gap required.The company received applications for 1,20,000 shares on 10th January, 2002. It rejected applications for 10,000 shares. To A who applied for 20,000 shares. The company allotted only 10,000 shares. The other applications were allotted the full number of shares they had applied for. The allotment was done on 20 th January, 2002. The allotment money was received on 10 th February, 2002. The company *did not make the call.*

Pass Journal entries recording the above transactions.ss

Problem 12:- Raj Ltd., invited applications for 1,00,000 equity shares of Rs. 10 each on the following terms:

On Application	Rs. 3
On Allotment	Rs. 2
On first and final call	Rs. 5

Application were received for 2,20,000 shares. It was decided :

(a) To refuse allotment to the applicants for 20,000 shares.
(b) To allot 50% shares to A who has applied for 40,000 shares.
(c) To allot in full to B who has applied for 20,000 shares.
(d) To allot balance of the available shares pro ratra among the order applicants, and
(e) To utilize excess application money in part payment of allotment and final call.

Give the Journal Entries to record the above transactions (including cash). The entire sum due on allotment and first call was duly received in full.

FORFEITURE OF SHARES

Problem 13 : -Bright Limited had offered 50,000 equity shares of Rs. 10 each to public for subscription, payable as follows:

Re. 1 on application
Rs. 2 on allotment
Rs. On first call
Rs. 4 on second and final call.

All the calls were made and duly received except from A holding 200 shares who failed to pay both the calls and B holding 500 shares who failed to pay the final call.

Pass Journal Entry on the forfeiture of shares of both A and B.

Problem 14 : - Ankita Ltd., issues 2,00,000 shares of Rs. 10 each, payable as

Rs. 2 on application;
Rs. 2.50 on allotment;
Rs. 3 on first call; and

Rs. 2.50 on second and final call.

The company receives the amount due on due dates with the exception of first call, and second and final call on 800 shares. This shares are forfeited for non-payment of calls and are subsequently re – issued at Rs. 10 per share fully paid – up.

Pass the necessary entries regarding forfeiture and re – issue of the forfeited shares.

Problem 15 : - X holds 1,000 shares of Rs. 10 each on which he has paid Re. 1 per share on application.

Y holds 2,000 shares of Rs. 10 each on which he has paid Re. 1 and Re. 2 per share on application and allotment respectively.

Z holds 3,000 shares of Rs. 10 each on which he has paid Re. 1 on application, Rs. 2 on allotment and Rs. 3 on first call.

They all fail to pay forfeited and subsequently re-issued at Rs. 11 per share as fully paid.
The above shares are forfeited and subsequently re issued at Rs. 11 per shares as fully paid.
Journalise the above transactions relating to the forfeiture and the re-issue of shares.

Problem 16 : -Janvi Ltd., issued 1,00,000 shares of Rs. 10 each, payable as Rs. 2 on application, Rs 3 on allotment, Rs. 2 on first call and Es. 3 on second call and final call. The company does not make the second and final call. It receives the amounts on due dates with the expectation of first call on 500 shares. These shares are forfeited for non-payment of the call. Subsequently the company issues 300 of these shares at Rs. 6 per share.

Pass the necessary Journal Entries as to forfeiture and re-issue.

Problem 17 : - Batter Prospects Ltd. ., issued 30,000 shares of Rs. 10 each at a premium of Rs. 2 per share , payable as follows:

Rs. 2 on application;
Rs. 5 on allotment (including premium);
Rs. 5 on first and final call.

All shares were applied for and allotted. All moneys were received with the exception of first and final call on 500 shares which were forfeited. 300 of these shares were reissued as fully paid @ Rs. 8 per share.

Required :

1. Journal Entries in the books of the company in respect of the above transactions;

2. Balance sheet.

Problem 17 : - Raju Enterprises Ltd. Offered to the public for subscription 50,000 shares of Rs. 10 each at a premium of Rs. 2 per share payble as follows:

Rs. 3 on application
Rs. 4 on allotment (including premium)
Rs. 3 on first call, and
Rs. 2 on second and final call.

Applications were received for 70,000 shares. The applications for 20,000 shares were rejected. Other applicants were allotted the number of shares they had applied for.

Rajiv to whom 2,000 shares were allotted faild to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited.

Rajni to whom 4,000 shares were allotted failed to pay the two calls and her shares were forfeited after the second call. These 5,000 shares were re-issued as fully paid at Rs. 8.50 per share.

Record these transactions in the books of the Company..

Problem 18 : - Hardcore Computers Ltd, having an authorized capital of 20,000 shares of Rs. 10 each, issued 15,000 shares to the public. Applications were received for 10,000 shares. The amount payable was as follows:

On application	Rs. 3 per share;
On allotment	Rs. 5 per share
On first and final call	Rs. 5 per share.

All sums were duly received by the company except the following:

Mr. Perfect, the holder of 100 shares, did not pay allotment and call money. Mr. Right, the holder of 200 shares, did not pay call money.

The company forfeited all the shares of Mr. Perfect and subsequently reissued them at Rs. 8 fully paid – up.

Required:

1. Entries in the Cash Book and Journal;
2. Balance Sheet.

Problem 19 : - A Company issued for public subscription 50,000 equity shares of Rs. 10 each at a premium of Rs. 2 per share, payable as under:

On application	Rs 2 per share.
On allotment	Rs. 5 per share (including premium)
On first call	Rs. 2 per share
On final Call	Rs. 3 per share

Applications were received for 75,000 equity shares. The shares were allotted pro rata to the applicants for 60,000 shares. the remaining applications being rejected shares, Money over – paid on application was utilized towards sum on allotment.

A, to whom 2,000 shares were allotted, failed to pay allotment and call moneys and B, to whom 2,500 shares were allotted, failed to pay the two calls. The shares were subsequently forfeited after the final call was made.

All the forfeited shares were sold to X as fully paid – up at Rs. 8 per share.

Pass the Journal Entries required to record the above transactions and prepare the Company's Balance Sheet.

Problem 20 : - A limited company issues a prospectus inviting applications for 2,00,000 shares of Rs. 10 each at a premium of Rs. 2 per share payable as follows:

On application	Rs. 2
On allotment	Rs. 5 (including premium)
On first call	Rs. 3
On second and final call	Rs. 2s

Applications were received for 3,00,000 shares and pro-rata allotment was made on the applications for 2,40,000 shares. Money overpaid on applications was employed on account of sum due on allotment.

Ramesh, to whom 4,000 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call, his shares were forfeited. Mohan, the holder of 6,000 shares, failes to pay the two calls, and his shares were forfeited after the second call.

Of the shares forfeited 8,00 shares were sold to Krishna credited as fully paid for Rs. 9 per share, the whole of Ramesh's shares being included.

Show Journal Entries and the Balance Sheet.

Problem 21 : - Manu Ltd., has a nominal share capital of Rs. 2,50,000 divided into Rs. 10 shares. Of these 5,000 shares are issued as fully paid in the payment of machinery purchased. 16,000 shares are subscribed for by the public, and during the first year Rs. 5 per share is called, payable as follows:

Rs. 2	On application;
Rs. 1	On allotment
Rs. 1	On first call;
Rs. 1	On second call

The amounts received in respect of these shares are as follows:

On 1,20,000 shares the full amount called.

On 2,500 shares Rs. 4 per share;

On 1,000 share Rs. 3 per share

On 500 shares Rs. 2 per share.

The directors forfeited the 1,500 shares on which less than Rs. 4 had been paid. The shares are subsequently re – issued as Rs. 5 called – up for Rs. 3 per share.

Give Journal entries recording the above transactions and prepare the company's Balance Sheet.

Problem 22 : - Give necessary Journal Entries in respect of forfeiture and re-issue of shares in each of the following cases:

(a) The Journal of M. Ltd., resolved on 1 st May, 2001 that 2,000 equity shares of Rs. 10 each, Rs. 7.50 paid, be forfeited for non – payment on final call of Rs. 2.50. On 10 th June, 2002, 1,800 of these shares were re-issued for Rs. 6 per share.

(b) X Ltd., forfeited 100 shares of Rs. 10 each (Rs. 8 called up) issued at a discount of 10% to Suresh on which he had paid Rs. 2 per share. Out of these, 50 shares were re-issued to Ram as Rs. Called up for Rs. 6 per shares.

(c) A share of Rs. 10 issues at a premium of Re. 1 on which Rs. 8 (including premium) was called and Rs. 6 (including premium) was paid, has been forfeited. This share was subsequently re-issued as fully paid for Rs. 7.

Problem 23 : - Give necessary Journal Entries in the following cases:

(a) The Directors of Devendra Ltd. Resolved on 1 st January, 2002 that 200 equity shares of Rs. 10 each, Rs. 8 paid, be forfeited for non-payment of final call of Rs. 2. On first February, 100 of these shares were re-issued at Rs. 7 per share fully paid – up.

(b) Virendra Limited forfeited 20 shares of Rs. 100 each 9Rs. 60 called up) issued at par to Mukesh on which he had paid-up for Rs. 45 per share.

(c) A share of Rs. 10, on which Rs. 8 has been called and Rs. 6 has been paid, is forfeited. It is re-issued for Rs. 7 as fully paid.

Problem 24 : - Give necessary Journal Entries:

(a) A Ltd., forfeited 10 shares of Rs. 10 each, Rs 6 called up issued at a discount of 10% to Neeta on which she had paid Rs. 2 per share. Out of these 8 shares were re-issued to Meeta as Rs. 8 called up for Rs. 6 per share.

(b) Pankhuri Ltd.., forfeited 100 shares of Rs. 10 each issued at 20% premium (to be paid at the time of allotment) on which first called. These shares were subsequently re-issued at Rs. 7 per share as Rs. 8 paid-up.

Problem 25 : - Zed Ltd. With a share capital of Rs. 1,00,000 divided into 20,000 shares of Rs. 5 each offers the shares to the public as under:

Re. 1 per share payable on application;
Re. 1 per share payable on allotment;
Rs. 1.50 per share payable on first call; and
Rs. 1.50 per share payable on second and final call.

B, a shareholder, who holds 300 shares, has paid only the application money.

C, a shareholder , who holds 200 shares, has paid application money on 200 shares and allotment money only on 100 shares. He has not paid any other calls.

D, a shareholder who holds 180 shares has paid only the application and allotment money.

E, a shareholder who holds 50 shares has paid only the application and allotment money.

F, a shareholder who holds 30 shares has paid only the application and allotment money in full and second call money on only 20 shares.

The company has forfeited the shares of the above shareholders due to non-payment of allotment and call money.

Journalise the above transactions including entries relating to Bank in the books of Zed Ltd.

Problem 26 : - A Limited Company had an authorized capital of Rs. 1,25,000 (shares of Rs. 10 each devided into 12,500 shares). The company issued 10,000 shares payable at Rs. 2 per share on application, Rs. 3 on allotment, Rs. 3 on First call and Rs. 2 on second call. All the shares are subscribed by the public. The directors made allotment and the money was duly received except for the second and final call on 500 shares. Pass the journal entries in the books of A Ltd.

Problem 27 : - A company with an authorized capital of Rs. 25,00,000 issued on prospectus inviting applications for 1,00,000 shares of Rs. 10 each and stated that 10,000 shares will be issued in addition as fully paid to vendor in part payments of purchase money. The terms of payment being Rs. 5 per share on application, Rs. 2.50 per share on allotment, and Rs. 2.50 on first and final call.

The capital offered was oversubscribed by 10,000 share. The amount was due on allotment was received in full. Only Rs. 2,00,000 were received against first and final call.

The purchase money of Rs. 1,50,000 was paid in full. Make necessary journal entries in the books of the company.

ISC EXAMS PROBLEMS

Problem 1 : - Goodluck Limited had issued 10,000 shares of Rs. 100 each for public subscription. The amounts were payable as follows :

On Application	Rs. 40
On Allotment	Rs. 30
On first call	Rs. 20

On final call Rs. 10

Careless, who was allotted 200 shares, failed to pay the amount due on allotment and both the calls. Reckless, who was allotted 300 shares, failed to pay the amount due on both the calls. Brainless, who was allotted 400 shares , failed to pay the amount due on second call. The Directors, after giving a prior notices, forfeited the shares on 31st December 1990. You are required to show the journal entries regarding the issue of shares and forfeiture of shares and show how the share capital will appear in the Balance Sheet of Goodluck Limited as on 31st December 1990. **[ISC 1991]**

Problem 2 : - Fortunate Limited issues 10,000 equity shares of Rs. 100 each. The amount was payable as under :

On Application	Rs. 20
On Allotment	Rs. 30
On first call	Rs. 25
On final call	Rs. 25

The company received application for 10000 equity shares. The company allotted the shares. The Directors made both calls.

Mr. Unlucky, holding 100 shares, did not pay both the calls whereas Mr. Unsuccessful , holding 40 shares did not pay the second calls.

The Directors forfeited the shares. They were again re-issued as fully paid at Rs. 75 per share.

Record the transaction in the Journal of the company. Also show the relevant items as they would appear in the balance Sheet of the Company. **[ISC 1993]**

Problem 3 : - X & co. Limited with an authorized capital of Rs. 2,00,000 divided into 20,000 equity shares of Rs. 10 each, issued the entire shares payable as follows :

On Application Rs. 5 (including premium)

On Allotment Rs. 4

On first and final call Rs. 3

All the share money is received in full with the exception of the allotment money on 200 shares and the calls money on 500 shares (including 200 shares on which allotment money had not been paid).

The above 500 shares are duly forfeited and 400 of these (including the 200 shares on which allotment money had not been paid) are re- issued at Rs. 7 per share payable by the purchaser.

Make the necessary journal entries. **[ISC 1994]**

Problem 4 : - A limited company issued a prospectus inviting application for 90,000 shares of Rs. 10 each at a premium of Rs. 2 per share, payable as follows :

On Application Rs. 4.50

On Allotment (including premium) Rs. 4.50

On first and final call Rs. 3.00

All money payable by shareholders was received except from Mr. Unlucky who had taken 1,000 shares, but failed to pay the final call. His shares were forfeited and reissued to Mr. Fortunate at 6.00 each

Show the Journal Entries in the books of the Company in respect of the above transactions.**[ISC 1995]**

Problem 5: - Welfare Limited issued 1,000 shares of Rs. 100 each. All moneys were received except for 100 shares on which Rs. 90 was received per share. These 100 shares were forfeited and 50 shares were reissued for Rs. 80 each fully paid up. Show forfeiture account and balance sheet as at closing date.
[ISC 1996]

Problem 6 : - Better Prospect Ltd issued 30,000 shares of Rs.10 each at a premium of Rs. 2 per share, payable as follows :

Rs. 2 on Application

Rs. 5 onAllotment (including premium)

Rs. 5 on first and final call

All shares were applied for and allotted. All moneys were received with the exception of first and final call on 500 shares which were forfeited. 300 of these shares were re- issued as fully paid @ Rs. 8 per share.

(a) Give journal entries in the books of the company in respect of the above transaction.

(b) Show the Balance Sheet. **[ISC 1997]**

Problem 7 : - PQR & Company Ltd with an authorized capital of 1,00,000 equity shares of Rs. 10 each made a public issue of 80,000 equity shares at a premium of Rs. 3 per share payable Rs. 2 on application, Rs 5 on allotment (including premium), Rs. 3 on first call and the balance after some time.

Application were received for 1,00,000 shares. The board of Directors decided to refund the excess application money and thereafter allot the remaining shares.

During allotment, Mr. M holding 1,000 shares failed to pay the allotment money while Mr. N holding 2,000 shares paid the entire amount due up to the second and final call.

Thereafter, the first call was made and after given a sufficient notice to Mr. M, the company decided to forfeited his shares and subsequently re-issued 800 of the forfeited shares to Mr. O at Rs. 11 each fully paid up at Rs. 13 each.

You are required to journalize the above issue of shares through calls in arrears account and calls in advance account along with other entries in the books of PQR & company Ltd. **[ISC 1999]**

Problem 8 : - Winston was allotted 100 shares of Rs. 100 each by Diplod Ltd., originally issued at a discount of Rs. 6 per share. He failed to pay final call of Rs. 35. These shares were forfeited and out of these, 50 shares were re-issued to Slack at Rs. 90 each as fully paid up.

Journalise the transaction in respect of forfeiture and reissue of shares only. **[ISC 2000]**

Problem 9 :- Newton Ltd. invited application for 30,000 shares of Rs. 50 each issued at a discount of 10% the public subscribed for 25,000 shares and these were duty allotted.

The amount was payable as follows :

On application	Rs. 10 per share
On allotment	Rs.20 per share (after discount)
On first an final call	Rs. 15 per share

All the money was duly received with the exception of the call money on 400 shares these share were forfeited of the forfeited shares, 300 shares were reissued as fully paid up @ Rs. 35 per share.

Journalise the above statement. **[ISC 2006]**

Problem 10 :- Pioneer Ltd Invited applications for 12,000 shares of Rs, 100 each to be issued at a premium of 10% payable as follows :

on application	Rs.25
On Allotment	Rs.40
On First & Final Call	Rs.35

Application were received for 10,000 shares and of these were accepted. All the money due was received except the first final call on 100 share which were forfeited 60 of these forfeited share were reissued # Rs. 90 per share credited as fully paid.

You are required to:

(a) pass the necessary journal entries.
(b) Prepare the Balance sheet of Company.

[ISC2007]

Problem 11 :- The directors of Bhagat and company Ltd issued 50,000 equity share of Rs. 10 each at Rs. 12 Per Share Payable only Rs. 5 on application including the premium RS. 4 on allotment and the balance on final call.

Application were received and their 70,000 shares out of which application for 8,000 shares were rejected and their money was refunded. money overpaid on application was applied towards sums due on allotment. All the monies were duly recovered except form one shareholder holding 500 shares who failed to pay the final call money. **[ISC 2009]**

Problem 12 :- Raman ltd Issued 20,000 shares of Rs. 10 each at discount of 10% payable as follows:

(i) Rs. 2.50 on application payable on 1st may 2009.
(ii) Rs. 1.50 on allotment payable on 1stjuly 2009.
(iii) Rs. 2 on first call payable on 1st Feb. 2010.
(iv) Balance on second call payable on 1st Feb. 2010

All these shares were subscribed and amounts received.

shareholder 'A' who had been allotted 200 shares paid the amount of the first and second calls with allotment

Another shareholder 'B' holding 100 shares did not pay the final call till the date of the balance sheet.

According to the Articles of Association of the companyinterest at the rate of 4% p.a is payable by the company on any call is advance. The interest was paid by the company to the shareholder on 1st Feb 2010.

Pass the necessary Journal Entries (including Interest) in the books of the company. **[ISC 2010]**

Problem 13 :- Sachdeva Tyres and Company Limited issued application for 1,00,00 equity shares of Rs. 10 each at a premium of Rs. 3 Per share. the amount was payable as follows

(i) On application : Rs . 2.
(ii) On allotment : Rs 5 (Including Premium)
(iii) Balance on the first and the final call.

Application were received for 1,50,000 shares .Allotment was made pro-rate to application. Sudhir who had applied for 300 shares failed to pay allotment and call money, his shares were forfeited after the first and the final call of these 170 shares were reissued to pramod at Rs. 9 per share fully paid.

[ISC2011]

Problem 14 :- In 2010 Ganga Ltd. was registered with an authorized capital of Rs. 1,00,00 in Equity shares of Rs. 10 each of these 4,000 equity shares were issued as fully paid to vendors for the purchase of plant and machinery and the remaining 6,000 shares were subscribed for by the public for cash. During the first the year Rs. 6 per Rs. 1.on allotment and Rs. on the first call.

The amount received in respect of these shares were as follows :

On 5,000 shares, the full amount called.

On 600 shares Rs. 4 Per share.

On 400 shares Rs. 3 per share.

The Company forfeited all those shares on which only Rs. 3 had been received and calls-in Arrear Account.

[ISC2012]

16 Issue Of Debentures

Q.1 XYZ Ltd., issued 10,000 14% Debentures of Rs. 100 each, payable as Rs. 20 on application, Rs. 30 on allotment, and the balance on first and final call. The Company received applications for 10,000 Debentures. All the money was duly received.

(a) Pass the Journal Entries in the books of the Company.

(b) What will be the Journal Entry/Entries if the amount is received by the Company in one lump sum?

Q.2 Vardhman Limited offered to the public 5,000 14% Debentures of Rs. 250 each at a premium of Rs. 50, payable Rs. 150 (including premium of Rs. 25) on application and balance on allotment. The company received applications for 10,000 debentures. It made allotment of one debenture to every applicant for 2 debentures.

Pass the Journal Entries in the books of the Company to record the above issue of debentures and prepare Balance Sheet also.

Q.3 Gungun Limited invited applications for issue of 10,000 14% Party Convertible Debentures of Rs. 100 each at a discount of 5% repayable at par, payable as Rs. 40 on application and balance on allotment. The company received applications for 9,000 debentures which it duly allotted.

(a) Pass Journal Entries to record the above issue assuming the full amount is received on allotment.

(b) Also give the Journal Entry if the amount is received in one lump sum along with the application.

(c) Prepare Balance Sheet of the company.

Q.4 What will be the journal entries for issue and redemption of 200 debentures of Rs. 100 each in the following cases?

(a) Issued at Rs. 100 repayable at Rs. 100;

(b) Issued at Rs. 95 repayable at Rs. 100;

(c) Issued at Rs. 105 repayable at Rs. 100;

(d) Issued at Rs. 95 repayable at Rs. 105;

(e) Issued at Rs. 100 repayable at Rs. 105.

The debentures are redeemable after 5 years by a lump sum payment.

Q.5 Tanvi Ltd. Issues for cash 1,000 14% debentures of Rs. 100 each. Pass Journal entries if debentures are redeemable at par and are issued.

i. at par;

ii. at a discount of 10 per cent;

iii. at a premium of 5 per cent;

Also show the Balance Sheet effect in each case.

Q.6 Brite Star Ltd., offered for public subscription 40,000 14% fully secured debentures of Rs. 100 each at par. As an incentive to the public to subscribe for these debentures, it offered to pay Rs. 105 per debenture at the time of redemption. The company received application for 80,000 debentures along with full amount.

Pass Journal Entries in the books of the Company and prepare its Balance Sheet.

Q.7 Balajee Telefilms Ltd., offered for public subscription 25,000 14% debentures of Rs. 100 each at a discount of 5%. The debentures were repayable at a premium of 5% at the time of redemption. The full amount was payable along with application.

The company received applications for 18,000 debentures which were duly allotted.

Pass Journal Entries in the books of the company. Prepare its Balance Sheet also.

Q.8 A company issues 10,000 14% debentures of Rs. 100 each at a discount of 5 per cent. The debentures are repayable after four years, at a premium of 5 per cent. The loss on issued of debentures is to be written off evenly over the term of debentures.

Show Loss on Issue of Debentures Account. How will it appear in he Balance Sheet?

Q.9 On 1st April, 1998, Raja Steels Ltd., issued 10,000 10% debentures of Rs. 100 each at a discount of 6%. The term of debentures was 5 years. One-fifth of the debentures were to be redeemed every year by draw of lots.

The redemption was duly carried out on due dates. Show the Debentures Account and Discount on Issue of Debentures Account for five years.

Q.10 A Company issued 12% debentures of the face value of Rs. 1,20,000 at a discount of 10% on 1st April 1997. The debentures are repayable by annual drawing Rs. 40,000 commencing from the end of the third year. How will you deal with discount on debentures?

Show the Discount on Issue of Debentures Account in the Company's Ledger for the period of duration of debentures. Assume accounts are closed on 31st March.

Q.11 Newage Limited acquired the following assets from Oldage Limited at values agreed upon between the two Companies :

Machinery	Rs. 98,000
Patents	Rs. 52,000
Office Equipment	Rs. 50,000

The company issued to Oldage Limited 2,000 14% debentures of Rs. 100 each at par. In addition, the company also issued 500 14% debentures to Promoters for their services.

Pass Journal Entries in the books of Newage Limited.

Q.12 Priya Ltd. Purchased a machinery for Rs. 2,70,000. As per agreement, the payment is to be made by issuing sufficient number of 12% Debentures of Rs. 100 each.

i. at par;

ii. at a discount of 10 per cent;

iii. at a premium of 5 per cent;

Also show the Balance Sheet effect in each case.

₹