Comprehensive Guide & Key to Modern Accountancy

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Noor Ul Hadi
Foundation University

I Can !!! Instead of Can I ???

COMPREHENSIVE GUIDE & KEY

To Modern Accountancy

Volume 1 (Second Edition)

of

(A Mukherjee & M Hanif)

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ABOUT THE AUTHOR

I know Mr. Noor Ul Hadi, the author, for the last three years. I have found him as a hardworking, capable and popular teacher. I am sure the students will find this endeavor as the most helpful one, for any pursuit in life.

ATA –UR –RAB
PRINCIIPAL G.C.M.S. 2 HAYATABAD

I know Mr. Noor Ul Hadi, for the last two years, He is very much generous to his work, and I hope that his efforts will show fruitful result for students of relevant subject.

DR SHAH SAEED
ASSOCIATE PROFESSOR G.C.M.S. MARDAN

This Comprehensive Guide and Key to Modern Accountancy will surely help the students of B.com part I. I keenly appreciate these intensive efforts of Mr. Noor Ul Hadi, and further more he has been my colleague, I have found him an efficient teacher and hopes to contribute more and more.

Dr. AMJAD RAFIQ
ASSOCIATE PROFESSOR G.C.M.S. ABBOTABAD

Mr. Noor Ul Hadi is an intelligent, capable and dutiful; I really appreciate his efforts and expect to contribute as he contributed.

ZAWAR ALI
ASSOCIATE PROFESSOR G.C.M.S. HAYATABAD

As we all know that majority of the students are facing problems, in solving the numerical questions of Modern Accountancy Book by A Mukherjee and M. Hanif because each and every question is different from other in respect of rules and principles.
Now this Key/Solution will definitely help and facilitate the students as the numerical part has been solved with details and guidelines.
I appreciate Mr. Noor Ul Hadi, who is Hardworking, Committed, and Dedicated with his profession. I hope that he will publish the solutions of Part II of this book soon.
I thank him on the behalf of all stakeholders.

ASFANDYAR YOUSAF
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PREFACE

The aim of 'Comprehensive Guide & Key to Modern Accountancy' is to socially help the Students of B.Com part 1, BS (Commerce) in developing their concept to improve their performance in examination and other relevant fields as well. Practical Questions, given at the end of each chapter of Modern Accountancy Volume 1 by A Mukherjee and M. Hanif have been solved.

A Special feature of Comprehensive Guide and Key is that provides notes of each question to avoid hesitation of students while solving practical questions.

I have also put a lot of emphasis on the theory portion; Persons who are interested in the subject and wish to acquire an adequate and clear understanding of Modern Accountancy may also find it useful.

I would like to express my thanks to my colleagues specially Mr. Umar Ali Khan (Associate Professor G.C.M.S.2 Hayatabad) and Mr. Asfandyar (Assistant Professor G.C.M.S.2 Hayatabad) for his assistance, and gave excellent comments.

I am grateful to the authors and the publishers of earlier guide on 'Modern Accountancy'. Any suggestions for the improvement will be welcomed.

Noor Ul Hadi

Swat: March, 2013

Accounting

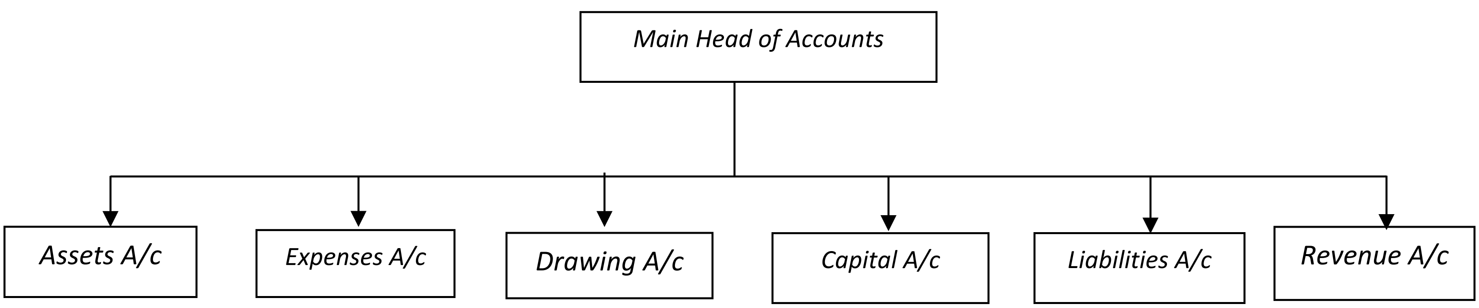
The process of Recording, Classifying, Summarizing, Analyzing and Interpreting business transaction's in order to make financial statements of business entity is called Accounting.

Transaction

Any dealing between two or more persons in term of money is called transaction OR
An economic event which brings changes in the financial position of a business, In transaction there must be consideration, mean something in return or movement of value from one to another, transaction may be external (b/w business entity and a second party e.g. Goods sold on credit to A) or internal (not involving second party e.g. depreciation)

Modern Classification

Under Modern Classification Main head of Accounts are classified as under.



Assets

These are resources in control of entity for which there is a probability that there will be an inflow of economic benefits to the entity in future.

Expenses

These are the costs that expire during the reporting period of entity.

Drawings

The Cash or goods taken away by the proprietor from the business for his personal use are called drawings.

Owner Equity

Introduction of capital by owner into the business or the claim of insider on entity.

Liabilities

These are the claim of outsider's on entity for which there is probability that there will be outflow of resources.

Main Heads of Account

Main Heads	Assets	Expenses	Owner Equity	Liabilities	Revenue
Accounting Heads	land	Purchases	Capital	Bank Loan	Sales
	Building	Salaries	Drawing	Bank overdraft	Interest received
	Machinery	Electricity bill	Profits	Creditors	Commission received
	Furniture	Repairs	Etc……	Account payable	Etc…..
	Motor Van	Advertisement		Etc….	
	Computer	Commission			
	Stocks	Travelling			
	Debtors	Freight			
	Cash in hand	Rent			
	Cash at bank	Stationary			
	Etc……	Etc…..			

Rules for Debit and Credit under Modern Classification

Rules for Debit and Credit

S. No	**Types of Accounts**	**Account to be Debited**	**Accounts to be Credited**
1	Assets Account	Increase	Decrease
2	Expenses Account	Increase	Decrease
3	Drawing Account	Increase	Decrease
4	Capital Account	Decrease	Increase
5	Liabilities Account	Decrease	Increase
6	Revenue Account	Decrease	Increase

- Increase in Assets Account will be debited while decrease in Assets Account will be credited.
- Increase in Expenses Account will be debited while decrease in Expenses Account will be credited.
- Increase in Withdrawal Account will be debited while decrease will be credited.
- Increase in Capital Account will be credited while decrease in Capital Account will be debited.
- Increase in Liabilities Account will be credited while decrease in Liabilities will be debited.
- Increase in Revenue Account will be credited while decrease in Revenue Account will be debited.

Traditional Classification

This is an old system of classifying accounts, under this system accounts are classified into four types

- Personal account
- Real account
- Nominal account
- Valuation account

Personal Account:

Accounts relating to persons or firms are called Personal Account; the main purpose of preparing personal accounts is to ascertain the balances <u>due to or due from</u> person or organization, it has the following forms.

Natural Person's Accounts. E.g. Noor Account, Yasir Account.

Artificial Person's and Body of a Person's Accounts. E.g. Habib bank, Sapna oil mills etc.

Representative Personal Accounts.

As you know that the main objective of preparing person's account's is to ascertain the balances <u>due to or due from person's or organization</u>, so when an account represent certain person or person's than it is called representative personal account, the amount standing against these accounts are added and put under one common title.

e.g. if business is not able to pay salary for the last two months to workers, the amount <u>due to</u> these employees will be added and put under one common title, "salaries outstanding" thus salary outstanding account is personal account, other example of personal account are, unexpired insurances (amount due from), prepaid rent (due from), interest outstanding(due to), interest received in advance(due to) etc….

Real Account

Accounts of properties and things, these accounts have existence and are tangible therefore called real account. E.g. land, building, furniture etc

Nominal Account

These are accounts of income, expenses, losses and gains; these accounts generally accumulate the data required for the preparation of Trading and Profit and loss account.

Valuation Account

To show the actual amount of debtor's or other assets except land some valuation is made like provision for doubtful debts and provision for depreciation such accounts are called valuation account

Debit Credit Rules for Personal Account:

Debit the account of a person who receives something and credit the account of a person who gives something

Debit Credit Rules for real Account:

Debit the account of property or things coming in and credit the account of that going out.

Debit Credit Rules for Nominal Account:

Debit the account of all expenses and losses and credit the account of all income and gains.

Debit Credit Rules for Valuation Account:

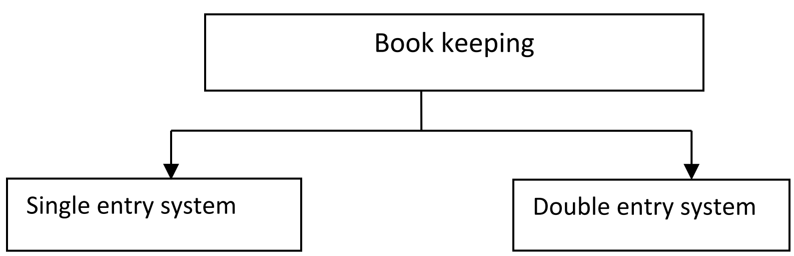
Debit the account when the account is to be reduced and credit the account when the account to be increase.

S. No	Types of Account	Account to be debited	Account to be credited
1	Personal Account	Receiver	Giver
2	Real Account	Comes in	Goes out
3	Nominal Account	Expenses and Losses	Income and Gains
4	Valuation Account	When account to be decreased	When account to be increased

Note: Some accounts may be both real and nominal e.g. stationary account is nominal account when it is used in year but remaining of it is real account.

Recording of business transactions in the book of original entry/journal

The first book to be used for recording business transaction is called journal, the word journal is derived from French word "**Jour**" which means day so journal mean daily, here business transactions are recorded in chronological order i.e. in the order in which they occur (in order of date) it is also called day book because it contains the account of every day's transactions, journal is the recording phase of accounting so here transaction are recorded under double entry system



Book-keeping

The word book mean book of account and keeping mean maintain them so maintaining book of accounts is called book keeping for maintaining book or recording two system are used.

Single entry system

It is define as a system in which accounting records are not kept strictly according to double entry system, so it is not possible to prepare Trial Balance and check the arthematic accuracy of the books of accounts, Single entry does not mean that there is only one entry for each transaction it is the mixture of double entry, single entry and no entry. Under this system certain transactions are recorded just like double entry system e.g. Cash received from Debtor/Customer, it is recorded in Debtor account as well as in Cash Account, certain transaction are partially recorded e.g. Cash Sales, here only Cash are recorded and certain transactions are not recorded at all e.g. bad debt, depreciation.

Disadvantages of Single Entry System

- No Trial Balance can be prepared under single entry system hence accuracy of books cannot be proved.
- In single entry system the risk of mistakes or its discovery is more.
- Here no Profit and Loss Account is maintained so the proprietor will have no idea about exact profit and loss.
- In a single entry system a Statement of Affairs is prepared instead of Balance Sheet so the correctness of assets and liabilities cannot be proved from records.

Double entry system

This system can be define as the system of recording transactions having two fundamental effect, one involve the receiving of a benefit and the other to giving the benefit in the same set of books so under this system the two fold aspects of each transaction are recorded, the name double entry has been given to this system. Under double entry system equal debit and credit entries are made for every transaction, if two accounts are involved or more than two accounts are involved debit must be equal to credit

Rule of double entry system can be explain in terms of the basic accounting equation

Assets = Liabilities + Capital

Illustration

a) Started business with cash Rs 20000
b) Purchase merchandise for cash Rs 10000
c) Purchase furniture for cash Rs 5000
d) Sold goods for cash Rs 12000
e) Purchase goods from Ali Rs 5000
f) Paid rent Rs 500
g) Sold goods to Karran Rs 3000

Accounting Equation

S.No	Cash	Merchandise	Furniture	A/R, Karran		Capital	Liabilities
a	+20000	-	-	-		+20000	-
Balance b	+20000 (10000)	- +10000	- -	- -		+20000 -	- -
Balance c	+10000 (5000)	+10000 -	- +5000	- -		+20000 -	- -
Balance d	+5000 +12000	+10000 -10000	+5000	-		+20000 +2000	- -
Balance e	+17000 -	- +5000	+5000 -	- -		+22000 -	+5000 -
Balance f	+17000 (500)	+5000 -	+5000 -	- -		+22000 (500)	+5000 -
Balance g	+16500 -	+5000 -	+5000 -	- +3000		+21500 +3000	+5000 -
Balance	16500	5000	5000	3000		24500	5000

Total Assets = 29500

Capital = 24500

Liabilities = 5000

29500=5000+24500

Distinction between Booking & Accounting

	Booking Keeping		**Accounting**
1	It is recording phase of Accounting System	1	It is summarizing phase of Accounting System
2	It is the basis of Accounting	2	It is the basis for Business Language
3	Person's responsible for Bookkeeping are called bookkeeper	3	Person responsible for Accounting are called Accountant
4	It does not require any special skill	4	It requires special skill and knowledge
5	Financial statements are not prepare from bookkeeping records	5	Financial statements are prepared from Accounting records
6	it does not give the financial picture of business	6	It gives financial picture of the business
7	It has no branch	7	It has several branches, e.g. financial Accounting, Cost Accounting etc

Basic Terminologies

In every field of study some words are used with their specific meanings these are called as terms, so in accounting also some terms are used these are as follow:

Business

Any Legal activity undertaken for the purpose of earning profit is called Business.

Proprietor

The owner of a business is called Proprietor.

Voucher

Any written evidence in support of business transaction is called voucher.

Account

A device which contains a systematic record of increase or decrease in an item during a particular period of time.

Merchandise

The things purchase by a business organization for the propose of reselling them in same condition are called merchandise or Goods.

Purchases

The cost of merchandise purchased is called purchases.

Sales

The amount earned from sales of goods is called Sales

Revenues

All sorts of income received or accrued (expected to be received) are called as Revenues.

Expenditure

An Expenditure takes place when assets or services is acquired.

Expenses

An Expenditure whose benefit is finished or enjoyed immediately such as salaries, rent etc. different between expense and expenditure is that benefit of the former is consumed by the business in present whereas in latter case benefit will be available for future activities of the business.

Profit

The excess of income over expenses are called income.

Loss

The excess of expenses over income are called loss.

Discount

Deduction made in actual price is called discount. There are two types of discount.

Trade Discount

Any concession or allowance or rebate (give a reduction in price during a sale) given by the seller to buyer on listed price (on spot) of goods is called Trade Discount. Trade Discount is deducted from the listed price and the net price is recorded in the books.

Cash Discount

A discount which is allowed or received at the time of cash receipt or payment before the due date. There are two types of Cash Discount.

Discount Allowed (Expense)

It is deduction allowed by the seller, if payment is made before due date.

Discount Received (Income)

It is deduction granted to buyer if payment is made before due date.

Commission

Remuneration for services performed is called Commission.

Stock

Goods or Merchandise on hand is called Stock.

Balance

The difference between debit and credit side is called balance.

Debit Balance

When the debit side of an account is greater than its credit side the balance is known as debit balance.

Credit Balance

When the credit side of an account is greater than its debit side the balance is known as credit balance.

Zero Balance

When the total of debit side is equal to the total of credit side the balance is called zero balance.

Debtor/A.R

A person to whom goods are sold on credit is called debtor.

Creditor/ A.P

A person from whom goods are purchased on credit is called creditor.

Accounting Cycle

It refers to a complete sequence of accounting procedures which are required to be repeated in same order during each accounting period. It includes the following:

- ✓ Identification of Transactions
- ✓ Preparation of Business Documents
- ✓ Recording of Transactions in the Book of Original entry
- ✓ Posting of Transactions to Ledgers
- ✓ Preparation of Trial Balance
- ✓ Posting of Adjustment Entries
- ✓ Preparation of Final Accounts
- ✓ Passing of Closing Entries
- ✓ Passing of Reverse Entries
- ✓

Accounting Concepts (GAAP)

It is generally accepted a set of rules which underlie generally accepted accounting principles (GAAP) upon which accounting is based, these are as follow:

- ✓ Money Measurement Concept
- ✓ Dual Aspect Concept
- ✓ Going Concern
- ✓ Periodicity Concept
- ✓ Accrual Concept
- ✓ Matching Concept
- ✓ Realisation Concept
- ✓ Materiality Concept
- ✓ Consistency Concept
- ✓ Conservatism Concept
- ✓ Historical Cost Concept

Trial Balance

Trial balance is Summary of the closed balances of ledger Accounts.

Cash Book

Cash Book is a subdivision of the book of original entry, recording transaction involving receipts & payments of cash only.

Contra Entry

Contra refers to the opposite side. Contra is entry in a double entry account representing the reversal or cancellation of an entry on the other side.

Petty Cash Book

Petty mean small, it is a book use for minor payments of a business organization.

Imprest System of Petty Cash Book

Impress system is a system of controlling petty cash. Under this system a fix amount is allocated as sufficient to meet petty cash expenses for an agreed period of time, at the end of agreed period the petty cashier submits the account of the amount spend by him. The sum expended by the petty cashier is reimbursed, thus making up the balance to the original sums.

Bank Reconciliation Statement

Bank Reconciliation Statement is a statement which contains a complete and satisfactory explanation of the differences in balances as per Cash Book and Bank Statement.

Cusses of Differences

- ✓ Timing
- ✓ Transaction
- ✓ Errors

Capital Expenditure

It is the outflow of funds to acquire an asset that will benefit the business more than one accounting period. A Capital Expenditure takes place when an asset or services is acquired or improvement of a fix asset is affected. E.g. Purchase of Land, Machinery or Furniture.

Revenue Expenditure

It is the outflow of funds to meet the running expenses of a business and it will be of benefit for the current period only. E.g. Salaries and wages paid to employees.

Deferred Revenue Expenditure

It represents certain types of an assets whose usefulness does not expire in the current year of their occurrence but generally expire in the near future. These types of expenditures are carried forward and are written off in future accounting periods. E.g. Prepaid Insurance for 3 years period the right does not expire in the accounting period in which it is paid but will expire within a fairly short period of time (3 years)the expire portion will be treated as revenue expenditure and the remaining balance are carried forward and are written off in future.

Capital Receipts

The contribution of capital to the business by the proprietor or the contribution of capital to the business by someone outside the business. E.g. additional Capital introduced by proprietor or by selling of assets, but was not purchased for resale.

Revenue Receipts

A receipts of money from customer for goods supplied or fees received for services rendered in the ordinary course of business , which is a result ot the firms activity in the current period. E.g. Amount received from sales or services rendered.

Capital Profit

Profit arises out of the sales of assets other than inventory at a price more than book value.

Revenue Profit

Profit arises out of an ordinary nature, being the outcome of the ordinary function and object of the business is called Revenue Profit.

Revenue loss

Revenue loss arise from the normal course of business by selling the merchandise at a price less than its purchase price or cost of goods sold

Capital Loss

Loss arises from the sale of assets other than inventory for less than written down value.

Bad debts

The amount which is finally written off as uncollectable is called Bad Debts.

Doubtful Debts

The estimated amounts of debtors which are expected to become bad debts during the coming period are called doubtful debts.

Provision for Bad Debts

An amount set aside to cover the future loss on account of doubtful debts is called provision for bad and doubtful debts.

Provision for Discount on Debtor's

An amount set aside to cover the future loss on account of discount allowed is called provision for discount.

Reserve for Discount on Creditor's

It is quite possible that the firm may receive discount by making early payments so a rough figure is estimated and set aside called Reserve for Discount on Creditors such discount will be received in the next year but should be taken into account in current year account because its related to creditors of current year.

***Note*:** Creating such reserve is against the principle of Conservatism.

Recovery of Bad debts

If any amount is received from that customer in respect of that old debt, it is said to be recovery of bad debts.

Depreciation

Depreciation is the process of allocation the cost of a fixed asset (less any residual value) over its estimated useful life in a rational and systematic manner.

Causes of Depreciation

Wear and Tear

Some assets physically deteriorate (become worse) due to wear and tear more and more use of asset.

Efflux of Time

Some assets diminish in value on account of expiration of time e.g. Lease hold property.

Obsolescence

Some assets although in proper working order may become obsolete mean old machine become obsolete with the invention of more economical and sophisticated machine whose productivity capacity is generally larger and cost of production is less. In order to survive in the competition the manufacture must install new machinery replacing the old one.

Accident

Assets may be destroyed by abnormal reasons such as fire, earthquake etc in such case the destroyed asset must be written off as loss.

Depletion

Some assets decline in value by way of physically consumption. E.g. Mine, Quaries.

Inventory/Stock

Inventory is one of the largest asset of a business because the major source of revenue is the sale of these inventories.

Perpetual Inventory Method

It is a method where the inventory accounting is kept continuously up to date and involves the continual recording of additions to and issues or sales of materials on a daily basis. This method is applicable to those businesses where the sale items are of high value and have a number of sale transaction daily.

Periodic Inventory Method

Under this method a physically inventory is usually taken only at the year end or at regular intervals.

Bill of Exchange

A bill of Exchange is an instrument in writing containing an unconditional order, signed by the maker directing a certain person to pay a certain sum of money only to or the order of a certain person or to the bearer of the instrument.

Promissory Note

A Promissory note is a written unconditional promise made by one person to another to pay a specific sum of money either on demand or at a specified future date.

Parties of Bill of Exchange

Drawer

The maker of bill of exchange is called the drawer.

Drawee

The drawee is a person who agrees to pay the amount of the bill on due date.

Payee

The person name in the bill of exchange is called payee because he is entitled to receive the amount.

Dishonour of Bill

When the holder of the bill presents it to the drawee for payment on the due date and the drawee fails to make the payment, the bill is said to be dishououred.

Noting Charges

When a bill is dishouour the holder of the bill may resort to legal action by getting the fact of the dishnour noted by a Notary Public, this is done by the holder by referring the matter to the notary public who himself present the bill for payment to the drawee and testified that the later declined to pay off, this is the legal acceptable evidence of dishouour, the Notary public charges some fees for doing all these which is called noting charges.

Insolvency

Insolvency is the inability to pay one debts when they fall due. When a person become insolvent his properties are sold by the liquidator who pay off the creditor first so this payment to the creditor which is less than the amount due is termed as Dividend, and generally expresses as so many paisa in the rupee e.g. 50 paisa in the rupee, which means 50% of the amount due is paid.

Renewal of Bill

When the drwee of the bill, after accepting it, has some apprehension that he may not be able to houour the bill on due date, he may request the drawer of the bill to cancel the original bill and to draw a fresh bill on him for a further period of time. If the drawee agrees to such an offer the drawee gets some extension to pay for the bill at a later and thereby dishonor of the bill avoided, this is called renewal of a bill.

Retiring of Bill

When the drawee of a bill desires to make payment before the due date of the bill and the drawer welcomes it, it is called retiring of a bill.

Accommodation Bill

A bill which is drawn for the purpose of arranging temporary finance is Accommodation Bill. Accommodation bill is also called Kite Bill. here the idea is to assist one or both the parties financially.

Distinction between Trade Bills and Accommodation Bills

Trade Bills	**Accommodation Bills**
These bills are drawn and accepted for some consideration	These bills are drawn and accepted without any consideration
These bills are acknowledgement of the debts	These are not………………
It may or may not be discounted	It always discounted
The losses by way of discounting charges to be borne by the drawer	The losses by way of discounting charges is to be shared
The drawer can resort to legal action when the bill is dishonor	Legal action cannot be resorted to when the bill is dishonor

Consignment

Consignment is types of business expansion without actually opening a branch in a new potential market, the person who send the goods on consignment basis is called consignor and the person receiving the goods is called consignee.

Different between Sale and Consignment

Sale	**Consignment**
Property and goods is transfer to buyer	Here goods remain the property of consignor
Sale return is possible only if goods are defective	Unsold goods are the property of consignor
The buyer becomes the debtors if goods are sold on credit	When goods are sold on credit the buyer becomes the debtor of consignor
Goods lost after delivery the buyer will bear loss	When goods are lost the consignor will bear loss

Account Sales

A statement which is periodically rendered by the consignee to the consignor showing the details about goods sold, price realize, his own commission and the expenses incurred in connection with sale.

Proforma Invoice

It is a document to show what the invoice would be, it is not a demand for payment, it is a memorandum invoice and serves as a guide to consignee in respect, description of goods, minimum selling price to be realized.

Del Credere Commission

It is an additional commission paid to the consignee who guarantees the payment in case of credit sale.

Joint Venture

It is a form of partnership which is limited to a specific venture.

Partnership

The relationship between persons who have agreed to share the profit of a business carried on by all or any of them acting for all.

Normal Loss

Normal loss are unavoidable, these may arise due to natural causes like breaking in bulk, evaporation, leakage, drying and the like.

Abnormal loss

Loss may arise owing to causes such as theft, fire, and the like.

Different between Partnership and Joint Venture

Partnership	**Joint Venture**
It is a going concern	It is terminable venture
It always has a name	It may not bear name
Persons carrying on business are called partners	Persons carrying on business are called ventures
Profit are ascertained at regular intervals	Profits are ascertained for each venture

Cash Basis of Accounting

It is a method of accounting in which transaction are recorded in the books of accounts when cash is actually received or paid.

Accrual Basis of Accounting

It is an accounting system which recognizes revenue and expenses as they are earned or incurred, not as cash received or paid.

Provisions

Provision are amount set aside before ascertaining the net profit so provision is charge against profit for all anticipated losses.

Reserves

An amount set aside until it is needed for some particular purpose , reserve are the item of owner equity which arise from retention of profits(an appropriation of profit mean a sum of money set aside from distributable profits) Capital Receipt or upward revaluation of assets (bringing up the assets in their current values from historical cost).

Classification of Reserve

- ✓ Capital Reserve
- ✓ Revenue Reserve
- ✓ General Reserve
- ✓ Specific Reserve

Capital Reserves

Capital reserve are those which are not distributed (except for certain circumstances) as profit as a matter of law, prudence or business policy, they arise mainly for Capital profit e.g. profit on sale of assets.

Revenue Reserves

Any reserves which are not capital reserves and are available for distribution as profits. These are created by retaining profit. e.g. credit balance of profit and loss account.

General Reserves

These reserves are not created for any particular purpose. These are created for safeguarding the business.

Specific Reserves

These reserves are created for some specific purpose and are utilized against that purposes only.

Secret Reserves

Secret reserves are undisclosed understatement of financial position of a business unit resulting from the following

- Excessive witting down of assets
- Overstatement of provision and liabilities
- Writing off additional fixed assets as expenses

Final Accounts

Final Accounts mean final reports which includes the following

- ✓ Trading Account
- ✓ Profit and loss Account
- ✓ Balance Sheet

Trading Account

Trading account is prepare to ascertain the gross profit or gross loss of the entity.

Direct Expenses

Those expenses which are directly attributable to the purchase of goods or to bring the goods in saleable condition.

Profit & Loss Account

It is prepare to ascertain the net profit/income or net loss of the entity.

Balance Sheet

It is a statement which show the financial position of business .

Outstanding Expenses

Those Expenses which have been incurred but not actually paid, these are also called accrual expenses or unpaid expenses.

Prepaid Expenses

Expenses which have been paid in advance but not yet expired, its also called unexpired expenses.

Unearned Income

Income which has been received in advance but not earned in the current year.

Accrued Income

Income that is earned during the period but not yet been received.

Interest on Capital

According to partnership Act no interest is payable on the capital supplied by the partners but if there is an agreement as to the payment of interest on capital, interest is payable at an agreed rate before division of profits. it is necessary to allow interest on partners capital in the following cases

- Where partners share profits equally but have unequal capitals
- Where the partners have equal capitals but unequal shares

Interest on Drawings

According to partnership Act no interest on partner's drawings should be charged unless there is an agreement amongst the partners. Interest is charged on drawings in the following cases.

- Where the drawings of the partners are unequal
- Where the drawings are made on different dates

Types of Errors

Errors are broadly divided into two classes

- ✓ Errors of Omission
- ✓ Errors of Commission

Errors of Omission

Errors resulting from the complete failure to enter a transaction in the books. These errors can further be classified into:

- ❖ Complete error
- ❖ Partial Error

Complete Error

When any particular transaction has not at all been entered in journal or books of original entry , it cannot be posted into the Ledger and a complete error of omission will occur.

Partial Error

If a transaction has been journalized or recorded in subsidiary book but has not been posted in both the Ledger Accounts, it will be an error of partial omission and will not hamper the agreement of the Trial Balance.

Errors of Commission

These are the result of some positive act of commission on the part of the person responsible for the maintenance of the books of accounts. It may further classify into:

- ✓ Errors of Principle
- ✓ Compensating Errors
- ✓ Errors of Posting
- ✓ Errors of Casting

Errors of Principle

These errors arise because of an incorrect application of the principles of accounting and failure to differentiate between Capital and Revenue Expenditure.

Compensating Errors

These are group of errors, the total effect of which is not reflected in the Trial Balance. Here one error compensated by the other error of an opposite nature.

Errors of Posting

If a transaction has been journalized but has been posted wrongly in the Ledger Account, it is error of posting.

Errors of Casting

In accounting casting mean addition. These errors may occur due to short casting or excess casting in any subsidiary book or in any account in the Ledger.

Chapter No 2 *Accounting Cycle, Journal and Ledger*

Practical Question No 1.

Mr.J Reddy

Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
July 1	Bank A/c		80000	
	Cash A/c		30000	
	To Capital A/c			110000
	(Started business with bank and cash)			
2	Rent A/c		3000	
	To Bank A/c			3000
	(Rent paid by cheque)			
2	Purchases A/c		15000	
	To Barnali Sengupta & Co A/c			15000
	(Bought goods on credit)			
3	Cash A/c		3000	
	To P Sengupta & Co A/c		5000	
	To Sale			8000
	(Cash sale and credit sale)			
4	Insurance A/c		250	
	To Bank A/c			250
	(Insurance paid by cheque)			
4	Stationery A/c		100	
	To Cash A/c			100
	(Purchase Stationery)			
5	Wages A/c		500	
	To Cash A/c			500
	(Wages paid in cash)			
5	Cash A/c		700	
	To Sale A/c			700
	(Cash sale)			
8	Bank A/c		1000	
	To Cash A/c			1000
	(Paid cash into bank)			
8	Barnali Sengupta & Co A/c		3000	
	To Purchase Return A/c			3000
	(Goods return to barnali sengupta and Company)			
9	Barnali Sengupta & Co A/c		10000	
	To Bank A/c			10000
	(Cash paid to B. Sangupta)			
11	G Basu A/c		8000	
	To Sale A/c			8000
	(Goods sold on credit to G Basu)			

12	Wages A/c To Cash A/c (Wages paid in cash)		500	 500
12	Cash A/c To Sale A/c (Cash sale)		2000	 2000
15	Bank A/c To Cash A/c (Cash paid into bank)		1500	 1500
15	Sale Return A/c To P. Sangupta & Co A/c (Goods return by P. Sangupta)		1000	 1000
15	Furniture A/c To Bank A/c (Office furniture purchased and payment made by cheque)		500	 500
17	Bank A/c To P.Sangupta & Co A/c (Cheque received from P.Sangupta)		4000	 4000
19	Wages A/c To Cash A/c (Wages paid in cash)		500	 500
19	Cash A/c To Sale A/c (Cash sale)		2000	 2000
21	Purchase A/c To Barnali Sangupta & Co A/c (Purchase goods on credit from B. Sangupta)		6000	 6000
22	Cash A/c P Sangupta & Co A/c To Sale A/c (Goods sold on credit to P Sangupta and on cash)		5000 10000	 15000
26	Bank A/c Postage A/c To Cash A/c (Cash paid into bank and bought postage)		4000 50	 4050
27	Telephone bill A/c Electricity bill A/c To Cash A/c (Paid bills by cash)		500 400	 900
30	Wages A/c To Cash A/c (Wages paid in cash)		500	 500

Posting

Bank Account

Account No 1

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 1	To Capital		80000		1997 July 2	By Rent		3000
8	To Cash		1000		4	By Insurance		250
15	To Cash		1500		9	By B.Sangupta		10000
17	To P.Sangupta		4000		15	By Furniture		500
22	To Cash		4000		31	By Balance c/d		**76750**
	Total		90500			Total		90500

Cash Account

Account No 2

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 1	To Capital		30000		1997 July 4	By Stationery		100
3	To Sale		3000		5	By Wages		500
5	To Sale		700		8	By Bank		1000
12	To Sale		2000		12	By Wages		500
19	To Sale		2000		15	By Bank		1500
22	To Sale		5000		19	By Wages		500
					26	By Bank & Postage		4050
					27	By T.biil & E.bill		900
					30	By wages		500
					31	By Balance c/d		**33150**
	Total		42700			Total		42700

Capital Account

Account No 3

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July31	To Balance c/d		110000		1997 July 1	By Bank & Cash		110000
	Total		110000			Total		110000

Rent Account

Account No 4

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 2	To Bank		3000		1997 July31	By Balance c/d		3000
	Total		3000			Total		3000

Purchases Account

Account No 5

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 2	To B. Sangupta		15000		1997 July31	By Balance c/d		21000
21	To B. Sangupta		6000					
	Total		21000			Total		21000

B. Sangupta Account

Account No 6

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 8	To Purchase Return		3000		1997 July 2	By Purchase		15000
9	To Bank		10000		21	By Purchase		6000
31	To Balance c/d		**8000**					
	Total		21000			Total		21000

P. Sangupta Account

Account No 7

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 3	To Sale		5000		1997 July15	By Sale Return		1000
22	To Sale		10000		17	By Bank		4000
					31	By Balance c/d		**10000**
	Total		15000			Total		15000

Sale Account

Account No 8

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July31	To Balance c/d		35700		1997 July 3	By Cash & P.Sang….		8000
					5	By Cash		700
					11	By G. Basu		8000
					12	By Cash		2000
					19	By Cash		2000
					22	By Cash & P. Sang…		15000
	Total		35700			Total		35700

Insurance Account

Account No 9

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 4	To Bank		250		1997 July31	By balance c/d		250
	Total		250			Total		250

Stationery Account

Account No 10

Dr | Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 4	To Cash		100		1997 July31	By balance c/d		100
	Total		100			Total		100

Wages Account

Account No 11

Dr | Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July 5	To Cash		500		1997 July31	By Balance c/d		2000
12	To Cash		500					
19	To Cash		500					
30	To Cash		500					
	Total		2000			Total		2000

Purchase Return Account

Account No 12

Dr | Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July31	To balance c/d		3000		1997 July 8	By B.Sangupta		3000
	Total		3000			Total		3000

G.Basu Account

Account No 13

Dr | Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July11	To Sale		8000		1997 July31	By balance c/d		8000
	Total		8000			Total		8000

Sale Return Account

Account No 14

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July15	To P.Sangupta		1000		1997 July31	By balance c/d		1000
	Total		1000			Total		1000

Furniture Account

Account No 15

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July15	To Bank		500		1997 July31	By balance c/d		500
	Total		500			Total		500

Postage Account

Account No 16

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July26	To Cash		50		1997 July31	By balance c/d		50
	Total		50			Total		50

T.bill and E.bill Account

Account No 17

Dr Cr

Date	Description	Folio	amount		Date	Description	folio	Amount
1997 July27	To Cash		500		1997 July31	By balance c/d		900
27	To Cash		400					
	Total		900			Total		900

Trial Balance

For the month of July 1997

S.NO	Description	folio	Amount Dr	Amount Cr
1	Bank		76750	`
2	Cash		33150	
3	Capital			110000
4	Rent		3000	
5	Purchases		21000	
6	B.Sangupta			8000
7	P.Sangupta		10000	
8	Sale			35700
9	Insurance		250	
10	Stationery		100	
11	Wages		2000	
12	Purchase return			3000
13	G.Basu		8000	
14	Sale return		1000	
15	Furniture		500	
16	Postage		50	
17	T.bill and E.bill (500+400)		900	
	Total		**156700**	**156700**

Chapter # 04

The Trial Balance

Q # 1

Trial Balance

S.No	Head of Accounts	L.F	Amount. Dr	Amount. Cr
1	Return Outward			16000
2	Opening Stock		34200	
3	Salaries		12000	
4	Creditor's			28000
5	Bank		45000	
6	Carriage Inward		6000	
7	Rent Received			3000
8	Discount Allowed		2000	
9	Purchases		100000	
10	Bills Payable			20000
11	Debtor's		15000	
12	Carriage Outward		5000	
13	Capital			55200
14	Machinery		18000	
15	Return Inward		3000	
16	Discount Received			4000
17	Trade Expenses		6000	
18	Building		20000	
19	Sales			140000
	Total		**266200**	**266200**

Q # 2.

Trial Balance

S.No	Head of Accounts	L.F	Amount. Dr	Amount. Cr
1	Provision for Bad Debts			200
2	Bank Overdrafts			1654
3	Debtor's		2983	
4	Discount Received			252
5	Drawing		1200	
6	Office Furniture		2155	
7	Purchases		10923	
8	Rent and Rates		314	
9	Salaries		2520	
10	Stock		2418	
11	Provision for Depreciation on furniture			364
12	Capital			4591
13	Creditor's			1637
14	Discount Allowed		733	
15	General Expenses		829	
16	Return Inward		330	
17	Sales			16882
18	**Suspense Account (Note. 1)**		**1175**	
	Total		**25580**	**25580**

Note.1.

Credit Side Total Amount = 25580

Debit Side Total Amount = (24405)

Deficiency **1175**

Transfer to Suspense Account.

Q # 3.

Ascertainment of Correct Total of Trial Balance as at 31.12.1997

Debit Side					Credit Side
	Total as per Trial Balance	**180590**		Total as per Trial Balance	**36470**
Less	Wrong Amount of Op. Stock	*(12600)*	*Add*	Advertisement Missing Amount	*71780*
	Balance	**167990**		**Balance**	**108250**
Add	Correct Amount of Op. Stock	*12700*	*Less*	Wrong Amount of Creditor's	*(6000)*
	Balance	**180690**		**Balance**	**102250**
Less	Wrong Amount of Advertis…	*(71780)*	*Add*	Correct Amount of Creditor's	*6170*
	Balance	**108910**		**Balance**	**108420**
Less	Rent & Rates wrong amount	*(2500)*			
	Balance	**106410**			
Add	Correct Amount of Rent & R	*2260*			
	Balance	**108670**			
Less	Wrong Amount of Debtor's	*(8400)*			
	Balance	**100270**			
Add	Correct Amount of Debtor's	*8150*			
	Total	**108420**		**Total**	**108420**

Chapter # 05

The Cash Book

Q # 1

Dr. **Cash Book (Single Column)** Cr.

Date	Description	V.No	Rs		Date	Description	V.No	Rs
Dec 1	To Balance B/F		1600		Dec 3	By Postage		5
6	To Sale		400		8	By Bank		300
9	To Dutta Bros		500		10	By Stationery		25
12	To Sarajuddin		300		15	By Rahim & Co		300
19	To Sale		250		16	By Salary		400
30	To Sale		500		17	By Travelling		100
					20	By Ray & Co		100
					28	By Purchases		200
					31	**By Balance c/d**		***2120***
			3550					3550
Jan 1	To Balance b/f		2120					

Q # 2

Dr **Three Column Cash Book** **Cr**

Date	Description	V.N	L.F	Dis	Cash	Bank	Date	Description	V.N	L.F	Dis	Cash	Bank
Jan 1	To Balance b/f				400		Jan 1	By Balance B/f					5000
2	To Capital				4000	6000	10	By Purchase				5500	
5	To Sale				3000		11	By Ramnath			65	2500	
6	To Debtor's			200	8000		12	By Commission				530	
17	To Sale				2500		14	By Rent				50	
18	To Debtor's				4000		14	By E.bill				10	
19	To Cash		**C**			4000	18	By Drawing					700
24	To Dividend					50	19	By Bank		**C**		4000	
25	To Commission				230		22	By Petty Exp					150
28	To Cash		**C**			230	28	By Bank		**C**		230	
30	To Cash		**C**			1000	29	By Salary					1500
							29	By M, Salary					500
							30	By Bank		**C**		1000	
							31	***By Balance c/d***				***8310***	***3430***
				200	**22130**	**11280**					**65**	**22130**	**11280**
Feb 1	To Balance b/f				**8310**	**3430**							

Q # 3

Dr. Analytical Petty Cash Book Cr

Cash Received	C.B. Folio	Date	Description	Total Amount		Postage & Stamps	Stationery Expenses	Traveling Expenses	Repairs Expenses	Office Expenses	Ledger Account
Rs		1997		Rs		Rs	Rs		Rs	Rs	Rs
9.72		March 1	To Balance B/d								
40.28		1	To Cash A/c								
		7	By Postage	4.75		4.75					
		8	By Railway fare	7.25				7.25			
		8	By Bus Fare	1.05				1.05			
		12	By Chandaran	17.50							17.50
		18	By Railway Fare	5.35				5.35			
		25	By Repair	2.90					2.90		
		25	By Stationery	1.75			1.75				
		30	By Office Exp	4.00						4.00	
			Total	44.55		4.75	1.75	13.65	2.90	4.00	17.50
			By Balance c/d	5.45							
				50.00							
5.45			To Balance b/d								
44.55		April 1st	To Bank A/c								
		1									

Chapter # 6

Bank Reconciliation Statement

Q# 1.

Bank Reconciliation Statement

As on 30 June 1997

		Rs	Rs
	Balance as per Cash Book (Dr)		3856
Add: 1	Cheque Issued but not Presented for Payment into Bank	218	
3	Amount Credited by the Bank	95	
6	Cash book Error (188-88)	100	413
			4269
Less:			
2	Amount not yet been Banked	50	
4	Cheque Dishonor	48	
5	Interest Charged but not recorded in Cash book	10	(108)
	Balance as per Pass Book (Cr)		**4161**

Q # 2.

Mr. Kesari

Bank Reconciliation Statement

For the Month of March 1997

		Rs	Rs]
	Balance as per Cash Book (Cr)		38721
Add: 2	Interest charged by the bank	879	
3	Cheques deposited but not credited by the bank fully	521	
7	Incidental charges not recorded in cash book	20	1420
			40141
Less:	Dividend credited by the bank with no intimation		
4	Un presented cheques	850	
5	Bank credited the account of Mrs. Kesari	1850	
6		200	(2900)
	Balance as per Pass Book (Dr) or O/D		**37241**

Q # 3.

Bank Reconciliation Statement

For the Month of 31 March 1997

		Rs	Rs
	Balance as per Pass Book (Cr)		10500
Add:			
1	Cheques deposited but not collected (500+600+200)	2300	2300
			12800
Less:			
2	Un presented cheques (750+350)	1100	
3	Interest credited by bank but not recorded in cash book	150	(1250)
	Balance as per Cash Book (Dr)		**11550**

Q # 4.

Bank Reconciliation Statement

For the Month of 31 December 1997

		Rs	Rs
	Balance as per Pass Book (Dr)		7550
Add:			
2	Cheques Issued but not Presented for Payment into Bank	3500	
4	Dividend collected by bank, not recorded in Cash Book	2000	
7	Bank charges recorded twice in Cash book	25	5525
			13075
Less:			
3	Cheques deposited but not credited by bank	4570	
5	Cheque recorded wrong, on the debited sides (730+730)	1460	
6	Debit side overcast	500	(6530)
	Balance as per Cash Book (Cr) or O/D		**6545**

Q # 5

Bank Reconciliation Statement

As on 31.12. 1997

		Rs	Rs
	Balance as per Pass Book (Dr)		7891.5
Add:			
2	Cheques Issued but presented for Payment later	532.25	
4	Direct deposit but later recorded in cash book	786	
6	Dividend direct recorded into bank but not in cash book	125	1443.25
			9334.75
Less:			
3	Cheques deposited but not credited by bank	631.75	
5	Wrong entry on the debit side of cash book	300	(931.75)
	Balance as per Cash Book (Cr) or O/D		**8403**

Q # 6.

Bank Reconciliation Statement

As on 31.12. 1997

		Rs	Rs
	Balance as per Pass Book (Dr)		4475.70
Add:			
4	Cheques Issued but not cashed (650.4+498.3)	1148.70	
7	Dividend collected by bank, not recorded in Cash Book	200	1348.70
			5824.4
Less:			
2	Cheque return by bank but no entry was made in cash book	399.5	
3	Bill dishonor	1020	
5	Cheque recorded twice in cash book	300	
6	Interest and bank charges not recorded in C.B (56+17)	73	(1792.5)
	Balance as per Cash Book (Cr) or O/D		**4031.9**

Q # 7.

Dr **Amended Cash Book** Cr

Description	Rs		Description	Rs
To Sundry debtor's	3000		By balance b/f	80000
To Bank Charges	100		By Cash book error	1000
To Bill Receivable	20000		By life insurance premium (LIP)	5000
To Adjusted balance c/d	**71920**		By Sundry debtor's	4000
			By bank charges (50000-49980)	20
			By Cash book error	5000
Total	95020		Total	95020

Bank Reconciliation Statement

As on 31.12. 1997

		Rs	Rs
	Balance as per Cash Book adjusted (Dr)		71920
Add:			
3	Cheques deposited but credited by bank	10000	10000
			81920
Less:			
8	Cheques dishonored on technical ground	3000	(3000)
	Balance as per Pass Book (Dr) or O/D		**78920**

Q # 8.

Bank Reconciliation Statement

As on 31.12. 1997

		Rs	Rs
	Balance as per Cash Book (Cr)		4500
Add:			
2	Credit side under cast	150	
4	Interest transferred	900	
6	Cheque send for collection, not credited by bank	6000	
7	Bank charges	75	7125
			11625
Less:			
3	Cheque drawn from saving Account	750	
5	Un presented cheque	7500	
8	Dividend not recorded in cash book	3000	(11250)
	Balance as per Pass Book Dr		**375**

Q # 9.

Dr **Amended Cash Book** Cr

Description	Rs		Description	Rs
To Sundry debtor's	950		By balance b/f	3500
To Interest Charges	450		By bank charges	150
To cheque dishonor	1200		By club dues	100
To Adjusted balance c/d	**1150**			
Total	3750		Total	3750

(b)

Bank Reconciliation Statement

As on 31.12. 1997

		Rs	Rs
	Balance as per Cash Book adjusted (Dr)		1150
Add:			
3	Cheques deposited but not credited by bank	660	660
Less:			1810
2	Un presented cheque	2200	(2200)
	Balance as per Pass Book Cr		**(390)**

Q # 10

Dr **Amended Cash Book** Cr

Description	Rs		Description	Rs
To Cash Book error	150		By balance b/f	4500
To P	1700		By bank charges	70
To Adjusted balance c/d	**3920**		By B/R	1200
Total	5770		Total	5770

Bank Reconciliation Statement

As on 31.12. 1997

		Rs	Rs
	Balance as per Cash Book (Cr)		3920
Add:			
1	Un Credited Cheque	1200	1200
			5120
Less:			
5	Bank Credited	2500	
7	Un Presented Cheque	3500	(6000)
	Balance as per Pass book Cr		**(880)**

Q # 12

Taking pass book balance.

Bank Reconciliation Statement

For the Month of Nov 1997

		Rs	Rs
	Balance as per Pass Book (Dr)		2118
Add:			
1	Cash book debit side under cast	300	
2	Cheque drawn from another A/c	1560	
6	Dividend collected but not recorded in cash book	90	
7	Un presented cheque	1260	3210
			5328
Less:			
3	Cash book error (182-128)	54	
4	Cheque dishonor not recorded in cash book	210	
5	Bank has wrongly debited Mrs.P.Ali Account	126	
8	Cheque deposited not credited by the bank	1080	
9	Interest not recorded in cash book	228	(1698)
	Balance as per Cash book Cr		**3630**

Chapter # 9

Bad Debts, Provision for Bad and Doubtful Debts

Q # 1

Method 1 when bad debts is written off against profit and loss Account.

1-1-1995

	Dr	Cr
Bad debts A/c	9040	
To Sundry debtor's		9040
(Being Bad debts written off)		
Profit and loss A/c	9040	
To Bad debts A/c		9040
(Being bad debts charged to profit and loss account)		

	New Provision for bad debts 224000*5/100	11200
Less	Old Provision	(10880)
		320

	Dr	Cr
Profit & Loss A/c	320	
To Provision for Bad and doubtful debts A/c		320
(Being the creation of provision for bad and doubtful debts)		

1-1-1996	Dr	Cr
Bad debts A/c	11680	
To Sundry debtor's		11680
(Being Bad debts written off)		
Profit and loss A/c	11680	
To Bad debts A/c		11680
(Being bad debts charged to profit and loss account)		

	New Provision for bad debts 288000*5/100	14400
Less	Old Provision	(11200)
		3200

		Dr	Cr
Profit & Loss A/c		3200	
	To Provision for Bad and doubtful debts A/c		3200

(Being the creation of provision for bad and doubtful debts)

1-1-1997

		Dr	Cr
Bad debts A/c		4160	
	To Sundry debtor's		4160

(Being Bad debts written off)

		Dr	Cr
Profit and loss A/c		4160	
	To Bad debts A/c		4160

(Being bad debts charged to profit and loss account)

	Old Provision for bad debts	14400
Less	New Provision 136000*5/100 =	(6800)
		7600

Excess provision transfer to profit and loss account

		Dr	Cr
Provision for bad and doubtful debts A/c		7600	
	To Profit and loss A/c		7600

(Being the excess provision credited to profit and loss account)

Dr Profit and loss Account Cr

1995				1997	By Provision for bad debts	7600
	To Bad debts	9040				
	Provision for Bad debts	320				
1996	To Bad debts	11680				
	Provision for Bad debts	3200				
1997	To Bad debts	4160				

Balance Sheet (Assets side)

1995	Debtor's	224000-11200	212800
1996	Debtor's	288000-14400	273600
1997	Debtor's	136000-6800	129200

Q#1

Method 2: When bad debts is written off against Provision for bad and doubtful debts Account

In the Books of M/s A Co

Dr **Provision for Bad and doubtful debts Account** Cr

1995	To Bad debts	9040		1995	By Balance b/f	10880
	To balance c/d 224000*5/100	11200			By Profit and loss	**9360**
	Total	20240			Total	20240
1996	To bad debts	11680		1996	By balance b/f	11200
	To balance c/d 288000*5/100	14400			By profit and loss	**14880**
	Total	26080			Total	26080
1997	To bad debts	4160		1997	By balance b/f	14400
	To balance c/d 136000*5/100	6800				
	To profit and loss	**3440**				
	Total	14400			Total	14400

Q # 2

Dr **Provision for Bad and doubtful debts Account** Cr

1st	To Bad debts	1800		1st	By Balance b/f	2500
	After trial balance bad debts	200			By profit and loss	**1740**
	To balance c/d 45000-200*5/100	2240				
	Total	4240			Total	4240
2nd	To Bad debts	2000		2nd	By balance b/f	2240
	After trial balance bad debts	140			By profit and loss	**2318**
	To balance c/d 48500-140*5/100	2418				
	Total	4558			Total	4558
3rd	To Bad debts	4000		3rd	By balance b/f	2418
	After trial balance bad debts	420			By profit and loss	**4821**
	To balance c/d 56800-420*5/100	2819				
	Total	7239			Total	7239
4th	To Bad debts	2700		4th	By balance b/f	2819
	After trial balance bad debts	260			By Bad debts Recovery	520
	To balance c/d 62000-260*5/100	3087			By Profit and Loss	**2708**
	Total	6047			Total	6047
5th	To Bad debts	2800		5th	By balance b/f	3087
	After trial balance bad debts	300			By profit and loss	**2918**
	To balance c/d 58400-300*5/100	2905				
	Total	6005			Total	6005

Q # 3.

Docks Ltd

Dr **Provision for Bad and doubtful debts Account** Cr

1996	To Bad debts	1680		1996	By Balance b/f	13000
	To balance c/d 186680-1680*10/100	18500			By Profit and loss	**7180**
	Total	20180			Total	20180
1997	To bad debts	1200		1997	By balance b/f	18500
	To balance c/d 141200-1200*12.5/100	17500			By profit and loss	**200**
	Total	18700			Total	18700
1998	To bad debts	6200		1998	By balance b/f	17500
	To balance c/d 206200-6200*15/100	30000			By profit and loss	**18700**
	Total	36200			Total	36200

Balance Sheet (Assets side)

1996	Sundry debtor's 186680-1680=185000-18500	166500
1997	Sundry debtor's 141200-1200=140000-17500	122500
1998	Sundry debtor's 206200-6200=200000-30000	170000

Q #4

	Dr	Cr
Sundry debtor's A/c	200000	
To Sale A/c		200000
(Credit sale)		
Cash A/c	193000	
To Sundry debtor's		193000
(Received cash from debtor's)		
Bad debts A/c	3000	
To Sundry debtor's		3000
(Being Bad debts written off)		

Dr		Debtor's Account				Cr
Date	Description	Amount		Date	Description	Amount
1997	To balance b/f	20000		1997	By Cash	193000
	To Sale	200000			By bad debts	3000
				June 30	By balance c/d	**24000**
		220000				220000

4 (B)

Dr		Provision for Bad and doubtful debts Account				Cr
1997	To Bad debts	3000		1997	By Balance b/f	1000
	To balance c/d 24000*5/100	1200			By bad debts recover	1000
					By profit and loss	**2200**
	Total	4200			Total	4200

Q # 5

	Dr	Cr
Sundry debtor's A/c	723869	
To Sale A/c		723869
(Credit sale)		
Discount allowed A/c	8214	
To Sundry debtor's		8214
(Discount allowed)		
Cash A/c	688267	
To Sundry debtor's		688267
(Received cash from debtor's)		
Sale Return A/c	36925	
To Sundry debtor's		36925
(Goods returned)		
A.Brown	1246	
To Bank A/c		1246
(cheque dishonor)		

Dr **Debtor's Account** Cr

Date	Description	Amount		Date	Description	Amount
1997	To balance b/f	84611		1997	By Cash	688267
	To Sale	723869			By discount allowed	8214
	To bank	1246			Sale return	36925
					By bad debts	6854
				June 30	By balance c/d	**69466**
		809726				809726

5 (B) ***In the Books of Theta***

Dr **Provision for Bad and doubtful debts Account** Cr

1997	To Bad debts	6854		1997	By Balance b/f	4813
	To balance c/d 69466*8/100	5557			By bad debts recover	1000
					By profit and loss	**6598**
	Total	12411			Total	12411

Q # 6 ***In the Books of X Company Ltd***

Dr **Provision for Bad and doubtful debts Account** Cr

1996	To Bad debts	6000		1996	By Balance b/f	10000
	To balance c/d 240000*5/100	12000			By Profit and loss	**8000**
	Total	18000			Total	18000
1997	To bad debts	1000		1997	By balance b/f	12000
	To balance c/d 200000*5/100	10000				
	To profit and loss	**1000**				
	Total	12000			Total	12000

(b) ***In the Books of X Company Ltd***

Dr **Provision for Discount on Debtor's Account** Cr

1996	To discount allowed	2000		1996	By Balance b/f	5000
	To balance c/d 240000-12000*2.5/100	5700			By Profit and loss	**2700**
	Total	7700			Total	7700
1997	To discount allowed	500		1997	By balance b/f	5700
	To balance c/d 200000-10000*2.5/100	4750				
	To profit and loss	**450**				
	Total	5700			Total	5700

(c) ***In the Books of X Company Ltd***

Dr **Reserve for Discount on Creditor's Account** Cr

1996	To balance b/f	4000		1996	By discount received	500
					By Provision 100000*2/100	2000
					By profit and loss	**1500**
	Total	4000			Total	4000
1997	To balance b/f	2000		1997	By discount received	3000
	To profit and loss	**4000**			By provision 150000*2/100	3000
	Total	6000			Total	6000

Q # 7

		Dr	Cr
1995			
	Bad debts A/c	155	
	To sundry debtor's A/c		155
	(Being Bad debts written off)		
	Profit and loss A/c	155	
	To Bad debts A/c		155
	(Being bad debts charged to profit and loss account)		
	Profit & Loss A/c	55	
	To Provision for Bad and doubtful debts A/c		55
	(Being the creation of provision1100*5/100 for bad and doubtful debts)		
1996			
	Profit & Loss A/c	70	
	To Provision for Bad and doubtful debts A/c		70
	(Being the creation of provision2500*5/100= 125-55=70 for bad and doubtful debts)		
1997			
	Bad debts A/c	110	
	To sundry debtor's A/c		110
	(Being Bad debts written off)		
	Provision for bad and doubtful debts A/c	110	
	To Bad debts A/c		110
	(Being bad debts charged to provision account)		
	Profit & Loss A/c	60	
	To Provision for Bad and doubtful debts A/c		60
	(Being the creation of provision1500*5/100= 75-15=60 for bad and doubtful debts)		

In the Books of Nellori Co. Ltd

Dr **Provision for Bad and doubtful debts Account** Cr

1996	To Bad debts	Nil		**1996**	By Balance b/f	55
	To balance c/d 2500*5/100	125			By Profit and loss	70
	Total	125			Total	125
1997	To bad debts	110		1997	By balance b/f	125
	To balance c/d 1500*5/100	75			By profit and loss	60
	Total	185			Total	185

Dr ***Bad debts Account*** Cr

1995	To sundry debtor's	155		1995	By profit and loss	155
1996	To sundry debtor's	?			By Profit and loss	?
1997	To sundry debtor's	110			By provison for bad debts	110

Note: Under this Method, 1995 Bad Debts charged to Profit and loss A/c. so 1995 was treated as 1st year.

Q # 8 (a)

Dr **Provision for Bad and doubtful debts Account** Cr

1996	To Bad debts	2000		1996	By Balance b/f	2500
	To balance c/d 48000-2000*5/100	2300			By Profit and loss	1800
	Total	4300			Total	4300
1997	To bad debts	1000		1997	By balance b/f	2300
	To balance c/d 19000-2000*5/100	850				
	To profit and loss	450				
	Total	2300			Total	2300

(b)

Dr **Provision for Discount on Debtor's Account** Cr

1996	To discount allowed	100		1996	By Balance b/f	1200
	To balance c/d 48000-2000-23000*2/100	874				
	To profit and loss	226				
	Total	1200			Total	1200
1997	To discount allowed	2000		1997	By balance b/f	874
	To balance c/d 19000-2000-850*2/100	323			By profit and loss	1449
	Total	2323			total	2323

(c)

Dr **Reserve for Discount on Creditor's Account** Cr

1996	To balance b/f	1000		1996	By discount received	200
					By balance c/d 20000*3/100	600
					By profit and loss	200
	Total	1000			Total	1000
1997	To balance b/f	600		1997	By discount received	500
	To profit and loss	650			By provision 25000*3/100	750
	Total	1250			Total	1250

Q # 9

In the Books of S. Soman

Dr **Provision for Bad and doubtful debts Account** Cr

1995	To Bad debts	400		1995	By Balance b/f	1200
	To balance c/d 20400-400*5/100	1000			By Profit and loss	200
	Total	1400			Total	1400
1996	To bad debts	100		1996	By balance b/f	1000
	To balance c/d 10100-100*5/100	500				
	To profit and loss	400				
	Total	1000			Total	1000
1997	To bad debts	200		1997	By balance b/f	500
	To balance c/d 36200-200*5/100	1800			By profit and loss	1500
	Total	2000			Total	2000

(b)

Dr **Provision for Discount on Debtor's Account** Cr

1995	To discount allowed	300		1995	By Balance b/f	150
	To balance c/d 20400-400-1000*2/100	380			By profit and loss	530
	Total	680			Total	680
1996	To discount allowed	50		1996	By balance b/f	380
	To balance c/d 10100-100-500*2/100	190				
	To profit and loss	140				
	Total	380			Total	380
1997	To discount allowed	50		1997	By balance b/f	190
	To balance c/d 36200-200-1800*2/100	684			By profit and loss	544
	Total	734			Total	734

Ch # 10

Depreciation

Q # 1

Annual Depreciation = $\frac{\text{Cost of Assets-Scrap value}}{\text{Useful life}}$

Cost of asset = 100000

Less Scrap value = (20000)

80000

Annual depreciation = 80000/10=**8000**

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1993	To Cash	100000		31-12-1993	By depreciation	8000
					By balance c/d	92000
		100000				100000
1-1-1994	To balance b/d	92000		31-12-1994	By depreciation	8000
					By balance c/d	84000
		92000				92000
1-1-1995	To balance b/d	84000		31-12-1995	By depreciation	8000
					By balance c/d	76000
		84000				84000
1-1-1996	To balance b/d	76000		31-12-1996	By depreciation	8000
					By balance c/d	68000
		76000				76000
1-1-1997	To balance b/d	68000		31-12-1997	By depreciation	8000
					By balance c/d	**60000**
		68000				68000

Q # 2

Cost of asset = 20000

Less Scrap value = (5000)

15000

Annual depreciation = 15000/10=1500 or 15000*10%=**1500**

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1st year	To Cash	20000		1st year	By depreciation	1500
					By balance c/d	18500
		20000				20000
2nd year	To balance b/d	18500		2nd year	By depreciation	1500
					By balance c/d	17000
		18500				18500
3rd year	To balance b/d	17000		3rd year	By depreciation	1500
					By balance c/d	15500
		17000				17000

Balance sheet (assets side)

1st year 20000-1500	18500
2nd year 18500-1500	17000
3rd year 17000-1500	15500

Q # 3

	Cost of asset	=	100000
Less	Scrap value	=	(10000)
			90000

Annual depreciation = 90000/10=**9000**

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1995	To Cash	100000		31-12-1995	By balance c/d	100000
		100000				100000
1-1-1996	To balance b/d	100000		31-12-1996	By balance c/d	100000
		100000				100000
1-1-1997	To balance b/d	100000		31-12-1997	By balance c/d	100000
		100000				100000

Dr **Provision for depreciation account** Cr

Date	Description	Amount		Date	Description	Amount
31-12-1995	To balance c/d	9000		31-12-1995	By depreciation	9000
		9000				9000
31-12-1996	To balance c/d	18000		31-12-1996	By balance b/d	9000
					By depreciation	9000
		18000				18000
31-12-1997	To balance c/d	**27000**		31-12-1997	By balance b/d	18000
					By depreciation	9000
		27000				27000

31-12-1997 Book Value of Machinery:

	Cost of Machinery =	100000
Less:	Accumulated Dep:	(27000)
	Book Value	**73000**

Q # 4

Cost of asset = 200000+80000+20000= 300000

Less Scrap value =300000*10/100=30000 (30000)

270000

Annual depreciation = 270000/10=**27000**

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1-4-1995	To Cash	300000		31-12-1995	By balance c/d	300000
		300000				300000
1-1-1996	To balance b/d	300000		31-12-1996	By balance c/d	300000
		300000				300000
1-1-1997	To balance b/d	300000		31-12-1997	By balance c/d	300000
		300000				300000

Dr **Provision for depreciation account** Cr

Date	Description	Amount		Date	Description	Amount
31-12-1995	To balance c/d	27000		31-12-1995	By depreciation	27000
		27000				27000
31-12-1996				31-12-1996	By balance b/d	27000
	To balance c/d	54000			By depreciation	27000
		54000				54000
31-12-1997				31-12-1997	By balance b/d	54000
	To balance c/d	81000			By depreciation	27000
		81000				81000

Balance sheet (assets side)

Value of Machinery	300000
Less: Accumulated Dep	(81000)
Net book value	**219000**

Q # 5

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1996	To Cash	500000		31-12-1996	By balance c/d	800000
1-7-1996	To Cash	300000				
		800000				800000
1-1-1996	To balance b/d	800000		31-12-1997	By balance c/d	800000
		800000				800000

Dr **Provision for depreciation account** Cr

Date	Description	Amount		Date	Description	Amount
31-12-1996	To balance c/d	65000		31-12-1996	By depreciation (N.1)	**65000**
		65000				65000
31-12-1997				31-12-1997	By balance b/d	65000
	To balance c/d	**138500**			By depreciation (N.2)	**73500**
		138500				138500

N.1 Depreciation of 1996

1st Machinery 500000*10/100= 50000

2nd Machinery 300000*10/100*6/12 15000

65000

N.2 Depreciation of 1997

800000-65000=735000*10% **73500**

Balance sheet (assets side)

1996	1st Machinery 500000	
	2nd Machinery 300000	
Less:	Acc Dep (65000)	**735000**
1997	Value of Machinery 735000	
Less:	Acc Dep (73500)	**661500**

Q # 6

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1-4-1994	To Cash	600000		31-12-1994	By depreciation (N.1)	**50000**
1-7-1994	To Cash	100000			By balance c/d	650000
		700000				700000
1-1-1995	To balance b/d	650000		31-12-1995	By depreciation (15%)	**97500**
					By balance c/d	552500
		650000				650000
1-1-1996	To balance b/d	552500		31-12-1996	By depreciation (20%)	**110500**
					By balance c/d	442000
		552500				552500
1-1-1997	To balance b/d	442000		31-12-1997	By depreciation (20%)	**88400**
					By balance c/d	**353600**
		442000				442000

N.1 Calculation of Depreciation for 1994

1st Machinery 600000*10/100*9/12= 45000

2nd Machinery 100000*10/100*6/12= 5000

50000

Q # 7

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1996	To Cash	64000		31-12-1996	By balance c/d	64000
		64000				64000
1-1-1997	To balance b/d	64000		31-12-1997	By balance c/d	136000
1-10-1997	To Cash	72000				
		136000				136000

Dr **Provision for depreciation Account** (Machinery Account) Cr

Date	Description	Amount		Date	Description	Amount
31-12-1996	To balance c/d	8000		31-12-1996	By Dep 64000*12.5%	**8000**
		8000				8000
31-12-1997	To balance c/d	**24000**		31-12-1997	By balance b/d	8000
					By depreciation (N.1)	**16000**
		24000				24000

N.1 Calculation of Depreciation for 1997 for Machinery

	1st Machinery	64000	N.2	Book Value of Machinery on 31-12-1997	
	2nd Machinery	72000		Cost of Machinery	136000
		136000	less:	Accumulated Dep	(24000)
Less:	Dep:	(8000)		Book Value	**112000**
		128000*12.5/100=**16000**			

Q # 7 (b)

Dr **Fixture Account** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1996	To Cash	10000		31-12-1996	By balance c/d	30000
1-7-1996	To Cash	20000				
		30000				30000
1-1-1997	To balance b/d	30000		31-12-1997	By balance c/d	35000
1-10-1997	To Cash	5000				
		35000				35000

Dr **Provision for depreciation account** (Fixture Account) Cr

Date	Description	Amount		Date	Description	Amount
31-12-1996	To balance c/d	3000		31-12-1996	By Dep 30000*10%	**3000**
		3000				3000
31-12-1997	To balance c/d	**6200**		31-12-1997	By balance b/d	3000
					By depreciation (N.1)	**3200**
		6200				6200

N.1 Calculation of Depreciation for 1997 on fixture

	1st Machinery	30000
	2nd Machinery	5000
		35000
	Less Deep	(3000)
		32000*10/100=**3200**

N.2 Calculation of Book Value

	Cost of Fixrure	35000
Less:	Accumulated Dep:	(6200)
	Book Value	**28800**

Q # 8

Dr **Machinery Account as on 31-12-1997** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1997	To balance b/f	48600		1-9-1997	By Cash	6000
1-7-1997	To Cash (24000+1000)	25000		31-12-1997	By Dep (N.1)	**540**
					By Loss(N.2)	**1560**
					By Dep (N.3)	**5300**
				31-12-1997	By balance c/d	**60200**
		73600				73600

N. 1 Calculation of depreciation on dispose machinery

Machinery sold on 1.9.1997 for Rs 6000, original cost of such machinery was 10000 in 1995.

Dep in 1995= 10000*10%= 1000, written down value at Dec 1995 =10000-1000=9000

Dep in 1996= 9000*10%= 900 Dec 1996=9000-900 =8100

Dep in 1997= 8100*10%***8**/12 ***540***

Total Dep on Dispose Machinery 2440

N.2 Calculation of profit and loss on dispose Machinery in 1997

	Cost of dispose Machinery	10000
Less	Amount Realized	(6000)
		4000
Less	Dep on dispose Machinery	(2440)
	Actual loss on dispose Machinery	***1560***

N.3 Calculation of depreciation on Machinery at hand in 1997

Old Machinery 48600-6000-540-1560=40500*10%	4050
New Machinery 25000*10%*6/12 =	1250
Depreciation Expense in 1997=	***5300***

Q # 9

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1-4-1993	To Cash	150000		31-3-1994	By Dep (150000*10%)	15000
					By balance c/d	135000
		150000				150000
1-4-1994	To balance b/f	135000		31-3-1995	By Dep (N.1)	**15500**
1-9-1994	To Cash	40000			By balance c/d	159500
		175000				175000
1-4-1995	To balance b/f	159500		31-3-1996	By Dep (159500*10%)	15950
					By balance c/d	143550
		159500				159500
1-4-1996	To balance b/f	143550		31-3-1997	By Cash	34000
1-4-1996	To Cash	25000			By Dep on dispose (N.2)	**1710**
	To profit(N.3)	**1510**			By Dep on hand Mach (N.4)	**13435**
					By balance c/d	**120915**
		170060				170060

N.1 Calculation of Depreciation for 1995

1st Machinery	135000*10%=	13500
2nd Machinery	40000*10%*6/12	2000
Depreciation for 1994		***15500***

N.2 Calculation of depreciation on dispose machinery

Cost of Machinery on 30-9- 1994=40000	
Depreciation of 1994, 40000*10%*6/12=	2000
Depreciation of 1995, 40000-2000*10%=	3800
Depreciation of 1996, 40000-2000-3800*10%*6/12=	**1710**
Over all depreciation on dispose Machinery	***7510***

N.3 Calculation of profit and loss on dispose Machinery in 1997

	Cost of dispose Machinery	40000
Less	Amount realized	(34000)
		6000
Less	Depreciation N.2	(7510)
	Profit	***1510***

N.4 Calculation of depreciation on at machinery in 1997

	Cost of 1st Machinery in 1996	143550	
Less	Asset disposed off	(34000)	
		109550 so	109550
Less	Dep of dispose Machinery in 1996 (N.2)		(1710)
			107840
Add	Profit on dispose Machinery in 1996 (N.3)		1510
	Value of Machinery in 1996		109350
So	109350*10%=	10935	
	2nd Machinery = 25000*10%=	2500	
	Total Dep expenses in 1997	***13435***	

Q # 10

Dr **Machinery Account as on 31-12-1996** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1996	To balance b/f	268400		31-12-1996	By Cash	6000
1-4-1996	To Cash (58800+2160)	60960			By loss	**6860**
					By Dep Old (N.1)	51108
					By Dep New(N.2)	9144
					By balance c/d	**256248**
		329360				329360

N.1 Calculation of Depreciation on old Machinery (20%)

Cost of Machinery 268400

Less value of dispose Mach (12860)

255540

255540*20% **51108**

N.2 Calculation of Depreciation on New Machinery (15%)

Cost of Machinery 60960*15%=**9144**

Total depreciation in 1996, 51108+9144=60252

Q # 11

Dr **Machinery Account as on 31-12-1996** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1996	To balance b/f (N.1)	**55050**		30-6-1996	By Cash	900
30-9-1996	To Cash	25000		30-9-1996	By Cash	11800
	To profit on dispose(N.2)	**400**			By Depreciation (N.4)	**18525**
	To profit on destroyed(N.3)	**3200**		31-12-1996	By balance c/d	**52425**
		83650				83650

N.1 Calculation of Machinery Value at 1-1-1996

A Machinery purchased in 1986= 57000

Depreciable value of machinery 57000*95%=54150 so 54150/10=5415

From 1986 to 1995= 10 years so 5415*10= 54150 at the end of 1995 only scarp value was left which was 57000-54150=**2850** it will be forwarded to **1-1-1996**

B Machinery purchased in 1988= 130000

Depreciable value of Machinery 130000*95%=123500 so 123500/10=12350 (from 1988 to 1995, 8 years) so 12350*8=98800, remaining value of machinery 130000-98800=**31200** and will be forwarded to **1-1-1996**.

C Machinery purchased in 1991=40000

Depreciable value of machinery 40000*95%=38000 so 38000/10=3800

From 1991 to 1995= 5 years so 3800*5=19000 remaining value of machinery 40000-19000=**21000** and will be forwarded to **1-1-1996**

So book value of Machinery at 1-1-1996= A+B+C= 2850+31200+21000=***55050***

N.2 Calculation of profit and loss on dispose Machinery in 1996

Machinery cost in 1985=10000 so depreciable value = 10000*95%=9500

From 1985 to 1994= 10 years so it is already depreciated only scrap value is left which is 500

So 10000-9500=500 Machinery of 500 sold on 900, 900-500=**400** profit

N.3 Calculation of profit and loss on destroyed Machinery in 1996

Cost of Machinery in 1991=20000. Depreciable value =20000*95%=19000

So 19000/10=1900. From 1991 to 1996= 6 years depreciation= 1900*6=11400

	Cost of Machinery	20000
Less	Amount received from insurance company	(11800)
		8200
Less	Depreciation	(11400)
	Profit	**(3200)**

N.4 Calculation of depreciation on machinery in hand in 1996

1st Machinery 130000*95%=123500/10=12350

2nd Machinery 40000*95% = 38000/10= 3800

3rd Machinery 25000*95% = 23750/10= 2375

Total depreciation of 1996 **18525**

Q # 12

Dr **Machinery Account** Cr

Date	Description	Amount		Date	Description	Amount
1-1-1996	To Balance b/f	100000		30-6-1997	By Machinery Disposal A/c	80000
30-6-997	To Cash	40000		31-12-1997	By Balance c/d	**60000**
		140000				140000

Dr **Provision for Depreciation Account** Cr

Date	Description	Amount		Date	Description	Amount
30-12-1996	To Balance c/f	19000		30-6-1997	By Balance after adjustment (N.1)	**13000**
				31-12-1997	By Dep of Machinery on hand (N.2)	**2000**
				31-12-1997	By Dep of new machinery (N.3)	**4000**
		19000			Total Accumulated Dep	19000

Dr **Machinery Disposal Account** Cr

Date	Description	Amount		Date	Description	Amount
30-6-1997	To Machinery A/c	80000		30-6-1997	By Acc Dep A/c	32000
				30-6-1997	By Bank	43500
					By loss(N.4)	**4500**
		80000				80000

N.1 Calculation of Depreciation of dispose Machinery

Cost of Machinery = 80000

Rate of Depreciation= 10%

80000*10%=8000 from 1-1-1992 to 31-12-1995= 4 years

So 8000*4=32000

Balance in provision A/c 45000-32000=**13000**

N.2 Calculation of Depreciation of Machinery on hand

	Opening Balance of Machinery	100000
Less	Machinery Disposed	(80000)
	Value of Machinery Left	20000
	So 20000*10%=	**2000**

N.3 Calculation of Depreciation on new Machinery

Cost of Machinery 40000*10%= **4000**

N.4 Calculation of profit and Loss on Dispose Machinery

	Cost of Machinery sold	80000
Less	Sale Price	(43500)
		36500
Less	Dep on dispose Machinery	(32000)
	Loss	**4500**

Depletion Method

This method is an accounting for natural resources rather than accounting for depreciation, wasting assets such as mines, quarries, and the like are examples of such natural resources. The distinguish feature of these types of assets is that they cannot be depreciated but can depleted; this is because these assets can be physically consumed and converted into inventory.

For example: A mine is acquired for Rs 1000000 and it is estimated that 2500000 tons of coal can be extracted over its life. Therefore the rate of depreciation per ton of coal is Rs 1000000/250000= Rs 4. If 50000 tones are extracted in a year then the depreciation for that year will be 50000*4= Rs 200000.

Illustration

Spna Collieries Ltd acquired a lease right for 25 years of a mine on January 1st 2000 on a lumpsum payment of Rs 500000, Estimated coal deposit was 2500000 tones, 80% of which, it is expected could be within the lease periods, The company decided t to depreciate the lease under the depletion method, The annual raising were: 2000—40000 tones: 2001—60000 tones: 2002—100000 tones: 2003 to 2005—200000 tones each year. Show Lease Account from 1st January 2000 to31 December 2006.

In the Books of Spna Collieries Ltd

Lease Account

Date	Particulars	Rs		Date	Particulars	Rs
1-1-2000	To Bank A/c	500000		31-12-2000	By Deprecation (N.1)	10000
					By balance c/d	490000
		500000				500000
1-1-2001	To balance b/d	490000		31-12-2001	By Depreciation (N.1)	15000
					By balance c/d	475000
		490000				490000
1-12002	To balance b/d	475000		31-12-2002	By Depreciation (N.1)	25000
					By balance c/d	450000
		475000				475000
1-1-2003	To balance b/d	450000		31-12-2003	By Depreciation (N.1)	50000
					By balance c/d	400000
		450000				450000
1-1-2004	To balance b/d	400000		31-12-2004	By Depreciation (N.1)	50000
					By balance c/d	350000
		400000				400000
1-1-2005		350000		31-12-2005	By Depreciation (N.1)	50000
					By balance c/d	300000
		350000				350000
1-1-2006	To balance c/d	300000				

N.1 Calculation of Depreciation:

Depreciation per tons of coal = Rs 500000/2000000 (being 80% of 2500000) =0.25. Therefore, depreciation for 2000= 40000*.25= Rs 10000: Similarly for 2001= Rs 15000 and so on.

Sum –of –the –Years' Digit Method

This method assumes that the depreciation charge should be more in the early years of the life of the asset. It allocates approximately two- third of the cost in the first half of the assets estimated economic life.

Under this method the depreciation expenses is calculated by multiplying the cost of by a fraction based on the sum of the number of periods of the useful life. The depreciation expenses are computed as follow:

If n is the estimated years of useful life, the number 1,2,3…. n are added. If the estimated useful life of an asset is 5 years, the sum of years digit is 1+2+3+4+5= 15. Taking n as the estimated useful life, the above sum can be computed by the following formula.

Sum of year's digits= $\frac{n(n+1)}{2} = \frac{5\ (5+1)}{2} = 15$

Depreciation = Number of yeas life remaining /Sum of year's digits* (cost-Salvage)

Example

If the cost of the Machine is Rs 5000 and scrap value after 5 years is Rs 100, the amount of depreciation to be charged in different years will be as under:

$\frac{5(5+1)}{2} = 15$ Or 1+2+3+4+5= 15

Calculation of Depreciation under Sum of year's digits Method

1^{st} year	4900*5/15=	1633
2^{nd} year	4900*4/15=	1307
3^{rd} year	4900*3/15=	980
4^{th} year	4900*2/15=	653
5^{th} year	4900*1/15=	327
		4900

Ch # 11 ***Inventories***

Q # 1

Store Ledger (L I F O)

Date 1997		Purchases				Issues				Balance		
	Particulars	Quantity	Rate	Value Rs		Quantity	Rate	Value Rs		Quantity	Rate	Vale Rs
Dec 1	Balance									300	9.7	2910
1	Purchases	250	980	2450						300	9.7	2910
										250	9.80	2450
	Issued					250	9.8	2450				
						150	9.7	1455				
	Balance									150	9.7	1455
	Purchases	300	10.05	3015						300	10.05	3015
	Balance									150	9.7	1455
										300	10.05	3015
	Issued					210	10.05	2110.5		150	9.7	1455
	Balance									90	10.05	904.5
	Purchases	150	10.30	1545						150	9.7	1455
	balance									90	10.05	904.5
										150	10.30	1545
	Issued					100	10.30	1030		150	9.7	1455
										90	10.05	904.5
										50	10.30	515
		Purchases =		7010		Material Issued		7045.5				2874.5

Q # 3

Store Ledger (F I F O)

Date 1997		Purchases				Issues				Balance		
	Particulars	Quantity	Rate	Value Rs		Quantity	Rate	Value Rs		Quantity	Rate	Vale Rs
	Purchases	2000	5.2	10400						2000	5.2	10400
	Issued					1000	5.2	5200		1000	5.2	5200
	Purchase	1400	5.5	7700						1400	5.5	7700
	Issued					1000	5.2	5200		1400	5.5	7700
	Purchase	800	5.4	4320						800	5.4	4320
	Balance									1400	5.5	7700
										800	5.4	4320
	Issued					1000	5.5	7700		400	5.5	2200
	Balance									800	5.4	4320
	Purchase	2000	5.3	10600						2000	5.3	10600
	Issued					400	5.5	2200				
						600	5.4	3240		200	5.4	1080
	Issued									2000	5.3	10600
		Purchases		33020		Material used		53540		Balance	11680	

Q # 4

Store Ledger (Average Method)

Date 1997		Purchases				Issues				Balance		
	Particulars	Quantity	Rate	Value Rs		Quantity	Rate	Value Rs		Quantity	Rate	Vale Rs
	Balance									24000	0.75	18000
	Purchases	44000	0.76	33440						68000	0.76	51440
	Issued					10000	0.76	7600		58000	0.76	44080
	Issued					16000				42000	0.76	31920
	Issued					24000				18000	0.76	13680
	Purchases	10000	0.78	7800						28000	0.77	21560
	Issued					24000	0.77	18480		4000	0.77	3080
	Purchases	50000	0.8	40000						54000	0.797	43038
	Issued					30000	0.797	23910		24000	0.797	19182
	Issued					4000	0.797	3188		20000	0.797	15940

One Metric tone = 10000kg

Rate of 7500= 10000kg so per kg= 7500/10000= .75

Q # 5

Opening Stock= 100000@ 3

Purchases on 5th March 200000@ 2.85

Purchases on 27th March <u>100000</u>@ 3.03

Total units 400000 of which 130000 is Closing Stock

<u>Closing Stock under F I F O</u>		Material Uses Under F I F O	
30000*2.85=	85500	100000*3=	300000
100000*3.03=	<u>303000</u>	170000*2.85=	<u>484500</u>
Closing Stock	**<u>388500</u>**		**<u>784500</u>**

Income Statement

	Sale	945000
Less:	Cost of goods Sold	<u>(784500)</u>
	Gross Profit	160500
Less:	Administrative Expenses	<u>(25000)</u>
	Net Income	**<u>135500</u>**

Q # 6

Units Purchases

1000+1500+1200+700+1400+1000+1200=8000 of which 3000 is Closing Stock and remaining was issued which were 27000.

<u>Material Used Under F I F O</u>

	1000*70=	70000
	1500*60=	90000
	1200*65=	78000
	700*72=	50400
	600*60=	42000
Units	**5000**	**330400** Material used

<u>Closing Stock Under F I F O</u>

	800*70=	56000
	1000*65=	65000
	1200*60=	72000
Units	3000	**193000**

<u>Material Used Under L I F O</u>

	1200*60=	72000
	1000*65=	65000
	1400*70=	98000
	700*72=	50400
	700*65=	45500
Units	5000	**330900** Material used

<u>Closing Stock Under L I F O</u>

	500*65=	32500
	1500*60=	90000
	1000*70=	70000
Units	3000	**192500**

Q # 7

Statement Showing Value of Closing Stock

	Stock on 10th Jan 1998		175000
Add:	Purchase Return	3000	
Add:	Sales Cost Price (N.1)	49050	52050
			227050
Less:	Purchases (N.2)	34500	
Less:	Sales Return Cost Price (N.3)	1500	(36000)
	Closing Stock on 31 December 1997		**191050**

N.1 Calculation of Sale on Cost Price

	Sales=	80000
Less:	Goods send after 10th Jan	(8000)
Less:	Half item	(6600)
	Sale Price	65400
Less: Gross Profit=65400*25%		(16350)
	Cost of goods Sold	**49050**

N.2 Calculation of Purchases

	Purchases	45000
Less:	Goods Received	(5000)
Less:	Half item	(5500)
	Purchases	**34500**

N.3 Calculation of Sales Return on Cost Price

	Sale Return =	2000
Less:	Gross Profit 2000*25%	(500)
	Sale Return Cost Price	**1500**

Q # 8

Statement Showing Value of Closing Stock

31-March-1997

	Stock on 7th April		45000
Add:	Sales Cost Price (N.1)	8200	8200
			53200
Less:	Purchases (N.2)	7000	
Less:	Sales Return Cost Price (N.3)	980	
Less:	Goods send on Consignment Basis	5000	(12980)
	Closing Stock on 31 March 1997		**40220**

N.1 Calculation of Sale on Cost Price

Sales 10200

Less: Goods Realized on the basis of 20%Profit (1200)

Remaining Goods on the basis of 25% Profit **9000**

Sale Price of = 9000 (include 25% G.P) Sale Price= 1200 (include 20% Profit)

Less: Gross Profit 25%= (1800) less: Gross Profit 20% (200)

Cost Price **7200** Cost Price **1000**

Total Sales Cost Price= 7200+1000= **8200**

N.2 Calculation of Purchases

Purchases= 8000

Less: Delivered on 9th 1000

Purchases **7000**

N.3 Calculation of Sale Return at Cost Price

Sale Return during Period were 1200 of Which 50% were out of sale at 20%

Sale Return 600 (Include 25% G.P) Sale Return 600 (Include 20% (G.P)

Less: Gross Profit (120) (600*25/125) less: Gross Profit (100) (600*20/120)

Sale Return at Cost **480** S.R at Cost **500**

Total Sale Return at Cost Price= 480+500=**980**

Q # 9

Statement Showing Value of Closing Stock
31-March-1997

	Stock on 7th April		15000
Add:	Sales Cost Price (N.1)	4000	4000
			19000
Less:	Purchases (N.2)	4500	
Less:	Goods received Prior to 31st March	5000	(9500)
	Closing Stock on 31 March 1997		**9500**

N.1 Calculation of Sales at Cost Price

	Sales	6000
Less:	Goods not Delivered at the time of Verification	(1000)
	Sale Price of Goods	5000
Less:	Gross Profit 20% on Sale	(1000)
	Cost Price	**4000**

N.2 Calculation of Purchases

	Purchases before actual verification	6000
Less:	Goods not delivered at the time of verification	(1500)
	Purchases	**4500**

Bill of exchange

Q # 1

In the books of J.Jadav

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Feb 1	Bills Receivable A/c		24000	
	To K.Kadam A/c			24000
	(Being bills drawn on K.kadam for four months)			
	M.Mehta A/c		6000	
	To bill Receivable A/c			6000
	(Being the bill drawn on k.kadam endorses to M.Mehta)			
	Bank A/c		9950	
	Discount A/c		50	
	To Bill Receivable A/c			10000
	(Being the bill discounted with the banker)			
	K.Kadam A/c		6000	
	To M.Mehta A/c			6000
	(Being the ensorsed bill dishonored)			
	K.Kadam A/c		8000	
	To Bill Rreceivable A/c			8000
	(Being the bill dishonored at maturity)			
	K.Kadam A/c		10000	
	To Bank A/c			10000
	(Being the bill discounted now dishonored)			

In the books of K.Kadam

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Feb 1	J.Jadav A/c		24000	
	To bills payable A/c			24000
	(Being the acceptance of bills from J.Jadav)			
	No entry			
	No entry			
	Bill payable A/c		6000	
	To J.Jadav A/c			6000
	(Being the bill dishonored at maturity)			
	Bill payable A/c		8000	
	To J.Jadav A/c			8000
	(Being the bill dishonored at maturity)			
	Bill payable A/c		10000	
	To J.Jadav A/c			10000
	(Being the bill dishonored at maturity)			

Q #2

In the books of S

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
July 1	Bills Receivable A/c		9700	
	To Y A/c			9700
	(Being bill drawn on Y for three months)			
	H A/c		4850	
7	To bill Receivable A/c			4850
	(Being the bill drawn on Y endorses to H)			
	Bank A/c		4675	
7	Discount A/c		175	
	To Bill Receivable A/c			4850
	(Being the bill discounted with the banker)			
Oct 4	Y A/c		4850	
	To H A/c			4850
	(Being the endorsed bill dishonored)			
Oct 4	Y A/c		4870	
	To Bank A/c			4870
	(Being the bill discounted now dishonored)			
Nov 1	Bank A/c		5832	
	Bad debts		3888	
	To Y A/c			9720

	(Being 60% of Y acceptance received)			

In the books of Y

Date	Description	Ledger folio	Amount Dr	Amount Cr
July 1	S A/c		9700	
	To bills payable A/c			9700
	(Being the acceptance of bills from Y)			
	No entry			
	No entry			
Oct 4	Bill payable A/c		4850	
	To S A/c			4850
	(Being the bill dishonored at maturity)			
Oct 4	Bill payable A/c		4850	
	Noting Charges		20	
	To S A/c			4870
	(Being the bill dishonored at maturity)			
Nov 1	S A/c		9720	
	To Bank A/c			5832
	To deficiency A/c			3888
	(Being the payment of 60% of dues)			
	N.1			
	9720*60%=5832			

Q # 3

In the books of Amernath

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Jan 1	Bills Receivable A/c		100000	
	To Parker A/c			100000
	(Being bill drawn on Y for three months)			
4	Bank A/c		96500	
	Discount A/c		4500	
	To Bill Receivable A/c			100000
	(Being the bill discounted with the banker @ 18% p.a)			
April 4	Parker A/c		100200	
	To Bank A/c			100200
	(Being the discounted bill dishonored)			
Apr 8	Bank A/c		40080	
	Bad debts		60120	
	To Parker A/c			100200
	(Being 40% of Parker acceptance received) (N.1)			
	N.1			

	100200*40%=40080			

In the books of Parker

Date	Description	Ledger folio	Amount Dr	Amount Cr
Jan 1	Amernath A/c		100000	
	To bills payable A/c			100000
	(Being the acceptance of bills from Y)			
	No entry			
April 4	Bill payable A/c		100000	
	Noting charges		200	
	To Amernath a/c			100200
	(The bill dishonored with noting charges Rs 200)			
April 8	Amernath A/c		100200	
	To Bank A/c			40080
	To deficiency A/c			60120
	(Being the payment of 40% of dues)(N.1)			

Q # 4

In the books of Patel

Date	Description	Ledger folio	Amount Dr	Amount Cr
	Bills Receivable A/c		16000	
	To Customer A/c			16000
	(Being bill drawn on customer for three months)			
	Bank A/c		15600	
	Discount A/c		400	
	To Bill Receivable A/c			16000
	(Being the bill discounted with the banker)			
	Customer A/c		16080	
	To Bank A/c			16080
	(Being the discounted bill dishonored with noting charges)			
	Customer A/c		420	
	To Interest A/c			420
	(Being the Interest of three months payable)			
	Bank A/c		2500	
	To Customer A/c			2500
	(Being amount received from customer 2000+420+80)			
	Bill Receivable A/c		14000	
	To Customer A/c			14000
	Being a fresh bill drawn on customer for three months)			
	Narayan A/c		14000	
	To bill Receivable A/c			14000
	(Being the fresh bill endorsed to Narayan)			

Q # 5

In the books of Sen

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Jan 1	Bills Receivable A/c		15450	
	To Benarjee A/c			15000
	To Interest A/c			450
	(Being bill drawn on Banerjee for a month inclusive interest)			
3	Bank A/c		24687	
	Discount A/c		313	
	To Bill Receivable A/c			25000
	(Being the bill discounted with the banker drawn on 1996)			
4	R.Ram A/c		15450	
	To Bill Receivable A/c			15450
	(Being the bill endorsed in favor of R.Ram)			
Feb 2	No entry			
4	Customer A/c		15010	
	To Bank A/c			25010
	Being the bill discounted now dishonored with noting charges)			

In the books of Benarjee

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Jan 1	Sen A/c		15000	
	Interest A/c		450	
	To bills payable A/c			15450
	(Being the acceptance of bills from Sen)			
	No entry			
	No entry			
Feb 2	Bill payable A/c		15450	
	To Bank A/c			15450
	(Being the bill met at maturity)			
Feb 4	Bill payable A/c		25000	
	Noting Charges A/c		10	
	To Sen A/c			25010
	(Being the bill dishonored with noting charges)			

Note : Calculation of Interest:

Value of Bill=X and Interest = 3% or .03

X+3%x= 15450 So X+.03x=15450

1+.03X= 15450 So X= 15450/1.03= 15000

Interest= 15450-15000= 450 or 15000*.03= 450

Or 15450*3/103= 450

Q # 6

In the books of Srinivas

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
July 1	Bills Receivable A/c		9700	
	To Yashpal A/c			9700
	(Being two bills drawn on Ysahpal for three months)			
7	H A/c		4850	
	To bill Receivable A/c			4850
	(Being the bill drawn on Yashpal endorses to H)			
7	Bank A/c		4675	
	Discount A/c		175	
	To Bill Receivable A/c			4850
	(Being the bill discounted with the banker)			
	Y ashpal A/c		4850	
	To H A/c			4850
	(Being the endorsed bill dishonored)			
Oct 4	Yashpal A/c		4870	
	To Bank A/c			4870
	(Being the bill discounted now dishonored)			
Nov 1	Bank A/c		5832	
	Bad debts		3888	
	To Y A/c			9720
	(Being 60% of Yashpal acceptance received)			

In the books of Yashpal

Date	Description	Ledger folio	Amount Dr	Amount Cr
July 1	Srinivas A/c		9700	
	To bills payable A/c			9700
	(Being the acceptance of 2 bills from Yashpal)			
	No entry			
	No entry			
	Bill payable A/c		4850	
	To Srinivas A/c			4850
	(Being the bill dishonored at maturity)			
Oct 4	Bill payable A/c		4850	
	Noting Charges		20	
	To Srinivas A/c			4870
	(Being the bill dishonored at maturity)			
Nov 1	Srinivas A/c		9720	
	To Bank A/c			5832
	To deficiency A/c			3888
	(Being the payment of 60% of dues)			
	N.1			
	9720*60%=5832			

Q # 7

In the books of Sri G

Date	Description	Ledger folio	Amount Dr	Amount Cr
	Sri. K A/c		20000	
	To Diamond Ring (sale) A/c			20000
	(Sold diamond ring on credit to Sri K)			
	Bills Receivable A/c		20000	
	To Sri K A/c			20000
	(Being bill drawn on Sri K for three months)			
	Bank A/c		19800	
	Discount A/c		200	
	To Bill Receivable A/c			20000
	(Being the bill discounted with the banker)			
	Sri k A/c		20000	
	To Bank A/c			20000
	(Being the bill discounted now dishonored)			
	Sri. K A/c		500	
	To Discount A/c			200
	To Interest A/c			300
	(Being interest and discount due)			

	Bill Receivable A/c To Sri K A/c (Being a new bill drawn on Sri K with discount and interest)		20500	 20500

In the books of Sri K

Date	Description	Ledger folio	Amount Dr	Amount Cr
	Diamond Ring (Purchase) A/c To Sri G A/c (Being the Diamond Ring purchase from Sri G)		20000	 20000
	Sri G A/c To Bill Payable (Being the purchase of Diamond Ring from Sri G)		20000	 20000
	No entry			
	Bill payable A/c To Sri G A/c (Being the bill dishonored at maturity)		20000	 20000
	Discount A/c Interest A/c To Sri G A/c (Being interest and discount paayable)		200 300	 500
	Sri G A/c To Bill Payable A/c (Being new bill accepted with discount and interest charges)		20500	 20500

Q # 8

In the books of Ram

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Jan 1	Bills Receivable A/c		4000	
	To Shyam A/c			4000
	(Being bill drawn on Shyam for mutual Accommodation)			
4	Bank A/c		3850	
	Discount A/c		150	
	To Bill Receivable A/c			4000
	(Being the bill discounted with the bank @ 15%)			
4	Shyam A/c		2000	
	To Bank A/c			1925
	To Discount			75
	(Being the required amount remitted to Shyam)			
Feb 1	Shyam A/c		3000	
	To Bill payable A/c			3000
	(Being the acceptance of a bill for mutual accommodation)			
	No entry			
Feb 4	Bank A/c		1425	
	Discount		75	
	To Sunil A/c			1500
	(Being the receipt of 1500 from Shyam)			
	Bill Payable A/c		3000	
	To Bank A/c			3000
	(Being the bill met at maturity)			
April 4	Shyam A/c		4000	
	To Bank A/c			4000
	(Being the bill dishonor)			
	Shyam A/c		180	
	To Interest A/c			180
	(Being interest is due)			
	Bill Receivable A/c		4180	
	To Shyam a/c			4180
	Being bill drawn on Shyam for mutual Accommodation)			
July 1	Shyam A/c		4180	
	To Bill Receivable A/c			4180
	(Being bill dishonor again)			
1	Bank A/c		1840	
	Bad debts		1840	
	To Shyam A/c			3680

	(Being 50% of Shyam acceptance received) (N.1) N.1 3680*50%=1840			

Dr **Shyam Account** Cr

	To Bank and Discount	2000		By Bill Receivable	4000
	To Bill Payable	3000		By Bank and Discount	1500
	To Bank	4000		Bill Receivable	4180
		180		By Balance c/d	**3680**
		4180			
	Total	13360			13360

In the books of Shyam

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Jan 1	Ram A/c		4000	
	To Bill payable A/c			4000
	(Being acceptance of bill for mutual accommodation)			
	No entry			
4	Bank A/c		1925	
	Discount		75	
	To Ram A/c			2000
	(Being the receipt of 2000 from Shyam)			
Feb 1	Bill Receivable A/c		3000	
	To Ram A/c			3000
	(Being the bill drawn on Ram for mutual accommodation)			
Feb 4	Bank A/c		2850	
	Discount A/c		150	
	To Bill Receivable A/c			3000
	(Being the bill discounted with the bank @ 15%)			
Feb 4	Ram A/c		1500	
	To Bank A/c			1425
	To Discount A/c			75
	(Being the remittance of 1500 to Shyam)			
	No entry			
April 4	Bill Payable A/c		4000	
	To Ram A/c			4000
	(Being the bill dishonored at maturity)			
	Interest A/c		180	
	To Ram A/c			180
	(interest is due)			
	Ram A/c		4180	
	To Bill payable A/c			4180

	(Being bill drawn on Ram for mutual Accommodation)			
July 1	Bill Payable A/c		4180	
	To Ram A/c			4180
	(Being the bill dishonor again)			
July 1	Ram A/c		3680	
	To Bank A/c			1840
	To Deficeincy A/c			1840
	(Being 50% of the amount due to Shyam paid in full settlement)			

Q # 9

In the books of Salil

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
July 1	Bills Receivable A/c		10000	
	To Sunil A/c			10000
	(Being bill drawn on Sunil for mutual Accommodation)			
	Bank A/c		9825	
	Discount A/c		125	
	To Bill Receivable A/c			10000
	(Being the bill discounted with the bank @ 5%)			
2	Sunil A/c		5000	
	To Bank A/c			4937.5
	To Discount			62.5
	(Being the required amount remitted to Sunil)			
2	Sunil A/c		4000	
	To Bill payable A/c			4000
	(Being the acceptance of a bill for mutual accommodation)			
	No entry			
	Bank A/c		1950	
	Discount		50	
	To Sunil A/c			2000
	(Being the receipt of 2000 from Sunil)			
Aug 31	Sunil A/c		10000	
	To Bank A/c			10000
	(Being the discounted bill dishonored)			
	Bill Payable A/c		4000	
	To Bank A/c			4000
	(Being the bill met at maturity)			
	Bank A/c		1750	
	Bad debts		5250	
	To Sunil A/c			7000
	(Being 25% of sunil acceptance received) (N.1)			
	N.1			
	7000*25%=1750			

Sunil Account

Dr					Cr
	To Bank and Discount	5000		By Bill Receivable	10000
	To Bill Payable	4000		By Bank and Discount	2000
	To Bank	1000		By Balance c/d	**7000**
	Total	19000			19000

In the books of Sunil

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
July 1	Salil A/c		10000	
	To Bill payable A/c			10000
	(Being acceptance of a bill for mutual Accommodation)			
	No entry			
2	Bank A/c		4937.5	
	Discount		62.5	
	To Salil A/c			5000
	(Being the receipt of 5000 from Salil)			
2	Bill Receivable A/c		4000	
	To Salil A/c			4000
	(Being the bill drawn on Salill for mutual accommodation)			
	Bank A/c		3900	
	Discount A/c		100	
	To Bill Receivable A/c			4000
	(Being the bill discounted with the bank @ 10%)			
	Salil A/c		2000	
	To Bank A/c			1950
	To Discount A/c			50
	(Being the remittance of 2000 to Salil)			
	Bill Payable A/c		10000	
	To salil A/c			10000
	(Being the bill dishonored at maturity)			
	No entry			
	Salil A/c		7000	
	To Bank A/c			1750
	To Deficiency A/c			5250
	(being 20% of the amount due to salil paid in full settlement)			

Q # 10

In the books of Dhawlka

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Feb 1	Bills Receivable A/c		9000	
	To Agarwal A/c			9000
	(Being acceptance of bill for mutual Accommodation)			
	Bank A/c		8775	
	Discount A/c		225	
	To Bill Receivable A/c			9000
	(Being the bill discounted with the bank @ 10%)			
	Agarwal A/c		6000	
	To Bank A/c			5850
	To Discount			150
	(Being the required amount remitted to Agrwal)			
	Agrwal A/c		6000	
	To Bill payable A/c			6000
	(Being the acceptance of a bill for mutual accommodation)			
	No entry			
	Bank A/c		600	
	Discount		200	
	To Agrwal A/c			800
	(Being the receipt of 800 from Agrwal)			
	Bill Payable A/c		6000	
	To Agrwal A/c			6000
	(Being the discounted bill dishonored)			
	No entry			
	Agrwal A/c		3800	
	To bank A/c			760
	To Deficiency A/c			3040
	(Being 20% of Agrwal acceptance received) (N.1)			
	N.1			
	3800*20%=760			

Dr **Dhawlka Account** Cr

	To Bill Payable	9000		By Bank and Discount	6000
	To Bank and Discount	800		By Bill Receivable	6000
	To Bank	6000		By Balance c/d	**3800**

	Total	15800			15800

In the books of Agrwal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Feb 1	Dhawlka A/c		9000	
	To Bill payable A/c			9000
	(Being acceptance of bull for mutual Accommodation)			
	No entry			
2	Bank A/c		5850	
	Discount		150	
	To Dhawlka A/c			6000
	(Being the receipt of 6000 from Dhawalka)			
2	Bill Receivable A/c		6000	
	To Dhawlka A/c			6000
	(Being the bill drawn on Dhawlka for mutual accommodation)			
	Bank A/c		5400	
	Discount A/c		600	
	To Bill Receivable A/c			6000
	(Being the bill discounted with the bank @ 10%)			
	Dhawlka A/c		800	
	To Bank A/c			600
	To Discount A/c			200
	(Being the remittance of 800 to Agrwal)			
	Dhawlka A/c		6000	
	To Bank A/c			6000
	(Being the discounted bill dishonored at maturity)			
	Bill Payable A/c		9000	
	To Bank A/c			9000
	(Being the bill met at maturity)			
	Bank A/c		760	
	Bad debts		3040	
	To Y A/c			3800
	(Being 20% of the amount due to Agrwal paid in full settlement			

Q # 11

In the books of Keshab

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Feb 1	Bills Receivable A/c		15000	
	To Sudip A/c			15000
	(Being bill drawn on Sudip for mutual Accommodation)			
	Bank A/c		14650	
	Discount A/c		350	
	To Bill Receivable A/c			15000
	(Being the bill discounted with the bank)			
	Sudip A/c		7500	
	To Bank A/c			7325
	To Discount			175
	(Being the required amount remitted to Sudip)			
	Sudip A/c		2500	
	To Bank A/c			2500
	(Being a cheque paid to Sudip)			
	No entry			
	Sudip A/c		5000	
	To bank A/c			1200
	To Deficiency A/c			3800
	(Being 24% of amount due to S paid in full settlement) (N.1)			
	N.1			
	5000*24%=1200			

Dr **Keshab Account** Cr

	To Bill Payable	15000		By Bank and Discount	7500
				By Bank	2500
				By Balance c/d	**5000**
	Total	15000			15000

In the books of Sudip Ray

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Feb 1	Keshab A/c		15000	
	To Bill payable A/c			15000
	(Being acceptance of bill for mutual Accommodation)			
	No entry			
	Bank A/c		7325	
	Discount		175	
	To Keshab A/c			7500
	(Being the receipt of 7500 from Keshab)			
	Bank A/c		2500	
	To Keshab A/c			2500
	(Being a cheque received from Keshab)			
	Bill Payable A/c		15000	
	To Bank A/c			15000
	(Being the bill met at maturity)			
	Bank A/c		1200	
	Bad debts		3800	
	To Keshab A/c			5000
	(Being 24% of amount due from K received in full settlement)			

Q # 12

In the books of X

Date	Description	Ledger folio	Amount Dr	Amount Cr
	Bills Receivable A/c		3000	
	To Y A/c			3000
	(Being bill drawn on Y for mutual Accommodation)			
	Bank A/c		2820	
	Discount A/c		180	
	To Bill Receivable A/c			3000
	(Being the bill discounted with the bank @ 10%)			
	Y A/c		1000	
	To Bank A/c			940
	To Discount			60
	(Being the required amount remitted to Y)			
	Y A/c		4200	
	To Bill payable A/c			4200
	(Being the acceptance of a bill for mutual accommodation)			
	No entry			
	Bank A/c		720	
	Discount		80	
	To Y A/c			800
	(Being the receipt of 800 from Y)			
	Bill Payable A/c		4200	
	To Y A/c			4200
	(Being the bill dishonored)			
	No entry			
	Y A/c		2800	
	To bank A/c			1400
	To Deficiency A/c			1400
	(Being 50% of the amount due to Y paid in full settlement)			
	N.1			
	2800*50%=1400			

Dr **X Account** Cr

	To Bill Payable	3000		By Bank and Discount	1000
	To Bank and Discount	800		By Bill Receivable	4200
	To Bank	4200		By Balance c/d	**2800**
	Total	8000			8000

In the books of Y

Date	Description	Ledger folio	Amount Dr	Amount Cr
	X A/c		3000	
	To Bill payable A/c			3000
	(Being bill drawn on Y for mutual Accommodation)			
	No entry			
	Bank A/c		940	
	Discount		60	
	To X A/c			1000
	(Being the receipt of 1000 from X)			
	Bill Receivable A/c		4200	
	To X A/c			4200
	(Being the bill drawn on X for mutual accommodation)			
	Bank A/c		4080	
	Discount A/c		120	
	To Bill Receivable A/c			4200
	(Being the bill discounted with the bank)			
	X A/c		800	
	To Bank A/c			720
	To Discount A/c			80
	(Being the remittance of 800 to X)			
	X A/c		4200	
	To Bank A/c			4200
	(Being the discounted bill dishonored at maturity)			
	Bill Payable A/c		3000	
	To Bank A/c			3000
	(Being the bill met at maturity)			
	Bank A/c		1400	
	Bad debts		1400	
	To X A/c			2800
	(Being 50% of amount due from X received in full settlement)			

Ch# 13

Consignment Accounts

Q # 1

Journal entries in the books of consignor

Date	Particulars	Dr	Cr
1-1-1997		Dr	Cr
	Consignment to B A/c	80000	
	To Goods send on Consignment A/c		80000
	(Being Goods send on Consignment basis)		
	Consignment to B A/c	2100	
	To Cash A/c		2100
	(Being expenses of Consignor)		
	Consignee A/c	96000	
	To Consignment to B A/c		96000
	(Being the Cash Sale received from the Consignee)		
	Consignment to B A/c	20000	
	To consignee A/c		20000
	(Being expenses of Consignee)		
	Consignment to B A/c	14400	
	To consignee A/c		14400
	(Being Commission of Consignee)		
	Bank A/c	61600	
	To Consignee A/c		61600
	(Being the amount received from Consignee)		
	Profit and loss on Consignment A/c	4080	
	To Consignment to B A/c		4080
	(Being loss on Consignment realized)		
	Goods send on Consignment A/c	80000	
	To Trading A/c		80000
	(Being Consignment Account closed)		
	Stock on Consignment A/c	16420	
	To Consignment A/c		16420
	(Being closing stock on consignment)		

Entries in the books of consignee

Particulars	Dr	Cr
Cash A/c	96000	
To Consignor A/c		96000
(Being Cash Sale by Consignee)		
Consignor A/c	20000	
To Cash A/c		20000
(Being expenses of Consignee)		
Consignor A/c	14400	
To Commission Received A/c		14400
(Being Commission of Consignee)		
Consignor A/c	61600	
To Cash A/c		61600
(Being the amount send to Consignor)		

Dr **Consignment Account** Cr

1997				1997		
Jan 1st	To Goods Send	80000		Dec 31	By Consignee	96000
	To Cash(500+750+850)	2100			By Stock on Consignment(N.1)	**16420**
	To Consignee	20000			By Loss on Consignment	**4080**
	To Consignee	14400				
		116500				116500

N.1 Valuation of Closing Stock

	Cost per Unit		800
Add:	Consignor Expenses	2100/100 per unit =	21
	Total Cost		821

So 821*20= **16420**

Dr **Consignee (B) Account** Cr

1997				1997		
Dec 31	To Consignment	96000			By Consignment to B	20000
					By Consignment to B	14400
					By Bank	**61600**
		96000				96000

Dr **Consignor (C) Account** Cr

1997				1997		
	To Cash	20000			By Cash	96000
	To Commission (15%)	14400				
	To Bank	**61600**				
		96000				96000

Dr **Goods send on Consignment Account** Cr

1997				1997		
Dec 31	To Trading Account	80000		Jan 1st	By Consignment to B	80000
		80000				80000

Q # 2

1-1-1997	Dr	Cr
Consignment to B A/c	75000	
To Goods send on Consignment A/c		75000
(Being Goods send on Consignment basis)		
Consignment to B A/c	1500	
To Cash A/c		1500
(Being expenses of Consignor)		
Consignment to B A/c	1000	
To consignee A/c		1000
(Being expenses of Consignee)		
Consignee A/c	112500	
To Consignment to B A/c		112500
(Being the Cash Sale is received from the Consignee)		
Consignment to B A/c	14063	
To consignee A/c		14063
(Being Commission of Consignee)		
Bank A/c	90000	
To Consignee A/c		90000
(Being the amount received from Consignee)		
Consignment to B A/c	40062	
Profit and loss on Consignment A/c		40062
(Being profit on Consignment realized)		
Goods send on Consignment A/c	75000	
To Purchase A/c		75000
(Being goods send Account closed)		
Stock on Consignment A/c	19125	
To Consignment A/c		19125
(Being closing stock on consignment)		

Entries in the books of consignee	Dr	Cr	
Consignor A/c		1000	
To Cash A/c			1000
(Being expenses of Consignee)			
Consignor A/c		14063	
To Commission Received A/c			14063
(Being Commission of Consignee)			
Cash A/c		112500	
To Consignor A/c			112500
(Being Cash Sale by Consignee)			
Consignor A/c		90000	
To Cash A/c			90000
(Being the amount send to Consignor)			

Dr		Consignment Account				Cr
1997				1997		
Jan 1st	To Goods Send	75000			By Consignee	112500
	To Cash	1500			By Stock (N.1)	**19125**
	To Consignee	1000				
	To Consignee(112000*12.5%)	14063				
	To profit	**40062**				
		131625				131625

N.1 Valuation of Closing Stock

	l Cost	75000
Add:	Consignor Expenses	1500
	Total Cost	76500

So Unsold stock= $\frac{\text{Total Cost*Unsold unit}}{\text{Total units}}$ = $\frac{76500*250}{1000}$ = **19125**

Dr		Consignee (B) Account				Cr
1997				1997		
Dec 31	To Consignment	112500			By Consignment to B	1000
					By Consignment to B	14063
					By Bank	90000
					By Balance	**7437**
		112500				112500

Dr		Consignor (S) Account				Cr
1997				1997		
	To Cash	1000			By Cash	112500
	To Commission (12.5%)	14063				
	To Bank	90000				
	To Balance	7437				
		112500				112500

Dr		Goods send on Consignment Account				Cr
1997				1997		
Dec 31	To Purchase Account	75000		Jan 1st	By Consignment to B	75000
		75000				75000

Q #3

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	200000			By Consignee(500*250)	125000
	To Cash	500			By Consignee (300*260)	78000
	To Consignee	2100			By stock on Consignment (N.1)	**40120**
	To Consignee (203000*5%)	10150				
	To profit	**30370**				
		243120				243120

N.1 Valuation of Closing Stock

	Cost per Unit		200
Add:	Consignor Expenses	500/1000 per unit =	.5
	Consignee Exp	100/1000	.1
	Total Cost		200.6

So 200*200.6= **40120**

Dr **Consignee (M) Account** Cr

1997				1997		
	To Consignment	203000			By B/R	10000
					By Consignment to M	2100
					By Consignment to M	10150
					By Bank	**180750**
		203000				203000

Q #4

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send (5000*8)	40000			By Insurance	2500
	To Cash (50+250+200)	500			By profit and loss (N.1)	**1550**
	To Consignee (500+750)	1250			By Consignee (3500*9.5)	33250
	To Consignee (33250*5%)	1663			By Stock (N.2)	**7973**
	To profit	**1860**				
		45273				45273

N.1 Calculation of Abnormal loss

	Cost per Unit			8
Add:	Consignor Expenses	500/5000 per unit =		.1
				8.1
	Abnormal Los 500*8.1=		**4050**	
Less	Insurance Claim		(2500)	
	Profit and loss		**1550**	

N.2 Valuation of Closing Stock

	Total Cost	40000
Add:	Consignor Expenses	500
	Total Cost	40500
Less	Loss	(4050)
	Closing Stock	**36450**

So Stock= $\frac{\text{Value of goods received by the consignee*Unsold unit}}{\text{Net quantity received by the Consignee}}$

$\frac{36450*980}{5000-500-20}$ = **7973**

Total unit

Unsold units= 5000-3500-500-20=980

Dr **Consignee (Vijay) Account** Cr

1997				1997		
	To Consignment	33250			By Consignment	1250
					By Consignment	1663
					By balance	30337
		33250				33250

Dr **Stock on Consignment Account** Cr

1997				1997		
	To Consignment	7973		Jan 1st	By Trading	7973
		7973				7973

Q #5

Dr **Consignment Account** Cr

1997				1997		
	To stock	20000			By Consignee	225000
	To Goods Send	200000			By Stock (N.1)	**40000**
	To Consignee	3000				
	To Consignee (225000*5%)	11250				
	To profit	**30750**				
		265000				265000

N.1 Calculation of Stock on Cnsignment

Cost = 100%

Profit= 25%

So Sale Price = 125%

If Sale = 225000 than Cost = 225000*100/125= 180000

Goods Send 200000

Add Op stock 20000

220000

Less Cost (180000)

Stock **40000**

N.1 Second Method: if Value of Cost=X

So X+25%X=225000 than X+0.25X=225000

1+0.25X=225000 1.25X=225000

X=225000/1.25=180000

Dr **Consignee (K) Account** Cr

1997				1997		
	To Consignment	225000			By Consignment	3000
					By Consignment	11250
					By balance	210750
		225000				225000

Dr **Consignor Account** Cr

1997				1997		
	To Cash	3000			By Cash	225000
	To Commission	11250				
	To Balance	210750				
		225000				225000

Q # 6

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	112500			By Insurance	3500
	To Cash (1900+2600+3500)	8000			By profit and loss (N.1)	**517**
	To Consignee	4120			By Consignee	105000
	To Consignee (105000*7%)	7350			By Stock (N.2)	**37196**
	To profit	**14243**				
		146213				146213

N.1 Calculation of Abnormal loss

	Cost per unit		750
	Consignor Exp	8000/150	53.4
			803.4
	Abnormal loss	803.4*5=	**4017**
Less	Realized from Insurance Co		(3500)
	Profit and loss		**517**

N.2 Calculation of Stock on Consignment

Unsold units	(45*750)=	33750
Exp of Consignor	8000/150*45=	2400
Exp of Consignee (2500+870)	3370/145*45=	1046
Stock		**37196**

Dr **Consignee (K) Account** Cr

1997				1997		
	To Consignment	105000			By bank draft	10000
					By Consignment	4120
					By consignment	7350
					By Bank	83530
		105000				105000

Dr **Stock on Consignment Account** Cr

1997				1997		
	To Consignment	37196		Jan 1st	By Trading	37196
		37196				37196

Q # 7

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	300000			By Insurance	5600
	To Cash	1500			By profit and loss (N.1)	**430**
	To Consignee (980+1000)	1980			By Consignee(6800*45)	306000
	To Consignee (306000*7.5%)	22950			By Stock (N.2)	**24200**
	To profit	**9800**				
		336230				336230

N.1 Calculation of Abnormal loss

	Cost per unit	6000	
Add:	Consignor Expenses per unit =1500/50	30	
	Abnormal Loss	**6030**	
Less	Insurance Claim	(5600)	
	Profit and loss	**430**	430*1= **430**

N.2 Calculation of Stock on Consignment

	Cost per unit	6000	
Add:	Consignor Expenses per unit =1500/50	30	
Add:	Direct Expense per unit=980/49	20	
		6050	6050*4= **24200**

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	306000			By Consignment	1980
					By Consignment	22950
					By Balance	**281070**
		306000				306000

Q # 8

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	500000			By Insurance (N.1)	50500
	To Cash (4000+1000)	5000			By Consignee	440000
	To Consignee	2000			By Stock (N.2)	**101000**
	To Consignee (N.3)	**29800**				
	To profit	**54700**				
		591500				591500

N.1 Calculation of Abnormal Loss

	Cost per unit		500
Add:	Consignor Expenses per unit =5000/1000		5
			505
	So 100*505=	**50500** paid by Insurance Company	

N.2 Calculation of Stock

	Cost per unit		500
Add:	Consignor Expenses per unit =5000/1000		5
			505
	So 200*505=	**101000**	

N.3 Calculation for Commission

If price exceed 20% than cost , he will get an additional commission 25%

So	Cost = 500*20%=	100 if goods sold more than 600 so he will get 25%	
	Commission on Sales	440000*5%	22000
	Credit Sale	140000*2%	2800
	Excess Sale	100*200=20000*25%	5000
	Total Commission		**29800**

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	440000			By Consignment	2000
					By Consignment	29800
					By Balance	**408200**
		440000				440000

Q # 9

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	80000			By Consignee (35000*3)	105000
	To Cash	10000			By Consignee	19000
	To Consignee	6400			By profit and loss (N.1)	**1125**
	To Consignee (124000*6%)	7440				
	To profit	**21285**				
		125125				125125

N.1 Calculation of Abnormal Loss

40000kg in 10kg tins so total tins = 40000/10= 4000 tins

50 tins destroyed so 50*10= 500kg

Particulars	Quantity	Per unit Rate	Amount
Goods Send	40000kg	(80000/40000) 2	80000
Expense			10000
		(90000/40000) 2.25	90000
Abnormal loss	(500)	2.25	(**1125**)
	39500		
Sales	(35000)		88875
Un sold stock	4500 (Send to X & Co)	2.5	11250

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	105000			By Consignment	6400
	To Consignment	19000			By Consignment	7440
					By B/R	20000
					By bank	**90160**
		124000				124000

Q # 10

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	50000			By Consignee	32000
	To Cash	2500			By Stock	28000
	To Consignee	2000				
	To Consignee (32000*5%)	1600				
	To profit	**3900**				
		60000				60000

Dr **B Account in the books of A** Cr

1997				1997		
	To Stock balance	28000			By Consignee	36000
	To consignee (N.1)	60				
	To Consignee	2500				
	To Consignee (36000*5%)	1800				
	To profit	**3640**				
		60000				60000

N.1 Calculation of discount Allowed 3%

Credit Sale = 2000*3%= **60**

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	30000			By Consignment	2000
					By Consignment	1600
					By balance	**26400**
		30000				30000

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	36000			By Consignment	2500
					By Consignment	1800
					By balance	**31700**
		30000				30000

Q # 11

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	24000			By Consignee	32800
	To Cash (1200+300)	1500			By Profit and Loss (N.1)	**2393**
	To Consignee (600+800)	1400				
	To Consignee (32800*6%)	1968				
	To profit	**6325**				
		35193				35193

N.1 Calculation of Abnormal loss

Goods lost =		2200
Consignor Exp on lost units =	1500*/24000*2200=	138
Consignee Exp on lost units=	600/24000*2200=	55
		2393

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	32800			By Consignment	1400
					By Consignment	1968
					Bill Receivable	20000
					By bank	**9432**
		32800				30000

Q # 12

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send (1000*800)	800000			By Consignee (750*1200)	900000
	To Cash	50000			By Insurance	15000
	To Consignee	83800			By profit and loss (N.1)	**6250**
	To Consignee (900000*5%)	45000			By Stock (N.1)	**175000**
	To profit	**117450**				
		1096250				1096250

N.1 **Calculation of Stock lost and in hand**

Particulars	Quantity	Rate	Amount
Goods Send	1000	800	800000
Expense			50000
	1000	850	850000
Abnormal Loss	(25)	850	**(21250)**
	975		828750
Direct Expense			2500
			831250
Leakage (Normal Loss)	(25)		
	950	**875**	831250
Sales	(750)		
Stock on hand	**200**	**875**	**175000**

Loss

850000/1000= 850*25= **21250**-15000=**6250**

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	900000			By Consignment	83800
					By Consignment	45000
					Bill Receivable	500000
					By bank	**271200**
		900000				900000

Q # 13

Dr		Consignment Account				Cr
1997				1997		
	To Goods Send	100000			By Consignee (N.1)	109000
	To Cash	40000			By Profit and Loss (N.2)	**7100**
	To Consignee	5000			By Stock on Consignment (N.2)	**21300**
	To Consignee (N.1))	**9300**			By Loss on Consignment (N.2)	**16900**
		154300				154300

N.1 Calculation of commission of Consignee

	If Cost =	1000 so above Cost=	1000*25%= 250 so 250+1000= 1250.	
1	1200-1250=	(50)*30=		**(1500**) will born by Consignee
2	1300-1250	50*10=	500*25%	125
3	1500-1250	250*40=	10000*25%	2500
				2625
Less:	Borne by Consignee			(1500)
				1125

Sale 30*1200=36000

Sale 10*1300=13000

Sale 40*1500=60000

Total Sale **109000** So 109000*7.5%= 8175+1125= **9300**

N.2 Calculation of Stock Stolen and in hand

Particulars	Quantity	Rate	Amount
Goods Send	100	1000	100000
Expenses of consignor			40000
	100	1400	140000
Expense of Consignee			2000
	100	1420	142000
Abnormal Loss	**(5)**	**1420**	**(7100)**
	95	1420	134900
Sales	(80)		
Stock on hand	**15**	**1420**	**21300**

Q # 14

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	160000			By Consignee (A)	248000
	To Cash	10160			By Consignee (A)(N.1)	**9000**
	To Consignee (A)	2800			By Profit and Loss (N.2)	**4500**
	To Consignee (A)(N.3)	11320			By Stock on Consignment (N.4)	**21270**
	To Profit	**98490**				
		282770				282770

N.1 Goods Taken by Consignee (A)

8000*12.5/100=1000+8000=**9000**

N.2 Calculation of lost units

4000*12.5/100=500+4000=**4500**

N.3 Commission to A

140000*5/100= 7000

108000*4/100= 4320

11320

N.4 Calculation of Stock on Consignment

	Cost of Goods=	160000
less:	Goods Sold =	(128000)
less:	Taken by A =	(8000)
less:	Abnormal loss =	(4000)
		20000
Add:	**Direct Expenses**	1270
		21270

Direct Expenses= 10160/160000*20000= 1270

Q # 16

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send (400*300)	120000			By Consignee (280*360)	100800
	To Cash	2000			By Goods damaged in Transit	18300
	To Consignee	5800			By Stock on Consignment (N.1)	**18900**
	To Consignee (100800*10%)	10080				
	To profit	**120**				
		138000				138000

Dr **Goods Damaged in Transit Account** Cr

1997				1997		
	To Consignment A/c(60*305)	18300			By Insurance	400
	To Commission (6000*10%)	600			By Consignee (60*100)	6000
					By profit & Loss (abnormal loss)	**12500**
		18900				18900

N.1 **Calculation of Stock**

Particulars	Quantity	Rate	Amount
Goods Send	400	300	120000
Expenses of consignor			2000
	400	305	122000
	(60)	**305**	**(18300)**
	340	305	103700
Expenses of Consignee			3400
	340	315	107100
Sales	(280)		
Stock on hand	**60**	**315**	**10900**

Q # 18

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send (N.1)	300000			By Consignee (N.2)	240000
	To Cash	1200			By Goods send	60000
	To S (2500+1500)	4000			By Stock on Consignment(N.5)	**75925**
	To S (240000*5%)	12000				
	To S (Bonus N.3)	**37333**				
	To Stock Reserve(N.4)	**15000**				
	To Profit	**6392**				
		375925				375925

N.1 Calculation of Goods Send (Invoice Price)

400*600= 240000*25%= 60000 So 240000+60000= **300000**

N.2 Sale by Consignee

240000 of ¾+25%

So 240000*3/4= 180000 Let Sale =X

So 180000+25%X=X X=180000/75%= **240000**

N.3 Calculation of Bonus

240000-12000-4000= 224000*20/120= **37333**

N.4 Calculation of Stock Reserve

Stock Reserve

Total loading/Total quantity* Unsold quantity

Sale Price of ¾+25%=240000/400= 600 and Cost Price of 240000/400= 600

60000/600-600*1/4= **15000**

N.5 Calculation of Stock on Consignment

300000*1/4= 75000

1200*14= 300

2500*1/4= 625

75925

Q # 19

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send	200000			By Consignee	160000
	To Cash	10000			By Goods send	50000
	To Y (1900+3100)	5000			By Insurance	**7000**
	To Consignee (160000*5%)	8000			By profit & Loss N.1(Invc P)	**3500**
	Loading on Abnormal loss N.2	**2500**			By Stock (N.4) (Invoice Price)	**31800**
	To Stock Reserve(N.3)	**7500**				
	To profit	**19300**				
		252300				252300

N.1 Calculation of Stock Lost (Invoice Price)

Goods Stolen* Invoice Price = 50*200= 10000

Add: Consignor Expenses 10000/1000=10 So 50*10= 500

Abnormal Loss **10500**-7000= 3500

N.3 Stock Reserve

Total loading/Total quantity* Unsold quantity

50000/1000*150= **7500**

N.2 Loading on Stolen Goods

Total loading/Total quantity* units Lost

50000/1000*50= **2500**

N.4	Calculation of Stock (Invoice Price)		Cost Price	
	150*200=	30000	150*150=	22500
Add	X Expenses=10000/1000=10*150=	1500	10*150=	1500
Add	Y Expenses=1900/950= 2*150	300	2*150=	300
		31800		**24300**

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	160000			By Bill Receivable	50000
					By Consignment	5000
					By Consignment	8000
					By Bank	97000
		160000				160000

Q # 20

Dr **Consignment Account** Cr

1997				1997		
	To Goods Send (5000*20%)	6000			By Consignee	5200
	To Cash	200			By Goods send	1000
	To R (175+300)	475			By Stock (N.1)(Cost Price)	**1300**
	To Profit	**825**				
		7500				7500

N.1 Calculation of Stock at actual Cost

5000*1/4= 1250

Exp 200/*1/4= 50

1300

Dr **Consignee Account** Cr

1997				1997		
	To Consignment	5200			By Bill Receivable	2000
					By Consignment	175
					By Consignment	300
					By Bank	2725
		5200				5200

Dr **Consignor Account** Cr

1997				1997		
	To Bill Payable	2000			By Cash	5200
	To Cash	175				
	To Commission	300				
	To Bank	2725				
		5200				5200

CH # 14

Joint Venture Accounts

Q # 1

		Dr	Cr
Joint Bank A/c		100000	
	To Murari A/c		60000
	To Mihir A/c		40000
(Being capital contributed by the vent urers)			
Joint Venture A/c		80000	
	To Joint Bank A/c		80000
(Being purchased of buses)			
Joint Venture A/c		25000	
	To Murari A/c		15000
	To Mihir A/c		10000
(Being expenses paid personally)			
Joint Venture A/c		18000	
	To Joint Bank A/c		18000
(Being the purchased of tires)			
Joint Bank A/c		90000	
	To Joint Venture A/c		90000
(Being the sale of two buses)			
Mihir A/c		41000	
	To Joint Venture A/c		41000
(Bus taken by Mihir)			
Joint Venture A/c		8000	
	To Murari A/c		4800
	To Mihir A/c		3200
(Being profit of venture transferred to Capital A/c)			

	Cost of three Buses=	80000	
Add	Expenses 10000+15000+18000=	43000	
	Total Cost	123000	
	Per Bus Cost = 143000/3=		**41000**

Dr **Joint Venture Account** Cr

	To joint bank	80000			By Joint bank	90000
	To Murari	15000			By Mihir	41000
	To Mihir	10000				
	To joint bank	18000				
	To profit (8000)					
	To Murari 8000*60%= 4800					
	To Mihir 8000*40%= 3200	**8000**				
		131000				131000

Dr **Co-Venture Account** Cr

		Murari	Mihir				Murari	Mihir
	To Joint Venture		41000			By Joint Bank	60000	40000
						By Joint Venture	15000	10000
	To Joint bank	79800	12200			By Joint Venture (profit)	4800	3200
		79800	53200				79800	53200

Dr **Joint Bank Account** Cr

	To Murari	60000			By Joint Venture	80000
	To Mihir	40000			By Joint Venture	18000
	To Joint Venture	90000			By Murari 79800	
					By Mihir 12200	92000
		190000				190000

Q # 2

Dr **Joint Venture Account** Cr

	To Joint Bank	35000			By Joint bank	45000
	To Ram	3000			By Share	15000
	To Shyam	2500			By Shyam (stock)	1500
	To Shyam	1000				
	To Loss on share (15000-12000)	3000				
	To profit 17000					
	To Ram 17000*3/5 = 10200					
	To Shyam 17000*2/5 = 6800	**17000**				
		61500				61500

Dr **Co-Venture Account** Cr

		Ram	Shyam				Ram	Shyam
	To Joint Venture	12000	---			By Joint Bank	15000	10000
	To Joint Venture Sto	---	1500			By Joint Venture	3000	2500
						By Fees	---	1000
	To Joint bank	16200	18800			By Joint Venture (profit)	10200	6800
		79800	53200				28200	20300

Dr **Joint Bank Account** Cr

	To Ram	15000			By Joint Venture	35000
	To shyam	10000			By Ram 16200	
	To Joint Venture	45000			By Shyam 18800	35000
		70000				70000

Q # 3

Dr **Joint Venture Account** Cr

	To D.B & G	187000			By Joint bank	2200000
	To Joint Bank	2040000			By Debenture	300000
	To Loss on Debenture 8%	20000			By J.Bank (50000+10000+40000)	100000
	To profit 353000					
	D 353000*2/5= 141200					
	B 353000*2/5= 141200					
	G 353000*1/5= 70600	**353000**				
		2600000				2600000

Dr **Co-Venture Account** Cr

		D	B	G				D	B	G
	To J.V	280000	---	40000			By J.B	300000	375000	200000
							By J.V	32000	80000	75000
	To J.B	193200	596200	305600			By J.V (profit)	141200	141200	70600
		473200	596200	345600				473200	596200	345600

Dr **Joint Bank Account** Cr

	To D.B & G	875000			By Joint Venture	2040000
	To J.v	2200000			By D 193200	
	To Sale (50000+10000)	60000			By B 596200	
					By G 305600	1095000
		3135000				3135000

Q # 4

Dr **Joint Venture Account** Cr

	To J.V (48000+21000)	69000			By J. B (60000+40000)	100000
	To D & K (13000+11000)	24000			By Stock (N.1)	21650
	To D & K (5500+6000)	11500				
	To profit 17150					
	D 17150*3/5 10290					
	K 17150*2/5 6860	**17150**				
		121650				121650

Dr **Co-Venture Account** Cr

		D	K				D	K
						By Joint Bank	40000	40000
						By Joint Venture	13000	11000
						By Joint Ventue	5500	6000
	To balance c/d	68790	63860			By Joint Venture (profit)	10290	6860
		68790	63860				68790	63860

Dr **Joint Bank Account** Cr

	To D.& K (40000*2)	80000			By Joint Venture	69000
	To J.v	100000			By balance c/d	111000
		180000				180000

N.1 Valuation of closing of Stock

1st item

Cost per unit= 60

D Exp per unit= 13000/800= 16.25

76.25

So 200*76.25= 15250

2nd item

Cost per unit= 2.1

D Exp per unit= 11000/10000= 1.1

3.2

So 2000*3.2 = 6400

Closing Stock= 15250+6400= **21650**

Balance Sheet

	Liabilities				Assets	
	D. Capital	68790			Joint Bank	111000
	K. Capital	63860			Stock (15250+6400)	121650
		132650				132650

Q # 5

Dr **Joint Venture Account** Cr

	To X (40000+10000)	50000			By X	10000
	To Y	100000			By J.B	720000
	To J.B (40000+160000+75000+5000)	280000			By Y	180000
	To profit 480000					
	To X (N.1) 283000					
	To Y (N.1) 197000	**480000**				
		910000				910000

N.1 Calculation of profit of X & Y

Up to 50000 share equally so 50000/2= 25000each

Total profit 480000-50000= 430000

X 430000*3/5= 258000+25000= **283000**

Y 430000*2/5= 172000+25000= **197000**

Dr **Co-Venture Account** Cr

		X	Y				X	Y
	To Joint Venture	10000	---			By Joint Venture	50000	---
	To Joint Venture	---	180000			By Joint Venture	---	100000
	To Joint Bank	323000	117000			By Joint Venture (profit)	283000	197000
		333000	297000				333000	297000

Dr **Joint Bank Account** Cr

	To Joint Venture	720000			By Joint Venture	280000
					By X 323000	
					By Y 117000	440000
		720000				720000

No Separate Set of Book

Q # 6

Dr **Joint Venture Account in the Books of A** Cr

	To B (Commission) 560000*10%	5600			By B	56000
	To bank (40000-3.75%)	38500				
	To Interest	5000				
	To bank	1000				
	To b (Expenses)	1750				
	To profit 4150					
	A 4150/2= 2075					
	B 4150/2= 2075	**4150**				
		56000				56000

Dr **B Account** Cr

	To Joint Venture	56000			By Joint Venture	1750
	To bank	1800			By bank (paid to A)	46000
					By J.V (Commission)	5600
					By J.V (profit)	2075
					By bank (paid to A)	**2375**
		57800				57800

Dr **A Account** Cr

	To bank (paid by b)	46000			By Joint Venture (Interest)	5000
	To bank (by b)	**2375**			By J.V (purchased of goods)	38500
					By J.V (freight)	1000
					By bank (advanced to b)	1800
					By J.V (profit)	2075
		48375				48375

Q # 7

Dr **Joint Venture Account in the books of A** Cr

	To Cash (A)	32500			By Cash (15000*12.5)	187500
	To B	27500			By B (12000*12.5)	150000
	To Cash (Share took by A)	150000				
	To Cash (15000*0.5)	7500				
	To B (12000*0.5)	6000				
	To profit 114000					
	A 114000*3/5= 68400					
	B 114000*2/5= 45600	**114000**				
		337500				337500

Dr **B Account** Cr

	To Joint Venture	150000			By Joint Venture (expenses)	27500
					By bank (brokerage)	6000
					By profit	45600
					By Cash (paid to A)	**70900**
		150000				150000

Dr **A Account** Cr

	To Joint Venture	187500			By Joint Venture (Expenses)	32500
	To Cash (by b)	**70900**			By J.V (share taken)	150000
					By J.V (brokerage)	7500
					By J.V (profit)	68400
		258400				258400

Q # 8

Dr **Joint Venture Account in the books of A** Cr

	To Interest (150000*4%*9/12)	4500			By Cash	162500
	Commission (162500*2%)	3250				
	To B (400*9)	3600				
	To B (for the use of plant)	1500				
	To B (Expenses)	119500				
	To profit 30150					
	A 30150/2= 15075					
	B 30150/2= 15075	**30150**				
		162500				162500

Dr **B Account** Cr

	To Cash (from A)	150000			By Joint Venture (salary)	3600
					By Joint Venture (plant use)	1500
					By Joint Venture (Expenses)	119500
					by Joint Venture (profit)	15075
					By Cash (Amount paid to A)	**10325**
		150000				150000

Dr **A Account** Cr

	To Joint Venture	162500			By Joint Venture (Interest)	4500
	To Cash (From B)	**10325**			By J.V (Commission)	3250
					By Cash (paid to B)	150000
					By J.V (profit)	15075
		172825				172825

Q # 9

Dr **Memorandum Joint Venture Account** Cr

	To Purchase (By Shipra less Trade Discount 30%)	105000			By Sales (95 boxes)	190000
	To Freight (By Shipra)	3500			By Stock (Balaram)	9500
	To Insurance (By Shipra)	500				
	To Cartage (By Balaram)	350				
	To Rent (By Balaram)	150				
	To Insurance (By Balaram)	75				
	To Profit 89925					
	Shirpa 89925*2/3= 59950					
	Balaram 89925*1/3= 29975	**89925**				
		199500				199500

Dr **Shipra Account** Cr

	To Cash (from Balaram)	45000			By Purchases	105000
	To Bank (from B)	**123950**			By Freight	3500
					By Insurance	500
					By profit	59950
		168950				168950

Dr **Balaram Account** Cr

	To Sales	190000			By Cash	45000
	To Stock	9500			By Cartage	350
					By Rent	150
					By Insurance	75
					By profit	29975
					By Bank (Final payment)	**123950**
		199500				199500

Q # 10

Dr **Memorandum Joint Venture Account** Cr

	To X	40000			By Sales (X)	60000
	To Insurance and Tax (By X)	1500			By Sales (Y)	21000
	To Commission (60000*1%)	600			By Stock (Y)	11000
	To Purchase (By Y)	30000				
	To Miscellaneous Exp (By Y)	2000				
	To Selling Exp (By Y)	1000				
	To Commission (21000*1%)	210				
	To Profit 16690					
	X 16690*2/5= 6676					
	Y 16690*3/5= 10014	**16690**				
		92000				92000

Dr **X Account** Cr

	To Sales	60000			By Cash (Remitted to Y)	10000
					By Purchases	40000
					By Commission	600
					By Insurance	1500
					By profit	6676
					By Balance (Amount due)	**1224**
		60000				60000

Dr **Y Account** Cr

	To Cash (from X)	10000			By Purchases	30000
	To Sales	21000			By Commission	210`
	To Stock	11000			By Miscellaneous Expenses	2000
	To balance	**1224**			By Selling Exp	1000
					By profit	10014
		43224				43224

Q # 11

Dr **Memorandum Joint Venture Account** Cr

	To Purchase (By A 4800+7200)	12000			By Sales (12000+6000+9300)	27300
	To Repairs (By A)	1800			By Stock (A)	6750
	To Purchase (By A)	9000			By Sales 7500	
	To Purchase (By B)	6000			Return (7200)	300
	To Expenses (By B)	600				
	To Profit 4950					
	A 4950*2/3= 3300					
	B 4950*1/3= 1650	**4950**				
		34350				34350

Dr **A Account** Cr

	To Sales	27300			By Cash (Send to B)	12000
	To Stocks	6750			By Purchases	12000
	To Bank (Receive by A from B)	**4050**			By Repairs	1800
					By Purchases	9000
					By profit	3300
		38100				38100

Dr **B Account** Cr

	To Cash (From A)	12000			By Purchases	6000
	Sales 7500				By Expense	600
	Return (7200)	300			By profit	1650
					By Bank (paid to A)	**4050**
		12300				12300

Q # 12

Dr **Memorandum Joint Venture Account** Cr

	To Purchase (By David)	160000			By Sales	240000
	To Reconditioning Exp (By David)	60000			By Stock (Khosla)	50000
	To Freight (By David)	5000				
	To Insurance (By Khosla)	1000				
	To Rent (By Khosla)	2000				
	To Brokerage (By Khosla)	2000				
	Sundry Expenses (By Khosla)	400				
	To Profit 59600					
	David 59600/2 = 29800					
	Khosla 59600/2= 29800	**59600**				
		290000				290000

Dr **David Account** Cr

	To Cash	150000			By Purchases	160000
	To Bank (Receive by D from K)	**104800**			By Reconditioning Exp	60000
					By Freight	5000
					By profit	29800
		254800				254800

Dr **Khosla Account** Cr

	To Sales	240000			By Cash	150000
	To Stocks	50000			By Insurance	1000
					By Rent	2000
					By Brokerage	2000
					Sundry Expenses	400
					By profit	29800
					By payment to David	**104800**
		290000				290000

Final Accounts

Q # 1

Mr Krishna Gupta

Trading and Profit and Loss Account

Dr **For the year ended 31st December 1997** Cr

	Particulars	Rs	Rs			Particulars	Rs	Rs
	To Opening Stock		174450			By Sales	1279140	
	To Purchases	1129700			Less :	Sale Return	(5540)	1273600
	Less: Purchase Return	(8400)	1121300			By Closing Stock		187920
	Carriage Inwards		12400					
	Wages	7540						
	Less: Wrongly debited	(2000)	5540					
	To Gross Profit		**147830**					
			1461520					1461520
	To Carriage Outward		7250			**By Gross Profit b/d**		**147830**
	To Rent		8200			By Interest	250	
	To Advertisement		9540		Add:	Accrued interest	250	500
	To Bad debts	4000				(N.1)		
Add:	Further Bad debts	6000	10000			Provision for B.D		
	To Discount allowed		3300			Old	12000	
	To Depreciation (N.3)		3200		Less:	New	(3400)	8600
	To Provision for Discount on Debtors 5% (N.4)		1530					
	To Net Income		**113910**					
			156930					156930

N.1 Calculation of Interest

Loan to Anil 10000@5%

10000*5/100= 500

250 Received and **250** is Accrued

N.2 Calculation of Provision for Bad and doubtful Debts

Total Debtor's = 40000

Less Bad Debts after Trial Balance (6000)

Remaining Debtors 34000 So 34000*10/100= **3400**

N.3 Calculation of Depreciation

Cost of Machinery 30000

Add Erection Charges 2000

Value of Machinery 32000 So 32000*10/100= **3200**

N.4 Calculation of Provision for Discount on Debtor's

	Total Debtor's =	40000		
Less	Bad Debts after Trial Balance	(6000)		
		34000		
Less	Provision for Bad Debts	(3400)		
	Net Debtor's	30600	So 30600*5/100=	**1530**

Balance Sheet

For the year ended 31st December 1997

	Liabilities	Rs	Rs			Assets	Rs	Rs
	Capital	180000				Deposits with Kamal		13750
Add	Net Income	113910				Loan to Anil		10000
		293910				Accrued Interest		250
less	Drawing	(32500)	261410			Good will		17300
	Outstanding Rent		1300			Patent & Trade Mark		5000
	Creditor's		30000			Cash in hand		620
						Plant & Machinery	30000	
					Add	Erection Charges	2000	
							32000	
					Less	Depreciation Charges	(3200)	28800
						Debtor's	40000	
					Less	Bad Debts	(6000)	
							34000	
					Less	Provision for B.D	(3400)	
							30600	
					Less	Provision for Discount	(1530)	29070
						Closing Stock		187920
	Total		292710			Total		292710

Q # 2

Amal and Bimal

Trading and Profit and Loss Account

Dr **For the year ended 31st December 1997** **Cr**

	Particulars	Rs	Rs			Particulars	Rs	Rs
	To Opening Stock		30000			By Sales		250000
	To Purchases		110000			By Closing Stock		15000
	Carriage Inwards		3000			By Stock destroyed		10000
	Wages	23000						
	Less: Wrongly debited	(2000)	21000					
	Coal and Coke		2000					
	Gas and water		1200					
	To Gross Profit		**107800**					
			275000					275000
	To salaries		42000			**By Gross Profit b/d**		**107800**
	To Advertisement		24000					
	To Bad debts		3000					
	To Rent & Rates		4000					
	To Trade Expenses		4000					
	To Petty Expenses		4000					
	To Depreciation (N.1)		5400					
	To Loss by Fire		1500					
	To Net Income		**19900**					
	Total		107800					107800

N.1 Calculation of Depreciation

	Cost of Machinery	60000		
Less	Including new Machinery	(10000)		
	Value of old Machinery	50000	so 50000*10/100=	5000
	New Machinery Installed on 1-9-1997			
	Value of new Machinery	10000		
Add	Installation Charges	(2000)		
		12000	so 12000*10/100*4/12=	400
	Depreciation Charges =			**5400**

Balance Sheet

For the year ended 31st December 1997

	Liabilities	Rs	Rs			Assets	Rs	Rs
	Capital Amal	50000				Building	55000	
Add	Net Income	7960	57960		Less:	Depreciation Fund	(25000)	30000
	Capital Bimal	40000				Furniture		9000
less	Net Income	11940	51940			Cash at Bank		14000
	Bills Payable		10000			Prepaid Wages		1000
	Creditor's		24000			Depreciation Fund		25000
	Bank Loan		34600			Investment		
	Provision		1000			Machinery	60000	
	Outstanding Rent		400		Add	Installation	2000	
							62000	
					Less	Depreciation	(5400)	56600
						Sundry Debtor's		20000
						Cash in Hand		800
						Insurance Claim		8500
						Closing Stock		15000
			179900					179900

Q # 3

Mr P Sharma

Trading and Profit and Loss Account

Dr — For the year ended 31st December 1997 — Cr

	Particulars	Rs	Rs			Particulars	Rs	Rs
	To Opening Stock		20000			By Sales	230000	
	To Purchases		150000		Less:	By Sale Return	(3000)	227000
	To Gross Profit		**95000**			By Closing Stock		38000
			265000					265000
	To Postage & Telegram		2000			**By Gross Profit b/d**		**95000**
	To Bad Debts	1000						
Add:	Further Bad debts	1000						
Add:	Provision (N.1)	1650	3650					
	T o Interest @6% p.a	200						
Add:	Outstanding (N.2)	250	450					
	To Insurance		1000					
	To Salary & Wages		25000					
	To Dep on Machinery	5000						
	To Dep Furniture	500						
	To Dep Trade Mark N.3	4000	9500					
			53400					
			95000					95000

N.1 Calculation of Provision for Bad Debts

	Debtors	35000	
Less	After Trial Balance bad debts	(1000)	
		34000	
Less	Mutual Indebtedness	(1000)	
		33000	So 33000*5/100= **1650**

N.2 Calculation of Outstanding Interest

Loan from R.D 15000 on 1-7-1997 @ 6%

So 15000*6%*6/12= 450 of which 200 is Paid and **250** is outstanding.

N.3 Calculation of Depreciation

Plant and Machinery	50000*10%	5000
Furniture and Fixture	10000*5%	500
Trade Mark	40000/10	4000
Depreciation Expenses		**9500**

Balance Sheet

For the year ended 31st December 1997

	Liabilities	Rs	Rs			Assets	Rs	Rs
	Capital P Sharma	90000				Plant and Machinery	50000	
Add	Net Income	53400			Less:	Depreciation	(5000)	45000
		143400				Furniture and Fixture	10000	
Less:	Drawing	(10000)	133400		Less:	Depreciation	(500)	9500
	Outstanding Interest		250			Trade Mark	40000	
	Creditor's	54200			Less:	Depreciation	(4000)	36000
Less:	Mutual Indebtedness	(1000)	53200			Cash in hand		20000
	Loan from R.D		15000			Cash at bank		25000
						Sundry Debtor's	35000	
					Less:	Bad debts	(1000)	
							34000	
					Less:	Mutual Indebtedness	(1000)	
							33000	
					Less:	Provision for B.D	(1650)	31350
						Closing Stock	38000	
					Less:	Dispatched	(3000)	35000
			201850					201850

Q # 4

Mr Krishna Gupta

Trading and Profit and Loss Account

Dr **For the year ended 31st December 1997** **Cr**

	Particulars	Rs	Rs			Particulars	Rs	Rs
	To Opening Stock		12000			By Sales	322000	
	To Purchases	250000			Less :	Sale Return	(12000)	310000
Less:	Purchase Return	(10000)	240000			By Closing Stock		23000
	To Gross Profit		**81000**			(N.1)		
			333000					333000
	To Rent		6000			**By Gross Profit b/d**		**81000**
	To Establishment		16000					
	To Interest @ 10%	2000						
Add:	Outstanding (N.2)	1000	3000					
	To Electricity bill		1000					
	To Telephone		1000					
	To Commission		6000					
	To Insurance		1000					
	To Bad debts		2000					
	To Depreciation (N.3)							
	Building		2500					
	Machinery		3000					
	Furniture		1000					
	Provident Fund		1000					
	Provision for bad debts (N.4)		2500					
	Loss on Machinery (N.4)		2000					
	Commission to Manager (N.5)		3000					
	To Net Income		**30000**					
			81000					81000

N.1 Calculation of Closing Stock

Trading Account

Dr **From 1-1-1998 to 7-1-1998** **Cr**

	Particulars	Rs			Particulars	Rs
	Opening Stock ?(Balancing figure)	**23000**			By Sales	25000
	To Purchases	15000			By Closing Stock	18000
	To Gross profit (20% on Sale)	5000				
		43000				43000

Opening Stock of 1-1-1998 was Closing Stock of 31-12-1997.

N.2 Calculation of Outstanding Interest

Interest on Loan 30000*10/100= 3000 of which 2000 was given and **1000** outstanding

N.3 Calculation of Depreciation

	Building		50000*5/100=	**2500**
	Machinery Cost	22000		
Less	lost by fire	(10000)		
		12000		
Add	Insurance Claim	8000		
		20000	So 20000*15/100=	**3000**
	Furniture		10000*10/100=	**1000**

N.4 Provision for Bad and doubtful debts

50000*5/100= **2500**

N.5 Manager Commission

Profit before Manager Commission = 33000

Formula= Income *Rate of Commission/100+Rate of Commission

Manager Commission= 33000*10/100+10= 33000*10/110= **3000 is payable**

Balance Sheet

For the year ended 31st December 1997

	Liabilities	Rs	Rs			Assets	Rs	Rs
	Capital (P N)	52000				Building	50000	
Add	Net Income	30000	82000		Less:	Depreciation	(2500)	47500
	Loan (Since1-1-97)		30000			Machinery	20000	
	Outstanding Interest		1000		Less:	Epreciation	(3000)	17000
	Creditor's		40000			Furniture	10000	
	Provident Fund of Employer		1000		Less:	Depreciation	(1000)	9000
						Bank		9000
	Provident Fund of Worker's		1000			Cash in hand		1000
						Bills Receivable		4000
	Commission to Manager		3000			Debtor's	50000	
					Less:	Provision for Bad debt	(2500)	47500
						Closing Stock		23000
			158000					158000

N.5 Calculation of Manager Commission Method 2

If profit= X

So X+10%X=33000

X+.10X= 33000

1.10X= 33000

X=33000/1.10= 30000

So Profit= 30000 and Commission = 33000-30000=**3000 is payable**

Q # 5

This question require first preparation of Adjusted Trial Balance, but the adjustment was made direct in Trading & profit and Loss Account, without making adjustment in Trial balance.

Mr Padmanabhan

Trading and Profit and Loss Account

Dr **For the year ended 31st December 1997** **Cr**

	Particulars	Rs	Rs			Particulars	Rs	Rs
	To Purchases		400000			By Sales		500000
	To Gross Profit		**200000**		Less :	By Closing Stock		100000
			600000					600000
	To Establishment	20000				**By Gross Profit b/d**		**200000**
Add:	Outstanding	2000						
Add:	Provision	2000	24000		Add:	**Other Income:**		
	Electricity Bill	6575				Rent Received		12000
Add:	Outstanding	25	6600			Interest Received		3000
	Postage and Telegram		1284			(N.1)		
	Travelling Expense	3816						
Add:	Error of omission	25	3841					
	Insurance		2500					
	Motor Van Repairs	23425						
Less:	Wrongly charged	(25)	23400					
	Depreciation		13000					
	Depreciation of M.V (N.2)		16000					
	Sales Man Commission (N.3)		2500					
	Net Income		**121875**					
			215000					215000

N.1 Calculation of Interest

Fixed deposit on 1-9-1997

100000*9/100= 9000*4/12= **3000**

N.2 Depreciation of Motor Van @ of 20%

Cost of Motor Van=80000*20/100= **16000**

N.3 Commission to Sale Man

Rate of Commission on Sale= ½% 0r 0.5% So 500000*0.5/100= 2500

Of 2500,, 1000 was paid in advanced and **1500** is outstanding.

Balance Sheet

For the year ended 31st December 1997

	Liabilities	Rs	Rs			Assets	Rs	Rs
	Capital (P N)	600000				Building	200000	
Add:	Net Income	121875			Less:	Depreciation	(10000)	190000
		721875				Furniture	30000	
Less:	Drawing	(12000)	709875		Less:	Depreciation	(3000)	27000
	Sundry Creditor's		40000			Motor Van	80000	
	Outstanding Expense		25		Less:	Depreciation	(16000)	64000
	Commission O.s		1500			Sundry Debtor's		120000
	Establishment O.S		2000			Cash at bank		147977
						Fixed Deposit		100000
						Cash in hand	1823	
					Less:	Excess Amount	(400)	1423
						Accrued Income		3000
						Closing Stock		100000
			753400					753400

Q # 6

Mr R.Ramnath

Trading and Profit and Loss Account

Dr **For the year ended 30th September 1997** **Cr**

	Particulars	Rs	Rs			Particulars	Rs	Rs
	To Opening Stock		21300			By Sales	140000	
	To Purchases	80000			Less	Sale Return	(5000)	135000
Less:	Purchase Return	(4000)			:	By Stock destroyed		10000
Less:	Drawing	(2000)				By Closing Stock		27300
		74000						
Add:	Error of Omission	6000	80000					
	Freight		10000					
	To Gross Profit		**61000**					
			172300					172300
Add:	Sundry Expenses		600			**By Gross Profit b/d**		**61000**
Add:	Printing & Stationary		500		Add:	Other Income		
	Insurance	1000				Profit from Textile		10000
Less:	Prepaid	(200)	800			Provision for Bad		
	Bad debts	400				Debts (N.1)		
Add:	Further Bad debts	400	800			Old	1000	
	Salary & wages		18500		Less:	New	(900)	100
	Depreciation on Lease		6000			Provision for		
Less:	hold premises (N.4)					Discount on Debtors		
	Dep land and Building	1200				(N.2)		
	Dep plant & Machinery	4000				Old	380	
	Dep Furniture (N.5)	250	5450		Less:	New	(342)	38
	Interest (N.6)		1350			Provision for Discount		360
	Loss by fire		4000			on Creditor's (N.3)		
	Trade Expenses		800					
	To Net Income		**32698**					
			71498					71498

N.1 Provision for Bad debts

Debtor's= 18400-400= 18000*5/100= **900**

N.2 Provision for Discount on Debtors

Debtor's = 18400-400-900= 17100*2/100= **342**

N.3 Provision for Discount on Creditor's

Creditor = 12000+Credit Purchase 6000= 18000*2/100= **360**

N.4 Lease hold Premises 30000/5= **6000**

N.5 Depreciation

Building 60000*2/100= 1200

Plant and Machinery	20000*20/100=	4000
Furniture and Fixture	5000*5/100 =	250
Total Depreciation		**5450**

N.6 Calculation of Interest

Loan from D.Das @ 6% taken on 1-1-97

So 30000*6/100= 1800*9/12= **1350**

Balance Sheet

For the year ended 31st December 1997

	Liabilities	Rs	Rs			Assets	Rs	Rs
	Capital	100000				Land & Building	60000	
Add:	Net Income	32698			Less:	Depreciation	(1200)	58800
		132698				Plant & Machinery	20000	
Less:	Drawing	(14000)	118698		Less:	Depreciation	(4000)	16000
	(2000+12000)					Furniture & Fixture	5000	
	Loan from D.Das		30000		Less:	Depreciation	(250)	4750
	Interest Payable		1350			Lease Hold Premises	30000	
	Sundry Creditor's	12000			Less:	Depreciation	(6000)	24000
Add:	Credit Purchase	6000				Closing Stock Textile		8000
		18000				Prepaid Insurance		200
Less:	Reserve for Discount	(360)	17640			Cash at bank		4600
	on Creditor's					Cash in hand		1280
						Sundry Debtor's	18400	
					Less:	Bad Debts	(400)	
					Less:	Provision for B.D	(900)	
					Less:	Provision for D.D	(342)	16758
						Insurance Claim		6000
						Closing Stock		27300
			167688					167688

Chapter # 18

Rectification of Errors

Q # 1

In the books of Moon Light Ltd
Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Dec	Sales A/c		3000	
A	To Suspense A/c			3000
	(Being the sale book was overcast by Rs 3000,now rectified)			
B	B.Bose A/c		1000	
	To R.Bose A/c			1000
	(Being Amount received wrongly credited now rectified)			
C	Sundry Creditor's A/c		1000	
	To Suspense A/c			1000
	(Being wrong balance of creditor's rectified now)			
D	Suspense A/c		521	
	To Sundry Debtor's A/c			521
	(Being Sale bill wrongly debited rectified now)			
E	Purchase A/c		1000	
	To Suspense A/c			1000
	(Being purchase day book was under cast rectified now)			
F	Typewriter A/c		2000	
	To Purchase A/c			2000
	(Being typewriter was wrongly debited to purchase A/c)			

Dr **Suspense Account** Cr

	To Sundry Debtor's	521			By Sales	3000
	To balance c/d	**4479**			By Sundry Creditor's	1000
					By Purchase	1000
		5000				**5000**

Q # 2

In the books of Shri M Singh

Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
March	Purchase A/c		300	
A	To Suspense A/c			300
	(Being the purchase book was under cast by ,now rectified)			
B	Repair A/c		220	
	To Machinery A/c			220
	(Being repair wrongly debited to Machinery A/c now rectified)			
C	Sale A/c		150	
	To Suspense A/c			150
	(Being sale day book was overcast rectified now)			
D	Mr Kapur A/c		2400	
	To Sale A/c			1200
	To Purchase a/c			1200
	(Sale wrongly passed through purchase book rectified now)			
E	Suspense A/c		117	
	To Shri Shankar			117
	(Being customer account not credited rectified now)			
F	Return Inward A/c		225	
	Return Outward A/c		225	
	To Suspense A/c			450
	(Being goods returned was wrongly entered rectified now)			

Dr **Suspense Account** Cr

	To balance	783			By Purchases	300
	To Shri Shankar	117			By Sales	150
					By S.R and P.R	450
		900				**900**

Q # 3

In the books of Skreen & Co

Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
June	Suspense A/c		1818	
A	To Return Outward A/c			1818
	(Being return outward book under cast rectified now)			
B	Repair A/c		2200	
	To Plant &Machinery A/c			2200
	(Being repair wrongly debited to Machinery A/c now rectified)			
C	Mr. X A/c		4004	
	To Suspense A/c			4004
	(Being advance given to X wrongly entered rectified now)			
D	Suspense A/c		16600	
	To Bank A/c			16600
	(Being cheque recorded wrongly in cash book rectified now)			
E	Suspense A/c		3600	
	To Trading & Profit and loss A/c			3600
	(Being closing stock wrongly forwarded rectified now)			
F	Mr Y A/c		1368	
	To Suspense A/c			1368
	(Being discount allowed omitted recorded now)			

Dr **Suspense Account** Cr

	To Return Outward	1818			By balance	16646
	To Bank	16600			By X	4004
	To Trading and P/L	3600			By Y	1368
		22018				**22018**

Q # 4

In the books of Mr. Arora

Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Dec	Suspense A/c		10800	
1	To Rajiv A/c			10800
	(Being amount received bit wrongly recorded rectified now)			
2	Suspense A/c		2000	
	To Purchase A/c			1000
	To Purchase Return			1000
	(Being purchase return posted to debit side rectified now)			
3	Suspense A/c		4000	
	To Discount received A/c			2000
	To Discount allowed A/c			2000
	(Discount received were posted to debit side rectified now)			
4	Repairs A/c		2740	
	To Motor Car A/c			1740
	To Suspense A/c			1000
	(Amount debited to motorcar account rectified now)			
	R.Sanjay A/c		4000	
5	To S.Sanjay A/c			4000
	(Being amount wrongly credited to personal A/c rectified now)			

Dr **Suspense Account** Cr

	To Rajiv	10800			By Repairs	1000
	To Purchase & P/R	2000			By Balance	15800
	To Discount recv & allow	4000				
		16800				**16800**

Q # 5

In the books of Skreen & Co

Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
June	Suspense A/c		100	
A	To Stationery A/c			100
	(Being stationery A/c overcast rectified now)			
B	Suspense A/c		200	
	To Sales A/c			200
	(Being sale account total short now rectified)			
C	Sundry Creditor's A/c		450	
	To Suspense A/c			450
	(Being amount wrongly credited to creditor's rectified now)			
D	Sale return A/c		200	
	To Suspense A/c			200
	(Being error of omission recorded now)			
E	Sundry Creditor's A/c		1000	
	To Purchase A/c			1000
	(Being cchque debited to purchase account rectified now)			
F	Sundry Debtor's A/c		200	
	To Suspense A/c			200
	(Being wrongly credited to customer account rectified now)			

Dr **Suspense Account** Cr

	To Stationery	100			By Sundry Creditor's	450
	To Sales	200			By Sales Return	200
	To balance c/d	550			By Sundry Debtor's	200
		850				**850**

1 Profit will increase after rectification
2 Profit will increase after rectification
3 No effect on profit
4 Decrease in profit
5 Increase in profit
6 No effect on profit , already credited to sales account

Q # 6

In the books of A.Bose

Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1	Suspense A/c		2000	
	To Sales A/c			1000
	To Purchase			1000
	(Being Sale recorded in purchase day book rectified now)			
2	Suspense A/c		6600	
	To P. Roy A/c			6600
	(Amount wrongly debited to P roy account now rectified)			
3	Suspense A/c		50	
	To P.Gupta A/c			50
	(Being discount un posted post now)			
4	Suspense A/c		100	
	To Sale A/c			100
	(Being sale day book in April overcast rectified now)			
5	Repairs A/c		460	
	To Building A/c			460
	(Being repairs charged to building account rectified now)			

Dr **Suspense Account** Cr

	To Sale and Purchase	2000			By Balance	8750
	To P. Roy	6600				
	To P Gupta	50				
	To Sale	100				
		8750				**8750**

Q # 7

In the books of A.Vikram

Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
A	Suspense A/c		200	
	To Return Outward A/c			200
	(Being return outward not posted rectified now)			
B	Sale A/c		1400	
	Purchase A/c		1400	
	To Suspense A/c			2800
	(Being purchase recorded in sale day book now rectified)			
C	Ramakant A/c		770	
	To Suspense A/c			770
	(Wrong amount credited to customer account rectified now)			
D	Suspense A/c		27	
	To Sale A/c			27
	(Being error of posting rectified now)			
E	Sale A/c		450	
	Suspense		90	
	To Furniture A/c			540
	(Being sale of asset recorded in sale book rectified now)			
F	Drawing A/c		500	
	To Purchase A/c			500
	(Being goods taken by owner for personal used recorded)			

Dr **Suspense Account** Cr

	To Return Outward	200			By Sale & Purchase	2800
	To Sale	27			By Ramakant	770
	To Furniture	90				
	To Balance	3253				
		3570				**3570**

Q # 8

In the books of Mr………

Journal

Date	Description	Ledger folio	Amount Dr	Amount Cr
1997				
Dec	Discount Allowed A/c		350	
A	To Suspense A/c			350
	(Being amount of discount allowed posted now) -			
B	Suspense A/c		350	
	To Mr. Roberts A/c			350
	(Being amount wrongly debited rectified now)			
C	Provision for Bad debts A/c		250	
	To Bad Debts A/c			250
	(Being bad debts adjusted in ledger account)			
D	Sale A/c		500	
	Sale Return A/c		500	
	To Suspense A/c			1000
	((Being sale return recorded in sale book rectified now)			
E	Mr. Peter A/c		800	
	To Armstrong A/c			80
	To Suspense			720
	(Sale wrongly entered to else customer ledger rectified now)			

Dr **Suspense Account** Cr

	To Mr. Robert	350			By Discount Allowed	350
	To Balance	1720			By Sale & Sale Return	1000
					By Mr. Peter	720
		2070				**2070**