(GCF-1,2,3,4,5+6,19,20,21,22,23, VDCF-1 & 2, VCF-1,2 & 4, SCF-1,2,6,7 & 8, Nov.-20 PD & GD, Foundation Nov.-19 Rep.)

DATE: 03.10.2020 **MAXIMUM MARKS: 100** **TIMING: 3 Hours**

PAPER : 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) Under FIFO method of inventory valuation, inventories purchased first are issued first. The closing inventories are valued at latest purchase prices and inventory issues are valued at corresponding old purchase prices. In other words, under FIFO method, costs are assigned to the units issued in the same order as the costs entered in the inventory. During periods of rising prices, cost of goods sold are valued at older and lower prices if FIFO is followed and consequently reported profits rise due to lower cost of goods sold.

On the other hand, under LIFO method of inventory valuation, units of inventories issued should be valued at the prices paid for the latest purchases and closing inventories should be valued at the prices paid for earlier purchases. In other words, closing inventories are valued at old purchase prices and issues are valued at corresponding latest purchase prices. {2 M}

Answer 1:

(a) (ii) Receipt and Payment Account is an elementary form of account consisting of a classified summary of cash receipts and payments over a certain period together with cash balances at the beginning and close of the period. The receipts are entered on the left hand side and payments on the right hand side i.e. same sides as those on which they appear in cash book. All the receipts and payments whether of revenue or capital nature are included in this account. The balance of the account at the end of a period represents the difference between the amount of cash received and paid up. It is always in debit since it is made up of cash in hand and at bank.

Income and Expenditure Account resembles a Profit and Loss Account and serves the same function in respect of a non-profit making concern as the last mentioned account does for a firm, carrying on business or trade. Income and Expenditure Account is drawn up in the same form as the Profit and Loss Account. Expenditure of revenue nature is shown on the debit side, income and gains of revenue nature are shown on the credit side. Income and Expenditure Account contains all the items of income and expenditure relevant to the period of account, whether received or paid out as well as that which have fallen due for recovery or payment. Capital Receipts, prepayments of income and capital expenditures, prepaid expenses are excluded. It does not start with any opening balance. The closing balance represents the amount by which the income exceeds the expenditure only or vice versa. {2 M}

Answer:

(b) (i) In business enterprises, many receipts and payments by and from a single party may occur at different points of time. To simplify the calculation of interest involved for such transactions, the idea of average due date has been developed. Average Due Date is a break-even date on which the net amount payable can be settled without causing loss of interest either to the borrower or the lender. {2 M}

Answer:

(b) (ii) Debenture is one of the most commonly used debt instrument issued by the company to raise funds for the business. The most common method of supplementing the capital available to a company is to issue debentures which may either be simple or naked carrying no charge on assets, or mortgage debentures carrying either a fixed or a floating charge on some or all of the assets of the company. {2 M}

Answer:

(c) Dr. AMENDED CASH BOOK (BANK COLUMN) Cr.

Receipts	L.F.	Amount	Payments	L.F.	Amount
		Rs.			Rs.
To Customer A/c	{1 M}	6,100	By Balance b/d		8,300
To Insurance Claim A/c	{1 M}	8,000	By Discount Charges		400 {1 M}
To Balance c/d	{1 M}	3,900	By Adjustment of undercasting		1,000 {1 M}
			By Insurance Premium A/c		2,000 {1 M}
			By X (Cheque issued omitted to be recorded		3,500 {1 M}
			By Cheque issued (wrongly entered in the cash column)		2,800 {1 M}
		18,000			18,000

BANK RECONCILIATION STATEMENT
as on 31st March 2015

Particulars	Plus Items	Minus Items
	Rs.	Rs.
Overdraft (Cr.) Balance as per Amended Cash Book		3,900 {1 M}
Cheques deposited but not credited by bank upto 31st March		4,600 {1 M}
Cheques issued but not presented for payment upto 31st March	{1 M} 1,500	
	1,500	8,500
Overdraft (Dr.) Balance as per Pass Book		7,000 {1 M}

Answer 2:

(a) Dr. MACHINERY ACCOUNT Cr.

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			Rs.
2010			2011		
Oct.1	To Bank A/c	6,00,000	Mar. 31	By Balance c/d	6,00,000
2011			2012		
April 1	To Balance b/d	6,00,000	Mar. 31	By Balance c/d	6,00,000
2012			2012		
April 1	To Balance b/d	6,00,000	May 31	By Machinery	
May 31	To Bank A/c	1,50,000		Disposal A/c	80,000
			2013		
			Mar. 31	By Balance c/d	6,70,000 {1 M}
		7,50,000			7,50,000

Dr. **PROVISION FOR DEPRECIATION ACCOUNT** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount	
		Rs.			**Rs.**	
2011			2011			
Mar. 31	To Balance c/d	60,000	Mar. 31	By Depreciation A/c	60,000	}{1 M}
2012			2011			
Mar. 31	To Balance c/d	1,68,000	April 1	By Balance b/d	60,000	
			2012			
			Mar. 31	By Depreciation A/c		
				(Rs. 14,400		
				+ 93,600)	1,08,000	}{1 M}
		1,68,000			1,68,000	
2012			2012			
May 31	To Machinery		April 1	By Balance b/d	1,68,000	
	Disposal A/c	24,320[1]	May 31	By Depreciation A/c	1,920	}{1 M}
2013			2013			
Mar. 31	To Balance c/d {1 M}}{	2,45,480	Mar. 31	By Depreciation A/c	99,880[2]	}{1 M}
		2,69,800			2,69,800	

Dr. **MACHINERY ACCOUNT** **Cr.**

Date	Particulars	Amount	Date	Particulars	Amount	
		Rs.			**Rs.**	
2012			2012			
May 31	To Machinery A/c	80,000	May 31	By Provision for		
				Depreciation A/c	24,320[1]	}{1 M}
			May 31	By Bank A/c	30,000	
			May 31	By Statement of		
				Profit & Loss		
				(Balancing figure,		
				being loss on sale)	25,680	}{1 M}
		80,000			80,000	

Working Notes :

(1) Calculation of depreciation provided on machinery sold :

	Book Value	Accumulated Depreciation	
	Rs.	**Rs.**	
Original Cost as on 1st Oct., 2010	80,000		
Less : Depreciation for 2010-11 for 6 months @ 20% p.a.	8,000	8,000	
	72,000		
Less : Depreciation for 2011-12 @ 20% on 72,000)	14,400	14,400	
	57,600		
Less : Depreciation for 2012-13 for 2 months @ 20% p.a.	1,920	1,920	
	55,680	24,320	}{1 M}

(2) Depreciation on machinery in use will be calculated on the balance of 'Machinery A/c' minus balance of 'Provision for Depreciation A/c' :

	Rs.
Balance of Machinery A/c (Rs. 6,00,000 – Rs. 80,000)	5,20,000
Less : Balance of Provision for Depreciation A/c	
(Rs. 1,68,000 + Rs. 1,920 – Rs. 24,320)	1,45,600
	3,74,400

Depreciation for 2012-13 @ 20% on 3,74,400)	74,880	{1 M}
Add : Depreciation on new machinery for 10 months on Rs. 1,50,000	25,000	
	99,880	

Answer:
(b)

JOURNAL

Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)	
(a)	Sales A/c To Suspense A/c (Error in carry forward of sales book, now rectified)	Dr.		400	 400	{1/2 M}
(b)	Machinery A/c To Wages A/c To Suspense A/c (Wages paid for installation of machinery Rs. 500 wrongly posted to wages account as Rs. 50, now rectified)	Dr.		500	 50 450	{1/2 M}
(c)	Machinery A/c Suspense A/c To Purchases A/c To R & Co. (Machinery purchased Rs. 10,000 wrongly passed through purchase book as Rs. 6,000, now rectified)	Dr. Dr.		10,000 5,000	 6,000 9,000	{1 M}
(d)	Mohan To Sales A/c To Purchase A/c (Credit sales wrongly recorded through purchase book)	Dr.		10,000	 5,000 5,000	{1/2 M}
(e)	Sales A/c To Purchase Return A/c (Purchases return wrongly recorded through sales book)	Dr.		1,000	 1,000	{1/2 M}
(f)	Purchases A/c Sales A/c To Suspense A/c (Credit purchases wrongly recorded in sales book)	Dr. Dr.		6,000 6,000	 12,000	{1/2 M}
(g)	Purchases A/c Sales A/c To M & Co. To Suspense A/c (Credit purchases for Rs. 6,000 wrongly recorded in sales book as Rs. 2,000, now rectified)	Dr. Dr.		6,000 2,000	 5,000 3,000	{1 M}
(h)	Raman Raghvan To Suspense A/c (Sales to Raman Rs. 4,000 wrongly credited to Raghvan as Rs. 1,000, now rectified)	Dr. Dr.		4,000 1,000	 5,000	{1/2 M}

(i)	Noor Dr. To Allowances A/c (B/R dishonoured wrongly debited to allowances account)		1,600	1,600	{1/2 M}
(j)	Bill Payable A/c Dr. To Manu (Bills payable met wrongly debited to Manu)		5,000	5,000	{1/2 M}
(k)	Sales A/c Dr. Suspense A/c Dr. To Furniture A/c (Furniture sold for Rs. 3,000 wrongly credited to sales account as Rs. 1,000)		1,000 2,000	3,000	{1/2 M}
(l)	Depreciation A/c Dr. To Furniture A/c (Depreciation not posted, now corrected)		800	800	{1/2 M}
(m)	Building A/c Dr. To Purchases A/c To Wages A/c (Purchases and wages used for construction of building)		13,000	10,000 3,000	{1 M}

Dr. SUSPENSE ACCOUNT Cr.

Particulars	J.F.	Rs.	Particulars	J.F.	Rs.
To Difference as per Trial Balance (Balancing Figure)	{1 M}	13,850	By Sales A/c		400
			By Machinery A/c		450
To Sundries		5,000	By Purchases A/c		6,000
To Furniture A/c		2,000	By Sales A/c		6,000
			By Sundries		3,000
			By Raman		4,000
			By Raghvan		1,000
		20,850			20,850

{1 M}

Answer 3:

(a) JOURNAL

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)	
	Bank A/c Dr. To Share Application A/c (Application money received on 3,00,000 shares @ 3 per share)		9,00,000	9,00,000	
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Application money transferred to Share Capital A/c for 2,00,000 shares @ Rs. 3 per share and to Allotment A/c for 1,00,000 shares @ Rs. 3 per share.)		9,00,000	6,00,000 3,00,000	{1/2 M}
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 2,00,000 shares @ Rs. 4 per share)		8,00,000	4,00,000 4,00,000	{1/2 M}
	Bank A/c(2) Dr. To Share Allotment A/c (Allotment money received except on 400 share of R)		4,99,000	4,99,000	{1/2 M}

	Share First Call A/c Dr. To Share Capital A/c (First call due on 2,00,000 share at Rs. 3 per share)		6,00,000	6,00,000 {1/2 M}
	Bank A/c Dr. To Share First Call A/c (First call money received, except on 400 shares of R and 600 shares of M)		5,97,000	5,97,000 {1/2 M}
	Share Capital A/c Dr. Securities Premium Reserve A/c(3) Dr. To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (The forfeiture of 400 shares of R; Share Capital A/c debited @ Rs. 8 per share called up)	{1/2 M}	3,200 800	1,000 1,200 1,800 {1/2 M}
	Share Second Call A/c Dr. To Share Capital A/c (Second call money due on 1,99,660 shares at Rs. 2 per share)		3,99,200	3,99,200 {1/2 M}
	Bank A/c Dr. To Share Second Call A/c (Second call money received on 1,99,000 shares)		3,98,000	3,98,000 {1/2 M}
	Share Capital A/c(4) Dr. To Share First Call A/c To Share Second Call A/c To Share Forfeiture A/c (The forfeiture of 600 shares of M)		6,000	1,800 1,200 3,000 {1/2 M}
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (800 shares re-issued at Rs. 9 per share)		7,200 800	8,000 {1/2 M}
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on 800 re-issued shares transferred to Capital Reserve A/c)		3,000	3,000 {1/2 M}

Dr. BANK ACCOUNT Cr.

Particulars	Rs.	Particulars	Rs.
To Share Application A/c	9,00,000	By Balance c/d	24,01,200
To Share Allotment A/c	4,99,000		
To Share First Call A/c	5,97,000		
To Share Second Call A/c	3,98,000		
To Share Capital A/c	7,200		
	24,01,200		24,01,200

(2) (A) Excess amount received from R on application :

R has been allotted 400 shares. He must have applied for more shares.

If shares allotted were 2,00,000, shares applied for were = 3,00,000

∴ If shares allotted were 2,00,000, shares applied for were= $\frac{3,00,000}{2,00,000} \times 400$

= 600 shares. {1/2 M}

Excess application money received from R

= 600 shares–400 shares=200 shares × Rs. 3 = Rs. 600 {1/2 M}

		Rs.
(B) Amount due from R on allotment : 400 shares × Rs. 4	=	1,600

Less : Excess received from R on application	=	600
Net amount due from R on allotment, which has not been received		1,000
(C) Total amount due on allotment 2,00,000 shares × Rs. 4	=	8,00,000
Less : Excess amount received on application (1,00,000 shares xRs. 3)	=	3,00,000
Balance Due	=	5,00,000
Less : Amount not received from R on allotment	=	1,000 {1/2 M}
Net Amount received on allotment	=	4,99,000 {1/2 M}

(3) Premium is due with allotment. R has not paid the amount of allotment. Therefore, Securities Premium A/c Will be debited by 400 shares × Rs. 2 = Rs. 800. {1/2 M}

(4) M has paid the amount of allotment. Therefore, he has paid premium also. Premium Reserve A/c' will not be once collected cannot be cancelled. As such 'Security Premium Reserve A/c' will not be debited when his shares are forfeited.

(5) Only 800 shares are re-issued. Therefore, the profit on 800 shares will only be transferred to Capital Reserve :

Profit on 400 shares of R	=	Rs.	1,800 {1/2 M}
Profit on 400 shares of M $= \frac{Rs.3,000}{600 shares} \times 400 shares$	=	Rs.	2,000 {1/2 M}
		Rs.	3,800
Less : Loss on re-issued of 800 shares @ Rs. 1 each		Rs.	800
		Rs.	3,000 {1/2 M}

(6) Profit on 600 shares of M was Rs. 3,000, out of which 400 shares have beenre-issued. Therefore, the balance of profit remaining in Share Forfeiture A/c for 200 shares = $\frac{3,000}{600} \times 200$ = Rs. 1,000. This balance of Rs. 1,000 will be shown on the liabilities side of the Balance Sheet under the head 'Share Capital'.

Answer:
(b)

A in A/c Current with B
(Interest to 30th June 2010 @ 20% p.a.)

Date	Particulars	Due Date	Amount	Days	Product	Date	Particulars	Due Date	Amount	Days	Product
16.2.10	To Sales a/c	16.2.10	6,400	134 {1/2 M}	8,57,600 {1/2 M}	1.1.10	By Balance b/d	-	3,000	181 {1/2 M}	5,43,000 {1/2 M}
24.3.10	To Sales a/c	24.3.10	3,500	98 {1/2 M}	3,43,000 {1/2 M}	7.1.10	By Purchases a/c	7.1.10	4,400	174 {1/2 M}	7,65,600 {1/2 M}
22.6.10	To Sales a/c	22.6.10	3,000	8 {1/2 M}	24,000 {1/2 M}	18.2.10	By Sales Return	16.2.10	500	134 {1/2 M}	67,000 {1/2 M}
30.6.10	To Red Ink Product	-	-	25 {1/2 M}	37,500 {1/2 M}	22.4.10	By B/R a/c	25.7.10	1,500	-	-
30.6.10	To Balance of Product	-	-	-	3,87,300	29.4.10	By Cash a/c	29.4.10	2,500	62 {1/2 M}	1,55,000 {1/2 M}
30.6.10	To Balance c/d	-	1,912.22 {1/2 M}	-	-	17.5.10	By Purchases a/c	17.5.10	2,700	44 {1/2 M}	1,18,800 {1/2 M}
						30.6.10	By Interest (3,87,300 x $\frac{20}{100} \times \frac{1}{365}$)	-	212.22 {1/2 M}	-	-
			14,812.22		16,49,400				14,812.22		16,49,400

Answer 4:

(a) BALANCE SHEET (AS AT 31ST MARCH, 2013)

Liabilities	Rs.	Assets	Rs.
Capital Fund (Balancing Figure)	72,660	Cash in Hand	3,520
		Cash at Bank	27,380
	{1 M}	Fixed Deposit at 6% p.a.	30,000
		Unused Postage Stamps	750
		Stock of Cricket Materials	3,210
		Subscriptions Outstanding	6,600
		Crockery	1,200
	72,660		72,660

INCOME & EXPENDITURE ACCOUNT

Dr. FOR THE YEAR ENDING 31ST MARCH, 2014 Cr.

Expenditure		Rs.	Income		Rs.
To Maintenance		6,820	By Subscriptions	40,000	
To Match Expenses		13,240	Less : Outstanding for		
To Salaries	11,000	{1/2 M}	Subscription received		
Add : Outstanding {1/2 M}	1000	12,000	2013	6,000	{1/2 M}
To Conveyance		820		34,000	
To Upkeep (Maintenance) of loan		4,240	Add : Outstanding for 2014 {1/2 M}	8,000	42,000 {1/2 M}
To Postage consumed :			By Entrance Fees		2,750 {1/2 M}
Purchases	1,050		By Donation		5,010 {1/2 M}
Add : Opening Stock {1/2 M}	750		By Interest on Fixed Deposit	900	
	1,800		Add : Accrued Interest {1/2 M}	900	1,800
Less : Closing Stock {1/2 M}	900	900	By Profit on sale of Crockery		800 {1/2 M}
To Cricket Materials consumed :					
Purchases	9,720				
Add : Opening Stock {1/2 M}	3,210				
	12,930				
Less : Closing Stock {1/2 M}	2,800	10,130			
To Sundry Expenses		2,000			
To Excess of Income over					
Expenditure		2,210	{1 M}		
		52,360			52,360

BALANCE SHEET

(AS AT 31ST MARCH, 2014)

Liabilities		Rs.	Assets	Rs.
Outstanding Salaries		1,000	Cash in Hand	2,200
Tournament Fund	20,000		Cash at Bank	23,320
Less : Tournament			Fixed Deposit at 6% p.a.	30,000
Expenses {1/2 M}	18,800	1,200	Unused postage stamps	900
Capital Fund (1-4-2013)	72,660		Stock of Cricket Materials	2,800
Add : Excess of Income			Subscriptions outstanding :	
over Expenditure	2,210	74,870	(Rs. 600 + Rs. 8,000)	8,600 {1/2 M}

	{1/2 M}	Crockery	2,650
		Investments	5,700
		Accrued Interest	900
	77,070		77,070

Answer:
(b)

IN THE BOOKS OF A

Dr. **CONSIGNMENT ACCOUNT** **Cr.**

Date	Particulars	Amount Rs.	Date	Particular	Amount Rs.
2004			2004		
Feb. 18	To Goods sent on		Mar. 15	By B's account (Sales)	
	consignment account {1/2 M}	1,00,000		(600 x Rs. 160)	96,000 {1 M}
Feb. 18	To Cash account {1/2 M}	1,500	May. 20	By B's account (Sales)	
	(Expenses)			(300 x Rs. 170)	51,000 {1 M}
	To B's account		June 30	By Consignment Stock	
	(Clearance charges)	3,000 {1/2 M}		(W.N.-2)	10,450 {1 M}
June 30	To B's account (Selling				
	expenses) i.e. (900 x				
	Rs. 20)	18,000 {1/2 M}			
	Commission	24,900 {1 M}			
	(W.N.-1)				
June 30	To Profit and loss account	10,050 {1 M}			
		1,57,450			1,57,450

B'S ACCOUNT

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
2004	To Consignment account		2004	By Consignment account	
Mar. 15	(Sales)	96,000	Feb 18	(Clearance charges)	3,000
May. 20	To Consignment		June 30	By Consignment account	
	Account (Sales)	51,000		(Selling expenses, &	18,000
				Commission)	24,900
			June 30	By Cash account	1,01,100 {1 M}
		1,47,000			1,47,000

Working Notes:

Calculation of total commission

(a) Ordinary Commission = 25 x (600 + 300) = 22,500

(b) Over-riding Commission = 1/4th i.e. 25% on excess sale (above 125/- per unit) after charging "total commission'

Excess sale above 125	=	1,47,000 – (125 x 900)	=	34,500
(-) Ordinary commission			=	22,500
			=	12,500

Over-riding Commission = 12,500 x 25/125 = 2,400

Total Commission = 22,500 + 2,400 = 24,900 {1 M}

2. Computation of value of the stock:

	Rs.
100 DVD players @ Rs. 100 each	10,000
Add: Proportionate expenses of A $\frac{(Rs\,1{,}500 \times 100)}{1{,}000}$	150
Proportionate expenses paid by B $\frac{(Rs\,3{,}000 \times 100)}{1{,}000}$	300
	10,450

{1 M}

Answer 5:

(a) Statement showing the value of inventory as on 31/03/2002

Value of stock as per stock taking as on 15/04/2002			1,00,000	
+/- Adjustment for the transaction between 31/03/02 to 15/04/02				
1.	Add : Sales – Sales Return	80,000		
	(-) Gross Profit @ 20%	16,000	64,000	{1 M}
2.	Less : Purchases		(10,068)	{1 M}
3.	Add : Inventory with customer on sale or return basis			
	(20,000 – 8,000) =	12,000		
	(-) Gross Profit =	2,400	9,600	{1 M}
4.	Less : Goods belongs to consigner = 20,000 x 30%		(6,000)	{1 M}
	Value of Inventory as on 31.03.2002		1,57,532	{1 M}

Answer:

(b)

IN the BOOKS OF MR. XYZ
RECTIFICATION ENTRIES

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

IN THE BOOKS OF MR.XYZ
Trading and Profit & Loss Account for the year ended 31st March, 2004

Particulars	Rs.	Amount Rs.	Particulars	Rs.	Amount Rs.
To Opening stock		32,250	By Sales {1/2 M}	2,13,575	
To Purchases {1/2 M}	1,53,100	{1/2 M}	Less : Sales return	2,575	2,11,000 {1/2 M}
Less : Purchases return	1,725	1,51,375	By Closing stock		
To Carriage inward		1,125	$\left(\text{Rs.}80{,}000 \times \frac{100}{80} \times \frac{100}{80}\right)$		1,25,000 {1 M}
To Wages		11,715	{1 M}		
To Gross profit c/d	{1 M}	1,39,535			
		3,36,000			3,36,000
To Salaries		22,550	By Gross profit b/d		1,39,535
To Rent		4,300	By Bad debts recovered		450
To Bad debts		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 provision	3,200	2,800			
To Provision for discount on debtors					
2.5% of Rs. 1,14,000	2,850				
Less : Existing provision	1,375	1,475			
To Depreciation :					
Plant and machinery	3,000				
Furniture and fittings	1,025	4,025	{1 M}		
To Office expenses		10,160			
To Interest on loan		3,000			
To Net profit		83,800	{1 M}		
		1,39,985			1,39,985

IN THE BOOKS OF MR. XYZ
Balance Sheet of Mr. XYZ (as on 31st March, 2004)

Liabilities	Rs.	Amount Rs.	Assets	Rs.	Amount Rs.
Capital account	65,000		Plant and machinery	20,000	
Add: Net profit	83,800	{1 M}	Less: Depreciation	3,000	17,000 {1/2 M}
	1,48,800		Furniture and fittings	10,250	
Less: Drawings	11,500	1,37,300	Less: Depreciation	1,025	9,225 {1/2 M}
Bank overdraft		80,000	Closing stock		1,25,000
Sundry creditors		47,500	Sundry debtors	1,20,000	
Payable salaries		2,450	Less: Provision for doubtful debts	6,000	{1/2 M}
			Provision for discount {1/2 M}	2,850	1,11,150
			Prepaid rent		300
			Cash in Hand		1,450
			Cash at Bank		3,125
		2,67,250			2,67,250

Answer 6:

(a) Working Note :

(1) Ascertainment of Goodwill

		Rs.	
Aggregate Profits for three years (as given)		5,00,200	
Less : Notional Remuneration to Partners for three years (Rs. 80,000 $\times$3)		2,40,000	
		2,60,200	
Less : Other Adjustment :			
(i) Written off from Premises	10,000		
(ii) Provision for Doubtful Debts	1,200		
(iii) Creditors for Expenses	5,000		
(iv) Written off from Stock	4,000	20,200	{1 M}
Adjusted Aggregate Profits for 3 years		2,40,000	{1 M}
Goodwill is the average of 3 years adjusted aggregate profit, i.e., Rs. 2,40,000/3		80,000	{1 M}

(2) Adjustment in Regard to Goodwill

Partners	A	B	C
Right of goodwill prior to retirement (40 : 35 : 25) (Rs.)	32,000	28,000	20,000
Right of goodwill after retirement (60 : 40 (Rs.)	48,000	-	32,000
Gain (+) / Sacrifice (-) (Rs.)	(+) 16,000	(-) 28,000	(+)12,000

A Capital A/c	Dr.	16,000		{1 M}
C Capital A/c	Dr.	12,000		
To B Capital A/c			28,000	

IN THE BOOKS OF THE FIRM

Dr. Revaluation Account Cr.

Date	Particulars		Rs.	Date	Particulars	Rs.	
2008	To Premises A/c	{1/2 M}	10,000	2008	By Provision for Depreciation A/c	6,000	{1 M}
Jan.1	To Provision for Doubtful Debts A/c	{1/2 M}	1,200	Jan.1	By Partners' Capital A/cs:		
	To Creditors for Expenses A/c	{1/2 M}	5,000		(A-Rs 6,160; B-Rs 5,390; C-Rs 3,850)	15,400	{1/2 M}
	To Stock A/c	{1/2 M}	4,000				
	To Outstanding Professional Charges A/c		1,200	{1/2 M}			
			21,400			21,400	

PARTNERS' CAPITAL ACCOUNTS

Particulars	A	B	C	Particulars	A	B	C
To Revaluation A/c	6,160	5,390 {1 M}	3,850	By Balance b/d	1,02,000	58,000	36,000
To B Capital –goodwill (Note 2)	16,000	-	12,000	A Capital A/c–goodwill	-	16,000	- {1 M}
To B Loan A/c – transfer	-	80,610 {1 M}	-	By C Capital A/c – goodwill	-	12,000	-
To Balance c/d	79,840	- {1 M}	20,150				
	1,02,000	86,000	36,000		1,02,000	86,000	36,000

Dr. **B LOAN ACCOUNT** **Cr.**

Date	Particulars	Rs.	Date	Particulars	Rs.
	To Balance c/d	1,10,610	}{1 M}	By Balance b/d	30,000
				By B Capital A/c	80,610
		1,10,610			1,10,610

BALANCE SHEET OF A AND C AS AT 1ST JANUARY, 2008

Liabilities	Rs.	Assets		Rs.	
Sundry Creditors	30,000	Cash in Hand and at Bank		67,000	
Bills Payable	8,000	Stock		38,000	
Loan from B {1/2 M}{	1,10,610	Sundry Debtors	34,000		
Outstanding Professional Charges	1,200	Less : Provision	7,200	26,800	}{1/2 M}
Creditors for Expenses	5,000	Plant and Machinery	80,000		
Capital Accounts: {1/2 M}{ (A-Rs 79,840; C-Rs 20,150)	99,990	Less : Provision for Depreciation	22,000	58,000	}{1/2 M}
		Premises		65,000	
	2,54,800			2,54,800	

Answer:

(b)

In the Books of A

Journal Entries

Date	Particulars		L.F.	Rs.	Rs.	
2016 March 31	Sales A/c	Dr.		14,000		
	To Trade Receivables A/c				14,000	{1 M}
	(Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)					
31-Mar	Inventories with Customers on Sale or Return A/c	Dr.		11,200		
	To Trading A/c (Note 1)				11,200	{1 M}
	(Being the adjustment for cost of goods lying with customers awaiting approval)					
30-Apr	Trade receivables A/c	Dr.		8,000		
	To Sales A/c				8,000	{1 M}
	(Being goods costing Rs. 6,400 sent to Mr. X on sale or return basis has been accepted by him)					

Balance Sheet of A & Co. as on 31st March, 2016 (Extracts)

Liabilities	Rs.	Assets	Rs.	Rs.	
		Trade receivables (Rs. 2,00,000 – Rs. 14,000)		1,86,000	
		Inventories-in-trade	1,20,000		
		Add: Inventories with customers on Sale or Return	11,200	1,31,200	
				3,17,200	}{1 M}

Notes :

(1) Cost of goods lying with customers = 100/125 x Rs. 14,000 = Rs. 11,200

(2) No entry is required on 10th April, 2016 for goods returned by Mr. Y. Goods should be included physically in the inventories-in-trade.

{1 M}

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