

(GCF-14, GCF-15, GCF-16, GCF-17 & GCF-17-A, VCF-3, VDCF-3)

DATE: 06.06.2023

MAXIMUM MARKS: 100

TIMING: 3 Hours

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) **True: }{1 M}**
There are 3 different stages when the mistakes are identified and then the rectification depends on the stage of identification. }{1 M}
- (ii) **False : }{1 M}**
Bank charges should be added when we start with credit or favourable balance in pass book as bank would have debited the charges. }{1 M}
- (iii) **False: }{1 M}**
Under Perpetual Inventory System management have daily information of closing stock. }{1 M}
- (iv) **True : }{1 M}**
Depreciation being non cash expense reduces the distributable profits and hence facilitates replacement of asset when required. }{1 M}
- (v) **True: }{1 M}**
In case of the promissory note, it is generally the maker who makes the payment, but in case of the bill of exchange, the person accepting the bill shall be liable to make the payment to the holder of the bill. }{1 M}
- (vi) **False: }{1 M}**
As per the Sale of goods Act, when the goods are retained by the customer after the given time and no express intimation is given with regard to rejection- they are deemed sales. }{1 M}

Answer:

- (b) (1) (i) **Errors of Omission:** 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 an entry into the ledger. }{2 M}
- (ii) **Errors of Commission:** If an amount is posted in the wrong account or it is written on the wrong side or the totals are wrong or a wrong balance is struck, it will be a case of "errors of commission". }
- (2) **Distinction between Money measurement concept and matching concept**
As per Money Measurement concept, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money be only to be recorded in the books of accounts. Transactions and events that cannot be expressed in terms of money are not recorded in the business books. }{2 M}
- In Matching concept, all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

Answer:

(c)

Sales Book

Date	Particulars	Details	L.F.	Amount	
2020	M/s. Gupta & Verma				
	30 shirts @ Rs. 800	24,000			
	20 Trousers @ Rs. 1,000	20,000			
		44,000			
	Less : 10%	(4,400)			
	Sales as per invoice no. dated.....			39,600	{1 M}
	M/s. Jain & Sons				
	50 shirts @ Rs. 800			40,000	{1 M}
	Sales as per invoice no. dated.....				
	M/s. Mathur & Jain				
	100 shirts @ Rs. 750	75,000			
	10 overcoats @ Rs. 5,000	50,000			
		1,25,000			
	Less : 10%	(12,500)			
	Sales as per invoice no. dated.....			1,12,500	{1 M}
		Total		1,92,100	{1 M}

Note : Cash sale and sale of furniture are not entered in Sales Book.

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
		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
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
		1,68,000			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
2013			2013		
Mar. 31	To Balance c/d {1 M}	2,45,480	Mar. 31	By Depreciation A/c	99,880 ⁽²⁾
		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⁾
			May 31	By Bank A/c	30,000
			May 31	By Statement of	
				Profit & Loss	
				(Balancing figure,	
				being loss on sale)	25,680
		80,000			80,000

Working Notes :

(1) Calculation of depreciation provided on machinery sold :

	Book Value	Accumulated Depreciation
	Rs.	Rs.
Original Cost as on 1 st 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

(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
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	Dr.	400	
	To Suspense A/c			400
	(Error in carry forward of sales book, now rectified)			

(b)	Machinery A/c	Dr.		500		
	To Wages A/c				50	
	To Suspense A/c				450	{1/2 M}
	(Wages paid for installation of machinery Rs. 500 wrongly posted to wages account as Rs. 50, now rectified)					
(c)	Machinery A/c	Dr.		10,000		
	Suspense A/c	Dr.		5,000		
	To Purchases A/c				6,000	
	To R & Co.				9,000	{1 M}
	(Machinery purchased Rs. 10,000 wrongly passed through purchase book as Rs. 6,000, now rectified)					
(d)	Mohan	Dr.		10,000		
	To Sales A/c				5,000	
	To Purchase A/c				5,000	{1/2 M}
	(Credit sales wrongly recorded through purchase book)					
(e)	Sales A/c	Dr.		1,000		
	To Purchase Return A/c				1,000	{1/2 M}
	(Purchases return wrongly recorded through sales book)					
(f)	Purchases A/c	Dr.		6,000		
	Sales A/c	Dr.		6,000		
	To Suspense A/c				12,000	{1/2 M}
	(Credit purchases wrongly recorded in sales book)					
(g)	Purchases A/c	Dr.		6,000		
	Sales A/c	Dr.		2,000		
	To M & Co.				5,000	
	To Suspense A/c				3,000	{1 M}
	(Credit purchases for Rs. 6,000 wrongly recorded in sales book as Rs. 2,000, now rectified)					
(h)	Raman	Dr.		4,000		
	Raghvan	Dr.		1,000		
	To Suspense A/c				5,000	{1/2 M}
	(Sales to Raman Rs. 4,000 wrongly credited to Raghvan as Rs. 1,000, now rectified)					
(i)	Noor	Dr.		1,600		
	To Allowances A/c				1,600	{1/2 M}
	(B/R dishonoured wrongly debited to allowances account)					
(j)	Bill Payable A/c	Dr.		5,000		
	To Manu				5,000	{1/2 M}
	(Bills payable met wrongly debited to Manu)					
(k)	Sales A/c	Dr.		1,000		
	Suspense A/c	Dr.		2,000		
	To Furniture A/c				3,000	{1/2 M}
	(Furniture sold for Rs. 3,000 wrongly credited to sales account as Rs. 1,000)					

(l)	Depreciation A/c	Dr.		800		{1/2 M}
	To Furniture A/c				800	
	(Depreciation not posted, now corrected)					
(m)	Building A/c	Dr.		13,000		{1 M}
	To Purchases A/c				10,000	
	To Wages A/c				3,000	
	(Purchases and wages used for construction of building)					

Dr.			SUSPENSE ACCOUNT			Cr.		
Particulars	J.F.	Rs.	Particulars	J.F.	Rs.			
To Difference as per Trial			By Sales A/c		400			
Balance (Balancing Figure)	{1 M}	13,850	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			{1 M}
			By Sundries		3,000			
			By Raman		4,000			
			By Raghvan		1,000			
		20,850			20,850			

Answer 3:

(a)

JOURNAL

Date	Particulars	L.F.	Dr.(Rs.)	Cr.(Rs.)	
	Bank A/c	Dr.	9,00,000		
	To Share Application A/c			9,00,000	
	(Application money received on 3,00,000 shares @ 3 per share)				
	Share Application A/c	Dr.	9,00,000		
	To Share Capital A/c			6,00,000	
	To Share Allotment A/c			3,00,000	{1/2 M}
	(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.)				
	Share Allotment A/c	Dr.	8,00,000		
	To Share Capital A/c			4,00,000	{1/2 M}
	To Securities Premium Reserve A/c			4,00,000	
	(Allotment due on 2,00,000 shares @ Rs. 4 per share)				
	Bank A/c ⁽²⁾	Dr.	4,99,000		
	To Share Allotment A/c			4,99,000	{1/2 M}
	(Allotment money received except on 400 share of R)				
	Share First Call A/c	Dr.	6,00,000		
	To Share Capital A/c			6,00,000	{1/2 M}
	(First call due on 2,00,000 share at Rs. 3 per share)				
	Bank A/c	Dr.	5,97,000		
	To Share First Call A/c			5,97,000	{1/2 M}
	(First call money received, except on 400 shares of R and 600 shares of M)				
	Share Capital A/c	Dr.	3,200		
	Securities Premium Reserve A/c ⁽³⁾	Dr.	{1/2 M} 800		
	To Share Allotment A/c			1,000	
	To Share First Call A/c			1,200	
	To Share Forfeiture A/c			1,800	{1/2 M}
	(The forfeiture of 400 shares of R; Share Capital A/c debited @ Rs. 8 per share called up)				

Share Second Call A/c	Dr.	3,99,200		
To Share Capital A/c			3,99,200	{1/2 M}
(Second call money due on 1,99,660 shares at Rs. 2 per share)				
Bank A/c	Dr.	3,98,000		
To Share Second Call A/c			3,98,000	{1/2 M}
(Second call money received on 1,99,000 shares)				
Share Capital A/c ⁽⁴⁾	Dr.	6,000		
To Share First Call A/c			1,800	
To Share Second Call A/c			1,200	
To Share Forfeiture A/c			3,000	{1/2 M}
(The forfeiture of 600 shares of M)				
Bank A/c	Dr.	7,200		
Share Forfeiture A/c	Dr.	800		{1/2 M}
To Share Capital A/c			8,000	
(800 shares re-issued at Rs. 9 per share)				
Share Forfeiture A/c	Dr.	3,000		
To Capital Reserve A/c			3,000	{1/2 M}
(Profit on 800 re-issued shares transferred to Capital Reserve A/c)				

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

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

$$= 600 \text{ shares. } \{1/2 M\}$$

Excess application money received from R

$$= 600 \text{ shares} - 400 \text{ shares} = 200 \text{ shares} \times \text{Rs. } 3 = \text{Rs. } 600 \{1/2 M\}$$

(B) Amount due from R on allotment : 400 shares \times 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 \times Rs. 4 = 8,00,000

Less : Excess amount received on application = 3,00,000

(1,00,000 shares \times Rs. 3)

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 \times 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 :

$$\begin{aligned} \text{Profit on 400 shares of R} &= \text{Rs. } 1,800 \{1/2 \text{ M}\} \\ \text{Profit on 400 shares of M} &= \frac{\text{Rs. } 3,000}{600 \text{ shares}} \times 400 \text{ shares} = \text{Rs. } 2,000 \{1/2 \text{ M}\} \end{aligned}$$

$$\begin{aligned} &\text{Rs. } 3,800 \\ \text{Less : Loss on re-issued of 800 shares @ Rs. 1 each} &\text{Rs. } 800 \\ &\text{Rs. } 3,000 \{1/2 \text{ M}\} \end{aligned}$$

- (6) Profit on 600 shares of M was Rs. 3,000, out of which 400 shares have been re-issued. Therefore, the balance of profit remaining in Share Forfeiture A/c for 200 shares = $\frac{3,000}{600} \times 200 = \text{Rs. } 1,000$. 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	8,57,600	1.1.10	By Balance b/d	-	3,000	181	5,43,000
			{1/2 M}		{1/2 M}					{1/2 M}	{1/2 M}
24.3.10	To Sales a/c	24.3.10	3,500	98	3,43,000	7.1.10	By Purchases a/c	7.1.10	4,400	174	7,65,600
			{1/2 M}		{1/2 M}					{1/2 M}	{1/2 M}
22.6.10	To Sales a/c	22.6.10	3,000	8	24,000	18.2.10	By Sales Return	16.2.10	500	134	67,000
			{1/2 M}		{1/2 M}					{1/2 M}	{1/2 M}
30.6.10	To Red Ink Product	-	-	25	37,500	22.4.10	By B/R a/c	25.7.10	1,500	-	-
			{1/2 M}		{1/2 M}						
30.6.10	To Balance of Product	-	-	-	3,87,300	29.4.10	By Cash a/c	29.4.10	2,500	62	1,55,000
										{1/2 M}	{1/2 M}
30.6.10	To Balance c/d	-	1,912.22	-	-	17.5.10	By Purchases a/c	17.5.10	2,700	44	1,18,800
			{1/2 M}							{1/2 M}	{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)

AMENDED CASH BOOK (BANK COLUMN)						Cr.	
Dr.							
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		
To Balance c/d	{1 M}	3,900	By Adjustment of under casting		1,000		
			By Insurance Premium A/c		2,000		
			By X (Cheque issued omitted to be recorded)		3,500		
			By Cheque issued (wrongly entered in the cash column)		2,800		
		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
Cheques deposited but not credited by bank upto 31 st March		4,600
Cheques issued but not presented for payment upto 31 st March	{1/2 M} 1,500	
	1,500	8,500
Overdraft (Dr.) Balance as per Pass Book		7,000

Answer:**(b)** Weighted Average basis**Sriram Mills****Calculation of the value of Inventory as on 31-3-2020**

Date	Receipts			Issues			Balance		
	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
		Rs.	Rs.		Rs.	Rs.		Rs.	Rs.
1-1-2020	Balance							Nil	
1-1-2020	100	30	3,000	{1 M}			100	30	3,000
15-1-2020				50	30	1,500	{1 M}	50	30
1-2-2020	200	40	8,000	{1 M}			250	38	9,500
15-2-2020				100	38	3,800	{1 M}	150	38
20-2-2020				100	38	3,800	{1 M}	50	38

Therefore, the value of Inventory as on 31-3-2020 = 50 units @ Rs. 38 = Rs. 1,900

Answer 5:**(a)**

**In the Book of Babai
Journals**

Date	Particulars	L.F	Dr. (Rs.)	Cr. (Rs.)
2018	Kachari A/c	Dr.	90,000	
April 1	To Sales	Cr.		90,000
	(Goods sold to Kachari on credit)			
2018	Bills receivable A/c	Dr.	90,000	
April 1	To Kachari A/c	Cr.		90,000
	(Acceptance received for 3 bills for Rs. 30,000 each payable at one, two and three months after date respectively)			
April 1	Bank A/c	Dr.	29,400	
	Discount on Bills Receivable A/c	Dr.	600	
	To Bills receivable A/c	Cr.		30,000
	(Second bill discounted)			
April 1	Bank A/c	Dr.	29,100	
	Discount on Bills Receivable A/c	Dr.	900	
	To Bills receivable A/c	Cr.		30,000
	(Third bill discounted)			
May 4	Bank A/c / Cash A/c	Dr.	30,000	
	To Bills receivable A/c	Cr.		30,000
	(Payment of first bill received)			

July 4	Kachari A/c	Dr.	30,150	
	To Bank A/c	Cr.		30,150
	(Third bill dishonoured and noting charges paid by bank)			
July 4	Cash A/c	Dr.	10,150	
	To Kachari A/c	Cr.		10,150
	(Cash received from Kachari under new arrangement)			
July 4	Kachari A/c	Dr.	500	
	To Interest A/c [20,000 x 15% x 2/12]	Cr.		500
	(Interest charged on renewal of bill)			
July 4	Bills receivable A/c	Dr.	20,500	
	To Kachari A/c	Cr.		20,500
	(Acceptance received for new bill)			
Sept. 7	Kachari A/c	Dr.	20,680	
	To Bills receivable A/c	Cr.		20,500
	To Cash A/c (noting charges)	Cr.		180
	(Bill dishonoured by Kachari and noting charges paid)			
Sept. 15	Cash A/c (20,680 x 0.35)	Dr.	7,238	
	Bad Debts A/c	Dr.	13,442	
	To Kachari A/c	Cr.		20,680
	(35 paise in a rupee received on the insolvency of Kachari)			

Answer:**(b)**

In the Books of M/s Ram & Co., Delhi
Consignment Account

Dr.**Cr.**

	Rs.		Rs.	
To Goods sent on consignment A/c (12,000 x 240)	28,80,000 {1 M}	By Laxman Traders (Sales) (10,000 x 250)	25,00,000	{1 M}
To Bank (expenses)	6,000	By Goods sent on consignment (Loading 12,000 x 40)	4,80,000	{1 M}
To Laxman Traders		By Stock on consignment	4,40,900	{1 M}
• Expenses	2,000			
• Commission	1,45,000			
	1,47,000			
To Stock Reserve [WN 3]	80,000	{1 M}		
To P&L A/c	3,07,900	{1 M}		
	34,20,900		34,20,900	

Laxman Traders Account

	Rs.		Rs.	
To Consignment A/c (sales)	25,00,000	By Consignment A/c (expenses)	2,000	
		By Consignment A/c (commission)	1,45,000	
		By Bank	10,00,000	
		By Balance c/d	13,53,000	{1 M}
	25,00,000		25,00,000	

Working Note:

		Rs.	
1.	Commission Payable		{1 M}
	5% on 25,00,000 =	1,25,000	
	20% on 1,00,000 =	20,000	
		1,45,000	
2.	Valuation of Closing Stock on Consignment 2000 sarees x Rs. 240 =	4,80,000	{1 M}
	Add: proportionate expenses	1,000	
		4,81,000	
	Less: 10% at cost	40,100	
	Value of closing stock	4,40,900	{1 M}
3.	Loading on Closing Stock 2,000 sarees x Rs. 40 =	80,000	

Answer 6:**(a) Income and Expenditure Account of Retreat & Refresh Club
for the year ended 31st March, 2018**

Expenditure	Amount Rs.	Income	Amount Rs.	
To Honoraria to secretary	19,200	By Subscriptions (W.N. 3)	41,960	{1 M}
To Misc. expenses	6,120	By Sale of old magazines	9,600	
To Rates and taxes	5,040	By Entertainment fees	17,080	
To Groundman's wages	3,360	By Bank interest	920	
To Printing and stationary	1,880	By Bar receipts	29,800	{1 M}
To Telephone expenses	9,560	By Profit on sale of car (W.N. 5)	4,400	
To Bar expenses				
Opening bar stock	2,840			
Add: Purchases (W.N. 2)	22,440			
	25,280			
Less: Closing bar stock	(-) 3,480	21,800		{1 M}
To Repairs	1,280			
To Depreciation				
Club premises (W.N. 4)	{1 M} 2,040			
Car (W.N. 6)	{1 M} 9,360	11,400		{1 M}
To Excess of income over expenditure transferred to capital fund		24,120		{1 M}
	1,03,760		1,03,760	

OR**Income and Expenditure Account of Retreat & Refresh Club
for the year ended 31st March, 2018**

Expenditure	Amount Rs.	Income	Amount Rs.	
To Honoraria to secretary	19,200	By Subscriptions (W.N. 3)	41,960	{1 M}
To Misc. expenses	6,120	By Sale of old magazines	9,600	
To Rates and taxes	5,040	By Entertainment fees	17,080	
To Groundman's wages	3,360	By Bank interest	920	
To Printing and stationary	1,880	By Profit from operation (W.N. 7)	8,000	{1 M}
To Telephone expenses	9,560	By Profit on sale of car (W.N. 5)	4,400	
To Repairs	1,280			

To Depreciation			
Club premises (W.N. 4)	{1 M} 2,040		
Car (W.N. 6)	{1 M} 9,360	11,400	{1 M}
To Excess of income over expenditure transferred to capital fund		24,120	{1 M}
		81,960	81,960

Calculation of profit from operation

		Rs.
Bar receipts		29,800
Less: Bar expenses		
Opening bar stock	2,840	
Add: Purchases (W.N. 2)	22,440	
	25,280	
Less: Closing bar stock	(-) 3,480	21,800
Profit from operation		8,000 {1 M}

Balance Sheet of Retreat & Refresh Club as on 31st March, 2018

Liabilities		Amount Rs.	Assets		Amount Rs.
Capital fund (W.N. 1)	87,200		Club Premises		38,760
Add: Excess of income over expenditure	24,120	1,11,320 {1 M}	Car		53,040
Outstanding liabilities for bar purchases		1,720	Bar stock		3,480
			Outstanding subscription		3,920
			Cash and bank		13,840
		1,13,040			1,13,040

Working Notes:**1. Balance Sheet of Retreat & Refresh Club as on 1st April, 2017**

Liabilities		Amount Rs.	Assets		Amount Rs.
Amount due for bar purchases		2,360	Club premises	1,16,000	
Capital fund on 1.4.2017 (balancing figure)	87,200 {1 M}		Less: Depreciation	(-) 75,200	40,800
			Car	48,760	
			Less: Depreciation	(-) 41,160	7,600
			Bar stock		2,840
			Outstanding subscription		4,800
			Cash at bank		33,520
		89,560			89,560

2. Calculation of bar purchases for the year

	Rs.
Bar payments as per receipts and payments account	23,080
Add: Amount due on 31st March, 2018	1,720
	24,800
Less: Amount due on 1st April, 2017	(-) 2,360
	22,440

3. Calculation of subscriptions accrued during the year

	Rs.
Subscriptions received as per receipts and payments account	42,840
Add: Outstanding on 31st March, 2018	3,920
	46,760
Less: Outstanding on 1 April, 2017	(-) 4,800
	41,960

4. Depreciation on club premises and its written down value on 31st March, 2018

	Rs.
Written down value on 1st April, 2017 (1,16,000 - 75,200)	40,800
Less: Depreciation for the year @ 5% p.a.	(-) 2,040
	38,760

5. Calculation of profit on sale of car

		Rs.
Sale proceeds of old car		12,000
Less: Written down value of old car:		
Cost of car on 1st April, 2017	48,760	
Less: Depreciation upto 1st April, 2017	(-) 41,160	(-) 7,600
		4,400

6. Depreciation on car and its written down value on 31st March, 2018

	Rs.
Cost of new car purchased (50,400 + 12,000)	62,400
Less: Depreciation for the year @ 15% p.a.	9,360
Written down value on 31st March, 2018	53,040

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

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 {1/2 M}
To Wages		11,715			
To Gross profit c/d	{1/2 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 {1/2 M}			
To Office expenses		10,160			
To Interest on loan		3,000			
To Net profit		83,800 {1/2 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		Less: Depreciation	3,000	17,000 {1/2 M}
	1,48,800	{1/2 M}	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

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