

SET D

Q. 1. Attempt any Three of the following. [15]

A. Answer in one sentence only:

1. What do you mean by 'carriage inward'?

Ans. The expenses incurred to bring raw materials inside the factory is known as carriage inward. It is a direct expenses and its recorded in the Debit side of Trading A/c.

2. What is 'due date of a bill'?

Ans. The date on which the bill will become mature for pay is known as due date the bill.

3. What is 'deficit'?

Ans. Debit balance of Income and Expenditure account is known as Deficit, it is the expenditure over income of a 'Not for Profit' Concern.

4. What do you mean by 'sacrifice ratio'?

Ans. The proportion of future profit shared by old partners to the new partner during the admission of a new partner in some ratio is known as Sacrifice ratio. Its formula is_

Sacrifice ratio = Old Ratio – New Ratio

5. Which statement is prepared under single entry system to ascertain profit?

Ans. Statement of Profit or loss is prepared under single entry system to ascertain profit.

B. Write the word / Term / Phrase which can substitute each of the following statement:

1. The debit balance of trading account. (Gross loss)

2. The excess of total assets over total liabilities of a 'not for profit concern'. (Capital Fund)

3. Expenses incurred on dissolution of a partnership firm. (Realisation expenses)

4. Transfer of title of a bill from a debtor to a creditor. (Endorsement of bill of exchange)

5. The statement showing profitability of two different periods and its percentage change. (Comparative income statement)

C. Select the most appropriate alternative from the given below and rewrite the statement:

1. When shares are forfeited, share capital account is _____ (debited)

a. debited b. credited c. adjusted

d. none of the above

2. A bill drawn and accepted on 23rd November, 2012 for two months will payable on 25th January, 2013

- a. 23rd January, 2012
- b. 23rd January, 2013
- c. 25th January, 2013
- d. 26th January, 2013

3. If the opening capital is Rs. 80,000, closing capital is Rs. 1,80,000, withdrawals are Rs. 10,000 and additional capital brought in is Rs. 20,000, the profit will be Rs. 90,000

- a. 90,000
- b. 1,10,000
- c. 70,000
- d. 1,50,000

4. Assets and liabilities are transferred to Realisation Account at their book value.

- a. market
- b. purchase
- c. sale
- d. book.

5. Share of profit or a deceased partner till the date of his death is debited to profit and loss suspense account

- a. debited to profit and loss adjustment account
- b. credited to profit and loss adjustment account.
- c. debited to profit and loss suspense account.
- d. credited to profit and loss suspense account.

D. State whether the following statements are True or False.

- 1. Honour of bill means payment in accordance with the apparent tenor of the bill. (True)
- 2. The issue of debenture more than the face value is termed as issue of debenture at par. (False)
- 3. Return inward is deducted from purchases. (False)
- 4. Ratio analysis is useful for inter – firm comparison. (True)
- 5. Renewal is a request by drawee to cancel the old bill and draw a new bill by extending the credit period. (True)

E. Prepare a bill of exchange from the following details.

Drawer : Ramesh Mishra, L.B.S. Road, Ghatkopar, Mumbai

Drawee : Nandkumar Sharma, Laxmi Road, Pune

Payee: Rupesh Kumar Pande, Rajkamal Chowk, Amaravati.

Period of bill: 90 days
 Amount of bill : Rs. 25,000
 Date of Bill: 17th February, 2014
 Date of Acceptance: 20th February, 2014
 Accepted for : Rs. 20,000 only.

BILL OF EXCHANGE

STAMP

Rs. 25,000/-

Ramesh Mishra,
 L.B.S. Road,
 Ghatkopar,
 Mumbai
 17th February, 2014

Ninety days after date pay to Rupesh Kumar Pande, Rajkamal Chowk, Amaravati, or his order the sum of Rupees Twenty Five Thousand only for the value received.

Nandkumar Sharna,
 Laxmi Road,
 Pune

ACCEPTED FOR Rs. 20,000
 only
 Sd/-
 Nandkumar Sharma
 [20th February, 2014]

Sd/-
 Ramesh Mishra

Q.2 Solution:

Opening statement of affairs as on 1st April, 2012

Liabilities	Rs.	Assets	Rs.
Capital at the Beginning of the Year.	88,500	Furniture	15,000
Creditors	52500	Debtors	60,000
		Stock in trade	30,000
		Cash at bank	36,000
	1,41,000		1,41,000

Closing Statement of affairs as on 31st March, 2013

Liabilities	Rs.	Assets	Rs.
Capital at the End of the year.	169500	Investments	30,000
Bills Payable	18000	Furniture	45,000
Creditors	69,000	Debtors	90,000
		Stock in Trade	37,500
		Cash at bank	54,000
	256500		256500

Statement of Profit and Loss for the year ended 31st March, 2013

Particulars	Rs.	Rs.
Capital at the end of the year		169500
Add: Drawings		
First 6 months = 6 Months × Rs. 3000	18,000	
Next 6 months = 6 months × Rs. 2,000	12,000	
Goods	7000	+ 37,000
		2,06,500
Less: Additional Capital Introduced		
Sale Proceeds of private asset utilized in the business		- 27,000
Adjusted Closing Capital		1,79,500
Less: Capital at the beginning of the year.		-88,500
Trading Profit/Profit before Adjustments		91,000
Less: Depreciation		
On Furniture		
45,000 × 10%	- 4500	
Less: R.D.D.		
On Debtors		
90,000 × 5%	- 4500	(9000)
Net Profit		82,000

Q.3 Solution

Revaluation Account

Particulars	Amount	Particulars	Amount
To Stock	2870		
To Land and Building	3500		
To Plant and Machinery	2450	To Loss of Revaluation A/c	
To R.D.D.	3150	Akash's Capital A/c	7182
		Suraj's Capital A/c	4788
	11970		11970

Partners' Capital Account

Particulars	Akash	Suraj	Sanjay	Particulars	Akash	Suraj	Sanjay
By Loss on Revaluation A/c	7182	4788	-	By Balance b/d	50000	50000	
				By General Reserve (3:2)	6000	4000	
				By Cash A/c			2000
				By Goodwill A/c	1167	333	
To Balance c/d	49985	49545	2000				
	57167	54333	2000		57167	54333	2000

New Balance Sheet as on 1 April, 2013

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital A/c			Furniture		2100
Akash	49985		Stock	28700	
Suraj	49545		(-) Depreciation @ 10%	-2870	25830
Sanjay	2000	101530	Land and Building	35,000	
Sundry Creditors		60000	(-) Depreciation @ 10%	-3500	31500
Bills Payable		17000	Plant and Machinery	49000	
			(-) Depreciation @ 5%	-2450	46550
			Sundry debtors	63,000	
			(-) R.D.D. @ 5%	-3150	59850
			Cash		12700
		178530			178530

W.N. 1. Cash Account

Particulars	Amount	Particulars	Amount
To Balance b/d	9200		
To Sanjay's Capital A/c	2000		
To Goodwill A/c	1500	By Balance c/d	12700
	12700		12700

W.N. 2. Goodwill Account.

Particulars	Amount	Particulars	Amount
To Akash' Capital A/c	1167	By Cash A/c	1500
To Suraj's Capital	333		
	1500		1500

W.N. 3. Calculation of Sacrifice Ratio

$$S.R. = O.R. - N.R.$$

$$\therefore \text{Akash's S.R.} =$$

$$\therefore \text{Suraj's S.R.} =$$

\therefore The Sacrifice Ratio of Old Partners is 2 : 7

OR

Q.3

Paresh's Capital A/c

Particulars	Amount	Particulars	Amount
		By balance b/d	20,000
		By reserve fund	6000
		[3000 x 1/6]	
		By Goodwill	6000
To Executors Loan A/c	34,000	By Profit/ Loss Suspense A/c	1000
		[Share of Profit]	
		By Profit / Loss Adjustment A/c	1000
	34,000		34,000

Profit or Loss Adjustment Account

Particulars	Amount	Particulars	Amount
To Investment	4000	By Land & Building A/c	8,000
To Stock	2000	By R.D.D.	4,000
To Partners Capital			
Pravin	3000		
Prakash	2000		
Paresh	1000		
	12,000		12000

Working:

1. For Goodwill

$$= \text{Average profit of Last 4 years} \times 2$$

$$= \frac{[12000 + 24000 + 14000 + 22000]}{4} \times 2$$

$$= 18000 \times 2$$

$$= 36000$$

$$\begin{aligned} \text{Paresh Share in Goodwill} &= \frac{1}{6} \times 36000 \\ &= 6000 \end{aligned}$$

2. Share of Profit till date of death

$$= \text{Average profit of last 2 years} \times \frac{1}{6} \times \frac{4}{12}$$

$$= [14000 + 22000 / 2] \times \frac{1}{6} \times \frac{4}{12}$$

$$= 18000 \times \frac{1}{6} \times \frac{4}{12}$$

$$= 1000$$

Q.4 Journal Entries in the Books of Rohit.

Date	Particulars	L.F. No.	Debit	Credit
14.5.12	Devidas's A/c Dr.		30000	
	To Sales A/c			30000
	[Being goods sold on credit]			
14.5.12	Bills Receivable A/c Dr.		30000	
	To Devidas's A/c			30000
	[Being the Bill is drawn]			
17.6.12	Bank A/c Dr.		29250	
	Discount A/c Dr.		750	
	To Bills Receivable A/c			30000
	[Being the bill is discounted]			
17.9.12	Devidas's A/c Dr.		30000	
	To Bank A/c			30000
	[Being the discounted bill is dishonoured]			
17.9.12	Devidas's A/c Dr.		500	
	To Interest A.c			500
	[Being the Interest is charged on balance amount]			
17.9.12	Cash A/c Dr.		10500	
	To Devidas's A/c			10500
	[Being Part payment along with interest received]			
17.9.13	Bills Receivable A/cDr.		20000	
	To Devidas's A/c			20000
	[Being the new bill is drawn for the balance amount]			

Working Notes:

(1) Discount charged by the bank = Amount of Bill \times Period \times Rate of Discount

$$\therefore \text{Discount Charged by the Bank} = 30000 \times \frac{3}{12} \times \frac{10}{100} = \text{Rs. } 750$$

[Note: Period of the bill is for 4 months but it is discounted one month after, therefore the period of the bill is to be considered for 3 months only.]

(2) Amount of New Bill = Amount of Dishonoured bill + Interest on balance Amount – Part Payment.

$$\therefore \text{Amount of New Bill} = 30000 + 500 - 10500 = \text{Rs. } 20,000.$$

Q.5

Realisation Account

Particulars	Rs.	Rs.	Particulars	Rs.	Rs
<u>To Sundry Assets</u>			<u>By Sundry Liabilities</u>		
Building	30000		Creditors		15000
Machinery	10000		By R.D.D. A/c		800
Furniture	12000		<u>By Bank A/c</u>		
Debtors	8800		Stock	19000	
Stock	20000		Debtors	7500	
Investments	4000		Machinery	11000	
Commission Receivable	1000	85800	Building	14000	51500
To Bank A/c		2000	<u>BY Y's Capital A/c</u>		
(Dissolution Expenses)			Investments	5000	
To Bank A/c			Furniture	12000	17000
Creditors		15000	By X's Loan A/c		500
			By Loss on Realisation A/C		
			X	9000	
			Y	9000	18000
		102800			102800

Partners Capital Account

Particulars	X	Y	Particulars	X	Y
To Realisation A/c		17000	By Balance b/d	40000	30000
To Realisation A/c (loss)	9000	9000	By Reserve Fund (1:1)	4000	4000
To Bank A/c	35000	8000			

	44000	34000		44000	34000
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X's Loan Account

Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
To Bank A/c		1500	By Balance b/d		2000
To Realisation A/c		500			
		2000			2000

Bank Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	10000	By Realisation A/c	2000
To Realisation A/c	51500	By Realisation A/c	15000
		By X's Loan A/c	1500
		By X's Capital A/c	35000
		By Y's Capital A/c	8000
	61500		61500

OR

Solution: Journal Entries In the Books Milind and Co. Ltd.

Date	Particulars	L.F.	Debit	Credit
1	Bank A/cDr.		600000	
	To Equity Share Application A/c			600000
	[Being application money received]			
2	Equity Share Application A/cDr.		400000	
	To Equity Share Capital A/c			400000
	[Being application money transferred to share capital A/c]			
3	Equity Share Application A/cDr.		200000	
	To Bank A/c			200000
	[Being excess application money refunded]			
4	Equity Share Allotment A/cDr.		700000	
	To Equity Share Capital A/c			700000
	[Being allotment money due from shareholders]			
5	Bank A/cDr.		700000	

	To Equity Share Allotment A/c			700000
	[Being allotment money received]			
6	Equity Share First Call A/cDr.		500000	
	To Equity Share Capital A/c			500000
	[Being First call money due from shareholders]			
7	Bank A/cDr.		500000	
	To Equity Share First Call A/c			500000
	[Being equity share First Call money received from shareholders]			
8	Equity share second call A/cDr.		400000	
	To Equity Share Capital A/c			400000
	[Being Second call money due from equity shareholders]			
9	Bank A/cDr.		400000	
	To Equity Share Second Call A/c			400000
	[Being Second call money received from shareholders]			
10	Expenses of Issue A/cDr.		5000	
	To Bank A/c			5000
	[Being expenses of issue paid]			

Q.6 Solution:

In the Books of Vidya Mandir High School, Alibag
Income & Expenditure A.c for the Year Ended 31st March, 2008

Particulars	Amount	Amount	Particulars	Amount	Amount
To Salaried	60000		By Tuition Fees	80000	
(+) Outstanding	30000	90000	(-) Last Year Amount	-4000	
To Rent	28000			76000	
(-) Prepaid	-4000	24000	(+) Outstanding of Current Year	10000	86000
To Sundry Expenses		15200	By Tern Fees		26200
To Annual gathering Expenses		11300	By Government grant		16000
To Insurance	4000		By Interest on Investment		2000
Less: Prepaid	2000	2000			
To Depreciation					
On Furniture	2220				
On Library	2500	4720	By Excess of		17020

			Expenditure over Income [Deficit]		
		147220			147220

Balance Sheet as on 31st March, 2008

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital Fund	103800		Furniture	16800	
Less: Deficit	17020	86780	Add: Purchase new furniture	5400	
Entrance Fees		6000		22200	
Library Fund		30000	Less: Depreciation @ 10%	2220	19980
Outstanding Salaries		30000	Laboratory		20000
			Library	25000	
			Less: Depreciation @ 10%	2500	22500
			Investment		40000
			Cash at Bank		34300
			Tuition Fees receivable		10000
			Prepaid Insurance		2000
			Prepaid Rent		4000
		152780			152780

Working Notes:

1. Last year's outstanding tuition fees of Rs. 4000 are deducted from tuition fees of Rs. 80000 and there will be no second effect. At the same time Outstanding tuition fees of Rs. 10000 for the current year is added to tuition on the credit side of Income and Expenditure A/c and then shown the same on the Asset side of the Balance Sheet.
2. Outstanding Salaries of Rs. 30,000 is first added to salaries on the debit side of Income and Expenditure A/c and then shown the same on the liability side of the balance sheet.
3. Insurance for 6 months i.e. from 1.4.2008 to 3.09.2009 is paid in advance it means 6 months prepaid. Insurance prepaid = $(6/12) \times 4000 = \text{RS. } 2000$.
5. Calculation of Depreciation:
On Furniture = $10\% \text{ of } (16800 + 5400) = 10\% \times 22200 = 2220$
On Library = $10\% \times 25000 = 2500$
6. Entrance Fees of Rs. 6000 given in the opening balance sheet is carried forward and shown on the liabilities side of new balance sheet.

Q.7 Solution:

Trading A/c for the year ended 31st March, 2013

Dr.						Cr.
Particulars		Rs.	Rs.	Particulars		Rs.
To Opening Stock			90,000	By Sales		8,14,000
To Purchases			6,50,000			
To Carriage			7,000			
To Wages			35,000			
				By Closing Stock		1,10,000
To Gross Profit c/d			142000			
			9,24,000			9,24,000

Profit and Loss A/c for the year ended 31st March, 2013

Dr.						Cr.
Particulars		Rs.	Rs.	Particulars		Rs.
To Salaries		28,000		By Gross Profit C/d		142000
(-) Advances		(-)2,500	25,500			
To Postage and Telegram			4,000			
To Insurance			5,000			
To Bad debts		3,000				
(+) F.B.D.		-				
(+) N.R.D.D.		7,500				
(-) O.R.D.D.		-	10,500			
To Rent			4,000			
To Discount			3,000			
To Depreciation on Plant and Machinery			12,000			
To Interest on Capital						
Meena [300000 × 5%]		15,000				
Reena [200000 × 5%]		10,000	25,000			
To Net Profit Transferred to Partners Capital A/c						
Meena		31,800				
Renna		21,200	53000			
			142000			

Partners' Capital A/c

Dr.					Cr.
Particulars	Meena Rs.	Reena Rs.	Particulars	Meena Rs.	Reena Rs.
To Drawings	10,000	5,000	By Balance b/d	3,00,000	2,00,000
			By Interest on Capital	15,000	10,000
			By Net Profit b/d	31,800	21,200
To Balance c/d	3,36,800	2,26,200			
	3,46,800	2,31,200		346800	231200

Balance Sheet as on 31 March, 2013

Liability	Rs.	Rs.	Assets	Rs.	Rs.
Capital A/c			Building		4,00,000
Meena	3,36,800		Plant and Machinery	1,20,000	
Reena	2,26,200	5,63,000	(-) Depreciation @ 10%	-12,000	1,08,000
			Sundry Debtors	1,50,000	
Sundry Creditors		1,80,000	(-) N.R.D.D.@ 5%	(-)7,500	1,42,500
Bank Over Draft		20,000	Closing Stock		1,10,000
			Advance Salaries paid to workers		2,500
		7,63,000			7,63,000