(GCF-2, GCF-3, VCF-1, VDCF-1, SCF-1)

DATE: 11.08.2021 **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) (1) **False:**
Any type of error does not affect the agreement of trial balance. e.g. Compensating errors do not affect the Trial Balance.

(2) **True:**
Recording the transaction in a fundamentally incorrect manner in contravention of accounting principles is an error of principle.

(3) **False:**
Posting an amount on the wrong side or to a wrong account is called error of commission.

(4) **False:**
The allowance made for promoting sales is called 'Trade Discount and it may vary with the quantity purchased whereas cash discount is allowed for encouraging prompt payment.

(5) **False:**
Cash column of cash-book will always show a debit balance, because cash in hand can never be negative.

(6) **True:**
It is a non-cash expense and therefore will not affect cash profit of the business.

1 Mark for Decision & 1 Mark for Reason

Answer:

(b) (1) The factors considered for calculation of depreciation are as: (i) Cost of asset including expenses for installation, commissioning, trial run etc. (ii) Estimated useful life of the asset and (iii) Estimated scrap value (if any) at the end of useful life of the asset. **(2 M)**

(2)

	Consignment	Sale
1	The ownership of goods remain with the consignor and the possession is transferred to consignee.	The ownership and possession of goods, both the are transferred to the buyer immediately.
2	the two parties involved are known as consignor and consignee.	The two parties involved are known as buyer and seller.
3	The relation between them is that of a principal and agent which continued for long period till it is ended.	The relation between them is of buyer and seller, which ends immediately after the deliver and payment of the goods.
4	The risk of loss or damage is of the owner (consignor).	The risk passes with the ownership to the buyer.
5	The consignee sells goods for commission.	The goods are sold for profit against the price.
6	The expenses are borne by the consignor.	After sales, the expenses are borne by the buyer.
7	Consignee sends to consignor account sales from time to time.	The buyer does not needs to send any account sales to seller.

1/2 M for each point for any four

Answer:

(c) Statement of Calculation of Value of Inventory 31/03/17

Opening Balance of Inventory as on 01.04.2016	3,50,000		
Less : Value of Abnormal item (1,00,000 – 30,0000) **(1/2 M)**	70,000	2,80,000	**(1/2 M)**
Add : Purchase b/w 01.04.2016 to 31.03.2017		17,30,000	
Add : Manufacturing Exps.		3,50,000	
Cost of normal goods available for sale		23,60,000	**(1/2 M)**
Less : Cost of goods sold			
Total Sales 26,10,000			
(-) Abnormal item sale **(1/2 M)** 80,000	25,30,000		
(-) GP @ 25% on cost or 20% on sales **(1/2 M)**	5,06,000	20,24,000	**(1/2 M)**
Value of Closing Stock as on 31.03.2017		3,36,000	**(1 M)**

Answer 2:

(a) 'Y' in Account Current with 'X'

(Interest to 30th April, 2016 @ 10% p.a.)

Date	Particulars	Due Date	Amount Rs.	Days	Product	Date	Particulars	Due Date	Amount Rs.	Days	Product	
2016		2016				2016		2016				
April 7	To Bills Payable	June 10	5,000	-	-	April 1	By Balance b/d		10,000	30	3,00,000	}(1 M)
April 10	To Sales A/c	May 10	15,000	-	-	April 12	By Bank A/c (Cheque received dated 15.5.2016	May 15	7,500	-	-	
April 20	To Purchase Returns	May 15	1,000	-	-	April 15	By Purchase A/c (invoice dated 15.5.2016)	May 15	6,000	-	-	
April 20	To Bill Receivable A/c	April 20	5,000	10	50,000 **(1 M)**							
April 30	To Red Ink Product (Rs. 7,500 x 15) as per contra	May 15		15	1,12,500 **(1 M)**	April 30	By Red Ink Product as per contra (5,000 x 41)	June 10	-	41	2,05,000	}(1 M)
April 30	To Red Ink Product (Rs. 6,000 x 15) as per contra	May 15		15	90,000 **(1 M)**	April 30	By Red Ink Product as per contra (15,000 x 10)	May 10	-	10	1,50,000	}(1 M)
April 30	To Balance of product				4,17,500 **(1 M)**	April 30	By Red Ink Product as per contra (1,000 x 15	May 15	-	-	15,000	}(1 M)
						April 30	By Interest A/c 4,17,500 x $\frac{10}{100} \times \frac{1}{365}$		114.38 **(1 M)**			
						April 30	By Balance c/d		2,385.62	}(1 M)		
			26,000		6,70,000				26,000		6,70,000	

Answer:

(b) JOURNAL ENTRIES

Date	Particulars.	L.F	DR.	CR.(RS.)
2018 April 1	Revaluation A/c Dr. To Stock A/c **(1/2 M)** To Provision for doubtful debts A/c To outstanding legal charges A/c (Decrease in the value of assets and increase in liabilities)		1,400	 480 150 770

	Land and Building A/c Dr. To Revaluation A/c **(1/2 M)** (Increase in the value of assets)		5,000	5,000
	Revaluation A/c Dr. To A's Capital A/c To B's Capital A/c **(1/2 M)** To C's Capital A/c (Profit on revaluation transferred to partner's capital A/c)		3,600	1,600 1,200 800
	Investments Fluctuation Reserve A/c Dr. To Investment A/c To A's Capital A/c **(1/2 M)** To B's Capital A/c To C's Capital A/c (Decrease in the value of investments met out of Investments Fluctuation Reserve		7,500	3,000 2,000 1,500 1,000
	A's Capital A/c Dr. C's Capital A/c **(1/2 M)** Dr. To B's Capital A/c B's share of goodwill adjusted to the accounts of continuing partners in their gaining ratio 13:11)		1,950 1,650	3,600
	B's Capital A/c Dr. To B's Loan A/c **(1/2 M)** (The transfer of B's Capital A/c to B's Loan A/c)		19,800	19,800
	A's Capital A/c(2) Dr. To Bank A/c **(1/2 M)** (The amount returned to A, to bring his capital to profit sharing ratio)		2,150	2,150
	Bank A/c (3) **(1/2 M)** Dr. To C's Capital A/c (The amount brought in by C to raise his capital to profit sharing ratio)		1,350	1,350

Dr. **CAPITAL ACCOUNTS** CR.

Particulars	A	B	C	Particulars	A	B	C	
To B's Capital A/c **(1/2 M)** (Goodwill)	1950	-	1,650	By Balance b/d	18,000	13,500	9,000	
To B's Loan A/c	-	19,800	**(1/2 M)**	By Revaluation A/c	1,600	1,200	800	
To Balance c/d	19,650	-	9,150	By Investments Fluctuation Reserve	2,000	1,500	1,000	**(1/2 M)**
				By A's Capital A/c (goodwill)	-	1,950	-	
				By C's Capital A/c (Good wil)	**(1/2 M)** -	1,650	-	
	21,600	19,800	10,800		21,600	19,800	10,800	
To Bank A/c (Bal. fig.)	2,150	**(1/2 M)**	-	By Balance b/d	19,650	-	9,150	
				By Bank A/c	-	-	1,350	**(1/2 M)**
To Balance c/d	17,500	**(1/2 M)**	10,500	(Bal. Fig.)				
	19,650	-	10,500		19,650	-	10,500	

BALANCE SHEET (After B's Retirement)
as at 1st April, 2018

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		6,900	Cash at Bank[4]		4,700 **(1/2 M)**
Outstanding legal charges		770	Sundry Debtors	5,000	
B's Loan	**(1/2 M)**	19,800	Less: Provision	250	4,750
Capital Accounts			Stock		7,520
A	17,500		Investments		8,500
C	10,500	28,000	Land and Building		30,000
		55,470			55,470

Working Notes:

(1) Calculation of Gaining Ratio on B's retirement:

Gaining Ratio = New Ratio - Old Ratio

A Gains $= \frac{5}{8} - \frac{4}{9} = \frac{45-32}{72} = \frac{13}{72}$

C Gains$= \frac{3}{8} - \frac{2}{9} = \frac{27-16}{72} = \frac{11}{72}$

Hence, Gaining Ratio between A and C$= \frac{13}{72} : \frac{11}{72}$ or $13:11$ **(1/2 M)**

(2) Adjustment of Capitals according to new profit sharing ratio :

Total Capital of the new firm = Rs. 28,000

Therefore, A's Capital in the new firm should be $\frac{5}{8}$th of Rs. 28,000 =Rs. 17,500 **(1/2 M)**

A's existing capital =Rs. 19,650

Hence, A will be returned =Rs. 2,150

(3) C's capital in the new firm should be $\frac{3}{8}$th of Rs 28,000 =Rs.10,500

C's existing capital=Rs. 9,150

Hence, C will bring =Rs 1,350

Calculation of Bank Balance is as follows:

Dr. **Bank Account** **Cr.**

Particulars	Rs.	Particulars	Rs.
To Balance b/d	5,500	By A's Capital A/c	2,150
To C's Capital A/c	1,350	By Balance c/d	4,700
	6,850		6,850

(1/2 M)

Answer 3:

(a)

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

Particulars		Rs.	Particulars	Rs.	
To Balance b/d	**(1/2 M)**	400	By Bank charges	200	**(1/2 M)**
To Cheque deposited but not recor.	**(1/2 M)**	2,000	By Insurance premium	500	**(1/2 M)**
To Bills Receivables	**(1/2 M)**	2,000	By Cheques dishonored	1,000	**(1/2 M)**
To Interest allowed	**(1/2 M)**	100	By Bill discounted	4,000	**(1/2 M)**
To Cheques issued returned	**(1/2 M)**	300	By Cash receipt wrongly recor.	1,000	**(1/2 M)**
To Direct Payment by Customers	**(1/2 M)**	700			
To Cash Payment wrongly recor.	**(1/2 M)**	600			
To Balance c/d	**(1/2 M)**	600			
		6,700		6,700	

BANK RECONCILIATION STATEMENT AS AT 31ST MARCH…

	Particulars	Plus Items Rs.	Minus Items Rs.	
A.	Adjusted Bank Overdraft as per Amended Cash Book		600	(1/2 M)
B.	Add: Cheques issued but not yet presented for payment (1/2 M)	2,500		
	A wrong credit given by bank in Pass Book (1/2 M)	400		
C.	Less: Cheques received and recorded in Bank column but not yet sent to Bank for collection		1,000	(1/2 M)
	Cheques deposited but not yet collected by the Bank		1,500	(1/2 M)
	A wrong debit given by Bank in Pass Book		800	(1/2 M)
		2,900	3,900	
D.	Overdraft as per Pass Book		1,000	(1/2 M)

Answer:

(b)(i) **RECTIFICATION OF ERRORS**

JOURNAL

Date	Particulars		L.F.	Dr. (Rs.)	Cr. (Rs.)
(a)	Suspense A/c (1/2 M)	Dr.		100	
	To Profit and Loss Adjustment A/c				100
	(Being Sales Book under cast, now rectified)				
(b)	Profit and Loss Adjustment A/c (1/2 M)	Dr.		200	
	To Suspense A/c				200
	(Being wrong carrying forward, now rectified)				
(c)	Suspense A/c (1/2 M)	Dr.		3,600	
	To X				3,600
	(Being wrong posting to X, now rectified)				
(d)	Profit and Loss Adjustment A/c (1/2 M)	Dr.		3,600	
	To X				3,600
	(Being wrong recording, now rectified)				
(e)	Furniture A/c (1/2 M)	Dr.		10,000	
	To Profit and Loss Adjustment A/c				10,000
	(Being wrong recording, now rectified)				
(f)	Ys A/c (1/2 M)	Dr.		1,000	
	To Furniture A/c				1,000
	(Being wrong recording, now rectified)				
(g)	Profit & Loss Adjustment A/c (1/2 M)	Dr.		6,300	
	To Capital A/c				6,300
	(Being the transfer of Balance of P & L Adjustment A/c)				

Dr. **(ii)** **SUSPENSE ACCOUNT** Cr.

Particulars	Rs.	Particulars	Rs.	
To Profit & Loss Adjustment A/c (1/2 M)	100	By Balance b/d	3,500	(1/2 M)
To X's A/c (1/2 M)	3,600	By Profit & Loss Adjustment A/c	200	(1/2 M)
	3,700		3,700	

(iii) EFFECT OF RECTIFICATION OF ERRORS ON LAST YEAR PROFITS

Rectifying Entry	Decrease in Profit Rs.	Increase in Profit Rs.	
(a)	---	100	**(1/2 M)**
(b)	200	**(1/2 M)** --	
(c)	No effect	No effect	**(1/2 M)**
(d)	3,600	**(1/2 M)**	
(e)	---	10,000	**(1/2 M)**
(f)	No effect	**(1/2 M)** No effect	
	3,800	**(1/2 M)** 10,100	**(1/2 M)**

Net Increase in Profit = Rs. 10,100 - Rs. 3,800 = Rs. 6,300. **(1/2 M)**

Answer 4:

(a) **In the books of Mr. X**

Consignment A/c

To Goods sent on consignment (WN 1)	1,75,000	By Good sent on consignment a/c (WN 2)	35,000
To Cash A/c	20,000	By Abnormal Loss a/c (WN 3)	16,000
To Y's a/c		By Y's a/c (Sales)	1,50,000
Selling Exps. 5,000		By Unsold Stock a/c (WN 4)	39,000
Commission (WN 6) 17,750	22,750		
To Stock Reserve a/c (WN 5)	7,000		
To Profit and Loss a/c (B/F)	15,250	**}{1 M}**	
	2,40,000		2,40,000

Abnormal Loss A/c

To Consignment a/c	16,000	By Profit and Loss a/c	16,000	**{1 M}**
	16,000		16,000	

Mr. Y's A/c

To Consignment a/c (Sales)	1,50,000	By Consignment a/c		
		Exps. 5,000		
		Commission 17,750	22,750	
		By Bank a/c (B/F)	1,27,250	**}{1 M}**
	1,50,000		1,50,000	

Working Notes:

(1) Calculation of invoice price of goods sent on consignment
IP of good lost in transit being 10% of total consignment = 17,500

So, total IP of total consignment = $\frac{17,500}{10} \times 100$ = 1,75,000 **}{1 M}**

(2) Calculation of loading price on goods sent on consignment
If IP is 125% of cost then the cost of goods sent on consignment

$\frac{1,75,000}{125} \times 100$ = 1,40,000

Loading price = 1,75,000 – 1,40,000 = 35,000 **}{1 M}**

(3) Calculation of Abnormal loss

Cost of Ab. loss = $\frac{17,500}{125} \times 100$ = 14,000

Add: 10% of consigner Exps. = 10% of 20,000 = 2,000

16,000 }{1 M}

(4) Calculation of Unsold Stock at I.P. (20% of total consignment)

20% of 1,75,000 = 35,000

Add: (20,000 x 20%) = 4,000

39,000 }{1 M}

(5) Calculation of Stock Reserve :

Total loading = 35,000

On unsold stock = 35,000 x 20% = 7,000 }{1 M}

(6) Calculation of commission

Oc is 10% on sale at IP, so IP of goods sold will be

= 1,75,000 x 70% = 1,22,500

OC = 10% of 1,22,500 = 12,250 }{1 M}

and

ORC = 20% on excess sale above IP

excess sale = Actual sale – IP sale

= 1,50,000 – 1,22,500 = 27,500

ORC = 20% of 27,500 = 5,500 }{1 M}

Total Commission = 12,250 + 5,500 = 17,750

Answer:

(b)

Dr. MACHINERY ACCOUNT Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
2005			2005		
April 1	To Balance b/d	5,00,000	Oct. 1	By Machinery Disposal A/c	1,00,000
			2006		
			March 31	By Balance c/d	4,00,000 }(1 M)
		5,00,000			5,00,000
2006					
April 1	To Balance b/d	4,00,000			

Dr. PROVISION FOR DEPRECIATION ACCOUNT Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
2005			2005		
Oct. 1	To Machinery Disposal A/c (WN 1)	42,400 (1 M)	April 1	By Balance b/d	1,16,000
			Oct. 1	By Depreciation A/c (WN 1)	6,400 }(1 M)
2006			2006		
March 31	To Balance c/d	1,44,000 (1 M)	March 31	By Depreciation A/c (WN 2)	64,000 }(1 M)
		1,86,400			1,86,400
			2006		
			April 1	By Balance b/d	1,44,000

Dr. **MACHINERY DISPOSAL ACCOUNT** Cr.

Date	Particulars	Rs.	Date	Particulars	Rs.
2005			2005		
Oct. 1	To Machinery A/c	1,00,000	Oct. 1	By Provision for Depreciation A/c	42,400
Oct. 1	To Gain (profit) on Sale (Bal. Fig.) (Profit and Loss A/c)	2,400 **(1 M)**	Oct. 1	By Bank A/c – Sale	60,000 }(1 M)
		1,02,400			1,02,400

Working Notes :

1. Depreciation provided on Machinery sold till 1st October, 2005: Rs.
   For 2003-04 (Rs. 1,00,000 x 20/100) 20,000
   For 2004-05 (Rs. 1,00,000 – Rs. 20,000) x 20/100 16,000
   For 2005-06 (Rs. 1,00,000 – Rs. 20,000 – Rs. 16,000) x 20/100 x 6/12 6,400 }(1 M)
   Total Depreciation provided on Machinery sold 42,400}(1 M)
2. Calculation of Depreciation provided for 2005-06: Rs.
   Balance of Provision for Depreciation on 1st April, 2005 1,16,000
   Add: Depreciation provided on Machinery sold 6,400
   1,22,400
   Less: Accumulated Depreciation on Machinery sold (WN 1) 42,400
   Accumulated Depreciation on the remaining Machinery 80,000
   Cost of Remaining Machinery (Rs. 5,00,000 – Rs. 1,00,000) 4,00,000
   Less: Accumulated Depreciation on remaining Machinery (As above) 80,000
   3,20,000

   Depreciation provided during 2005-06 = Rs. 3,20,000 x 20/100 = Rs. 64,000.}(1 M)

Answer 5:

Trading and Profit & Loss Account
(For the year ended 31 st March, 2004)

Particulars		Amount (Rs.)	Particulars		Amount (Rs.)
To Opening Stock		5,00,000	By Sales.	41,50,000	
To Purchases	31,00,000		**Less: Return**	(1/2 M){ 55,000	
Less: Returns	(1/2 M){ 45,000			40,95,000	
	30,55,000		Less: Goods sent on approval	(1/2 M){ 1,50,000	39,45,000 }(1/2 M)
Less: Furniture	(1/2 M){ 1,00,000		**By goods sent on Approval**		1,00,000 }(1/2 M)
	29,55,000	(1/2 M)			
Less: Drawings	(1/2 M){ 50,000	29,05,000	By Closing Stock		1,45,000 }(1/2 M)
To Carnage Inward		10,000			
To Wages		50,000			
To Gross Profit c/d	(1 M){	7,25,000			
		41,90,000			41,90,000
To Salaries		95,000	By Gross Profit b/d		7,25,000
To Rates & Taxes	(1/2 M){	50,000	By Discount received		75,000
To Postage & Telegram	(1/2 M){	1,05,000	By net Loss transferred to Capital A/c		5,02,300 }(1 M)
To Insurance	(1/2 M){	90,000			
To Printing & Stationery	(1/2 M){	95,500			

To Advertisement	(1/2 M){	1,70,000		
To Discount allowed	(1/2 M){	50,000		
To General Expenses	(1/2 M){	65,700		
To Carriage Outward	(1/2 M){	22,000		
To Bad debts	(1/2 M){	50,000		
To Provision for Doubtful Debts	(1/2 M){	40,000		
To salesman Commission	78,000			
Add: Outstanding (1/2 M){	**3,16,500**	3,94,500		
To Depreciation on:				
Furniture (1/2 M){	65,000			
Motor car (1/2 M){	9,600	74,600		
		13,02,300		13,02,300

Balance Sheet of Mr. Neel
(As on 31st March, 2004)

Liabilities		Amount	Assets		Amount
Capital	22,59,200		Furniture	5,50,000	
Less: Drawings	45,000 }(1/2 M)		**Add: Purchased**	1,00,000 }(1/2 M)	
Less: Goods With-drawn	50,000 }(1/2 M)			6,50,000	
			Less: Dep.	65,000	5,85,000 }(1/2 M)
			Motor: Car.	48,000	
	21,64,200	(1/2 M)	Less: Dep.	9,600	38,400 }(1/2 M)
Less: Net Loss	5,02,300	16,61,900	Stock in hand		1,45,000
Sundry Creditors	(1/2 M){	4,00,000	Goods sent on Approval		1,00,000 }(1/2 M)
Outstanding Salesman's Commission	(1/2 M){	3,16,500	Sundry Debtors	10,00,000	
			Less: **Goods sent on Approval**	1,50,000 }(1/2 M)	
				8,50,000	
			Less: Bad Debts	50,000 }(1/2 M)	
				8,00,000	
			Less: Provision for Doubtful Debts	(1/2 M){ 40,000	7,60,000
			Cash in Hand		2,50,000 }(1/2 M)
			Cash in Bank		5,00,000 }(1/2 M)
		23,78,400			23,78,400

ANSWER 6:

(a) BALANCE SHEET (as at 1st April, 2016)

Liabilities	Rs.	Assets	Rs.
Capital Fund (Balancing Figure)	(1 M){ 64,900	Cash in hand	4,400

		Outstanding Subscription	
		(Rs. 1500+1,000)	2,500 }(1/2 M)
		Furniture	40,000
		9% Investments	
		(Face Value Rs. 20,000)	18,000
	64,900		64,900

INCOME AND EXPENDITURE ACCOUNT

Dr. **for the year ending 31 st March, 2017** Cr.

Expenditure		Rs.	Income		Rs.
To Salaries	44,000		By Subscriptions	96,000	
Add:	4,000	(1/2 M){48,000	Add: Outstanding		
To Drama Expenses		18,400	for the year 2016-2017(1)	4,000	1,00,000 }(1/2 M)
To Newspapers		2,500	By Entrance		8,000
To Municipal Taxes		3,600	By Sale of Drama Tickets		24,000
To Refreshments		32,200	By Sale of waste paper		150
To Lighting and Heating		6,000	By Interest on Investments	1,350	
To Medicines Consumed:			Add: Accrued Interest	450	1,800 }(1/2 M)
Purchases during the			(See Note3)		
Year	4,000				
Less: Closing Stock	1,000	3,000	}(1/2 M)		
To Depreciation on Furniture:					
On Rs. 40,000 for one year	4,000				
on Rs. 10,000 for 3 months (1/2 M){	250	4,250			
To Excess of Income over Expenditure		16,000	}(1 M)		
		1,33,950			1,33,950

Liabilities		Rs.	Assets		Rs.
Outstanding Salary	(1/2 M){	4,000	Cash in Hand		19,200
Subscription received in advance	(1/2 M){	500	Outstanding Subscriptions		
Sports Fund	15,000		(Rs. 4,000 + Rs. 1,000(2)		5,000 }(1/2 M)
Less: Sports Expenses (1/2 M)	11,000	(1/2 M){ 4,000	Accrued Interest		450
			Stock of Medicines		1,000 }(1/2 M)
Capital Fund	64,900		investment		
Add : Excess of Income			(Face value Rs. 20,000)		18,000
Over expenditure	16,000	80,900	Furniture	50,000	
		(1/2 M)	Less: Depreciation	4,250	45,750 }(1/2 M)
		89,400			89,400

Notes:

(1) Total members are 200, each paying an annual subscription of Rs 500.
Hence, total subscriptions receivable during the year 2016-2017:
200 x Rs. 500= 1,00,000
Less: Amount received during the year 2016-2017 96,000
Outstanding Subscriptions for the year 2016-2017 4,000 **}(1/2 M)**

(2) The outstanding subscription for 2015-2016 Rs. 1,000 is still in arrear at the end of 2016-2017 also. Hence, it will be shown on the assets side of the both year's Balance Sheets.

(3) Interest is always calculated on the face value of Investments. Hence, Interest @9% on Rs 20,000= Rs. 1,800 Out of this amount Rs. 1,350 has been received and the remaining Rs. 450 is accrued. **(1/2 M)**

Answer:
(b)

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.	
	Bank A/c Dr.	**(1/2 M){**	2,40,000		
	To Equity Share Application A/c			2,40,000	
	(Application money received on 60,000 shares @Rs. 4 per share)				
	Equity Share Application A/c Dr.		2,40,000		
	To Equity Share Capital A/c			1,60,000	
	To Equity Share Allotment A/c			32,000	**}(1/2 M)**
	To Bank A/c			48,000	**}(1/2 M)**
	(Application money transferred to Share Capital A/c for 40,000 shares; to Allotment A/c for 8,000 shares and amount returned on 12,000 shares @ Rs. 4 per share)				
	Equity Share Allotment A/c Dr.	**(1/2 M){**	2,00,000		
	To Equity Share Capital A/c			1,20,000	
	To Securities Premium Reserve A/c			80,000	
	(Allotment due on 40,000 shares @Rs.5 per share)				
	Bank A/c (1) Dr.	**(1/2 M){**	1,61,700		
	To Equity Share Allotment A/c			1,61,700	
	(Allotment money received except on 1,600 shares of Manoj)				
	Equity Share First and Final call A/c Dr.	**(1/2 M){**	1,20,000		
	To Equity Share Capital A/c			1,20,000	
	(Final call due on 40,000 shares @ Rs3 per share)				
	Bank A/c Dr.	**(1/2 M){**	1,09,500		
	To Equity Share First and Final Call A/c			1,09,500	
	(Final call received except on 3,500 shares @ Rs.per share)				
	Equity Share Capital A/c Dr.	**(1/2 M){**	35,000		
	Securities Premium Reserve A/c(2) Dr.	**(1/2 M){**	3,000		
	To Equity Share Allotment A/c			6,300	**}(1/2 M)**
	To Equity Share First and Final Call A/c			10,500	**}(1/2 M)**
	to Share Forfeiture A/c			21,200	**}(1/2 M)**
	(The Forfeiture of 3,500 shares)				

	Bank A/c Dr. Share Forfeiture A/c To Equity Share Capital A/c (The re-issue of 3,500 shares at Rs.8 per share)	(1/2 M){	28,000 7,000	 35,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (The balance of share Forfeiture A/c transferred to Capital Reserve A/c)	(1/2 M){	14,200	 14,200

(A) Excess amount received from Manoj on application:
Manoj has been allotted 1,500 shares. He must have applied for more shares.
If shares allotted were 40,000, shares
application for were =48,000
∴ If shares allotted were 1,500
applied for were $\frac{48,000}{40,000} \times 1,500 = 1,800$ shares. }(1/2 M)
Excess application money received from Manoj =1,800 shares.-1,500 share
=300 shares x Rs. 4= Rs. 1,200 }(1/2 M)

(B) Amount due from Manoj on allotment:
1,500 shares x Rs. 5 = Rs. 7,500
Less : Excess received from Manoj on application=1,200 }(1/2 M)
Net amount due from Manoj on allotment,
Which has not been received=Rs. 6,300 }(1/2 M)

(C) Total amount due on allotment 40,000 shares x 5 = 2,00,000
Less: Excess amount received on applications = 32,000
Balance due = 1,68,000
Less: Amount not received from Manoj on allotment = 6300
Net amount received on allotment in cash= 1,61,700 }(1/2 M)

(D) Premium is due with allotment and only Manoj has not paid the amount of allotment therefore, Securities Premium Reserve account has been debited from the amount of premium due from
Manoj= 1,500 shares x Rs. 2 = Rs. 3,000 }(1/2 M)

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