

PAPER 5 ANSWERS (CHAPTER 1 TO 9)

**1. In the books of.....
Journal entries**

Sr.no	Particulars	Amount	Amount
1	Return Inward A/c Dr. To, Suspense A/c (Return Inward Book was cast short, now rectified.)	500	500
2	Suspense A/c Dr. To, Ram A/c To Shyam A/c (Received from Mr. Ram has been debited to Mr. Shyam A/c, now rectified.)	600	300 300
3	Machinery A/c Dr. To, Wages/c (Wages paid for maintenance of machinery debited to Wages A/c, now rectified.)	1,000	1,000
4	Purchase A/c Dr. To, Suspense A/c (Purchase account was short by ` 900, now rectified.)	900	900
5	Furniture A/c Dr. To, Purchase A/c (Furniture purchased wrongly debited to purchase account, now rectified)	3,000	3,000
6	Drawings A/c Dr. To, Purchase A/c (Goods purchased for proprietor's use, debited to purchase account, now rectified.)	1,000	1,000

Effect on profit

Items	Particulars	Increase	Decrease
1	Decrease in profit	-	500
2	No effect in profit	-	-
3	Increase in profit	1,000	-
4	Decrease in profit	-	900
5	Increase in profit	3,000	-
6	Increase in profit	1,000	-
	Total	5,000	1,400
	Increase in profit	-	3,600
		5,000	5,000

2.

**In the books of Lubrizol's Ltd.
Consignment to Kolkata a/c**

Date	Particulars	Amount	Amount	Date	Particular	Amount
2013				2013		
Jan. 1	To goods sent on consignment (1000x800)		8,00,000	Jan.7	By abnormal loss a/c (lost in transit)	21,250
Mar.31	To bank a/c-expenses (Freight and insurance)		50,000	Mar.31	By central oil co. a/c (sale 750x1200)	9,00,000
	To central oil co. a/c Clearing charges Godown rent Wages Printing and stationery	11,250 10,000 30,000 20,000	71,250		By closing stock	1,76,842
	To central oil co. a/c comm. @5		45,000			
	To profit on consignment a/c (transferred to P&L a/c)		1,31,842			
			10,98,092			10,98,092

Central Oil Co. Ltd. Account

Date	Particulars	Amount	Date	Particulars	Amount
2013			2013		
Mar.31	To consignment to Kolkata a/c (sale)	9,00,000	Jan.7	By bills receivables a/c	5,00,000
			Mar.31	By consignment to Kolkata a/c Expenses Commission	71,250 45,000
				By bank (amount due)	2,83,750
		9,00,000			9,00,000

Abnormal loss account (Lost in transit a/c)

Particulars	Amount	Particulars	Amount
To consignment to Kolkata a/c	21,250	By bank-insurance claim a/c	15,000
		By profit and loss a/c (bal. fig)	6,250
	21,250		21,250

3. **Memorandum joint venture a/c**

Particulars	Amount	Amount	Particulars	Amount	Amount
To Anand a/c Apple Labour Interest Salary	30,000 5,000 970 2,000	37,970	By Anand Sales		3,000
To Bikram a/c Commission		3,000	By Bikram Sales Interest	60,000 1,200	61,200
To Co Ventures a/c Anand Bikram	11,615 11,615	23,230			
		64,200			64,200

In the books of Anand - joint venture with Bikram a/c

Particulars	Amount	Particulars	Amount
To Cash Bank (Capital)	30,000	By Cash Bank (Sales)	3,000
To Cash Bank (Labour)	3,000	By Cash Bank	46,585
To Interest	970		
To Salary	2,000		
To P/L A/C	11,615		
	49,585		49,585

4.

1. LOSS OF PROFIT

Actual sales = 90,000

Adjusted standard sales = 3,50,000 + 25%
= 4,37,500

Short sales = adjusted standard sales - actual sales
= 4,37,500 - 90,000
= 3,47,500

Gross profit ratio = $\frac{\text{net profit} + \text{insured standing charges}}{\text{Sales}}$
= $\frac{1,35,000 + 90,000}{7,50,000}$
= 30%

Loss of profit = short sales x gross profit ratio
= 3,47,500 x 30%
= 1,04,250

2. Additional expense

Adjusted annual sales = 8,00,000 + 25%
= 10,00,000

Gross profit on adjusted annual sales = 10,00,000 x 30%
= 3,00,000

Least of the following.

Additional expense incurred = 19,000
 Additional expense incurred = Additional sales due to x gross profit ratio

$$= 90,000 \times 30\% \\ = 27,000$$

$\frac{\text{Gross profit on adjusted sales}}{\text{Gross profit on adjusted annual sales} + \text{non insured}} \times \text{additional expense incurred}$

$$\frac{3,00,000 \times 19,000}{3,20,000} \\ = 17812.5$$

3. Total loss/actual loss

Loss of profit = 1,04,250
 + Additional expense = 17,813
 = 1,22,063
 - Savings = (5,250)
 Actual loss = 1,16,813

4. Insurance claim

Insurance claim = $\frac{\text{actual loss}}{\text{Gross profit on adjusted sales}} \times \text{policy amount}$
 = $\frac{1,16,813}{3,00,000} \times 2,50,000$
 Insurance claim = 97,344

5. **RDD a/c**

Date	Particulars	Amount	Date	Particulars	Amount
31-12-16	To bad debts a/c	800	1-1-16	By balance b/d	4,550
31-12-16	To P/L a/c	850			
31-12-16	To balance c/d	2,900			
		4,550			4,550
31-12-17	To bad debt a/c	1,500	1-1-17	By balance b/d	2,900
31-12-17	To balance c/d	2,000	31-12-17	By P/L a/c	600
		3,500			3,500

RFDD a/c

Date	Particulars	Amount	Date	Particulars	Amount
31-12-16	To discount a/c	1,200	1-1-16	By balance b/d	800
31-12-16	To balance c/d	1,102	31-12-16	By P/L a/c	1,502
		2,302			2,302
31-12-17	To discount a/c	500	1-1-17	By balance b/d	1,102
31-12-17	To balance c/d	760	31-12-17	By P/L a/c	158
			1,260		1,260

6.

Receipts and payment a/c

Receipts	Amount	Payments	Amount
To Balance b/d	13,600	By Sports Equipment	18000
To Subscription	1,63,400	By Salaries	1,18,000
To Entrance Fees	4,000	By Printing and Stationery	6,000
To Contribution for Dinner	36,000	By Postage	500
		By Telephone	1,500
		By General Expenses	12,000
		By Interest and Bank Charges	5,500
		By Audit Fees	2,000
		By Annual Dinner Expense	25,000
		By Balance c/d	28,500
	2,17,000		2,17,000

Balance sheet as on 31-3-2015

Liabilities	Amount	Assets	Amount
Capital Fund	2,20,600	Outstanding subscription	18,000
+ Surplus	30,000		
	2,50,000		
Advance Subscription	8,400	Building	1,90,000
		Sports Equipment	52,000
Outstanding Salaries	8,000	+ Additions	18,000
		- Depreciation	(7,000)
			63,000
Outstanding Audit Fees	2,500	Cash in Hand	28,500
Bank Loan	30,000		
	2,99,500		2,99,500