1. AVERAGE DUE DATE

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 2, 3, 5, 8, 9

PROBLEM NO: 1

Computation of due date:

Date of Invoice	Credit period	Due Date
31.01. 2014	1 Month	28.02.2014 (Note: 1)
29.01. 2014	30 days	28.02.2014
02.03.2014	30 days	31.03.2014 (Note: 2)
16.07. 2014	30 days	14.08.2014 (Note: 2)
30.06. 2014	3 months	29.09.2014
26.12. 2014	1 Month	25.01.2015 (Note: 2)

Note:

1. In case due date falls in a month, which is not having corresponding date then, last date of that month should be considered as due date.
2. If due date falls on Public Holiday, on Bank Holiday (April 1st, Sep. 30th) then preceding business day will be the due date.
3. In case of ordinary invoice grace days should not be considered.

PROBLEM NO: 2

Computation of due dates:

Name of the Bill	Maturity Date	Name of the Bill	Maturity Date
A – 1	03.03.2014	A – 6	04.12.2014
A – 2	03.03.2014	A – 7	25.01.2015
A – 3	31.03.2014	A – 8	24.01.2015
A – 4	14.08.2014	A – 9	24.01.2015
A – 5	29.09.2014	A – 10	24.01.2015

Note:

1. Due date will be on preceding day if the actual due date is public (or) Govt. / Bank Holiday and Succeeding day, if on the actual due date there is an emergency holiday.
2. If bill is after date bill, due date will be counted from the date of drawing of the bill.
3. If bill is after sight bill, the due date will be counted from the date of acceptance of the bill.
4. No grace days will be available, in case payable on demand, at sight, on presentment.
5. If nothing is mentioned after term of the bill, then due date will be counted from the date of drawing of bill

PROBLEM NO: 3

Computation of Average Due Date: **Base Date: 05.03.15**

Due Date	Amount (Rs.) (a)	No. of days away from Base Date (b)	Products (axb)
5.3.15	5,000	0	0
7.4.15	7,500	33	2,47,500
17.7.15	6,000	134	8,04,000
14.9.15	8,000	193	15,44,000
	26,500		25,95,500

$$\text{Average Due Date} = \text{Base date} + \frac{\text{Total Products}}{\text{Total Amount}}$$

$$= 05.03.15 + \frac{25,95,500}{26,500} = 05.03.15 + 98\ (\text{Approx}) \quad \therefore \text{Average Due Date} = 11.06.2015$$

Conclusion: The date of the cheque will be 98 days from the base date i.e.11.6.2015. So on 11th June, 2015, all bills will be settled by a single cheque payment.

PROBLEM NO: 5

Calculation of average due date:

Base Date: 09.06.2012

Date of Sale	Due Date	Amount (Rs.)	No. of days away from Base Date	Products
02.01.2012	09.01.2012	6,000	0	0
28.01.2012	04.02.2012	5,500	26	1,43,000
17.02.2012	24.02.2012	7,000	46	3,22,000
03.03.2012	10.03.2012	4,700	61	2,86,700
		23,200		7,51,700

$$\text{Average Due Date} = \text{Base Date} + \frac{\text{Total of products}}{\text{Total amount}}$$

$$\text{Average Due Date} = 09.01.2012 + \frac{7,51,700}{23,200}\ ; \quad \text{Average Due Date} = 09.01.2012 + 33 \text{ days}$$

$\therefore$ Average Due Date = 11.02.2012

No. of days after 11th February, 2012 to 31st March, 2012 = 49 days

Interest payable by Anil on Rs. 23,200 for 49 days @ 12% per annum

$$\Rightarrow 23,200 \times \frac{49}{366} \times \frac{12}{100} \quad \Rightarrow \text{Rs. } 372.72$$

PROBLEM NO: 8

Calculation of Average Due Date: **Base Date: 05.06.2014**

Date of sales	Due Date	Amount (Rs.)	No. of days away from Base Date	Products
26.05.2014	05.06.2014	12,000	0	0
18.07.2014	28.07.2014	18,000	53	9,54,000
02.08.2014	12.08.2014	16,500	68	11,22,000
28.08.2014	07.09.2014	9,500	94	8,93,000
09.09.2014	19.09.2014	15,500	106	16,43,000
17.09.2014	27.09.2014	13,500	114	15,39,000
		85,000		61,51,000

$$\text{Average Due Date} = \text{Base Date} + \frac{\text{Total of products}}{\text{Total amount}}$$

$$\text{Average Due Date} = 05.06.2014 + \frac{61,51,000}{85,000}\ ; \quad \text{Average Due Date} = 05.06.2014 + 72 \text{ days(app.)}$$

$\therefore$ Average Due Date = 16.08.2014

Interest if settlement is done on 30.9.14

$$\Rightarrow 85,000 \times \frac{45}{365} \times \frac{12}{100} = \text{Rs.}1,258\text{(App.)}$$

If Babulal wants to save interest of Rs.588, then he has to make the payment following days before 30.09.2014:

= 588/1258 X 45 days (16.08.2014 to 30.09.2014) = 21 days earlier

Payment date in the above case will be 09.09.2014.

PROBLEM NO: 9

Calculation of Average Due Date Taking Base Date as 01.04.2011

Date of Transaction	No. of Days From Due Date	Amount	Product
01.04.2011	0	2,000	0
10.04.2011	9	5,000	45,000
16.05.2011	45	10,000	45,000
09.06.2011	69	3,000	2,07,000
		20,000	**7,02,000**

Average Due Date: $01.04.2011 + \frac{7,02,000}{20,000}$

= 01.04.2011+35.1 days

= 06.05.2011

Interest= $20,000 \times 15\% \times \frac{55}{365}$

=452.05

2. ACCOUNT CURRENT

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 2, 4, 6

PROBLEM NO: 2

In the books of A

B in Account current with A for the period ending 31.12.2011

Date	Particulars	Amount	Due date	No of days	Product	Date	Particulars	Amount	Due date	No of days	Product
01.07.11	To Balance b/d	600	01.07.11	184	110400	01.08.11	By Cash	650	01.08.11	152	98800
17.07.11	To Sales	50	17.07.11	167	8350	01.09.11	By Cash	350	01.09.11	121	42350
19.08.11	To Sales	700	19.08.11	134	93800	01.09.11	By B/R	250	04.12.11	27	6750
30.08.11	To Sales	40	30.08.11	123	4920	22.10.11	By Purchase	30	22.10.11	70	2100
12.11.11	To Sales	20	12.11.11	49	980	14.12.11	By Cash	80	14.12.11	17	1360
31.12.11	To Interest	18.38				31.12.11	By Balance Of Product	-			67190
						31.12.11	By Balance c/d	68.38			
		1428.38			218450			1428.38			218450

$$\text{Interest for the period} = \frac{67090 \times 10}{365 \times 100} = \text{Rs. } 18.38$$

PROBLEM NO: 4

In the books of G

H in Account Current with G for the period ending 31.3.2011

Date	Due date	Particulars	No.of days till 31.3.11	Amount	Products	Date	Due date	Particulars	No. of days till 31.3.11	Amount	Products
2010	2010			Rs.		2010	2010			Rs.	
Oct 1,	Oct 1,	To Bal. b/d	182	3,000	5,46,000	Nov 16,	Nov 26,	By Purchases	125	4,000	5,00,000
Oct 18,	Oct 18,	To Sales	164	2,500	4,10,000	Dec 7,	Dec 17,	By Purchases	104	3,500	3,64,000
Jan 3, 2011	Apr 6, 2011	To Bills payable	(6)	5,000	(30,000)	Mar 28, 2011	Apr 08, 2011	By Purchases	(8)	2,700	(21,600)
Feb 4	Feb 4	To Cash	55	1,000	55,000	Mar 31	Mar 31	By Balance of product (bal/fig)			1,81,600
Mar 21	Mar 21	To Sales	10	4,300	43,000	Mar 31	Mar 31	By Bal. c/d		5,650	
Mar 31	Mar 31	To Interest		50	-						
				15,850	**10,24,000**					**15,850**	**10,24,000**

$$\text{Interest for the period} = \frac{1,81,600 \times 10 \times 1}{100 \times 365} = \text{Rs. } 50 \text{ (approx.)}$$

PROBLEM NO: 6

Roshan's Current Account with Partnership firm (as on 30.9.2012)

Date	Particulars	Deposits (Rs.)	Withdrawals (Rs.)	Balance (Rs.)	Dr. (or) Cr.	Days	Dr Product	Cr Product
01.07.12	To Bal b/d	75,000		75,000	Dr.	13	9,75,000	
14.07.12	By Cash A/c		1,38,000	63,000	Cr.	15		9,45,000
29.07.12	To Self	97,000		34,000	Dr.	20	6,80,000	
18.08.12	By Cash A/c		22,000	12,000	Dr.	22	2,64,000	
09.09.12	To Self	11,000		23,000	Dr.	22	5,06,000	
30.09.12	To Interest A/c	457		23,457	Dr.			
30.09.12	By Bal. c/d		23,457					
		1,83,457	**1,83,457**				**24,25,000**	**9,45,000**

Interest Calculation:

On Rs.24,25,000 x 10% x 1/365 = Rs.664

On Rs.9,45,000 x 8% x 1/365 = (Rs.207)

Net interest to be debited = (Rs.457)

3. INVESTMENT ACCOUNTS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 2,3,5,6

PROBLEM NO: 2

Investment A/c of Mr. Purohit For the year ending on 31-3-2010

(Scrip: 8% Debentures of p ltd.)

(Interest Payable on 30th September and 31st March)

Date	Particulars	Nominal Value	INT	Cost	Date	Particulars	Nominal value	INT	Cost
1.4.09	To Balance b/d	1,20,000	-	1,18,000	30.9.09	By Bank	-	5,200	-
1.7.09	To Bank (ex-interest)	10,000	200	9,898	1.10.09	By Bank	20,000	-	19,800
1.10.09	To P & L A/c			133					
		5,000	100		1.2.10	By Bank (ex-interest)	20,000	533	19,602
1.1.10	To Bank (Cum- Interest)			4,849					
	To P & L A/c	-	9,233		1.2.10				
31.3.10					31.3.10	By P& L A/c		3,800	64
					31.3.10	By Bank	95,000		
						By Bal c/d			93,414
		1,35,000	**9,533**	**1,32,880**			**1,35,000**	**9,533**	**1,32,880**

Working Notes:

1. **Valuation of closing balance as on 31.3.2010:**

   Market value of 950 Debentures at Rs.99 = Rs.94,050 Cost

   Price of

   $$800 \text{ Debentures cost} = \frac{1{,}18{,}000}{1{,}20{,}000} X 80{,}000 = 78{,}667$$

   100 Debentures cost = 9,898

   50 Debentures cost = 4,849

   93,414

   Value at the end = Rs. 93,414 i.e. whichever is less

2. **Profit on sale of debentures as on 1.10.2009**

	Rs.
Sales price of debentures (200 x Rs.100)	20,000
Less: Brokerage @ 1%	(200)
	19,800

Less: Cost price of Debentures $\frac{1,18,000}{1,20,000} \times 20,000$	(19,667)
Profit on sale	133

3. Loss on sale of debentures as on 1.2.2010

	Rs.
Sales price of debentures (200 x Rs.99) **Less:** Brokerage @ 1%	19,800 (198) 19,602
Less: Cost price of Debentures $\frac{1,18,000}{1,20,000} \times 20,000$ Loss on sale	(19,666) 64

PROBLEM NO: 3

Schedule of Profit or Loss on Sales

(Average cost method)

		Nominal	Cum-Dividend Cost	Dividend	Cost	Realized	Profit	Loss
2009		**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Sep 1	Purchase	10,000	10,150	50	10,100			
Oct 1	Purchase	25,000	25,250	250	25,000			
		35,000			35,100			
Nov 1	Sale	15,000			15,043[1]	15,262.50	219.50	
		20,000			20,057			
Nov 1	Purchase	5,000	5,150	75	5,075			
		25,000			25,132			
2010								
Jan 15	Sale	10,000			1,00,53[2]	10,500	447.00	
		15,000			15,079			
Mar 1	Sales	4,000			4021[3]	4,080	59.00	
		11,000			11,058		750.50	
July 15	Purchase	5,000	5,062.50	-	5,062			
		16,000			16,120			
Nov 1	Purchase	5,000	5,100	75	5,025			
		21,000			21,145			
2011								
Jan 15	Sale	15,000			1,51,04[4]	15,037		67
		6,000			**6,041**			

Working Notes:

1. $\frac{15}{35}$ x 35,100 = RS.15,043 (approx)
2. $\frac{10}{25}$ x 25,132 = RS.10,053 (approx)
3. $\frac{4}{15}$ x 15,079 = RS.4,021 (approx)
4. $\frac{15}{21}$ x 21,146 = RS.15,104 (approx)

6% State Government Stock

(Interest payable half-yearly on 1st February & 1st August)

Date	Particulars	Nominal	Interest	Capital	Date	Particulars	Nominal	Interest	Capital
2009 Sept.1	ToCashA/c Purchaseat RS`101.50	10,000	50	10,100	2009 NOV.1	ByCashA/c:, Sale at RS.103.25	15000	225	15,263
Oct.1	ToCashA/c Purchaseat RS.101	25,000	250	25,000	2010 Jan.15	ByCashA/c:, Sale at ` RS.105 ex-interest	10000	275	10,500
Nov. 1	ToCashA/c:. Purchase at RS.1035	5,000	75	5075	Feb.1	ByIntereston. 15,000at6%p.a for half year		450	
Nov. 1	To P/L A/c (Profiton Transaction)	-	-	220	Mar.1	By Cash A/c:. Sale at RS.102.504	:. 4,000	20	4,080
2010 Jan.15	To P/L A/c	-	-	447	June30	By Balance c/d (Stock at11 averagecost) Accruinginterest there on for 5 months)	11,000	275	11,058
Mar.1	To P/L A/c			59					
June30	To P/L A/c	-	870	-					
		40,000	1,245	40,901			40,000	1,245	40,901
2010 July 1	**ToBalanceb/d**	**11,000**	**275**	**11,058**	**2010 Aug.1**	**By Interest on RS.16,000at6% p.a. for halfyear**		**480.00**	
July15	**To Cash A/c: Purchase at** RS.101.25 exinterest	**5,000**	**138**	**5,062**	**2011 Jan.15**	**By Cash A/c:** SaleatRS.103	**15,000**	**413**	**15,037**
					Jan.15	By P/L A/c (Loss and Transaction)			67.00
Nov.1	To Cash A/c: Purchase at RS.102	5,000	75	5,025	Feb.1	By Bank A/c Int onRS.6,000 for1/2 year)		180.0	
June30	To P/L A/c		710		June30	By Balance c/d (Stock ataverage cost accruing interest for 5 month	6,000	125.00	6,041
		21,000	1,198	21,145			21,000	1,198	21,145
2011 July 1	To Balanceb/d	6,000	125	6,041					
July 1	To Cash A/c: Purchase at Rs.102	2,000	50	1,990					

PROBLEM NO: 5

In the books of T. Shekharan

Investment Account for the year ended 31st March, 2012

(Script: Equity Shares of V Ltd.)

Date	Particulars	Nominal Value	Cost	(Date)	Particulars	Nominal Value	Cost
1.4.2011	To Bank A/c (W.N.1)	5,00,000	6,15,000 (W.N.2)	31.3.2012	By Bank A/c	2,50,000	2,20,500
31.1.2012	To Bonus shares	2,50,000	-	31.3.2012	By Balance c/d(W.N.)	5,00,000	4,10,000
31.3.2012	To profit and loss a/c(W.N.3)		15,500				
		7,50,000	**6,30,500**			**7,50,000**	**6,30,500**

Working Notes:

1. Cost of equity shares purchased on 1st April, 2011

= Cost + Brokerage + Cost of transfer stamps

= 5,000 × Rs. 120 + 2% of Rs. 6,00,000 + ½% of Rs. 6,00,000

= Rs. 6,15,000

2. Sale proceeds of equity shares sold on 31st March, 2012

= Sale price – Brokerage

= 2,500 × Rs. 90 – 2% of Rs. 2,25,000

= Rs. 2,20,500.

3. Profit on sale of bonus shares on 31st March, 2012

= Sales proceeds – Average cost

Sales proceeds = Rs. 2,20,500

Average cost = Rs. [6,15,000 × 2,50,000/7,50,000]

= Rs. 2,05,000

Profit = Rs. 2,20,500 – Rs. 2,05,000= Rs. 15,500.

4. Valuation of equity shares on 31st March, 2012

Cost = Rs. [6,15,000 × 5,00,000/7,50,000]= Rs. 4,10,000 i.e Rs. 82 per share

Market Value = 5,000 shares × Rs. 90 = Rs. 4,50,000

Closing stock of equity shares has been valued at Rs. 4,10,000 i.e. cost being lower than the market value.

PROBLEM NO: 6

Problem is based on the treatment of sale proceeds of right issue: Treatment of rights issue is based on original shares either purchased before or after announcement of right shares of the corresponding company. In the given case the problem is silent regarding the original shares purchased before or after right announcement. So, here we are assuming original shares purchased before right announcement i.e. at Ex-right price.

Investment account for the year ending on 31st Dec.2014

Scrip: Equity shares in X Ltd

Dr. **Cr.**

Date	Particulars	No.	Dividend (Rs.)	Cost (Rs.)	Date	Particulars	No.	Dividend (Rs.)	Cost (Rs.)
01-4-14	To Bal b/d	25,000	-	3,75,000	31-10-14	By Bank A/c (Note 5)	-	50,000	10,000

20.6.14	To Bank A/c	5,000	-	80,000	15-11-14	By Bank A/c. (Sale of shares)	25,000	-	3,75,000
16.8.14	To Bonus	5,000	-	-	31.12.14	By Balance c/d (Note 8)	20,000	-	2,64,444
30.9.14	To Bank A/c (Right)	10,000	-	1,50,000					
31.12.14	To P & L A/c		50,000	44,444 (WN-9)					
		45,000	**50,000**	**6,49,444**			**45,000**	**50,000**	**6,49,444**

Dr. **Profit & Loss Account (Extract)** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Balance c/d	1,04,444	By Income from Sale of Rights By Dividends By Profit on Sale of Shares	10,000 50,000 44,444
	1,04,444		**1,04,444**

Working Notes:

1. Bonus shares = (25,000 + 5,000) / 6 = 5,000 shares.
2. Rights shares = (25,000 + 5,000 + 5,000)/ 7 x 3 = 15,000 shares.
3. Rights shares subscribed = (2/3 X 15,000) = 10,000 shares.
4. Sale of rights entitlement = 1/3 x 15,000 x Rs.2 = Rs.10,000
5. (Amount received by selling rights entitlement will be credited to Profit and Loss Account (AS-13)).
6. Dividend received on shares held on 01.04.2014 = 25,000 X 10 X 20% = Rs.50,000.
7. (Dividend received on shares purchased on 20.06.2014 = 5,000 X 10 x 20% = Rs.10,000 will be adjusted to investment Account).
8. At the time of calculating cost of shares, Rs.10,000 (sale of rights) will not be consideration. It will be treated as windfall gain and it will be credited to Profit and Loss Account. However, dividend received on shares purchased on 20.06.2014 – Rs.10,000 will be taken into consideration.

   Cost of 20,000 shares = Rs. (3,75,000+80,000+1,50,000 – 10,000) / 45,000 x 20,000

   (Average basis) = Rs.2,64,444
9. Profit on sale of 25,000 shares = Sale proceds –average cost.
   =3,75,000 – 3,30,556(Refer note) = Rs.44,444

Note: Average cost= $\frac{3,75,000+80,000+1,50,000-10,000}{45,000} X 25,000 =$ Rs.3,30,556.(Approx.)

4. INSURANCE CLAIMS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 2, 3, 5, 7,8,11

PROBLEM NO: 2

Memorandum Trading A/c (1-4-09 to 20-10-09)

Dr. **Cr.**

Particulars	Amount	Particulars	Amount
To Opening stock (Refer W.N) To Purchases (Rs.2,80,000 + Rs. 40,000) To Gross profit (Rs. 5,40,000 x 25%)	2,40,000 3,20,000 1,35,000	By Sales (Rs. 6,20,000 - Rs.80,000) By closing stock (bal. fig)	5,40,000 1,55,000
	6,95,000		6,95,000

Particulars	Amount
Stock on the date of fire (i.e. on 20.10.2009)	1,55,000
Less: Stock salvaged	31,000
Stock destroyed by fire	1,24,000

$$\text{Insurance claim} = \frac{\text{Loss of stock}}{\text{Value of stock on the date of fire}} \times \text{Amount of policy}$$

$$= \frac{1,24,000}{1,55,000} \times 1,00,000 = \text{Rs.}80,000$$

Working Note: Stock as on 1st April, 2009 was valued at 10% lower than cost. Hence, original cost of the stock as on 1st April, 2009 would be $= \frac{2,16,000}{90} \times 100 = \text{Rs.}2,40,000$

PROBLEM NO: 3

Memorandum Trading Account for the period 1st April, 2012 to 29th August 2012

Particulars	Amount	Particulars	Amount
To Opening Stock	7,90,100	By Sales	45,36,000
To Purchases 33,10,700		By Closing stock (Bal. fig.)	8,82,600
Less: Advertisement (41,000)	32,67,700		
Drawings (2,000)			
To Gross Profit [30% of Sales - Refer Working Note]	13,60,800		
	54,18,600		**54,18,600**

Statement of Insurance Claim

Particulars	Amount (Rs.)
Value of stock destroyed by fire	8,82,600
Less: Salvaged Stock	(1,08,000)
Add: Fire Fighting Expenses	4,700
Insurance Claim	**7,79,300**

Note: Since policy amount is more than claim amount, average clause will not apply.

Therefore, claim amount of Rs. 7,79,300 will be admitted by the Insurance Company.

Working Note:

Trading Account for the year ended 31st March, 2012

Particulars	Amount	Particulars	Amount
To Opening Stock	7,10,500	By Sales	80,00,000
To Purchases	56,79,600	By Closing stock	7,90,100
To Gross Profit	24,00,000		
	87,90,100		**87,90,100**

Rate of Gross Profit in 2011-12

$$\frac{\text{Gross profit}}{\text{Sales}} \times 100 = \frac{24,00,000}{80,00,000} \times 100 = 30\%$$

PROBLEM NO: 5

Memorandum trading A/c of Fire proof co. from 01.04.2011 to 31.08.2011

Dr. **Cr**

Particulars	Normal item	Abnormal item	Total	Particulars	Normal item	Abnormal item	Total
To Opening stock (99000+1000)	95000	5000	1,00,000	By Sales	2,40,000	2000	242000
To Purchases (adjusted)	156500	-	156500	By Gross loss	-	500	500

To Wages (50000-3000)	47000	-	47000	By GSC	16500	-	16500
To Gross profit (240000*20%)	48000		48000	By Closing stock	90,000 (bal fig)	2500	92500
	346500	**5000**	**351500**		**346500**	**5000**	**351500**

Statement of Claim:

Stock as on the date of the fire (including abnormal item) 92,500

Less: Salvaged stock <u>20,000</u>

Stock destroyed by fire <u>72,500</u>

$$\text{Claim} = \frac{\text{Stock destroyed by fire}}{\text{Stock on dates of fire}} \times \text{Policy amount} = \frac{72500}{92500} \text{ X } 60000 = 47027$$

Note: The policy amount for Rs 60,000 is less than the stock on the date of fire i.e. 92500. So it is a case of under insurance and therefore average clause is applicable.

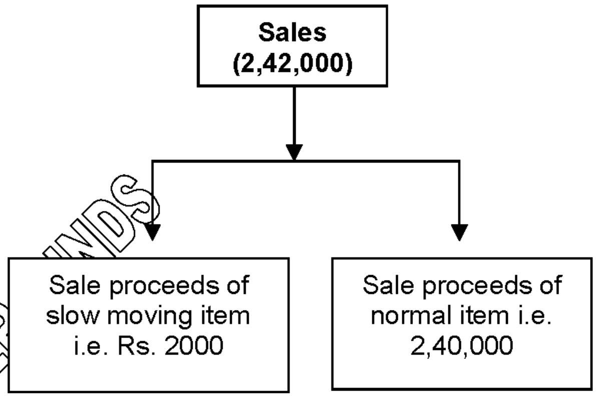
Working notes:

1. **Cost of goods withdrawn by the partners:**

Sale value of goods withdrawn = 15000

(-) Profit $\left(15{,}000 \text{ X } \frac{20}{100}\right)$ = 3000

Cost of goods withdrawn = 12000



2. **Computation of adjusted purchases:**

Purchases (given) = 170000

(-) Cost of goods Withdrawn by the partners = 12000

(-) Cost of goods distributed as Free samples = 1500

Purchases (adjusted) = 156500

<u>PROBLEM NO: 7</u>

1. **Calculation of short sales:**

Particulars	***Amount***
Sales for the period 15.6.2010 to 15.12.2010 **Add:** 25% increase in sales	2,40,000 60,000
Estimated sales in current year	3,00,000
Less: Actual sales from 15.6.2011 to 15.12.2011	(70,000)
Short sales	**2,30,000**

2. **Calculation of gross profit:**

$$\text{Gross profit} = \frac{\text{Net profit} + \text{Insured standing charges}}{\text{Turnover}} \text{x} 100$$

$$= \frac{\text{Rs.}80{,}000 + \text{Rs.}70{,}000}{\text{Rs.}6{,}00{,}000} \text{x} 100$$

$$= \frac{\text{Rs.}1{,}50{,}000}{\text{Rs.}6{,}00{,}000} \text{x} 100 = 25\%$$

3. **Calculation of loss of profit:** Rs. 2,30,000 x 25% = Rs. 57,500

4. **Calculation of claim for increased cost of working:**

Least of the following:

i. Actual expense = Rs. 12,000

ii. $\text{Expenditure x} \dfrac{\text{Gross profit on adjusted turnover}}{\text{Gross profit as above} + \text{Uninsured standing charges}}$

$$\text{Rs.12,000 x} \frac{(25/100) \text{ x Rs.7,00,000}}{[(25/100) \text{ x Rs.7,00,000}] + \text{Rs.50,000}} = \text{Rs.9,333}$$

Where,

Turnover from 16.06.2010 to 15.06.2011	5,60,000
Add: 25% increase	1,40,000
Adjusted turnover	7,00,000

Gross profit on sales generated due to additional expenditure = 25% x Rs.70,000 = Rs.17,500.

Rs. 9,333 being the least, shall be the increased cost of working.

5. Calculation of total loss of profit:

Particulars	Amount
Loss of profit	57,500
Add: Increased cost of working	9,333
	66,833
Less: Saving in insured standing charges	(2,000)
	64,833

6. Calculation of insurable amount: Adjusted turnover x G.P. rate = Rs. 7, 00,000 x 25% = Rs. 1,75,000

7. Total claim for consequential loss of profit:

$$= \frac{\text{Insured amount}}{\text{Insurable amount}} \text{ x Total loss of profit } = \frac{\text{Rs.1,40,000}}{\text{Rs.1,75,000}} \text{ x Rs.64,833} = \text{Rs.51,866. 40}$$

PROBLEM NO: 8

COMPUTATION OF LOSS OF PROFIT FOR INSURANCE CLAIM

1. Rate of gross profit $\dfrac{\text{Net profit for the last financial year} + \text{insured standing charges}}{\text{Turnover for the last financial year}} \times 100$

$= \dfrac{\text{RS.120000} + \text{RS.240000}}{2000000} \times 100$ 18%

Add: Adjustment for increase in gross profit rate = 2%

20%

2. Calculation of short sales:

	Rs.
Turnover from 1.9.2009 to 1.3.2010	7,50,000
Add: Adjustment for increase in turnover @ 10% _	75,000
Adjusted turnover	8,25,000
Less: Actual turnover from 1.9.2010 to 1.3.2011	2,25,000
Short sales	6,00,000

3. Additional expenses

	Rs.
i) Actual expenses	40,000
ii) Gross profit on sale generated by additional expenses [(20/100)x RS. 1,00,000]	20,000

$$\text{Additional expenses} \times \frac{\text{Gross profit on annual adjusted turnover}}{\text{Gross profit on annual adjusted turnover} + \text{uninsured standing charges}}$$

$$= \text{RS.40000} \times \frac{20\% \text{ on RS.24,20,000}}{(20\% \text{ on RS.24,20,000} + \text{RS.20000}} = \text{RS.40000} \times \frac{\text{RS.4,84,000}}{\text{RS.5,04,000}} = \text{RS.38,413}$$

Least of the above three figures i.e. RS.20,000 is allowable.

* `RS.22,00,000 x (110/100)

(4) Amount of claim before application of average clause

	Rs.
Gross profit on short sales (20% on RS.6,00,000)	1,20,000
Add: Allowable additional expenses	20,000
	1,40,000
Less: Saving in insured standing charges	(15,000)
	1,25,000

(5) Application of average clause

	Rs.
Annual turnover i.e. turnover from 1.9.2009 to 31.8 2010	22,00,000
Add: Adjustment for increase in turnover (10% of RS. 22,00,000)	2,20,000
	24,20,000
Gross profit on annual adjusted turnover (20% on RS.24,20,000)	4,84,000
Loss of profit policy value	3,63,000

Since the policy-value is less than gross profit on adjusted annual turnover, the average clause is applicable.

Hence the amount of claim = RS.1,25,000 x (RS. 3,63,000/RS.4,84,000)

=RS. 93,750

PROBLEM NO: 11

(a) Statement showing computation of sum insured under various cases

	(i)	(ii)	(iii)	(iv)	(v)	(vi)
Sales	20,70,000	20,70,000	20,70,000	20,70,000	19,80,000	20,70,000
Less: Variable Exp	16,33,000	16,33,000	18,77,950	15,51,350	15,62,000	14,69,700
Gross profit (a-b	4,37,000	4,37,000	1,92,050	5,18,650	4,18,000	6,00,300
Add: increase InInsured Standing charges *	-	-	15000	-	22,500	11,250
Less: uninsured standing charges	-	(75,000)	-	-	-	(75,000)
Sum insurable	**4,37,000**	**3,62,000**	**2,07,050**	**5,18,650**	**4,40,500**	**5,36,550**

Note:

1. The above solution is based on the assumption that increase in sale is due to increase in volume of sales. Alternatively, it may be assumed that this increase is because of rise in selling price. In that case, there will be no proportionate increase in variable expenses and the answer will get changed accordingly.
2. In case (vi), it is given in the question that 50% of the present standing charges are to be insured. It is assumed in the above answer that 50% of the increased standing charges are insured.
3. In case (iii), 15% increase in variable expenses has been calculated after proportionate increase in variable expenses due to increase in turnover

5. PROFIT OR LOSS PRIOR TO INCORPORATION

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 2, 5, 6

PROBLEM NO: 2

Statement showing pre and post-incorporation profits

Particulars	Basis of Allocation	Pre-incorporation	Post-incorporation	Total
		Amount(Rs)	Amount(Rs)	Amount(Rs)
Gross Profit	Sales ratio	16,000	40,000	56,000
Less: General expenses	Time ratio		7,900	
Director's Fee	Actual	6,320	5000	14,220
Formation expenses	Actual	-	1500	5000
Rent(600+750)	WN-2	-	950	1500
Manager's Salary	Actual	400	-	1350
Net Profit Transferred To:	-	2,000	-	2,000
Capital Reserve		7,280		-
P & L A/c	-	-	24,650	31,930

Working Notes:

1. **Sales Ratio:** The sales per month in the first half year were half of what they were in the later half year. If in the later half year, sales per month is Re.1 then it should be 50 paise per month in the first half year. So sales for the first four months (i.e. from 1st April, 2013 to 31st July, 2013) will be 4 × .50 = Rs. 2 and for the last eight months (i.e. from 1st August, 2013 to 31st March, 2014) will be (2 × .50 + 6 × 1) = Rs. 7. Thus sales ratio is 2:7.

2. **Time Ratio:** 1st April, 2013 to 31st July, 2013 : 1st August, 2013 to 31st March, 2014

   = 4 months : 8 months = 1:2

   Thus, time ratio is 1:2.

3. **Gross Profit:**

   Gross profit = Net profit + All expenses

   = Rs. 2,00,000 + Rs. (1,23,000+50,000+12,000+78,000+72,000+5,000)

   = Rs. 2,00,000 +Rs. 3,40,000 = Rs. 5,40,000.

PROBLEM NO: 5

Statement showing calculation of profits for pre and post incorporation periods for the year ended 31.3.2014

Particulars	Pre-incorporation period (Rs.)	Post-incorporation period (Rs.)
Gross profit (1:3)	80,000	2,40,000
Less: Salaries (1:2)	16,000	32,000
Stationery (1:2)	1,600	3,200
Advertisement (1:3)	4,000	12,000
Travelling expenses (W.N.3)	4,000	8,000
Sales promotion expenses (W.N.3)	1,200	3,600
Misc. trade expenses (1:2)	12,600	25,200
Rent (office building) (W.N.2)	8,000	18,400
Electricity charges (1:2)	1,400	2,800
Director's fee (post)	-	11,200
Bad debts (1:3)	800	2,400
Selling agents commission (1:3)	4,000	12,000
Audit fee (1:3)(note 6)	1,500	4,500
Debenture interest (post)	-	3,000

Interest paid to vendor (2:1) (W.N.4)	2,800	1,400
Selling expenses (1:3)	6,300	18,900
Depreciation on fixed assets (W.N.5)	3,000	6,600
Capital reserve (bal. Fig.)	12,800	-
Net profit (Bal. Fig.)	-	74,800

Working Notes:

Pre incorporation period = 1st April, 2013 to 31st July, 2013

i.e. 4 months

Post incorporation period = 8 months

1. Time Ratio = 4 months : 8 months i.e. 1 : 2

2. Sales ratio:

Let the monthly sales for first 6 months (i. e. from 1.4..2013 to 30.9.13) be = x

Then, sales for 6 months = 6x

Monthly sales for next 6 months (i.e. from 1.10.13 to 31.3.2014) = $x+\frac{2}{3}x=\frac{5}{3}x$

Then, sales for next 6 months = $\frac{5}{3}x\,X6=10x$

Total sales for the year = 6x + 10x = 16x

Monthly sales in the pre incorporation period = Rs.19,20,000 / 16 =Rs.1,20,000

Total sales for pre-incorporation period = Rs.1,20,000 X 4 = Rs.4,80,000

Total sales for post incorporation period = Rs.19,20,000 – Rs.4,80,000 = Rs.14,40,000

Sales Ratio = 4,80,000 : 14,40,000 = 1 : 3

3. Rent:

Particulars	Rs.	Rs.
Rent for pre-incorporation period (Rs. 2,000 X 4)		8,000 (pre)
Rent for post incorporation period		
August, 2013 & September, 2013 (Rs.2,000 X 2)	4,000	
October, 2013 to March, 2014 (Rs.2,400 X 6)	14,400	18,400 (post)

4. Travelling expenses and sales promotion expenses:

Particulars	Pre (Rs.)	Post (Rs.)
Traveling expenses Rs.12,000 (i.e. Rs.16,800 – Rs.4,800) distributed in 1:2 ratio	4,000	8,000
Sales promotion expenses Rs.4,800 distributed in 1:3 ratio	1,200	3,600

5. Interest paid to vendor till 30th September, 2013:

Particulars	Pre (Rs.)	Post (Rs.)
Interest for pre-incorporation period $\left(\frac{Rs.4,200}{6}X4\right)$	2,800	
Interest for post incorporation period i.e. for August, 2013 & September, 2013 = $\left(\frac{Rs.4,200}{6}X2\right)$		1,400

6. **Depreciation:**

Particulars	Rs.	Pre (Rs.)	Post (Rs.)
Total depreciation	9,600	-	-
Less: Depreciation exclusively for post incorporation period	600	-	600
	9,000	-	-
Depreciation for pre-incorporation period $\left[9{,}000 \text{ X} \frac{4}{12}\right]$	-	3,000	-
Depreciation for post incorporation period $\left[9{,}000 \text{ X} \frac{8}{12}\right]$	-	-	6,000
	-	3,000	6,600

Audit fees is assumed to be Tax audit fees, hence allocated on Sales ratio. i.e. 1 : 3

PROBLEM NO: 6

Basic information: Date of acquisition Of Business- 1st January

Date of Incorporation - 1st April

Date of Closing Of books - 31st December

Total period – 12 Months

Pre Incorporation – 3 Months, Post Incorporation – 9 Months

Time Ratio = 1:3

Purchase Consideration = 7,00,000

Date of Settlement = 1st July

Interest rate = 5%

Statement showing calculation of profits for pre and post incorporation for Ashok co. Ltd periods for the year ended 31.12.2007

Particulars	Basis	Pre incorporation	post incorporation
1. **Total income**			
a. Revenue From Operations	1:3	2.27,500	6,82,500
b. Other Income (Rent Received)	1:3	13,250	9,750
Total (a)		2,40,750	6,92,250
2. **Expenses**			
a. Cost Of Goods Sold (4,20,000+7,70,000-4,80,000)	1:3	1,77,500	5,32,500
3. **Employee Benefit Expenses**			
a) Salaries	1:3	12,000	36,000
b) Director's fees	Post	-	24,000
c) Finance cost		8750	8750
d) Depreciation			
i) Building (130000x5%)+fittings(1500)	1:3	3750	11250
ii) Transport vehicles (35000x20%) = 7000		1750	5250
4. **Other Expenses**			
i) Rent , Rates	1:3	1750	5250
ii) preliminary Expenses	Post	-	8000
iii) Repairs to Buildings	1:3	750	2250

iv) Miscellaneous Expenses	1:3	5500	16500
v) Bad debts written off		500	500
vi) Provision For Bad debts		-	5000
vii) Interest (WN – 3)		8750	8750
Capital Reserve		20,250	
P&L A/C			63,850

Balance Sheet of Ashok Co. Ltd as on 31st December

Particulars	Note	Amount (Rs)
Equity& Liability		
1. Share Holder Funds	WN-1	
a) Share capital		4,50,000
b) Capital Reserve		84,100
2. Non Current Liabilities		
a) Fixed Deposits		35,000
3. Current Liabilities		
a) Short Term Barrowings (bank OD)		1,65,000
b) Trade Payables		65,000
c) Short Term Provisions		5,000
Total Liabilities		**8,04,100**
Assets		
1. Non Current Assets		
a) Fixed Assets		
i) Tangible Asset	WN-2	2,15,000
ii) Intangible Asset (good will)		3100
2. Current Assets		
a) Inventory		4,80,000
b) Trade Receivables		94,000
c) Cash& Cash Equivalents		12,000
Total Assets		**8,04,100**

Note to Balance Sheet

WN-1

1. Share Capital

Equity Share Capital = 4,50,000

(4,500 Equity Shares of 100/- each of Which 3,500 shares are issued for consideration other than Cash)

WN-2

Tangible Assets

a) Building	1,30,000	**b)** Furniture & Fittings	15,000	**c)** Transport vehicles	35,000
(-)Depreciation	6500	(-) Depreciation	1500	(-) Depreciation	7,000
	1,23,500		13,500		28,000

d) Free hold land at cost 50,000 Total Rs.2,15,000

Note: Alternatively balance in goodwill a/c can be set off against capital reserve a/c

WN-3

Apportionment of interest

Period Outstanding = 6 Months = 7,00,000 x 5% x 6/12 = 17,500

Out of which 3 Months is of Post Incorporation

Pre incorporation period Interest = 17500/2 = 8750

Post incorporation period Interest = 17500/2 = 8750

6. SELF BALANCING LEDGER

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 2, 4, 6, 7

PROBLEM NO: 1

In general ledger of M/S Shukla & company

Total debtors account

Dr. **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
1.7.2014	To Balance b/f	87,200	1.7.2014	By Balance b/f	600
1.7.2014 to 31.12.2014	To Sales (Rs.94,000-Rs.4,000)	90,000	1.7.2014 to 31.12.2014	By Bank	60,000
				By Cash	48,000
"	To Cash	600	"	By Bills receivables	26,000
"	To Bills receivables (Dishonoured)	6,000	"	By Bad debts	1,000
			"	By Discount allowed	700
"	To Bank (Noting charges)	60	"	By Total creditors A/c-transfer	900
"	To Bank (Cheque dishonoured)	800	"	By Sales return	2,760
			"	By Balance c/d	45,950
"	To interest	1,250			
		1,85,910			**1,85,910**

Note:

1. Bad debts of 2013 recovered in 2014 will not appear in the total debtors account. It should be credited to profit and loss account.
2. Bills receivables of Rs.5000 endorsed to suppliers has nothing to do with total debtors A/c because at the time of endorsement suppliers A/c is debited and bills receivables account is credited.

PROBLEM NO: 2

1. **Total Debtors A/c, i.e. Sales Ledger Adjustment Account (in General Ledger)**

Particulars	Rs.	Particulars	Rs.
To balance b/d (Opening Balances)	1,56,000	By Bank – Collection from Debtors	8,50,000
To Bills Receivable – Dishonoured	5,000	By Bills Receivable A/c – B/R drawn on Drs	40,000
To Sales – Credit Sales	9,80,000	By Sales Return A/c – Returns Inward	17,000
To Bank – Cheque dishonoured	15,000	By Discount Allowed	6,000
To Interest Charged on Overdue Accounts	2,400	By Bad Debts A/c	2,000
To Creditors – Bills Dishonoured (11,000+150)	11,150	By Balance c/d (bal.fig.)	2,54,550
total	**11,69,550**	**total**	**11,69,550**

Note: Cash Sales, Recovery of Bad Debts, B/R discounted with Bank, B/R Collected, B/R endorsed to Creditors, will not affect the Total Debtors A/c.

2.Total Creditors A/c, i.e. Purchases Ledger Adjustment Account (in General Ledger)

Particulars	Rs.	Particulars	Rs.
To Discount Received	5,000	By balance b/d (Opening)	1,70,000
To Bills Payable A/c – accepted	32,000	By Purchases (Credit Purchases)	5,60,000
To Bank – Payment to Creditors	3,24,000	By Bank A/c – overpayments refunded	1,200
To Purchase Returns A/c – Returns Outward	7,400	By Debtors – endorsed Bills Dishonoured	11,000
To Bills Receivable – endorsed to Creditors	15,800		
To balance c/d **(bal. fig.)**	**3,58,000**		
Total	**7,42,200**	**Total**	**7,42,200**

Note: Cash Purchases, Bills Payable paid, will not affect the Total Creditors Account

PROBLEM NO: 4

General Ledger Adjustment Account in Debtors Ledger

Dr. **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
01.04.2012	To Balance b/d	9,400	01.04.2012	By Balance b/d	3,58,200
01.04.2012 to 30.4.2012	**To Debtors Ledger adjustment A/c:**		01.04.2012 to 30.4.2012	**By Debtors ledger adjustment A/c:**	
	Cash received	17,25,700		Credit sales	19,95,400
	Sales returns	33,100		Cash paid for returns	6,000
	Bills receivable received	95,000		Bills receivable dishonoured	7,500
	Transfer to creditor's ledger	16,000	30.04.2012	By Balance c/d	9,800
30.04.2012	To Balance c/d (b/f)	4,97,700			
		23,76,900			**23,76,900**

PROBLEM NO: 6

In General Ledger

Debtors Ledger Adjustment Account

Dr. **Cr.**

2011	Particulars	Rs.	2011	particulars	Rs.
Jan.1	To Balance b/d	50,000	Mar.31	**By General ledger adjustment account:**	
Mar.31	**To General ledger adjustment account:**			Collection-cash and bank (70 % of the RS.1,96,000)	1,37,200
	Sales [(100/120) x (1,80,000 - 4,800)]	1,46,000		Discount	20,000
	Creditors - bill receivable dishonoured	6,000		Bills receivable	30,000
	Bank-cheques Dishonoured	8,000		Bad debts (6,000+2,000)	8,000
				By Balance c/d	14,800
		2,10,000			**2,10,000**

PROBLEM NO: 7

Creditors Ledger Adjustment Account in the General Ledger for month of March, 2014

Dr. **Cr.**

2014	Particulars	Rs.	2014	Particulars	Rs.
March 1	To Balance b/d (Advance to Akash)	4,500	March 1	By Balance b/d (Due to Mr. Dev)	2,500
March 31	To General Ledger Adjustment A/c (In Bought Ledger)		March 31	By General Ledger Adjustment A/c (in Bought Ledger)	
	Bank (WN 2)	16,440		Purchases (WN 1)	23,200
	Returns (Akash)	1,000			
	Discount (5% of 5,200)	260			
March 31	To Balance c/d (Due to Nathan)	3,500			
		25,700			**25,700**

Note: The above answer is given on the basis that Mr. Prem will pay in cash as the sale was on cash basis and was not recorded in Creditors Ledger Adjustment account earlier.

Working Notes:

(1) Purchases:

1.3.2013	Akash	7,500
14.3.2013	Akash	6,200
26.3.2013	Giridhar	6,000
29.3.2013	Nathan	3,500
		23,200

(2) Payments:

3.3.2013	Akash	3,000
10.3.2013	Dev	2,500
12.3.2013	Giridhar	6,000
24.3.2013	Akash (95% of 5,200)	4,940
		16,440

7. HIRE PURCHASE

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 2,3 ,5,6,7

PROBLEM NO: 1

Calculation of interest:

Hire- purchase price:	**Rs.**	**Rs.**
Down payment	2,000	
Installment Rs. 3,000 X 5	15,000	17,000
Less: cash price		15,000
Therefore total interest		2,000

Analysis of payments of vendor

Year	Opening balance of cash price (Rs.)	Towards principal (Rs.)	Towards interest (Rs.)	Installment (Rs.)	Closing balance of cash price (Rs.)
1.1.2010	15,000	2,000	-	-	13,000
31.12.2010	13,000	2,350	650	3,000	10,650
31.12.2011	10,650	2,468	532	3,000	8,182
31.12.2012	8,182	2,591	409	3,000	5,591
31.12.2013	5,591	2,720	280	3,000	2,871
31.12.2014	2,871	2,871	129(bal. fig)	3,000	Nil
			2,000		

Statement of depreciation:

Year	Opening balance	Amount of depreciation	Closing balance
31.12.2010	15,000	3,000	12,000
31.12.2011	12,000	2,400	9,600
31.12.2012	9,600	1,920	7,680
31.12.2013	7,680	1,536	6,144
31.12.2014	6,144	1,229	4,915

(i) Under Sales Method/ Credit Purchases with Interest Method:

Journal Entries

Date	Particulars	L.F	Debit Rs.	Credit Rs.
2010 Jan.1	Motor Vans A/c Dr. To Plain Vans Ltd. A/c (Cash price of the machine purchased under hire-purchase system)		15,000	 15,000
	Plain Vans Ltd. A/c Dr. To Bank A/c (Amount of down payment made to the vendor.)		2,000	 2,000
Dec.31	Interest A/c Dr. To Plain Vans Ltd. A/c (The interest due to vendor.)		650	 650
	Plain Vans Ltd. A/c Dr. To Bank A/c (The Installment paid.)		3,000	 3,000
	Depreciation A/c Dr. To Motor Vans A/c (Depreciation charged on Motor Vans.)		3,000	 3,000
	Profit and Loss A/c Dr. To Depreciation A/c To Interest A/c (Profit and Loss Account.)		3,650	 3,000 650
2011 Dec.31	Interest A/c Dr. To Plain Vans Ltd. A/c (Interest due to vendor.)		532	 532
	Plain Vans Ltd. A/c Dr. To Bank A/c (The Installment paid.)		3,000	 3,000
	Depreciation A/c Dr. To Motor Vans A/c (Depreciation charged on Motor Vans.)		2,400	 2,400
	Profit and Loss A/c Dr. To Depreciation A/c To Interest A/c (Depreciation and interest transferred to Profit and Loss Account.)		2,932	 2,400 532

Motor Vans Account

Dr. **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1	To Plain Vans Ltd.	15,000	2010 Dec.31	By Depreciation By Balance c/d	3,000 12,000
		15,000			15,000
2011 Jan.1	To Balance b/d	12,000	2011 Dec.31	By Depreciation By Balance c/d	2,400 9,600
		12,000			12,000

Plain Vans Ltd. Account

Dr. **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1 Dec.31	To Bank- Down To Bank – 1st inst. To Balance c/d	2,000 3,000 10,650	2010 Jan.1 Dec.31	By Motor Vans By Interest	15,000 650
		15,650			15,650

2011 Dec.31	To Bank – 2nd Inst. To Balance c/d	3,000 8,182	2011 Dec.31	By Balance b/d By Interest	10,650 532
		11,182			11,182

Interest Account

Dr. **Dr.**

Date	***Particulars***	***Rs.***	***Date***	***Particulars***	***Rs.***
2010 Dec.31	To Plain Vans Ltd.	650	2010 Dec.31	By Profit and Loss A/c	650
2011 Dec.31	To Plain Vans Ltd.	532	2011 Dec.31	By Profit and Loss A/c	532

(ii) Under Interest Suspense Method:

Journal Entries

Date	**Particulars**	**L.F**	**Debit Rs.**	**Credit Rs.**
2010 Jan.1	Motor Vans A/c Dr. Interest Suspense A/c Dr. To Plain Vans Ltd. A/c (Motor Vans purchased under Installment system.)		15,000 2,000	 17,000
	Plain Vans A/c Dr. To Bank A/c (Amount of down payment made to the vendor.)		2,000	 2,000
Dec.31	Interest A/c Dr. To Interest Suspense A/c (Interest paid and adjusted.)		650	 650
	Plain Vans A/c Dr.. To Bank A/c (The Installment paid.)		3,000	 3,000
	Depreciation A/c Dr. To Motor Vans A/c (Depreciation charged on Motor Vans.)		3,000	 3,000
	Profit and Loss A/c Dr. To Depreciation A/c To Interest A/c (Depreciation and interest transferred to Profit and Loss Account.)		3,650	 3,000 650
2011 Dec.31	Interest A/c Dr. To Interest Suspense A/c (The interest paid and adjusted.)		532	 532
	Plain Vans Ltd. A/c Dr. To Bank A/c (The Installment paid.)		3,000	 3,000
	Depreciation A/c Dr. To Motor Vans A/c (Depreciation charged on Motor Vans.)		2,400	 2,400
	Profit and Loss A/c Dr. To Depreciation A/c To Interest A/c (Depreciation and interest transferred to Profit and Loss Account.)		2,932	 2,400 532

Motor Vans Account

Dr. **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1	To Plain Vans Ltd. A/c	15,000	2010 Dec.31	By Depreciation A/c	3,000
				By Balance c/d	12,000
		15,000			15,000
2011 Jan.1	To Balance b/d	12,000	2011 Dec.31	By Depreciation A/c	2,400
				By Balance c/d	9,600
		12,000			12,000

Plain Vans Ltd. Account

Dr. **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1	To Bank A/c - Down	2,000	2010 Jan.1	By Motor Vans A/c	15,000
Dec.31	To Bank A/c – 1st Inst.	3,000		By Interest Suspense A/c	2,000
	To Balance c/d	12,000			
		17,000			17,000
2011 Dec.31	To Bank A/c – 2nd Inst.	3,000	2011 Jan.1	By Balance b/d	12,000
	To Balance c/d	9,000			
		12,000			12,000

Interest Suspense Account

Dr. **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Jan.1	To Plain Vans Ltd.	2,000	2010 Dec.31	By Interest A/c	650
				By Balance c/d	1,350
		2,000			2,000
2011 Jan.1	To Balance c/d	1,350	2011 Dec.31	By Interest A/c	532
				By Balance c/d	818
		1,350			1,350

Dr. **Interest Account** **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
2010 Dec.31	To Interest Suspense A/c	650	2010 Dec.31	By Profit and Loss A/c	650
2011 Dec.31	To Interest Suspense A/c	532	2011 Dec.31	By Profit and Loss A/c	532

PROBLEM NO.2

a)

A Installment	B=D-C Balance Due at the Beginning	C Interest Dx10/110	D = E+F Total Amount Due at the end before the payment of installment	E Installment Amount	F = D – E Balance due at the end after the payment of installment
	3,00,000	30,000	3,30,000	Nil	3,30,000
I	3,30,000	33,000	3,63,000	1,63,000	2,00,000
II	2,00,000	20,000	2,20,000	1,20,000	1,00,000
III	1,00,000	10,000	1,10,000	1,10,000	Nil

Let Cash Price be X ; X = Rs.3,00,000 + 40% of X

0.6 X = Rs.3,00,000 ; X = Rs.3,00,000/0.6 = Rs.5,00,000, cash price = Rs.5,00,000

b) Statement Showing the Computation of Cash Price and Periodic Interest

A Installment	B=D-C Balance Due at the Beginning	C Interest Dx10/110	D = E+F Total Amount Due at the end before the payment of installment	E Installment Amount	F Balance due at the end after the payment of installment
I	3,00,000	30,000	3,30,000	1,30,000	2,00,000
	2,00,000	20,000	2,20,000	Nil	2,20,000
II	2,20,000	22,000	2,42,000	1,42,000	1,00,000
III	1,00,000	10,000	1,10,000	1,10,000	Nil

Let Cash Price be X ; X = Rs.3,00,000 + 40% of X

0.6 X = Rs.3,00,000 ; X = Rs.3,00,000/0.6 = Rs.5,00,000, cash price = Rs.5,00,000

PROBLEM NO: 3

Calculation of Cash Price: (Backward approach)

A Installment	B=D-C Balance Due at the Beginning	C Interest Dx5/105	D = E+F Total Amount Due at the end before the payment of installment	E Installment Amount	F = D – E Balance due at the end after the payment of installment
Down	30,026	0	30,026	10,000	20,026
I	20,026	1,001	21,027	8,200	12,827
II	12,827	641	13,469	7,440	6,029
III	6,029	301	6,330	6,330	-

In the books of Eastern Printers

Dr. **Machinery A/c** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount
01.07.13	To Hire vendor	30,027	31.12.13	By Depreciation (30,027 x 10% x 6/12)	1,501
		30,027	31.12.13	By Balance c/d	28,526
01.01.14	To Balance b/d	28,526			30.027
			31.12.14	By Depreciation	2,853
			31.12.14	By Balance c/d	25,673
		28,526			28,526
01.01.15	To Balance b/d	25,673			

Dr. **Hire Vendor A/c** **Cr.**

Date	Particulars		Amount	Particulars	Amount
01.07.13	To Bank – Down	10,000	01.07.13	By Machinery	30,027
31.12.13	To Bank- 1st Inst,	8,200	31.12.13	By Interest	1,001
31.12.13	To Balance c/d	12,828			
		31028			31,028
01.07.14	To Bank – 2nd Inst.	7,440	01.01.14	By Balance b/d	12,828
31.12.14	To Bank- 3rd Inst.	6,330	01.07.14	By Interest	641
			31.12.14	By Interest	301
		13,770			13,770

PROBLEM NO: 5

Calculation of total Interest and Interest included in each installment

Hire Purchase Price (HPP) = Down Payment + instalments

= 30,000 + 50,000 + 50,000 + 30,000 + 20,000 = 1,80,000

Total Interest = 1,80,000 – 1,50,000 = 30,000

Computation of IRR (considering two guessed rates of 6% and 12%)

Year	Cash Flow	DF @6%	PV	DF @12%	PV
0	30,000	1.00	30,000	1.00	30,000
1	50,000	0.94	47,000	0.89	44,500
2	50,000	0.89	44,500	0.80	40,000
3	30,000	0.84	25,200	0.71	21,300
4	20,000	0.79	15,800	0.64	12,800
		NPV	**1,62,500**	**NPV**	**1,48,600**

Interest rate implicit on lease is computed below by interpolation:

Interest rate implicit on lease $= 6\% + \dfrac{1{,}62{,}500 - 1{,}50{,}000}{1{,}62{,}500 - 1{,}48{,}600} \text{ X } (12 - 6) = 11.39\%$

$$= 6\% + \frac{12{,}500}{13{,}900} \text{ x } 6 = 11.39\%$$

Thus repayment schedule and interest would be as under:

Installment no.	Principal at beginning	Interest included in each installment	Gross amount	Installment	Principle at end
Cash down	1,50,000		1,50,000	30,000	1,20,000
1	1,20,000	13,668	1,33,668	50,000	83,668
2	83,668	9,530	93,198	93,198	43,198
3	43,198	4,920	48,118	30,000	18,118
4	18,118	2,064	20,182	20,000	182*
		30,182*			

PROBLEM NO: 6

IN THE BOOKS OF K&CO

Hire purchaser (MC) A/c

Date	Particulars	Amount	Date	Particulars	Amount
1/1/2001	To Hire purchase sales	1,00,000	1/1/2001	By bank	20,000
31/12/2001	To interest (80000*5%)	4,000	31/12/2001	By bank	24,000
				By balance c/d	60,000
		1,04,000			**1,04,000**
1/1/2002	To Balance b/d	60,000	31/12/2002	By repossessed goods	63,000
31/12/2002	To Interest (60,000*5%)	3,000			
		63,000			**63,000**

Repossessed Goods A/c

Date	Particulars	Amount	Date	Particulars	Amount
31/12/2002	To MC	63,000	31/12/2002	To Balance C/d	81,000
31/12/2002	To profit on repossession (81000-63000)	18,000			
		81,000			**81,000**
1/1/2003	To Balance b/d	81,000	-	By Bank	90,000
	To Bank	1,000			
	To P&L A/c	8,000			
		90,000			**90,000**

Computation of WDV of Machinary as on 31st Dec,2002:

Particulars	Amount
Value of Machinery as on 01/01/2001	**1,00,000**
Less: Depreciation for first year (1,00,000*10%)	(10,000)
WDV as on 01/01/2002	**90,000**
Less: Depreciation for first year (90,000*10%)	(9,000)
WDV as on 31/12/2002	**81,000**

PROBLEM NO: 7

In the Books of TA Ltd

Dr. Ashok A/c Cr.

Date	Particulars	Amount	Amount	Particulars	Amount
01.01.13	To Sales	3010	30.06.13	By Cash (1st Installment)	800
30.06.13	To Interest		30.09.13	By Cash (WN – 1)	600
	(3010 x 5% x 6/12)	75	"	By Re-possessed goods	1500
30.09.13	To Interest (WN – 2)	29	"	By Profit & Loss A/c (b/f)	
				(Loss on Re-possession)	214
		3,114			3,114

Dr. Re-possessed Goods A/c Cr.

Date	Particulars	Amount	Amount	Particulars	Amount
30.09.13	To Ashok	1,500	15.10.13	By Cash (Sale proceeds)	1,800
15.10.13	To Cash (Repairs)	200			
	To Profit & Loss A/c (Profit on sale)	100			
		1,800			1,800

Working Note: 1 Calculation of amount of due proportion to be paid:

Particulars	Amount
Amount of installment	800
Due proportion of the installment upon the date of seizure (800 x 3/6)	400
Add: Amount of depreciation (to be collected as per the agreement)	200
Amount to be collected at the time of Seizure	600

Working Note: 2 Calculation of interest from 01.07.2013 to 30.09.2013

Particulars	Amount
Cash price	3,010
Less: Cash price paid in I installment (800 – 75)	(725)
Outstanding balance of cash price	2,285
Interest for 3 months $\left(2,285 \times \frac{5}{100} \times \frac{3}{12}\right)$	29

Verified by: G.S.R Sir, Mahesh Sir

Executed by: DhanaLakshmi

THE END

8. FINANCIAL STATEMENTS OF NOT – FOR - PROFIT ORGANISATIONS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 4, 6, 8, 12

PROBLEM NO: 1

Receipts and Payments a/c of Delhi Club for the Period ending 31-03-04.

Receipts	Rs.	*Payments*	Rs.
To Donations	2,00,000	By Land	10,000
To Entrance Fees	17,000	By Furniture	1,30,000
To Subscriptions	19,000	By Salaries	4,800
To Locker Rents	600	By Maintenance of p.g	1,000
To Sundry income	1,060	By Rent	8,000
To Refreshment	16,000	By Refreshment A/c	8,000
To Balance c/d		By Donations	25,000
(Over Draft)	1,08,140	By Term Deposits	15,000
		By Govt. Bonds	1,60,000
	3,61,800		3,61,800

Income and Expenditure a/c of Delhi Club for the period ending 31-03-04

Expenditure	Rs.	Rs.	*Income*	Rs.	Rs.
To Salaries	4,800		By Entrance Fees		17,000
Add : O/S	200	5,000	By Subscription	19,000	
To Maintenance of p.g	1,000		**Add :** O/S	1,000	20,000
Add: O/S	1,000	2,000	By Locker Rent		600
To Rent		8,000	By Sundry Income	1,060	
To Depreciation:			**Add:** O/S	540	1,600
Furniture@10%	14,600		By Refreshment	16,000	
Library Books	2,500	17,100	Less : Refreshment	(8,000)	8,000
To Surplus		15,100			
		47,200			47,200

Balance Sheet of Delhi Club as on 31st march 2004

Liabilities	Rs.	Rs.	*Assets*	Rs.	Rs.
Capital Fund	-		Land		10,000
Add: Surplus	15,100	15,100	Furniture	1,46,000	
Bank Overdraft		1,08,140	Less: Depreciation	14,600	1,31,400
Donations (For Building and Library Books)		2,00,000	Library Books	25,000	
			Less: Depreciation	2,500	22,500
Outstanding Expenses:			9% Govt. Bonds		1,60,000
Salaries	200		Term Deposits		15,000
Maintenance	1,000	1,200	O/S Subscription		1,000
Creditors for Furniture (1,46,000-1,30,000)		16,000	O/S Sundry Income		540
		3,40,440			3,40,440

PROBLEM NO: 4

Smith Library Society

Income and Expenditure Account

for the year ended 31st March, 2011

Expenditure	Amount	Amount	Income	Amount	Amount
To Electric charges		7,200	By Entrance fee (25% of Rs. 30,000)		7,500
To Postage and stationary		5,000	By Membership subscription	2,00,000	
To Telephone charges		5,000	Less: Received in advance	(10,000)	1,90,000
To Rent	88,000		By Sale proceeds of old papers		1,500
Add: Outstanding	4,000	92,000	By Hire of lecture hall		20,000
To Salaries	66,000		By Interest on securities(W.N.2)	8,000	
Add: Outstanding	3,000	69,000	*Add*: Receivable	500	8,500
To Depreciation (W.N.1)			By Deficit- excess of expenditure over income		16,700
Electrical fittings	15,000				
Furniture	5,000				
Books	46,000	66,000			
		2,44,200			**2,44,200**

Balance Sheet of Smith Library Society

as on 31st March, 2011

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital fund	7,93,000		Electrical fittings	1,50,000	
Add: Entrance fees	22,500		*Less*: Depreciation	(15,000)	1,35,000
	8,15,500		Furniture	50,000	
Less: Excess of expenditure over income	(16,700)	7,98,800	*Less*: Depreciation	(5,000)	45,000
Outstanding expenses:			Books	4,60,000	
Rent	4,000		*Less* Depreciation	(46,000)	4,14,000
Salaries	3,000	7,000	Investment::		
Membership subscription in advance		10,000	Securities	1,90,000	
			Accrued interest	500	1,90,500
			Cash at bank		20,000
			Cash in hand		11,300
		8,15,800			**8,15,800**

Working Notes:

1. Depreciation	**Amount(Rs)**	**Amount(Rs)**
Electrical fittings 10% of Rs. 1,50,000		15,000
Furniture 10% of Rs. 50,000		5,000
Books 10% of Rs. 4,60,000		46,000
2. Interest on Securities		
Interest @ 5% p.a. on Rs. 1,50,000 for full year	7,500	
Interest @ 5% p.a. on Rs. 40,000 for half year	1,000	8,500
Less: Received		(8,000)
Receivable		500

PROBLEM NO: 6

The Youth Club

Receipts and Payments Account

for the year ended 31st Dec., 2014

Receipts	Amount	Amount	Payments	Amount	Amount
To Balance b/d(Bal.fig.)		1,390	By Salaries	4,750	
To Subscriptions As per Income & Expenditure Account			Add: Paid for 2013	**400**	
Add: 2013's Received	7,500			5,150	
2015's Received	270		Less: Unpaid for 2014	**(450)**	4,700
	8,370		By General Expenses	500	
Less: 2014's Received in 2013	(450)		Add : Paid for 2015	60	560
	7,920		By Audit fee (2014)		200
Less: 2014's Outstanding	(750)	7,170	By Secy. Honorarium		1,000
To Entrance Fees		250	By Stationery & Printing		450
To Contribution for annual dinner		1,000	By Annual Dinner Expenses		1,500
To Profit on Sport meet :			By Interest & Bank Charges		150
Receipt less expenses		750	By Sports Equipments [2700-(2600-300)]		400
			By Balance c/d		1,600
		10,560			**10,560**
To Balance b/d		1,600			

Balance Sheet of Youth Club as at December 31, 2014

Liabilities	Amount	Amount	Assets	Amount	Amount
Subscription received in advance		270	Freehold Ground		10,000
Audit Fee Outstanding		250	Sport Equipment:		
Salaries Outstanding		450	As per last Balance Sheet	2,600	
Bank Loan		2,000	Additions	400	
Capital Fund :				3,000	
Balance as per previous Balance Sheet	11,540		Less : Depreciation	(300)	2,700
Add : Surplus for 2014	600	12,140	Subscription Outstanding		750
			Insurance Prepaid		60
			Cash in hand		1600
		15,110			**15,110**

Balance Sheet of Youth Club as at December 31, 2013

Liabilities	Amount	Assets	Amount
Subscription received in advance	450	Freehold Ground	10,000
Salaries Outstanding	400	Sport Equipment:	2,600

Audit fees unpaid	200	Subscription Outstanding	600
Bank Loan	2,000	Cash in hand	1600
Capital Fund (Bal.fig)	11,540		
	14,590		**14,590**

PROBLEM NO: 8

Balance Sheet of Sports Club

As at 31st March 2013

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital Fund:			Fixed Assets:		
Opening Balance (W.N.)	7,83,000		Club, Grounds & Pavilion		4,40,000
Add: Surplus	1,38,000	9,21,000	Furniture & Fixtures	40,000	
Current Liabilities:			*Add*: Additions	20,000	
Outstanding Salary (15,000 - 10,000)		5,000		60,000	
Outstanding Audit Fees		5,000	*Less* : Depreciation	(5,000)	55,000
Creditors for Printing &Stationery {22,000-(26,000– 5,000)}		1,000	Sports Equipments	2,50,000	
Subscription received in advance		4,000	*Less*: Depreciation	(90,000)	1,60,000
			Investments :		
			Investment (at cost)		2,00,000
			Accrued Interest [Rs. 12,000 - Rs. 6,000]		6,000
			Current Assets:		
			Accrued rent (28,000 - 24,000)		4,000
			Subscription receivable For 2011-12 (8,000 - 6,000)		2,000
			For 2012-13 {(1,56,000 - (1,50,000 + 2,000)}		4,000
			Entrance Fees receivables (1,05,000 - 1,00,000)		5,000
			Prepaid Insurance (12,000 - 10,000)		2,000
			Cash and bank		58,000
		9,36,000			**9,36,000**

Working Note:

Calculation of Capital Fund as on 1st April, 2012

Balance Sheet of Sports Club

As at 31st March 2012

Liabilities	Amount	Assets	Amount
Capital Fund (bal.fig.)	7,83,000	Fixed Assets :	
Current Liabilities:		Club, Grounds & Pavilion	4,40,000
Subscription received in advance	2,000	Furniture & Fixtures	40,000
Creditors for Printing and Stationary	5,000	Sports Equipments	2,50,000

		Current Assets:	
		Entrance Fees receivables	10,000
		Subscription receivables	8,000
		Cash and Bank	42,000
	7,90,000		**7,90,000**

PROBLEM NO:12

Republic College

Dr. Income and Expenditure Account for the year ending 31st March, 2015 Cr.

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Salaries:			By Tuitions & Other Fee	8,00,000	
Teaching	8,50,000		**Add:** Scholarship	80,000	8,80,000
Research	1,20,000	9,70,0000	By Govt. Grants		5,00,000
To Material & Supplies Consumed:			By Income from Investments		1,85,000
Teaching		50,000	By Hostel room Rent		1,75,000
Research		1,50,000	By Mess Receipts		2,00,000
To Repairs &Maintenance		1,12,000	By Profit-stores sales		75,000
To Sports & Games Expenses:			By Seminar and Conferences Income	4,80,000	
Cash	50,000		**Less :** Expenses	(4,50,000)	30,000
Materials	25,000	75,000	**By Consultancy charges:**		
To Students Welfare Expenses			Income	1,28,000	
Cash	38,000		**Less:** Expenses	(28,000)	1,00,000
Materials	75,000	1,13,000	By Donations		50,000
To Misc. Expenses		65,000			
To Scholarships		80,000			
To Depreciation					
Building	80,000				
Plant & Equipment	85,000				
Furniture	60,000				
Motor Vehicle	36,000	2,61,000			
To Excess of Income Over Expenditure		3,19,000			
		21,95,000			**21,95,000**

Republic College

Balance Sheet as on 31st March, 2015

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
Capital Fund			**Fixed Assets:**		
Opening Balance	16,06,000		Land		1,00,000
Add: Excess of Income over Expenditure	3,19,000	19,25,000	Building Cost	16,00,000	
Other Funds:			Less: Provision for Dep.	(5,60,000)	10,40,000
Research Fund		8,00,000	Equipment Cost	8,50,000	
Building Fund		25,00,000	Less: Provision for Dep.	(5,95,000)	2,55,000

Current Liabilities:			**Furniture & Fittings:**		
Outstanding Expenses		2,25,000	Cost	6,00,000	
Provident Fund		5,10,000	Less: Provision for Dep.	(3,96,000)	2,04,000
Security Deposit		1,50,000	**Motor Vehicles:**		
			Cost	1,80,000	
			Less: Provision for Dep.	(36,000)	1,44,000
			Library		3,60,000
			Investments:		
			Capital Fund Investments		18,50,000
			Research Fund Investment		8,00,000
			P.F. Investment		5,10,000
			Stock :		
			Material & Supplies		1,25,000
			Grants Receivable (Tuition Fees)		80,000
			Cash in hand & at Bank		6,42,000
		61,10,000			**61,10,000**

Working Notes:

Particulars	Rs.	Rs.	Rs.
1. Material & Supplies-Closing Stock			3,00,000
Opening Stock			8,00,000
Purchases			11,00,000
Less: Cost of Sales		6,75,000	
Consumed		3,00,000	(9,75,000)
Balance			1,25,000
2. Provisions for Depreciation			
	Building	**Plant & Equipment**	**Furniture & Fitting**
Opening Balance	4,80,000	5,10,000	3,36,000
Addition	80,000	85,000	60,000
Closing Balance	5,60,000	5,95,000	3,96,000

9. INTERNAL RECONSTRUCTION – I

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 4

PROBLEM NO: 1

Journal Entries

Particulars		Rs.	Rs.
Equity Share Capital (old) A/c	Dr.	10,00,000	
To Equity Share Capital (Rs. 10) A/c			6,00,000
To 10% Preference Share Capital A/c(6,00,000x1/5)			1,20,000
To 8% Debentures A/c			40,000
To Capital Reduction A/c			2,40,000
(Being new equity shares, 10% Preference Shares, 8% Debentures issued and the balance transferred to Reconstruction account as per the Scheme)			
Bank A/c	Dr.	1,00,000	
To 10% First Debentures A/c			1,00,000
(Being allotment of 10% first Debentures)			
Capital Reduction A/c	Dr.	2,40,000	

To Goodwill Account		1,40,000
To Plant and Machinery Account		50,000
To Freehold Property Account		50,000
(Being Capital Reduction Account utilized for writing off of Goodwill, Plant and Machinery and Freehold property as per the scheme)		

PROBLEM NO.4

Journal Entries

Particulars		Debit (Rs.)	Credit (Rs.)
First debentures A/c	Dr.	3,00,000	
Second debentures A/c	Dr.	3,00,000	
Unsecured creditors A/c	Dr.	90,000	
To A's A/c			6,90,000
(Being A's total liability ascertained)			
A's A/c	Dr.	2,10,000	
To Capital reduction A/c			2,10,000
(Being cancellation of debt upto Rs. 2,10,000)			
Bank A/c	Dr.	30,000	
To A's A/c			30,000
(Being cash received in course of settlement)			
A's A/c	Dr.	5,10,000	
To First debentures A/c			5,10,000
(Being liability of A, discharged against first debentures)			
Second debentures A/c	Dr.	3,00,000	
Unsecured creditors A/c	Dr.	60,000	
To B's A/c			3,60,000
(Being B's liability ascertained)			
B's A/c	Dr.	3,60,000	
To Bank A/c			90,000
To Capital reduction A/c			2,70,000
(Being B's liability discharged)			
Unsecured trade payables A/c	Dr.	3,00,000	
To Equity share capital A/c			1,12,500
To Loan (Unsecured) A/c			75,000
To Capital reduction A/c			1,12,500
(Being settlement of unsecured creditors)			
Share call A/c	Dr.	1,80,000	
To Share capital A/c			1,80,000
(Being final call money due)			
Bank A/c	Dr.	1,80,000	
To Share call A/c			1,80,000
(Being final call money received)			
Share capital A/c (Face value Rs. 60)	Dr.	3,60,000	
To Share capital (Face value Rs. 7.50)			45,000
To Capital reduction A/c			3,15,000
(Being share capital reduced to Rs. 7.50 each)			
Capital reduction A/c	Dr.	9,07,500	
To Profit and loss A/c			8,70,000
To Capital reserve/c			37,500
(Being reconstruction surplus used to write off losses)			

Working Notes:

1.	**Settlement of claim of remaining unsecured creditors**			**Amount**
	75% of Rs. 3,00,000 Considering their claim for share of Rs. 60 each 2,25,000/60 =3,750 shares			2,25,000
	Less: Number of shares to be issued 3,750 x 4 = 15,000 shares of Rs. 7.5 each Total value = 15,000 x 7.50			(1,12,500)
	Transferred to Capital reduction A/c			1,12,500

2. Ascertainment of profit and loss account's debit balance at the time of reconstruction.

Particulars	**Amount**	**Amount**
Asset		
Fixed assets	3,90,000	
Cash	2,70,000	6,60,000
Less: Capital & Liabilities:		
Share capital	1,80,000	
1st Debenture	3,00,000	
2nd Debenture	6,00,000	
Unsecured trade payables	4,50,000	(15,30,000)
Profit and loss A/c (Debit balance)		(8,70,000)

10. CASH FLOW STATEMENTS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 3, 4, 7, 10, 13

PROBLEM NO: 3

M/s MNT Ltd.

Cash Flow Statement for the year ended 31st March, 2015

(Using direct method)

Particulars	**Rs.**	**Rs.**
Cash flows from operating activities		
Cash Sales (3,82,500/0.30)		12,75,000
Less: Cash payment for trade payables	(4,60,000)	
Wages paid	(4,92,500)	
Office and selling expenses	(75,000)	(10,27,500)
Cash generated from operations before taxes		2,47,500
Income taxes paid		(65,000)
Net cash from operating activities (A)		**1,82,500**
Cash flows from investing activities		
Sale of Investments	7,20,000	
Purchase of plant and machinary	(2,50,000)	
Net cash used in investing activities (B)		**4,70,000**
Cash flows from financing activities		
Bank loan repayment(including interest)	(2,15,000)	
Dividend paid(including DDT)	(30,000)	
Net cash used in financing activities(C)		**(2,45,000)**
Net increase in cash and cash equivalents(A+B+C)		**4,07,500**
Cash and cash equivalents at beginning of period		2,00,000
Cash and cash equivalents at end of period		**6,07,500**

Note: in the above answer, Cash Flow Statements has been prepared by Direct Method

PROBLEM NO: 4

Indirect Method

Cash flow from operating activities for the year ended 31st March, 2015

Particulars	Rs.	Rs.
Net Profit as per Profit & Loss A/c		8,08,900
Add: Proposed dividend		72,000
Add: Transfer to reserve		87,000
Add: Provision for Tax made during the Current Year		1,25,000
Less: Refund of tax		(3,000)
Less: Extraordinary items (i.e. Insurance Claim – Major Fire Settlement)		(1,00,000)
Net Profit before taxation, and extraordinary items		9,89,900
Add: Depreciation		86,700
Add: Patents written off		35,000
Less: Profit on sale of investments		(10,000)
Operating profit before working capital changes		11,01,600
Increase in Inventory	(40,000)	
Increase in trade receivables	(67,500)	
Increase in trade payables	63,790	
Decrease in prepaid expenses	2,850	(40,860)
Cash generated from operations		10,60,740
Income taxes paid (net of refund)		1,15,775
Cash flow before extraordinary item		9,44,965
Insurance claim recovery (major fire settlement)		1,00,000
Net cash from operating activities		**10,44,965**

PROBLEM NO: 7

Cash Flow Statement of ABC Ltd. for year ended 31.03.2015 (Indirect Method)

Particulars	Rs.	Rs.
Cash flow from operating activities:		
Net Profit before taxation and extraordinary items (WN-1)	22,40,000	
Adjustments:		
Add: Depreciation (7,90,000-6,10,000)	1,80,000	
Cash Flow before working capital changes	24,20,000	
Less: decrease in creditors	(60,000)	
Less: decrease in liability for expenses	(60,000)	
Less: Increase in debtors	(4,40,000)	
Add: Increase in bad debts provision	40,000	
Less: Increase in prepaid expenses	(30,000)	
Add: Decrease in stock	90,000	
Cash generated from operations before income tax	19,60,000	
Less: Income tax paid during the year	-	
Cash flow before extraordinary items	19,60,000	
Add / Less: extraordinary items	-	
Net cash flow from operating activities		**19,60,000**
Cash flow from investing activities:		
Additions to Pant & Machinery (40,70,000 – 27,30,000)	(13,40,000)	
Net cash flow from investing activities		**(13,40,000)**
Cash flow from financing activities:		
Proceeds from issue of debentures	9,00,000	
Increase in bank loan	1,50,000	
Dividend paid(WN2)	(10,50,000)	

Net Cash flow from financing activities		-
Net Increase in cash and equivalents		6,20,000
Cash & Cash equivalents at the beginning (15,20,000+11,80,000)		27,00,000
Cash & Cash equivalents at the end (18,20,000+15,00,000)		33,20,000

Working Note: 1 – Calculation of Net profit before tax and extraordinary items:

Current year net profit after appropriation (36,90,000 – 26,50,000)	10,40,000
Add: Proposed dividend during the year (WN - 2)	12,00,000
	22,40,000

Working Note: 2

Dr. **Dividend Payable A/c** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Cash	10,50,000	By Balance b/d	1,50,000
To Balance c/d	3,00,000	By P & L Appropriation (Proposed dividend)	12,00,000
	13,50,000		**13,50,000**

PROBLEM NO: 10

Ryan Ltd.

Cash Flow Statement for the year ending 31st March, 2015

Particulars	Amount	Amount
Cash flows from operating activities		
Net profit before taxation	23,000	
Adjustments for:		
Depreciation	37,000	
Gain on sale of investments	(12,000)	
Loss on sale of plant assets	3,000	
Interest expense	23,000	
Interest income	(6,000)	
Operating profit before working capital changes	68,000	
Decrease in accounts receivable	8,000	
Increase in inventory	(34,000)	
Decrease in prepaid expenses	4,000	
Increase in accounts payable	7,000	
Increase in accrued liabilities	3,000	
Cash generated from operations	56,000	
Income taxes paid (WN)	(9,000)	
Net cash generated from operating activities		**47,000**
Cash flows from investing activities		
Purchase of plant assets	(1,20,000)	
Sale of plant assets	5,000	
Purchase of investments	(78,000)	
Sale of investments	1,02,000	
Interest received	6,000	
Net cash used in investing activities		**(85,000)**
Cash flows from financing activities		
Proceeds from issuance of share capital	1,50,000	
Repayment of bonds	(50,000)	

Interest paid	(23,000)	
Dividends paid	(8,000)	
Net cash from financing activities		**69,000**
Net increase in cash and cash equivalents		31,000
Cash and cash equivalents at the beginning of the period		15,000
Cash and cash equivalents at the end of the period		46,000

Working Note:

Particulars	Amount
Income taxes paid:	
Income tax expense for the year	7,000
Add: Income tax liability at the beginning of the year	5,000
	12,000
Less: Income tax liability at the end of the year	(3,000)
	9,000

PROBLEM NO: 13

Cash from operating activities:

Particulars	Amount	Amount
Net profit	76,500	
Add: Interest on debentures	2,000	
Less: Profit on sale of plant and machinery	(2,500)	
Add: Depreciation	27,900	
Operating profit before working capital changes	1,03,900	
Add: Working capital changes		
Increase in debtors	(50,000	
Increase in stock	(38,500)	
Increase in creditors	11,800	
Increase in provision for bad and doubtful debts	3,300	30,500

Cash flow from investing activities:

Particulars	Amount	Amount
Purchase of plant and machinery	(78,000)	
Sale of old plant and machinery	7,000	
Purchase of trade investment	(47,000)	
Sale of Free hold property	6,200	(1,11,800)

Cash flow from financing activities:

Particulars	Amount	Amount
Issue of debentures at discount	49,000	
Payment of dividend	(30,000)	
Payment of interest on debentures (50,000 x 6/12 x 8%)	(2,000)	17,000

Net decrease in cash and cash equivalents (64,300)

Bank borrowings 64,300

Working Notes:

Dr. **Plant and Machinery Account** **Cr.**

Particulars	Amount	Particulars	Amount
To Bank A/c	78,000	By Asset disposal A/c	18,000
		By Balance c/d	60,000
	78,000		78,000

Dr. **Asset Disposal Account** **Cr.**

Particulars	Amount	Particulars	Amount
To Plant & Machinery A/c	18,000	By Provision for depreciation A/c	13,500
To Profit and Loss A/c	2,500	By Bank A/c	7,000
	20,500		20,500

Dr. **Provision for Depreciation Account** Cr.

Particulars	Amount	Particulars	Amount
To Asset disposal A/c To Balance c/d	13,500 14,400	By Profit and Loss A/c	27,900
	27,900		27,900

11. ACCOUNTING FOR BONUS SHARES

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 2

PROBLEM NO: 1

In the books of Ms. Yahoo.com

Journal Entries

Date	Particulars	Rs.	Rs.
01.04.12	Equity share final call A/c Dr. To Equity share capital A/c (Being the final call of Rs.2.50 per share on 1,80,000 equity shares made)	4,50,000	 4,50,000
30.04.12	Bank A/c Dr. To Equity share final call A/c (Being final call money on 1,80,000 shares received)	4,50,000	 4,50,000
30.04.12	Securities premium A/c (50,000 – 20,000) Dr. Capital reserve A/c (1,50,000 – 60,000) Dr. General reserve A/c Dr. Profit and Loss A/c (bal.fig) Dr. To Bonus to shareholders A/c (Being utilization of reserves for bonus issue of one share for every three share held)	30,000 90,000 2,40,000 2,40,000	 6,00,000
30.04.12	Bonus to equity shareholders Dr. To Equity share capital A/c (Being bonus share issued)	6,00,000	 6,00,000

Extract of Balance sheet (After bonus issue)

Particulars	Notes No.	Rs.
Equity & Liabilities:		
Shareholders' Funds		
a. Share capital	1	28,00,000
b. Reserves & Surplus	2	1,40,000

Notes to Accounts:

Particulars	Rs.
1. Share Capital: **Authorized share capital** 50,000, 10% Preference shares of Rs.10 each 2,40,000, Equity shares of Rs.10 each (refer W.N)	 5,00,000 24,00,000
Issued and subscribed capital: 40,000, 10% Preference shares of Rs.10 each fully paid	 4,00,000
2,40,000, Equity shares of Rs.10 each fully paid (Out of the above, 60,000 equity shares of Rs.10 each have been issued by way of bonus)	24,00,000
	28,00,000

2. Reserves and Surplus:		
General reserve	2,40,000	
Less: Utilization for issue of bonus shares	(2,40,000)	
Capital Reserve	1,50,000	
Less: Utilization for issue of bonus shares	(90,000)	60,000
Securities premium	50,000	
Less: Utilization for issue bonus shares	(30,000)	20,000
Profit and Loss A/c	3,00,000	
Less: Utilization for issue of bonus shares	(2,40,000)	60,000
		1,40,000

Assumptions:

1. As per SEBI guidelines, Capital reserves and Securities, Premium collected in the form of cash only can be utilized for the purpose of issue of bonus shares. It is assumed that balance of capital reserve and securities premium is collected in cash only.

2. It is also assumed that necessary resolutions have been passed and requisite legal requirements related to the issue of bonus shares have been complied with before issue of bonus shares.

Working Note:

On the basis of the above assumptions, the Authorized Capital should be increased as under:

Required for bonus issue	6,00,000
Less: Balance of authorized equity share capital (available)	2,00,000
Authorized capital to be increased	4,00,000

Total authorized capital after bonus issue (Rs.20,00,000 + Rs.4,00,000) = Rs.24,00,000

PROBLEM NO: 2

1. As per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 "Reserves created by Revaluation of fixed assets cannot be capitalized."
2. As per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, 'Capital Reserve' realized in cash can be utilized for issue of fully paid Bonus shares. Therefore, .1,60,000 being profit on sale of plant, is a capital profit which has been realized in cash, can be utilized for issue of the bonus shares. For remaining balance in capital reserve account, no further details of its constituents have been given. Therefore, no comment on it can be made.
3. As per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, Securities Premium collected in cash only can be utilized for Bonus issue, therefore .80,000 (i.e. .1,00,000 – .20,000) can be utilized for Bonus issue.
4. As per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, no company can issue bonus shares to its shareholders without extending similar benefit to convertible debenture holders. Pending such conversion, necessary number of shares should be earmarked for convertible debenture holders. Therefore, convertible debenture holders are also entitled to the bonus shares in the same ratio as the equity shareholders.
5. **Minimum number of Equity shares to be issued as bonus shares**

		In shares
Issue of Bonus Shares to existing Equity Shareholders		90,000
Add: Number of bonus shares to be issued after conversion of debentures		
(20,00,000 X 20%/10)1/4	10,000	
Total bonus issue through equity shares		1,00,000

6. **Minimum Authorized Share Capital**

	Shares	**Rs.**
Equity share capital		
Existing Equity Shares	3,60,000	36,00,000
Bonus to Equity Shareholders	90,000	9,00,000
20% conversion of 12% Debentures	40,000	4,00,000

Bonus shares to be issued to Debenture Holders after conversion	10,000	1,00,000
Authorised Equity Share Capital	5,00,000	50,00,000
Preference share capital 12% Preference Shares	40,000	4,00,000
Minimum Authorized Capital		**54,00,000**

12. AMALGAMATION – I

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 4, 11

PROBLEM NO:1

Calculation of Purchase Consideration under Net Assets Method

Particulars	Rs.	Rs.
Sundry assets $18,00,000 \times \frac{75}{100} \times \frac{112}{100} =$	15,12,000	
$18,00,000 \times \frac{25}{100} \times \frac{92}{100} =$	4,14,000	19,26,000
Less: Liabilities: 10% Debentures Trade payables Bank overdraft Unrecorded liability	 2,00,000 2,40,000 50,000 25,000	 (5,15,000)
Purchase consideration		**14,11,000**

PROBLEM NO: 4

Purchase consideration computation

Particulars	Amount(Rs)
Cash payment for (3,00,000 x Rs. 2.5)	7,50,000
Equity Shares (4,50,000 x Rs. 15)	67,50,000
	75,00,000

In the books of Srishti Ltd.

Realisation Account

Particulars	Rs.	*Particulars*	Rs.
To Goodwill	5,00,000	By 9% Debentures	5,00,000
To Tangible Fixed Assets	30,00,000	By Creditors	1,00,000
To Stock	10,40,000	By Anu Ltd.	75,00,000
To Debtors	1,80,000	(Purchase consideration)	
To Cash & Bank A/c (2,80,000- 25,000)	2,55,000		
To Cash & Bank A/c (Realization expenses)	25,000		
To Profit on realization transfer to shareholders	31,00,000		
	81,00,000		**81,00,000**

Equity Shareholders A/c

Particulars	Rs.	*Particulars*	Rs.
To Preliminary expenses	50,000	By Equity Share Capital	30,00,000
To Equity Shares in Anu Ltd.	67,50,000	By Export Profit Reserves	8,50,000
To Cash & Bank A/c	7,50,000	By General Reserves	50,000
		By P & L A/c	5,50,000
		By Realization A/c	31,00,000
	75,50,000		**75,50,000**

9% Debentures Account

Particulars	Rs.	*Particulars*	Rs.
To Realization A/c	5,00,000	By Balance b/d	5,00,000
	5,00,000		**5,00,000**

Anu Ltd.

Particulars	Rs.	*Particulars*	Rs.
To Realization A/c	75,00,000	By Share Capital	67,50,000
		By Bank A/c	7,50,000
	75,00,000		**75,00,000**

Journal Entries in the books of Anu Ltd.

	Particulars		Debit(Rs)	Credit(Rs)
1	Business Purchase A/c	Dr.	75,00,000	
	To Liquidator of Srishti Ltd			75,00,000
	(Being business of Srishti Ltd. taken over)			
2	Tangible Fixed Assets	Dr	60,00,000	
	Stock	Dr	7,10,000	
	Debtors	Dr	1,80,000	
	Cash & Bank A/c	Dr	2,55,000	
	Goodwill A/c (Bal. fig.)	Dr	10,64,000	
	To Provision for doubtful debts			9,000
	To Liability for 9 % Debentures			6,00,000
	To Creditors			1,00,000
	To Business Purchase account			75,00,000
	(Being assets and liabilities taken over)			
3	Amalgamation Adjustment A/c	Dr.	8,50,000	
	To Export Profit Reserves			8,50,000
	(Being statutory Reserves taken over)			
4	Goodwill	Dr.	50,000	
	To Bank A/c			50,000
	(Liquidation expenses reimbursed))			
5	Liquidator of Shristi Ltd.	Dr.	75,00,000	45,00,000
	To Equity Share Capital			22,50,000
	To Securities Premium			7,50,000
	To Bank A/c			
	(Being purchase consideration discharged)			
6	Liability for 9% Debentures (5,00,000 x 120/100)	Dr.	6,00,000	
	Discount on issue of debentures		25,000	
	To 8% Debentures (6,00,000 x 100/96)			6,25,000
	(Being liability of debenture holders' discharged)			

PROBLEM NO: 11

Computation of purchase consideration and basis of shares

Particulars	Abhay ltd	Asha ltd
Average profits	2,75,000	1,75,000
Less: Normal profits	1,77,500	1,12,500
Super Profit	97,500	62,500
Goodwill (at 2 years purchase)	1,95,000	1,25,000
Land and Building	9,35,000	6,32,500
Plant and Machinery	3,79,500	2,47,500

Inventory	4,62,000	2,64,000
Debtors less provision	2,74,500	2,56,500
Bank (less liquidation expenses Rs. 40,000: 20,000)	1,40,000	25,000
	23,86,000	15,50,500
Less: Creditors	(55,000)	(50,500)
Debentures - (2,75,000)		
Purchase consideration (Basis for issue of shares)	23,31,000	12,25,000
To be satisfied by issue of equity share of Abhilasha Ltd. @ 100 face value	23,310	12,250

Balance Sheet of Abhilasha Ltd. (After Amalgamation) as on 01.04.2015

		Particulars	Notes	Rs.
		Equity and Liabilities		
1		**Shareholders' funds**		
	a	Share capital	1	38,31,000
	b	Reserves and surplus		-
2		Current liabilities		
	a	Trade Payables		1,05,500
		Total		**39,36,500**
		Assets		
1		Non-current assets		
	a	Fixed assets		
		(i) Tangible assets	2	21,94,500
		(ii) Intangible assets	3	3,20,000
2		Current assets		
		Inventories		7,26,000
		Trade receivables	4	5,31,000
		Cash and cash equivalents	5	1,65,000
		Total		**39,36,500**

Notes to accounts

	Particulars		
1	Share Capital		
	Equity share capital 35,560 equity shares of Rs. 100 each	35,56,000	
	2,750 12% Preference shares @ Rs. 100 each (The above shares have been issued for consideration other than cash)	2,75,000	38,31,000
2	Tangible assets		
	Fixed Assets Land and Building (Rs. 9,35,000 + Rs. 6,32,500) Plant and Machinery (Rs. 3,79,500 + Rs. 2,47,500)	 15,67,500 6,27,000	 21,94,500
3	Intangible assets		
	Goodwill (Rs. 1,95,000 + Rs. 1,25,000)		3,20,000
	Current Assets		
4.	Trade Receivables Rs. (3,05,000 + 2,85,000)	5,90,000	
	Less: Provision for doubtful debts	(59,000)	5,31,000
5.	Cash and cash equivalents (Bank)		1,65,000

Note: It has been presumed that debentures of Asha Ltd. are redeemed at premium of 10% by issue of preference shares of Abhilasha Ltd. at par.

13. ACCOUNTS FROM INCOMPLETE RECORDS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 3, 4, 8, 9, 14

PROBLEM NO: 3

Statement of affairs as on 31.12.2009

Liabilities	Rs.	Assets	Rs.
Capital (b/f)	69,850	Sundry debtors	20,000
Trade Creditors	6,000	Stock in trade $\left(\frac{100}{95} \times 47{,}500\right)$	50,000
O/s Expenses	1,600	Cash in hand and at Bank	12,600
Loan from wife (5,000 x 12% x 3/12),{5000+150}	5,150		
	82,600		**82,600**

Statement of affairs as on 31.12.2014

Liabilities	Rs.	Assets	Rs.
Capital b/f	53,850	Sundry debtors 28,800	
Bank overdraft	12,000	(-) Bad debts 600	28,200
Trade creditors	10,000	Stock in trade $\left(\frac{100}{125} \times 60{,}000\right)$	48,000
O/s expenses	600	Cash in hand	250
	76,450		**76,450**

Statement showing Actual Profits

Year	Actual Profit	Profit Reported	Excess / {Short fall}
2010	$2{,}08{,}500 \times \frac{3}{25} = 25{,}020$	20,000	5,020
2011	$2{,}08{,}500 \times \frac{4}{25} = 33{,}360$	32,000	1,360
2012	$2{,}08{,}500 \times \frac{4}{25} = 33{,}360$	35,000	(1,640)
2013	$2{,}08{,}500 \times \frac{6}{25} = 50{,}040$	48,000	2,040
2014	$2{,}08{,}500 \times \frac{8}{25} = 66{,}720$	55,000	11,720

Statement of computation of Net Profit:

Particulars	Rs.	Rs.
Capital as on 31.12.2014		53,850
Add: Drawings		
Land (8,000 + 32,000+ 7,500)	47,500	
Marriage Expenses (15,000 + 24,000)	39,000	
VCR	18,000	
Household (24,000 x 5)	1,20,000	2,24,500
		2,78,350
Less: Capital as on 31.12.2009		(69,850)
Net profit for 5 years		**2,08,500**

Given sales ratio = 3 : 4 : 4 : 6 : 8

Ratio of profit is uniform throughout the years

Profit ratio = Sales ratio = 3: 4 : 4 : 6 : 8

PROBLEM NO: 4

Statement of Affairs

As on 31-3-2014 and 31-3-2015

Liabilities	31-3-2014 (Rs.)	31-3-2015 (Rs.)	Assets	31-3-2014 (Rs.)	31-3-2015 (Rs.)
Capital A/c's			Furniture	1,20,000	1,17,750
A	1,50,000	75,000	Advances	70,000	50,000
B (b/f)	75,000	75,000	Stock	60,000	74,750
C	—	75,000	Debtors	40,000	45,000
Loan	80,000	—	Cash at bank	50,000	1,40,000
Creditors	32,000	30,000	Current A/c		
			B	2,000	—
Current A/c's					
A	5,000	74,036*			
B	—	48,322*			
C		50,142*			
	3,42,000	**4,27,500**		**3,42,000**	**4,27,500**

***See current A/cs.**

Working Note – 1:

	Particulars	Amount
(i)	**Depreciation on Furniture**	
	10% on Rs. 1,20,000 12,000	12,000
	10% on Rs. 10,000 for 1/4 year	250
		12,250
(ii)	**Furniture as on 31-3-2015**	
	Balance as on 31-3-2014	1,20,000
	Add: new purchase	10,000
		1,30,000
	Less: Depreciation	(12,250)
		1,17,750
(iii)	**Total of Current Accounts as on 31-3-2015**	
	Total of Assets	4,27,500
	Less : Fixed Capital + Liabilities	(2,55,000)
		1,72,500

This is after adding salary, interest on capital and deducting drawings and interest on drawings.

Working Note – 2:

(iv)	**Interest on Capital :**	**Rs.**
	A : on 1,50,000@ 6% for 3 months	2,250
	on 75,000 @ 6% for 9 months	3,375
		5,625
	B : on 75,000@ 6% for 1 year	4,500

	C : on 75,000@ 6% for 9 months	3,375
		7,875
(v)	**Interest on Drawings:**	
	A : on 2,000 @ 10% for 11 months	183
	on 4,000 @ 10% for 9 months	300
	on 2,000@ 10% for 3 months	50
		533
	B : on 2,000 @ 10% for 10 months	167
	on 6,000 @ 10% for 6 months	300
	on 8,000 @ 10% for 1 month	67
		534

Working Note – 3:

Statement of Profit

Particulars	**Rs.**
Current Account Balances as on 31-3-2015	1,72,500
Less: Salary A Rs.2,000 × 12 = 24,000	
B Rs. 2,000 × 12 = 24,000	
C Rs. 2,000 × 9 = 18,000	(66,000)
Less: Interest on Capital	
A 5,625	
B 4,500	
C 3,375	(13,500)
Add: Drawings	
A 8,000	
B 16,000	24,000
Add: Interest on Drawings	
A 533	
B 534	1,067
	1,18,067
Less: Current A/c Balances as on 31-3-2010 (Rs.5,000 – Rs.2,000)	(3,000)
	1,15,067

Working Note – 4:

Allocation of Profit	Rs. 1,15,067	
3 months Profit	Rs. 28,767	
9 months Profit	Rs. 86,300	
A : **(**2/3 × Rs. 28,767**)** + **(** 1/3 × Rs. 86,300**)**		= Rs. 47,944
B : 1/3 × Rs. 1,15,067		= Rs. 38,356
C: 1/3 × Rs. 86,300		= Rs. 28,767
		Rs. 1,15,067

Dr. **Current Accounts** **Cr.**

Particulars	**A**	**B**	**C**	**Particulars**	**A**	**B**	**C**
To Balance b/d	—	2,000	—	By Balance b/d	5,000	—	—
To Drawings	8,000	16,000	—	By Salary	24,000	24,000	18,000

To Interest on drawings	533	534	—	By Interest on capital	5,625	4,500	3,375
To Balance c/d	74,036	48,322	50,142	By Share of Profit	47,944	38,356	28,767
	82,569	66,856	50,142		82,569	66,856	50,142

PROBLEM NO: 8

Trading, profit & loss account for the year ended 31.03.14

particulars	Rs.	particulars	Rs.
To opening stock (125 X 1,000) To purchases (250X12X1,000) To Gross profit (bal.fig)	1,25,000 30,00,000 22,50,000	By sales (3,000 X 1,750) -by cash (5,26,500 - 1,500) 5,25,000 -credit (bal.fig) 47,25,000 By drawings (1 X 1,000) By closing stock (note) By abnormal loss (5 X 1,000)	 52,50,000 1,000 1,19,000 5,000
	53,75,000		**53,75,000**
To salaries 48,000 Less: O/s opening (4,000) To rent (wn-3) To misc. office expenses To depreciation on- Furniture (27,000 X 10%) 3- Wheeler tempo van (30,000 X 25%) To loss of cash (assumed irrecoverable) To interest on security deposit To net profit (bal.fig)	 44,000 78,000 12,000 2,700 7,500 10,000 6,000 21,26,300	By Gross Profit b/d By gain on sale of damaged goods(wn-5) By interest on fixed deposits (6,00,000 X 12% X 6/12)	22,50,000 500 36,000
Total	**22,86,500**	**Total**	**22,86,500**

Note: cost of stock of Tins = opening stock 125 + purchases 3,000 – damaged 5 – drawings 1 – sold 3,000

= 119 Tins

Cost of closing stock = 119 tins X 1,000 = Rs.1,19,000

Balance Sheet of K. AZAD as on 31st march 2011

Liabilities	**Rs.**	**Assets**	**Rs.**
Capital (WN 6)	2,225,300	**Non-Current Assets:**	
		Furniture (27,000 - 2,700)	24,300
Current Liabilities:		3 Wheeler Tempo Van {30,000 - 7,500}	22,500
Creditors (WN 1)	800,000		
Rent Payable	7,000	**Investments:**	
12% security Deposit	60,000	12% fixed deposit	600,000
{50,000 + 10,000}		**Current Assets:**	
Interest on SD Payable	6,000	Stock in Trade	119,000
		Debtors- (WN 2)	2,211,500
		Cash and Bank	66,000
		Advance Rent (12000+2000)	14,000
		Electricity Deposit	1,000
		Claim From Insurance Co	4,000
		Accrued Interest on Fixed Deposit	36,000
	3,098,300		3,098,300

Dr **WN 1: Creditors a/c** **Cr**

Particulars	Rs.	Particulars	Rs.
To Bank a/c	24,00,000	By balance b/d	2,00,000
To balance c/d (bal. fig.)	8,00,000	By Purchases	30,00,000
	3,200,000		3,200,000

Dr. **WN 2 : Debtors a/c** **Cr.**

Particulars	Rs.	Particulars	Rs.
To balance b/d	160,000	By Bank a/c	2,673,500
To Sales	4,725,000	By balance c/d (bal. fig.)	2,211,500
	4,885,000		**4,885,000**

Dr. **WN 3 : Rent a/c** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Bank A/c	79,000	By balance b/d	6,000
To balance c/d (bal. fig.)	7,000	By P&L A/c (6,000 X 6m) + (7,000 X 6m)	78,000
		By Advance Rent	2,000
	86,000		**86,000**

Dr. **WN 4: Cash and Bank a/c** **Cr.**

Particulars	Rs.	Particulars	Rs.
To balance b/d	75,000	By Creditors	2,400,000
To Debtors	2,673,500	By Rent	79,000
To cash sales (5,26,500-1500)	525,000	By salaries	48,000
To Sale of damaged Goods	1,500	By other office expenditure	12,000
To 12% security deposit	10,000	By Commission paid	20,000
		By Drawings (IT)	50,000
		By 12% Fixed Deposit	600,000
		By P&L (defalcation of SD)	10,000
		By balance c/d (bal. fig.)	66,000
	3,285,000		**3,285,000**

Dr. **WN 5: Abnormal Loss A/c** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Trading A/c	5,000	By Insurance Claim (receivable) {80% of 5,000)	4,000
To Profit and Loss a/c (b/f) (gain on sale of damaged goods)	500	By Cash (sale)	1,500
	5,500		5,500

Dr. **WN 6: Capital A/c** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Bank a/c (IT)	50,000	By balance b/d	150,000
To Purchases (1tin personal)	1,000	By Profit and Loss (net Profit)	2,126,300
To balance c/d (bal. fig.)	2,225,300		
	2,276,300		**2,276,300**

PROBLEM NO: 9

Profit & Loss Account of AVL for the year ending
31st December, 2014

Dr. **Cr.**

Particulars	Amount	Amount	Particulars	Amount
To Sundry expenses	8,400		By Fees earned	35,000
Add : Outstanding	1,000	9,400	By Examination fee	4,200
To Rent		3,600	By Inventory of stationery	200
To Depreciation				
Typewriters	4,800			
Cycle	80	4,880		
To Interest on Loan		2,295		
To Net Profit transferred to Capital A/c		19,225		
		39,400		39,400

Balance Sheet of Mr. AVL as on 31st Dec., 2014

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	5,000		Typewriters	24,000	
Add : Net Profit	19,225		**Less:** Dep.	(4,800)	19,200
	24,225		Cycle	400	
Less : Drawings	(14,800)	9,425	**Less:** Dep.	(80)	320
Bank loan		17,000	Inventory of stationery		200
Expenses payable		1,000	Fees receivable		2,200
			Loan to friend		600
			Cash and bank		4,905
		27,425			**27,425**

AVL has made a wise decision in starting the Institute. After starting the Institute AVL's cash position as well as net profit position is better than the earning from employment.

Working Notes:

	Particulars	Amount
(i)	Fees earned	32,700
	Add : Due on the closing date	2,200
	Adjustment in payment for cycle purchased	100
		35,000
(ii)	Interest on Bank Loan @ 12% p.a. on	**Amount**
	Rs.20,000 for January to June	1,200
	Rs.19,500 for July	195
	Rs.19,000 for August	190
	Rs.18,500 for September	185
	Rs.18,000 for October	180
	Rs.17,500 for November	175
	Rs.17,000 for December	170
		2,295

Cash and Bank Account

Dr. **Cr.**

Particulars	Amount	Particulars	Amount
To Capital A/c (Gift)	5,000	By Typewriters	24,000
To Bank Loan	20,000	By Sundry Expenses	8,400
To Students' fees	32,700	By Drawings (Salary)	4,000
To Exam. Fees	4,200	By Cycle (Purchase)	300
To Sundries (friend's Cheque)	1,000	By Advance (Friend's)	1,000
To Advance (Recovered)	400	By Sundries (friend's cheque dishonoured)	1,000
		By Drawings (7,200 +3,600)	10,800
		By Rent	3,600
		By Bank loan (500 × 6)	3,000
		By Bank Interest	2,295
		By Balance c/d	4,905
	63,300		**63,300**

Drawings Accounts

Dr **Cr**

Particulars	Amount	Particulars	Amount
To Rent	3,600	By Balance c/d	14,800
To Bank - Cash withdrawal	7,200		
To Bank - Taken as salary	4,000		
	14,800		**14,800**

(vi) Salaries to proprietor is not considered as an item of expense. Profit is believed to be the product of capital, labour and management.

PROBLEM NO: 14

Dr. **Double column cash book of Srinivas for the year ended 31-3-2011** **Cr.**

Particulars	Cash	Bank	Particulars	Cash	Bank
To Balance b/d	2,000	14,500	By Salaries A/c	3,900	
To Debtors A/c	30,000		By Sundry expenses A/c	650	
To Cash A/c (c)		1,25,000	By Drawings A/c	1,300	
To Sales A/c	1,16,250		By Creditors A/c		75,000
			By Rent A/c		4,000
			By Bank A/c (c)	1,25,000	
			By Abnormal loss	17,400	
			By Balance c/d		60,500
	1,48,250	**1,39,500**		**1,48,250**	**1,39,500**

Dr. **Trading and Profit & Loss A/c of Srinivas for the year** **Cr.**

Particulars	Rs	Rs	Particulars	Rs	Rs
To Opening stock		70,000	By Sales		1,51,250
To Purchases (WN-1)		91,000	By Closing stock		40,000
To Gross Profit c/d		30,250			
		1,91,250			**1,91,250**
To Abnormal loss		17,400	By Gross Profit b/d		30,250
To Rent paid	4,000				
Less: last year outstanding	1,000	3,000			

To Salaries		3,900			
To Sundry expenses		650			
To Net profit		5,300			
		30,250			**30,250**

Balance Sheet of Srinivas as on 31-3-2011

Liabilities	Rs	Rs	Assets	Rs
Capital	1,00,000		Furniture	10,000
Less: Drawings	1,300		Debtors	30,000
	98,700		Closing stock	40,000
Add: Net profit	5,300	1,04,000	Cash at bank	60,500
Creditors A/c		36,500		
		1,40,500		**1,40,500**

Working Note – 1:

Creditors A/c

Particulars	Rs	Particulars	Rs
To Bank A/c	75,000	By Balance b/d	20,500
To Balance c/d	36,500	By Purchases A/c (B/F)	91,000
	1,11,500		**1,11,500**

Working Note – 2:

Debtors A/c

Particulars	Rs	Particulars	Rs
To Balance b/d	25,000	By Cash A/c	30,000
To Sales A/c (B/F)	35,000	By Balance c/d	30,000
	60,000		**60,000**

Working Note – 3:

Given GP % = 20% on sale

= 25% on COGS

∴ COGS = Opening Stock + Purchases – Closing Stock

= 70,000 + 91,000 – 40,000 = 1,21,000

GP = 1,21,000 x 25% = 30,250

Sales = COGS + GP

= 1,21,000 + 30,250 = 1,51,250

14. PARTNERSHIP ACCOUNTS - I

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 4, 6, 11, 14, 15, 17

PROBLEM NO: 4

Profit and Loss Appropriation Account

Particulars	Rs.	Rs.	Particulars	Rs.
To Commission Y Z	 39,375 39,375	 78,750	By Net Profit	7,00,000
To Interest X Y Z	 45,000 45,000 45,000	 1,35,000		
To Rent-X		24,000		

To Current A/cs X Y Z	 1,37,550 1,62,350 1,62,350	 4,62,250		
		7,00,000		**7,00,000**

Working Notes:

1.

Interest	Jan-Sept. 2014 @ 8% (Rs.)	Oct-Dec. 2014 @ 12% (Rs.)	Total (Rs.)
X	30,000	15,000	45,000
Y	30,000	15,000	45,000
Z	30,000	15,000	45,000
	90,000	**45,000**	**1,35,000**

2. Commission

¾ of (15% on Rs.7,00,000) = Rs.78,750

3.

Share of profit	Jan-Sept. 2014 (Rs.)	Oct-Dec. 2014 (Rs.)	Total (Rs.)
Profit for the period	5,25,000	1,75,000	7,00,000
Less: Commission	(78,750)	-	(78,750)
Less : Interest	(90,000)	(45,000)	(1,35,000)
Less : Rent	(18,000)	(6,000)	(24,000)
Profit available for distribution in the profit sharing ratio	3,38,250	1,24,000	4,62,250
X	1,12,750	24,800	1,37,550
Y	1,12,750	49,600	1,62,350
Z	1,12,750	49,600	1,62,350

PROBLEM NO: 6

In the books of Firm

Partners' Capital Accounts

Particulars	Amit	Bhushan	Charan	Dev	Particulars	Amit	Bhushan	Charan	Dev
To Bal. c/d (WN-1)	2,00,000	2,00,000	2,00,000	1,50,000	By Bal. b/d	1,80,000	1,60,000	1,40,000	
					By Bank A/c	-	-	-	1,50,000
					By Partners' Current A/cs (b/f)	20,000	40,000	60,000	
	2,00,000	**2,00,000**	**2,00,000**	**1,50,000**		**2,00,000**	**2,00,000**	**2,00,000**	**1,50,000**

Partners' Current Accounts

Particulars	Amit	Bhushan	Charan	Dev	Particulars	Amit	Bhushan	Charan	Dev
To Bal. b/d	-	-	10,000	-	By Bal. b/d	-	16,000	-	-
To Memorandum Revaluation A/c	8,000	8,000	8,000	6,000	By Memorandum Revaluation	15,000	10,000	5,000	-
To Amit and Bhushan (Goodwill Adj.)	-	-	6,000	12,000	By Dev & Charan (Goodwill Adj.)	14,000	4,000	-	-
To Partners Capital A/cs	20,000	40,000	60,000	-	By bal. c/d	-	18,000	79,000	18,000
To bal. c/d	1,000	-	-	-					
	29,000	**48,000**	**84,000**	**18,000**		**29,000**	**48,000**	**84,000**	**18,000**

Balance Sheet of new firm After Dev's Admission

Liabilities	Rs.	Assets	Rs.
Capital Accounts:		Machinery	1,50,000
Amit 2,00,000		Furniture	1,50,000
Bhushan 2,00,000		Stock	2,10,000
Charan 2,00,000		Debtors 80,000 **Less:** Provision for doubtful debts 4,000	76,000
Dev 1,50,000	7,50,000	Cash	1,70,000
Current Account: Amit	1,000	**Current Accounts:**	
Creditors	1,20,000	Bhushan 18,000	
		Charan 79,000	
		Dev 18,000	1,15,000
	8,71,000		**8,71,000**

Working Notes:

1. Dev. joins the business for 1/5th share and brings Rs.1,50,000 as capital. Thus, total capital of new firm will be Rs.7,50,000 (1,50,000 × 5). Total capital of Amit, Bhushan & Charan will be Rs.6,00,000 (7,50,000 – 1,50,000) which will be shared by them equally i.e. 2,00,000 each.

2. **Calculation of New profit sharing ratio**

Amit	Bhushan	Charan	Dev
$\frac{4}{5}\times\frac{1}{3}$ $\frac{4}{15}$	$\frac{4}{5}\times\frac{1}{3}$ $\frac{4}{15}$	$\frac{4}{5}\times\frac{1}{3}$ $\frac{4}{15}$	$\frac{1}{5}\times\frac{3}{3}$ $\frac{3}{15}$
4 : 4 : 4 : 3			

3. **Adjustment of Goodwill:** Sacrificing/gaining ratios of old partners

Amit	Bhushan	Charan	Dev
$\frac{4}{15}-\frac{3}{6}$	$\frac{4}{15}-\frac{2}{6}$	$\frac{4}{15}-\frac{1}{6}$	$\frac{1}{5}$
$\frac{24-45}{90}$	$\frac{24-30}{90}$	$\frac{24-15}{90}$	
$\frac{21}{90}$ Sacrifice	$\frac{6}{90}$ Sacrifice	$\frac{9}{90}$ Gain	$\frac{18}{90}$ Gain

Entry for adjustment for goodwill of Rs 60,000

Charan Current A/c Dr. Dev Current A/c Dr. To Amit Current A/c To Bhushan Current A/c (Being goodwill adjusted in partners sacrificing/gaining ratios)	6,000 12,000	 14,000 4,000

4. **Memorandum Revaluation A/c**

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Furniture	22,000	By Machinery	56,000
To Provision for doubtful Debts	4,000		
To Partners' Current A/cs: Amit 15,000 Bhushan 10,000 Charan 5,000	30,000		
	56,000		**56,000**
To Machinery	56,000	By Furniture	22,000
		By Provision for doubtful Debts	4,000

		By Partners' Current A/cs: Amit 8,000 Bhushan 8,000 Charan 8,000 Dev 6,000	30,000
	56,000		**56,000**

PROBLEM NO: 11

Machinery A/c	Dr	10,600	
To P/L adjustment A/c			10,600
P/L adjustment A/c	Dr	530	
To Machinery A/c			530
X's A/c	Dr	600	
To P/L adjustment A/c			600
Pre paid interest A/c	Dr(16,600 x 15% x 2/12)	415	
To P/L adjustment A/c			415

P/L adjustment A/c

Particulars	**Rs.**	***Particulars***	**Rs.**
To Machinery A/c To partners' capital A/C'S A – 4434 B – 4434 C - 2217	530 11,085	By Machinery By X's a/c By Pre paid interest a/c	10,600 600 415
	11,615		11,615

Revaluation A/c

Particulars	**Rs.**	***Particulars***	**Rs.**
To plant &Machinery A/c (4,900+10,600-530) x 5% To provision for D.D (21,600+600)X 5% To liability for bills discounted	5907 1110 501	Bycapital A/C'S A – 3007 B – 3007 C - 1504	 7518
	7518		**7518**

Capital A/c

Particulars	***A***	***B***	C	***Particulars***	***A***	***B***	C
To Revaluation a/c	3007	3007	1504	By balance b/d	33600	25200	12000
To capital a/c	11490	11489	-	By P&L adj a/c	4434	4434	2217
To cash	-	-	17846	By A's cap a/c	-	-	11490
To 18% C's loan	-	-	17846	By B's cap a/c	-	-	11489
To Balance C/d	32460	24061	-	By cash	8923	8923	-
	47137	**38557**	**35692**		**47137**	**38557**	**35692**

Balance sheet of A and B as on 31- 3-2003

Liabilities	**Amount**	**Assets**	**Amount**
Capital A/C		Plant and machinery	53163
A - 32460		(49000 +10600 – 530- 5907)	
B – 24061	56521	Furniture and fittings	4850
18% C's loan	17846	Stock in trade	22800
Sundry creditors	12000	Debtors - 22200	

15% motgage loan	16600	Less: PDD - (1110)	21090
Liability for bill discounted	501	Cash in hand	1000
		Cash at bank	200
		Prepaid interest	415
	103468		**103468**

PROBLEM NO: 14

(a). Naina Loan A/c

Date	Particulars	Amount(Rs)	Date	Particulars	Amount(Rs)
1.10.2014	To Bank [95,000(3,80,000/4) + 19,000)]	1,14,000	1.4.2014	By Capital A/c	3,80,000
31.3.2015	To Balance c/d	2,99,250	30.9.2014	By Interest – For 6 months on 3,80,000	19,000
			31.3.15	By Interest – For 6 months on Rs. 2,85,000 @ 10% p.a	14,250
		4,13,250			**4,13,250**
				By Balance b/d	2,99,250

(b). Partners' Capital Accounts

Particulars	Naina	Radha	Kushi	Asmita	Particulars	Naina	Radha	Kushi	Asmita
To Naina		48,000	32,000		By Balance B/d	3,00,000	2,25,000	1,50,000	-
To Asmita Capital A/c		59,000			By Radha and Khushi	80,000	-	-	-
To Naina's Loan a/c	3,80,000	-	-	-	By Radha capital a/c	-	-	-	59,000
To Balance c/d		1,18,000	1,18,000	59,000					
	3,80,000	2,25,000	1,50,000	59,000		3,80,000	2,25,000	1,50,000	59,000

(c). Partners' Current Accounts

Particulars	Naina	Radha	Kushi	Asmita	Particulars	Naina	Radha	Kushi	Asmita
To Drawings		50,000	41,250	11,250	By Balance B/d	25,000	12,500	18,750	-
To Bank A/c	25,000				By P&L A/c Upto:				
To Bal. c/d		82,850	74,640	14,110	Sept. 30,2014		69,630	46,420	
					Mar. 31, 2015		50,720	50,720	25,360
	25,000	1,32,850	1,15,890	25,360		25,000	1,32,850	1,15,890	25,360

Bank Account

Particulars	Amount	Particulars	Amount
To Balance b/d	92,700	By Naina's Current Account	25,000
To Sundry Debtors	11,25,000	By Sundry Creditors	7,75,000
To Sale of Machine	9,000	By Sundry Expenses	11,250
		By Naina's Salary	8,000
		By Naina's Loan Account	1,14,000
		By Drawings:	
		Naina	50,000
		Radha	41,250
		Khushi	11,250
		By balance c/d	1,90,950
	12,26,700		**12,26,700**

Balance Sheet of Naina, Radha and Khushi as on March 31, 2015

Liabilities	Amount (Rs)	Amount (Rs)	Assets	Amount (Rs)	Amount (Rs)
Creditors : Trade	1,25,000		Machinery	4,26,000	
Expenses	10,000	1,35,000	Less: Sold	(7,000)	

Naina's Loan Account		2,99,250	Depreciation	(30,350)	3,88,650
Partners' Capital Accounts:			Current Assets:		
Radha	1,18,000		Stock in trade	1,71,250	
Khushi	1,18,000		Debtors	1,50,000	
Asmita	59,000	2,95,000	Bank Balance	1,90,950	5,12,200
Partners' Current Accounts:					
Radha	82,850				
Khushi	74,640				
Asmita	14,110	1,71,600			
		9,00,850			**9,00,850**

Working Notes:

(1) Calculation of Sales -Debtors Account

Particulars	Amount(Rs)	Particulars	Amount(Rs)
To Bal. b/d	1,30,500	By Cash	11,25,000
To Sales (bal. fig.)	11,44,500	By Bal. c/d	1,50,000
	12,75,000		**12,75,000**

Calculation of Purchases -Creditors A/c

Particulars	Amount(Rs)	Particulars	Amount(Rs)
To Cash a/c	7,75,000	By Bal. b/d	1,03,750
To Bal. c/d	1,25,000	By Purchase (bal. fig.)	7,96,250
	9,00,000		**9,00,000**

*All Sales and purchases are considered to be on credit basis.

2. Computation of Profits for the year ended March 31, 2015

Trading and Profit and Loss Account for the year ended March 31, 2015

Particulars	Amount (Rs)	Particulars	Amount (Rs)
To Opening Stock	1,85,800	By Sales	11,44,500
To Purchases	7,96,250	By Closing Stock	1,71,250
To Gross Profit c/d	3,33,700		-
	13,15,750		**13,15,750**

	Apr 1 to Sept. 30	**Oct 1 to Mar. 31**		**Apr 1 to Sept. 30**	**Oct 1 to Mar. 31**
To Sundry Expenses (11,250 +10,000)	10,625	10,625	By Gross Profit B/d	1,66,850	1,66,850
To Depreciation on Machinery	15,175	15,175	By Profit on Sale of Machine	2,000	-
To Interest on Naina's loan	19,000	14,250			
To Salary- Asmita	8,000				
To Profit transferred to					
Radha Capital A/c	69,630	50,720			
Khushi Capital A/c	46,420	50,720			
Asmita Capital A/c	-	25,360			
	1,68,850	**1,66,850**		**1,68,850**	**1,66,850**

3. Adjustment of goodwill at the time of retirement of Naina

Radha Dr. 48,000

Khushi Dr. 32,000

To Naina (1,80,000 x4/9) 80,000

(Naina's share of goodwill adjusted among

Radha and Khushi in their gaining ratio of 3:2)

4. **New profit sharing ratio after admission of Asmita will be 2:2:1.** Profits for the half year ended on 30.9.2014 will be distributed among Radha and Khushi in the ratio of 3:2 and profits for the half year ended on 31.3.2015 will be distributed among Radha, Khushi and Asmita in the ratio of 2:2:1.

Note: At the time of retirement of Naina, adjustment of Naina's share of goodwill has been done through partners' capital accounts.

PROBLEM NO: 15

Computation of entitlement of legal heirs of C

1. **Profits for the half year ended 31st March, 2011:**

Particulars	Rs.
Profits for the year ended 31st March, 2011 (after depreciation)	48,000
Add: Depreciation	10,000
Profits before depreciation	**58,000**
Profits for the first half (assumed: evenly spread)	29,000
Less: Depreciation for the first half	(6,000)
Profits for the first half year (after depreciation)	**23,000**
Profits for the second half (i.e., 1st October, 2010 to 31st March, 2011)	29,000
Less: Depreciation for the second half	(4,000)
Profits for the second half year (after depreciation)	**25,000**

2. **Capital Accounts of Partners as on 30th September, 2010:**

Particulars	A	B	C	Particulars	A	B	C
To Fixed Assets (Loss on revaluation)	6,000	8,000	6,000	By Balance b/d	48,000	64,000	48,000
To C (Goodwill adj.)	7,714	10,286	-	By Reserve	6,000	8,000	6,000
To Drawings	9,000	12,000	20,000	By A and B			18,000
To C Executor's A/c			52,000	By P & L Appropriation A/c (Interest on Rs.48,000 @ 25% for 6 months)	-	-	6,000
To Balance c/d	31,286	41,714	-				
	54,000	**72,000**	**78,000**		**54,000**	**72,000**	**78,000**

3. **Application of Section 37 of the Partnership Act:** The amount due to the deceased partner carries interest at the mutually agreed upon rate. In the absence of any agreement, the representatives of the deceased partner will receive at their option interest at the rate of 6% per annum or the share of profit earned for the amount due to the deceased partner.

Thus, the representatives of C can opt for

Either,

a. Interest on Rs.52,000 for 6 months @ 6% p.a. = Rs.1,560 or

b. Profit earned out of unsettled capital (in the second half year ended 31st March, 2011)

$$\text{Rs.}25{,}000 \times \frac{52{,}000}{(31{,}286 + 41{,}714 + 52{,}000) = 1{,}25{,}000} = \text{Rs.}10{,}400 \text{ (approx.)}$$

In the above case, it would be rational to assume that the legal heirs would opt for Rs.10,400.

4.	**Amount due to legal heirs of C:**	**Rs.**
	Balance in C's Executor's account	52,000
	Amount of profit earned out of unsettled capital [calculated in (3)]	10,400
	Amount due	62,400

PROBLEM NO: 17

Dr. ***Partner's Capital A/c*** ***Cr.***

Particulars	A	B	C	D	Particulars	A	B	C	D
To Bal. c/d	1,10,000	77,500	22,500	30,000	By Bal. b/d	1,00,000	70,000	20,000	-
					By Bank	-	-	-	30,000
					By Goodwill	10,000	7,500	2,500	-
	1,10,000	77,500	22,500	30,000		1,10,000	77,500	22,500	30,000
To A's (WN-2) Capital A/c	-	18,000	6,000	12,000	By Bal. b/d	1,10,000	77,500	22,500	30,000
To Drawings	13,000	10,000	4,000	7,500	By B's (WN-2) Capital	18,000	-	-	-
To A's executors Loan	1,60,000	-	-	-	By C's (WN-2) Capital	6,000	-	-	-
To Bal. c/d	-	69,750	19,250	19,500	By D's (WN-2) Capital	12,000	-	-	-
					By JLP A/c (WN-3)	9,000	6,750	2,250	-
					By P & L App. A/c	18,000	13,500	4,500	9,000
	1,73,000	97,750	29,250	39,000		1,73,000	97,750	29,250	39,000
					By Bal b/d		69,750	19,250	19,500
To Drawings	-	8,000	5,000	7,000	By P & L App. (3 : 1 : 2)		8,182	2,727	5,454
To Bal. c/d	-	69,932	16,977	17,954					
	-	77,932	21,977	24,954		-	77,932	21,977	24,954
					By Bal. b/d	-	69,932	16,977	17,954

Balance Sheet as on 31.12.1997 of M/s A, B & C

Liabilities		Rs	***Assets***	Rs
Capital A/c's:			Property & Assets	2,37,000
B – 69,932			Bank	35,113
C – 16,977				
D – 17,954		1,04,863		
B's Loan	50,000			
Add: Interest accrued on loan	250	50,250		
Creditors (50,000 x 6% x 1/12)		1,17,000		
		2,72,113		2,72,113

Working Note: 1 - Calculation of new Profit Sharing Ratio

Let Profit of the firm = 1

D's share = 1/5

Remaining share = 4/5

A's new share = 4/8 x 4/5 = 16/40

B's new share = 3/8 x 4/5 = 12/40

C's new share = 1/8 x 4/5 = 4/40

D's share = 8/40

Profit Sharing Ratio of A, B, C, D is 16 : 12 : 4 : 8 (or) 4 : 3 : 1 : 2

Working Note: 2 – Calculation of sacrificing ratio and adjustment of goodwill

Sacrificing ratio (Old Ratio – New Ratio)

$$A = \frac{4}{8} - \frac{4}{10} = \frac{40-32}{80} = \frac{8}{80};\ B = \frac{3}{8} - \frac{3}{10} = \frac{30-24}{80} = \frac{6}{80};\ C = \frac{1}{8} - \frac{1}{10} = \frac{10-8}{80} = \frac{2}{80}$$

Sacrificing Ratio = 4 : 3 : 1

Goodwill brought in by D is **Rs**20,000 is credited to old partners as per their Sacrificing Ratio.

Bank A/c	Dr	20,000	
To Goodwill A/c			20,000
Goodwill A/c	Dr	20,000	
To A's Capital A/c			10,000
To B's Capital A/c			7,500
To Cs Capital A/c			2,500

Working Note: 3

Profit sharing ratio after A's death among B, C and D= 3 : 1 : 2

∴ Gaining Ratio = 3 : 1 : 2

Goodwill:	B's capital A/c Dr.	18,000	
	C's capital A/c Dr.	6,000	
	D's capital A/c Dr.	12,000	
	To A's Capital A/c		36,000

Working Note: 4

Joint Life Policy A/c

Particulars	**Rs**	***Particulars***	**Rs**
To Balance b/d	32,000	By Bank	50,000
To A's Capital - 9,000 B's Capital - 6,750 C's Capital - 2,250	18,000		
	50,000		50,000

After admission of 'D' no amount is paid in respect of JLP so, D is not having any right on JLP amount.

Working Note: 5

Bank Account

Particulars	**Rs**	**Particulars**	**Rs**
To Balance b/d	50,000	By A's executors Loan A/c	1,76,387
To D's capital	30,000	By Drawings:	
To Goodwill	20,000	A – 13,000	
To JLP	50,000	B – 18,000	
To B's Loan	50,000	C – 9,000	
To Profit	78,000	D – 14,500	54,500
		By Creditors	3,000
		By Property & Assets (2,37,000 – 2,28,000)	9,000
		By Balance c/d	35,113
	2,78,000		2,78,000
To Balance b/d	35,113		

Working Note: 6 – Calculation of amount of Interest on loan to Mr. A

As per Partnership Act, Sec. 37 is applicable to deceased partners. He takes either share in the profit or interest on loan whichever is higher.

A's estate loan is to be paid on 01.12.1997 i.e. 5 months period delayed from the date of his death.

During the period of 6 months, the profit is 33,000 out of which the profit for 5 months period is

33,000 x 5/6 = 27,500.

Upto 01.12.1997 capital used by the partner in the business = Rs.2,68,500

(1,60,000 + 79,500 + 19,250 + 69,750)

For Capital Rs2,68,500 – Profit Rs27,500 (for 3 months)
For Capital Rs1,60,000 -- ?

Share of Profits = $\frac{1,60,000}{2,68,500} \times 27,500 = 16,387$ **(OR)**

Interest on loan for 5 Months = 1,60,000 x 6/100 x 5/12 = 4,000

of the above two items 16,387 is higher. So, A's executor is paid from share of profits as interest = Rs.16,387

A's Executors Loan A/c

Particulars	**Rs**	***Particulars***	**Rs**
To Bank	1,76,387	By A's Capital A/c By Interest	1,60,000 16,387
	1,76,387		1,76,387

Profit (01.07.1997 to 31.12.1997)	=	33,000
Less: Interest on executors loan	=	(16,387)
Less: Interest on B's loan		
50,000 x 6/100 x 1/12	=	(250)
		16,363

15. COMPANY FINAL ACCOUNTS

PROBLEM NUMBERS TO WHICH SOLUTIONS ARE PROVIDED: 1, 2, 11, 12, 13

PROBLEM NO: 1

Journal entries in the books of Bharat Tulsian ltd

Date	**Particulars**	**LF NO**	**Debit (Rs)**	**Credit (Rs)**
31.03.03	Profit & loss A/c Dr. To provision for income tax A/c (Being the provision for tax is created for the current year)(5,44,000 X50%)		2,72,000	2,72,000
31.03.03	Profit & loss A/c Dr. To provision for income tax A/c (Being short provision of income tax relating to previous year has been provided)		28,000	28,000
31.03.03	Provision for income tax A/c Dr. To income tax payable A/c (Being assessment is completed & tax liability has been finalized)		2,48,000	2,48,000
31.03.03	Income tax payable A/c Dr. To advance income tax A/c To TDS A/c (Being the liability of income tax is adjusted with advances tax paid for 2001-02)		2,40,000	2,37,000 3,000

Dr. **Provision for income tax** **Cr.**

Date	**Particulars**	**Rs**	**Date**	**Particulars**	**Rs**
31.03.03	To Income tax Payable To Balance c/d	2,48,000 2,72,000	31.03.03 31.03.03 01.04.03	By Profit & loss A/c By Profit and Loss Appropriations By Balance b/d	2,20,000 2,72,000 28,000
		5,20,000			5,20,000

Dr. Advance tax A/c Cr.

Date	Particulars	Amount	Date	Particulars	Amount
31.03.03	To Balance b/d	4,10,000	31.03.03	By Income tax payable	2,37,000
			31.03.03	By Balance c/d	1,73,000
		4,10,000			4,10,000
	To Balance b/d	80,000			

Dr Income Tax Payable A/c Cr.

Date	Particulars	Rs	Date	Particulars	Rs
31.03.03	To Advance Income tax	2,37,000	31.03.03	By Provision for Income tax	2,48,000
	To TDS A/c	3,000			
	To Balance c/d	8,000			
		2,48,000			2,48,000
			01.04.03	By Balance c/d	12,000

An extract of profit & loss statement for the year ended 31.03.03

Particulars		Rs
Net profit before tax		5,44,000
Tax Expenses:		
Fortheyear2001-02	28,000	
Fortheyear2002-03	2,72,000	(3,00,000)
Profit after tax		2,44,000
Add: opening balance		1,00,000
Profit for period		3,44,000

Name of the company: Bharat Tulsian Ltd

Balance sheet date: 31.03.03 (Extract)

			Particulars	Notes No.	Rs
			1	2	3
			EQUITY AND LIABILITIES:		
1			**Shareholder's funds**		3,44,000
		a	Reserves & Surplus		
2			**Current liabilities**		
		a	Other current liabilities (tax payable) 8,000		
			TDS deducted 33,000		41,000
		b	Short –term payable (provision for tax)		2,72,000
			ASSETS:		
	A		**Current Assets**		
1		a	Short term loans and advances		80,000
			TDS 9,000		
			Advance tax 1,73,000		1,82,000

PROBLEM NO: 2

Particulars	Amount(Rs.)
Profit before depreciation and tax(2013-2014)	10,00,000
(-) Depreciation	(37,500)
(-) Tax	(1,20,000)
Net profit for 2013-2014	8,42,500
+ Opening balance of Profit	1,50,000
Total profit	9,92,500
(-) Transfer to reserve fund @ 25% of (2013-2014) profit (8, 42,500 x 25%)	(2,10,625)

(-) Preference Dividend @ 15% on (12,000 x 100)	(1,80,000)
(-) Equity Dividend @ 20% on (75,000 x 10)	(1,50,000)
(-) Provision for staff Bonus @ 10% Equity Dividend (1,50,000 x 10%)	(15,000)
(-) Profit to be carry forward = 12,00,000 x 14%	(1,68,000)
Balance Profit	**2,68,875**

i) 1/3 to preference shareholder

ii) 2/3 to Equity share holder

iii) 10% of 2/3 = 0.2/3 to staff bonus

$$\therefore \text{Total} = \frac{1}{3} + \frac{2}{3} + \frac{0.2}{3} = \frac{3.2}{3}$$

(i) Additional Dividend on preference share = 2,68,875 / 3.2 = 84,023

(ii) Additional Dividend on Equity share = 2,68,875 x $\frac{2}{3.2}$ = 1,68,047

(iii) Additional provision for staff bonus = 2,68,875 x $\frac{0.2}{3.2}$ = 16,805

P&L A/c.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Depreciation	37,500	By Balance	10,00,000
To provision for Tax	1,20,000		
To NP	8,42,500		
	10,00,000		**10,00,000**

P/L Appropriation A/c

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To reserve fund	2,10,625	By Bal. b/d	1,50,000
To preference dividend (1,80,000 + 84,023)	2,64,023	By Net profit	8,42,500
To Equity Dividend (1,50,000 + 1,68,047)	3,18,047		
To provision for staff Bonus (15,000 + 16,805)	31,806		
To Bal. c/d	1,68,000		
	9,92,500		**9,92,500**

PROBLEM NO: 11

Journal Entries

P Ltd.

Particulars\	Dr. (Rs.)	Cr. (Rs.)
Interest on Calls in Arrear A/c Dr. To Profit & Loss A/c (Being interest @ 12 % p.a. on Rs.20,000 for 6 months credited to Profit and Loss Account)	1,200	 1,200
Bank A/c Dr. To Calls in Arrear A/c To Interest on Calls in Arrear A/c (Being interest on calls in arrear received)	21,200	 20,000 1,200
Profit & Loss A/c Dr. To Interest on Calls in Advance A/c (Being interest @ 10% on Rs.1,20,000 for 6 months allowed on calls in advance)	6,000	 6,000

Profit & Loss A/c To Preference Dividend To Equity Dividend (Being dividend @ 10% on Preference share capital & 20% on Equity share capital proposed)	Dr.	90,000	 20,000 70,000
Calls in Advance A/c Interest on Calls in Advance A/c To Bank A/c (Being amount of calls in advance along with interest refunded)	Dr. Dr.	1,20,000 6,000	 1,26,000
Bank A/c To 10% Debentures A/c (Being 2,200 Debentures of Rs.100 each issued in cash)	Dr.	2,20,000	 2,20,000
Profit & Loss A/c To Premium on Redemption of Preference shares A/c (Being premium payable on redemption)	Dr.	20,000	 20,000
Profit & Loss A/c General Reserve A/c To Capital Redemption Reserve A/c (Transfer to capital redemption reserve)	Dr. Dr.	1,55,200 44,800	 2,00,000
Preference Share Capital A/c Premium on Redemption of Preference Shares A/c To Preference Shareholders A/c (Amount due on redemption of preference shares)	Dr. Dr.	2,00,000 20,000	 2,20,000
Preference Shareholders A/c To Bank A/c (Amount paid to preference shareholders)	Dr.	2,20,000	 2,20,000

Note: The preference shares are redeemed by fund generated by issue of debentures, as specifically required by the question. However, the required amount has been transfer to CRR as per section 55 of the Companies Act, 2013 to remain capital intact.

Statement of Profit & Loss of P Ltd. for the year ended 31st March, 2014

Particulars	Notes no.	Rs.
a. Profit		2,70,000
Other Income	5	1,200
b. Expenses		
Other Expenses	6	(6,000)
c. Profit before tax		**2,65,200**
Less: Provision for tax		-
Profit after tax		**2,65,200**

Balance Sheet of P Ltd. as on 31st March 2014

Particulars	Notes no.	Amount
EQUITY AND LIABILITIES:		
1. Shareholders' funds		
a. Share capital	1	3,50,000
b. Reserves and Surplus	2	4,55,200
2. Non-current liabilities		
a. Long-term borrowings	3	2,20,000
3. Current liabilities		
a. Trade Payables		2,80,000
b. Other current liabilities	4	90,000
Total		**13,95,200**
ASSETS:		
1. Non-current assets		
a. Fixed assets		7,00,000

2. Current assets		
a. Cash and cash equivalents		95,200
b. Other current assets		6,00,000
Total		**13,95,200**

Notes to accounts:

	Particulars		Amount	Amount
1.	**Share Capital:**			
	Equity share capital			
	Issued, subscribed and paid-up			
	50,000 equity shares of Rs.10 each, Rs.7 paid up			3,50,000
	Total			**3,50,000**
2.	**Reserves and Surplus:**			
	Capital redemption reserve			2,00,000
	General reserve		3,00,000	
	Less: Utilised for redemption of preference share		(44,800)	2,55,200
	Profit after tax		2,65,200	
	Less: Adjustments/Appropriations			
	Premium on redemption	(20,000)		
	Preference Dividend	(20,000)		
	Equity Dividend	(70,000)		
	Capital Redemption Reserve	(1,55,200)		
	Total		(2,65,200)	
	Total			**4,55,200**
3.	**Long-term borrowings:**			
	Secured			
	10% Debentures			2,20,000
	Total			**2,20,000**
4.	**Other current liabilities:**			
	Proposed dividend			90,000
	Total			**90,000**
5.	**Other Income:**			
	Interest on calls in arrear			1,200
6.	**Other Expenses:**			
	Interest on calls in advance			6,000

Working Note:

Cash and Bank balance as on 31st March, 2014

Particulars	Amount
Cash and bank balance (given)	2,00,000
Add: Recovery of calls in arrear and interest thereon	21,200
Proceeds from issue of 10% Debentures	2,20,000
	4,41,200
Less: Payment of calls in advance and interest thereon	(1,26,000)
Redemption of preference shares	(2,20,000)
	95,200

PROBLEM NO: 12

DOW Books Ltd.

Statement of Profit and Loss for the year ended 31st March, 2015

	Particulars	*Note No.*	Rs
I	Revenue from operations		**1,75,000**
II	Other Income		**425**
III	Total Revenue (I + II)		1,75,425
IV	**Expenses:**		
	Employee benefits expense	**1**	7,723
	Other operating expenses	**2**	43,600
	selling and administrative expenses	**3**	4,250
	Finance costs	**4**	3,410
	Depreciation and amortization expenses	**5**	7,605
	Other expenses	**6**	100
	Total Expenses		66,668
	Profit before tax		1,08,737
	Provision for tax		65,000
	Short provision for income tax in the previous year		5,000
	Profit (loss) for the period		38,737

Notes to accounts to statement of profit and loss:

Particulars	**Rs**
1. Employee benefit expenses	
Managing director's remuneration	5,723
Directors fees	2,000
2. Operating expenses	
Establishment Expenses	35,200
Repairs, renewals	2,600
Motor car expenses	4,200
Travelling & conveyance	1,600
3. Adm & selling expenses	
Sales commission	3,200
Advertisement	2,000
Printing & stationery	900
Telephone	1,350
Cost of furniture (to be capitalized)	(3,200)
4. Finance cost	
Debenture interest	2,700
Bank interest	710
5. Depreciation and amortization expenses	
Building	1,875
Furniture & fittings	730
Motor car	5,000
6. Other expenses	
Loss on sale of furniture	100

*The excess tax liability is to be considered as change in accounting estimate and the effect of such change should be included in the determination of net profit or loss of the affected period, in accordance with para 23 of AS 5 (Revised).

Note on Remuneration to Managing Director:	**Rs.**
Profit as disclosed	43,737
Add :Provision for Taxation	65,000
Managing Director's Remuneration	5,723
Profit before calculating the Remuneration	**1,14,460**
Remuneration @ 5%	5,723

Name of the Company : Dow Ltd.

Balance Sheet as at: 31-March-15

			Particulars	***Notes No.***	**Rs**
			1	2	3
			EQUITY AND LIABILITIES:		
			Shareholder's funds		
1		a	Share capital	1	92,000
		b	Reserves and Surplus	2	33,906
2			**Non-current liabilities**		
		a	Long term borrowings	3	80,000
			Current liabilities		
		a	Trade Payable	4	46,223
3		b	other current liabilities	5	1,385
		c	short-term provisions	6	77,831
			TOTAL		3,31,345
			ASSETS:		
			Non-current assets		
1	a		**Fixed assets**		
		i	Tangible assets	7	1,29,695
	b		Non-current investments	8	1,000
			Current Assets		
		a	Inventories		
		b	Trade receivables	9	95,000
2		c	Cash and cash equivalents	10	75,000
		d	Short term loans & advances	11	16,400
					14,250
			TOTAL		3,31,345

Notes to accounts to balance sheet:

Particulars		**Rs**
1. Share capital		
Equity share capital		
issued and subscribed & paid up		
9,200 equity shares of Rs. 10 each fully paid		92,000
2. Reserves and surplus		
Capital reserve		1,000
General reserve (proposed transfer)		20,000
Surplus(Profit& loss A/c)	38,737	
Add:Balance from previous year	7,000	
Appropriations:		
Proposeddividend	(11,040)	
Dividend distribution tax	(1,791)	
Transfertogeneralreserves(proposed)	(20,000)	12,906
3. Long term borrowings		
Secured -Loan from bank (secured against stock)		50,000
Unsecured - 9% debentures		30,000
4. Trade payables		
Sundrycreditors	43,123	
Billspayable	3,100	46,223
5. Other current liabilities		
Interest due on bank loan		710
Interest accrued on debentures		675

6.Short term provisions		
Provision for tax		65,000
Proposed dividend		11,040
Dividend distribution tax		1,791
7. Tangible assets		
Land	30,000	
Building	100,000	
Less:depreciation	(26,875)	
Furniture	9,000	
Less:disposedoff	(800)	
Add:additionduringtheyear	3,200	
Less:depreciation	(4,830)	
Motorcar	35,000	
Less: depreciation	(15,000)	1,29,695
8. **Non-current investments**		
Other investments		
Partly paid shares		1000
9. **Trade receivables**		
Unsecured but considered good more than 6 months		10,000
Others		65,000
10. **Cash and Cash equivalent**		
Cash at bank		12,600
Cash in hand		3,800
11.**Short term loans and advances**		
Bills receivables		4,000
Deposits		8,350
Advertisement material		1,500
Security deposit		400

PROBLEM NO: 13

Statement of Profit and Loss of International Hotels Ltd.

for the year ended 31st March, 2015

Particulars	Note	Amount
I. Revenue from operations	11	1,83,200
II. Other income (Discount received)		3,300
III. Total Revenue (I + II)		1,86,500
IV. Expenses:		
Cost of materials consumed	12	25,060
Purchases of Inventory-in-Trade	13	45,800
Changes in inventories of finished goods work-in-progress and Inventory-in-Trade	14	(9,700)
Employee benefits expense	15	29,580
Other operating expenses	16	18,000
Selling and administrative expenses	17	14,200
Finance costs	18	12,000
Depreciation and amortization expense	19	21,315
Other expenses	10	8,000
Total expenses		1,64,255
V. Profit (Loss) for the period (III - IV)		22,245

Balance Sheet of International Hotels Ltd. as on 31st March, 2015

Particulars	Note	Amount
Equity and Liabilities		
1 Shareholders' funds		
a Share capital	1	13,00,000
b Reserves and Surplus	2	1,74,745
2 Non-current liabilities		
a Long-term borrowings	3	2,00,000
3 Current liabilities		
a Trade Payables	4	42,000
b Other current liabilities	5	13,280
c Short-term provisions	6	94,000
Total		**18,24,025**
ASSETS		
1 Non-current assets		
a Fixed assets		
i Tangible assets	7	9,14,985
ii Intangible assets (Goodwill)		5,00,000
b Non-current investments		2,72,300
2 Current assets		
a Inventories	8	38,900
b Trade receivables		19,260
c Cash and cash equivalents	9	78,580
Total		**18,24,025**

Notes to Accounts

Particulars	Amount(Rs.)	Amount(Rs.)
1. Share Capital		
Equity share capital		
Authorised :		
10,000 Equity shares of Rs. 100 each		10,00,000
Issued & subscribed		
8,000 Equity Shares of Rs. 100 each		8,00,000
Preference share capital		
Authorised :		
5,000 6%Preference shares of Rs. 100 each		5,00,000
Issued & subscribed		
5,000 6%Preference shares of Rs. 100 each		5,00,000
Total		**13,00,000**
2. Reserves and Surplus		
Capital reserve		5,000
General reserve	2,00,000	
Less : Amount used to pay dividend	(30,255)	1,69,745
Surplus (Profit & Loss A/c)	22,245	
Add: Balance from previous year	41,500	
Transfer from General Reserve	30,255	
Appropriations		

Proposed Dividend	(94,000)	-
Profit (Loss) carried forward to Balance Sheet	0	0
Total		**1,74,745**
3. Long-term borrowings		
Secured 6% Debentures		2,00,000
Total		**2,00,000**
4.Trade Payables		42,000
5. Other current liabilities		
Wages and Salaries Outstanding	1,280	
Interest on debentures	12,000	13,280
6. Short-term provisions		
Proposed dividend		
Preference Dividend		30,000
Equity Dividend		64,000
Total		**94,000**
7. Tangible assets		
Freehold land & Buildings	8,50,000	
Less: Depreciation	(17,000)	8,33,000
Furniture and Fittings	86,300	
Less: Depreciation	(4,315)	81,985
Total		**9,14,985**
8. Inventories		
Wines, Cigarettes & Cigars, etc.		22,500
Foodstuffs		16,400
Total		**38,900**
9. Cash and cash equivalents		
Cash at bank		76,380
Cash in hand		2,200
Total		**78,580**
10. Other expenses		
Preliminary Expenses☐		8,000
Total		**8,000**
11. Revenue from operations		
Sale of products		
Wines, Cigarettes, Cigars etc.	68,400	
Food	57,600	1,26,000
Sale of services		
Room Rent	48,000	
Billiards	5,700	
Miscellaneous Receipts	2,800	
Transfer fees	700	57,200
Total		**1,83,200**
12. Cost of materials consumed		
Opening Inventory	5,260	
Add: Purchases during the year	36,200	
Less: Closing Inventory	(16,400)	25,060
Total		**25,060**

13. Purchases of Inventory-in-Trade		
Wines, Cigarettes etc.		45,800
Total		**45,800**
14. Changes in inventories of finished goods work-in-progress and Inventory-in-Trade		
Wines, Cigarettes etc.		
Opening Inventory	12,800	
Less: Closing Inventory	(22,500)	(9,700)
Total		**(9,700)**
15 Employee benefits expense		
Wages and Salaries	28,300	
Add: Wages and Salaries Outstanding	1,280	29,580
Total		**29,580**
16 Other operating expenses		
Rent, Rates and Taxes		8,900
Coal and Firewood		3,290
Laundry		750
Carriage and Cooliage		810
Repairs		4,250
Total		**18,000**
17 Selling and administrative expenses		
Advertising		8,360
Sundry Expenses		5,840
Total		**14,200**
18 Finance costs		
Interest on Debentures		12,000
Total		**12,000**
19 Depreciation and amortization expense		
Land and Buildings	17,000	
Furniture & Fittings	4,315	21,315
Total		**21,315**

THE END