(GCF-7, GCF-12, GCF-13, GCF-14, GCF-15, GCF-16, GCF-17, SCF-3, VDCF-2 & VCF-3)
DATE: 07.10.2019 MAXIMUM MARKS: 100 TIMING: 3 Hours

PAPER 1: PRINCIPLES & PRACTICE OF ACCOUNTING

Question no. 1 is compulsory.

Candidates are required to answer any four questions from the remaining five questions.

Answer (1) (a) (i)

Errors Of Principle	Errors Of Omission
When a transition is recorded in contravention of accounting principles, like treating the purchase of an asset as an expense, it is an error of principle. in this case there is no effect on the trial balance since the amounts are placed on the correct side, though in a wrong account. suppose on the purchase of a computer, the office expense account is debited: the trial balance will still agree.	If a transaction is completely or partially omitted from the books of account, it will be a case of omission. Examples would be: not recording a credit purchase of furniture or not posting any entry into

2m

(ii)

Bill of exchange	Promissory Note
A bill of exchange has been defined as "an instrument in writing containing an unconditional order signed by the maker directing a certain person to pay a certain sum of money only to or to the order of certain person or to the bearer of the instrument." when such an order is accepted by the drawee, it becomes a valid bill of exchange. A promissory note is an instrument in writing (not being a bank note or a government currency note) containing an unconditional undertaking, signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.	A promissory note needs no acceptance, as the debtor himself writes the document promising to pay the stated amount. like bills of exchange, promissory notes are also negotiable instruments, and can be transferred by endorsement. in case of bill of exchange, the drawer and the payee may be the same person but in case of a promissory note, the maker and the payee cannot be the same person.

2m

Answer (b) (i)

Natural resources include physical assets like mineral deposits, oil and gas resources and timber. these natural resources exhaust by exploitation.

Depletion per unit is calculated as

$$\frac{\text{Acquisition cost-Residual value}}{\text{Estimated life in terms of production units}}$$

2m

(ii)

In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest. This Red Ink interest is treated as negative interest. In actual practice, however the product of such bill [value of bill X (due date-closing date) is written in ordinary ink in the opposite side on which the bill is entered]. It means interest from future date from date of account current i.e., present date. In earlier periods, it was written in red ink; hence it got the name of red ink interest. It implies that rebate will be allowed on interest paid/ received, if settlement of future due transaction is done on account current date

2m

Answer (c)

Rectified Journal Entries

Transaction	Particulars	Debit (Rs.)	Credit (Rs.)	
1	Suspense A/c Dr. To A's A/c (Being rectification of amount received from a Wrongly debited to his account)	1,00,000	1,00,000	1/2m
2	Suspense A/c Dr. To Purchase A/c To Purchase Return A/c (Being rectification of purchase return wrongly posted to purchase A/c)	40,000	20,000 20,000	1m
3	Suspense A/c Dr. To Discount A/c (Being rectification of discount received wrongly debited to Discount A/c)	16,000	16,000	1/2m
4	Motor Car Repairs A/c Dr. To Motor Car A/c To Suspense A/c (Being rectification motor car repairs of Rs. 9060 wrongly debited to motor car A/c as 7060)	9060	7060 2000	1m
5	B's A/c Dr. To A's A/c (Being rectification of amount paid to B wrongly debited to A)	40,000	40,000	1/2m

Suspense A/c

1M

Particulars	Rs.	Particulars	Rs.	
To A's A/c	1,00,000	By Difference in trial Balance (Bal. fig.)	1,54,000	}{1/2m}
To purchase A/c	20,000	By Motor Car Reparis A/c	2,000	
To Purchase Return A/c	20,000			
to Discount A/c	16,000			
	1,56,000		1,56,000	

Answer (d)

(a)

A Philip's

Cash Book (Cash Column)

Dr. **Cr.**

Date 2017	Particulars	Amount Rs.	Date 2017	Particulars	Amount Rs.
Dec. 30			Dec. 30		
	To Balance b/d To Dividend received	4,610 3,80,000 → 1m		By Trade receivables- Cheque dishonoured	73,000 → 1m
			Dec. 31	By Bank interest and charges By Trade Subscription By Balance c/d	4,200 → 1m 10,000 → 1m 2,97,410

		3,84,610			3,84,610
2018 Jan. 1	To Balance b/d	2,97,410			

(b) **Bank Reconciliation Statement as at 30th December, 2017**

Particulars	**Amount Rs.**	
Balance per cash book	2,97,410	
Add: Cheques not yet presented	6,30,000	→ **1m**
	9,27,410	
Deduct: Lodgement not yet recorded by bank	(2,50,000)	→ **1m**
	6,77,410	
Deduct: Cheque wrongly charged	(27,000)	→ **1m**
Balance as per the bank statement	6,50,410	

Answer 2 (a) Statement of Valuation of Physical as on 31st March 1996

Particulars	Rs.	Rs.	
Value of Stock as on 9th April, 2019		25,000	
Add: Cost of Sales Sales made between 31.03.2019 and 9.04.2019	1,720	**}1/2m**	
Less: Gross profit @ 25% on Sales **1/2m{**	430	1,290	→ **1m**
		26,290	
Less: Purchases actually received purchases from 1.4.2019 to 9.4.2019		120	→ **1m**
Add: Goods not received up to 9.4.2019		50	→ **1m**
		26,220	
Less: Purchases during March, 2019, received on 4.4.2019		100	→ **2m**
Value of Physical stock as on 31.03.2019		26,120	→ **2m**

Answer (b) Machinery Account

Date	**Particulars**	**Rs.**	**Date**	**Particulars**	**Rs.**	
1993 Jan. 1	To Bank A/c	1,94,000	1993 Dec. 31	By Dep. A/c	25,000	**}1/2m**
	To Bank A/c (Erection Cost)	6,000		By Balance c/d	2,75,000	
July 1	To Bank A/c	1,00,000				
		3,00,000			3,00,000	
1994 Jan.1	To Balance b/d	2,75,000	1994 Dec. 31	By Dep. A/c	30,000	**}1/2m**
			Dec. 31	Balance c/d	2,45,000	
		2,75,000			2,75,000	
1995 Jan. 1	To Balance c/d	2,45,000	July 1	By Bank A/c (Sales Proceeds)	1,00,000	**}1/2m**
July 1	To Bank A/c	1,50,000	Dec. 31	By P&L A/c (loss on sale	60,000	**}1/2m**
				By Dep. A/c	17,500	**}1/2m**
				By Balance c/d	2,17,500	
		3,95,000			3,95,000	
1996 Jan.1	To Balance b/d	2,17,500	1996 Dec. 31	By Dep. A/c (15% on 2,17,500)	32,625	**}1/2m**
				By Balance c/d	1,84,875	**}1m**

Note:

(1) Calculation of Depreciation

(10% per annum on the original cost)	Machinery I	Machinery II	Machinery III
Date of Purchase:	1st Jan. 1993 (Rs.)	1st Jan. 1993 (Rs.)	1st July 1995 Rs.)
1993	20,000 **1/2m** $\left(\frac{10}{100}\times 2{,}00{,}000\right)$	5,000 **1/2m** $\left(1{,}00{,}000\times\frac{5}{12}\times\frac{10}{100}\right)$	-
1994	20,000	10,000	-
1995	-	10,000 **1/2m**	7,500 **1/2m** $\left(1{,}50{,}000\times\frac{6}{12}\times\frac{10}{100}\right)$

(2) Loss on Sale:

Cost (Purchase)	2,00,000	
Less: Total Depreciation (on First Machinery)	40,000	
W.D.V. on the date of sale	1,60,000	**2m**
Less: Sale Value	1,00,000	
Loss on Sale	60,000	

Answer (c)

Books of K. Katrak
Journal Entries

			Rs.	Rs.	
(i)	Bills Payable Account	Dr.	2,500		
	Interest Account	Dr.	50		
	To Cash A/c			1,000	**1m**
	To Bills Payable Account (Bills Payable to Basu discharged by cash payment of Rs.1,000 and a new bill for Rs.1,550 including Rs. 50 as interest			1,550	
	OR				
	Bills Payable Account	Dr.	2,500		
	To Basu A/c			2,500	
	Basu A/c	Dr.	1,000		
	To Cash A/c			1,000	**1m**
	Interest A/c	Dr.	50		
	To Basu			50	
	Basu A/c	Dr.	1,550		
	To Bills Payable A/c			1,550	
(ii)	(a) G. Gupta	Dr.	4,020		
	To M. Mehta			4,020	**1/2m**
	(G. Gupta's acceptance for Rs. 4,000 endorsed to M.				
	Mehta dishonoured, Rs. 20 paid by M. Mehta as noting				
	charges)				
	(b) M. Mehta	Dr.	4,020		**1/2m**
	To Bank Account			4,020	
	(Payment to M. Mehta on withdrawal of bill earlier				
	received from Mr. G. Gupta)				

(iii)	Bank Account	Dr.	1,990		
	Discount Account	Dr.	10		
	To Bills Receivable Account			2,000	1m
	(Payment received from D. Dalal against his acceptance for Rs. 2,000. Allowed him a discount of Rs. 10)				
(iv)	Bills Payable Account	Dr.	5,000		
	To Bills Receivable Account			5,000	1m
	(Bills Receivable from Mody endorsed to Patel in settlement of bills payable issued to him earlier)				

Answer 3 (a) **In the books of CE**

Journal Entries

Date	Particulars	L.F.	Dr. (in Rs.)	Cr. (in Rs.)	
2016 Sept. 15	Trade receivables A/c Dr. To Sales A/c (Being the goods sent to customers on sale or return basis)		1,00,000	1,00,000	1m
Oct. 20	Return Inward A/c (Note 1) Dr. To Trade receivables A/c (Being the goods returned by customers to whom goods were sent on sale or return basis)		40,000	40,000	1m
Dec. 31	Sales A/c Dr. To Trade receivables A/c (Being the cancellation of original entry of sale in respect of goods on sale or return basis)		20,000	20,000	1m
Dec. 31	Inventories with customers on Sale or Return A/c Dr. To Trading A/c (Note 3) (Being the adjustment for cost of goods lying with customers awaiting approval)		15,000	15,0000	1m
	OR				
Dec. 31	Closing Stock A/c Dr. To Inventories with customers on Sale or Return A/c Inventories with customers on Sale or Return A/c Dr. To Trading A/c (Note 3) (Being the adjustment for cost of goods lying with customers awaiting approval)		15,000 15,000	 15,000 15,000	1m

Note:

(1) Alternatively, Sales account can be debited in place of Return Inwards account.

(2) No entry is required for receiving letter of approval from customer

(3) Cost of goods with customers = $\frac{20,000 \times 100}{133.33} = Rs.15,000$ 1m

Answer (b)

In the books of E Ltd
Journal Entries

Date	Particulars		L.F.	Rs.	Rs.	
2016 Dec. 31	Sales A/cs (Rs.30x90) To Trade receivables A/c (Being the adj. for reduction in the selling price of 90 accounting machines @ Rs.30 each)	Dr.		2,700	2,700	$1^{1/2}$M
Dec. 31	Sales A/c (Rs.280 x 210) To Sundry Debtor A/c (Being the cancellation of original entry for sale in respect of 210 accounting machines sent to customers not yet returned or approved)	Dr.		58,800	58,800	$1^{1/2}$M
	Inventories with customers on Sale or Return A/c To Trading A/c (Being the cost of 210 accounting machines @ Rs.200 each adjusted against Trading Account)	Dr.		42,000	42,000	2m

Answer (c)

Books of Mahesh
Consignment to Delhi Account

	Particulars	Rs.	Particulars	Rs.	
	To Goods sent on Consignment A/c	2,50,000	By Goods sent on Consignment A/c	50,000	1m
	To Cash A/c	20,000	By Abnormal Loss	22,000	1m
	To Shankar(Expenses)	16,000	By Shankar(Sales)	2,00,000	
1m	To Shankar(Commission)	21,875	By Inventories on Consignment A/c	40,500	1m
1m	To Inventories Reserve A/c	7,500	By General Profit & Loss A/c	2,875	1m
		3,15,375		3,15,375	

Shankar's Account

Particulars	Rs.	Particulars	Rs.	
To Consignment A/c	2,00,000	By Consignment A/c	16,000	
		By Consignment A/c	21,875	1m
		By Bank A/c	1,62,125	
	2,00,000		2,00,000	

Working Note:

(1) Calculation of commission

Ordinary Commission = 10% on sales at invoice price = (2,50,000 x 75%) = 1,87,500

Commission = 1,87,500 x 10% = 18,750

and Overriding Commission = 25% on Excess Sale

2,00,000 – 1,87,500 = 12,500 x 25% = 3,125

So Total Commission = (18,750 + 3,125) = 21,875 **}1m**

(2) Abnormal Loss

Cost of Goods = 2,00,000 x 10% = 20,000

Add : Consigner Expenses = 20,000 x 10% = 2,000

22,000 }1m

(3) Unsold Stock

Invoice Price of Unsold Stock = 2,50,000 x 15% = 37,500

Add : Consigner Expense = 20,000 x 15% = 3,000

40,500 }1m

Answer 4:

(i) Revaluation Account

Dr. **Cr.**

Particulars	Rs.	Particulars	Rs.
To Building	50,000	By Investments	15,000
To Machinery	1,30,000	By Partners' capital A/c	
(Loss on revaluation)		A 1,52,000	
To Provision for doubtful debts	1,39,000	B 91,200 {1 M}	
		C 60,800	3,04,000
	3,19,000		3,19,000

(ii) Partner's Capital Accounts

Dr. **Cr.**

Particulars	A	B	C	D	Particulars	A	B	C	D
To Revaluation A/c	1,52,000	91,200 {1 M}	60,800	-	By Balance b/d	4,50,000	1,30,000	1,70,000	-
To Goodwill	50,000	30,000 {1 M}	20,000	-	By Contingency Reserve	37,500	22,500 {1 M}	15,000	-
To A and B	-	-	1,00,000 {1 M}	1,00,000 {1 M}	By Investment Fluctuation Reserve	50,000	30,000 {1 M}	20,000	-
To Investment	{1 M}	75,000	-	-	By C and D	50,000 {1 M}	1,50,000 {1 M}	-	-
To Advertisement suspense	12,500	7,500 {1 M}	5,000	-	By Bank (Bal.fig.)	27,000	- {1 M}	3,80,800	3,00,000
To B's Loan A/c (Bal.fig.)	{1 M}	1,28,800	-	-					
To Balance c/d	4,00,000	- {1 M}	4,00,000	2,00,000					
	6,14,500	3,32,500	5,85,800	3,00,000		6,14,500	3,32,500	5,85,800	3,00,000

(iii) Balance Sheet as at 01.04.2008
(After retirement of B and admission of D)

Liabilities	Rs.	Assets	Rs.
Partner's Capital Accounts :		Building	10,00,000
A	4,00,000	Machinery	5,20,000
C	4,00,000	Furniture	2,15,000
D	2,00,000	Stock	6,50,000
Long term loan	15,00,000	Debtors	
B's loan	1,28,800	Less : Provision for doubtful debts	5,56,000
Sundry creditors	8,00,000	Cash at bank	4,87,800
	34,28,800		34,28,800

{1 M}

Working Notes:

Dr.		**(i) Bank Account**	Cr.
Particulars	Rs.	Particulars	Rs.
To A's Capital A/c	27,000	By Balance b/d (Overdraft)	2,20,000
To C's Capital A/c	3,80,800	By Balance c/d (Bal.fig.)	4,87,800
To D's Capital A/c	3,00,000		
	7,07,800		7,07,800

{1 M}

(ii) Goodwill, already shown in the Balance Sheet of Rs. 1,00,000 , is firstly written off and then an adjusting entry is passed for revalued goodwill of Rs. 5,00,000 in sacrificing and gaining ratio of partners. This treatment is given based on the para 36 of AS 10, which states that goodwill should be recorded in the books only when some consideration in money or money's worth has been paid for it.

(iii) Calculation of sacrificing and gaining ratio

Partners	New Share	Old Share	Share Sacrificed	Share Gained
A	$\frac{2}{5}$	$\frac{5}{10}$	$\frac{2}{5}-\frac{5}{10}=\frac{1}{10}$	
B		$\frac{3}{10}$		$\frac{3}{10}$
C	$\frac{2}{5}$	$\frac{2}{10}$	$\frac{2}{5}-\frac{2}{10}=\frac{1}{5}$	
D	$\frac{1}{5}$			$\frac{1}{5}$

{1 M}

Adjusting Entry to adjust Goodwill :

C's Capital A/c (Rs. 5,00,000 x 1/5) Dr. 1,00,000

Ds Capital No (Rs. 5,00,000 x 1/5) Dr. 1,00,000 **{1 M}**

To A's Capital A/c (1 5,00,000 x 1/10) Rs. 50,000

To B's Capital No (0 5,00,000 x 3/10) Rs. 1,50,000 **{1 M}**

(iv) Capitals of A, C and D as per new ratio

Total Capital of the firm after admission 10,00,000

A's share = 10,00,000 x 2 / 5 = 4,00,000

C's share = 10,00,000 x 2 / 5 = 4,00,000 **{1 M}**

D's share = 10,00,000 x 1 / 5 = 2,00,000

Answer 5:

(a)

The Youth Club
Receipts and Payments Account
for the year ended 31st December, 2016

1m

	Receipts	Rs.	Rs.		Payments	Rs.	Rs.	
To	Balance b/d (balancing figure)		1,390	By	Salaries	4,750		
To	Subscriptions as per Income& Expenditure Account	7500	1m		*Add*: Paid for 2015	400		
						5,150		
	Add: 2015's Received	600			*Less*: Unpaid for 2016	(450)	4,700	1m
	2017's Received	270		By	General Expenses	500		
		8,370	1m		Add: Prepaid Expense	60	560	}1m
	Less: 2016's Received in 2015	(450)		By	Audit fee (2016)		200	}1m
		7,920		By	Secy. Honorarium		1,000	
	Less: 2016's Outstanding	(750)	7,170	By	Stationery & Printing		450	
To	Entrance Fees		250	By	Annual Dinner Expenses		1,500	
To	Contribution for annual dinner		1,000	By	Interest & Bank Charges		150	
To	Sport meet :			By	Sports Equipments [2700 - (2600 - 300)]		400	1m
	Receipt less		750	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, 2016

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.	
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	1m
Add : Surplus for 2016	600	12,140	Subscription Outstanding		750	
		1m	Insurance Prepaid		60	
			Cash in hand		1,600	
		15,110			15,110	

Balance Sheet of Youth Club as at 31st December, 2015

Liabilities	Rs.	Assets	Rs.
Subscriptions received in advance	450	Freehold Ground	10,000
Salaries outstanding	400	Sports Equipment	2,600
Audit fees unpaid	200	Subscriptions Outstanding	600
Bank Loan	2,000	Cash in hand	1,390
Capital Fund (balancing figure)	11,540		
	14,590		14,590

1m

Answer:

(b)

Recreation Club
Income and Expenditure Account
(For the year ended 31st March, 1996)

	Expenditure	Rs.	Income	Rs.	
	To Secretary's Salary	12,000	By Subscription	17,100	{1/2 M}
	To Salaries to staff	25,000	By Sales of old newspapers	2,500	{1/2 M}
{1/2 M}	To Charities	1,000	By Interest on Securities 2,000 Add: Outstanding 400	2,400	{1/2 M}
{1/2 M}	To Printing & Stationary	600	By proceeds of sport and concerts	4,020	{1/2 M}
{1/2 M}	To Upkeep of land	2,000	By Advertisement in the year book	5,000	{1/2 M}
{1/2 M}	To Sports materials written off Telephone Expenses	10,000	By Excess of Expenditure over Income	24,880	{1 M}
{1/2 M}	To Telephones expenses	3,480			
{1/2 M}	To Postage Expenses	120			
{1/2 M}	To Rates and taxes	1,500			
{1/2 M}	To Depreciation on furniture	200			
		55,900		55,900	

Balance Sheet
of Excellent Recreation Club
as on 31st March 1996

Liabilities	Rs.	Assets	Rs.	
Capital Fund opening Balance		Land	10,000	
Less: Excess of Expenditure over income 36,680 24,880 11,800 Add: Legacies {1/2 M} 4,000	15,800	Furniture 2,000 Less: Depreciation 200	1,800	{1/2 M}
Endowment Fund {1/2 M}	20,000	Investment	20,000	
Subscription received in advance	400	Sports Materials 10,000 Less: Written off 10,000	Nil	{1/2 M}
		Interest due	400	
		Subscription	1000	
		Cash in hand and at bank	3,000	
	36,200		36,200	

Balance Sheet as on 31.03.1995

Liabilities	Rs.	Assets	Rs.
Advance subscription	500	Cash	3,180
Capital Fund (B/F) {1/2 M}{	36,680	Subscription o/s	2,000
		Furniture	2,000
		Land	10,000
		Investments	20,000
	37,180		37,180

Answer 6(a)

JOURNAL

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
2017 March 31	Bad-debts A/c Dr. To Debtors A/c (Further bad debts) {1 M}		500	500
March 31	Provision for Doubtful Debts A/c Dr. To Bad-debts A/c (Bad debts adjusted against the provision) {1 M}		2,500	2,500
March 31	Provision for Doubtful Debts A/c Dr. To Profit and Loss A/c (Excess provision credited to P & L A/c) {1 M}		115	115

Note : (1)

	Rs.
Excess amount credited to P & L A/c :-	
Bad-debts (2,000 + 500)	2,500
Add : New Provision : 3% on (80,000 - 500)	2,385
	4,885
Less : Old Provision	5,000
This amount is to be shown on the credit of P & L A/c	115

{1 M}

Since Old Provision exceeds the amount of Bad-debts and new provision the excess amount i.e. Rs. 115 will be credited to P & L A/c.

Dr. BAD-DEBTS ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2017		Rs.	2017		Rs.
March 31	To Balance b/d	2,000	March 31	By Provision for Doubtful Debts A/c	2,500
March 31	To Debtors A/c	500			
		2,500			2,500

{1 M}

Dr. PROVISION FOR DOUBTFUL DEBTS ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
2017		Rs.	2016		Rs.
March 31	To Bad Debts A/c {1 M}	2,500	April 1	By Balance b/d (Old Provision)	5,000
March 31	To Profit & Loss A/c (Balancing Figure) {1 M}	115			
March 31	To Balance c/d (New Provision) {1 M}	2,385			
		5,000			5,000

PROFIT & LOSS ACCOUNT

Dr. for the year ended March 31, 2017 Cr.

Particulars	Rs.	Particulars		Rs.
		By Provision for Doubtful Debts A/c:		
		Old Provision	5,000	
		Less : Bad Debts (500+2,000)	2,500	
			2,500	
		Less : New Provision	2,385	115

{1 M}

BALANCE SHEET
As at March 31, 2017

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
		Debtors	80,000	
		Less : Further Bad Debts	500	
			79,500	
		Less : New Provision		
		(3% on 79,500)	2,385	77,115 {1 M}

Answer (b)
(i) Journal entries

		Dr. Rs.	Cr. Rs.
Preference Share Capital A/c (2,500 x Rs. 70)	Dr.	1,75,000 {1 M}	
To Preference Share Allotment A/c (2,500 x Rs. 20)			50,000 {1 M}
To Preference Share First Call A/c (2,500 x Rs. 20)			50,000 {1 M}
To Forfeited Share A/c			75,000 {1 M}
(Being the forfeiture of 2,500 preference shares Rs. 70 each being called up for non-payment of allotment and first call money as per Board's Resolution No.... dated)			
Bank A/c (2,000 x Rs.60)	Dr.	1,20,000	
Forfeited Shares A/c (2,000 x Rs.10)	Dr.	20,000 {1 M}	
To Preference Share Capital A/c			1,40,000
(Being re-issue of 2,000 shares at Rs. 60 per share paid-up as Rs. 70 as per Board's Resolution No….. dated….)			
Forfeited Shares A/c	Dr.	40,000	
To Capital Reserve A/c (Note 1)			40,000 {1 M}
(Being profit on re-issue transferred to Capital/Reserve)			

Working Note:
Calculation of amount to be transferred to Capital Reserve

Forfeited amount per share =Rs. 75,000/2500 = Rs. 30
Loss on re-issue =Rs. 70 – Rs. 60 = Rs. 10
Surplus per share re-issued Rs. 20
Transferred to capital Reserve Rs. 20 x 2000 = Rs. 40,000. {1 M}

Answer (b)
(ii) In the books of A Limited

Date	Particulars		Rs. '000	Rs. '000
April 1	Bank A/c	Dr.	38,500	
	To 12% Debentures Application A/c			38,500 {1 M}
	(Being money received on 3,85,000 debentures)			
April 7	12% Debentures Application A/c	Dr.	3,500	
	To Bank A/c			3,500 {1 M}
	(Being money on 35,000 debentures refunded as per Board's Resolution No…..dated…)			
April 7	12% Debentures Application A/c	Dr.	35,000	
	To 12% Debentures A/c			35,000 {1 M}
	(Being the allotment of 3,50,000 debentures of Rs. 100 each at par, as per Board's Resolution No….dated…)			

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