

ACCOUNTANCY

FINANCIAL STATEMENTS

(X)

The following balances were taken from the books of Shri R. Lal on 31st Dec. 2000.

Ledger Accounts	Amount	Ledger Accounts	Amount
Capital	1,00,000	Rent (Cr.)	2,100
Drawing	17,600	Railway Freight on sales	16,940
Purchases	80,000	Carriage Inwards	2,310
Sales	1,40,370	Office Expenses	1,340
Purchase Returns	2,820	Printing & Stationery	660
Stock on 1.1.2000	11,460	Postage & Telegrams	820
Bad Debts	1,400	Sundry Debtors	62,070
Bad Debts Reserve 1-1-2000	3,240	Sundry Creditors	18,920
Rates & Insurance	1,300	Cash at Bank	12,400
Discount (Cr.)	190	Cash in Hand	2,210
Bills Receivable	1,240	Office Furniture	3,500
Sales Returns	4,240	Salaries & Commission	9,870
Wages	6,280	Addition to Building	7,000
Building	25,000		

Prepare Trading and Profit & Loss A/c and a Balance Sheet as on 31-12-2000, after keeping in view the following adjustments :

- (i) Depreciate old Building at 2½% and addition to Building at 2% and Office Furniture at 5%.
- (ii) Write off further Bad Debts Rs. 570.
- (iii) Increase the Bad Debts Reserve to 6% of Debtors.
- (iv) On 31st Dec. 2000 Rs. 570 are outstanding for salary.
- (v) Rent receivable Rs. 200 on 31-12-2000.
- (vi) Interest on capital at 5% to be charged.
- (vii) Unexpired Insurance Rs. 240.
- (viii) Stock was valued at Rs. 14,290 on 31-12-2000.

Prepare trading and profit and loss account of M/s Mohit Traders as on 31st March 2006 and draw necessary journal entries and balance sheet as on that date :

Ledger Accounts	Amount	Ledger Accounts	Amount
Opening stock	24,000	Sales	4,00,000
Purchases	1,60,000	Return Outwards	2,000
Cash in Hand	16,000	Capital	1,50,000
Cash at Bank	32,000	Creditors	64,000
Return Inwards	4,000	Bills Payable	20,000
Wages	22,000	Commission Received	4,000
Fuel and Power	18,000		
Carriage Inwards	6,000		
Insurance	8,000		
Buildings	1,00,000		
Plant	80,000		

Patents	30,000		
Salaries	28,000		
Furniture	12,000		
Drawings	18,000		
Rent	2,000		
Debtors	80,000		
	6,40,000		6,40,000

Adjustments :

	Rs.
(i) Salaries outstanding	12,000
(ii) Wages outstanding	6,000
(iii) Commission accrued	2,400
(iv) Depreciation on building 5% and plant 3%	
(v) Insurance paid in advance	700
(vi) Closing stock	12,000

Q3

The following balances were extracted from the books of Shri R. Lal on March 31, 2005

<i>Ledger Accounts</i>	<i>Amount</i>	<i>Ledger Accounts</i>	<i>Amount</i>
Capital	1,00,000	Rent (Cr.)	2,100
Drawings	17,600	Railway Freight on Sales	16,940
Purchases	80,000	Carriage Inwards	2,310
Sales	1,40,370	Office Expenses	1,340
Purchases Return	2,820	Printing and Stationery	660
Stock on April 01, 2004	11,460	Postage and Telegram	820
Bad Debts	1,400	Sundry Debtors	62,070
Bad Debts Reserve		Sundry Creditors	18,920
April 01, 2004	3,240	Cash at Bank	12,400
Rates and Insurance	1,300	Cash in Hand	2,210
Discount (Cr.)	190	Office Furniture	3,500
Bills Receivable	1,240	Salaries and Commission	9,870
Sales returns	4,240	Addition to Buildings	7,000
Wages	6,280		
Buildings	25,000		

Prepare trading and profit and loss account and a balance sheet as on March 31, 2005 after keeping in view the following adjustments :

- (i) Depreciate old building by Rs. 625 and addition to buildings at 2% and office furniture at 5%.
- (ii) Write-off further bad debts Rs. 570.
- (iii) Increase the bad debts reserve to 6% of debtors.
- (iv) On March 31, 2005, Rs. 570 are outstanding for salary.
- (v) Rent receivable Rs. 200 on March 31, 2005.
- (vi) Interest on capital at 5% to be charged.
- (vii) Unexpired insurance Rs. 240.
- (viii) Stock was valued at Rs. 14,290 on March 31, 2005.

Q4

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The following information has been extracted from the trial balance of M/s Randhir Transport Corporation :

<i>Debit balance</i>	<i>Amount</i>	<i>Credit balance</i>	<i>Amount</i>
Opening stock	40,000	Capital	2,70,000
Rent	2,000	Creditors	50,000
Plant and Machinery	1,20,000	Bills payable	50,000
Land and Buildings	2,55,000	Loan	1,10,000
Power	3,500	Discount	1,500
Purchases	75,000	Sales	1,50,000
Sales Return	2,500	Provision for Bad Debts	1,000
Telegram and Postage	400	General Reserves	50,000
Wages	4,500		
Salary	2,500		
Insurance	3,200		
Discount	1,000		
Repair and Renewals	2,000		
Legal Charges	700		
Trade Taxes	1,200		
Debtors	75,000		
Investment	65,000		
Bad Debts	2,000		
Trade Expenses	4,500		
Commission	1,250		
Travelling Expenses	1,230		
Drawings	20,020		
	6,82,500		6,82,500

Adjustments :

- (i) Closing stock for the year was Rs. 35,500.
- (ii) Depreciation charged on plant and machinery 5% and land and buildings 6%.
- (iii) Interest on drawings @ 6% and interest on loan @ 5%.
- (iv) Interest on investments @ 4%.
- (v) Further bad debts 2,500 and make provision for bad debts on debtors 5%.
- (vi) Discount on debtors @ 2%.
- (vii) Salary outstanding Rs. 200.
- (viii) Wages outstanding Rs. 100.
- (ix) Insurance prepaid Rs. 500.

You are required to make trading and profit and loss account and a balance sheet on March 31, 2005.

Q5

Prepare trading and profit and loss account of M/s Roni Plastic Ltd. from the following trial balance and a balance sheet as at March 31, 2006 :

<i>Debit balance</i>	<i>Amount</i>	<i>Credit balance</i>	<i>Amount</i>
Drawings	6,000	Creditors	16,802
Sundry Debtors	38,200	Capital	60,000
Carriage Outwards	2,808	Loan on Mortgage	17,000
Establishment Expenses	16,194	Bad debts Provision	1,420
Interest on Loan	400	Sales	2,22,486
Cash in Hand	6,100	Purchases Return	2,692
Stock	11,678	Discount	880
Motor Car	18,000	Bills Payable	5,428
Cash at Bank	9,110	Rent Received	500
Land and Buildings	24,000		
Bad Debts	1,250		
Purchases	1,34,916		
Sales Return	15,642		
Advertisement	4,528		
Carriage Inward	7,858		
Rates, Taxes, Insurance	7,782		
General Expenses	8,978		
Bills Receivable	13,764		
	3,27,208		3,27,208

Adjustments :

- (i) Depreciation on land and buildings @ 5% and Motor vehicle @ 15%.
- (ii) Interest on loan is 5% taken on April 01, 2005.
- (iii) *Half of the advertisement expenses are to be carried forward to the next year.*
- (iv) Salaries amounting to Rs. 1,400 and rates amounting to Rs. 800 are due.
- (v) The bad debts provision is to be brought upto 5% on sundry debtors.
- (vi) Closing stock was Rs. 13,700.
- (vii) Goods costing Rs. 1,000 were taken away by the proprietor for his personal use but no entry has been made in the books of account.
- (viii) Insurance prepaid Rs. 350.
- (ix) Provide the manager's commission @ 5% on Net profit after charging such commission.

Q6

-5-

From the following figures extracted from the books of Rakesh you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2002 and a Balance Sheet as on that date after making the necessary adjustments :

<i>Ledger Accounts</i>	<i>Amount</i>	<i>Ledger Accounts</i>	<i>Amount</i>
Mr. Rakesh's Capital	2,28,800	Stock 1.4.2001	38,500
Mr. Rakesh's Drawings	13,200	Wages	35,200
Plant and Machinery	99,000	Sundry Creditors	44,000
Freehold Property	66,000	Postage & Telegrams	1,540
Purchases	1,10,000	Insurance	1,760
Returns Outwards	1,100	Gas and Fuel	2,970
Salaries	13,200	Bad Debts	660
Office Expenses	2,750	Office Rent	2,860
Office Furniture	5,500	Freight	9,900
Discounts A/c (Dr.)	1,320	Loose Tools	2,200
Sundry Debtors	29,260	Factory Lighting	1,100
Loan to Mr. Suresh @ 10% p.a.		Provision for Doubtful Debts	880
balance on 1.4.2001	44,000	Interest on Loan to Mr. Suresh	1,100
Cash at Bank	29,260	Cash in Hand	2,640
Bills Payable	5,500		
Sales	2,31,440		

Adjustments :

- (i) Stock on 31st March, 2002 was valued at Rs. 72,600.
- (ii) A new machine was installed during the year costing Rs. 15,400 but it was not recorded in the books as no payment was made for it. Wages Rs. 1,100 paid for its erection have been debited to wages account.
- (iii) Depreciate Plant and Machinery by $33\frac{1}{3}\%$; Furniture by 10%; and Freehold property by 5%.
- (iv) Loose tools were valued at Rs. 1,760 on 31.3.2002.
- (v) Of the Sundry Debtors Rs. 660 are bad and should be written-off.
- (vi) Maintain a provision of 5% on Sundry Debtors for doubtful debts.
- (vii) The manager is entitled to a commission of 10% of the net profit after charging such commission.

BILLS OF EXCHANGE

1 THEORY

1. Define bill of exchange and state its four characteristics.
2. Define promissory note and mention its features.
3. What do you understand by days of grace ?
4. What are the various options open to a holder of bill receivable ?
5. What is meant by retiring of a bill ?
6. What do you mean by renewal of bills ?
7. What is meant by dishonour of a bill and what are the effects of a dishonour of a bill ?
8. What do you understand by endorsement of a bill ?
9. Distinguish between discounting and retirement of a bill of exchange.
10. Define bill of exchange. Differentiate between (i) bill and promissory note. (ii) a bill of exchange and a cheque.
11. What is meant by discounting of bill ? Why is it necessary ? Give entries for discounting of a bill.

2. PRACTICALS

1. Pass journal entries in the books of Rakesh
 - (i) Rakesh's acceptance to Mukesh for Rs. 50,000 is discharged by immediate cash payment of Rs. 21,000 including interest of Rs. 1,000 and an acceptance of a bill for the balance.
 - (ii) Puneet's acceptance to Rakesh for Rs. 40,000 which was endorsed to Kamat is dishonoured, Rs. 500 being paid as noting charges.
 - (iii) Suresh's acceptance to Rakesh for Rs. 90,000 is retired before its due date for Rs. 88,500.
2. 'X' draws a bill on 'Y' for Rs. 20,000 on Sept. 4, 2005 payable after 4 months. 'X' discounts the bill with the bank @ 12% on October 7. The bill is dishonoured on the due date. Pass necessary journal entries in the books of X and Y if bank paid Rs. 300 as noting charges. [KVS 2006]
3. On 1st January, 2003, A received Rs. 25,000 in cash and two bills for Rs. 45,000 and Rs. 30,000 for two months each from B, duly accepted by later, against sale proceeds. First bill was endorsed to C in settlement of his account Rs. 45,500 and second bill discounted from bank @ 12% p.a. on the date of acceptance of Bills. Both bills were dishonoured on due date. C has paid Rs. 100 and bank has paid Rs. 80 as Noting charges. B paid Rs. 20,000 and noting charges in cash and accepted a new bill for balance at three months. The interest on balance @ 18% p.a. was paid in cash.
On the due date of new bill, B became insolvent and nothing is recovered from his estate. Give entries in the books of Drawer. [MSE (Chandigarh) 2006]
4. Sharma owes Gupta Rs. 4,20,000 on 1st January 2004. Sharma accepted a bill for 3 months for Rs. 4,00,000 in full settlement. On the same date Gupta discounted the bill from his bank at 6% p.a. Before due date Sharma became bankrupt and Gupta receives first and final dividend of 20 paise in a rupee. Give journal entries in the book of Drawer. Also prepare drawee's A/c in the books of Drawer. [Delhi 2005]
5. 'X' sold goods for Rs. 10,000 to 'Y' on 1.1.2001 and drew upon him a bill for the same amount of three months. 'Y' accepted the bill and return it to 'X'. On the same date 'X' discounted the bill with his bank at 10% p.a. The bill was dishonoured on the due date and the bank paid Rs. 50 as noting charges. 'X' agreed to accept a sum of Rs. 5,300 in cash from 'Y' and agreed to draw two new bills on 'Y'. One for Rs. 3,000 for two months and the other for Rs. 2,000 for three months in full satisfaction of his claims. 'Y' accepted the bills and returned them to 'X'. 'X' endorsed the first bill to 'Z' and the same was duly paid on maturity. The second bill was dishonoured as 'Y' became insolvent and a dividend of 25 paise in the rupees was received from his state. Pass journal entries in the book of 'X'.

6. On 10th July, 2002, Rohan sold goods to Dhir for Rs. 10,000 and drew upon him a bill for 4 months which was accepted by latter. On 13th August, 2002, Rohan discounted the same at 12% per annum from his Bank. On due date Bill dishonoured and noting charges paid by Bank Rs. 100. Another bill was accepted by Dhir in favour of Rohan at 1 month for Rs. 10,300, interest being included. The new bill also dishonoured due to insolvency of Dhir, Rohan received 30% from Dhir's estate as full and final settlement. Show entries in the books of Rohan.
7. On 1st July, 2003 Anjana draws a bill on Ranjan for Rs. 10,000 payable 3 month due for goods sold of the same amount. Anjana gets the bill discounted with her bank on 4th August at a discount of 9% p.a. On due date bank returned the bill as dishonoured with noting charges of Rs. 50. Ranjan paid Rs. 2,050 in cash and requested to draw another bill on him for the balance amount for 2 months with interest @ 12% p.a. which Anjana did. Before due date Ranjan became insolvent and his estate paid 40% as first and final instalment.
Give journal entries in the books of Anjana.
8. Hari draws a three months bill on Krishna for Rs. 1,000 on 1st Jan, 2001. Krishna accepts the bill and returns it to Hari who discounts it with his bankers at 5%.
On 15th March, Krishna not being able to meet the bill, offers Hari Rs. 400 and asks him to draw on him another bill for 3 months for the balance plus interest at 5%. Hari agrees but before the second bill becomes due, Krishna becomes bankrupt and pays only 50% of the amount due to Hari.
Give journal entries in the Books of Hari.

THEORY

1. Distinguish between Reserves and Provision.
2. Distinguish between Straight Line Method of depreciation and Reducing Balance Method of depreciation in not more than sixty words.
3. What are reserves ? Why are they created ? Explain in brief.
4. What do you understand by Provisions ? Give two examples of Provisions.
5. What do you understand by Provisions ? Explain in brief any three importances of Provision.
6. Explain the need of providing depreciation.
7. Distinguish between General Reserve and Specific Reserve.

PRACTICALS

1. A firm purchased on 1st Jan., 1999, a second-hand machinery for Rs. 36,000 and spent Rs. 4,000 on its installation.
On 1st July in same year, another machinery costing Rs. 20,000 was purchased.
On 1st July, 2001, machinery bought on 1st Jan. 1999 was sold off for Rs. 12,000 and a fresh machine purchased for Rs. 64,000 on the same date. Depreciation is provided annually on 31st Dec. @ 10% p.a. on the written down value method. Show Machine A/c from 1999 to 2001.
The following balances appear in the book of X Ltd. as on 1st April 2001.
Machinery Account = Rs. 5,00,000
Provision for Depreciation Rs. 2,25,000
The machinery is depreciated at 10% p.a. on the fixed instalment method. The accounting year being April-March. On 1st October 2001, a machinery which was purchased on 1st July 1998 for Rs. 1,00,000 was sold for Rs. 42,000 and on the same date a fresh machine was purchased for Rs. 2,00,000. Prepare the Machinery A/c and Provision for Depreciation A/c for the year 2001-02.
2. On 1.1.2000 X Ltd. purchased from Y Ltd. plant costing Rs. 4,00,000 on instalment basis payable as follows :

on 1.1.2000	1,00,000
on 1.7.2000	1,00,000
on 1.1.2001	1,00,000
on 1.1.2002	1,00,000

The company spent Rs. 10,000 on transportation and installation of plant. It was decided to provide for depreciation on Straight Line Method. Useful life of the plant was estimated at 5 years. It was also estimated that at the end of useful life, realizable value of the plant would be Rs. 12,000 (gross) and Dismantling cost of plant, to be paid by company was estimated at Rs. 2,000. The plant was destroyed by fire on 31.12.2003, and an insurance claim Rs. 50,000 was admitted by insurance company. Prepare Plant A/c, Accumulated Depreciation A/c and Plant Disposal A/c assuming that the company closes its book on 31st December every year.
3. A firm purchased on 1st January, 1998 certain Machinery for Rs. 5,82,000 and spent Rs. 18,000 on its erection. On 1st July, 1998, additional machinery costing Rs. 2,00,000 was purchased. On 1st July, 2000, the machinery purchased on 1st January, 1998 was auctioned for Rs. 2,86,000 and a fresh machinery for Rs. 4,00,000 was purchased on same date. Depreciation was provided annually on 31st December at the rate of 10% on written down value method. Prepare Machinery account from 1998 to 2000.
4. "Asha" Engineering Works purchased a machine on 1st April, 2001 for Rs. 1,80,000 and spent Rs. 20,000 on its installation.
On 1st January 2002, it purchased another machine for Rs. 2,40,000. On 1st July 2003, the machine purchased on 1st April, 2001 was sold for Rs. 1,45,000. On 1st October, 2003 another machine was purchased for Rs. 4,00,000.
Prepare Machine Account from 2001 to 2003 after charging depreciation @ 10% p.a. by diminishing balance method.

Accounts are closed on 31st December every year

A company whose accounting year is the calendar year purchased on 1st April, 1991 machinery costing Rs. 30,000. It further purchased machinery on 1st Oct., 1991 costing Rs. 20,000 and on 1st July, 1992 costing Rs. 10,000.

On 1st Jan, 1993 one third of the machinery installed on 1st April, 1991 became obsolete and was sold for Rs. 3,000.

Show how the machinery account would appear in the books of company if depreciation is charged at 10% p.a. on written down value method.

5. A Maruti van was purchased on 1-1-2000 for Rs. 60,000 and Rs. 5,000 was spent on its repairs and registration. On 1-7-2001 another van was purchased for Rs. 70,000. On 1-1-2002 first van purchased on 1-1-2000 was sold for Rs. 45,000 and a new van costing Rs. 1,70,000 was purchased on the same date. Show Maruti van account from 2000-2002 on the basis of straight line method, if the rate of depreciation charged is 10% p.a. Assume that Books are closed on 31st December every year.

On 1st October, 1999, the 'SAHARA Transport Company' purchased a truck for Rs. 4,00,000. On 1st April, 2001, this truck was involved in an accident and was completely destroyed and Rs. 3,00,000 were received from the Insurance Company in full settlement. On the same date another truck was purchased by the company for Rs. 5,00,000. The company writes off 20% depreciation per annum on 'Written down value method' and closes its books on 31st December every year. Give the Truck Account from 1999 to 2001.

6. A company whose accounting year is calendar year purchased on 1st April, 1998 machinery costing Rs. 30,000. It purchased further machinery on 1st Oct. 1998 costing Rs. 20,000 and on 1st July 1999 costing Rs. 10,000. On 1st Jan. 2000, one-third of the machinery installed on 1st April, 1998 became obsolete and was sold for Rs. 3,000. Show Machinery account as it would appear in the books of the company if machinery was depreciated by diminishing balance method @ 10% p.a. What would be the balance of machinery account on 1st Jan. 2001 ?

7. X Ltd. has imported a machine on 1st July 1987 for Rs. 1,28,000, paid customs duty and freight Rs. 64,000 and incurred erection charges Rs. 48,000. Another local machinery costing Rs. 80,000 was purchased on January 1, 1988. On 1st July 1989, a portion of the imported machinery (value one-third) got out of order and was sold for Rs. 27,840. Another machinery was purchased to replace the same for Rs. 40,000 on 1-7-89. Depreciation is being provided @ 20% p.a. on original cost of the Machinery. Show Machinery account for 1987, 1988 and 1989 ending as on 31st December each year.

M/s Krishna Publications purchased machinery for Rs. 40,000 on 1.7.98. Depreciation is provided @ 10% p.a. on diminishing balance. On 31.10.2000 one-fourth of the machinery was found unsuitable and disposed off at Rs. 5,600. On the same date new machinery at a cost of Rs. 15,000 was purchased. Write up the machinery account from 1998 to 2000. The accounts are closed on 31 December every year.

8. The following balances appear in the books of M/s Kushawaha Sons :

Jan. 1, 1996	Machinery Account	Rs. 40,000
Jan. 1, 1996	Provision for Depreciation	Rs. 18,000

On 1st Jan. 1996 they decided to sell a machinery for Rs. 4,350. This Machine was purchased in January 1992 for Rs. 8,000.

You are required to prepare Machinery A/c and the "Provision for Depreciation A/c" on 31st Dec. 1996. Assuming the firm has been charging depreciation at 10% p.a. on straight line method.

9. On 1-1-1995, Mrs. Neelam Sharma bought a machine for Rs. 25,000 on which she spent Rs. 5,000 for carriage and freight, Rs. 1,000 for brokerage of the middle-man, Rs. 3,500 for installation and Rs. 500 for an iron pad. The machine is depreciated @ 10% per annum on written down value basis. After three years the machine was sold to Deepa for Rs. 30,500 and Rs. 500 were paid as commission to the broker through whom the sale was effected. Find out the Profit or Loss on sale of machine if the accounts are closed on 31st December every year.