1. SINGLE ENTRY SYSTEM

Q. 1

Mr. X , a trader, does not keep proper books of account. However he provides the following particulars.

|  |  |  |
| --- | --- | --- |
| Cash at BankCash in HandStockDebtorsEquipmentsCreditorsFurniture  | 31.12.2001450030040000120005000300004000 | 31.12.20023000400045000200005000200004000 |

During the year 2002, Mr. X introduced Rs. 6000 as additional capital and withdrew Rs. 4000 as drawing. He write off 10% on furniture and 5% on equipment as depreciation.

Prepare a statement showing the profit or Loss made by him for the year ended 31st December , 2002. (B.COM: 2004) Ans. (PROFIT MADE DURING 2002 Rs. 22550)

Q. 2

Ghanshyam keeps his books by single entry. On 1st April, 2002, his position was as follows:

 Rs.

Sundry Creditors 20,000

Cash and Bank 10,800

Sundry Debtors 40,000

Stock 10,000

Plant 20,000

On 31st March, 2003 the position was as indicated below.

 Rs.

Sundry Creditors 35,000

Cash and Bank 22,500

Sundry Debtors 49,000

Stock 12,000

Plant 45,000

He drew Rs. 500 at the end of every month. He introduced Rs. 25,000 as additional capital. Depreciation plant at 10% per annum.

Prepare a Statement of profit and loss for the year 2002-2003 on the assumption that additional plant was purchased on 1-10-2002. (B.COM : 2003)

 Ans. (PROFIT Rs. 10450)

Q. 3

A commenced business on January 1, 2002 with a capital of Rs. 100000. He immediately bought furniture and fixtures for Rs. 20,000. On 30th June, he borrowed Rs. 50,000 form his wife @ 9% p.a. (interest not yet paid) and introduced a further capital of his own amounting to Rs. 11,500. A drew at the rate of Rs. 3,000 per month at the end of each month for his household expenses. On 31st Dec. 2002 his position was as follows.

 Cash in hand Rs. 28,000 Sundry Debtors Rs. 48,000

 Stock 68,000 Bills Receivable 16,000

 Creditors 5,000 Owing for Rent 1,500

 Furniture and Fixtures to be depreciated by 10%

 Ascertain the profit or loss made by A during 2002.

 Ans. (profit Rs. 43750)

Q.4

 The following is the statement of affairs of X as at 31st March, 2002:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities  |  Rs. | Assets |  Rs. |
| CreditorsCapital  |  53,200 2,80,000 3,33,200 | Cash DebtorsStockFurnitureMachinery |  10,820 96,7301,55,500 20,750 49,4003,33,200 |

In July 2002, the proprietor introduced fresh capital of Rs.20, 000. Every month, he withdrew Rs. 3,000 for his private expenses.

On 31st March, 2003, his assets and liabilities were as follows:

Debtors Rs. 1,14,170; Stock: Rs. 1,56,400; Cash: Rs. 11,170; and Creditors Rs. 38,140.

 Prepare a statement showing profit earned during the year ended 31st March, 2003. Depreciation fixed assets @ 10% per annum on diminishing balance method and create a provision of doubtful debts amounting to Rs. 1,935.

 Ans. (Profit Rs. 40,800)

Q. 5

X and Y started business on 1st January with capitals in the ratio of 3:2. Their assets and liabilities on 1st January, 2002 and on 31st Dec. 2002, were as follows.

 Jan. 1. 2002 Dec. 31, 2002

Cash in hand and at bank Rs. 4,005 Rs. 3,000

Bills receivable 2,000 3,500

Sundry debtors 15,000 25,000

Stock-in-trade 3,700 3,800

Fixed assets 60,000 65,400

Creditors 5,705 6,700

 The partners share profits in the ratio 3:2 after charging interest on capital in the beginning at 5% p.a. and after providing for interest on drawings @ 6%p.a. Drawings on an average of 6 months are Rs. 8,000 for X and Rs. 6,000 for Y. Calculate profits and prepare statement of affairs at the end.

 Ans. (profit Rs. 29000, total of statement of affair is Rs. 100700)

**ALTERNATIVE METHOD: CONVERSION OF SINGLE ENTRY TO DOUBLE ENTRY:**

It may be possible to prepare the P & L a/c and balance sheet for such organizations by converting the records into double entry method. In this method, various ledger accounts are prepared e.g. sales, purchases, debtors, creditors, trading a/c, cash book. As full information is not available the balancing figure in each of these accounts needs to be correctly interpreted. For example, if we know opening & closing balances in debtors’ a/c and the cash received from debtors; then the balancing figure will obviously indicate sales figures. Also, if we know opening and closing balances of creditors & credit purchases figures; then the balancing figure will certainly mean cash paid to creditors. Once these figures are calculated, it’s easy to prepare the financial statements in regular formats.

**CALCULATION OF MISSING FIGURE:**

1. Credit sales or opening debtors or closing debtors:

Proforma Total Debtors Account

|  |  |  |  |
| --- | --- | --- | --- |
| Balance b/d **(opening balance)**Bills Receivable **(dishonored)****C**ash **(paid for sales return etc.)**Sales **(credit)**Interest **(charged from customers)** | Rs. | Cash/ BankBills ReceivableReturn InwardsAllowances and DiscountsBad DebtsTransfer to CreditorsBalance C/d **(Closing Balance)** | Rs. |

1. Credit purchase or closing creditors or opening creditors:

Proforma Total Creditors Account

|  |  |  |  |
| --- | --- | --- | --- |
| Cash/ BankBills PayableReturn OutwardsAllowances and DiscountsTransfer from DebtorsBalance C/d **(Closing Balance)** | Rs. | Balance b/d **(opening balance)**Bills Payable **(dishonored)****C**ash **(paid for purchases return etc.)**Purchases **(credit)**Interest charged | Rs. |

1. Bills receivable and Bills payable Balance

Proforma Bills Receivable Account

|  |  |  |  |
| --- | --- | --- | --- |
| Balance b/dSundry Debtors (Bills Receivable accepted by customers) | Rs. | Cash / BankInterest (on Retirement)Sundry Debtors (on dishonored of Bills)Sundry creditors (on endorsement of B/R from a customer to supplier)Balance C/d | Rs. |

Proforma Bills Payable Account

|  |  |  |  |
| --- | --- | --- | --- |
| Cash / BankInterest (on Retirement)Sundry Creditors (dishonor of Bills Payable)Balance C/d | Rs. | Balance B/DSundry Creditors (Acceptances) | Rs. |

1. Opening stock: It can be calculated by applying gross profit percentage to sales. A memorandum trading account has to be prepared by writing the information given in the examination.
2. Missing cash and bank Balance: A Receipts and Payments account is prepared preferably in a columnar form from the bank pass book. The purpose is to ascertain either opening or closing balance of cash in hand or/ and with bank. Where cash in hand not stated expressly , it may be extracted from the opening statement of affairs.

Q. 6

Purchases made during the year Rs. 2,000; Sales made during the year Rs. 3,00,000; Closing stock Rs. 20,000; Wages, Freight Rs. 5,000. Indirect expenses Rs. 7,000; Rate of gross profit on cost 1/2. Calculate opening Stock.

 Ans. (Rs. 15000)

Q. 7

From the following information you are required to calculate total purchases:

Cash purchases Rs.85, 000

Creditors as April 1, 2002 40,000

Cash paid to creditors 1, 55,000

Purchases returns 5,000

Creditors as on March 31, 2003 67,000

 Ans. (Rs. 2,72,000)

Q. 8

From the following facts your are required to calculate total purchase:

Opening balance of bills payable Rs. 50,000

Opening balance of creditors 60,000

Closing balance of bills payable 70,000

Closing balance of creditors 40,000

Cash paid to creditor during the year 3, 02,000

Bills payable discharged during the year 89,000

Returns outward 12,000

Cash purchases 2, 58,000

 Ans. (Rs. 6,61,000)

Q. 9

From the following details, calculate the value of Opening Stock:

 Closing stock Rs. 68,000

 Totals sales Rs. 4, 80,000

 (Including cash sales Rs. 1, 20,000)

Total purchases Rs. 3, 60,000

 (Including credit purchases Rs. 2, 93,200)

Goods are sold at profit of 25% on cost.

 Ans. (Rs. 92,000)

Q. 10

From the following facts you are required to calculate total sales:

Bills receivable in the beginning Rs. 78,000 Returns inward Rs. 87,000

Debtors in the beginning 3, 08,000 Bills receivable dishonored 18,000

Bills receivable encashed during Bills receivable at the end 60,000

 The year 2, 09,000 Debtors and the end 2, 55,000

Cash received from debtors 7, 00,000 Cash sales (as per cashbook)4,09,000

Bad debts written off 28,000

 Ans. (Rs. 13,62,000)

Q. 11

From the following facts you are required to determine the amount of total sales.

Stock in the beginning Rs. 8,000; Stock at the end Rs. 7,000; Purchases Rs. 40,000: Rate of gross profit on sale 1/6.

 Ans. (Rs. 49,200)

Q. 12

Find out the missing figure:

 Opening stock Rs. 50,000

 Closing stock Rs. 70,000

 Sales Rs. 5, 60,000

 Carriage inward Rs. 10,000

 Purchases ?

Gross profit 25% on sales

 Ans. (Rs. 4,30,000)

Q. 13

From the following particulars, ascertain the amount of credit sales and credit purchases for the year ended 31st March 2006:

 Rs.

Total Creditors: 1.4.2005 4,00,000

Total debtors: 1.4.2005 7,00,000

Cash received from customers 14,50,000

Received for bills receivable 80,000

Paid to sundry creditors 5,60,000

Bills payable met 1,20,000

Discount allowed to customers 20,000

Discount earned 10,000

Sales returns 60,000

Purchase returns 80,000

Bad debts 30,000

Total creditors: 31.3.2006 9,20,000

Total debtors: 31.3.2006 8,80,000

Bills receivable: 1.4.2005 60,000

Bills payable: 1.4.2005 1,40,000

Bills receivable: 31. 3.2006 1,80,000

Bills payable: 31.3.2006 1,00,000

 Ans. (Credit Sale Rs. 19,40,000 & Credit Purchase Rs. 12,50,000)

Q. 14

From the following prepare total debtors account and total creditors account and find out credit sales and credit purchase:

|  |  |
| --- | --- |
| Debtors as on 1-4-2003Creditors as on 1-4-2003Debtors as on 31-3-2004Creditors as on 31-3-2004Bills receivable received during the yearBills Payable issued during the yearCash received from customerCash paid to supplierDiscount allowed by supplierDiscount allowed to customerBad debts written offBad debts recoveredBills received endorsed to creditorsBills receivable dishonored by customerEndorsed bills receivable dishonoredBills receivable dishonoredDiscounted bills receivable dishonored Sales returnsPurchase returns | 500040004000600010000800030000207002701501200300400010005002000700600200 |

Ans. (Credit Sales Rs. 36750 and Credit Purchase Rs. 34670) (B.com 2006)

Q. 15

From the following particulars, Calculate:

1. Cash paid to sundry creditors during the year
2. Cash received from sundry debtors during the year

|  |  |
| --- | --- |
| Opening creditorsClosing creditorsOpening debtorsClosing debtorsOpening stockClosing stockPurchases during the yearDiscount allowed by creditorsDiscount allowed to customerBills payable issued to creditorsBills receivable received from customerBills receivable dishonored | 206003480066400374005000040000140000800100020000350002000 |

The rate of gross profit is 25% on selling price.

Of the total sale Rs. 35000 were for cash.

Ans. ((i) Rs. 10,500) , (ii) Rs. 1,60,000) (B.com 2003)

Q. 16

From the following information supplied by Mr. X, Calculate total Sales:

|  |  |
| --- | --- |
| Capital in the beginningCash in hand in the beginningB/R in the beginningDebtors (Opening)Cash received from Y as LoanCash received from DebtorsB/R encashed during the yearBad debts written offReturn outwardCredit purchasesCash paid to suppliersReturn inwardsB/R dishonoredB/R at the end of the yearDebtors at the end of the yearCash salesCash received from a Customer whose account was closed last year because of his insolvency | 12000040000780030800100007000020900280010000150000300008700180060002550040900500 |

Ans. (Total Sales Rs. 136200) **(III)**

Q. 17

The Books of Mr. Rachit on 1st Jan. 2003, disclosed the following position:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Amount | Particulars | Amount |
| CapitalSundry Creditors | 80,00075,000**1,55,000** | Furniture Sundry creditors Stock Cash at bank    | 20,00090,00040,0005000**1,55,000** |

During the year 2003, the books were imperfectly kept, but the analysis of the bank transaction reveled the following:

 Rs.

Receipts from customers 350000

Drawings for personal expenses 60000

Payments of salaries 30000

Payments to creditors 220000

Payments of rent 15000

Miscellaneous expenses 4000

The schedules on 31-12-2003 of the debtors totaled Rs. 95,000 and of the creditors Rs. 64,000. No inventory of the stock was taken on 31-12-2003, but it was stated that a gross profit of 40 percent on turnover was made during the year.

Prepare trading and profit and loss account for the year and a balance sheet as on 31-12-2003.

Ans. (G.P. Rs. 142000, N.P. Rs. 93000, B/S Total Rs. 177000) **(2010)**

Q. 18

Sonam Keeps his books on single entry and provides you the following information:

|  |  |  |
| --- | --- | --- |
| Particulars | 31-12-2006 | 31-12-2007 |
| Furniture and fittingsStock Sundry debtorsSundry creditors Prepaid expensesOutstanding expenses Cash in hand Receipts and payments in 2007;Receipts from debtors Paid to creditors Cartage Drawing Sundry expenses Furniture purchased for cash | 50,00030,00060,00020,000Nil 6,00011,000 | 60,00010,00070,000Nil 2,00010,0003,0002,10,0001,00,00020,0001,20,0001,60,00010,000 |

Prepare trading and profit and loss account for the year ended 31 December, 2007 after providing for bad debts at 10 percent.

There was a considerable amount of cash sales.

Ans. (G.P. Rs. 231500, N.P. Rs. 200300, B/S Total Rs. 278300) **(2009)**

Q. 19

Mr. X keeps his books on single entry. From the following information, prepare trading and profit and loss account for the year ended 31.3.2008, together with balance sheet as on that date:

Cash book analysis shows the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| Interest charges Personal withdrawals Staff salaries Other business expenses Payment to creditors  | 10020008500790015000 | Balance at the bank as on 31.3.2008 Cash in hand as on 31.3.2008 Received from debtors Cash sales  | 2425752500015000 |

Further details available are:

As on 1.4.2007 As on 31.3.2008

Stock on hand Rs. 9,000 Rs. 10,220

Creditors 8,000 5,500

Debtors 22,000 30,000

Furniture Rs.1,000 Rs. 1,000

Office premises 15,000 15,000

Provide 5 per cent interest on X’s capital balance as on 1.4.2007. Provide Rs. 1,500 for doubtful debts, 5 per cent depreciation on all fixed assets, 5 per cent group incentive commission to staff has to be provided for on net profit after meeting all expenses and the commission.

Ans. (G.P. Rs. 36720, N.P. Rs. 15400, B/S Total Rs. 56420) **(2009)**

Q. 20

On 1st April, 2005, B commenced his business as a cloth merchant with a capital of Rs. 10,00,000. On the same day, he purchased furniture for Rs. 3,00,000. He kept his books of account according to the single entry system. Following are the particulars of transactions during the year ended 31st March 2006:

 Rs.

Sale (including cash sales, Rs. 7,00,000) 17, 00,000

Purchases (including cash purchases, Rs. 4, 00,000 15, 00,000

Sundry expenses paid in cash 70,000

Bad debts 5,000

Drawings by B in cash 1, 20,000

Salaries paid in cash 2, 45,000

 B took cloth worth Rs. 5,000 from his stop for his personal use and gave Rs. 20,000 to his son out of firm’s cash but these transactions were not recorded in the books of account.

 On 31st March, 2006, his sundry debtors were Rs. 5,65,000 and his sundry creditors were Rs. 3,60,000. Stock in hand on 31st March, 2006 was Rs. 6,50,000.

 Show rectified cash book, sundry debtors accounts, sundry creditors account and prepare Trading and Profit and Loss account for the year ended 31st March, 2006 with balance sheet as on 31st March, 2006.

Ans. (G.P. Rs. 855000, N.P. Rs. 535000, B/S Total Rs. 1750000) (2008)

Q. 21

The following is the position of assets and liabilities of Milan who keeps his books on single entry system:

|  |  |  |
| --- | --- | --- |
|  | 1-1-2006 | 31-12-2006 |
| StockDebtorsMachineryFurnitureCreditorsBank OverdraftSalary Outstanding | 50000600006000050003000010000-- | 450007600060000500029000--500 |

The cash book gives the following information:

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts from debtorsCash salesPayments to creditorsCash purchasesInterest on bank overdraft | 800003000040000250001500 | SalariesDrawingsGeneral expensesRent | 5000400080002200 |

Other Informations:

Discount allowed to debtors was Rs. 4000 and discount earned from creditors Rs. 2500. Goods worth Rs. 3000 were returned by the customer and goods worth Rs. 1500 were returned to supplier. Also depreciate machinery at 10% and furniture at 6%.

Prepare Trading and Profit and Loss account for the year ending on 31-12-2006 and a Balance Sheet as on that.

Ans. (G.P. Rs. 58500, N.P. Rs. 33500, B/S Total Rs. 194000) **(2007)**

Q. 22

Ram Prakash keeps his books on Single Entry System. From the following information provided by him, prepare a Trading and Profit & Loss Account for the year ended 31st Dec. 2002 and Balance Sheet as on that date:

 31-12-2001 31-12-2002

 Rs. Rs.

Furniture 10,000 12,000

Stock 6,000 2,000

Debtors 12,000 14,000

Prepaid Expenses \_\_ 4,000

Creditors 4,000 ?

Outstanding Expenses 1,200 2,000

Cash 2,200 6,00

 Receipts and payments during the year were follows:

 Rs.

 Receipts from Debtors 42,000

 Paid to Creditors 20,000

 Carriage Inwards 4,000

 Drawings 12,000

 Sundry Expenses 14,000

 Furniture purchased 2,000

 Other information:

 There were considerable amount of cash sales. Credit purchases during the year amounted to Rs. 23,000. Provide as provision for doubtful debts to the extent of 10% on debt Rs.

Q. 23

The following information is supplied from which you are required to prepare the profit and Loss Account for the year ended 31st March, 2003 and Balance Sheet as on that date:

Assets and Liabilities 31.3.2002 31.3.2003

Sundry assets Rs.18,000 Rs.20,000

Stock 14,000 19,000

Cash in hand 8,200 4,800

Cash in bank 2,200 8,000

Debtors ? 26,000

Creditors 22,000 19,800

Miscellaneous expenses outstanding 1,000 600

Details relating to year’s transactions are:

Receipts in the year and discount credited

to debtors accounts 2,45,000

Returns from debtors 6,000

Bad debts 2,000

Sales—Cash and credit 3, 00,000

Returns to creditors 3,000

Payments to creditors by cheque 2, 36,200

Receipts from debtors deposited into bank 2, 43,000

Cash purchases 10,000

Salary and wages paid out of Bank 18,000

Miscellaneous expenses paid cash 5,000

Drawing by cash 9,400

Purchase of sundry assets by cheque 2,000

Cash withdrawals from bank 21,000

Cash sales deposited in bank ?

Discount allowed by creditors 4,000

2. FINAL ACCOUNT OF NOT FOR PROFIT ORGANISATION

**EXAMINATION PROBLEM**

1. Preparation of income and expenditure account and a balance sheet from a given receipts and payment account and additional information or and opening balance sheet.
2. Preparation of receipts and payments account from a given income and expenditure account and additional information or / and opening balance sheet.
3. Preparation of opening and closing balance sheet from a given receipts & payments account and income and expenditure account alongwith additional information if any.

Q. 1

On 31st December 2005, a club had subscription in arrears of Rs 16000 and in advance Rs 4000. During the year ended 31-03-2006, the club received subscription of Rs 208000 of which Rs 10400 was related to 2007. On 31st December 2006, there were 4 members who had not paid subscription for 2006 @ Rs 1600 per person.

Write up subscription a/c for the year 2006.

Q. 2

Subscription income for 1996-97 as per Income & Expenditure Account 82,000

Advance subscription received in 1995-96 4,000

Subscription outstanding at the end of 1996-97 (Including 1,000 for

95-96) 9,500

Advance subscriptions received for 1997-98 2,000

Subscription receivable on 1.4.96 5,000

Prepare a statement showing subscription received in 1996-97 as per Receipts & payments Account.

Q. 3

There were 450 members in a club each paying an annual subscription of Rs. 50. Rs. 500 were in arrears as on 31st Dec. 1998. Subscriptions received during 1999 were Rs. 22,330 Including Rs. 450 for 1998 and Rs. 750 for the year 2000.

Calculate the amount of subscription in arrears as on 31st Dec. 1999 by preparing Subscription Account.

Q. 4

In 2006, the subscription received by Due club of Delhi were Rs. 20450including Rs. 250for 2005 and Rs. 500 for 2007. At the and of 2006, subscription outstanding for 2006 were Rs. 750. The subscription due but not received at the end of the previous year i.e. 31-12-2005were Rs. 400 while subscription received in advance on the same date were Rs. 900. Calculate the amount of subscription to be credited to income and expenditure account for the year ending 31.12.2006.also state how disclosure is to be made in the balance sheet at the end.

Q. 5

From the following , find out the amount of subscription to be included in the income & expenditure account for the year ended 31st march 2006:

Subscription were received during the year 2005-2006 as follows:

For the year ending 2004-2005 20000

For the year ending 2005-2006 300000

For the year ending 2006-2007 30000

Subscription outstanding as on 31st march 2005 were Rs. 35000 out of which Rs. 5000 were considered irrecoverable. On the same date , subscription received in advance for 2005-2006 were Rs. 20000. Subscription still outstanding as on 31st march 2006 amounted to Rs. 60000.

Q. 6

Calculate what amount will be posted to income and expenditure account for the year ending 31st December, 1996.

(a)

Amount paid for stationery during the year 1996 Rs. 1,080; Stock of stationery in hand on 31st Dec. 1996 Rs. 50.

(b)

Stock of Stationery during the year 1996 Rs. 300; Payment made for stationery during the year 1996, Rs. 1,080; stock of stationery in hand on 31st Dec. 1996 Rs. 50.

(c)

Stock of stationery on 1st Jan., 1996 Rs. 300.

Creditors for stationery on 1st Jan., 1996 Rs. 200.

Amount paid for stationery during the year 1996 Rs. 1,080.

Stock of stationery on 31st Dec., 1996 Rs. 50.

Q.7

How will you deal with the following case while preparing final accounts of a non-profit organization?

 1-1-1998 31-12-1998

 Rs. Rs.

 Stock of Stationery 600 100

 Creditors for stationery 400 260

 Amount paid for stationery during 1998 was Rs. 2,160.

Q. 8

From the following information calculate the amount of stationery to be debited to income & expenditure account for 2006:

Stock of stationery on January 1, 2006 3000

Creditors for stationery on January 1, 2006 2000

Advance paid for stationery carried forward from 2005 200

Amount paid for stationery during the year 2006 10800

Stock of stationery on 31st December 2006 500

Creditors for stationery for 2006 1300

Advance paid for stationery on 31st December 2006 300

Q. 9

 The following is the summary of cash transactions for the year 2002.

Dr. Cr.

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts  |  Rs.  | Payments |  Rs. |
| To Balance b/dTo Entrance feesTo Subscriptions:2001 3,0002002 13,0002003 1,000To sale of furnitureTo Sale of old furnitureTo Rent of library hall To Proceeds from Entertainment (net)To Special Subscription  For Governor’s party |  6,000 5,200 17,000 1,200 120 2,080 6,000 2,000 39,600 | By Salaries By Additions to LibraryBy Payments to  Creditors By repairBy Electric fittingsBy Printing & StationeryBy Misc. expenses By Balance c/d |  6,20013,500 1,300 500 9,000 1,900 300 6,900 39,600 |

From the above Receipts and Payments Account prepare Income and Expenditure account.

Q. 10

The following is the receipts and payments account of a charitable hospital for the year ended 31st March 2002:

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts  | Rs. 000 | Payments | Rs. 000 |
| To Balance b/f:Cash in handCash at bankTo subscriptions To DonationsTo Interest for full year on investments @ 7% per annumTo charity show receipts | 503002,5007253505004,425 | By MedicinesBy Honorarium to doctorsBy SalariesBy Sundry expensesBy Equipments purchasedBy Charity show expensesBy balances e/f:Cash in handCash at bank |  1,500 500 1,375 25 750 50 25 200 4,425 |

 Additional information

 On 31.3.2001 On 31.3.2002

 [Rs. ‘000] [Rs. ‘000]

Subscription outstanding 25 50

Subscription received in 50 25

Stock of medicines 500 750

Amounts due to suppliers of medicines 400 600

Value of equipments 1,050 1,500

Value of buildings 2,000 1,900

 You are required to prepare income and expenditure account for the year ended 31st March, 2002 and the balance sheet as on that date.

Q.11 A summary of Receipts and Payments of Bakers Club for the year ended 31st March, 2008

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Rs. | Payments | Rs. |
| To Opening Balance“ Subscription“ Donations“ Entrance Fees“ Interest“ Charity show Receipts | 3,00020,0005,0001,0001 0 02,400 | By Salaries & Rent“ Electric Charges‘’ Sports Expenses“ Sports goods purchase‘‘ Books purchase“ Miscellaneous Expenses “ Charity show Expenses “ Investment“ Closing balance | 1,5003 0 01,0009,0005,0007 0 02,0008,0004,000 |
| 31,500 | 31,500 |

Following information are available at the end of the year :

(i) Of the total subscriptions received Rs. 500 for 2006-07 and Rs. 600 for 2008-09 but Rs. 100 is due for 2007-08.

(ii) The total sum received on Entrance fees is to be transferred to Capital Fund.

(iii) Salary is remaining due to be paid Rs. 300.

(iv) Interest is receivable Rs. 500.

The club had the following assets on the opening day of the year Sports goods Rs. 3,000; Books Rs. 2,000; Investment Rs. 6,000.

As on 31.3.08 : spors goods valued at Rs. 10,000.

From the above information prepare an Income and Expenditure Account for the year ended 31.3.08 and Balance sheet as on that date.

Q. 12 Receipts and Payments Account Monster Club for the year ended 31st March, 2008.

Dr. Cr.

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Rs. | Payments | Rs. |
| To Cash in hand“ Cash at Bank“ Subscription“ (including Rs. 150 for 06-07 “ and Rs. 100 for 08-09)“ Interest on Investments“ Bank Interest“ Sale of Furniture | 5 05 6 54,5502,00025200 | By Salaries“ Rent“ Postage“ Printing & Stationery“ Electricity charges“ Meeting Expenses“ Purchase of library books“ Investment in bonds“ Cash in hand“ Cash at Bank | 2,400720302 5 53001501,0001,0001 5 51,380 |
| 7,390 | 7,390 |

The following additional information is supplied to you—

1 . On 1st April. 2007 the club had the following assets and liabilities : (a) Investments Rs.40,000; (b) Furniture Rs. 3,000; (c)Library Books Rs. 5,000; (d) Liability for Rent Rs.60 and Salary Rs. 200.

2 . On 31st March, 2008 Rent Rs. 80 and Salary Rs. 300 were in arrear.

3 . The book value of furniture sold was Rs. 250.

4 . The club has has 45 members with an annual subscription of Rs. 100 each.

Prepare the Income & Expenditure Account of the Club for the year ended 31st March, 2008 and the Balance Sheet as on that date.

Q.13

From the following particulars related to Anand Charitable Hospital, prepare an Income and Expenditure Account for the year ended 30th June, 08 and a Balance Sheet on that date.

**Receipts & Payments Account for the year ended 30.6.08**

Dr. Cr.

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Rs. | Payments | Rs. |
| Balance in hand on 1.7.07SubscriptionsDonationsInterest on Investment @ 7% Proceeds from Annual Day | 7,13048,00014,5007,00010,450 | Payments for Medicines Honorarium to Medical staff Salaries to House StaffPetty ExpensesEquipment Purchase Expenses for Annual Day Closing Balance (30.6.08) | 30,5909,00027,5004 6 015,0007 5 13,779 |
| 87,080 | 87,080 |

**Additional information :**

|  |  |  |
| --- | --- | --- |
|  | On 30.6.07(Rs.) | On 30.6.08 (Rs.) |
| Subscription Receivable Subscription Received in Advance Stock of MedicinesValue of equipmentBuildingsOutstanding liability to Medicine suppliers | 2 4 06 48,81021,20040,00010,000 | 2 8 01 0 09,74031,60038,0008,000 |

Q. 14 How will you deal with the following cases while preparing final accounts of a sports club as on 31st December 2007.

1. Extract of trial balance as on 31st December 2007

|  |  |  |
| --- | --- | --- |
| Particulars | Debit (Rs.) | Credit (Rs.) |
| Match FundMatch Fund InvestmentMatch Fund Bank balanceMatch Fund Investment InterestMatch Expenses | 180008751250 | 20000720 |

1. Balance Sheet as on 1st January 2007

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
| Creditors for sports material | 15000 | Sports material | 20000 |

 Receipts & Payment account for the year ended 31st December 2007

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Rs. | Payments | Rs. |
| Sports Material(sale of old material) | 9000 | Sports material | 350000 |

|  |  |
| --- | --- |
|  |  |
| Subscription received during 2007Subscription outstanding on 31-12-2006Subscription outstanding on 31-12-2007Subscription received in advance on 31-12-2006Subscription received in advance on 31-12-2007 | 250000500001000007500050000 |

Q. 15. The following is the receipts and payments account of a charitable hospital for the year ended 31st March 2002:

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts  | Rs. | Payments | Rs.  |
| To Balance b/f:To subscriptions To DonationsTo Interest for full year on investments @ 7% per annumTo charity show receipts | 7000050000014500070000100000885000 | By MedicinesBy Honorarium to doctorsBy SalariesBy Sundry expensesBy Equipments purchasedBy Charity show expensesBy balances c/f: |  300000 100000 275000 5000 150000 10000 45000   885000 |

 Additional information

 On 31.3.2001 On 31.3.2002

Subscription outstanding 5000 10000

Subscription received in 10000 5000

Stock of medicines 100000 150000

Amounts due to suppliers of medicines 80000 120000

Value of equipments 210000 300000

Value of buildings 400000 380000

 You are required to prepare income and expenditure account for the year ended 31st March, 2002 and the balance sheet as on that date.

Q. 16 Given below is the receipts and payments account of ABC Club:

Receipts & Payments Account

for the year ended 31st December, 2008.

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Rs. | Payments | Rs. |
| Balance Cash 60 Bank 3000 Subscription (including Subscription for 07 Rs. 1050)Sale of old furniture on  (1-1-2008)Sale of old newspaperLegaciesInterest on investment (Cost Rs. 20000)Endowment fundProceeds of concertsadvertisement | 306090007505030001200100008004027900 | Salary of SecretaryHonorariumWagesCharitiesPrinting & stationeryPostageRent & TaxesUpkeep of landSports materialBalance c/d | 360045024002000300100120050025001485027900 |

Assets and Liabilities as on 31-12-2007 and 31-12-2008 are as under:

|  |  |  |
| --- | --- | --- |
|  | 31-12-2007 | 31-12-2008 |
| Subscription in arrearSubscription in advancesFurniture | 12503002000 | 4506001080 |

depreciation was 10% p.a. on the furniture left after selling a part of it. it was decided that half of the legacies may be capitalized.

prepare income & expenditure account for the year ending 31st December 2008 and balance sheet as on that date.

Q. 17 From the following particulars, prepare Income and Expenditure Account.

 Rs.

1. Fee collected, including Rs. 80,000

on account of the previous year 3,80,000

(ii) Fees for the year outstanding 10,000

(iii) Salary paid, including Rs. 8,000 on account of the

 previous year. 98,000

(iv) Salary outstanding at the end of the year. 9,000

(v) Entertainment expenses 3,000

(vi) Tournament expenses 42,000

(vii) Meeting expenses 18,000

(viii) Travelling expenses 6,000

(ix) Purchase of books and periodicals, including

 Rs. 18,000 for purchase of books 28,000

(x) Rent paid 17,000

(xi) Postage, telegrams and telephones 15,500

(xii) Printing and stationery 4,500

(xiii)Donations received 25,000

Q. 18

From the following information relating to Dwarka Club , prepare the Balance Sheet as on 1-1-2007 and on 31-12-2007:

(i) Assets on 1-1-2007 are – Club Ground and Building Rs. 500000, Sports Equipment Rs. 300000, Furniture Rs. 70000, Subscription in arrears on that date Rs. 10000.

Creditors for stationery Rs. 5000.

(ii) Receipts and Payments Account for the year ending 31st December, 2007

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs.  |  | Rs. |
| Balance b/dSubscriptions: 2006 2007 2008Sale of old newspaperRent receivedEntrance fees | 5000090001800005000300022000120000**389000** | Printing & stationerySalariesAdvertisementFire insuranceFurnitureInvestmentBalance c/d | 3000011000020000150002000018000014000**389000** |

(iii) Income & Expenditure account for the year ending 31st December, 2007.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs.  |  | Rs. |
| SalariesPrinting & StationeryAudit feesAdvertisingFire InsuranceDepreciation:On sports equipmentOn furnitureExcess of income over expenditure | 120000280005000200001200060000800084000**337000** | SubscriptionEntrance feesRent receivedSale of old newspapers | 190000120000240003000**337000** |

Q. 19

 Summary of Receipts and payments of Bombay medical aid society for the year ended 31.12.2000 are as follows:

 Opening cash balance in hand Rs. 8,000, Subscription Rs. 50,000, Donation Rs. 15,000. Interest on Investments @ 9% p.a. Rs. 9,000. Payments for medicine supply Rs. 30,000, Honorarium to Doctors Rs. 10,000, Salaries Rs.28,000, Sundry expenses Rs. 1,000. Equipment purchase Rs. 15,000, Charity show expenses Rs. 1,500, Charity show collections Rs. 12,500.

Additional information:

 1.1.2000 31.12.2000

 Rs. Rs.

 Subscription due 1,500 2,200

Subscription received in advance 1,200 700

Stock of medicine 10,000 15,000

Amount due for the medicine supply 9,000 13,000

Value of Equipment 21,000 30,000

Value of building 50,000 48,000

You are required to prepare Receipts and Payments Account and Income and Expenditure Account for the year ended 31.12.2000. Also prepare balance sheet as on 31-12-1999 and 31-12-2000.

Q. 20

Given below is the Receipts & payments Account of a “Resident welfare Association” – sports club for the year ending 31-12-2006:

|  |  |  |  |
| --- | --- | --- | --- |
| Receipts | Rs. | Payments | Rs.  |
| Balance b/dSubscription (Including Rs. 1000 for 2005 and Rs. 1500 for 2007)Life membership feesLegaciesEntrance feesDonation for building fundTournament fundHire of club hallSale of old bats & balls etc.Sale of old furniture | 2100180009000200040001000080005000500700**59300** | Purchase of sports materialStationerySalariesHonorariumUpkeep of groundApplication feesRefreshmentTournament expensesMatch expenses10% investment on 1-7-06Furniture (part payment)Balance c/d | 7000570070003000260020001400600010001200050003600**59300** |

Additional Information:

 1-1-2006 31-12-2006

subscription due 1400 2400

Subscription received in advances -- 1500

Audit fees outstanding -- 1000

Creditors for stationery 600 500

stock of stationery -- 800

Stock of sports material 1100 1500

Building 40000 40000

Furniture was sold on 1-1-2006 at its book value. on the same date furniture Rs. 8000 was purchased. Depreciation is to be charged at 10% p.a.

Prepare Income & Expenditure Account for the year ended 31-12-2006 and balance sheet as on that date.

Q. 21

The following is the income & expenditure Account of a charitable hospital for the year ending 31-12-2006

|  |  |  |  |
| --- | --- | --- | --- |
| Expenditure | Rs. | Income | Rs. |
| SalariesDiet expensesRent & ratesInsuranceOffice expensesSurgery & dispensary exp.Depreciation on:BuildingFurnitureInstrumentsSurplus of income over expenditure | 23500020000500020008000010000375001200800029300**356000** | SubscriptionDonationsInterest on investments for full year @ 5%Miscellaneous Receipts | 22000040000900006000**356000** |

Other information supplied to you are as under:

 31-12-2005 31-12-2006

cash in hand 2000 1500

cash at bank 54000 ---

Building 750000 ---

Furniture 20000 ---

Instruments 35000 ---

Subscription outstanding 15000 45000

subscription advance 6000 8000

Salaries Outstanding 18000 20000

Instruments purchased during the year 2006 were Rs. 5000.

 You are required to prepare the Receipts & Payments Account of the hospital for the year ended 31st December , 2006 and the balance sheet as on that date.

Q. 22

The following is the income & Expenditure Account of a club for the year ended 31st March 2004:

|  |  |  |  |
| --- | --- | --- | --- |
| Expenditure | Rs. | Income | Rs. |
| SalariesStationeryPostage & telephone rates & taxesRepairsTable tennis ballsPrinting of souvenirElectric chargesBilliard room expensesMiscellaneous expensesDepreciation on club assetsSurplus | 24000160032006000800012002000600030009400200041300**107700** | SubscriptionDonationBilliard Table collectionProfit on sports meetIncome from investment | 7800080007000120002700**107700** |

The following information are available:

 1-4-2003 31-3-2004

club Assets 48000 52000

Outstanding Subscription 3000 5000

Advances Subscription 6000 10000

Stationery 600 400

Telephone 300 200

Electricity 700 300

Cash at Bank 1800 --

Investment 27000 47000

Prepare Receipts & Payments Account for the year ended 31st march 2004 and a balance sheet as at 31st march 2004.

Q. 23

From the following information relating to Dwarka Club , prepare the Balance Sheet as on 1-1-2007 and on 31-12-2007:

(i) Assets on 1-1-2007 are – Club Ground and Building Rs. 44000, Sports Equipment Rs. 25000, Furniture Rs. 4000, Subscription in arrears on that date Rs. 800.

(ii) Receipts and Payments Account for the year ending 31st December, 2007

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs.  |  | Rs. |
| Balance b/dSubscriptions: 2006 2007 2008Rent receivedEntrance fees | 420060025000400350010500**44200** | Printing & stationerySalariesAdvertisementFire insuranceInvestmentBalance c/d | 26001100016001200200007800**44200** |

(iii) Income & Expenditure account for the year ending 31st December, 2007.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs.  |  | Rs. |
| SalariesPrinting & StationeryAudit feesAdvertisingFire InsuranceDepreciation:On sports equipmentExcess of income over expenditure | 11500220050016001000900014300**40100** | SubscriptionEntrance feesRent received | 25600105004000**40100** |

Q. 24

From the following Receipts and payments Account of Cricket Club and the additional information given, prepare the Income and Expenditure account for the year ending 31-12-99 and the Balance Sheet on that date:

 RECEIPTS AND PAYMENTS A/C

 for the year ending 31-12-1999

|  |  |  |  |
| --- | --- | --- | --- |
| To Bal. b/dCashBankFixed Deposit@ 6%To Subscription (including Rs.  6,000 for 1998)To Entrance FeesTo DonationTo Interest on Fixed Deposits To Tournament FundTo Sale of Crockery (Book Value  Rs. 1,200)   |  Rs.  3,520 27,380 30,000 40,000 2,750 5,010 900 20,000 2,0001,31,560 | By Maintenance By Crockery PurchasedBy Match ExpensesBy salariesBy ConveyanceBy Upkeep of LawnsBy Postage StampsBy Purchase of  Cricket goodsBy Sundry ExpensesBy InvestmentsBy Tournament ExpensesBy Bal. c/d: Cash  Bank Fixed Deposits  |  Rs. 6,820 2,650 13,240 11,000 820 4,240 1,050 9,720 2,000 5,700 18,800 2,200 23,320 30,000 1,31,560 |

 Additional Information:

1. Salary outstanding is Rs. 1,000.
2. Opening balance of stock of Postage and stationery and Cricket goods is Rs. 750 and Rs. 3,210 respectively. Closing sock of the same is Rs. 900 and Rs. 2,800 respectively.
3. Outstanding subscription for 1998 and 1999 is Rs. 6,600 and Rs. 8,000 respectively.

Q. 25

From the following particulars relating to Mother Teresa Charitable Trust Hospital prepare Receipts and payments Account for the year ended 31st March, 2003 and a Balance Sheet as on the date:

 INCOME AND EXPENDITURE

 for the year ended 31st March, 2003

|  |  |  |  |
| --- | --- | --- | --- |
|  |  Rs. |  | Rs. |
| To Medicines usedTo Honorarium to doctorsTo SalariesTo Printing and StationeryTo Electricity and waterTo RentTo Depreciation on furnitureTo Deprecation on equipmentTo Surplus |  1,49,900 60,000 1,37,500 5,500 2,375 30,000 10,500 16,250 23,825 4,35,850 | By SubscriptionBy DonationsBy Interest on investments At 11% p.a.By Proceeds from Charity show 57,250Less: Exp. 3,900 | 2,80,00047,50055,00053,3504,35,850 |

 Additional Information

 31-3-2002 31-3-2003

 Rs. Rs.

(i) Subscription due 600 800

(ii)Subscription received in advance 320 500

(iii)Electricity and water outstanding 460 575

(iv)Stock of medicines 39,100 48,750

(v)Estimated value of equipments 58,000 69,500

(vi)Furniture cost less depreciation 1, 05,000 94,500

(vii)Land -- 50,000

(viii)Interest accrued on investments

 in 11% Bonds costing Rs. 5, 12,500

 (face value Rs. 5, 00,000) 13,750 13,750

(ix)Cash in hand 1,700 800

(x)Cash at bank 45,000 ?

3. FINAL ACCOUNT

Q. 1

From the following Trial Balance of Mr. Gupta , Prepare Trading, Profit & Loss Account for the year ending on 31st March 2008 and Balance sheet as on that date:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Capital and DrawingOpening stockPurchase and salesDebtors and CreditorsDiscountsCommissionReturnsSalariesRent, Rates and taxesPostage, Telegram and TelephoneLoanDuty DrawbacksInterest on loanFurnitureBrand names and designAdvertisementCash at bankCash in handFreight inward  | 100000150000840000240000 32000 24000 32000240000 80000 50000 40000700000120000200000300000126000 40000**3314000** | 8000001620000150000 56000 28000 40000600000 20000**3314000** |

Other Informations:

1. Closing stock Rs. 340000.
2. Sales include sales tax Rs. 100000.
3. Depreciate furniture @ 10% and amortize brand names and design @ 20%.
4. Write off advertisement over 5 years.
5. Salaries outstanding Rs. 24000.
6. Salaries paid in advance Rs. 20000.

Q. 2

On 31st March , 2008 the following trial balance was prepared from the books of Mr. M:

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Debtors and CreditorsBills ReceivablePlant and machineryPurchase (adjusted)Capital accountFreehold premisesSalariesWagesPostage and stationeryCarriage inCarriage outBad debtsBad debts provisionOffice chargesCash at bankCash in handBills PayableGeneral ReserveSalesClosing Stock | 306005000750001900005000021000244001750175010009501500530080030000**439050** | 1000070000350700020000331700**439050** |

The following adjustments are require :

1. M gets a salary of Rs. 12000 p.a.
2. Allows interest on capital @ 10% p.a.
3. Bad debts provision is 2.5 % on debtors.
4. 10% of net profit to be carried to General Reserve.
5. It was discovered in april 2007 that the stock as on 31st March , 2007 were overcast by Rs. 1000. However no entry was passed in april 2007.
6. Depreciate plant and machinery @ 10% and freehold premises @ 2% p.a.

Prepare the Trading and Profit and Loss account of the firm for the year ended 31st March, 2008 and a balance sheet as at that date.

Q. 3

The following is the Trial Balance of Ashok on 31st December , 2006-

Trial Balance as on 31st December , 2006

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Debit | Particulars | Credit |
| Building (at cost)Purchases (adjusted)SalariesBad debtsWagesRentPrepaid rent (at the end)InsuranceFurniture & Fitting (at cost)DrawingsSundry debtorsClosing stock | 15000029000050002000100005000300050006000050002500040000**600000** | CapitalSalesWages outstanding(end)Pro. For Dep. On FurnitureApprentice PremiumSundry Creditors | 3000052950080001200050020000**600000** |

Prepare a Trading and Profit and Loss Account for the year ended 31st December, 2006 and also the Balance Sheet as on that date after making the following adjustments:

1. Salaries for the month of December 2006 amounting to Rs. 1000 were unpaid which must be provided for. The balance in the account included Rs. 800 paid in advance.
2. Insurance is prepaid to the extent of Rs. 2000.
3. Depreciate furniture and fittings by 10% on original cost and building by 5%.
4. Stock worth Rs. 1500 was put by Ashok to his personal use.
5. Make a provision for doubtful debts equal to 10% of Debtors.

Q. 4 From the following Trial Balance and information, Prepare Trading and Profit and Loss account of Mr. Rishabh for the year ended 31st March, 2007 and a balance sheet as on that date.

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| CapitalDrawing Land and BuildingPlant and MachineryFurnitureSalesReturn outwardDebtorsLoan From Gajanand on 1-7-2006 @ 6% p.a.PurchasesReturn InwardCarriageSundry expensesPrinting and StationeryInsurance expensesProv. For bad and doubtful debtsProvision for discount on debtorsBad debtsOpening stock on 01.04.2006Salaries and wagesCreditorsTrade expensesCash at bankCash in hand | 120009000020000500018400800005000100006005001000400213001850080046001280**289380** | 100000140000600030000100038012000**289380** |

Additional information:

1. Value of closing stock on 31.03.2007 was Rs. 27300.
2. Fire occurred on 23rd March, 2007 and Rs. 10000 worth of general goods were destroyed. The insurance company accepted claim for Rs. 6000 only and paid the claim money on 10th April, 2007.
3. Bad debts amounting to Rs. 400 are to be written off. Provision for bad and doubtful debts is to be made at 5% and for discount at 2% on debtors. Make a provision of 2% on creditors for discount.
4. Received Rs. 6000 worth of goods on 27th March, 2007 but the invoice of purchase was not recorded in purchase book.
5. Rishabh took away goods worth Rs. 2000 for personal use but no record was made thereof.
6. Charge depreciation at 2% on Land and Building, 20% on Plant and Machinery and 5 % on furniture.
7. Insurance prepaid amounts to Rs. 200.

Q. 5

The following is the trial balance of Mr. Ram Lal as at 31st December, 2006:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Ram Lal CapitalStock on 01.01.2006Purchase and salesReturnsFreight and carriageRent and taxesSalaries and wagesSundry debtors and creditorsBank loan @ 6% p.a.Bank interest on loanPrinting and advertisingMiscellaneous IncomeCash at bankDiscountFurniture and fittingsGeneral expensesInsurancePostage and telegramCash in handTravelling expensesdrawings | 46800321700860018600570093002400090014600800018005000115401300233038087040000**521330** | 86690389600580014800200002504190**521330** |

The following adjustment should be made:

1. Included amongst the debtors is Rs. 3000 due from Suresh Kumar and included among the creditors Rs. 1000 due to him.
2. Provision for bad and doubtful debts be created at 5% and reserve for discount @ 2% on sundry debtors.
3. Depreciate furniture and fittings by 10%.
4. Personal purchase amounting to Rs. 600 had been included in the purchase day book.
5. Interest on bank loan shall be provided for the whole year.
6. One quarter of the amount of printing and advertising is to be carried forward to next year.
7. Credit purchase invoice amounting to Rs. 400 had been omitted from the books.
8. Stock on 31st December, 2006 was Rs. 78600.

Prepare Trading and Profit and Loss account for the year ended 31st December, 2006 and Balance Sheet as on that date.

Q. 6

The following Trial balance was extracted from the books of Mr. Shyam Lal as on 31st December, 2006:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Capital account Plant and machinery accountFurnitureSalesPurchaseReturnsOpening stockDiscountSundry debtors and creditorsSalariesManufacturing wagesCarriage outwardsProvision for bad debtsRent, rates and taxesAdvertisementCash | -780002000-60000100030000425450007550100001200-1000020006900**254075** | 100000--127000-750-80025000---525---**254075** |

 Prepare Trading and Profit and Loss Account for the year ended 31st December, 2006 and Balance sheet as on that date after taking into account the following adjustments:

1. Closing stock was valued at Rs. 34,220.
2. Provision for bad debts is to be kept at Rs. 500.
3. Allow interest on capital at 10% p.a.
4. Furniture was old and the same was disposed off for Rs. 760 in exchange of new furniture costing Rs. 1680. The net invoice of Rs. 920 was passed through purchase register (No depreciation need be charged on old and new furniture.)
5. Depreciate Plant and machinery by 10% p.a.
6. The Proprietor Mr. Shyam Lal has taken goods worth Rs. 5000 for personal use and distributed goods worth Rs. 1000 as samples.

Q. 7 Mr. A, a shopkeeper had prepared the following trial balance from his ledger as on 31st March, 1989.

 Dr. (Rs.) Cr. (Rs.)

 Purchases 6,20,000

 Sales 8,30,000

 Cash in hand 4,200

 Cash in Bank 24,000

 Stock of Goods on 1.4.88 1,00,000

 Mr. A’s Capital 5,77,200

 Drawings 8,000

 Salaries 64,000

 Postage and Telephones 23,000

 Salesmen Commission 70,000

 Insurance 18,000

 Advertising 34,000

 Furniture 44,000

 Printing & Stationery 6,000

 Motor Car 96,000

 Bad debts 4,000

 Cash Discount 8,000

 General Expenses 60,000

 Carriage Inward 20,000

 Carriage Outward 44,000

 Wages 40,000

 Creditors 80,000

 Debtors 2,00,000

 Total Rs. 14,87,200 14,87,200

You are requested to prepare Trading and Profit and loss Account for the year ended 31st March, 1989 and Balance Sheet as on that date.

1. Cost of goods is stock as on 31st March 1989 Rs. 1,45,000
2. Mr. A had withdrawn goods worth Rs. 5,000 during the year.
3. Purchases included purchases of furniture worth Rs. 10,000.
4. Debtors include Rs. 5,000 as bad debts.
5. Creditors include a balance of Rs. 4,000 to the credit of Mr. B in respect of which it has been decided and settled with the party to pay only Rs. 1,000.
6. Sales include goods worth Rs. 15,000 sent to Ram and Co. on approval and remaining unsold as on 31st March 1989 the cost of goods was Rs. 10,000
7. Provision for bad debts is to be created at 5% on Sundry Debtors.
8. Depreciate Furniture by 15% and Motor Car by 20%.
9. The Salesmen are entitled to a commission of 10% on total sales.

Q. 8

Given below is the trial balance of Mr. Alok, a trader, as on 31st March, 2006:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Cash in handLand and buildingPlant and MachineryDebtors and CreditorsStock on 1.4.200515% investment on 1.4.2005Purchase and SalesBank OverdraftWagesSalariesRent, Rates and TaxesBad DebtsDrawingsBills receivable and bills payableCarriage inwardsCustom duty on purchasesLife insurance premiumAdvertisementProvision for doubtful debtsInterest on investmentTrade expensesFurnitureSales tax payableCapital | 500080000500002500010000200009500028000160001500060005000150006000160004000300001100020000**457000** | 4000019000020000210002000200025000157000**457000** |

Additional informations:

1. Stock on 31.3.2006 was valued at Rs. 40000.
2. Included in debtors are Rs. 8000 due from Ram and included in creditors are Rs. 6000 due to Ram.
3. Bills receivable include a bill of Rs. 5000 received from Varun, which has been dishonored.
4. Sales include Rs. 5000 for the goods sold on approval basis. Goods are sold at a profit of 25% on cost. Approval was not received upto 31.3.2006.
5. Wages include Rs. 5000 spent on the erection of the machinery.
6. Advertisement include Rs. 20000 spent at the time of launching a new product. It is the policy of the business to write off such expenses in 5 years.
7. Create a provision for doubtful debts at 5% on debtors.
8. Prepaid taxes amounted to Rs. 2000.
9. Depreciate machinery by 10%.

Prepare Trading and Profit and Loss Account for the year ended 31st March 2006 and a Balance Sheet on that date.

Q. 9

From the following balances taken from the ledgers of Krishna on 31st March, 2005, prepare the Trading and Profit and Loss account for the year ending 31st March, 2005 and balance sheet on that date:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Amount | Particulars | Amount |
| Sundry CreditorsBuildingIncome taxLoose toolsCash at bankSundry expensesBank interest (credit)PurchasesWagesCarriage inwardsSalesMotor VanCash in hand | 1900015000102510001620019907515700010000112018500012500335 | Bad DebtsLoam from RamSundry DebtorsInvestmentsBad Debts reserveRent and ratesFurnitureStock (1.4.2004)CapitalDiscount allowedDiscount receivedDrawingsBills payable | 100250095006500160085030002735047390630535200010000 |

 Adjustments:

1. Write off further Rs. 300 as bad debts and create a provision for bad debts at 20% on debtors.
2. Dividend accrued and due on investment is Rs. 135. Rates paid in advance Rs. 100 and wages owing Rs. 450.
3. On 31.03.2005 stock was valued at Rs. 15000 and loose tools were valued at Rs. 800.
4. Write off 5% for depreciation on building and 40% on motor van.
5. Provide for interest at 12% p.a. due on loan taken on 1.6.2004.
6. Manager is entitled to a commission of 5% on net profits after charging his commission.

Q. 10

From the following Trial balance of a trader on 31st March, 2005, prepare Trading and Profit and Loss account for the year ending 31st March, 2005 and Balance Sheet as at that date after giving effect to the under mentioned adjustments:

|  |  |  |  |
| --- | --- | --- | --- |
| Debit Balances | Rs. | Credit Balance | Rs. |
| DrawingsWagesStockLoan to XRentGeneral ExpensesInvestmentsPurchasesFreight and cartageGoodwillBills ReceivableRates and TaxesSales ReturnsInsuranceCash and Bank BalancePostage and TelegramLand and BuildingPlant and machinerySundry DebtorsPacking chargesBad Debts | 6000155001280040005000148060000160000210040000620018002100900370038002500010000165004001280**378560** | Bank OverdraftInterest on investmentBills PayableInterest on loan to XCapitalReserve for Bad DebtsSalesSundry Creditors | 250005800460032010000025023000012590**378560** |

 Adjustments:

1. Closing stock as on 31.3.2005 Rs. 16000.
2. Goods worth Rs. 700 were sent on 25.3.2005 as sale on approval basis for Rs. 800 and the approval was not received before the end of the month.
3. 20% of the goodwill is to be written off.
4. Further bad debts were estimated at Rs. 350. Increase reserve for bad debts to the extent of Rs. 1500.
5. Depreciate land and building by 3% and plant and machinery by 10%.
6. Goods worth Rs. 800 were distributed as free samples.

Q. 11

The following balance were taken from the books of Shri Ram Prasad on 31st March, 2003:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Rs. |  | Rs. |
| Capital AccountDrawingsPurchasesSalesPurchase ReturnOpening StockBad DebtsBad Debts Provision(1.4.2002)Rates and InsuranceDiscount (Cr.)Bills ReceivableSales ReturnsWagesBuilding | 100000176008000014037028201146014003240130019012404240628025000 | RentRailway freight on salesCarriage inwardsOffice expensesPrinting and stationeryPostage and telegramsSundry DebtorsSundry CreditorsCash at BankCash in HandOffice furnitureSalary and CommissionAddition to Building | 210016940231013406608206207018920124002210350098707000 |

Prepare Trading , Profit and Loss Account for the year ending 31st March, 2003 and Balance Sheet as on 31st March, 2003, after keeping in view these adjustments:

1. Depreciate old Building 2.5% and New Addition to Building @ 2% and office furniture @ 5%.
2. Write off further Bad Debts Rs. 570.
3. Increase the bad debts provision to 6% of Debtors.
4. On 31st March, 2003 Rs. 570 was outstanding for Salaries.
5. Rent Receivable Rs. 200.
6. Interest on Capital at 5%.
7. On 31st March, 2003 stock is valued at Rs. 14290.
8. Unexpired insurance Rs. 240.

Q. 12

From the following Trial Balance of Mr. S, You are required to prepare Final Account for the year ended 31st March, 2003 after making the necessary adjustments:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Capital and Drawings AccountFreehold PropertyPlant and MachinerySalariesPrinting and stationeryFurniture and FixturesDiscountBills payableDebtors and CreditorsInsuranceBad DebtsOffice RentLoose ToolsProvision for doubtful debtsLoan to Sudhir @ 10% on 1.10.2002Interest on loan to SudhirCash at BankCash In handStock 31.3.2003Trading profitsOutstanding wages on 31.3.2003Insurance claim received for lose of goods | 100006000010000014000200040001500-25000300060026002000-40000-250001050074000---**374200** | 200000------570040000----4800-1000---1172005005000**374200** |

Adjustments:

1. Outstanding Salaries Rs. 700.
2. Prepaid Insurance Rs. 400.
3. Value of Loose Tools on 31st March, 2003 Rs. 1500.
4. A new machinery was purchased on credit and installed on 31st December 2002 costing Rs. 15000. No entry for the same has yet been made in the books.
5. Depreciate (on closing Balance) – Plant and Machinery at 10%, furniture and fixtures at 5%.
6. The provision for doubtful debts is to be maintained at 5% on debtors.

Q. 13

You are required to prepare Trading and Profit and Loss Account and Balance sheet from the following balances and adjustments for the year ending on 31st December, 2001:

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Purchases/ SalesCash in handCash at bankStock on 1.1.2001WagesReturns RepairsDebtors/ CreditorsBad DebtsLoan (12% p.a.)DiscountsCapitalInterest on loanSalariesSales TaxOctroiInsuranceCharityRentMachineryTotal | 130295500950040000225252400167530000231080060080008005001000125200016000**269030** | 180500195303052000053037500**269030** |

Adjustments:

1. Wages include Rs. 2000 for erection of new machinery installed on 1.1.2001.
2. Provide for depreciation on machinery @ 5% p.a.
3. Stock on 31.12.2001 is Rs. 40925.
4. Salaries unpaid Rs. 800.
5. Further bad debts Rs. 400.
6. Make a provision of 5% on debtors for doubtful debts.
7. Rent is paid upto 31st March, 2002.
8. Unexpired insurance Rs. 300.

14.

From the under mentioned trial balance of Mr. B, prepare the final account for the year ended 31st March, 2003 and the balance sheet as at that date:

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Land and BuildingPurchases (adjusted)Stock 31.3.2003ReturnsWagesSalariesOffice expensesCarriage inwardsCarriage outwardsDiscountsBad debtsSalesCapitalC’s Loan A/c (taken on 1.10.2002@ 18%p.a.)InsuranceCommissionPlant and MachineryFurniture and FixturesBills ReceivableSundry DebtorsSundry CreditorsCash at BankOffice equipmentBills PayableExpenses Payable | 50000210000450001500453003900015400120020007501200---1500-50000200002000040000-1600012000--**570850** | ---2500-----1200-38500011500025000-1500----25000--123503300**570850** |

The following adjustments be taken care of:

1. Depreciate Land and Building @ 6%, Plant and Machinery @ 10% , office Equipment @ 20% and furniture and fixtures @ 15%.
2. Create a provision for bad and doubtful debts at 2% on debtors.
3. Insurance premium includes Rs. 250 paid in advance.
4. Provide interest on capital @ 10% p.a. and salary to Mr. B Rs. 15000 p.a.
5. 10% of final profit is to be kept in general reserve.

Q. 15

From the following Trial Balance of Mr. Bharat , Prepare Trading, Profit & Loss Account for the year ending on 31st March 2001 and Balance sheet as on that date:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Capital and DrawingOpening stockPurchase and salesDebtors and CreditorsDiscountsCommissionReturnsSalariesRent, Rates and taxesPostage, Telegram and TelephoneLoanDuty DrawbacksInterest on loanFurnitureBrand names and designAdvertisementCash at bankCash in handFreight inward  | 5000075000420000120000 16000 12000 16000120000 40000 25000 200003500006000010000015000063000 20000**1657000** | 40000081000075000 18000 14000 20000310000 10000**1657000** |

Other Informations:

1. Closing stock Rs. 170000.
2. Sales include sales tax Rs. 50000.
3. Depreciate furniture @ 10% and amortize brand names and design @ 20%.
4. Write off advertisement over 5 years.
5. Salaries outstanding Rs. 12000.
6. Salaries paid in advance Rs. 10000.

Q. 16

The following is the schedule of balances on 31.3.2001 extracted from the books of Shri Gavaskar:

|  |  |  |
| --- | --- | --- |
|  | Debit | Credit |
| Cash in HandCash at BankSundry DebtorsStock on 1.4.2000Furniture and FixturesOffice EquipmentBuildingsMotor CarSundry CreditorsLoanReserve for bad debtsPurchasesPurchase returnsSalesSales returnsSalariesRent for godownInterest on loanRates and taxesDiscount allowed to debtorsDiscount received from creditorsFreight on purchasesCarriage outwardsDrawingsPrinting and stationeryElectric chargesInsurance premiumGeneral office expensesBad debtsBank chargesMotor car expensesCapital account | 14002600860006200021400160006000020000---140000--4200110005500270021002400-12002000120001800220055003000200016003600-**472200** | ------ --43000300003000-2600230000------1600----------162000**472200** |

 Prepare Trading and Profit and Loss account for the year ended 31.3.2001 and the Balance sheet as on that date after making provision for the following:

1. Depreciate Building by 5%, Furniture and Fixture by 10%, Office Equipment by 15% and Motor car by 20%.
2. Value of stock at the close of the years was Rs. 44000.
3. Reserve for bad debts is to be maintained at 5% of sundry debtors.
4. Insurance premium includes Rs. 4000 paid towards proprietor’s life insurance policy and the balance of the insurance charges cover the period from 1.4.2000 to 30.6.2001.

17.

From the following Trial Balance of Mr. Gaurav Singh for the year ending 31.3.2000 and additional information given, prepare Trading and Profit and Loss account and Balance Sheet as on 31.3.2000:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Opening stockCapitalDebtors and CreditorsPurchases and SalesCarriageWages and SalariesCommissionMachineryFurnitureBad debts recoveredB/R and B/PLand and BuildingTaxes and Insurance10% Bank LoanInterest on Bank LoanBankDrawings | 62500-750005000001000031250-13875025000-3750050000021250-30002450062500**1491250** | -46400043750875000--16750--800033750--50000**1491250** |

Additional information:

1. Value of closing stock as on 31st March, 2000 is Rs. 50000.
2. Wages and Salaries outstanding is Rs. 12500 and insurance prepaid is Rs. 5000.
3. Depreciate machinery and furniture @ 10% and 15% p.a. respectively. Machinery included a machine which was purchased for Rs. 38500 on 30th September , 1999.
4. Goods costing Rs. 10000 were taken by the proprietor for his personal use , but no entry has been made in the books of accounts.

18.

The trial balance of X for the year ended 31st December , 2001 is given ahead, prepare his trading and profit and loss account for the year ended 31st December , 2001 and his balance sheet on that date:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| FurnitureBuildingMachineryCapitalBad debtsBad debts reserveDebtors and CreditorsStock (1.1.2001)Purchases and SalesBank overdraftReturnsAdvertisementInterestCashCommissionTax and InsuranceGeneral expensesSalary | 64075006250-125-380034605475-200450118650-12507823300**34000** | ---12500-2002500-154502850125---375---**34000** |

Stock on 31st December , 2001 was valued at Rs. 3250. Depreciate building at 5%, furniture at 10% and machinery at 20%. Interest Rs. 85 is payable on bank overdraft. Salary Rs. 300 and tax Rs. 120 are outstanding. Insurance prepaid is Rs. 100 and one third of the commission is received in advance. Furniture purchased in January 2001 worth Rs. 100 is included in purchases. Write off Rs. 100 as further bad debts and reserve for doubtful debts is to be made equal to 5% on debtors.

19.

From the following Trial Balance of Mr. Gaurav Singh for the year ending 31.3.2000 and additional information given, prepare Trading and Profit and Loss account and Balance Sheet as on 31.3.2000:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Opening stockCapitalDebtors and CreditorsPurchases and SalesReturns CarriageWages and SalariesCommissionMachineryFurnitureBad debtsProvision for doubtful debts B/R and B/P Taxes and InsuranceLand and BuildingDiscount allowedBankDrawings | 100000-120000800000300001600050000-1600004000016000-600003400080000024000100000100000**2450000** | **-**90000070000140000020000--26000---2000014000-----**2450000** |

Additional information:

1. Value of closing stock as on 31st March, 2000 is Rs. 80000.
2. Wages and Salaries outstanding is Rs. 2000 and insurance prepaid is Rs. 4000.
3. Depreciate machinery and furniture @ 10% and 15% p.a. respectively.
4. Goods costing Rs. 10000 were taken by the proprietor for his personal use , but no entry has been made in the books of accounts.
5. Provide for doubtful debts on the debtors @ 10%.

20.

From the following Trial Balance of Mr. Gopal Singh for the year ending 31.3.2000 and additional information given, prepare Trading and Profit and Loss account and Balance Sheet as on 31.3.2000:

|  |  |  |
| --- | --- | --- |
| Particulars | Debit | Credit |
| Opening stockCapitalDebtors and CreditorsPurchases and SalesReturns CarriageWages and SalariesCommissionMachineryFurnitureBad debtsProvision for doubtful debts B/R and B/P Land and BuildingTaxes and InsuranceDiscount allowedBankDrawings | 25000-3000020000075004000012500-40000100004000-15000200000850060002500025000**612500** | -225000175003500005000--6500---50003500-----**612500** |

Additional information:

1. Value of closing stock as on 31st March, 2000 is Rs. 20000.
2. Wages and Salaries outstanding is Rs. 500 and insurance prepaid is Rs. 2000.
3. Depreciate machinery and furniture @ 10% and 15% p.a. respectively.
4. Goods costing Rs. 12000 were sold on approval basis for Rs. 15000 , but these were not approved by the customer as yet.
5. Provide for doubtful debts on the debtors @ 10%.

4. DEPRECIATION

Q. 1

An asset is purchased for Rs. 25,000. Depreciation is to be provided annually according to the straight-line method. The useful life of the asset is 10 years and the residual value is Rs. 500.

You are required to find out the rate of depreciation and prepare asset account for the first three years.

Q. 2

X Ltd. purchased on January I, 20XI a second hand plant for Rs 60,000 and immediately spent Rs 40,000 in putting the same in working condition. On July I, 20X1 additional machinery costing Rs 40,000 was purchased. On January I, 20X3 the plant purchased on January I, 20XI became obsolete and was sold for Rs 50,000. On July I, 20X3 new machinery was purchased at a cost of Rs 1,20,000. The firm provided deprecia­tion on straight line method at 10% per annum on the original cost of the asset.

Show Machinery Account for the calender years 20XI to 20X4.

Q. 3

X Ltd. purchased a second-hand machinery on January 1, 20X1 for Rs 37,000 and immediately spent Rs 2,000 on its repairs and Rs 1,000 on its erection. On July 1, 20X2, it purchased another machine for Rs 10,000 and on July 1, 20X3 sold off the first machine purchased in 20X1 for Rs 28,000; on the same date it purchased a machinery for Rs 25,000. On 1st July, 20X4 the second machinery purchased for Rs 10,000 was also sold off for Rs 2,000. Depreciation was provided on the Machinery at a rate of 10% p.a. on the original cost annually on 31st December.

Given the Machinery Account for four calender years commencing from January1, 20Xl. Calculations are to be made to the nearest rupee.

Q. 4

M/s Suba Pharmaceuticals has imported a machine on 1st July, 2001 for Rs. 1,60,000. They also paid customs duty and freight Rs. 80,000 and incurred erection charges Rs. 60,000. Another local machinery costing Rs. 1,00,000 was purchased on January 1, 2002. On 1st July, 2003 a portion of the imported machinery (value one third) got out of order and was sold for Rs. 34,800. Another machinery was purchased to replace the same for Rs. 50,000. Depreciation is to be calculated at 20% p.a.

Show the Machinery account for 2001, 2002 & 2003, using the fixed installment method.

Q. 5

On 1st April 1995 a firm purchased a machinery for Rs. 2,00,000. On 1st October in the same accounting year additional machinery costing Rs. 1,00,000 was purchased. On 1st October, 1996 the machinery purchased on 1st April 1995 having become obsolete, was sold off for Rs. 90,000. On 1st October, 1997 new machinery was purchased for Rs. 2,50,000 while the machinery purchased on 1st October, 1995 was sold for Rs. 85,000 on the same day.

The firm provides depreciation on its machinery @ 10% per annum on original cost on 31st March every year.

Show Machinery account, provision for depreciation account and depreciation account for the period of three accounting year ending 31st March, 1998.

Q. 6

In a business there was a machine of Rs. 90000 on 1st January , 1996. On 30 June 1996 an additional machine was purchased for Rs. 10000. On 31st December 1996 part of the machine was sold for RS. 2100which had a cost of Rs. 2000 on 1st January 1996. Prepare machine account after providing at 10% on fixed installment method.

Q. 7

A firm purchased on 1st January , 1996 a small plant for Rs. 100000. On 1st July in the same year an additional plant was purchased costing Rs. 50000. On 1st July 1997, the plant purchased on 1st January 1996 having become obsolete , is sold off for Rs. 40000.

Depreciation is provided at 10% p.a. on original cost on 31st December every year.

Show plant account and Provision for Depreciation account.

Q. 8

On 1st April 1995 M/s Rishab & Co. purchased four machines for Rs. 50,000 each. His accounting year ends on 31st March, Depreciation @ 20% on original cost has been charged to profit and loss account and credited to a separate provision for depreciation account.

On 1st April 1996 one machine was sold for Rs. 35,000 and on 1st April 1997, a second machine was sold for Rs. 33,000 A new machine which cost Rs. 80,000 was purchased on 1st October 1996. The same rate of depreciation was decided for the new machine as well.

Prepare :

(i) Machinery A/c.

(ii) Machinery Disposal A/c.

(iii) Provision for Depreciation A/c.

Q. 9

On 1st January 1992 X Ltd. purchased a machinery for Rs. 58,000 and spent Rs. 2,000 on erection. On 1st July, 1992 an additional machinery costing Rs. 20,000 was purchased. On 1st July 1994 the machine purchased on 1.1.92 was wold for Rs. 28,600 and on the same date, a new machine was purchased at a cost of Rs. 40,000. So the machinery A/c for the first for calendar years according w.d.v. method taking the rate of depreciation at 10% per annum.

Q. 10

X bought a machine for Rs. 25,000 on which he spent Rs. 5,000 for carriage and freight, Rs. 1,000 for brokerage of a middleman Rs. 3,500 for installation and Rs. 500 for an iron pad. The machine depreciated @ 10% every year on written down value basis. After three years the machine was sold to Y for Rs. 30,500 and Rs. 500 was paid as commission to the broker through whom the sale was effected. Prepare Machine Account for three years.

Q. 11

Ram Ltd. which depreciates its machinery at 10% p.a. on Diminishing Balance Method, had on 1st January, 1994 Rs. 9,72,000 on the debit side of Machinery Account.

During the year 1994 machinery purchased on 1st January, 1992 for Rs. 80,000 was sold for Rs. 45,000 on 1st July, 1994 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.

The company wanted to change the method of depreciation from Diminishing Balance Method to Straight Line Method with effect from 1st January, 1992. Difference of depreciation upto 31st December, 1994 to be adjusted. The rate of depreciation remains the same as before. Show Machinery Account.

Q. 12

A purchased on 1st January , 1993 certain machinery for Rs. 1,94,000 and spent Rs. 6,000 on its erection. On 1st July, 1993 additional machinery costing Rs. 1,00,000 was purchased.

On 1st July, 1995 the machinery purchased on 1st January, 1993 having become obsolete was auctioned for Rs. 1,00,000 and on the same date new machinery was purchased at a cost of Rs. 1,50,000. Depreciation was provided for annually on 31st December at the rate of 10% per annum on the original cost of the machinery.

No depreciation need be provided when a machinery is sold or auctioned, for that part of the year in which sale or auction took place. But for the above, depreciation shall be provided on time basis. In 1996 however, A changed this method of providing depreciation and adopted the method of writing off 15% p.a. on the written down value on the balance as appeared in machinery account on 1-1-1996.(retrospective effect)

Show the machinery account for the calendar years 1993 to 1996.

Q. 13

A firm purchased on 1st January, 1998 certain machinery for Rs. 58,200 and spent Rs. 1,800 on its erection. On July 1, 1998 another machinery for Rs. 20,000 was acquired. On 1st July, 2000 the machinery purchased on 1st January, 1998 having become obsolete was auctioned for Rs. 28,600 and on the same date fresh machinery was purchased at a cost of Rs.40,000.

Depreciation was provided for annually on 31st December at the rate of 10 per cent on written down value. In 200 I, however, the firm changed this method of providing depre­ciation and adopted the method of providing 5 per cent annum depreciation on the original cost of the machinery with retrospective effect.

Q. 14

A company purchased second hand machinery on 1st January, 2000 for Rs. 3,00,000, subsequent to which Rs. 60,000 and Rs. 40,000 were spent on its repairs and installation, respectively. On 1st July, 2001 another machinery was purchased for Rs. 2,60,000. On 1st July, 2002, the first machinery having become outdated was auctioned for Rs. 3,00,000 and on the same date, another machinery was purchased for Rs. 2,50,000.

On 1st July, 2003, the second machinery was also sold off and it fetched Rs. 2,30,000.

Depreciation was provided on machinery @ 10% on the original cost annually on 31st December, under the Fixed Installment, method. From 1st January, 2002, the method of providing depreciation was changed to Reducing Balance method, the rate being 15% p.a.

You are required to prepare the following accounts in the books of the company:

(i) Machinery Account for the years ending 2000 to 2003.

(ii) Machinery Disposal Account.

Note: *The figures may be rounded off to the nearest multiple of Rupees ten.*

Q. 15

On 1-1-2001, Arya Let. Purchased a machinery for Rs. 12,00,000. On 1-4-2003 a part of machinery purchased on 1-1-2001 for Rs. 80,000 was sold for Rs. 45,000 and a new machinery at a cost of Rs. 1,50,000 was purchased on the same date. The company has adopted the method providing 10% p.a. depreciation on the original cost of the machinery.

Show the necessary ledger accounts assuming that:-

a. Provision for Depreciation A/c is not maintained.

b. Provision for Depreciation A/c is maintained.

Q. 16

A company had a balance of Rs. 4,05,000 on 1st January, 2003 in its Machinery account. 10% per annum depreciation was charged by diminishing balance method. On 1st July, wood, the company sold a part of machinery for Rs. 87,500, which was purchased on 1st January, 2001 for Rs. 1,20,000 as a part of it became useless, and on the same date i.e. on 1st July , 2003, the company purchased a new machine for Rs. 2,50,000. On 31st December 2003, the Directors of the company decide to adopt the fixed installment method of depreciation from 1st January, 2001 instead of diminishing balance method. The rate of depreciation will remain the same. Prepare machinery account in the books of Company for the year ending 2003

Q. 17

0n 1-12-2006 Mr. X purchased a second hand machinery for Rs. 50000, paid Rs. 11000 for its overhauling and Rs. 5000 for its installation which was completed on 31-03-2006. On 1-10-2007 a repair work was carried out on the machine and Rs. 5000 was spent for the same. The machine was sold on 31-10-2008 for a sum of Rs. 21000 and an amount of Rs. 1000 was paid as dismantling charges. The company provide depreciation on its machinery at 20 % p.a. on diminishing balance method and closes its books on 31st December every year.

Prepare machinery account from 2006 to 2008.

Q. 18

A machine is purchased for Rs. 160000 on 16-6-2003. The company took delivery on 27-06-2003 incurring Rs. 2500 for transportation. The machine was installed on 15-07-2003 spending Rs. 2000 for wages and Rs. 1000 for consultancy fees. Trial run was constructed on 15-11-2003 spending Rs. 2500. The machine was put to use on 1-1-2004. Useful life of the machine was expected to be 5 years and scrap value at the end was expected to be Rs. 12000. The firm follow straight line method of depreciation.

Show machinery account and provision for depreciation account assuming that machine realized Rs. 13000 at the end of 5 years. The account being closed on 31st December each year.

Q. 19

 On 1st January , 2004 R & Co. purchased machinery for Rs. 74000 and spent Rs. 4000 on its repair and Rs. 2000 on its installation. On 1st January , 2005 the firm purchased another machinery for Rs. 20000. On 1st July 2006 the machinery purchased on 1st January 2004 was sold for Rs. 56000 and on the same date a new machinery was purchased for Rs. 50000. On 1st July 2007 the machinery purchased on 1st January 2005 was sold for Rs. 4000. In 2004 depreciation was charged at the rate of 10% p.a. on original cost of assets. From 2005 , it decide to write off depreciation at the rate of 15% p.a. on written down value method with retrospective effect.

Show the machinery account for 4 years starting 2004.

Q. 20

The book value of machinery on 1-1-2004 was Rs. 200000. New machinery for Rs. 10000 was purchased on 1-10-2004 and for Rs. 20000 on 1-7-2005. On 1-4-2006, a machine whose book value had been Rs.

 on 1-1-2004 was sold for Rs. 16000. Depreciation has been charged at 10% p.a. since 2004 on straight line method. It was decided in 2006 that depreciation @20% p.a. on diminishing balance method should be charged with retrospective effect since 1-1-2004.

Show the Machinery account upto 31-12-2006. Give working.

Q. 21

M/s Hot & Cold commence business on 1st april, 2002 when they purchased a new machinery costing Rs. 800000. On 1st October 2003, they purchased another machinery for Rs. 600000 and again on 1st July 2006, machinery costing Rs. 1500000 was purchased. They adopted a policy of charging @20% p.a. on diminishing balance basis.

On April 2006 , they however changed the method of providing depreciation and adopted the method of writing off the machinery account at 15% p.a. under straight line method with retrospective effect from 1-4-2002, the adjustment being made in the accounts for the year ended 31st March, 2007.

Show the machinery Account for the year ending 31st march 2007.

Q. 22

A company provide depreciation on plant and machinery at 20% p.a. on reducing balance method. On April 1, 2006 the balance of plant and machinery account was Rs. 500000. It was discovered in 2006-2007 that:

(i) Rs. 25000 being repairs to machinery incurred on June 30, 2004 had been capitalized.

(ii) Rs. 50000 being cost of machine purchased on October 1 , 2003 had been treated as ordinary goods.

 Management wants to correct the mistake while preparing the accounts for the year ending March 31, 2007. A plant that cost Rs. 40000 on September 30, 2005 was scrapped and replaced with a modern plant on 31st December, 2006 by spending Rs. 60000.

Calculate the amount of depreciation for the year ended March 31, 2007. Also prepare machinery account upto March 31, 2007.

Q. 23

Rama motor Limited purchased a machinery for Rs. 1500000 on april 1, 2002. On October 1, 2003, another machinery was purchased for Rs. 600000. On October 1, 2004 a new machinery was purchased for Rs. 450000.

Depreciation at 20% per annum on the diminishing value basis was accumulated in provision for depreciation account.

On January 1, 2006 machine no. 2(purchased on October 1 , 2003) was damaged and had to be replaced by a new machine costing Rs. 750000. It was expected that damaged machine will fetch Rs. 33000, but it was insured and an insurance claim for Rs. 372000 was admitted by the insurer.

Show for the year ending 31st March, 2006 the Machinery Account, Provision for Depreciation Account and Machinery Disposal account.

Q. 24

The plant and machinery account of a company had a debit balance of Rs. 147390 on April 1 , 2006. The company was incorporated in april , 2003 and has been following the practice of charging full years depreciation every year on diminishing balance system @ 15%. In 2006 it was, however, decided to change the method from diminishing balance to straight line with retrospective effect from april 2003 and to give effect the change while preparing the final accounts for the year ending 31st march, 2007, the rate of depreciation remaining same as before.

In 2006-2007 new machinery was purchased at a cost of Rs. 50000. All the other machines were acquired in 2003-2004.

Q. 25

 On 1st April, 2000 a firm purchased a machinery for Rs. 200000. On 1st October 2000 additional machinery was purchased for Rs. 100000.

On 1st October, 2002, new machinery was purchased for Rs. 250000 while the machinery purchased on 1st October, 2000 was sold for Rs. 85000 on the same day. The firm provide depreciation on its machinery @10% p.a. on original cost. It close its books of accounts on 31st march every year.

Show the machinery account for three accounting years ending 31st March, 2003.

Q. 26

A limited company purchased on 1st January 1998 second hand plant for Rs. 12000 and immediately spent Rs. 8000 on its overhauling. On 1st July in the same year additional plant costing Rs. 10000 is purchased. On 1st July , 2000 the plant purchased on 1st January, 1998 having become obsolete is sold for Rs. 4000and on the same date fresh plant is purchased at a cost of Rs. 24000.

Depreciation is provided @10% p.a. on original cost on 31st December every year. In 2001, however, the company changes the method of providing depreciation and adopts the method of writing off 15% p.a. on the diminishing balance method with retrospective .

Show the Plant Account from 1998 to 2001.

Q. 27

A company had bought machinery for Rs. 200000 including a boiler worth Rs. 20000. The machinery account had been credited for depreciation on the reducing balance method for the past four years at the rate 10%. During the fifth year , the boiler became useless on account of damage to some of its vital parts. The damaged boiler is sold in the very beginning of the fifth year for Rs. 4000. Write up the machinery account for all these five years.

Q. 28

A firm purchased on 1st January 1996 a small plant for Rs. 10000. On 1st July in the same year an additional plant was purchased costing Rs. 5000. On 1st July 1997 the plant purchased on 1st January 1996 having become obsolete , is sold off for Rs. 4000. Depreciation is to be provided at 10% p.a. on diminishing balance basis.

Show Plant and Machinery Account.

Q. 29

Mr. N commenced business in March 2000. He acquired some machines for Rs. 200000 on 1st April, 2000. He acquired another machine for Rs. 50000 on march 1, 2002. He sold machines original cost of which was Rs. 60000 for Rs. 35000 on October 31, 2001. Assuming depreciation @15% under WDV basis, compute the depreciation for the year ended march 31, 2001 and march 31, 2002.

Depreciation to be calculated to the nearest rupee.

Q. 30

Giri enterprises purchased some second hand machinery on 1st april 1993 for Rs. 370000 and installed it at a cost of Rs. 30000. On 1st October 1994 it purchased another machine for Rs. 100000 and on 1st October 1995 , it sold off the first machine purchased in 1993, for Rs. 280000.

On the same date it purchased a machinery for Rs. 250000. On 1st October 1996, the second machinery purchased for Rs. 100000 was also sold off for Rs. 20000.

In the beginning depreciation was provided on machinery at the rate of 10% p.a. on the original cost each year on 31st march. From the year 1994-95 , however the trader changed the method of providing depreciation and adopted the written down value method, the rate of depreciation being 15% p.a.

Q.31

Rohan Sons purchased a machine for Rs. 200000 on January 1, 1993. The machine was depreciated at the rate 10% p.a. under WDV method. On January 1, 1996 the firm decided to change the method of depreciation from WDV to SLM without changing the rate with retrospective effect from January 1, 1993.

Prepare Machine Account from 1993 to 1996.

Q. 32

Machine account of Karuna enterprises showed a debit balance of Rs. 280000 as on January 1 , 1991. They have been charging depreciation at 10% on SLM. They have now decided to change the method of depreciation from SLM to WDV method with effect from January 1, 1988, on which date they purchased the machine .

You are required to prepare machine account upto December 31, 1991.

Q. 33

Arvind enterprises purchased on April1, 1999 certain machinery for Rs. 72800 and paid Rs. 2200 on its installation. On October 1 ,1999 another machinery for Rs. 25000 was acquired. On April 1, 2000 the first machinery was sold for RS. 50000 and on the same date a fresh machinery was purchased at a cost of RS. 45000.

Depreciation was annually provided on 31st march at 10% p.a. on WDV method.

On april 1, 2001, however , the firm decided to change the method of providing depreciation and adopted the method of providing depreciation @ 10% p.a. on the original cost, with retrospective effect.

Ascertain the value of Machinery on 31st March , 2002.

Q. 34

Deva ltd. Charged depreciation on its plant and machinery @ 10% p.a. on WDV method. On 31st March 2000, the company decides to adopt SLM 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. 291600. On 1st July , 1999 a sum of Rs. 65000 was realized by selling a machine cost of which on 1st April, 1996 was Rs. 90000. On 1st January , 2000, a new machinery was purchased at a cost of Rs. 150000.

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

Q.35

The machinery Account of a Factory showed a balance of Rs. 1,90,000 on 1st Janu­ary, 200 I. Its accounts were made up on 31st December each year and depreciation is Written off at 10% p.a. under the Diminishing Balance Method.

On 1st June 200 I, a new machinery was acquired at a cost of Rs. 28,000 and installa­tion charges incurred in erecting the machine works out to Rs. 892 on the same date. On 1st June, 2001 a machine which had cost Rs. 6,000, on 1st January 1996 was sold for Rs. 750. Another machine which had cost Rs. 600 on 1st January, 1997 was scrapped on the same date and it realised nothing.

Write a plant a machinery account for the year 2001, allowing the same rate of depre­ciation as in the past calculating depreciation to the nearest multiple of a Rupee.

Q. 36

A company purchased furniture of Rs 40000 on 1st April 2003. It charges depreciation @ 10% on reducing balance method every year. On 1st July 2005, a part of furniture was sold for Rs 4000, the original cost of which was Rs 8000 purchased on 1st April ‘03. The accounting years of the company ends on 31st march every year.

Show Furniture a/c from 1st April 2003 to 31st March 2006. Also, calculate profit or loss on sale of furniture.

Q. 37

B. Co. Purchased machinery as follows :

Date of Purchase Cost of Machine (Rs.)

1.4.86 60,000

1.10.86 40,000

1.7.87 20,000

On 1.1.88 one-third of the machinery which was purchased on 1.4.86 became obsolete and was sold for Rs. 6,000. The machinery was to be depreciated by Fixed Installment Method at 10% p a. Show how the Machinery Account would appear in the ledger of the Company for the years 1986. 1987 and 1988. Assume that the accounting year of the Company ends on 31st December every year.

Q. 38

Q Ltd, purchased on 1st January, 1988 a machine for Rs. 10,000. On 1.7.88 it again purchased another machine for Rs. 5,000. On 1.7.89 the machine purchased on 1.1.1988 was sold for Rs. 4,000. On 1.7.1990 a new machine was purchased for Rs. 12,000. On the same date the machine purchased on 1.7.88 was sold for Rs. 4,200.

Depreciation was provided at 10% p.a. on the written down value every year. Show the Machinery Account .

Q. 39

A firm purchased on 1st January. 1996. certain machinery for Rs. 19,40,000 and spent Rs. 60,000 on its erection. On 1st July in the same year additional machinery costing Rs. 10,00,000 was acquired. On 1st July. 1998. the machinery purchased on 1st January 1996 having become obsolete was auctioned for Rs. 8,00,000 and on the same date fresh machine was purchased at a cost of Rs. 15,00,000. Depreciation was provided for annually on 31st December at the rate of 10% per annum on the original cost of the asset. In 1999, however, the firm changed this method of providing depreciation and adopted the method of writing off 20% on the written down value.

Give the Machinery Account as it would stand at the end of each year from 1996 to 2000.

5. ACCOUNTING FOR SPECIAL TRANSACTIONS- CONSIGNMENT

Q. 1

100 cycles, costing Rs. 150 each, were consigned to the agent at Jaipur. Expenses incurred on sending them were Rs. 1000. On the way 5 cycles were damaged dofue to bad handling and insurance claim of Rs. 700 was accepted. Consignee took delivery of the rest and incurred direct expenses of Rs. 285 and indirect expenses of Rs. 150. He sold 80 cycles at Rs.200 per cycle. Prepare consignment account when consignee gets 5% commission on gross sales. Also show how abnormal loss and stock at the end is to be calculated prepare abnormal loss account.

Q. 2

1000 bicycle were consigned by Roy & Co. of Kolkata to T.Nu of Rangoon at an invoice cost of Rs. 950 each. Roy & Co. paid freight Rs. 65000 and insurance Rs. 11500. During the transit 100 bicycle were totally damaged by fire and had to be thrown overboard. T.Nu took delivery of the remaining bicycles and paid Rs. 86400 for custom Duty.

T.Nu sent a bank draft to Roy & Co. for Rs. 320000 as advance payment and later sent an account sales showing that 800 bicycles were sold at Rs. 1400 each. Expenses incurred by T.Nu on godown rent and advertisement etc. amounts to Rs. 12500. He is entitled to a commission of 5%.

Prepare the consignment account. T.Nu account and abnormal Loss account in the books of Roy & co. assuming that nothing has been recovered from the insurer due to a defect in the policy.

Q. 3

Oil Mills . Mumbai , consigned 10000 kg. of castor oil to D of Kolkata on 1st January, 2003. The cost of the oil was Rs. 23 per kg. S oil mills paid Rs. 20000 for packing, freight and insurance.

During transit 250 kg. were accidently destroyed for which the insurer paid , directly to the consignor, Rs. 4500 in full settlement of the claim.

D took delivery of the consignment on the 10th January. On 31st March, 2003, D reported that 7500 kg. were sold @ Rs. 30, the expenses being on godown rent Rs. 3000, on advertisement Rs. 4000 and on salesmen salaries Rs. 6400. D is entitled to a commission of 3% plus 1.5% del-credere. A party which had bought 1000 kg. was able to pay only 80% of the amount due from it.

D reported a loss of 100 kg. due to leakage. Assuming that D paid the amount due by Bank draft. Show the account in the books of the consignor. S Oil Mills closes its books on 31st March.

Q. 4

On 1st January , 2003, Badri of Mumbai consigned 100 cases ( cost price Rs. 7500) at a proforma invoice price of 25% profit on sale to his agent. Anil of Allahabad , on the same date , Badri paid non- recurring expenses of Rs. 600. On 10th January, Anil, took delivery and paid Rs. 1200 for Octroi and other duties and remitted Rs. 4000 as an advance against the consignment. On 31st January he sold 80 cases for Rs. 10500. Anil is entitled to 5% commission on gross sale and 10% on the sale price in excess of invoice price . show the ledger accounts in the books of both parties. Anil is required to maintain proportionate security with the consignor for the unsold stock.

Q. 5

Ravi consigned goods to Suraj costing Rs. 100000. The Proforma invoice was made to show a profit of 25% on cost. Ravi paid freight, insurance Rs. 2000. Suraj sold part of consignment for Rs. 88000 at a uniform price of 10% over invoice price and spent Rs. 3000 as warehousing charges, Rs. 1000 as selling expenses. Suraj is entitled to a commission of 5% on sales and 20% of the net profit after charging such commission on sales. Suraj paid the amount due by bank draft. Draw up the consignment account in the books of Ravi with appropriate working notes.

Q. 6

Rahim of Mumbai consigned to Raju of Chennai goods to be sold at invoice price which represents 125% of cost. Raju is entitled to a commission of 10% on sales at invoice price and 25% of any excess realized over invoice price. The expenses on freight and insurance incurred by Rahim were Rs. 10000. The account sales received by Mr.Rahim shows that Raju effected sales aggregating to Rs 1,00,000in respect of 75% of the consignment. His selling expenses to be reimbursed were Rs, 8,000. 10% of the consignment goods of the value of Rs. 12,500 were destroyed in fire at the Chennai godown and the Insurance Company paid Rs.12,000 net of salvage. Raju remitted the balance in favour of Rahim.

 Prepare Consignment Account and the Account of Mr. Raju in the books of Mr.Rahim along with necessary workings.

Q. 7

Mr. Laxman of Delhi purchased 10000 pieces of sarees at Rs. 100 per saree. Out of this, 6000 sarees were sent on consignment to Mr. T of Chennai at the selling price of Rs. 120 per saree. The consignor paid Rs. 3000 for packing and freight. Mr. T sold 5000 sarees at Rs. 125 per saree and incurred Rs. 1000 for selling expenses and remitted Rs. 500000 to delhi on account. Mr. T is entitled to a commission of 5% on total sales plus a further commission at 20% of surplus price realized over invoice price. At the end of the year, owing to recession in the market, selling price of a saree has come down by 10% of Rs. 120.

You are required to prepare the consignment account in the books of Mr. Laxman and Mr. Laxman account in the books of Mr. T.

Q. 8

Peter sent to Qureshi 1,000 pieces of goods on consignment basis ; one piece costing Rs.230. Peter sent Rs.2,200 on packing , Rs.450 on freight and rs.1400 on insurance in transit. Qureshi paid Octroi duty amounting to Rs.1,200 and cartage Rs. 1,100 to bring goods to his godown. In course of time Qureshi also spent Rs.1,600 on insurance and rent of godown and paid Rs.4,000 as salaries to salesman. Just before close of accounting period, Qureshi reporte that he had sold 800 pieces at Rs.305 per piece. Qureshi is entitled to a commission @ 5% of gross sales.

Show how the unsold stock will be value and prepare Consignment Account in Peter’s Ledger .

Q. 9

On 1st September ,2007 Atul of Assam sent on consignment to Daulat of Delhi 100 cases of tea costing Rs. 500 each invoiced ‘pro-forma’ at Rs.600 each. Freight and other charges on the consignment amount to Rs.3,100.

On 1st December ,2007 Daulat sent Account Sales Ledger with the necessary remittance showing that 40 cases had realized Rs.600 each and 30 cases Rs.700 each and 30 cases remained in stock unsold. Rs.2,500 was spent by Daulat for the consignment. Daulat was given a commission of 5% on sales. On 27th December Daulat informed Atul that 20 Cases were damaged due to bad packing that they would be sold at Rs.200 per case.

Both the firms close their books of account on 31st December. Prepare Ledger Account in the books on both the parties.

Q. 10

On 4th September,2007 Dilip sent to Kuldeep on consignment basis goods costing Rs.80,000 invoiced Proforma at Rs.1,00,000 and drew upon the later a bill at 3 months for Rs.50,000 which was immediately accepted by the latter . Freight and other expenses incurred by Dilip on the goods consigned amounted to Rs.6,400.

On 21st December,2007, Dilip received an Account Sales from Kuldeep along with a bank draft for the amount to settle the up –to-date. According to Account Sales received, Kuldeep had sold three-fourths of the goods for Rs.87,000 and had incurred selling expenses amounting to Rs.3,270. Kuldeep charge commission @5%.

Both the entries parties closed their account on 31st December,2007.

Show journal entries to record the above mentioned transactions in the books of both the parties. Also show important Ledger Accounts in Dillip’s passed entries on the basis of invoice price of the goods consigned. The advance money received may be treated by way of security.

Q. 11

On 1st October ,2007, B of Bombay consigned to A of Ahemdabad 100 Mobile sets. Cost of each set was Rs. 1,900 but B prepared pro-forma invoice at Rs.2,200per set. B incurred expenses amounting to Rs.5,000 on goods consigned. On 31st December,2007 , A informed B that he had sold 68 sets @ 2,800 per set and 11 sets @ Rs.2,700 per set and had spent Rs. 15,200 on behalf of the consignor. One set has been accidentally damaged and sold for Rs.500 according to instructions of the consignor. A was entitled to a commission 6% on gross sales including del credere commission . A could recover only Rs.2,500 from a customer to whom on set has been sold on credit for Rs.2,800. All other sales were made on cash basis.

Show ledger accounts in the books of both the parties.

Q. 12

R of Ranchi consigned goods of the invoice price of Rs. 2,00,000 which is 25% above cost, to D of Delhi on the following conditions:

1. Consignee to get a commission of 5% on all sales.
2. Any goods taken by the consignee himself or lost through consinee’s negligence shall he valued at cost plus 12-1\2% and no commission would be allowed on them.

The expenses incurred by the consignor were carriage and freight Rs.6,720 and insurance Rs.3440.

The consignor received Rs.50,000 as advance against the consignment. Account sales together with a draft for the balance due was received by the consignor showing the following position: Goods of the invoice price of Rs.1,60,000 were sold for Rs.2,48,000. Goods of the invoice price of Rs.10,000 and Rs.5,000 were taken by D and lost through his negligence ,respectively. Amount of Rs.1,720 on advertisement and Rs.1,080 on selling expenses were incurred by D.

Prepare consignment account and consignee’s account in the books of the consignor.

Q . 13

Punjab Cycle Co. of Ludhiana consigned 100 bicycles to Kanpur Cycle Co. of Kanpur costing Rs.1,500 each, invoiced at Rs.2,000 each . The consignor paid freight Rs.10,000 and insurance in transit Rs.1,500. During transit ,10 bicycles were totally damaged.

Kanpur Cycle Co. took delivery of the remaining bicycles and paid Rs.1,530 for Octroi duty. Kanpur Cycle Co. sent a bank draft to Punjab cycle Co. for Rs.50,000 as advance and later on sent an account sales showing that 80 bicycles had been sold @ Rs.2,200 each. Expenses incurred by Kanpur Cycle Co. on godown rent were Rs.2,000. Kanpur Cycle Co. is entitled to a commission of 5% on invoice price. Insurance claim was settled at Rs.14,000.

Prepare consignment account consignee’s account and abnormal loss account in the books of the consignor.

6. JOINT VENTURE

Q. 1

A, B and C jointly undertake to construct a building for a company at a contract price of Rs 15,00,000 to be paid as to Rs 12,00,000 in cash by installments and Rs 3,00,000 in fully paid shares of the company. They agreed to share profit or loss equally. They open a joint bank account and contribute:

A Rs. 1,80,000 B Rs. 2,00,000 C Rs. 1,30,000

A gets the plan prepared and pays Rs.20,000 for it. B brings into the joint venture machinery of Rs.60,000 and C brings into the venture a truck of the value of Rs. 1,50,000. They also purchased materials worth Rs.7,50,000 and wages paid were Rs. 4,95,000.

 On completion of the venture, A takes over unused materials, of the value of Rs. 35,000,B takes back machinery at Rs.70,000 and C agrees to take back truck at a valuation of Rs. 2,60,000.

 Prepare necessary ledger accounts assuming that a separate set of account books is maintained.

Q. 2

 Mr. Gulab of Delhi and Mr.Vikas of Bombay entered into joint venture for sale of 100 machines out of his stock.

 Mr.Gulab paid Rs.12,000 for transit insurance. Mr. Vikas paid Rs. 25,000 for freight while talking delivery on 5th April 2006. On the same day he sent a draft of Rs.5,50,000 to Mr.Gulab Mr.Vikas spent Rs 28,000 for advertisement and Rs.7,500 for godown rent.

 Mr.Vikas is entiled to commission at the rate of 4% on sales and share of 2/5th Profit. By 30th April,2006 all the machines were sold at the list price of Rs.15,200 each less 5% discount. Mr. Vikas could not collect Rs. 2,500 from customers. He settled the amount due to Mr. Gulab on 30th ,April,2006.

 Prepare the joint Venture Account and Vikas’ Account in the books of Gulab and the Joint Venture Account and Gulab’s Account in the books of Vikas..

Q. 3

12 M of Mangalore and B of Bangalore entered into a joint venture for the purpose of Buying and selling second-hand cars. M was to purchase them while B was to sell them. The profit or loss was to be shared equally. B remitted a sum of Rs. 3,00,000 to M towards the venture.

 M Purchased 5 cars for Rs.2,40,000 and paid Rs.90,000 for their reconditioning and sent them to Bangalore.

 B sold 4 cars for Rs.3,60,000 and retained the fifth car himself at an agreed value of Rs. 75,000. His expenses were:

 Brokerage Rs.3,000; Garage rent Rs. 3,000; Insurance Rs.1,500 and Sundry expenses Rs.600.

 Each party’s ledger contains a record of his own transaction on joint account.

Prepare the Memorandum Joint Venture Account, Joint Venture with M Account and Joint Venture with B Account.

Q. 4

Mr. M and Mr. N jointly agreed to underwrite the subscription at par of 100000 shares of Rs. 10 each in X Ltd. And to pay all expenses upto allotment. The consideration in return for the guarantee was 5000 other shares of Rs. 10 each fully paid to be issued to them. They were to share the profit in the ratio of 3:1.

Mr. M provided the funds to meet the following expenses:

Registration Fees Rs. 4850

Advertising Charges Rs. 2850

Printing Charges Rs. 2300

Mr. N contributed towards the payment of the following expenses:

Rent Rs. 5000

Solicitor’s Charges Rs. 3000

Application fell short of the full issue by 10000 shares. Mr. N took over on joint account and paid for the same in full.

The guarantee having been fulfilled, X Ltd. Handed over to M and N 5000 shares. They sold their all shares at Rs. 15 per shares. The proceeds were shared by M for 4000 shares and by N for the Balance.

Prepare Joint Venture A/C and Co-venture’s A/C in the books of both the parties.

Q. 5

Mr. X and Mr. Y carrying on a business separately as contractors, jointly take up the work of constructing a building at an agreed price of Rs. 3,50,000, payable in cash Rs.2,40,000 and in fully paid shares of a company for the balance of Rs.1,10,000. A bank account is opened in which X and Y paid Rs.75,000 and Rs.50,000 respectively. The following costs were incurred in completing the construction and the contract price was duly realized:

|  |  |
| --- | --- |
| Wages paidMaterials purchased for cash Materials supplied by Mr.Y from his stockConsulting Engineer’s fees paid by Mr.X  | Rs.90,000Rs.2,10,000Rs.27,000Rs.6,000 |

X agreed to take over the shares at an agreed valuation of Rs.48,000 while Y agreed to take the remaining stock At Rs.9,000.

Prepare necessary ledger accounts for the Joint Venture (Profit sharing ratio 2:1).

1. Aditya and Amit entered into a joint venture to buy and sale Ganesh idols for the Ganesh festival. They opened a joint bank a/c. Aditya deposited Rs 200000 and Amit Rs 150000. Aditya supplied Ganesh idols worth Rs 25000 and Amit supplied decoration material worth Rs 15000.

The following payments were made by the venture:

a) Cost of Ganesh idols purchased Rs 250000

b) Transportation charges Rs 12000

c) Advertising Rs 7500 and sundry expenses Rs 2500

They sold idols for Rs 400000 for cash. Aditya took over some idols for Rs 30000 and Amit took over remaining for Rs 10000. The profit or losses were to be shared equally between co-venturers.

Prepare Joint Venture a/c, Joint Bank a/c and each co-venturer’s a/c.

 7. Prabir and Mihir doing business separately as building contractors undertake jointly to build a skyscraper for a newly started public limited company for a contract price of Rs 10000000 payable as Rs 8000000 in cash and the balance by way of fully paid equity shares of the new company. A bank a/c was opened for this purpose in which Prabir paid Rs 2500000 and Mihir Rs 1500000. The profit sharing ratio was agreed as 2:1 between Prabir and Mihir. The transactions were:

a) Advance received from the company Rs 5000000

b) Wages to contractors Rs 1000000

c) Bought materials Rs 6000000

d) Material supplied by Prabir Rs 1000000

e) Material supplied by Mihir Rs 1500000

f) Architect’s fees paid from Joint bank account Rs 2100000

The contract was completed and the price was duly paid. The joint venture was duly closed by Prabir taking all the shares at Rs 1800000 and Mihir taking over the balance material for Rs 300000.

Prepare the Joint Venture a/c, Joint Bank a/c Co-venturer’s a/cs and Shares a/c.

1. John and Smith entered into a joint venture business to buy and sale garments to share profits or losses in the ratio of 5:3. John supplied 400 bales of shirting at Rs 500 each and also paid Rs 18000 as carriage & insurance. Smith supplied 500 bales of suiting at Rs 480 each and paid Rs 22000 as advertisement & carriage. John paid Rs 50000 as advance to Smith. John sold 500 bales of suiting at Rs 600 each for cash and also all 400 bales of shirting at Rs 650 each for cash. John is entitles for commission of 2.5% on total sales plus an allowance of Rs 2000 for looking after business. The joint venture was closed and the claims were settled.

Prepare Joint Venture a/c and Smith’s a/c in the books of John and John’s a/c in the books of Smith.

1. A and B decided to work on a joint venture to sale electric motors. On 21st May 2005, A purchased 200 electric motors at Rs 175 each and dispatched 150 motors to B incurring Rs 1000 as freight and Insurance. 10 motors got damaged in transit. On 1st Feb 2006, insurance company paid Rs 500 to A in full settlement of the claim. On 15th March 2006, A sold 50 motors at Rs 225 each. He received Rs 15000 from B on 1st April 2006. On 25th May 2005, B took delivery of motors and paid Rs 125 for clearing, repairs Rs 300 and rent of Rs 600. B sold motors as on 1st Feb 2006 – 10damaged motors at Rs 170 each, on

15th March 2006 – 40 motors at Rs 200 each, on 1st April 2006 – 20 motors at Rs 315 each and on 1st April 2006 80 motors at Rs 250 each. It was agreed that they would be entitled for a commission of 10% on the respective sales made by them and that the profit or losses will be shared by A & B in the ratio of 2:1. On 30th April 2006, B remits the cash to A to close the venture.

Prepare “joint venture with B a/c” in the books of A and the Memorandum joint venture a/c.

Q .10

On 1st January 2007 B and C entered into a joint venture sharing the profits in the ratio of 3:2 after allowing a salary of Rs.2,000 p.m. to C. B sent out of his stock of goods costing Rs.5,00,000 to be sold by the latter and incurred expenses amount t Rs.10,700. On 3rd January ,2007 C accepted a bill of exchange at 2 months for Rs.3,00,000 drawn by B. On 6th January, 2007, B discounted the bill @9% p.a. By 31st march,2007 C had sold goods for Rs.6,00,500 after incurring expenses amounting to Rs.11,450. C agreed to take over the remaining goods for Rs.20,000. C forwarded a cheque immediately to settle the account. Show the journal and ledger account in the books of B and C.

Q .11

X and Y entered into a joint venture involving the buying and selling of old railway material. The profit and loss was to be shared equally. The cost of the material purchased was Rs.85000 which was paid by X who drew a bill on Y at two months demand for 60,000. The bill was discounted by X at a cost of Rs.480. The transaction relating to the venture was (a) X paid Rs.600 for carriage, Rs.1,000 for commission on sales and Rs. 400 travelling expenses, (b) Y paid Rs.200 travelling expenses and Rs.300 sundry expenses;(c) sales made by X amounted to Rs.40,000 and sales made by y were Rs.60,000. Goods costing Rs. 2,000 and Rs.3000 (being unsold stock) were retained by X and y respectively and these were charged to them at prices to show the same rate of gross profit that made on total sales (excluding these sales). X was credited with a sum of Rs. 800 to cover the cost of ware housing and insurance. The expense in connection with the bill were to be treated as a charge against the venture.

You are required to:

1. Show the account in the books of each party to record his own transaction and
2. Prepare a memorandum joint venture account.

Q .12

Verma and Manik both Building Contractors, undertook a joint venture involving the construction of a house building. The joint Bank Account was opened in which Verma deposited Rs.1,00,000 and Manik deposited Rs.50,000. The contract amount was Rs.5,00,000. The result of joint venture was to be shared by verma 2/3rd and Manik 1/3rd. The details of the transaction were as under:

Salaries 16,000

Wages Paid 92,000

Building materials purchased 2,20,000

Material supplied by verma 18,000

Material supplied by Manik 16,000

Architect’s fees 14,000

Cartage 24,000

Concrete mixer plant purchased 50,000

The stock of the building materials on the completion of the contract, valued at Rs. 22,000 was taken over by verma. Concrete mixer plant was sold out for Rs.40,000. Mr.Verma was to pay Rs.24,000 per annum against established expenses, to be charged to the joint venture account . The contract lasted for 8 months.

Prepare a joint venture account, joint bank account account of verma and Manik.

7. HIRE PURCHASE ACCOUNTS

**Q.1.** A Ltd. purchased a machine on hire purchase system from B. Ltd., on 1 January, 1998, paying immediately Rs.20,000 and agreeing to pay three installments of Rs.20,000 each on 31 December every year. The cash price of the machine is Rs.74,500 and vendors charge interest at 5% p.a. Calculate the amount of interest paid by buyer to seller every year.

## Q.2. Aprna purchased a Radio-Recorder on January 1, 19 x 1 on hire purchase system for Rs.2,500 payable as under :

##  Rs.

##  Down payment 465

##  At the end of first year 713

##  At the end of second year 902

##  At the end of third year 420

##  Interest is charged at 5% p.a.

##  Calculate total cash price of Radio-Recorder and interest paid with each installment.

## Q.3. (i) The cash price of the machine is Rs.50,000.

## Rs.20,000 is to be paid on signing the agreement.

## The balance is to be paid in annual installments of Rs.10,000 plus interest (or together with interest).

## Interest chargeable on outstanding balance is 6% p.a.

## Q.4. On 1 January 19... Sunita purchases a refrigerator on hire purchase system. She paid Rs.1,000 on delivery and the balance in four installments of Rs.750, each payable annually on 31 December. The cash price of the refrigerator was Rs.3,700. Calculate the amount of interest included in each of the annual installments.

Q. 5

On April 1st 1988, Shyam Lal purchased a plant on hire purchase system. According to the terms of the agreement of Rs. 80000 was to be paid on the signing of the contract. The balance was to be paid in four annual installments of Rs.50,000 each plus interest. The cash price of the plant was Rs.2,80,000. Interest chargeable on outstanding balance was 20 percent per annum. You are required to calculate interest.

Q.6

Maheer purchase a car on hire purchase system on April 1,1995, the total cash price of the car is Rs.3,30,000, payable Rs.1,00,000 on signing of the agreement and three equal annual installments of Rs.1,00,000 payable on 31st March for 3 years. Interest is charged at 15% per annum. You are required to calculate interest paid by the buyer to seller each year.

Q.7

Mr. Nair purchased a VCR on hire purchase system on April 1,1999. As per terms, he is required to pay Rs. 8,000 down, i.e., on April1 1999, Rs.7,000 on March 31,2001 Rs. 6000,on March 31,2002 .Interest is Charged 20% per annum. You are required to calculate total cash price of the VCR

and interest paid with each installment.

Q.8

M/s Hitendar Shah & Co. purchased matadors from Saini Bros,. on hire-purchase system on April 1,1999, payment being made Rs.2,98,500 down and Rs.3,00,000annually for three years. The installment were required to be paid on March 31,each year . The cash price of the matadors purchased was Rs. 9,30,000. Saini Bros. charged interest @20% per annum. M/s Hitendar Shah &Co. provided depreciation on matadors@20%p.a. on the diminishing balance method. The books of account are closed on March 31, every year.

 Pass journal entries and show ledge accounts in the book of M/s Hitendra Shah & Co. Also show how various items will be shown in the balance sheet of the purchaser.

Q.9

Biswas Ltd. Purchased a machine on hire purchase system from Madras Machinery Ltd. The terms are that they would pay Rs.25,000 down on April 1,1998. They charged depreciation on the machine at the rate of 15 per cent annum under straight line method.

 Madras Machinery Ltd. Had charged interest at the rate of 20 per cent annum.

 Prepare the Machinery Account and Madras Machinery Ltd. Account to record per above transactions in the books of Biswas Ltd. till the installment s are paid off.

 The accounting year of Biswas Ltd. ended on 31st March in each year.

Q. 10

M/s Raghavan Transport Co. purchased a truck on hire purchase system for Rs.5,00,000 on April 1, 1989 payment to be made Rs. 2,00,000 down and three annual installments of Rs. 1,50,000 each payable on March 31, 1990, #1,1991 and March #1,1992. Rate of interest is charged @ 25% per annum by the vendor, M/s. Deepa Motors. The buyer depreciates the truck at 20 per cent per annum on written down value method.

 Because of financial difficulties, M/s Raghavan Transport Co. after having paid down payment and first installment at the end of 1st year (i.e. on March 31, 1990), could not pay second installment and the vendor took possession of the truck ,Vendor , after spending Rs. 15,000 on repairs of the asset sold it away for Rs. 3,25,000 on April 10,1991.

Q.11

Rapid Engineering Works sold to Pratap Industries a machine of the cash value of Rs. 31,360 on hire purchase basis on 1t April, 1995. A sum of Rs.9,000 was paid at the time of delivery . The balance was payable in three equal annual installments of Rs.9,000 each payable on 31st March of every year. Interest was charged @10% per annum. The purchaser charged 10% depreciation per annum on the diminishing balances of the machine.

 Pratap Industries failed to pay the installment due on March 31, 1997. Rapid Engineering Works obtained the permission of the court to repossess the machine as a result of default by the purchaser and having completed all the statutory requirements took possession of the machine on May 31,1997.

Q. 12

Ramu purchased four machines of Rs.14,000 each by the Hire Purchase system . The hire purchase price for all the four machines was Rs.60,000 to be paid as Rs.15,000 down and three installments of Rs.15,000 each at the end of each year. Depreciation is written off at 10% per annum on the straight line method. Interest is charged at 5% p.a.

 Down payment and first installment were paid. On the default, vendor took possession of three machines leaving one machine with buyer. The machines were taken by the vendor at a depreciated value 20% per annum under written down method. Vendor spent Rs.1,200 on repairs and sold the three machines for Rs.35,000.

Q. 13

X Transport Ltd. Purchased from manish Motors 3 Tempos costing Rs. 1,00,000 each on hire purchase basis on 1-1-1995. 20% of the cost was to be paid down and the balance in 3 equal annual installments together with interest @ 9% at the end of each year. X Transport Ltd. Paid the installments due on31st December ,1995,but could not pay there after. Manish Motors agreed to leave \one tempo with the purchaser on 1-1-1996 adjusting the value of the other two tempos against the amount due that date. The tempos recovred were valued on the basis of 30% depreciation annually. X Transport Ltd. Charges

Depreciation on tempos @20% on diminishing balance method.

 M/s Manish Motors incurred Rs.10,000 on repairs of tempos repossessed and resold them at a profit of 5% on total cost.

 Write up necessary ledger Accounts in the books of both parties giving effect to the above transactions.

Q. 14

On 1-1-1999 X, a television dealer, bought 5 television sets from olphia Television Co. on hire purchase. The cash price of each set was Rs.20,000. It was agreed that Rs. 25,000 should be paid immediately and the balance in three installments Rs. 30,000 each at the end of each year. The Television co. charges interest @10% p.a. The buyer depreciates television sets at 20% P.a. on the diminishing balance method.

X paid cash down and two installments but failed to py the last installments consequently, the Television Co. repossessed three sets , leaving two sets with the buyer and adjusting the value of 3 sets against the amount due. The sets repossessed were valued and adjusting the basis of 30% depreciation P.a. on the written down value. The sets repossessed were sold by the Television Co. for Rs.30,000 after necessary repairs amounting to Rs.5,000.

Open the necessary ledger accounts in the books of both the parties.

**Q. 15**

On 1st October, 1999 five trucks were purchased by A on the hire purchase system. The cash price of each truck is Rs.5,50,000. The Payment was to be made as follows;

20% of cash price down:

25% of cash price at the end of each of the 4 subsequent half years.

The Payment due on 30th September,2000, could not be made and hence trucks were seized by the vendor but, after negotiations, A was allowed to keep three trucks on the condition that the value of the other trucks would be adjusted against the amount due, the trucks being valued at cost less 25% depreciation. A;s books are closed on 31st March every year and he charges 15% depreciation on trucks on the original cost.

Show the necessary accounts in the books of A.

Hire Purchase Trading Account

(at Cost)

Q. 16

The following details relate to a dealer in certain domestic appliances who disposes of them on hire purchase system. Assuming his gross profit on sales to be 25% and there were no opening and closing creditors for goods or expenses, prepare hire purchase trading account for the year ended 31st December, 2008

2008 Rs.

Jan. 1 Stock out on hire at H.P. Price 4000

 Stock on hand at shop at cost 500

 Installments overdue, customer still paying 300

Dec. 31

 Stock out on hire at H.P. Price 4600

 Stock on hand at shop at cost 700

 Installments overdue, customer still paying 500

 Cash purchase during the year 6000

Credit purchase during the year 800

Cash received (Installments) during the year 8000

Hire purchase expenses paid during the year 740

Q. 17

(at invoice price)

Ram sells goods on hire purchase basis at a profit of 50% on cost. Following particulars are given to you relating to the business during 2006:

Hire purchase stock (at selling price) as on 1st January, 2006 9000

Installment due on 1st January , 2006 5000

Goods sold on hire purchase during the year ( At selling price) 87000

Cash received from hire purchase customer during the year 60000

Goods repossessed (installment due Rs. 2000) as valued 500

Hire purchase stock (at selling price) as on 31st December, 2006 30000

Installment due on 31st December, 2006 9000

Prepare Hire Purchase Trading Account showing the profit earned .

Q. 19

P sells goods at hire-purchase basis, the price being cost plus 50%. From the following calculate profit by preparing ledger accounts on stock and debtors system for the year ended 31 March, 2004:

April 1,2003 Stock at the shop at cost 36,000

April 1,2003 Stock out with H.P. customers 18,000

 At selling price

April 1,2003 H.P. Debtors 10,000

31 March, 2004 Cash received from customers 1,20,000

 Goods repossessed (Installments Due Rs.

 4,000) valued at 1,200

 H.P. Debtors at the end of the year 18,000

 Stock at the shop at the end of the year, at cost 40,000

 Stock out with H.P. Customers at selling Price 60,000

 Purchase made during the year 1,20000

Q. 20

Anuj Traders sells various items on hire purchase at cost plus 50%; from the following particulars find out the profit for the year ending march 31, 2009:

2008 Rs.

April 1 Stock with hire purchase customers at selling price 4,500

 Stock at shop at cost 9,000

 Installments due 2,500

2009

March 31 Cash received from customers 30,000

 Goods repossessed (installments due Rs.1,000) valued at 250

 Installments due, customers paying 4,500

 Stock at shop at cost (excluding repossessed goods) 10,000

 Goods purchased during the year 30,000

Q. 21

Tulika sells goods at hire purchase price. Hire purchase is made of profit at 50% on hire purchase (cost). Calculate profit from the information given below by preparing hire purchase trading account:

20…….

January 1 Installments due in the beginning 8,000

December 31 Installments due during the year 25,000

 Cash received during the year 30,000

 Goods sold during the year 24,000

 Installments unpaid (not due) on 31 December 6,000

 Goods repossessed during the year (Amount due

 Rs.500) 50

Q. 22

From the following prepare hire purchase trading account Lakshmi Devi who sells goods on hire purchase basis at cost plus 25%:

 Rs.

Installment not due on 31.12.2005 300000

Installment due and collected during 2006 800000

Installment due but not collected during 2006 including

Rs. 10000 for which goods were repossessed 50000

Installment not due on 31st December 2006 including Rs. 20000

For which goods were repossessed 370000

Installment collected on repossessed stock 15000

Goods repossessed were valued at 60% of original cost.

Q. 23

Geeta products sells goods on hire purchase system at cost plus 50% . from the following particulars for the year ending December 2007, prepare H.P. Debtors account, Shop stock account, H.P. Stock account and H.P. adjustment account to reveal the profit earned:

January 1 stock with H.P. customers at selling price 27000

 Stock at shop at cost 54000

 Installments overdue 15000

December 31

 Cash received from customers 180000

 Goods repossessed ( installment due Rs. 8000)

 Valued at Rs. 1500 which has been included in the stock

 At the end at Rs. 1500

Goods purchased during the year 180000

Stock at shop at cost 61500

Installment due 27000

8. BRANCH ACCOUNTING

Q. 1

M/s R Brothers are having their head office at Delhi and Branch at Meerut. The following are the transaction of the Head Office with the branch for the year ended 31st August, 2002:

|  |  |
| --- | --- |
| Stock at branch as on 1.09.2001Debtors at the branch as on 1.09.2001Petty cash as on 1.09.2001Goods supplied to the branchRemittances from branch:Cash sales Realization of debts Amount sent to branch:SalaryRentPetty cashStock at branch as on 31.08.2002Sundry debtors at the branch as on 31.08.2002Petty cash as on 31.08.2002 | Rs.3080016500500151200105001677407400240030002315050460750  |

Show the Meerut Branch account in the books of Head Office.

(ANS: PROFIT RS. 40,800)

Q. 2

S Co., Bangalore , opened a branch at Hyderabad on 1.4.2001. the following information is available in respect of the branch for the year 2001-2002.

|  |  |
| --- | --- |
| Goods sent to branchCash sales at the branchCredit sales at the branchSalaries of the branch staff paid by the head officeOffice expenses of the branch paid by the head officeCash remittances to branch towards petty cashPetty cash at branch on 31.03.2002Debtors of branch as on 31.3.2002Stock at branch as on 31.3.2002 | Rs.75000500006000015000120006000500500027000 |

Prepare Branch Account to show the profit and loss from the branch for the year.

(ANS. PROFIT 29,500. COLLECTION FRONM DEBTOR 55,000)

Q. 3

From the following particulars, prepare Branch Account showing the profit or loss of the Branch.

 Rs.

Opening stock at the branch 30000

Goods sent to branch 90000

Sales (cash) 120000

Expenses :

Salaries 10000

Other expenses 4000

Closing stock could not be ascertained , but it is known that the branch usually sells at cost plus 20 percent. The Branch Manager is entitled to a commission of 5% on the profit of the Branch before charging such commission.

Q. 4 T Co. , Delhi has a branch in Kolkata. It invoice goods to the branch at selling price which is cost plus 33-1/3%. From the following particulars prepare Branch Account, Branch Debtors Account, and Goods Sent to Branch Account in the Books of T Co., Delhi:

|  |  |  |
| --- | --- | --- |
| Stock on 1st January 2002 (invoice price)Debtors on 1st January 2002Goods invoiced to branch during the year at invoice priceSales at the branch:CashCreditCash received from debtorsDiscount allowed to customersBad debts written offCheque sent to branch:SalariesSundry expensesStock on 31st December 2002 (invoice price) | 310003740050001700 | Rs.1500011400670006840040000300250670013400 |

Q. 5 G Ltd. Invoices goods to its branch at selling price which is cost plus 60% . from the following particulars, prepare branch account for the year ended 31st March, 2002:

|  |  |
| --- | --- |
| Stock at branch on 1st April, 2001 at invoice priceBranch debtors on 1st April, 2001Branch Furniture on 1st April, 2001Transaction during the year 2001-2002:Invoice price of goods sent to branchCash sales at branchCredit sales at branchCash expenses of branch directly met by head officeDiscount allowed to branch debtorsBad debts written offStock at branch on 31st March, 2002 at invoice priceBranch debtors on 31.03.2002 | Rs.2400002137502000003120000216000062400016200060003760336000108000 |

Depreciate furniture @ 15% per annum.

Q. 6

A company with its head office at Mumbai has a branch at Kolkata. The branch receives all goods from head office who also remits cash for all expenses. Sales are made by the branch on credit as well as for cash. Total sales by the branch for the year ended 31st March, 2006 amounted to Rs. 560000 out of which 20% is cash sales. The following further information is also relevant:

|  |  |  |
| --- | --- | --- |
|  | 01.04.2005 | 31.03.2006 |
| Stock in tradeDebtorsFurniturePetty Cash | 25000600008000120 | 3600048000?180 |

Expenses actually incurred by the branch during the year were:

Salaries Rs. 36000

Rent Rs. 9000 (upto 31st December, 2005)

Petty Expenses Rs. 5660

Sale of furniture on 1st October, 2005 (book value of furniture on the date of sale Rs. 950) amounted to Rs. 900.

All sales are made by the branch at cost plus 25%. Depreciation on furniture is 10% p.a.

Prepare Kolkata Branch account in the books of Head Office for the year ending on 31st March, 2006.

(PROFIT Rs. 57,600)

Q. 7

From the following transaction relating to Rajasthan Branch , prepare a branch account in the Delhi head office. All expenses are paid by the branch as per arrangement with the head office:

|  |  |
| --- | --- |
| **Balances (1st April, 2005) :**Branch Stock (at cost to H.O.)Branch DebtorsPersonal computerBranch Bank**Balances ( 31st March 2006)**Branch DebtorsBranch BankPersonal ComputerBranch Stock (at cost to H.O.)**Transaction at branch during the year:**Goods transferred to Branch (at cost to H.O.)Goods returned to H.O. by branch (at cost to H.O.)Cash sales paid into BankCredit salesSales return at selling priceCheque received from customer for credit saleDiscount allowedBad debts written offAggregate amount of cash transferred from the branch bank to H.O. bank account during the year on month wise basisRent and ratesWagesGeneral ExpensesTransaction at H.O. on behalf of branch during the year:Goods transferred to branch (at cost to H.O.)Goods returned from branch (at cost to H.O.)Cash Received from branchSalaries of branch staff | Rs.3780001355004500096502700007620001500015600082500037508450007800150089500056000450007630As aboveAs aboveAs above152500 |

Provide depreciation at 20% p.a. on personal computer.

Q. 8

Modern Shoe Store has an old established branch at Delhi. Goods are invoiced to the branch at 20% profit on sale, the branch having been instructed to send all cash daily to the head office. All expenses are paid by the head office except petty expenses which are met by the branch Manager. From the following particulars , you are required to draw up branch account as it would appear in the books of the head office, i.e. Modern shoe store:

|  |  |  |
| --- | --- | --- |
| Stock on January 1, 2006 (invoice price)Sundry debtors on January 1, 2006Cash in hand on January 1, 2006Office furniture on January 1, 2006Goods supplied by the head office (invoice price)Goods returned to head officeGoods returned by debtorsCash received from debtorsCash salesCredit salesDiscount allowedExpenses paid by the head office:RentSalaryStationery and printingPetty expenses paid by the branch ManagerProvide depreciation on furniture @ 10% p.a.Stock on 31.12.2006 (invoice price) | Rs.12002400300 | Rs.1500090004001200800001000480300005000030000300390028014000 |

Q. 9

From the following particulars , prepare Delhi Branch Account showing profit or Loss from the branch in the books of Kolkata head office:

Opening stock at the branch 7,500

Goods sent to branch 22,500

Expenses:

Salaries 2,500

Rent 800

Other expenses 188

Sales (cash) 30,000

Closing stock could not be ascertained , but it is known that the branch usually sells at cost plus 20 percent. The Branch Manager is entitled to a commission of 5% on the profit of the Branch before charging such commission.

Q. 10

A trader has its branch at Kolkata to which the goods are invoiced at cost plus 20%. Prepare Branch account in the books of head office from the following :

Opening stock at branch 24,000

Cash sales at branch 17,500

Credit sales 41,000

Collection from debtors 37,900

Goods received from head office 30,000

Branch Expenses:

Paid by H.O. 3,000

Paid by branch 6,000

Expenses unpaid 1,400

Closing stock at branch 18,000

Closing balance of debtors 9,160

Goods in transit from H.O. 3,600

Q .11

From the details given below relating to Patna branch for the year ending March 31, 2002 prepare Patna Branch Debtors account in the books of Head Office. Show your working clearly . Goods are invoiced to give a profit of 20% of selling price.

Stock on 1.4.01 5,000

Debtors on 1.4.01 2,000

Furniture on 1.4,01 1,000

Petty Cash on 1.4.01 200

Insurance prepaid on 1.4.01 50

Salaries due on 1.4.01 1,000

Goods sent to branch 40,000

Cash Sales 55,000

Total Sales 70,000

Cash received from debtors 16,000

Goods returned by the branch 500

Goods returned by the debtors 200

Cash sent to the branch for:

Rent 3,600

Salaries 10,200

Petty Cash 600

Insurance (upto june 02) 400

Stock on 30.3.02 500

Depreciate furniture by 20 % 3,000

Q. 12

(when balance of assets at the end are missing). The Bundi shoes Ltd. Bundi, is having its branch at Ajmer. Goods are invoiced to the branch at 20% profit on sales. Branch has been instructed to send all cash daily to the head office. All expenses are paid by the head office except petty expenses which are met by the branch manager. From the following particulars prepare Branch account in the books of Bundi shoes Ltd.

Stock on 1st January,02 15,000

(invoice price )

Sundry debtors on 1st January 9,000

Cash in hand on 1st January 400

Office furniture on 1st January 1,200

Goods invoiced from the head office 80,000

(invoice price)

 Discount allowed to debtors 30

 Expenses paid by the head office:

 Rent 1,200

 Salary 2,400

 Stationary 300

Petty expenses paid by the branch manager 280

Goods returned to head office 1,000

Goods returned by debtors 480

Depreciation in to be provided on branch furniture at 10% p.a.

Cash received from debtors 30,000

stock on 31st December ,2002 at invoice price 14,000

Cash sales 50,000

Credit sales 30,000

Q. 13

A ltd had its Head Office at Mumbai and a Branch at Pune. The Head Office invoice the goods to the Branch including a profit of 25% above cost.

The following are the transactions of the Head Office with Branch for the Year ended 31-12-2002:

 Stock at Branch as on 1-1-2002 (at invoice price) 15,400

 Debtors at Branch as on 1-1-2002 8,250

 Petty cash as on 1-1-2002 250

Goods supplied to the Branch (at invoice price) 75,600

Remittance from the Branch:

Cash Sales 5,250

Realisation of debts 78,870 84,120

Amount sent to Branch;

Salary 3,720

Rent etc. 1,200

Petty Cash 1,500 6,420

Stock at Branch as on 31-12-2002 (at Invoice Price) 11,575

Sundry Debtors at the Branch as on 31-12-2002 25,230

Petty cash as on 31-12-2002 375

From the above show the Branch Account in the Head Office books.

Q. 14

A trader has its branch at Kolkata to which the goods are invoiced at cost plus 20%. Prepare “Branch a\c in H.O. books from the following:

Opening stocks at branch 24,000

Cash sales at branch 17,500

Credit Sales 41,000

Collection from Debtors 37,900

Goods received from H.O. 30,000

Branch Expenses:

 Paid by H.O. 3,000

Paid by branch 6000

Expenses unpaid 1400

Closing stocks at branch 18000

Closing balance of debtors 9,160

Goods in transit from H.O. 3,600

Q. 15

Mahajan Bros. of Kollhapur have a branch at Jaipur. Goods are sent at cost plus 50%. From the following particulars you are required to prepare: (a) Branch expenses account; (b) Branch stock account; and (c)

Branch adjustment account for calculating net profit.

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars Stock in the beginning atInvoice priceGoods sent to the branchAt invoice price Branch expenses;SalaryDepreciationRentOther expenses |  Amount30,00090,0001,0006006002,000 | ParticularsCash salesCredit sales Stock at the end invoice price |  Amount 25,00080,00015,000 |

Q. 16

Hari Haran of Chennai opened a branch at Calcutta goods are invoiced from the head office at cost plus 331\3%. Branch is allowed to make sales at invoiced price only. Expenses of the branch are paid by the head office. Calculate net profit made by the branch on ‘Stock and debtors’ system. Transaction during the year were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| ParticularsStock in the beginning at invoice priceGoods invoiced by the head officeSales; Cash 50,000 Credit 36,000Sales returns by branch debtors |  Amount 8,00088,00086,000800 | Particulars Goods returned by the branch to head officeStock at the end at invoice priceBranch expenses; Freight and cartageRentSalaryBad debtsDepreciation on furnitureAdvertisement for the branch | Amount2,0007,0005001,0003,9005080200 |

Q. 17

Onkar Corporation Ltd. Has two branches one at Jaipur and another at Lucknow. Goods are Invoiced to branches at cost plus 50%. Branches remit all cash received to head office and all expenses are met by the H.O. From the following particulars prepare the necessary Account on the “Stock and debtors System” to show the profit earned at the Jaipur branch:

Stock on 1 january 2000 9,300

Debtors on January 1,2000 6,800

Goods sent to Branch ( at cost) 34,000

Sales at Branch

Cash 25,010

Credit 31,000

Cash collected from Debtors 30,400

Goods returned by branch to H.O. 1,200

Goods transferred from Lucknow Branch to Jaipur Branch 15,00

Shortage of Stock 2100

Shortage of Stock at branch 450

Discount allowed to customers 200

Expenses at Branch 5,400

Q . 18

Agra head office supplies goods to its branch at Alwar at invoice price which is cost plus 50%. All cash received by the branch is remitted to Agra and all branch expenses are paid by the head office. From the following particulars related to Alwar branch for the year 2002 prepare Branch debtors account. Branch stock amount and Branch Adjustment Account in the books of the head office so as to find out the gross profit and net profit made by the branch:

Stock with Branch on 1.1.2002 (at invoice price) 66,000

Branch Debtors on 1.1.2002 22,000

Petty cash balance on 1.1.2002 500

Goods received from head office (at invoice price) 2,04,000

Goods returned to Head Office 6,000

Credit Sales 87,000

Sales Return 3,000

Allowance to customer on selling price (already adjustment while invoicing) 2,000

Cash received from debtors 93,000

Discount allowed to debtors 2,400

Expenses (cash paid by Head Office)

Rent 2,400

Salaries 24,000

Petty Cash 2,000 28,400

Cash Sales 1,06,000

Stock with Branch on 31.12.2002(at invoice price) 69,000

 Petty Cash Balance on 31.12.2002 100

Q. 19

Crown industries Mumbai has a branch at Madurai to which goods are invoiced at cost plus 25%. The branch makes sales both for cash and on credit branch expenses are paid direct from head office and the branch remits all cash to head office.

From the following details, prepare the necessary ledger accounts in Head Office books to calculate branch profits as per the Stock and Debtors System.

Goods received from H.O. at invoice price 60,000

Returns to H.O.at invoice price 1,200

Branch stock on April1,2001 at invoice price 6,000

Cash sales 20,000

Credit sales 36,000

Branch debtors on April1,2001 7,200

Cash collected from debtors 32,000

Discount allowed to debtors 600

Bad debts in the year 400

Goods returned by debtors to branch 800

Rent, rates and taxes at branch 1,800

Branch office expenses 600

Branch stock at invoice price on March 31,2002 12,000

9. PARTNERSHIP ACCOUNTS - DISSOLUTION

Q. 1 P, Q and R share profit in ratio of 2:1:1. On the date of dissolution , their balance sheet showed as follow:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Rs. | Assets | Rs. |
| CreditorsP’s capitalQ’s capitalR’s capital | 14,00010,00010,000 6,000  40,000 | Sundry assets | 40,00040,000 |

The assets realized Rs.35,500. Creditors were paid in full. Realisation expenses amounted to Rs. 1,500. Close the books of the firm.

Q .2 Mala, Neela and Kala were the partners sharing the profit in the ratio of 3:2:1. Their Balance sheet as on 31st December, 1998 was as under:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount | Assets | Amount |
| Sundry creditorsSheela’s loanRepairs and renewals ReserveCapitals: Mala 10,000 Neela 15,000 Kala 2,000 | 15,00013,000 1,20027,00056,000 | Plant and machineryStock Sundry debtors 20,000Less; Provision 1,000Prepaid InsuranceInvestmentsCash | 16,00015,00019,000 400 3,000 280056,200 |

On this date the firm was dissolved. The assets realized as under:

Plant and Machinery Rs.10,000; Stock Rs.12,000: Sundry debtors Rs.16,000. The investment were taken over by mala at a value of Rs. 2000. She also agreed to pay Sheela’s Loan . During the course of realization it was found that a bill for Rs.5,000 previously discounted by the firm was dishonoured and had to be paid. Expenses came to Rs.800.

Q .3 A, B and C sharing Profits in the ratio of 3:1:1 decided to dissolve their firm. On 31st March ,2002. Their position was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount  | Assets  | Amount  |
| CreditorsLoan Capital A 27,000 B 11,000 C 10,000 | 6,0001,50048,50056,000 | Cash at bank Debtors 24,200Less: Reserve for doubt ful debts 1,200Stock FurnitureSundry assets  | 3,50023,0008,3001,20020,00056,000 |

It is agreed that:

A is to take over all the furniture at Rs. 1,000 and Debtors amounting to Rs.20,200 at Rs.18,000. A also agrees to pay the creditors.

B is to take over all the stock at book value and some of the Sundry Assets at Rs. 7,200 (being book value less 10%).

C is to take over the remaining Sundry Assets at 90% of the book value and assume responsibility for the discharge of the loan.

The remaining debtors were taken over by a Debt collecting agency at 80% of book value .

The expenses of dissolution amounted to rs.200.

Prepare Realization Account , Bank Account and Capital Accounts of the partners.

Q .4

P,Q and R are partners sharing profits and losses equally. On 31st March, 2002. Their balance sheet stood as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount  | Assets  | Amount  |
| Bills PayableCreditorsLoan from QGeneral ReserveP’s current AccountQ’s current AccountP’s capital Account Q’s Capital Account R’s capital Account  | 16,0001,19,000 25,000 30,000 15,000 15,000 2,00,0001,00,0001,00,0006,20,000 | Cash at Bank DebtorsStockFurnitureMachineryR’s current Account | 15,0001,25,0002,90,00040,0001,20,00030,0006,20,000 |

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

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

Q .5

A,B and C are partners sharing profits and losses as to 2:2:1. their Balance sheet as at 30th September 2002 is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount  | Assets  | Amount |
| Sundry creditorsCapital A/cs: A 20,000 B 10,000 C 7,000 | 4,00037,00041,000 | BankDebtors Stock FurnitureMachinery | 5,0004,00015,0002,00015,00041000 |

They decided to dissolved the firm. The assets realized were as follows:

Machinery 16,100, Furniture 1,000, Stock 14,000, Debtors Rs.3,500. Creditors were Paid after obtaining a discount of 5% . A agreed to bear all the realization expenses for which he was remunerated Rs.1,200. Actual expenses amounted to Rs. 2,000 which was withdrawn by him from the firm. There was an unrecorded assets of Rs. 500 which was taken over by B for Rs.400 Prepare: (1) Realization A/c (2) Partners Capital A/c and (3) Bank A/c.

**Q.6**

A, B, C and D were partners sharing profits to the ratio 3:2:3:2. Their balance sheet on the date on the date of dissolution was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities  | Amount  | Assets | Amount  |
| A’s CapitalB’s CapitalReserveCreditors | 10,000 5,000 4,000 6,00025,000 | Assets C’s capitalD’s Capital | 17,000 6,360 1,64025,000 |

On the above date C becomes insolvent and was able to contribute only 50 paise in the rupee. Assets realized Rs.12,500. Realisation expenses amounted to Rs.400. Prepare ledger accounts.

Q .7 B, C and D are equal partners. Their balance sheet as on 31st March ,2003 stood as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities  | Amount  | Assets  | Amount  |
| CreditorsCapital Account : B D | 55,00082,50055,0001,92,500 | Cash at bankDebtors Stock InvestmentsFurnitureC’s Capital A/c |  6,250 62,500 87,500 25,000 1,250 10,000 1,92,500 |

The firm was dissolved as on that date for the purpose of dissolution. The investments were valued at Rs. 57,500 and stock at Rs. 70,000.

 D agreed to take over the investments and B took over the furniture at book value and also the stock. The debtors realized Rs.58,000 and creditors were paid off at Rs.53,500 in full satisfaction of their claims.

* Assuming that C is insolvent and is unable to bring in anything in respect of his debts to the firm. Prepare necessary ledger accounts to close the books of the firm in according with the decision in Garner Vs. Murray case.

Q.8

1. A, B and C are partners sharing profits in the ratio of 2:2:1. Their balance sheet on 31st December 1998, the date of dissolution, was as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount | Assets | Amount |
| Capital: A B CCurrent account: A BReserveCreditors | 7,0003,0001,0002,0001,0002,00010,00026,000 | Assets:-Fixed :-currentCurrent account:-C | 21,000 2,000 3,00026,000 |
|  |

All assets, leaving Rs.500 out of current assets which consulted bank balance. Realized Rs.8,000. C is unable to bring his share of loss and is declared insolvent. On the date of dissolution it was found that a contingent liability in respect of a bill discounted Rs. 800 had matured and firm recovered only rs.200 from the acceptor of the bill. This amount is not included in Rs. 8,000 above. Realization expenses amounted to Rs. 100. Prepare ledger accounts.

Q .9

The following is the balance sheet of a firm as on 31st March, 1999:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities  | Amount | Assets  | Amount  |
| CreditorsP’s loan account Q’s loan account P’s current accountQ ‘s current accountCapital accounts:P: 1,20,000 Q: 80,000R; 40,000 | 2,04,80060,00024,00042,000 5,0002,40,0005,76,200 | Bank DebtorsStock Plant and machineryLand and BuildingsR’s current account | 11,0001,92,0001,28,000 57,2001,68,00019,8802,40,0005,76,200 |

 It was decided to dissolve the firm on that date. The assets excepting bank balance realized Rs. 4,53,520. The firm had to pay Rs. 3,000 for an out standing bill not recorded earlier in the books. R became insolvent and a sum of Rs. 2,000 was realized from his estate. Prepare necessary ledger accounts to close the books of the firm as per Garner vs. Murray rule.Q .10As partners A,B and c shared profits and losses in the ratio of 4:3:2 respectively. On 31st March, 2002, their balance sheet was shown as under:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount  | Assets  | Amount  |
| CreditorsA’s capitalB,s capitalC’s capital | 3,50,0004,00,0002,00,000 50,00010,00,000 | Cash at bankDebtorsStockFurniture | 1,00,0002,00,0005,50,0001,50,00010,00,000 |

 On this date, the partners decided to dissolve the firm. A took over part of the furniture for Rs.40,000 and the remaining furniture was sold in auction for Rs. 10,000. Debtors realized Rs.1,50,000. Stock was sold for Rs. 2,70,000. Expenses totaled Rs.20,000. Prepare important ledger accounts and cash book closing the books of account. C was insolvent and cash book closing the books of accounts. 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 rupee.Q .11 A,B and C are partners in ratio 2:2:1. Below is the balance sheet as on 30th September, 2002:

|  |  |  |  |
| --- | --- | --- | --- |
|  Liabilities | Amount  | Assets  | Amount  |
| Sundry Creditors X,s Loan on security Depreciation provision-furnitureContingency reserveCapital Accounts: A B | 40,00010,000 2,000  1,000 5,000 4,000 62000  | Current Assets (including Cash Rs. 1,000)Furniture Other fixed assetsC’s capital overdrawn |  8,0005,00045,5003,50062000 |

Assets of the firm proved bogus and due to its inability to pay creditors. It was dissolved 31s December 2002. During these three months from the above date of balance sheet there was no change excepting current assets of the firm decreased to Rs. 5,000 and a contingent liability in respect of a case against the firm of Rs. 2,000 became a real liability. The contribution from the estate of A Was Rs. 2,000.C Had a private liability of Rs. 6,500 and private assets (including his life policy ) Rs. 7,000. Assets of the firm realized\_ current (other than cash) Rs. 4,000; Furniture Rs. 1,500; and fixed assets Rs. 20,000. Prepare ledger accounts. All partners were insolvent.    |