

PRINCIPLES AND PRACTICE OF ACCOUNTING

(JANUARY 2021)

Question 1:

- (a) State with reasons, whether the following statements are True or False :
- (i) Re-issue of forfeited shares is allotment of shares but not a sale.
 - (ii) Subsidy received from the government for working capital by a manufacturing concern is a revenue receipt.
 - (iii) The Sale Book is kept to record both the cash and credit sales.
 - (iv) There are two ways of preparing an account current.
 - (v) Consignee will not pass any journal entry in his books at time of receiving of goods from Consignor.
 - (vi) Accounting Standards for non-corporate entities in India are issued by the Central Government.
- (b) Define the following terms :
- (i) Capital Commitment
 - (ii) Expired Cost
 - (iii) Floating Charge
 - (iv) Obsolescence

- (c) Prepare a Bank Reconciliation Statement from the following particulars as on 31st December, 2020 :

Particulars	Rs.
Bank Balance as per Cash Book (Debit)	1,98,000
Bank Charges debited by the bank not recorded in Cash Book	34,000
Received from debtors vide RTGS on 31 st December, 2020 not recorded in Cash Book	1,00,000
Cheque issued but not presented for payment	45,000
Cheque deposited but not cleared	25,000
Cheque received and deposited but dishonoured. Entry for dishonour not made in the Cash Book	5,000
Instruction for payment given to the bank on 31 st December, 2020 but the same effected by the Bank on 01 st January, 2021	4,000

Answer 1:

- (a) (i) **False :**
Reissue of forfeited share is not allotment of share but only a sale.
- (ii) **True :**
Subsidy received from govt. by manufacturing concern is a revenue receipt because it is not for purchase of capital asset.
- (iii) **False :**
Sales book is only record credit transaction of goods.
- (iv) **False :**
There are three methods of preparing account current:
 (i) With the help of Int. Table
 (ii) By means of product
 (iii) By means of product of balances.

(v) **True :**
Consignee is an agent & on receiving goods from consignor he doesnot become owner of goods.

(vi) **False :**
Accounting standards for non-corporate entities in India are issued by ICAI.

(b) (i) Capital Commitment

Future liability for capital expenditure in respect of which contracts have been made.

(ii) Expired Cost

That portion of an expenditure from which no further benefit is expected. Also termed as expense.

(iii) Floating Charge

A general charge on some or all assets of an enterprise which are not attached to specific assets and are given as security against a debt.

(iv) Obsolescence

Diminution in the value of an asset by reason of its becoming out-of date or less useful due to technological changes, improvement in production methods, change in market demand for the product or service output of the asset, or legal or other restrictions.

(c) Bank Reconciliation Statement as on 31st Dec. 2020

	Particulars		Plus	Minus
	Balance as per Cash Book	Dr.	1,98,000	
1.	Bank charges not recorded in cash book			34,000
2.	Received from debtors not recorded in cash book		1,00,000	
3.	Cheque issued but not presented for pyament		45,000	
4.	Cheque deposited but not cleared			25,000
5.	Cheque deposited but dishonoured			5,000
6.	Instruction for payment given to bank as 31 st Dec, 20 but paid by bank as 1 st Jan, 21		4,000	
			3,47,000	64,000
	Balance as per Pass Book	Cr.	2,83,000	

Question 2:

(a) Mr. Joshi's trial balance as on 31st March, 2020 did not agree. The difference was put to a Suspense Account. During the next trading period, the following errors were discovered :

(i) The total of the Purchases Book of one page, Rs. 5,615 was carried forward to the next page as Rs. 6,551.

(ii) A sale of Rs. 281 was entered in the Sales Book as Rs. 821 and posted to the credit of the customer.

(iii) A return to creditor, Rs. 295 was entered in the Returns Inward Book: however, the creditor's account was correctly posted.

(iv) Cash received from Senu, Rs. 895 was posted to debit of Sethu.

(v) Goods worth Rs. 1,400 were dispatched to a customer before the close of the year but no invoice was made out.

(vi) Goods worth Rs. 1,600 were sent on sale or return basis to a customer and entered in the Sales Book at the close of the year, the customer still had the option to return the goods. The gross profit margin was 20% on Sale.

(vii) Rs. 600 due from Mr. Q was omitted to be taken to the trial balance.

(viii) Sale of goods to Mr. R for Rs. 3,000 was omitted to be recorded.

You are required to give journal entries to rectify the errors in a way so as to show the current year's profit or loss correctly.

- (b) M/s. Dayal Transport Company purchased 10 trucks @ Rs. 50,00,000 each on 1st July 2017. On 1st October, 2019, one of the trucks is involved in an accident and is completely destroyed and Rs. 35,00,000 is received from the insurance in full settlement. On the same date, another truck is purchased by the company for the sum of Rs. 60,00,000. The company writes off 20% of the original cost per annum. The company observes the calendar year as its financial year. Give the motor truck account for two years ending 31st December, 2020.

Answer 2:

(a)

Journal Entries

1.	Suspense a/c	Dr.	936	
	To P/L Adjustment			936
2.	P/L Adjustment a/c	Dr.	540	
	Customer a/c	Dr.	1,102	
	To Suspense a/c			1,642
3.	Suspense a/c	Dr.	590	
	To P/L Adjustment a/c			590
4.	Suspense a/c	Dr.	1,790	
	To Senu			895
	To Sethu			895
5.	Customer a/c	Dr.	1,400	
	To P/L Adjustment			1,400
6.	P/L, Adjustment a/c	Dr.	320	
	Inventory with customer a/c		1,280	
	To Customer a/c			1,600
7.	Trade Receivable a/c	Dr.	600	
	To Suspense a/c			600
8.	R' a/c	Dr.	3,000	
	To P/L Adjustment a/c			3,000
9.	P/L Adjustment a/c	Dr.	5,066	
	To Capital a/c			5,066

P/L Adjustment A/c

To Suspense a/c	540	By Suspense a/c	936
To Customer a/c	320	By Suspense a/c	590
To Capital a/c (B/F)	5,066	By Customer a/c	1,400
		By R's a/c	3,000
	5,926		5,926

(b)

**In the Books of M/s. Dayal Transport Co.
Motor Truck A/c**

Date	Particulars	Amount	Date	Particulars	Amount
1.1.19	To Balance b/d		1.10.19	By Depreciation a/c T ₁ - 50,00,000 x 20 x 9/12	7,50,000
	T ₁ 35,00,000				
	T ₂ 3,15,00,000	3,50,00,000			
1.10.19	To P/L a/c	7,50,000		By Bank (Insurance Claim)	35,00,000

1.10.19	To Bank a/c (T ₃)	60,00,000		31.12.19	By Depreciation a/c	
					T ₂	90,00,000
					T ₃	3,00,000
						93,00,000
				31.12.19	By Balance c/d	
					T ₂	2,25,00,000
					T ₃	57,00,000
						2,82,00,000
		41,75,00,000				41,75,00,000
1.1.20	To Balance b/d			31.12.20	By Depreciation a/c	
	T ₂	2,25,00,000			T ₂	90,00,000
	T ₃	57,00,000	2,82,00,000		T ₃	12,00,000
						1,02,00,000
				31.12.20	By Balance c/d	
					T ₂	1,35,00,000
					T ₃	45,00,000
						1,80,00,000
		2,82,00,000				2,82,00,000
1.1.21	To Bal. b/d					
	T ₂	1,35,00,000				
	T ₃	45,00,000	1,80,00,000			

Working Note:

Calculation of WDV of Motor Truck as 1.1.2019.

	T ₁ (One Truck)	T ₂ (Nine Truck)
Cost as on 1.7.2017	50,00,000	4,50,00,000
(-) Dep. (31.12.2017) @ 20%	(5,00,000)	(45,00,000)
W.D.V. (1.1.2018)	45,00,000	4,05,00,000
(-) Dep. (31.12.2018) @ 20%	(10,00,000)	(90,00,000)
WDV (1.1.2019)	35,00,000	3,15,00,000

Question 3:

- (a) A Products Limited of Kolkata has given the following particulars regarding tea sent on consignment to C Stores of Mumbai :

	Cost Price	Selling price	Qty consigned
5 Kg. Tin	Rs. 100 each	Rs. 150 each	1,000 Tins
10 Kg. Tin	Rs. 180 each	Rs. 250 each	1,000 Tins

- (i) The consignment was booked on freight "To Pay" basis. The freight was charged 5% of selling value.
- (ii) C Stores sold 500. 5 kg Tins and 800, 10 kg Tins. It paid insurance of Rs. 10,000 and storage charges of Rs. 20,000.
- (iii) C Stores is entitled to a fixed commission @ 10% on Sales.
- (iv) During transit 50 quantity of 5 kg Tin and 20 quantity of 10 kg Tin got damaged and the transporter paid Rs. 5,000 as damage charge.

Prepare the Consignment Account in the books of A Products Limited.

- (b) From the following particulars prepare an account current, as sent by Mr. Amit to Mr. Piyush as on 31" December, 2020 by means of product method charging interest @ 8% p.a.

Date	Particulars	Rs.
01-09-2020	Balance due from Piyush	900
15-10-2020	Sold goods to Piyush	1,450
20-10-2020	Goods returned by Piyush	250
22-11-2020	Piyush paid by Cheque	1,200
15-12-2020	Received cash from Piyush	600

- (c) Attempt any ONE of the following two sub-parts i.e. either (i) or (ii)
- (i) From the following information show the journal entries in the books of ABC Limited for the year ended 31st March, 2020:
- (1) 100 units of goods costing Rs. 500 each sent to XYZ Limited on Sales or Return Basis @ Rs. 750 per unit. This transaction was however treated as actual sales in the books of accounts.
 - (2) Out of the above 100 units, only 60 units were accepted by XYZ Limited during the year @ Rs. 700 per unit. No information was received about acceptability of balance units by the year end.

OR

- (ii) Mahesh had the following bill receivables and bills payables against Rajesh. Calculate the average due date, when the payment can be received or made without any loss of interest.

Date	Bills Receivable	Tenure	Date	Bills Payable	Tenure
12-06-20	5,000	3 months	27-05-20	3,700	3 months
10-07-20	6,200	1 month	07-06-20	4,000	3 months
15-07-20	3,500	3 months	10-07-20	5,000	1 month
12-06-20	1,500	2 months			
28-06-20	2,500	2 months			

15th August, 2020 was Public holiday. However, 10th September, 2020 was also suddenly declared as holiday.

Answer 3:

(a)

**In the Books of A Product Ltd.
Consignment A/c**

Particulars		Amount	Particulars		Amount
To Goods sent on consign			By C Store (Sale)		
5 kg Tin – 1000 Tin @ 100 each			5 Kg Tin – 500 Tin @ 150 each		75,000
10 Kg Tin – 1000 Tin @ 180 each		2,80,000	10 Kg Tin – 800 Tin @ 250 each		2,00,000
To C Store					
Freight (Note-1)	20,000		By Abnormal Loss (Note-2)		4,225
Insurance	10,000		By Bank (Damages)		5,000
Storage	20,000		By Consignment Stock (Note-3)		83,025
Commission (10% of 2,75,000)	27,500	77,500			
To P/L A/c		9,750			
		3,67,250			3,67,250

Working Note –

(1) **Calculation of Freight**

Sale Price of Goods Sent

5 Kg. tin	1,000 x 150	=	1,50,000
10 Kg. tin	1,000 x 250	=	<u>2,50,000</u>
			<u>4,00,000</u>

Freight

5 Kg tin =	1,50,000 x 5%	=	7,500
10 Kg tin =	2,50,000 x 5%	=	<u>12,500</u>
			<u>20,000</u>

(2) **Calculation of Abnormal Loss**

Cost of 5 Kg. tin (50 tin @ 100)		=	5,000
10 Kg. tin (20 tin @ 180)		=	<u>3,600</u>
			8,600

(+) Freight		
5 Kg. tin	$\frac{7,500}{1,000} \times 5\%$	375
10 Kg. tin	$\frac{12,500}{1,000} \times 2\%$	<u>250</u>
		9,225
(-) Claim		<u>5,000</u>
Abnormal Loss		<u>4,225</u>

(3) Calculation of Consignment Stock In Quantity

	5 Kg. Tin	10 Kg. Tin
Goods Sent	1,000	1,000
(-) Sale	(500)	(800)
(-) Loss	<u>(50)</u>	<u>(20)</u>
Unsold Unit	<u>450</u>	<u>180</u>

In Amount

Cost of 5 Kg. Tin (450 x 100)	=	45,000
10 Kg. Tin (180 x 180)	=	32,400

(+) Freight

5 Kg. Tin	$\frac{7,500}{1,000} \times 450$	3,375
10 Kg. Tin	$\frac{12,500}{1,000} \times 180$	<u>2,250</u>
Consignment Stock		<u>83,025</u>

**(b) In the Books of Mr. Amit
Mr. Piyush in Account Current with Mr. Amit
(Interest to 31 Dec. 2020 @ 8% p.a.)**

Date 2020	Particulars	Due Date	Amt. (Rs.)	Days	Product	Date 2020	Particulars	Due Date	Amt. (Rs.)	Days	Product (Rs.)
1-Sept	To Bal. b/d	01.09.20	900	122	1,09,800	20-Oct	By Sales Return	20.10.20	250	72	18,000
15-Oct	To Sales	15.10.20	1,450	77	1,11,650	22-Nov	By Bank	22.11.20	1,200	39	46,800
31-Dec	To Interest (1,47,050 x $\frac{8}{100} \times \frac{1}{365}$)		32.23			15-Dec	By Cash	15.12.20	600	16	9,600
						31-Dec	By Balance of Product				1,47,050
						31-Dec	By Balance c/d		332.23		
			2,382.23		2,21,450				2,382.23		2,21,450

**(c) (i) In the Books of ABC Ltd.
Journal Entry**

Date	Particulars	L.F.	Dr. (Rs.)	Cr. (Rs.)
1	Trade Receivable a/c	Dr.	75,000	
	To Sales			75,000
	(Being goods sold on approval or return basis)			
2	a. Sales a/c 60 x 50	Dr.	3,000	
	To Trade Receivable			3,000
	(Being Sales Approvaled at lower value)			

	b.	Sales a/c 40 unit x 750	Dr.	30,000	
		To Trade Receivable			30,000
		(Being Sales pending approval cancelled)			
	c.	Inventory with customer a/c (40 x 500)	Dr.	20,000	
		To Trading a/c			20,000
		(Being unapproval goods included in Stock)			

(c) (ii) Calculation of Aug. Due Date Bills Receivable

Date	Due Date	Amount	Days	Product
12.06.20	15-Sep-20	5,000	33	1,65,000
10.07.20	13-Aug-20	6,200	0	0
15.07.20	18-Oct-20	3,500	66	2,31,000
12.06.20	14-Aug-20	1,500	1	1,500
28.06.20	31-Aug-20	2,500	18	45,000
		18,700		4,42,500

Bills Payable

Date	Due Date	Amount	Days	Product
27.05.20	30-Aug-20	3,700	17	62,900
07.06.20	11-Sep-20	4,000	29	1,16,000
10.07.20	13-Aug-20	5,000	0	0
		12,700		1,78,900

$$\begin{aligned}
 \text{Avg. Due Date} &= \text{Base Date} + \frac{\text{Diff. in Product}}{\text{Diff. in Amt.}} \\
 &= 13\text{-Aug-2020} + \frac{4,42,500 - 1,78,900}{18,700 - 12,700} \\
 &= 13\text{-Aug-2020} + \frac{2,63,600}{6,000} \\
 &= 13\text{-Aug-2020} + 44 \text{ days} \\
 \text{Avg. Due Date} &= 26\text{-Sept-2020}
 \end{aligned}$$

Question 4:

(a) The partnership deed of a firm consisting of 3 partners - P, Q and R (profit sharing ratio being 2:1:1) and whose fixed capitals are Rs. 30,000, Rs. 12,000 and Rs. 8,000 respectively provides as follows:

- (i) The partners be allowed interest @ 8% p.a. on their fixed capitals, but no interest to be allowed on %Indrawn profits or charged on drawings.
- (ii) That upon the death of a partner, the goodwill of the firm be valued at 2 years purchase of the average net profit (after charging interest on capital) for the 3 years to 31st December preceding the death of a partner.
- (iii) That an insurance policy of Rs. 25,000 each was taken in individual names of each partner. The premium was charged against the profits of the firm. The surrender value of the policy was 20% of the sum assured.
- (iv) Upon the death of a partner, he is to be credited with his share of the profits, interest on capitals, etc. calculated upto 31st December following his death.
- (v) That the share of the partnership policy and goodwill be credited to a deceased partner as on 31st December following his death.

(vi) That the partnership books to be closed annually on 31st December.
 P died on 30th September, 2020. The amount standing to the credit of his current account as on 31st December, 2019 was Rs. 5,000 and from that date to the date of death he had withdrawn Rs. 30,000 from the business. An unrecorded liability of Rs. 6,000 was discovered on 30th September, 2020 and it was decided to record it and immediately pay it off.

The trading results of the firm (before charging interest on capital) had been as follows :

2017 : Profit Rs. 29,340
 20 18 : Profit Rs. 26,470
 2019 : Loss Rs. 8,320
 2020 : Profit Rs. 13,470

You are required to prepare an account showing amount due to P's legal heir as on 31st December, 2020.

Note : Impact for unrecorded liability not to be given in earlier years.

- (b) Dr. Deku started private practice on 1st April, 2019 with Rs. 2,00,000 of his own fund and Rs. 3,00,000 borrowed at an interest of 12% p.a. on the security of his life policies. His accounts for the year were kept on a cash basis and the following is his summarized cash account:

Receipts	Rs.	Payments	Rs.
Own Capital	2,00,000	Medicines Purchased	2,45,000
Loan	3,00,000	Surgical Equipment	2,50,000
Prescription Fees	6,60,000	Motor Car	3,20,000
Visiting Fees	2,50,000	Motor Car Expenses	1,20,000
Lecture Fees	24,000	Wages and Salaries	1,05,000
Pension Received	3,00,000	Rent of Clinic	60,000
		General Charges	49,000
		Household Expenses	1,80,000
		Household Furniture	25,000
		Expenses on Daughter's	2,15,000
		Marriage	
		Interest on Loan	36,000
		Balance at Bank	1,10,000
		Cash in Hand	19,000
	17,34,000		17,34,000

1/3rd of the motor car expenses may be treated as applicable to the private use of car and Rs. 30,000 of salaries are in respect of domestic servants.

The stock of medicines in hand on 31st March, 2020 was valued at Rs. 95,000. You are required to prepare his private practice income and expenditure account and capital account for the year ended 31st March, 2020. Ignore depreciation on fixed assets.

Answer 4:

(a) **Dr. P's Capital Account**

Dr.			Cr.		
Date	Particular	Rs.	Date	Particular	Rs.
30.09.20	Towrrent a/c (30,000-5,000)	25,000	1.1.20	By Balance b/d	30,000
31.12.20	To Profit and Losss Adjustment a/c (Unrecorded liability)	3,000	31.12.20	By Profit and Loss a/c	
				Interest on Capital	2,400

	To Balance transferred to P's Executor's A/c	38,465		Share of Profit	4,735
				Insurance Policy a/c	17,500
				Q & R (Goodwill)	11,830
		66,465			66,465

W.No. – 1

Share in Profit for 2020

Profit for the year	=	13,470
Less: Interest on Capital	=	<u>4,000</u>
		<u>9,470</u>

P's Share in Profit ($\frac{1}{2}$) = $9,470 \times \frac{1}{2} = 4,735$ Rs.

W.No. – 2

Profit on Separate Life Policy

P's Policy	=	25,000
Q's and R's Policy @ 20% (25,000 + 25,000 x 20%)	=	<u>10,000</u>
		<u>35,000</u>

Share of P ($35,000 \times \frac{1}{2}$) = 17,500

W.No. – 3

Valuation of Goodwill

Year	Profit before Interest on Fixed Capital	Interest	Profit after Interest
2017	29,340	4,000	25,340
2018	26,470	4,000	22,470
2019	(8,320)	4,000	(12,320)
	47,490	12,000	35,490

Average = $\frac{35,490}{3} = 11,830$

Goodwill at two year's purchase of average

Net Profits = $11,830 \times 2 = 23,660$ Rs.

Share of P in the Goodwill = $23,660 \times \frac{2}{4} = \text{Rs. } 11,830$

(b)

**Income and Expenditure Account
for the year ended 31.03.2020**

Dr.		Cr.	
Expenditure	Rs.	Incomes	Rs.
To Medicine Consume	1,50,000	By Prescription Fees	6,60,000
To Motor Car Exp.	80,000	By Visitng Fees	2,50,000
To Wages and Salary	75,000	By Lecture Fees	24,000
To Rent of Clinic	60,000		
To General Charges	49,000		
To Interest on Loan	36,000		
To Surplus	4,84,000		
	9,34,000		9,34,000

W.No. – 1

Car Expenses	=	1,20,000
(-) Car Expenses for Personal Use		
$(1,20,000 \times \frac{1}{3})$	=	<u>40,000</u>
		<u>80,000</u>

W.No. – 2

Wages and Salary	=	1,05,000
(-) Salary for Personal use in respect of Domestic Servent		
	=	<u>30,000</u>
		<u>75,000</u>

**Dr. Debu Capital A/c
for the year ended 31.03.2020**

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Drawings	4,90,000	By Balance b/d	2,00,000
To Balance c/d	4,94,000	By Income and Expenditure A/c (Surplus)	4,84,000
		By Pension	3,00,000
	<u>9,84,000</u>		<u>9,84,000</u>

W.No. – 3

Drawings

Household Expenses	=	1,80,000
Expenses on Daughter's Marriage	=	2,15,000
Personal Motor Car Expenses	=	40,000
Salary to Domestic Servant	=	30,000
House Hold Furniture		<u>25,000</u>
		<u>4,90,000</u>

W.No. – 4

Calculate Medicine Consume Purchase	=	2,45,000
(-) Closing Stock	=	<u>95,000</u>
Medicine Consume		<u>1,50,000</u>

Question 5:

- (a) From the following particulars ascertain the value of inventories as on 31st March, 2020 :

Inventory as on 1 st April, 2019	-	Rs. 3,50,000
Purchase made during the year	-	Rs. 12,00,000
Sales	-	Rs. 18,50,000
Manufacturing Expenses	-	Rs. 1,00,000
Selling and Distribution Expenses	-	Rs. 50,000
Administration Expenses	-	Rs. 80,000

At the time of valuing inventory as on 31st March, 2019, a sum of Rs. 20,000 was written off on a particular item which was originally purchased for Rs. 55,000 and was sold during the year for Rs. 50,000.

Except the above mentioned transaction, gross profit earned during the year was 20% on sales.

- (b) Mr. K is engaged in business of selling magazines. Several of his customers pay money in advance for subscribing his magazines. Information related to year ended 31st March, 2020 has been given below :
 On 1st April, 2019 he had a balance of Rs. 3,00,000 advance from customers of which Rs. 2,25,000 is related to year 2019-20 while remaining pertains to year 2020-21. During the year 2019-20 he made cash sales of Rs. 7,50,000.
 You are required to compute :
- (i) Total income for the year 2019-20.
 - (ii) Total money received during the year, if the closing balance as on 31st March, 2020 in Advance from Customers Account is Rs. 2,55,000.
- (c) From the following Income and Expenditure Account and additional information of ATK Club. prepare Receipts and Payments Accounts and Balance Sheet of the club as on 31st March, 2020.

ATK Club

Income and Expenditure Account for the year ending 31st March, 2020

Expenditure	Rs.	Income	Rs.
To Salaries	4,80,000	By Subscription	6,80,000
To Printing and Stationery	24,000	By Entrance Fees	16,000
To Postage	2,000	By Misc. Income	1,44,000
To Telephone	6,000		
To Office expenses	48,000		
To Bank Interest	22,000		
To Audit Fees	10,000		
To Annual General Meeting Exp.	1,00,000		
To Depreciation (Sports Equipment)	28,000		
To Surplus	1,20,000		
	8,40,000		8,40,000

Additional information :

Particulars	As on 31" March, 2019	As on 31" March, 2020
Subsention Outstanding	64,000	72,000
Subscription Received in advance	52,000	33,600
Salaries Outstanding	24,000	32,000
Audit Fees Payable	8,000	10,000
Bank Loan	1,20,000	1,20,000
Value of Sports Equipment	2,08,000	2,52,000
Value of Club Premises	7,60,000	7,60,000
Cash in Hand	?	1,14,000

Answer 5:

(a) **Statement Showing Calculatial of Inventory as on 31st March, 2020**

Particulars	Amount
Inventory as on 1/4/2019	3,50,000
Less: Value of abnormal inventory (55,000-20,000)	35,000
Value of normal inventory	3,15,000
Add: Purchases during the year	12,00,000
Add: Manufacturing Expenses	1,00,000
Cost of normal inventory available for sale	16,15,000
Less: Cost of goods sold of normal inventory	

Total Sales	18,50,000		
Less: Abnormal item sale	50,000	18,00,000	
Less: G.P. @ 20% on sales		3,60,000	14,40,000
Cost of Inventory as on 31/03/2020			1,75,000

(b) Computation of Income for the Year 2019-20

Cash Sales during the year	7,50,000
Add: Money received in advance in previous year related to current year	2,25,000
Total Income for the year 2019-20	9,75,000

Advance from Customer A/c

To Sales a/c	2,25,000	By Balance b/d	3,00,000
To Balance c/d	2,55,000	By Bank a/c (B/F)	1,80,000
	4,80,000		4,80,000

So, total money received during the year

Cash Sales	=	7,50,000
Add: Money received in advance	=	<u>1,80,000</u>
Total Received	=	<u>9,30,000</u>

(c) Receipts and Payment account of ATK Club for the year ended on 31st March, 2020

Receipts	Rs.	Payments	Rs.
To Balance b/d (Bal. Fig)	54,400	By Salaries (W.N. 3)	4,72,000
To Subscription (W.N. 2)	6,53,600	By Audit Fees (W.N. 3)	8,000
To Entrance Fees	16,000	By Sports Equipment	72,000
To Misc Income	1,44,000	By Printing and Stationery	24,000
		By Postage	2,000
		By Telephone	6,000
		By Office Expenses	48,000
		By Bank Interest	22,000
		By Annual General Meeting Exp	1,00,000
		By Balance c/d	1,14,000
	8,68,000		8,68,000

Balance Sheet of ATK Club as at 31.03.2020

Liabilities		Rs.	Assets		Rs.
Capital Fund (W.N. 1)	8,82,400		Sports Equipment	2,08,000	
Add: Surplus	1,20,000	10,02,400	Add: Addition	72,000	
				2,80,000	
Bank Loan	1,20,000		Less: Dep.	(28,000)	2,52,000
Outstanding Salaries	32,000		Club Premises		7,60,000
Audit Fees Payable	10,000		Subscription Outstanding		72,000
Subscription Received in Advance	33,600		Cash in Hand		1,14,000
	11,98,000				11,98,000

Working Notes:

1. Balance Sheet of ATK Club as at 31.03.2019

Liabilities		Rs.	Assets		Rs.
Capital Fund (Bal. Fig)	8,82,400		Sports Equipment	2,08,000	
Bank Loan	1,20,000		Club Premises		7,60,000
Outstanding Salaries	24,000		Subscription Outstanding		64,000

Audit Fees Payable	8,000	Cash in Hand	54,400
Subscription Received in Advance	52,000		
	10,86,400		10,86,400

2. **Subscription Account**

Particulars	Rs.	Particulars	Rs.
To Outstanding Subscription	64,000	By Subscription Received in Adv.	52,000
To Income & Expenditure	6,80,000	By Cash/Bank (R & P) (Bal. Fig)	6,53,600
To Subscription Received in Adv.	33,600	To Outstanding Subscription	72,000
	7,77,600		7,77,600

3.

Particulars	Salaries (Rs.)	Audit Fees (Rs.)
Expenses Paid (Bal. Fig)	4,72,000	8,000
+ Closing Outstanding	32,000	10,000
(-) Opening Outstanding	(24,000)	(8,000)

Question 6:

(a) A Limited is a company with an authorised share capital of Rs. 1,00,00,000 in equity shares of Rs. 10 each, of which 6,00,000 shares had been issued and fully paid up on 31st March, 2020. The company proposes to make a further issue of 1,35,000 of these Rs. 10 shares at a price of Rs. 14 each, the arrangement of payment being :

- (i) 2 per share payable on application, to be received by 31st May, 2020;
- (ii) Allotment to be made on 10th June, 2020 and a further Rs. 5 per share (including the premium to be payable);
- (iii) The final call for the balance to be made, and the money received by 31st December, 2020.

Applications were received for 5,60,000 shares and dealt with as follows;

- (1) Applicants for 10,000 shares received allotment in full;
- (2) Applicants for 50,000 shares received allotment of 1 share for every 2 applied for; no money was returned to the applicants, the surplus on application being used to reduce the amount due on allotment.
- (3) Applicants for 5,00,000 shares received an allotment of 1 share for every 5 shares applied for; the money due on allotment was retained by the company, the excess being returned to the applicants; and
- (4) The money due on final call was received on the due date.

You are required to record these transactions (including bank transactions) in the Journal Book of A Limited.

(b) Discuss the rules if there is no Partnership Agreement.

Answer 6:

(a) **Journal of A Limited**

Date	Particulars		Dr. (Rs.)	Cr. (Rs.)
31-May-2020	Bank a/c	Dr.	11,20,000	
	To Equity Share Application a/c			11,20,000
	(Being application money received on 560000 shares @ 2 Rs. per share)			
10-June-2020	Equity Share Application a/c	Dr.	11,20,000	
	To Equity Share Capital a/c			2,70,000
	To Equity Share Allotment a/c			5,50,000

	To Bank a/c			3,00,000
	(Being application money on 135000 shares transferred to equity share capital account, adjusted with allotment and refunded as per Board's Resolution No.....Dated)			
10-June-2020	Equity Share Allotment a/c	Dr.	6,75,000	
	To Equity Share Capital a/c			1,35,000
	To Securities Premium a/c			5,40,000
	(Being allotment money due on 135000 shares @ 5 Rs. each including premium @ Rs. 4 each)			
10-June-2020	Bank a/c	Dr.	1,25,000	
	To Equity Share Allotment a/c			1,25,000
	(Being balance allotment money received)			
10-June-2020	Equity Share Final Call a/c	Dr.	9,45,000	
	To Equity Share Capital A/c			9,45,000
	(Being final call money due on 135000 shares @ 7 Rs. per share)			
31-Dec-2020	Bank a/c	Dr.	9,45,000	
	To Equity Share Final Call a/c			9,45,000
	(Being final call money on 135000 shares @ Rs. 7 each received)			

Working Notes:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Alloted	Amount Received on Application	Amount Required on Application	Amount Adjusted on Allotment	Refund	Amount Due on Allotment	Amount Received on Allotment
1	2	3	4	5	6	7	8	9
1	10,000	10,000	20,000	20,000	Nil	Nil	50,000	50,000
2	50,000	25,000	1,00,000	50,000	50,000	Nil	1,25,000	75,000
3	5,00,000	1,00,000	10,00,000	2,00,000	5,00,000	3,00,000	5,00,000	Nil
Total	5,60,000	1,35,000	11,20,000	2,70,000	5,50,000	3,00,000	6,75,000	1,25,000

(b) Rules in the absence of Partnership Deed

In the absence of any agreement to the contrary;

1. No partner has the right to a salary,
2. No interest is to be allowed on capital,
3. No interest is to be charged on the drawings,
4. Interest at the rate of 6% p.a. is to be allowed on a partner's loan to the firm, and
5. Profits and losses are to be shared equally.

Note: In the absence of an agreement, the interest and salary payable to a partner will be paid only if there is profit.

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