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TEST SERIES
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SUGGESTED SOLUTION

CA FOUNDATION

SUBJECT-ACCOUNTS

Test Code – CFN 9340

BRANCH - () (Date :)

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NOTES: **(1) WORKING NOTES SHOULD FORM PART OF ANSWERS.**
(2) INTERNAL WORKING NOTES SHOULD ALSO BE CONSIDERED BY PAPER CHECKER.
(3) NEW QUESTION SHOULD BE ON NEW PAGE

Answer 1:

(A)

(i) **False:** The CinemaHall could not be started without license. Expenditure incurred to obtain the license is pre-operative expense which is capitalized. Such expenses are not revenue and amortized over a period oftime.

(ii) **False:** A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is notallotmentofsharesbutonlyasaleastheyhavealreadybeenallottedearlier.

(iii) **False:** If the effect of errors committed cancel out, the errors will be called compensating errors and the trial balance willagree.

(iv) **False:** There are three ways of preparing an Account Current: (i)With helpof interesttable;(ii)Bymeansofproductsand(iii)Bymeansofproductsofbalances.

(v) **False:** In Consignment sale, ownership of the goods rests withthe consignor till they are sold by the consignee. The consignee does not become the owner of the goods even though goods are in his possession. He acts only as agent of the consignor.

(vi) **True:** In case the due date of a bill fallsafter the date of closing the account, then no interest is allowed for that. However, interest from the date ofclosing to such due date is written in “Red-Ink” in the appropriate side of the ‘Account current’. This interest is called Red-Inkinterest.

(6 x 2 Marks = 12 Marks)

(B)

Distinction between Money measurement concept and matching concept

As per **Money Measurement concept**, only those transactions, which can be measured in terms of money are recorded. Since money is the medium of exchange and the standard of economic value, this concept requires that those transactions alone that are capable of being measured in terms of money should be recorded in the books of accounts. Transactions and events that cannot be expressed in terms of money are not recorded in the business books.
In **Matching concept**, all expenses matched with the revenue of that period should only be taken into consideration. In the financial statements of the organization if any revenue is recognized then expenses related to earn that revenue should also be recognized.

(4 Marks)

(C)

Statement of Annual Depreciation under Machine Hours Rate Method

Year	Annual Depreciation
1 – 3	$\frac{3,000}{24,000}$ X (Rs. 30,00,000 – Rs. 2,00,000) = Rs. 3,50,000
4 – 6	$\frac{2,600}{24,000}$ X (Rs. 30,00,000 – Rs. 2,00,000) = Rs. 3,03,333
7 – 10	$\frac{1,800}{24,000}$ X (Rs. 30,00,000 – Rs. 2,00,000) = Rs. 2,10,000

(4 Marks)

Answer 2:

(A) Bank Reconciliation Statement on 31st March,2017

Rs.

Bank Balance as per Cash Book				27,570
Add:	(i)	Subsidy from government received directly by the bank not recorded in the Cash Book	10,250	
	(iii)	Debit balance of Rs.2,156 brought forward as credit balance on 20th March, 2017 in the CashBook	4,312	
	(vi)	Cheque issued returned marked 'out of date'	1,725	16,287
				43,857
Less:	(ii)	Cash Book under cast on 15th March, 2017	350	
	(iv)	Discount allowed to a customer, however entry made at gross amount in the Cash Book	100	
	(v)	Commission charged by bank on discounting of bill, not considered in Cash Book	200	
	(vii)	Insurance Premium paid directly by bank under standinginstructions	756	
	(viii)	Discounted B/R dishonoured; not entered in Cash Book	1,530	
	(ix)	Bank recorded short cash deposit	45	2,981
Balance as per Bank Statement				40,876

(10 Marks)

(B)

Journal Entries in the books of Mr. Roy

Date	Particulars			Dr. Rs.	Cr. Rs.
(1)	Motor Vehicles Account	Dr.		2,700	

	To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified-capitalisation of Rs. 2,700, i.e., Rs.3,000 less 10% depreciation)				2,700
(2)	Suspense Account To Profit & Loss Adjustment A/c (Purchase Account overcast in the previous year; error now rectified).	Dr.		10,000	10,000
(3)	Profit & Loss Adjustment A/c To P's Account (Credit purchase from P Rs. 2,000, enteredas sales last year; now rectified)	Dr.		4,000	4,000
(4)	B's Account To A's Account (Amount received from A wrongly posted to the account of B; now rectified)	Dr.		1,000	1,000
(5)	Suspense Account To C's Account (Rs.500 received from C wrongly debited to his account; now rectified)	Dr.		1,000	1,000
(6)	Trade receivables To Suspense Account (Rs. 500 due by Q not taken into trialbalance; now rectified)	Dr.		500	500
(7)	R's Account To Profit & Loss Adjustment A/c (Sales to R omitted last year; now adjusted)	Dr.		2,000	2,000
(8)	Suspense Account To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, Rs. 2,593, instead of Rs.2,395, now adjusted)	Dr.		198	198
(9)	Profit&LossAdjustmentA/c ToRoy'sCapitalAccount (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	Dr.		10,898	10,898
(10)	Roy's Capital Account To Suspense Account (Balance of Suspense Account transferred to the Capital Account)	Dr.		10,698	10,698

Note : Entries No. (2) and (8) may even be omitted; but this is not advocated.

(7.5 Marks)

Profit and Loss Adjustment Account

(Prior PeriodItems)

	Rs.		Rs.
To P	4,000	By Motor Vehicles A/c	2,700
To Roy's Capital (transfer)	10,898	By Suspense A/c	10,000
		By R	2,000
		By Suspense Account	198
	14,898		14,898

(1.5 Marks)

SuspenseAccount

	Rs.		Rs.
ToProfit&LossAdjustmentAccount	10,000	By Trade Receivables (Q)	500
To C	1,000	By Roy's Capital Account (Transfer)	10,698
ToProfit&LossAdjustmentAccount	198		
	11,198		11,198

(1 Mark)

Answer 3:

(A)

Books ofManoj

Consignment to Jaipur Account

Particulars	Rs.	**Particulars**	Rs.
To Goods sent on ConsignmentA/c	1,87,500	By Goods sent on Consignment A/c(loading)	37,500
To Cash A/c	15,000	By Abnormal Loss	16,500
To Kiran(Expenses)	12,000	By Kiran(Sales)	1,50,000
To Kiran(Commission)	16,406	By Inventories on Consignment A/c	30,375
To Inventories Reserve A/c	5,625	By General Profit & Loss A/c	2,156
	2,36,531		2,36,531

(6 Marks)

Working Notes:

1. **Calculationofvalueofgoodssentonconsignment:**

Abnormal Loss atInvoiceprice	=Rs.	18,750
Abnormal Loss as a percentage oftotalconsignment	=	10%.
Hence the value of goods sent on consignment = Rs. 18,750 X 100/ 10	= Rs.	1,87,500
Loading of goods sent onconsignment = Rs. 1,87,500X25/125	=Rs.	37,500

2. **Calculationofabnormalloss(10%):**

Abnormal Loss at Invoice price = Rs. 18,750.

Abnormal Loss at cost = Rs. 18,750X100/125	=	Rs.15,000
Add: Proportionate expensesof Manoj(10 % ofRs. 15,000)	=	Rs. 1,500
		Rs. 16,500

3. **CalculationofclosingInventories(15%):**

Manoj'sBasic Invoicepriceofconsignment	=	Rs.1,87,500
Manoj'sexpensesonconsignment	=	Rs.15,000
		Rs.2,02,500

Value ofclosing Inventories = 15% ofRs. 2,02,500 = Rs. 30,375

Loading in closing Inventories = Rs. 37,500x15/100 = Rs. 5,625

Where Rs. 28,125 (15% of Rs. 1,87,500) is the basic invoice price of the goods sent on consignment remaining unsold.

4. **Calculation ofcommission:**

Invoice priceof thegoodssold	= 75% of Rs. 1,87,500 = Rs.1,40,625
Excess of selling price overinvoiceprice	= Rs. 9,375 (Rs. 1,50,000 - Rs. 1,40,625)
Totalcommission	= 10% of Rs. 1,40,625 + 25% of Rs.9,375
	= Rs. 14,062.5 + Rs. 2,343.75
	= Rs. 16,406

(4 x 1 Mark = 4 Marks)

(B)

Journal Entries in the books ofAkshay

2018			Dr. *(Rs.)*	Cr. *(Rs.)*
Jan. 1	Bills receivable (No. 1) A/c	Dr.	16,000	
	Bills receivable (No. 2) A/c	Dr.	25,000	
	To Vishal A/c			41,000
	(Being drawing of bills receivable No. 1 due for maturity on 4.3.2018 and bills receivable No. 2 due for maturity on 4.4.2018)			
March 4	Vishal's A/c	Dr.	16,000	
	To Bills receivable (No.1) A/c			16,000
	(Being the reversal entry for bill No.1 on renewal)			
March 4	Bills receivable (No. 3) A/c	Dr.	16,400	
	To Interest A/c			400
	To Vishal 's A/c			16,000
	(Being the drawing of bill of exchange no. 3 due for maturity on 7.5.2018 together with interest at 15%p.a. in lieu of the original acceptance of Vishal)			
March 25	Bank A/c	Dr.	24,750	
	Discount A/c	Dr.	250	
	To Bills receivable (No. 2) A/c			25,000
	(Being the amount received on retirement of bills No.2 before the due date)			
May 7	Vishal's A/c	Dr.	16,400	
	To Bills receivable (No. 3) A/c			16,400
	(Being the amount due from Vishal on dishonour of his acceptanceon presentation on the duedate)			
May 7	Bank A/c	Dr.	8,200	
	To Vishal's A/c			8,200
	(Being the amount received from official assignee of Vishal at 50 paise per rupee against dishonoured bill)			
May 7	Bad debts A/c	Dr.	8,200	
	To Vishal's A/c			8,200
	(Being the balance 50% debt in Vishal's Account arising out of dishonoured bill written off as baddebts)			

(5 Marks)

(C)

Taking 10^{th} January as the base date

DueDate (Normal)	**Due Date (Actual)**	**No. of days from 10th January. . .**	**Amount** Rs.	**Product**
10^{th} January	10th January	0	500	0
26^{th} January	25th January	15	1,000	15,000
23^{rd} March	23rd March	72	3,000	2,16,000
18^{th} August	17th August	219	4,000	8,76,000
			8,500	11,07,000

Average Due Date = 10th Jan. + $\frac{11,07,000}{8500}$ = 10th Jan + 131 days = 21st May

January	21
February	28
March	31
April	30
	110

(a) Ifthepaymentismadeon18thMarchrebatewillbeallowedforunexpiredtimefrom18thMa rchto21th Mayi.e.,13+30+21i.e.for64days.Hehastopaythediscountedvalueofthetotalamount.

Discount $= 8{,}500 \text{ X } \frac{8}{100} \text{ X } \frac{64}{365} = 680 \text{ X } \frac{64}{365} = \text{Rs. } 119.2$

Amount to be paid on 18^{th} March= Rs. (8,500 – 119.23) = Rs. 8,380.77

(b) If the payment is deferred to 14^{th} July, interest is to be paid from 21^{th} May to 14^{th} July i.e., for 10+30+14=54days.

Interest $== 8{,}500 \text{ X } \frac{8}{100} \text{ X } \frac{54}{365} = 680 \text{ X } \frac{54}{365} = \text{Rs. } 100.6$

The amount to be paid on 14^{th} July.

Rs.8,500 + 100.6 = 8600.6

(5 Marks)

OR

(C)

B in Account Current with A
for the period ending on 30th June, 2016

Date 2016	Particulars	Amount Rs.	Days	Products	Date 2016	Particulars	Amount Rs.	Days	Products
Jan.1	To Balance b/d	600	182	1,09,200	Jan.18	By Sales Returns	125	164	20,500
Jan. 11	To Sales A/c	520	171	88,920	Feb. 11	By Bank A/c	400	140	56,000
Apr. 29	To Sales A/c	615	62	38,130	Feb. 14	By B/R A/c (due date: March 17)	300	105	31,500
June 30	To Interest A/c	15.75			May 15	By Cash A/c	700	46	32,200
					June 30	By Balanceof products			96,050
						By Balance c/d	225.75		
		1,750.75		2,36,250			1,750.75		2,36,250

Calculationofinterest:

Interest $=\frac{96,050}{366} \text{X} \frac{6}{100} = \text{Rs.}\, 15.75$

(5 Marks)

<u>Answer 4:</u>

(A)

RevaluationAccount

2018			Rs.	2018		Rs.
April 1	To Provision for bad and doubtfuldebts		535	April 1	By Inventory in trade	1,400
	To Furniture and fittings		720		By Land and Building	5,600
	To Capital A/cs:					
	(Profit on revaluation transferred)					
	Dinesh	2,872.50				
	Ramesh	1,915.00				
	Naresh	957.50	5,745			
			7,000			7,000

(3 Marks)

Partners' Capital Accounts

Particulars	Dinesh Rs.	Ramesh Rs.	Naresh Rs.	Suresh Rs.	Particulars	Dinesh Rs.	Ramesh Rs.	Naresh Rs.	Suresh Rs.
To Dinesh & Ramesh			1,500	4,500	By Balance b/d	15,000	15,000	10,000	–
					By General Reserve	3,900	2,600	1,300	
					By Cash	–	–	–	8,000
To Balance c/d	26,972.50	21,015	10,757.50	3,500	By Naresh& Suresh	4,500	1,500	–	–
					By Outstanding Liabilities (Ram)	700	–	–	
					By Revaluation A/c	2,872.50	1,915	957.5	-
	26,972.50	21,015	12,257.50	8,000		26,972.50	21,015	12,257.50	8,000

(2 Marks)

Working Note:

Calculation of sacrificingratio

Partners	New share	Old share	Sacrifice	Gain
Dinesh	¼	3/6	6/24	
Ramesh	¼	2/6	2/24	
Naresh	¼	1/6		2/24
Suresh	¼			6/24

(1 Mark)

Entry for goodwilladjustment

Naresh (2/24 of Rs.18,000)	Dr.	1,500	
Suresh (6/24 of Rs.18,000)	Dr.	4,500	
To Dinesh (6/24 od Rs.18,000)			4,500
To Ramesh (2/24 of Rs.18,000)			1,500

(1 Mark)

Balance Sheet of Dinesh, Ramesh, Naresh and Suresh as on 1 -4-2018

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Trade payables		22,500	Land and Buildings		42,600
Outstanding Liabilities (2,200-700)		1,500	Furniture		6,480
Capital Accounts of Partners:			Inventory of goods		14,000
Mr. Dinesh	26,972.50		Trade receivables	10,700	
Mr. Ramesh	21,015.00		Less: Provisions	(535)	10,165
Mr. Naresh	10,757.50		Cash in hand		2,800
Mr. Suresh	3,500.00	62,245			
			Cash at Bank (2,200+8,000)		10,200
		86,245			86,245

(3 Marks)

(B)

Trading and Profit and Loss Account of Mr. Kumar for the year ended 31st December,2017

	Rs.	Rs.		Rs.	Rs.
To Opening stock		23,400	By Sales	1,94,800	
To Purchases	1,60,850		Less: Returns	4,300	1,90,500
Add: Omitted	200		By Closing stock		39,300
invoice	1,61,050				
Less: Returns	2,900				
	1,58,150				
Less: Drawings	300	1,57,850			
To Freight & carriage		9,800			
To Gross profit c/d		38,750			
		2,29,800			2,29,800
To Rent and taxes		2,350	By Gross profit b/d		38,750
To Salaries and wages		4,650	By Discount		2,220
To Bank interest	550				
Add: Due	850	1,400			
To Printing and stationary	7,200				
Less: Prepaid (1/4)	1,800	5,400			
To Discount allowed		900			
To General expenses		5,725			
To Insurance		650			
To Postage & telegram expenses		1,165			
To Travelling expenses		435			
To Provision for bad debts		575			
[W.N.]					
To Provision for discount on debtors [W.N.]		219			
To Depreciation on furniture & fittings		250			
To Net profit		17,251			
		40,970			40,970

(5 Marks)

Working Note:

Provision for bad & doubtful debts:

@ 5% on Rs. 11,500 — 575

Provision for discount:

2% on Rs. 10,925 (11,500 -575) — 219

(0.5 Mark)

(c) MNOP Ltd Balance Sheet

Liabilities	Rs.	Assets	Rs.
Owner equity	1,00,000	Fixed assets	60,000
Current debt	24,000	Cash	60,000
Long term debt	36,000	Inventory	40,000
	1,60,000		1,60,000

(2 Marks)

Working Notes

1. Total debt = 0.60 ×Owners equity = 0.60 ×Rs. 1,00,000= Rs. 60,000Currentdebttototaldebt=0.40,hencecurrentdebt=0.40×60,000=24,000
2. Fixed assets = 0.60 ×Owners equity = 0.60 ×Rs. 1,00,000= Rs.60,000
3. Total capital employed = Total debt + Owners equity = Rs. 60,000 +Rs. 1,00,000= Rs.1,60,000
4. Total assets consisting of fixed assets and current assets must be equal to Rs. 1,60,000 (Assets = Liabilities + Owners equity). Since Fixed assets are Rs. 60,000, hence, current assets should be Rs.1,00,000
5. $$\frac{\text{Total assets turnover}}{\text{Inventory turnover}} = \frac{2\text{ Times}}{8\text{ Times}}$$

   Hence , Inventory /Total assets = 2/8=1/4,

   Total assets = 1,60,000

   Therefore Inventory = 1,60,000/4 = 40,000

   Balance on Asset side = 1,20,000:

   Cash = 1,60,000 – 60,000 – 40,000 = 60,000

(2.5 Marks)

Answer 5:

(A)

Income and Expenditure Account for the yearended 31st March,2019

	Rs.		Rs.
To Medicines consumed		By Prescription fees	3,30,000
Purchases 1,22,500		By Visiting fees	1,25,000
Less:ClosingStock (47,500)	75,000	By Fees from lectures	12,000
To Motor car expense (60,000 x 2/3)	40,000		
To Salaries (Rs. 52,500 – Rs.15,000)	37,500		
To Rent for clinic	30,000		
To General charges	24,500		
To Interest on loan	18,000		
To Excess of Income over expenditure	2,42,000		
	4,67,000		4,67,000

(4.5 Marks)

Capital Account for the year ended 31st March, 2019

	Rs.		Rs.
To Drawings:		By Cash/bank	1,00,000
Motor car expenses	20,000	By Cash/bank (pension)	1,50,000
Household expenses	90,000	By Net income from practice	2,42,000
Marriage expenses	1,07,500	(derived from income	
To Salary of domestic servants	15,000	and expenditure a/c)	
To Household furniture	12,500		
To Balance c/d	2,47,000		
	4,92,000		4,92,000

(3 Marks)

Balance Sheet as on 31st March, 2019

Liabilities	Rs.	Assets	Rs.
Capital	2,47,000	Motor car	1,60,000
Loan	1,50,000	Surgical equipment	1,25,000
		Stock of medicines	47,500
		Cash at bank	55,000
		Cash in hand	9,500
	3,97,000		3,97,000

(2.5 Marks)

(B)

In the Books of Mr. Vimal

ManufacturingAccountfortheYearended30.6.2016

Particulars		Units	Amount Rs.	Particulars	Units	Amount Rs.
To Opening Work- in-Process		10,000	16,000	By Closing Work- in-Process	12,000	20,000
To Raw Materials Consumed:				By Trading A/c – Cost of finished goods transferred	5,00,000	19,00,800
Opening inventory	1,70,000					
Add: Purchases	8,20,000					
	9,90,000					
Closing Inventory	(1,90,000)		8,00,000			
To Direct Wages – W.N.(1)			4,04,800			
To Direct expenses: Hire charges on Machinery – W.N. (3)			3,00,000			
To Indirect expenses: Hire charges of Factory Shed			2,20,000			
Repairs Maintenance			1,80,000			
			19,20,800			19,20,800

(4 Marks)

Working Notes :

(1) Direct Wages – 5,00,000 units @ Rs. 0.80= Rs. 4,00,000

12,000 units @ Rs. 0.40= Rs. 4,800

Rs. 4,04,800

(2) Hire charges on Machinery – 5,00,000 units @ Rs. 0.60= Rs. 3,00,000

(1 Marks)

(C)

Trial Balance of Anuradha Traders as on 31.03.2016

Dr. balance	Rs.	**Cr. balance**	Rs.
Purchases	1,50,000	Capital	1,00,000
Sales return	1,000	Sales	1,66,000
Discount allowed	2,000	Trade payables	25,000
Expenses	10,000	Interest received on investments	1,500
Trade receivables	75,000		
Investments	15,000		
Cash at bank and in hand	37,000		
Insurance paid	2,500		
Total	2,92,500		2,92,500

(5 Marks)

<u>Answer 6:</u>

(A)

(i) Journal Entries in the books of X Ltd.

Date			Dr. Rs.	Cr. Rs.
(a)	Equity Share Capital A/c	Dr.	3,000	
	To Equity Share Allotment money A/c (300 x Rs.3)			900
	To Equity Share Final Call A/c (300 x Rs.4)			1,200
	To Forfeited Shares A/c (300 x Rs. 3)			900
	(Being the forfeiture of 300 equity shares of Rs. 10 each for non-payment of allotment money and final call, held by Ramesh as per Board's resolutionNo…………….dated ....)			
(b)	BankAccount (300 x8)	Dr.	2,400	
	Forfeited Shares Account (300x 2)	Dr.	600	
	To Equity Share Capital Account			3,000
	(Being the re-issue of 300 forfeited shares @ Rs. 8 each as fully paid up to Suresh asper Board'sresolutionNo………dated........................)			
(c)	Forfeited Shares Account	Dr.	300	
	To Capital Reserve Account			300
	(Being the profit on re-issue, transferred to capitalreserve)			

(3 Marks)

(ii)

Date			Dr. Rs.	Cr. Rs.
(a)	Equity Share Capital A/c (200 x Rs. 7)	Dr.	1,400	
	To Equity Share First Call A/c (200 x Rs. 2)			400
	To Forfeited Shares A/c (200 x Rs. 5)			1,000
	(Being the forfeiture of 200 equity shares of Rs. 10/- (Rs.7 called up) for non-payment of first call @ Rs. 2/- per share as per Board Resolution No……….dated.....)			
(b)	Bank Account	Dr.	900	
	Forfeited Shares Account	Dr.	600	
	To Equity Share Capital Account			1,500
	(Being the re-issue of 150 forfeited shares as fully paid up as per Board's resolution No…………….dated...................)			
(c)	Forfeited Shares Account	Dr.	150	
	To Capital Reserve Account			150
	(Being the profit on re-issue, transferred to capital reserve)			

Working Note:

Balanceinforfeitedsharesaccountonforfeitureof150shares(150x5)	Rs.750	
Less: Forfeiture of150shares		(Rs.600)
Profit on re-issueofshares	Rs.150	

(3.5 Marks)

(iii)

Date			Dr. Rs.	Cr. Rs.
(a)	Equity Share Capital A/c (100 x Rs. 6)	Dr.	600	
	To Equity Share Final Call A/c (100 x Rs. 3)			300
	To Discount on issue of shares (100 x Rs. 1)			100
	To Forfeited Shares A/c (100 x Rs. 2)			200
	(Being the forfeiture of 100 equity shares issued at a discount as per Board's resolution No…………dated…….)			
(b)	BankAccount (80 x Rs.6)	Dr.	480	
	Discount on issue of shares (80 x Rs. 1)	Dr.	80	
	Forfeited Shares A/c (80 x Rs. 1)	Dr.	80	
	To Equity Share Capital Account (80 x Rs.8)			640
	(Being the re-issue of 80 shares fully paid up as per Board'sResolutionNo………dated…............)			
(c)	Forfeited Shares Account		80	
	To Capital Reserve Account			80
	(Being the profit on re-issue, transferred to capitalreserve)			

Working Note:

Balance in forfeited shares account on forfeiture of 100 shares (100 x 2) Rs. 200.00 Forfeited shares

balance for80shares	Rs.160
Less: Forfeiture of80shares	(Rs.80.00)
Profit on re-issueofshares	Rs.80.00

Note: It may be noted that the facts given in the question are not in compliance with Companies Act, 2013. As per Section 53 of Companies Act, 2013 a company cannot issue shares at discount except for in case of sweat equity shares and therefore any issue on discount by the company is void. However, the above answer has been given strictly based on the information provided in thequestion.

(3.5 Marks)

(B)

Total amount of discount comes to Rs. 60,000 (Rs. 0.6 X 1, 00,000). The amount of discount to be written-off in each year is calculated as under:

Year end	Debentures Outstanding	Ratio in which discount to be written-off	Amount of discount to be written-off	
1st	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs.	12,000
2nd	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs.	12,000
3rd	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs.	12,000
4th	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs.	12,000
5th	Rs. 10, 00,000	1/5	1/5th of Rs. 60,000 = Rs.	12,000

(5 Marks)

(C) Statement of Valuation of Stock on 31st March,2018

		Rs.	Rs.
Value of stock as on 15th April, 2018			50,000
Add:	Cost of sales during the period from 31st March, 2018 to 15th April, 2018		
	Sales (Rs. 41,000 – Rs.1,000)	40,000	
	Less: Gross Profit (20% of Rs.40,000)	8,000	32,000
	Cost of goods sent on approval basis (80% of Rs. 6,000)		4,800
			86,800
Less:	Purchases during the period from 31st March,2018 to 15th April,2018	5,034	
	Unsold stock out of goods received on consignment basis (30% of Rs.8,000)	2,400	7,434
			79,366

(5 Marks)