BATCH :GCF-1 to GCF-7, SCF-1 to SCF-3 &VCF-1 to VCF-3

DATE: 18.10.2018 **MAXIMUM MARKS: 100** **TIMING: 3¼Hours**

PAPER 1: PRINCIPLES & PRACTICE OF ACCOUNTING

INSTRUCTIONS TO CANDIDATES

Answers to questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium and answers in Hindi, his/her answers in Hindi will not be valued.
Question No. 1 is compulsory.
Candidates are required to answer any four questions form the remaining five questions.
In case, any candidate answers extra question(s)/sub-question(s) over and above the required number, then only the requisite number of questions best answered in the answer book shall be valued and extra question(s) answered shall be ignored.
Working notes should form part of the answer.
Wherever necessary, suitable assumptions may be made and indicated in the answer by the candidate.

Answer 1:

(a)

(i) True: It is an intangible asset and is in the nature of Real account.
(ii) True : Legal fees is to be capitalised.
(iii) True: Goods taken by the proprietor for personal use should be debited to Drawings Account and Credited to purchase account.
(iv) False : It is debited to Return Inwards A/c.
(v) False : Trial Balance is prepared before Profit & Loss A/c because all ledger balances are put on trial to ascertain the maintenance of debit and credit equality.
(vi) False: It records only credit purchases of goods.

(1 Mark for Decision & 1 Mark for Reason for Each Point)

(b) Difference between Capital Expenditure and Revenue Expenditure

Basis	Capital Expenditure	Revenue Expenditure
Object	It result in acquisition of fixed asset which are meant for use and not resale.	It does not result in acquisition of any fixed asset.
Benefit of such expense	It results in improving the earning capacity of fixed asset.	It results in the repairs and maintenance of the business assets.
Period of use	The benefit of such expenditure will be for more than one year.	The Benefit of such expenditure expires during the year.
Written off	All items of capital expenditure, which are not written off, are shown in the B/S as assets	All revenue items the benefit of which has exhausted during the year are transferred to trading P & L A/c.
Carry forwarded	These items are carried forward to the next year.	These items are not carried forward to the next year but whose benefit has not expired are carried forward of the next year.

(1 Mark for each point for any four point)

(c) Determination of cost of purchases:

Goods received from suppliers		Rs. 31,51,000
Less: Trade discount	**½M**	Rs.94,530
		Rs. 30,56,470
Add: Sales Tax 11%	**½M**	Rs. 3,36,212
		Rs. 33,92,682
Add: Packaging and transportation charges	**½M**	Rs. 1,75,000
		Rs. 35,67,682

Determination of estimated gross profit margin:

Sales during the year		Rs. 44,91,000
Closing inventory at the selling price		Rs. 4,70,000
	½M	Rs. 49,61,000
Less: Purchases		Rs. 35,67,682
Gross Profit	**½M**	Rs. 13,93,318
Gross profit Margin		**1M**28.09%

Inventory valuation:

Selling price of closing inventories		Rs. 4,70,000
Less: Gross profit margin 28.09%		Rs. 1,32,023
	½M	Rs. 3,37,977

Answer: 2

(a)

Memorandum Joint Venture Account
for the period - August 1 to 31, 1996

Particulars	Rs.	Particulars	Rs.
To A's A/c		By B's A/c Sales	**1M**2,00,000
Crackers	**½M**1,00,000		
Forwarding charge	**½M**6,000		
Insurance charge	**½M**2,000		
Discount charge	**½M**4,500		
To B's A/c			
Cartage charges.	**½M**3,000		
Commission	**½M**5,000		
Rental charge	**½M**4,000		
To Profit transferred to:			
A's A/c	**½M**37,750		
B's A/c	**½M**37,750		
	2,00,000		2,00,000

In the Books of A
B in Joint Venture Account

Particulars	Rs.	Particulars	Rs.
To Bank A/c	1,00,000	By Bill Receivable A/c	**½M**1,00,000
To Bank A/c		By Bank A/c	**1M**50,250
Forwarding charges	6,000		
Insurance Charge	2,000		
To Discount Charges	4,500		

To Profit & Loss A/c	**½M**37,750		
	1,50,250		1,50,250

In the Books of B

A in Joint Venture Account

Particulars	Rs.	Particulars	Rs.
To Bills Payable	**½M**1,00,000	By Bank A/c	**½M**2,00,000
To Bank A/c			
Cartage Charges	3,000		
Commission	5,000		
Rental Charges	4,000		
To P & L A/c	**½M**37,750		
To Bank A/c	**1M**50,250		
	2,00,000		2,00,000

(b) Consignment A/c

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
To Goods sent on consignment	**½M**7,20,000	By Sales	**½M**8,88,000
To Cash A/c (Cartage, Freight etc.)	**½M**80,000	By Abnormal Loss	**½M**1,000
To Consignee:		By Stock on Consignment (Closing stock)	**1M**61,950
Non-recurring Exp. 39,950**(½M)**			
Recurring Exps<u>22,500</u>**(½M)**	62,450		
To Consignee:			
OrdinaryCommission17,760**(½M)**			
Del-credere Commission <u>8,880</u>**(½M)**	26,640		
To P&L A/c on consignment	**1M**61,860		
	9,50,950		9,50,950

Abnormal Loss

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
To Consignment A/c	1,000	By Cash A/c (Insurance Claim Received.)	**½M**570
		By P & L A/c (Loss)	**½M**430
	1,000		1,000

P & L A/c on consignment

Particulars	Amt. (Rs.)	Particulars	Amt. (Rs.)
To Abnormal Loss	430	By Consignment A/c	61,860
To P & L A/c	**½M**61,430		
	61,860		61,860

Working Note:

(i) **Calculation of packet-remain unsold (i.e. closing stock)**

Total packets sent	800
Less: Lost	1
	799
Less: Sold	740
Packets remaining unsold	**½M**59
	Rs.
Cost of 59 packets = 59 × Rs. 900	**½M**53,100
Consignor's production expenses = 59 × Rs. 100	**½M**5,900
Consignee's Direct proportionate Expenses $= \frac{39,950}{799} \times 59$	**½M**2,950
Value of Closing Stock	**½M**61,950

Answer 3: **In the books of Mr. XYZ**

Rectification Entries

Date	Particulars		L.F.	Dr. Amount Rs.	Cr. Amount Rs.
(i)	Returns in ward account	Dr.		**½M**2,575	
	Sales Account	Dr.		**½M**1,725	
	To Purchases account**½M**				2,575
	To Returns outward account**½M**				1,725
	(Being sales return and purchases return wrongly included in purchases and sales respectively, now it is rectified)				
(ii)	Drawings account**1M**	Dr.		3,500	
	To Purchases account				3,500
	(Being goods withdrawn for own consumption included in purchases, now it is rectified)				
(iii)	Plant and machinery account**1M**	Dr.		450	
	To Wages account				450
	(Being wages paid for installation of plant and machinery wrongly debited to wages, now it is rectified)				
(iv)	Advertisement expenses account**1M**	Dr.		825	
	To Purchases account				825
	(Being free samples distributed for publicity out of purchases, now it is rectified)				

In the books of Mr. XYZ
Trading and profit and loss account for the year ended 31st March, 2004

	Particulars		Amount		Particulars		Amount
To	Opening stock		32,250	By	Sales	2,13,575	
To	Purchase	1,53,100			Less: Sales return	½M2,575	½M2,11,000
	Less: Purchases return	½M1,725	½M151375	By	Closing stock		
To	Carriage inward		½M1,125				
To	Wages		½M11,715		$\underbrace{\left(\text{Rs.}80{,}000 \times \frac{100}{80} \times \frac{100}{80}\right)}_{1M}$		½M1,25,000
To	Gross profit c/d	1M	1,39,535				
			3,36,000				3,36,000
To	Salaries		22,550	By	Gross profit b/d		1,39,535
To	Rent	½M	4,300	By	Bad debits recovered		½M450
To	Bad debts	½M	1,100				
To	Carriage outward		1,350				
To	Advertisement expenses		4,175				
To	Printing and stationary		1,250				
To	Provision for doubtful debts 5% of Rs. 1,20,000	6,000					
	Less: Existing prov.	3,200	2,800				
To	Provision for discount on debtors 2.5% of Rs. 1,14,000	2,850					
	Less: Existing prov.	1,375	1,475				
To	Depreciation						
	Plant and machinery	½M3,000					
	Furniture and fittings	½M1,025	4,025				
To	Office expenses		10,160				
To	Interest on loan	½M	3,000				
To	Net Profit	1M	83,800				
			1,39,985				1,39,985

In the books of Mr. XYZ
Balance Sheet of Mr. XYZ (as on 31st March, 2004)

	Liability	Rs.	Amount Rs.		Assets	Rs.	Amount Rs.
	Capital account	65,000			Plant and machinery	20,000	
Add:	Net Profit	½M83,800		Less:	Depreciation	3,000	½M17,000
		1,48,800			Furniture and fittings	10,250	
Less:	Drawings	½M11,500	½M1,37,300	Less:	Depreciation	1,025	½M9,225
	Bank overdraft		½M80,000		Closing stock		1,25,000
	Sundry creditors		½M47,500		Sundry debtors	1,20,000	
	Payable salaries		½M2,450	Less:	Provision for doubtful debts	½M6,000	
					provision for bad debts	½M2,850	½M1,11,150
					Prepaid rent		300
					Cash in hand		1,450
					Cash at bank		3,125
			2,67,250				2,67,250

Answer 4:
(a)

Date	Output (in tonnes)	Royalty @ Rs. 25 per tone	Minimum Rent	Short workings	Short-workings being recouped	Short-workings irrecoverable Landlord	Amount payable
31-3-2011	2,000	50,000	2,20,000	1,70,000			2,20,000
31-3-2012	3,600	90,000	2,20,000	1,30,000			2,20,000
31-3-2013	9,000	2,25,000	2,20,000		½M 5,000		2,20,000
31-3-2014	15,000	3,75,000	2,20,000		½M 1,55,000		2,20,000
31-3-2015	20,000	5,00,000	2,20,000		½M 1,40,000	½M 10,000	½M 3,60,000

Journal Entries in the books of ABC Collieries Co Ltd.

2011, March	31	Royalties Account	Dr.	50,000	
		Short-workings Account Dr. ½M		1,70,000	
		To M/s XYZ			2,20,000
		(Royalties @ Rs. 25 per tone on 2,000 tonnes subject to a minimum of Rs. 2,20,000)			
	31	M/s XYZ	Dr.	2,20,000	
		To Bank…. ½M			2,20,000
		(Payment of the sum due to the landlord)			
	31	Profit and Loss Account ½M	Dr.	50,000	
		To Royalties Account			50,000
		(Transfer of Royalties Account to Profit and Loss Account)			
2012, March	31	Royalties Account ½M	Dr.	90,000	
		Short-workingsAccount Dr.		1,30,000	
		To M/s XYZ			2,20,000
		(Royalties @ Rs. 25 per tonne on 2,600 tonnes plus Rs. 1,30,000 to landlord)			
	31	M/s XYZ 1/2M	Dr.	2,20,000	
		To Bank….			2,20,000
		(Payment of the sum due to the landlord)			
	31	Profit and Loss Account 1/2M	Dr.	90,000	
		To Royalties Account			90,000
		(Transfer of Royalties Account to Profit and Loss Account)			
2013, March	31	Royalties Account ½M	Dr.	2,25,000	
		To M/s XYZ			2,20,000
		To Short-workings Account			5,000
		(Royalties @ Rs. 25 per tonnes less Rs. 5,000 recovered aginst short-workings payable to landlord.)			
		M/s XYZ ½M	Dr.	2,20,000	
		To Bank….			2,20,000
		(Payment of the sum due to the landlord)			
		Profit and Loss Account 1/2M	Dr.	2,25,000	
		To Royalties Account			2,25,000

		(Transfer of Royalties Account to Profit and Loss Account)			
2014, March	31	Royalties Account ½M	Dr.	3,75,000	
		To M/s XYZ			2,20,000
		To Short-workings Account			1,55,000
		(Royalties @ Rs. 25 per tonnes on 15,000 tonnes less Rs. 1,55,000 recovered against short-workings payable to landlord.)			
		M/s XYZ ½M	Dr.	2,20,000	
		To Bank….			2,20,000
		(Payment of the sum due to the landlord)			
		Profit and Loss Account ½M	Dr.	3,75,000	
		To Royalties Account			3,75,000
		(Transfer of Royalties Account to Profit and Loss Account)			
2015, March	31	Royalties Account ½M	Dr.	5,00,000	
		To M/s XYZ			3,60,000
		To Short-workings Account			1,40,000
		(Royalties @ Rs. 25 per tonnes on 20,000 tonnes less Rs. 1,44,000 balance in short-workings account, recouped against amount payable to landlord.)			
		M/s XYZ 1/2M	Dr.	3,60,000	
		To Bank….			3,60,000
		(Payment of the sum due to the landlord)			
		Profit and Loss Account 1/2M	Dr.	5,00,000	
		To Royalties Account			5,00,000
		(Transfer of Royalties Account to Profit and Loss Account)			

(b) Revaluation Account

Dr. Cr.

Particulars	Rs.	Particulars	Rs.
To Machinery A/c	½M50,000	By Land and Building A/c	½M2,40,000
To Closing Stock A/c	½M1,00,000	By Sundry Debtors A/c	½M7,000
To Provision for Doubtful Debts A/c (5% on Rs.4,07,000)	½M20,350		
To Profit on Revaluation transferred to:			
Leena's Capital A/c 21,900			
Madan's Capital A/c 21,900 ½M			
Naresh's Capital A/c 32,850	76,650		
	2,47,000		2,47,000

Partner's Capital Accounts

Dr. Cr.

Particulars	Leena	Madan	Naresh	Particulars	Leena	Madan	Naresh
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Deferred Advertisement Expenditure A/c	28,571	½M 28,571	42,858	By Bal.b/d	12,50,000	8,00,000	10,50,000
To Madan's Capital A/c	½M 1,60,000	–	–	By Revaluat. A/c (Profit)	21,900	21,900	32,850
To Naresh's Capital A/c	16,000	–	–	By Leena's Capital A/c		1,60,000	16,000 ½M
To Investments A/c	–	1,00,000	–				
To Bills Payable A/c		½M 8,53,329	–				
To Bal. c/d	10,67,329		10,55,992				
	12,71,900	8,81,900	10,98,850		12,71,900	8,81,900	10,98,850
To Bal c/d	½M 19,20,000	1/2M	12,80,000	By Bal. c/d	10,67,329	½M	10,55,992
				By Bank A/c (Bal. fig.)	8,52,671	1/2M	½M 2,24,008
	19,20,000		12,80,000		19,20,000		12,80,000

Balance Sheet
as at 1st April, 2015

Dr. Cr.

Liabilities	Rs.	Assets	Rs.
Trade Creditors	1,60,000	Land and Building	12,40,000
Bank Overdraft	44,000	Machinery	4,50,000
Bills Payable	8,53,329	Furniture	7,00,000
Long-term Debts	4,00,000	Closing Stock	7000
Employees Provident Fund	76,000	Investment1/	1,00,000
Capital: Leena 19,20,000		Sundry Debtors 4,07,000	
Naresh 12,80,000	32,00,000	Less: Provision for Doubtful Debts 20,350	3,86,650 1/2M
		Bank (Working Note 4)	11,56,676
	47,33,329		47,33,329

Working Notes:

(1) Mohit, who has promised to pay Rs. 7,000 will treated as a Debtor.

(2) Calculation of Gaining Ratio:

Gaining Ratio = New Share – Old Share

Leena's Gain = $\frac{3}{5}-\frac{2}{7}=\frac{21-10}{35}=\frac{11}{35}$ (Gain)

Naresh's Gain = $\frac{2}{5}-\frac{3}{7}=\frac{14-15}{35}=\frac{1}{35}$ (Sacrifice) 1/2M

As Leena is the only gaining partner, she will compensate not only the retiring partner (Madan) but also the sacrificing partner (Naresh).

Entry for Goodwill:

Leena's Capital A/c (5,60,000 × $\frac{11}{35}$) Dr. 1,76,000

To Madan's Capital A/c (5,60,000 × $\frac{2}{7}$ or $\frac{10}{35}$) 1,60,000

To Naresh's Capital A/c (5,60,000 × $\frac{1}{35}$) 16,000 1/2M

(3) Capitals of the partners in the new firm:

Leena's Capital $(32,00,000 \times \frac{3}{5})$ = Rs.19,20,000

Naresh's Capital $(32,00,000 \times \frac{3}{5})$ = Rs.12,80,000

1/2M

(4) BANK ACCOUNT

Particulars	Rs.	Particulars	Rs.
To Balance b/d	80,000	To Balance c/d	11,56,679
To Leena's Capital A/c	8,52,671		
To Naresh's Capital A/c	2,24,008		
	11,56,679		11,56,679

1/2M

Answer5 (a): **In the Books of Jagdeep Singh**
Cash Book (Corrected)
Bank Columns only

Dr. **Cr.**

Date	Particulars	L.F.	Rs.	Date	Particulars	L.F.	Rs.
2017				2017			
Mar. 31	To Adjustment for undercasting		**1M**1,000	Mar. 31	By Balance b/d		12,100
Mar. 31	To Dividend		**1M**300	Mar. 31	By Bank Charges		**1M**50
Mar. 31	To Balance c/d		**1M**11,550	Mar. 31	By Debtor's A/c- Dishonouredcheque		**1M**700
			12,850				12,850

Bank Reconciliation Statement
For account No. 1
as on 31st March, 2017

Particulars	Amount Plus (Rs.)	Amount Minus (Rs.)
Balance as per Cash Book (Cr.) (Overdraft)		11,550
1. Cheque paid in but not yet credited		**1M**3,600
2. Cheque of another customer wrongly debited to Account No. 1		**1M**420
3. Cheque issued but not yet presented	**1M**4,200	
4. Cheque drawn on Account No. 1 wrongly debited to Account No. 2	**1M**5,200	
Overdraft as per the Pass Book (Dr.)		**1M**6,170

(b) **For Bills Receivable (Note: Base Date = 12th July)**

Bill Date	Term	Due Date	No. of Days from Base Date	Amt. (Rs.)	Product (Rs.)
1	**2**	**3**	**4**	**5**	**6 = 4× 5**
1st June	3 months	**½M**4th Sept.	19 + 31 + 4 = 54**½M**	9,000	4,86,000
5th June	3 months	**½M**8th Sept.	19 + 31 + 8 = 58**½M**	7,500	4,35,000
9th June	1 month	**½M**12th July	0	10,000	0
12th June	2 months	**½M**(Note) 14th Aug.	19 + 14 = 33**½M**	8,000	2,64,000
20th June	3 months	**½M**23rd Sept.	19 + 31 + 23 = 73**½M**	12,000	8,76,000
Total				**46,500**	**20,61,000**

For Bills Payable (Note: Base Date = 12th July)

Bill Date	Term	Due Date	No. of Days from Base Date	Amt. (Rs.)	Product (Rs.)
1	2	3	4	5	6 = 4× 5
29th May	2 months	½M1st Aug.	19 + 1 = 20½M	6,000	1,20,000
3rd June	3 months	½M(Note) 5th Sept.	19 + 31 + 5 = 55½M	9,000	4,95,000
10th June	2 months	½M13th Aug.	19 + 13 = 32½M	10,000	3,20,000
13th June	2 months	½M16th Aug.	19 + 16 = 35½M	7,000	2,45,000
27th June	1 month	½M30th July	18½M	11,000	1,98,000
				43,000	**13,78,000**

Note: 15th August and 6thseptember are Public Holidays, and hence previous day shall be considered as Due Date.

Average Due date

$$= \text{Base Date} \pm \frac{\text{Difference in Products}}{\text{Difference in Amounts}} = 12\text{th July} + \frac{20,61,000 \ - 13,78,000}{46,500 - 43,000} = 12\text{th July} + \frac{6,83,000}{3,500}$$

= 12thJuly + 196 Days (approx.) = 24th January.½M

Answer6 :

(a)

BALANCE SHEET
as at 1-4-2014

Liabilities	Rs.	Assets	Rs.
Amount due to Medicine Suppliers	8,000	Cash in Hand	8,500
		Investments	1,00,000
Subscriptions received in advance	1,000	Outstanding Subscriptions	500
		Stock of Medicines	10,000
Capital fund (Balancing figure)	½M2,05,000	Equipments	25,000
		Buildings	70,000
	2,14,000		2,14,000

Note:-(1)
Value of Investments has been calculated as below:-
If Interest is 9, the value of Investments = 100
If Interest is 9,000, the value of Investment = $\frac{100}{9} \times 9,000$ = 1,00,000½M

INCOME AND EXPENDITURE ACCOUNT
for the year ending 31st March, 2015

Expenditure	Rs.	Income	Rs.
To Medicines Consumed:-		By Subscriptions:- 48,000	
Opening Stock of Medicines 10,000		Less: Outstanding on 1.4.2014 1/2M 500	
Add: Purchased during the year ½M 33,000		47,500	
43,000		Add: Outstanding on 31.3.2015 ½M 1,000	
Less: Closing Stock of Medicine on 31.3.2015 ½M 15,000		48,500	
28,000		Add: Received in advance on 1.4.2014 ½M 1,000	
		49,500	

Less: Amount Due (Outstanding) for last year (1-3-2014) ½M 8,000		Less: Received in advance on 31.3.2015 ½M 500	49,000
20,000		By Donations	½M15,000
Less: Amount Due (Outstanding) for Current year (31-3-2015) ½M12,000	½M32,000	By Interest on Investments	9,000
		By Proceeds from charity show	12,000
		By Grant in aid	½M20,000
To Fees to Doctors	24,000		
To Salaries	27,000		
To Charity show expenses	4,000		
To Sundry Expenses	1,200		
To Depreciation of Equipments:- Opening Balance 25,000			
Add: Purchased during the year ½M15,000			
40,000			
Less:ClosingBalance½M33,000	½M7,000		
To Depreciation on Buildings:- Opening Balance 70,000			
Less: Closing Balance 65,000	½M5,000		
To Excess of Income over Expenditure	1M4,800		
	1,05,000		1,05,000

BALANCE SHEET AS ON
31st March, 2015

Liabilities	Rs.	Assets	Rs.
Amount due to Medicine Suppliers	12,000	Cash in Hand	8,300
Subscriptions received in advance	500	Investments	1,00,000
Capital Fund 2,05,000		Outstanding Subscriptions	1,000
Add: Excess of Income		Stock of Medicines	15,000
Over expenditure		Equipments	33,000
(surplus) 4,800	½M2,09,800	Buildings	65,000
	2,22,300		2,22,300

Answer: 6

(b) **Journal of KS LTD.**

Date	Particulars	L.F.	Dr. Amount (Rs.)	Cr. Amount (Rs.)
	Bank A/c (3,20,000 × Rs.4) Dr. To Equity Share Application A/c (Application money received on 3,20,000 shares)	½M	12,80,000	12,80,000

	Equity Share Application A/c Dr. To Equity Share Capital A/c (1,60,000×Rs.3) To Securities Premium Reserve A/c (1,60,000×Rs.1) To Equity Share Allotment A/c (80,000×Rs.4) To Bank A/c (80,000×Rs.3) (Application money adjusted & surplus refunded)		12,80,000	½M4,80,000 ½M1,60,000 ½M3,20,000 ½M3,20,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Share allotment made due)	½M	9,60,000	4,80,000 4,80,000
	Bank A/c Dr. Call s in Arrears A/c Dr. To Equity Share Allotment A/c (Allotment money received except on 800 shares)		6,36,800 ½M3,200	6,40,000
	Equity Share Capital A/c (800×Rs.6) Dr. Securities Premium Reserve A/c (800×Rs.3) To Calls in Arrears A/c To Forfeited Shares A/c (800 shares of Jain forfeited after allotment)	½M	4,800 2,400	3,200 ½M4,000
	Equity Share First & Final Call A/c (1,59,200 × Rs.6) Dr. To Equity Share Capital A/c (1,59,200×Rs.4) To Securities Premium Reserve A/c (1,59,200×Rs.2) (First & final call due on 1,59,200 shares)	½M	9,55,200	6,36,800 3,18,400
	Bank A/c (1,58,400×Rs.6) Dr. Calls in Arrears A/c (800×Rs.6) Dr. To Equity Share First & Final Call A/c (First & Final call money received except on 800 shares held by Gupta	½M	9,50,400 4,800	9,55,200
	Equity Share Capital A/c (800×Rs.10) Dr. Securities Premium Reserve A/c (800×Rs.2) To Calls in Arrears A/c (800×Rs.2) To Forfeited Shares A/c (800×Rs.6) (800 shares of Gupta forfeited for non-payment of call money)	½M	8,000 1,600	1/2M 4,800 4,800
	Bank A/c Dr. Forfeited Shares A/c Dr. To Equity Share Capital A/c (1,000 shares reissued @Rs.8 per share fully paid up)		1/2M 8,000 2,000	10,000
	Forfeited Shares A/c Dr. To Capital Reserve A/c (Gain on reissue of forfeited shares transferred to capital reserve)		3,200	½M3,200

Working notes:

(1) (a) Total Number of shares applied by Jain = 800 × $\frac{2,40,000}{1,60,000}$ = 1,200 shares**½M**

Excess application money received:
1,200 shares – 800 shares = 400 shares × Rs. 4 = Rs. 1,600

(b)	Allotment money due from Jain = 800×Rs.6	Rs. 4,800
	Less: Excess received on application stage	Rs. 1,600
	Allotment money not received	**½M**Rs.3,200
(c)	Total amount due on allotment: 1,60,000 shares×Rs.6	9,60,000
	Less: Excess received on application	3,20,000
		6,40,000
	Less: Amount not received from Jain on allotment	3,200
	Net Amount received on allotment in cash	6,36,800

(2) Gupta was allotted = 1,200 × $\frac{1,60,000}{2,40,000}$ = 800 shares**½M**

(3) Calculation of Profit on Re-issue to be transferred to Capital Reserve:

Amount forfeited on Re-issued shares

Jain (800 shares)	Rs.4,000
Gupta (200 shares) $\left[\text{Rs.}4,800 \times \frac{200}{800}\right]$	**½M**Rs.1,200
Total Forfeited amount on 1,000 shares	Rs. 5,200
Less: Discount on Re-issued	Rs. 2,000
Profit on Re-issue to be transferred to Capital Reserve	**½M**Rs.3,200

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