COURSES OF STUDIES:

UNIT – I

(a) Basis of Accounting:

(i) Accounting as the language of business and an information system, the users of accounting information and their need, Qualitative characteristics of accounting information, Functions, advantages and limitations of accounting, Bases of accounting cash basis and accrual basis.

(ii) The nature of financial accounting principles: - Basic concepts and conventions, entity, money measurement, going concern, cost, realization, accruals, periodicity, consistency, prudence (conservatism), materiality and full disclosure and Accounting Equations.

(b) Accounting Process:

(iii) Form recording of business transactions to the preparation of trial balance including adjustments; journal, sub-division of journal, ledger accounts, trial balance

UNIT – II

Reporting Standards and Business Income:

(i) Concepts of AS, Ind. AS (Indian Accounting Standards), IFRS (International Financial Reporting standards) EXBRL (Extensible Business Reporting Language)

(ii) Measurement of business income - Net Income; the accounting period, the continuity doctrine and matching concept. Objectives of measurement and revenue recognition.

(iii) Depreciation Accounting: The accounting concept of depreciation, Factors in the measurement of depreciation. Methods of computing depreciation - straight line method and diminishing balance method, Disposal of depreciation assets – change of method; Salient features of Accounting Standard 6 (AS 6) issued by ICAI.

Note: AS-6 has been withdrawn by ICAI.

UNIT - III

FINAL ACCOUNTS:

Capital and revenue expenditures and receipts, Preparation of financial statements of Sole Trade and Partnership Business with adjustments.

ACCOUNTING FOR PARTNERSHIP:

Accounting of admission of partners, Retirement and Death of partner and Dissolution of the Partnership Firm including Insolvency of partners.

UNIT – IV

Hire Purchase and Instalment System and Accounting for Branch and Department:

(i) Concepts of Operating and Financial Lease (Theory only)

(ii) Departmental Accounting and Branch Accounting including Foreign Branch (Theory and Problems)

(iii) Hire Purchase and Instalment System

PROBABLE QUESTIONS INCLUDING PRACTICAL PROBLEMS:

UNIT – I

1. What do you mean by capital expenditure? Distinguish between capital expenditure and revenue expenditure.
2. What is deferred revenue expenditure? Discuss its treatment at the time of preparation of Final Account.
3. Distinguish between Trial Balance and Balance Sheet.
4. What do you mean by Accounting concepts? Discuss any four accounting concepts used in recording of business transactions.
5. What is sub-division of Journal? Discuss the necessity of sub-division of journal.
6. Discuss any four accounting concepts used for recording of business transactions.
7. Discuss any four accounting conventions used in recording of business transactions.

Practical Problems:

1. Show the accounting Equation on the basis of the following transactions:

		Rs			Rs
(i)	Ram started business with cash	25,000	(vi)	Paid salaries	350
(iii)	Purchased goods on credit from Hari	17,000	(vii)	Received cash form Ramesh	800
(iv)	Purchased furniture for cash	5,000	(viii)	Withdrew cash for personal use	400
(v)	Sold goods to Ramesh	1,000	(ix)	Received rent from tenants	3,000

2. Show the accounting Equation on the basis of the following transactions:

		Rs			Rs
(i)	Ram started business with cash	25,000	(vi)	Paid salaries	350
(iii)	Purchased goods on credit from Hari	17,000	(vii)	Received cash form Ramesh	800
(iv)	Purchased furniture for cash	5,000	(viii)	Withdrew cash for personal use	400
(v)	Sold goods to Ramesh	1,000	(ix)	Received rent from tenants	3,000

3. Arvind had the following transactions. Use accounting equation to show their effect on assets, liabilities and capital.

(a) Started business with cash Rs 80,000
(b) Purchased goods for cash Rs 45,000
(c) Purchased an office building for Rs 45,000 giving Rs 15,000 in cash and the balance through a loan
(d) Sold securities costing Rs 3,000 for Rs 4,500
(e) Purchased an old car for business for Rs 18,500 cash
(f) Received cash for rent Rs 10,800
(g) Paid cash Rs 10,000 for loan and Rs 800 for interest
(h) Paid cash for office building expenses Rs 1,200
(i) Received cash for dividend on securities Rs 600

4. Journalise the following transactions:

2022	
Jan. 1	Dindayal started business with cash Rs 80,000
Jan. 2	Purchased goods for cash Rs 45,000
Jan. 3	Purchased goods on credit from Ramkumar Rs 8,000
Jan. 5	Sold goods for cash Rs 36,000
Jan. 7	Sold goods on credit to Sekhar Rs 40,000
Jan. 9	Purchased office furniture on credit from Raju Rs 8,000

Jan. 15	Received Rs 25,000 from Sekhar on account
Jan. 17	Paid to Ramkumar on account Rs 5,000
Jan. 25	Received cash for dividend on securities Rs 600
Jan. 28	Paid salaries for the month Rs 6,000
Jan. 29	Dindayal withdrew goods costing Rs 800 for his personal use

5. Journalise the following transactions in the books of Harinath:

On 1st January, 2022 his assets were: Furniture Rs 5,000; Building Rs 45,000; Stock Rs 22,000; Cash in hand Rs 1,200; Cash at Bank Rs 7,800; amount due form Gobind Rs 8,600; Amount due from Rahul Rs 9,600. On this date he owed Rs 7,000 to Manish and Rs 3,600 to Raku.

During the month of January, he has the following transactions:

2022	
Jan. 1	Sold goods to Rahim on credit Rs 12,000
Jan. 2	Purchased goods for cash Rs 45,000
Jan. 5	Purchased goods on credit from Suresh Rs 22,000
Jan. 12	Sold goods for cash Rs 24,000
Jan. 15	Purchased an old car for business for Rs 18,500
Jan. 21	Paid Rs 21,500 to Suresh in full settlement
Jan. 23	Received Rs 11,700 from Rahim in full settlement
Jan. 27	Goods costing Rs 400 were given in charity
Jan. 29	Paid rent for the month Rs 1,200

6. Prepare a double column Cash Book (Cash Column and Bank Column) form the following:

Date	Particulars	Rs
2023		
Jan. 1	Balance of cash in hand	1,000
Jan. 1	Balance at Bank	6,500
Jan. 3	Cash Sales	40,000
Jan. 5	Cash purchases	18,000
Jan. 6	Received from Ram	16,000
Jan. 7	Paid to Hari	14,000
Jan. 8	Paid salaries	2,000
Jan. 8	Paid Rent	2,600
Jan. 10	Sold goods on credit	4,000
Jan. 11	Purchased Furniture	6,000
Jan. 12	Received from Mohan by cheque	8,000
Jan. 14	Paid commission by cheque	2,000
Jan. 16	Deposited in bank	2,000
Jan. 18	Cash withdrew from bank for office use	6,000
Jan. 20	Bad debts recovered	1,000
Jan. 25	Advance paid to Harilal for purchase of goods	12,000
Jan. 31	Sold goods and received cheques	22,000
Jan. 22	Paid for stationery	1,000
Jan. 25	Paid general expenses	2,000
Jan. 31	Balance of cash in hand	1,200

7. A book-keeper has submitted you the following Trial Balance, which he has not been able to agree. Rewrite the Trial Balance, correcting the mistakes committed by him:

Name of the Accounts	Dr. (Rs)	Cr. (Rs)
Capital		15,000
Drawings	3,250	
Stock on (1 – 1 – 2022)	17,445	
Return Inwards		554
Carriage inwards	1,240	
Deposit with Arman		1,375
Return Outwards	840	

Carriage Outwards		725
Loan to Ashok @ 5% given on 1-1-2022		1,000
Interest on the above		25
Rent	820	
Rent Outstanding	130	
Purchases	12,970	
Debtors	4,000	
Goodwill	1,730	
Creditors		3,000
Advertisement Expenses	954	
Provision for Doubtful Debts		1,200
Bad debts	400	
Patents and Patterns	500	
Cash	62	
Sales		27,914
Discount allowed		330
Wages	754	
Total	45,095	51,123

8. Record the following transactions in the Purchase Day Book of Raman, who is engaged in trading of furniture and carry out the postings in Ledger.

Jan. 6 Purchased from Maruti Traders:
5tables @ Rs 2,000 each.
10 chairs @ Rs 1,000 each
Trade Discount 15%

Jan. 8 Purchased from Furniture Mart:
2 sofa sets @ Rs 20,000 each
5 dinning table @ Rs 30,000 each
Trade discount @ 20%

Jan. 10 Purchased for Cash:
2 dozens chairs @ Rs 12,000 per dozen
3 Pairs of Computer Tables @ Rs 1,500
Trade discount 10%

Jan. 15 Purchased on credit from Mahavir Stores for office use:
5 cash books @ Rs 800
1 Computer @ Rs 40,000

8. From the following transactions prepare Hari's A/c in the books of Mahesh and balance the same on 31st August, 2023. What does the balance of the account indicate?

2023:
Aug. 5 Mahesh sold goods to Hari on credit Rs 12,000
Aug. 8 Hari returned goods of Rs 1,000
Aug. 10 Hari paid Rs 4,800 to Mahesh and received discount Rs 200.
Aug. 14 Mahesh received Rs 6,000 from Hari by cheque.
Aug. 20 The cheque of Hari dishonoured.
Aug. 25 Hari paid Rs 5,000 to Mahesh.

9. From the following transactions prepare Naresh A/c in the books of Mukesh and balance the same on 30th September, 2023. What does the balance of the account indicate?

2023:
Sept. 5 Mukesh purchased goods of Rs 20,000 from Naresh.
Sept. 8 Mukesh returned goods of Rs 2,000 to Naresh
Aug. 10 Mukesh paid Rs 6,900 to Naresh and received discount Rs 100.
Sept. 14 Mukesh paid Rs 8,000 to Naresh by cheque.
Sept. 20 Cheque paid to Naresh dishonoured.
Sept. 25 Mukesh paid Rs 9,000 to Naresh.

10. From the following transactions, prepare the account of Raina in the books of Dhoni and balance the account on May 31, 2023:

2023:

May 1. Raina purchased goods of Rs 40,000 from Dhoni.
May 5. Raina returned goods of Rs 1,500 to Dhoni.
May 7. Dhoni received Rs 11,900 from Raina and allowed discount Rs 100.
May 10. Dhoni purchased furniture from Raina for his personal use Rs 2,000.
May 15 Raina paid Rs 3,000 by chequ to Dhoni.
May 22. The cheque receive from Raina dishonoured.
May 25. Raina paid Rs 15,000 to Dhoni in cash.

11. From the following particulars, prepare the account of Ajay in the books of Bijay and balance the account in 31st July, 2023:

2023

July 1. Bijay purchased goods from Ajay Rs 60,000
July 3. Bijay returned goods to Ajay Rs 4,000
July 5. Ajay received Rs 24,900 from Bijay and allowed him discount Rs 300
July 6. Bijay paid Rs 18,000 to Ajay and Ajay deposited the same in the bank.
July 18. The cheque of Bijay dishonoured
July 25. Ajay received Rs 25,000 from Bijay in cash.
July 28. Ajay purchased furniture from Bijay for his business for Rs 5,000.

12. From the following transactions prepare the Furniture A/c in the books of Rajesh and balance the same on 31st August, 2023:

2023

Aug. 1 Opening balance of Furniture Rs 10,000
Aug. 5 Purchased furniture for cash Rs 6,000
Aug. 6 Purchased furniture on credit form Nakul Rs 4,000
Aug. 7 Private furniture introduced in business Rs 2,000
Aug. 8 Furniture sold for cash Rs 1,000
Aug. 10 Furniture withdrawn for private use Rs 3,000
Aug. 31 Depreciation charged on furniture Rs 1,600

13. From the following transactions, prepare the Machinery A/c in the books of Hari and balance the same on 31st March, 2023

March 1 Opening balance of Machinery in hand Rs 16,000
March 2 Purchased Machinery for cash Rs 14,000
March 3 Private Machinery brought into the business Rs 10,000
March 4 Machinery withdrawn for private use Rs 5,000
March 6 Machinery purchased on credit from Rahim Rs 6,000
March 7 Machinery purchased by cheque Rs 3,000
March 31 Depreciation charged on Machinery Rs 2,000

14. From the transactions given below, prepare the Account of Mahesh in the books of Sahil and balance the same on 31st December, 2023:

2023

Dec. 1 Debit balance brought forward Rs 8,000
Dec. 2 Mahesh purchased goods on credit from Sahil Rs 12,000
Dec. 5 Mahesh paid Rs 6,800 and received discount Rs 200
Dec. 8 Mahesh returned goods of Rs 1,000 to Sahil
Dec.10 Sahil received Rs 3,000 from Mahesh by cheque
Dec.15 Cheque of Sahil dishonoured
Dec. 25 Sahil received Rs 6,000 from Mahesh in cash.

15. From the following transactions prepare the account of Manoj in the books of Ajay and balance the same on 30th June, 2023:

2023

June 1	Credit balance brought forward Rs 6,000
June 6	Ajay purchased goods of Rs 8,000 from Manoj
June 8	Manoj received Rs 6,900 from Ajay and allowed him discount Rs 100
June 9	Ajay returned goods to Manoj Rs 500
June 10	Ajay paid Rs 4,000 to Manoj by cheque
June 15	The cheque of Manoj dishonoured
June 20	Manoj received Rs 6,000 from Ajay in cash

16. The following is the account of Suresh in the books of Rajesh

Suresh's A/c

Date	Particulars	F	Amount	Date	Particulars	F	Amount
2023				2023			
Feb. 1	To Sales		25,000	Feb. 4	By Sales Return		2,000
Feb.23	To Bank		6,000	Feb. 10	By Cash		16,800
					By Discount		200
				Feb.18	By Bank		6,000
				Feb. 24	By Cash		6,000
			31,000				31,000

Journalise the above transactions to explain the meaning of the above postings.

17. The following is the account of Rajesh in the books of Naresh:

Rajesh's A/c

Date	***Particulars***	***F***	***Amount***	***Date***	***Particulars***	***F***	***Amount***
2023				2023			
Mar 4	To Purchase Returns		4,000	Mar 2	By Purchases		1,00,000
Mar 6	To Cash		29,600	Mar 22	By Bank		30,000
	To Discount		400				
Mar 16	To Bank		30,000				
Mar 28	To Cash		66,000				
			1,30,000				1,30,000

Pass the journal entries in the books of Naresh to explain the meaning of the above postings. Narration will form a part of your answer.

18. The following is the account of Santosh in the books of Rohit

Santosh's A/c

Date	**Particulars**	**F**	**Amount**	**Date**	**Particulars**	**F**	**Amount**
2023				2023			
Feb 1	To balance b/d		7,000	Feb 4	By Sales Return		2,000
Feb 3	To Sales		21,000	Feb 10	By Cash		16,800
Feb 23	To Bank		6,000		By Discount		200
				Feb 18	By Bank		6,000
				Feb 24	By Cash		6,000
				Feb 28	By balance c/d		3,000
			34,000				34,000

Pass the journal entries in the books of Rohit to explain the meaning of the above postings.

19. The following is the account of Mahesh in the books of Naresh:

Mahesh's A/c

Date	Particulars	F	Amount	Date	Particulars	F	Amount
2023				2023			
Mar 4	To Purchase Returns		800	Mar 1	By balance b/d		12,000
Mar 6	To Cash		9,600	Mar 2	By Purchases		30,000
	To Discount		100	Mar 22	By Bank		2,000
Mar 16	To Bank		2,000				
Mar 28	To Cash		16,000				
Mar 31	To balance c/d		15,500				
			44,000				44,000

Pass the journal entries in the books of Naresh to explain the meaning of the above postings. Narration will form a part of your answer.

20. The following is the Machinery A/c in the books of Mr. A

Machinery A/c

Date	Particulars	F	Amount	Date	Particulars	F	Amount
2023				2023			
Mar 1	To Cash		8,000	Mar 1	By Cash		4,000
Mar 6	To Bank		16,000	Mar 2	By Drawings		6,000
Mar16	To Suresh		12,000	Mar 31	By Depreciation		4,000
Mar 28	To Capital		6,000	Mar 31	By Balance c/d		28,000
			42,000				42,000

Give the journal entries in the books of Mr. A to explain the meaning of the above postings.

21. The following is the Furniture A/c in the books of Priya:

Furniture A/c

Date	Particulars	F	Amount	Date	Particulars	F	Amount
2023				2023			
Mar 1	To Cash		2,000	Mar 1	By Cash		1,000
Mar 6	To Bank		11,000	Mar 2	By Drawings		2,000
Mar16	To Mahesh		12,000	Mar 31	By Depreciation		5,000
Mar28	To Capital		4,000	Mar 31	By Balance c/d		21,000
			29,000				29,000

Give the journal entries in the books of Mr. A to explain the meaning of the above postings.

UNIT – II

1. What do you mean by Depreciation? Discuss different causes of Depreciation.

2. What do you mean by Depreciation? Discuss the causes or reasons for which depreciation is provided.

3. Explain the Straight Line Method of providing depreciation. State its advantages and dis-advantages.

4. Explain the Straight Line Method of providing depreciation. State its advantages and dis-advantages.

5. Distinguish between Straight Lime Method and Written Down Value Method of providing depreciation.

6. What do you mean by Accounting Standards? Discuss the benefits of using Accounting Standards in carrying out the accounting work.

PRACTICAL PROBLEMS:

1. A Kaiser purchased on 1st January, 2010, a plant for Rs 53,000 and spent Rs 5,000 on its installation. The estimated life of the plant is 8 years, after which its break-up value will be Rs 6,000 only.
   Find out the amount of annual depreciation according to straight line method, and prepare plant account for the first three years, assuming the accounting year ends on 31st December.
   [Ans: Annual depreciation Rs 6,500; Balance of Plant A/c on 31.12.12 Rs 38,500]

2. Vikrant & Co. purchased second – hand machinery on 1st January, 2010 for Rs 23,000 and spent Rs 2,000 on its repair. It was decided to depreciate the machinery at 20% every year on 31st December by the diminishing balance method.
   Prepare the machinery account from 2010 to 2012 and show profit or loss, if it is sold on 31st December, 2012 for Rs 10,800

3. A trader purchased a machine on 1st July, 2011 at a cost of Rs 50,000. The scrap value of the machine was estimated at Rs 5,000 and its life at 10 years. On 1st January, 2012 another machine of same type was purchased at a cost of Rs 22,000. The scrap value of the machine was estimated at Rs 3,000 and its life at 10 years.

   The installation costs of the first and second machines were Rs 5,000 and Rs 1,000 respectively.
   Show the machinery account for 2011 and 2012 assuming books are closed on 31st December every year.

   [Ans: Depreciation – 2011 Rs 2,500; 2012 Rs 7,000; Balance of machinery A/c on 31.12.12 Rs 68,500]
4. A company whose accounting year is the calendar year purchased on 1st April, 2010, machinery costing Rs 30,000. It purchased further machinery on 1st October, 2010, costing Rs 20,000 and on 1st July, 2011, costing Rs 10,000. On 1st January, 2012, one-third of the machinery which was installed on 1st April, 2010, became obsolete and it was sold for Rs 3,000.
   Show how the machinery account would appear in the books of the company, it being given that the machinery is depreciated by the fixed instalment method at 10 per cent per annum.
   [C.A Inter]

   [Ans: Depreciation – 2010 Rs 2,750; 2011 Rs 5,500; 2012 Rs 5,000. Loss on sale Rs 5,250. Balance of machinery A/c on 31.12.12 Rs 28,500]
5. Roy & Co. purchased a machine for Rs 1,00,000 on 1st January, 2011. On 1st June, it purchased another machine for Rs 60,000. On 1st March, 2012, Roy & Co sold the second machine (purchased on 1st June, 2011) for Rs 50,000 and on the same day purchased another machine for Rs 54,000. Roy & Co. calculated depreciation @ 20% under the diminishing balance method. The accounts of the business were closed every year on 31st December.
   Show the machinery account for the two years ending 31st December, 2011 and 31st December, 2012.

   [Ans: Depreciation – 2011 Rs 27,000; 2012 Rs 1,767 on machine sold and Rs 25,000 on others. Loss on sale Rs 1,233. Balance of machinery A/c on 31.12.12 Rs 1,09,000]
6. Bajaj & Co. closes their account on 31st March, every year. They purchased machinery as under:

   (i) On 1.7.2009, purchased some machinery costing Rs 1,20,000.

(ii) On 1.1.2010, purchased some machinery costing Rs 1,20,000.
(iii) On 1.10.2010, purchased some machinery costing Rs 20,000.
(iv) On 1.1.2011, purchased a new machine for Rs 60,000.
(v) One machine costing Rs 40,000 which was purchased on 1.7.2009 was sold for Rs 12,000 on 1.4.2011
(vi) They charge depreciation @ $33^1/_3$% on the written down value method.
(vii) They have the practice to charge depreciation for the full year even if the machinery is used for a part of the year.

Prepare machinery account in the books of Bajaj & Co. for three years ended 31st March, 2010, 2011 and 2012. **[ICWA, Inter, June, 1995 – Adapted]**

[Ans: Depreciation – 2009-10 Rs 80,000; 2010-11 Rs 80,000; 2011-12 Rs 47,407. Loss on sale Rs 5,778. Balance of machinery A/c on 31.3.12 Rs 94,815]

7. The book value of plant and machinery of a firm shows Rs 2,40,000 on 1st January, 2012. The same includes the depreciated value of a machine purchased on 1st January, 2007 for Rs 30,000. It was sold on 1st April, 2012 for Rs 14,900. On the same date a new machine was purchased for Rs 40,000.
Show the plant and machinery account for the year 2012, assuming depreciation is charged @ 10% p.a. under diminishing balance method.

[Ans: Depreciation – 2012 Rs 443 on machine sold and Rs 25,229 on others. Loss on sale Rs 2,372. Balance of machinery A/c on 31.12.12 Rs 2,37,056]

8. On 1.1.12 the balance of machinery account was Rs 48,600. On 1.7.12 a new machine was purchased for Rs 24,000. The installation cost came to Rs 1,000. On 1.9.12, an old machine was sold for Rs 6,000 (the original cost of which was Rs 10,000 on 1.1.10). Machinery is depreciated at 10% p.a. under diminishing balance method.
Show machinery account for the year, 2012. The books are closed on 31st December every year.

[Ans: Depreciation – 2012 Rs 540 on machine sold and Rs 5,300 on others. Loss on sale Rs 1,560. Balance of machinery A/c on 31.12.12 Rs 60,200]

9. A plant was purchased for Rs 40,000 on 1st January, 2010. On 1st April, 2011 another plant was purchased for Rs 30,000. On 30th June, 2012 a third plant was purchased for Rs 20,000 by disposing of the first plant for Rs 21,000.
Show machinery account for 3 years up to 31st December, 2012.
Assume:
(i) The rate of depreciation was 10% on diminishing balance;
(ii) The business closes its accounts on 31st December every year.

[Ans: Depreciation – 2010 Rs 4,000; 2011 Rs 5,850; 2012 Rs 1,620 on machine sold and Rs 3,775 on others. Loss on sale Rs 9,780. Balance of machinery A/c on 31.12.12 Rs 43,975]

10. From the following information prepare the machinery account of Sen & Co. for the year ended March 31, 2012:

	Rs
Balance brought forward on April 1, 2011 representing machinery at cost less depreciation to date	18,750
June 30, 2011 - Machinery purchased at cost of	8,000
March 31, 2012 – Machine sold for	3,500

Note: the sold originally cost Rs 6,000 some years ago and by March 31, 2011, Rs 3,000 had been written off for depreciation.

Provide depreciation @ 20% per annum on the written down value of the balance brought forward and on the cost of the new machine.

[Ans: Depreciation – Rs 4,950. Profit on sale Rs 1,100. Balance of machinery A/c on 31.12.12 Rs 19,400]

11. The book value of plant and machinery of a firm shows Rs 2,00,000 on 1st January, 2012. One of the machinery, which was purchased on 1st January, 2007 at Rs 20,000 is sold for Rs 9,000 on 30th June, 2012. In place of this machine, another new machine was purchased at Rs 30,000 on 30th September, 2012.

    Show the plant and machinery account in the ledger for 2012 charging depreciation @ 10% p.a. on diminishing balance method (year-ending date 31st December)

Depreciation – Rs 591on machinery sold and Rs 19,569 on others. Loss on sale Rs 2,219. Balance of Plant and Machinery A/c on 31.12.12 Rs 1,98,621]

12. On 1st January, 2010, a company purchased four machines for Rs 20,000 each. Depreciation was charged on these assets at 10% p.a. on cost. On 1st January, 2011, one of the machines was sold for Rs 17,220 and on the same day two additional machines were purchased at a cost of Rs 24,000 each. On 1st January, 2012, another original machine was sold for Rs 16,250 but was not replaced.
    You are required to show:
    (a) The machinery account for the years 2010, 2011 and 2012; and
    (b) How the machinery would appear in the balance sheet at December 31, 2012.

[Ans: Depreciation – 2010 Rs 8,000; 2011 Rs 10,800; 2012 Rs 8,800. Loss on sale on 1.1.11 Rs 780.Profit on sale on 1.1.12 Rs 250. Balance of machinery A/c on 31.12.12 Rs 66,400]

13. A. Ltd purchased the following machines:

Date of purchase	***Rs***
On 1st January, 2011	40,000
On 1st July, 2011	20,000
On 1st October, 2012	10,000

Depreciation was provided @ 10% p.a. under the diminishing balance method. The machine purchased on 1st July, 2011 was sold on 31st March, 2012 at Rs 15,000.
Show the necessary ledger accounts in the books of A Ltd. for the years 2011 and 2012 assuming that he accounts are closed on 31st December every year.
[Ans: Depreciation – 2011 Rs 5,000; 2012 Rs 475 on machine sold and Rs 3,850 on others. Loss on sale on Rs 3,525. Balance of machinery A/c on 31.12.12 Rs 42,150]

14. On 1.4.2010, machinery was purchased for Rs 80,000. On 1.4.2011, additions were made to the tune of Rs 40,000. On 31.3.12, machinery purchased on 1.4.2010 costing Rs 12,000 was sold for Rs 11,000 and on 30.6.2012 machinery purchased on 1.4.2011 costing Rs 32,000 was sold for Rs 26,000. On 1.1.2012 additions were made to the tune of Rs 20,000. Depreciation was charged at 10% p.a. under the diminishing balance method.
    Show the machinery account for the year ended 31st March, 2011, 2012 and 2013.

[CA, Entrance, Nov, 1992 – Adapted]

[Ans: Depreciation – 2010-11 Rs 8,000; 2011-12 Rs 11,200 (including Rs 1,080 on machinery sold; 2012-13 Rs 720 (on machinery sold for 3 months) and Rs 7,228 on others. Profit on sale on 31.3.12 Rs 1,280. Loss on sale on 30.6.12 Rs 2080Balance of machinery A/c on 31.3.13 Rs 75,052]

15. A company charges depreciation on plant and machinery under reducing balance method @ 15% per annum. On 1st April, 2009 the balance in ledger stood at Rs 4,60,000.

The following particulars are given relating to plant and machinery during the four years ended 31st March, 2013:

1.9.2009 A machine purchased for Rs 20,000 (installation expenses Rs 1,000) on 1st May, 2007 was fully destroyed in an accident.

1.7.2010 Purchased a new machine costing Rs 50,000 (installation expenses Rs 2,500). A sum of Rs 30,000 was paid on the same date and the balance was paid in May, 2011.

31.8.2011 Plant purchased on 1st April, 2008 for Rs 30,000 (installation expenses Rs 1,500) was disposed off for Rs 36,000.

1.11.2012 Some old machinery (book value on 1st April, 2009 Rs 10,000) was sold for Rs 4,000.

Show the plant and machinery account aswould appear in the books of the company for the years ended 31st March, 2013 assuming depreciation is charged proportionately in the year in which an asset is purchase, sold or destroyed. **[ICWA, Inter, Dec'1991]**

[Ans: For 2009-10 Accidental loss Rs 14,434. Depreciation Rs 962 on machinery destroyed (5 months) Rs 66,691 on others (full year). Closing balance of Machinery A/c Rs 3,77,913.
For 2010-11 Depreciation Rs 62,593 (on Rs 3,77,913 for full year and on Rs 52,500 for 9 months). Closing balance of Machinery Rs 3,67,820.
For 2011-12 Profit on sale Rs 17,864. Depreciation Rs 1,209 on machinery sold (5months), Rs 52,271 on others (full year). Closing balance of Machinery A/c Rs 2,96,204.
For 2012-13 Loss on sale Rs 1,604. Depreciation Rs 537 on machine sold (for 7 months), Rs 43,509 on others (full year). Closing balance of Machinery A/c Rs 2,46,554]

16. B. Co. Ltd. purchased machinery as follows:

Date of purchase	*Cost of machine*
1.4.2010	60,000
1.10.2010	40,000
1.7.2011	20,000

On 1.1.2012, one-third of the machinery which was purchased on 1.4.2010, became obsolete and was sold for Rs 6,000. The machinery was to be depreciated by fixed instalment method at 10% p.a.

Show how the machinery account would appear in the ledger of the company for the years 2010, 2011 and 2012. Assuming that the accounting year of company ends on 31st December every year.

[Ans: Depreciation – 2010 Rs 5,500; 2011 Rs 11,000; 2012 Rs 10,000. Loss on sale on Rs 10,500. Balance of machinery A/c on 31.12.12 Rs 77,000]

17. On 1st January, 2011 a firm purchased 5 machines, each costing Rs 1 lakh. A sum of Rs 5,000 was spent on freight and insurance in transporting them and total installation charges came to Rs 5,000. On 1st July, 2012, one of the machines was sold for Rs 90,000 and was replaced by another machine at a total cost of Rs 80,000. It was decided not to write off depreciation on the item sold in the year of sale.

The firm closes its books on 31st December. It writes off depreciation at 15% per annum on the diminishing balance method.

Prepare the machinery account for the years 2011 and 2012.

[Ans: Depreciation – on machine sold Rs 148, on machine scrapped Rs 16, on others Rs 20,291 (including Rs 1,685 on machinery purchased). Loss on sale Rs 2,645.Loss on scrap Rs 377. Balance of machinery A/c on 31.12.12 Rs 1,94,664]

18. The machinery account of a factory showed a balance of Rs 1,90,000 on 1st January, 2012. Its accounts were made up to 31st December each year and depreciation is written off at 10% p.a. under the diminishing balance method.

    On 1st June, 2012, a new machine was acquired at a cost of Rs 28,000 and installation charges incurred in erecting the machine works out to Rs 892 on the same date. On 1st June, 2012, a machine which had cost Rs 6,000 on 1st January, 2007 was sold for Rs 750. Another machine which had cost Rs 600 on 1st January, 2008 was scrapped on the same date and it realised nothing.

    Write up plant and machinery account for the year 2012 allowing the same rate of depreciation as in the past.

    (Calculate depreciation to the nearest multiple of a rupee)

    [Ans: Depreciation – on machine sold Rs 148, on machine scrapped Rs 16, on others Rs 20,285 (including Rs 1,679 on machinery purchased). Loss on sale Rs 2,645.Loss on scrap Rs 377. Balance of machinery A/c on 31.12.12 Rs 1,94,671]

19. A company writes off depreciation on straight line basis on machinery at 10%. On 31st December m 2011, the position was as under:

	Rs
Cost of purchase to date	52,590
Depreciation written off to date	25,670

During 2012, an addition of Rs 2,480 was made to machinery. A machine bought in 2008 for Rs 2,800 was sold for Rs 800 during the year.

No depreciation is to be provided on assets sold during the year, while full year's depreciation is to be provided on assets acquired during the year.

You are required to show the machinery account for the year 2012.

[Ans: Loss on sale Rs 880. Depreciation Rs 5,227. Balance of machinery A/c on 31.12.12 Rs 22,493]

20. 38. A firm is willing to change the system of providing for depreciation from diminishing balance method to straight line method with retrospective effect from 1st April, 2009. On 1st April, 2011, machinery account in the ledger had a debit balance of Rs 5,67,000. The rate of depreciation would, however, remain unchanged. Necessary adjustments for depreciation due to change in method should be made in the year 2011 – 12. Rate of depreciation 10% p.a.

    You are further informed that new machinery was purchased on 1st October, 2011 at a cost of Rs 60,000.

    Show the machinery account for 2011 – 12.

[ICWA, Inter, June 1998 – adapted]

[Depreciation – 2009-10 Rs 70,000; 2010-11 Rs 63,000; 2011-12 Rs 7,000 (additional depreciation for change in method) + Rs 73,000. Balance of Machinery A/c on 31.3.12 Rs 5,47,000]

21. Hanuman Enterprises purchase on 1.4.2009 certain machinery for Rs 72,800 and paid Rs 2,200 on its installation. On 1.10.2009 another machinery for Rs 25,000 was acquired.
On 1.4.2010, the first machine was sold at Rs 50,000 and on the same date fresh machinery was purchased at a cost of Rs 45,000.
Depreciation was annually provided on 31st March at 10% p.a. on written down value.
On 1.4.2011, however, the firm decided to change the method of providing depreciation and adopted the method of providing deprecation @ 10% p.a. on the original cost, with retrospective effect.
Show the machinery account from 2009 – 10 to 2011 -12.
[CA, Foundation, Nov. 1999 – adapted]
[Depreciation – 2009-10 Rs 8,750; 2010-11 Rs 6,875; 2011-12 Rs 125 (additional depreciation for change in method) + Rs 7,000. Balance of Machinery A/c on 31.3.12 Rs 54,750. Loss on sale Rs 17,500]

22. Messrs Mill and Wright commenced business on 1.1.2008, when they purchased plant and equipments for Rs 7,00,000. They adopted a policy of:
(i) Charging depreciation at 15% per annum on diminishing balance basis; and
(ii) Charging full year's depreciation on additions.
Over the years, their purchases of plant have been:

Date	**Rs**
1.8.2009	1,50,000
30.9.2012	2,00,000

On 1.1.12 it was decided to change the method and rate of depreciation to 10% on straight line basis with retrospective effect from 1.1.2008, the adjustment being made in the accounts for the year ending 31.12.2012.
Calculate the difference in depreciation to be adjusted in the plant and equipment account on 1.1.2012 and show the ledger accounts for the year 2012.
[Balance of Plant and Equipment A/c on 1.1.12 Rs 4,57,523 and on 31.12.12 Rs 6,20,000. Excess depreciation chargeable to be adjusted on 1.1.12 Rs 67,477. Depreciation of 2012 Rs 1,05,000]

23. Depreciation has been provided for the years 2009 to 2012 at 10% on reducing balance method on opening balance of each item of plant and machinery in use. The balance of plant and machinery account on 31st December, 2012 was Rs 54,000. There were no sales during these years, but purchases were Rs 16,800 in September, 2009 and Rs 11,400 in December, 2011.
The management decided that, depreciation should be charged at 20% on the same method but calculated on the closing balance of each year with retrospective effect from 2009.
You are required to pass journal entry for giving effect to the revised basis at the end of 2012 and prepare plant and machinery account and revised plant and machinery account for all the years.
[Balance of Plant and Machinery A/c on 1.1.09 Rs 48,000 (ascertained by working the account backwards from 2012). Depreciation (on original basis): 2009 Rs 4,800; 2010 Rs 6,000; 2011 Rs 5,400l 2012 Rs 6,000. Depreciation (on revised basis): 2009 Rs 12,960; 2010 Rs 10,368; 2011 Rs 10,574; 2012 Rs 8,460. Closing balance on revised basis Rs 33,838. Additional depreciation to be provided in 2012 Rs (54,000 – 33,838) or Rs 20,162]

24. Deva ltd. charges depreciation on its plant and machinery @ 10% p.a. on the diminishing balance method. On 31st March, 2012, the company decides to adopt straight line method of charging depreciation with retrospective effect from 1st April, 2008, the rate of depreciation being 15%. On 1st July, 2011, a sum of Rs 65,000 was realised by selling a machine cost of

which on 1st April, 2008 was Rs 90,000. On 1st January, 2012, a new machine was acquired at a cost of Rs 1,50,000.

Show the plant and machinery account from 2009 to 2012.

[ICSI, Foundation, June 2000 – Adapted]

[Depreciation – 2009 Rs 36,000; 2010 Rs 30,600; 2011 Rs 26,000; 2012 Rs 43,500 (on Rs 2,40,000 + Rs 50,000 on straight line basis). Additional depreciation for change in method Rs 55,490.Profit on sale Rs 1,030. Balance of Machinery A/c on 31.3.12 Rs 2,68,375. Original cost of machinery on 1.4.08 Rs 4,00,000]

25. The plant and machinery account of a company had a debit balance of Rs 1,47,390 on 1st January, 2012. The company was incorporated in 2009 and has been following the practice of charging full year's depreciation every year on diminishing balance method @ 15%. In 2012, it was, however, decided to change the method from diminishing balance to straight line with retrospective effect from 2009 and to give effect of such change while preparing the final accounts for the year ended 31st December, 2012, the rate of depreciation remaining the same as before. In 2012, new machinery was purchased at a cost of Rs 50,000. All other machinery was acquired in 2009.

    Show the plant and machinery account from 2009 to 2012.

    [ICWA, Inter, June 1998 – adapted]

    [Depreciation: 2009 Rs 36,000; 2010 Rs 30,600; 2011 Rs 26,000; 2012 Rs 4350 (on Rs 2,40,000 + Rs 50,000 on straight line basis). Additional depreciation in 2012 for change in method Rs 15,890. Balance of Plant and Machinery A/c on 31.12.12 Rs 1,38,500]

26. CP Ltd., which depreciates its machinery at 10% on diminishing balance method, has on 1st January, 2012 Rs 9,72,000 to the debit of machinery account (all installed on 1st January, 2010)

27. During the year 2012, part of the machinery purchased on 1st January, 2010, for Rs 80,000 was sold for Rs 45,000 on 1st July, 2012, and new machinery at a cost of Rs 1,50,000 was purchased and installed on the same date, installation charges being Rs 8,000.

    The company wanted to change its method of depreciation from diminishing balance method to straight line method with effect from 1st January, 2010 and adjust the difference before 31st December, 2012. The rate of depreciation remains the same as before.

    Show the machinery account and ascertain the amount chargeable to profit and loss account as depreciation or obsolescence loss in the year 2012.

    [CA, Foundation, May, 1995 – adapted]

    [Depreciation for 2012: on machinery sold Rs 3,240; on balance of original machinery Rs 1,12,000; on machinery purchased Rs 7,900; additional depreciation for change in method on 31.12.12 Rs 11,200. Loss on sale Rs 16,560. Balance of Machinery A/c on 31.12.12 Rs 9,34,100. Original cost of machinery on 1.1.10 Rs 12,00,000]

28. On 1st April, 2008 a new plant was purchased for Rs 40,00 and a further sum of Rs 2,000 was spent on its installation.

    On 1st October, 2010 another plant was acquired for Rs 25,000.

    Due to an accident on 3rd January, 2011 the first plant was totally destroyed and the remnants were sold for Rs 1,000 only.

    On 21st February, 2012 a second-hand plant was purchased for Rs 30,000 and a further sum of Rs 5,000 was spent for bringing the same to use on and form 15th March, 2012.

    Depreciation has been provided at 10 per cent on straight line basis. It was a practice to provide depreciation for full year on all acquisitions made at any time during any year and to ignore deprecation on any item sold or disposed off during the year. None of the assets was insured. The accounts are closed annually on 31st March.

It was now decided to follow the rate of 15 per cent on diminishing balance method with retrospective effect in respect of the existing items of plant and to make the necessary adjustment entry on 1st April, 2012.

Show the journal entry to be passed for the purpose and the plant account and the depreciation provision account for all the years.

[Depreciation: 2008-09 RS 4,200; 2009-10 Rs 4,200; 2010-11 Rs 2,500; 2011-12 Rs 6,000. Loss on disposal Rs 32,600.On 1.4.12 balance of Plant A/c Rs 60,000 and that of Depreciation Provision A/c Rs 8,500. Adjustment entry for additional depreciation required: Dr. Profit and Loss A/c and Cr. Plant and Machinery A/c Rs 3,687]

29. Depreciation has been charged for the years 2010 to 2013 at 10% on reducing balance method on opening balance of each item of plant and machinery in use. The balance of plant and machinery account on 31st December, 2013 was Rs 54,000. There were not sales during these years but purchased were Rs 16,800 on 1st September, 2010 and Rs 11,400 on 21st December, 2012.

The management decided that depreciation should be charged at 20% on the same method but calculated on the closing balance of each year with retrospective effect from 2010.

You are required to pass journal entry for giving effect to the revised basis at the end of 2013, and prepare plant and machinery account and revised plant and machinery account for all the years. **[ICWA, Inter, June 2002]**

[Dr. Depreciation A/c Rs 2,460, Dr. Prior Period Adjustment A/c (short depreciation for previous years) Rs 17,702, Cr. Plant and Machinery A/c Rs 20,162]

UNIT – III

FINAL ACCOUNTS

1. The following balances were extracted on 31st December, 2019, from the books of K. Jakson, who carried on business as a manufacturing stationer:

	Rs		Rs
K. Jakson's capital	2,00,000	Stock – 1st January, 2019	80,340
Furniture and fittings	6,840	Sales	3,75,340
Land and buildings	43,440	Sales returns	2,500
Drawings	8,400	Carriage	6,900
Cash at bank	4,860	General expenses	4,820
Cash in hand	300	Plant and machinery	28,860
Manufacturing wage	62,500	Provision for doubtful debts	6,200
Discount allowed	5,280	Sundry creditors	24,900
Discount received	3,980	Advertising	5,420
Bank charges	140	Rent and taxes	4,840
Land from F. Ross	20,000	Sundry debtors	87,660
Office salaries	8,560	Bad debts	1,840
Purchases	2,65,440	Insurance	940
Purchase returns	1,940	Bills receivable	2,480

You are required to prepare a trading and profit and loss account for the year ended 31st December, 2019 and a balance sheet as on that date after taking into consideration the following:

(1) 10% depreciation to be written off on plant and machinery.
(2) 5% depreciation to be written off on furniture and fittings.
(3) Stationery used out of stock for business purpose amounted to Rs 1,500.
(4) The unexpired insurance amounted to Rs 250.
(5) Rs 500 were due on 31st December, 2019, for interest on the loan from F. Ross.
(6) The stock on 31st December. 2019 was valued as at Rs 65,000.

[Ans: Gross profit Rs 26,100. Net profit Rs 6,738. Balance sheet total Rs 2,30,262]

2. Following is the trial balance of Mr. Kashi Mitra as at 31.12.19:

Debit	Rs	Credit	Rs
Stock (on 1.1.19)	82,750	Mitra's capital	1,20,000
Purchases	2,48,000	Sundry creditors	57,000
Plant and machinery	38,800	6% loan	20,000
Furniture and fixtures	8,500	Provision for bad debts	2,000
Drawings	6,000	Returns outward	2,650
Bills receivable	9,500	Bills payable	7,350
Sundry debtors (including K. Roy for dishonoured cheque for Rs 1,000)	61,000	Commission	1,000
		Sales	3,50,000
Wages	41,200		
Salaries	15,000		
Rent and taxes	5,400		
Discount	1,600		
Advertisement	3,500		
Repairs and renewals	2,000		
Returns inward	2,850		
Insurance premium	1,500		
Bad debts	4,000		
Cash at bank	20,000		
Cash in hand	8,400		
	5,60,000		5,60,000

(a) Stock on 31.12.19 was Rs 1,00,000.

(b) Write off half of K. Roy's cheque and maintain 5% provision for doubtful debts other outstanding debtors

(c) Wages include Rs 1,200 for erection of new machinery purchased at the beginning of the year.

(d) Charge 10% depreciation on both plant and machinery and furniture and fixtures.

(e) Unexpired insurance premium amounts to Rs 500 and interest on loan is due for the whole year.

Prepare a trading and profit and loss account for the year ended on 31.12.19 and a balance sheet as on that date.

[Ans: Gross profit Rs 79,050. Net profit Rs 40,000. Balance sheet total Rs 2,39,550]

3. Immediately after the completion of his trading account for the accounting year ended 31st March, 2019, S. Nuwal's books showed the following balances:

	Dr. Rs	Cr. Rs
S. Nuwal's capital account		7,500
Plant and machinery	3,500	
Fixtures and fittings	840	
Stock	2,800	
Trade debtors	10,690	
Trade creditors		8,220
Discount allowed	1,995	
Rent and rates	3,010	
Office salaries and expenses	11,575	
Motor vehicles	8,790	
S. Nuwal' drawings account	6,550	
Electricity	880	
Accrued expenses		650
Discount received		350
Cash in hand	421	
Motor expenses	2,548	
Payments in advance	431	
Depreciation	2,010	

Eastern Bank Ltd. Trading account		9,380 29,940
	56,040	56,040

You are required to prepare Nuwal's profit and loss account for the year, and also to draft his balance sheet.

You are to take into account:

(1) It is considered that own of the book debts amounting to Rs 570 is bad and should be written off.

(2) Nuwal wished his balance sheet to show separate groupings and total figures on fixed assets, current assets and current liabilities.

[Ans: Net profit Rs 7,702. Balance sheet total Rs 26,902. Fixed asset Rs 13,130.Current asset Rs 13,772. Current liabilities Rs 18,250 (assuming Rs 9,380 due to Eastern Bank Ltd. is an overdraft and not a long term loan]

4. An extract of the trial balance as at 31st December, 2019 of the firm of Godse and Loobo, is available. The partners share profits and losses in the proportion of 60% and 40% respectively, with following stipulations:

(i) Each partner is entitled to Rs 2,000 p.m. by way of salary; and

(ii) Interest at the rate of 15% will be charged on drawings other that salary.

Trial Balance as at 31st December, 2019

	Dr. Rs	Cr. Rs
Capital accounts:		
Godse		80,000
Lobo		80,000
Sundry creditors		35,000
Fixed assets	1,82,000	
Goodwill	20,000	
Stock-in-trade(31.12.19)	42,250	
Sundry debtors	71,450	
Cash in hand	13,300	
Staff salary advance	3,000	
Partner's salaries	48,000	
Office expenses outstanding		1,000
Depreciation	18,000	
Staff salaries	20,000	
Office expenses	18,000	
Trading account (gross profit)		2,40,000
	4,36,000	4,36,000

Utilizing the following additional information, you are required to prepare:

(i) Profit and loss account for the year 2019.

(ii) Balance Sheet as at 31st December, 2019.

(iii) Partners' capital accounts

Additional information:

(a) A perusal of the payment vouchers for January, 2020 indicates payment of salaries of Rs 2,000 and office expenses of Rs 8,000 relating to periods before 31st December, 2019.

(b) Partners have drawings in their accounts as follows:

Godse: on 1st January, 2019 Rs 20,000; Loobo: on 1st May, 2019 Rs 20,000

(c) Rs 1,000 out of staff salary advance account is to carried forward to 2020.

[Ans: Net profit Rs 1,73,000. Balance sheet total Rs 3,30,000. Capital: Godse Rs 1,55,000; Lobo Rs 1,30,000. Staff salaries for the year Rs 24,000. Office expenses for the year Rs 25,000]

5. The following balances were extracted from thebooks of R. G. Katju as at 31st December, 2019:

	Dr. Rs	Cr. Rs
Stock	52,360	
Cash balance	1,000	
Bank balance	7,720	
Plant and machinery	80,000	
Sundry debtors	1,20,000	
Patent rights	16,000	
Sundry creditors		64,300
Sundry expenses	3,500	
Insurance	1,420	
Rates and taxes	2,000	
Salaries and wages	13,000	
Purchase and sales	1,40,000	3,42,600
Purchase and sales returns	3,200	4,000
Bad debts provision		4,800
Bad debts	2,300	
Capital		2,10,000
Land and buildings and godowns	80,000	
Trade expense	22,000	
Manufacturing wages	56,000	
Manufacturing expenses	23,000	
Discount	4,800	2,0000
	6,28,300	6,28,300

Prepare a trading and profit and loss account for the year ended 31st December, 2019 and a balance sheet as at that date, taking into account the following information:

(a) Salaries chargeable to the year and not paid amounted to Rs 3,000 and manufacturing wages paid in advance amounted to Rs 2,000.

(b) Closing stock Rs 49,500 (excluding salvage value of goods destroyed)

(c) Bad debts provision to be maintained as 5% on sundry debtors.

(d) Patent rights had an estimated life of 8 years left.

(e) Depreciation to be written off on land and building and godown at 4% per annum and plant and machinery at 10% per annum.

(f) Goods worth Rs 6,000 were destroyed by fire in December, 2019 and were expected to fetch a salvage value of Rs 1,000 only. The insurance company was willing to settle the claim for Rs 4,000 towards the net loss suffered.

[Ans: Gross profit Rs 1,29,540. Net profit Rs 64,120. Balance sheet total Rs 4,32,020]

6. From the following particulars, prepare a trading and profit and loss account of Mr. R for the year ended 31.3.19 and a balance sheet as on 31.319:

	Dr. Rs	Cr. Rs
Building	5,00,000	
Machinery	2,00,000	
Furniture	1,00,000	
Cash at bank	90,000	
Cash on hand	10,000	
18% p.a. loan obtained by Mr. R on 1.6.18 on mortgage of his building		3,00,000
Mr. R's capital		5,20,000
Sundry debtors/sundry creditors	5,00,000	4,00,000
Stock on 1.4.18	1,20,000	
Purchases/sales	25,00,000	32,20,000
Sales returns/purchase returns	1,20,000	1,00,000

Rent Establishment expenses Electricity charges Telephone charges Commission on sales Insurance premium Bad debts Bills receivable	60,000 1,80,000 15,000 10,000 30,000 10,000 20,000 75,000	
	45,40,000	45,40,000

You are required to provide for depreciation on buildings at 5% p.a.; on machinery at 25% p.a.; on furniture at 10% p.a. Provision for bad and doubtful debts is to be made at 5% on sundry debtors. Mr. R's manager is entitled to a commission of 10% on the net profit after charging his commission. Closing stock was not taken on 31.319 but only on 7.4.19.

The following transactions had taken place during the period from 1.4.19 to 7.4.19:

Sales Rs 2,50,000, purchases Rs 1,50,000, stock on 7.420 was Rs 1,80,000 and the rate of gross profit on sales was 20%. Insurance premium mentioned in the trial balance was in respect of building and machinery. Interest on mortgage loan to the provided up to 31.3.19. **[C, A, Foundation, May 1997]**

[Ans: Gross profit Rs 8,10,000. Net profit Rs 3,00,000. Balance sheet total Rs 15,95,000. Closing stock Rs 2,30,000. Manager's commission Rs 30,000. Outstanding interest on mortgage loan Rs 45,000]

7. Following is the trial balance of Shri Sankar on 31st December, 2019

Trial Balance

	Rs		Rs
Opening stock	45,950	Sales	3,11,000
Purchases	1,50,250	Capital	60,000
Wages	25,400	Bills payable	9,000
Returns inward	8,560	Returns outward	4,200
Carriage inward	4,340	Provision for bad debts	1,250
Carriage outward	3,890	Creditors	25,000
Salaries	10,620	Commission	6,300
Rent and taxes	4,470	12% bank loan	20,000
Freight and duty	2,850	Apprenticeship premium	8,250
Income-tax	3,500		
Sales tax	12,000		
Bad debts	3,600		
Machinery (including Rs 17,600 for new machine)	37,600		
Furniture	15,000		
Advertisement	10,150		
Insurance premium	2,500		
Sundry debtors	45,000		
Interest on loan	2,000		
Bills receivable	18,000		
Drawings	10,800		
Cash in hand	5,020		
Cash at bank	23,500		
	4,45,000		4,45,000

Prepare a trading and profit and loss account for the year ended 31st December, 2019 and a balance sheet as at that date after taking into account the following information:

(a) Stock on 31st December, 2019 was Rs 65,000

(b) Goods withdrawn by the proprietor for private used but not accounted for Rs 1,500.

(c) Wages include Rs 2,400 paid for installation of the new machine on 1st July, 2019.

(d) Carry forward the unexpired insurance premium Rs 500.

(e) Write off further bad debts Rs 5,000 and maintain provision for doubtful debts @ 5% on debtors

(f) Charge 10% as depreciation on machinery and furniture.

(g) One-third of apprenticeship premium should be treated as income for the year.

[Ans: Gross profit Rs 1,34,750. Net profit Rs 96,420. Balance sheet total Rs 2,00,520]

8. Following are the ledger account balances of B. Bose as on 30.6.19:

Capital Rs 2,00,000; Drawings Rs 42,000; Stock on 1.7.18 Rs 93,600; Bills payable Rs 16,000; Local cash purchases Rs 80,000; Local credit purchases Rs 1,00,000; Import Rs 3,06,000; Returns inward Rs 17,200; Local sales Rs 2,74,200; Exports Rs 3,00,000; Returns outward Rs 10,600; Apprenticeship premium Rs 5,000; Carriage on purchase Rs 20,000; Carriage on sales Rs 15,300; Rent and taxes Rs 10,000; Trade expenses Rs 4,400; Wages Rs 6,200; Salary Rs 12,700; 6% Loan from Harigopal (taken on 1.7.18) Rs 40,000; Interest on loan from Harigopal Rs 1,600; Discount (Dr) Rs 6,300; Furniture and fittings Rs 5,200; Travelling expenses Rs 4,600; 7% Fixed deposit with bank on 1.7.18 Rs 75,000; Royalty (Dr) Rs 6,400; Sundry debtors Rs 2,33,600; Sundry creditors Rs 2,23,500; Cash at bank Rs 11,800; Cash in hand Rs 3,400; Insurance Rs 13,000 (including premium of Rs 3,000 p.a. paid up to 31.12.19)

Prepare a trading and profit and loss account for the year ended 30.6.19 and a balance sheet as at that date after taking into account the following information:

(a) Stock on 30.6.19 was Rs 1,56,200.

(b) Sundry debtors included Rs 8,200 due from M/s Dhar& Co. and Rs 10,800 included in sundry creditors due to them on 30.6.19.

(c) Two cheques for Rs 1,000 and Rs 850 were returned dishonoured on 28.6.19 but were not recorded in the cash book.

(d) Make a provision for discount on debtors at 3% and a provision for bad debts at 6%.

(e) Stock destroyed by fire Rs 15,000; but insurance company paid Rs 10,000 as compensation. This had not yet been recorded in the books.

(f) A new machine worth Rs 5,000 was purchased from Standard Co. on 30.6.19 which has not been entered in the books.

[Ans: Gross profit Rs 1,33,000. Net profit Rs 44,607. Balance sheet total Rs 4,78,707]

9. Shri PatitBansali submitted to you the following trial balance, which he has not been able to agree. Rewrite the trial balance and prepare trading and profit and loss account for the year ended 31st December, 2019 and a balance sheet as on that date after giving effect to the under mentioned adjustments:

	Dr. Rs	Cr. Rs
Capital		16,000
Opening stock	17,500	
Closing stock		18,790
Drawings	3,305	
Return inward		550
Carriage inward	1,240	
Deposit with X		1,400
Return outward	840	
Carriage outward		725
Rent paid	800	
Rent outstanding	150	
Purchase	13,000	
Sundry debtors	5,000	
Sundry creditors		4,000

Furniture	1,500	
Sales		29,000
Wages	850	
Cash	1,370	
Goodwill	1,800	
Advertisement	950	
	48,305	70,465

Adjustments:

(1) Write off Rs 600 as bad debts and make reserve for bad debts on sundry debtors at 5%.

(2) Stock valued at Rs 2,000 was destroyed by fire on 25th December, 2019, but insurance company admitted a claim for Rs 1,500 only and paid the sum in January, 2020.

(3) Depreciate furniture by 10%.

[C. A. Foundation, May 2001]

[Ans: Total correct trial balance Rs 49,900. Gross profit Rs 17,490. Net profit Rs 13,545. Balance sheet total Rs 30,390]

10. Zuben, who commenced business as a retail trader on 1.1.19, extracted the following balances on 31.12.19:

	Rs
Capital account	6,00,000
Drawings account	12,000
Building	2,00,000
Furniture and fittings	30,000
Depreciation provision – Building	10,000
– Furniture	3,000
Depreciation for the year	13,000
Purchases	4,00,000
Sundry creditors	40,000
Sales	5,00,000
Sundry debtors	1,20,000
Establishment charges	20,000
Electricity charges	6,575
Postage and stationery	1,284
Travelling and conveyance	3,816
Advance for salesmen's commission	1,000
Insurance	2,500
Rent received	12,000
Motor van (purchased on 1.1.19)	80,000
Motor van maintenance	23,425
Fixed deposit with bank (deposited on 1.9.19)	1,00,000
Cash on hand	1,826
Cash at bank	1,47,977

In view of difference in trail balance, an examination of the books of accounts was conducted which revealed the following errors:

(i) Rs 25 conveyance paid was debited to motor van maintenance account.

(ii) Rs 2,000 drawn from bank towards establishment charges for November, was omitted to be posted into ledger.

(iii) The cash column in the cash book on the receipt side stands excess totaled by Rs 400.

You are required to prepare the trading and profit and loss account for the year 2019 and a balance sheet at the end of the year after taking into account the under mentioned adjustments:

(1) Establishment charges have been paid only up to end November and provision of Rs 2,000 has to be made for December.
(2) Electricity charges are outstanding to the tune of Rs 25.
(3) ½ % commission on total sales is payable to the salesman towards which Rs 1,000 has been paid as advance.
(4) Fixed deposit earns interest at 9% p.a.
(5) Provide depreciation @ 20% on motor van.
(6) Closing stock as on 31.12.19 Rs 1,00,000

[Ans: Gross profit Rs 2,00,000. Net profit Rs 1,21,875. Balance sheet total Rs 7,53,400]

11. The following is the trial balance of Mr. M. Rizwani as at 31.12.19:

	Dr. Rs	Cr. Rs
Capital		86,690
Stock (1.1.19)	46,800	
Sales		3,89,600
Return inward	8,000	
Purchase	3,21,700	
Return outward		5,800
Freight and carriage	18,600	
Rent and taxes	5,700	
Salaries and wages	9,300	
Sundry debtors	24,000	
Sundry creditors		14,800
Bank loan at 6% p.a.		20,000
Bank interest	900	
Printing and advertising	14,600	
Miscellaneous income		250
Cash at bank	8,000	4,190
Discount earned		
Furniture and fittings	5,000	
Discount allowed	1,800	
General expenses	11,450	
Insurance	1,300	
Postage and telegrams	2,330	
Cash in hand	380	
Travelling expenses	870	
Drawings	40,000	
	5,21,300	5,21,330

The following adjustments should be made:
(a) Included amongst the debtors Rs 3,000 due from J. Sule and included amongst the creditors Rs 1,000 due to him.
(b) Provision for bad and doubtful debts be created at 5% and provision for discount at 2% on sundry debtors
(c) Depreciation on furniture and fittings @ 10% p.a. should be written off.
(d) Goods costing Rs 1,500 were distributed by way of advertisement.
(e) Personal purchases amounting to Rs 600 has been included in the purchase day book.
(f) Interest on bank loan shall be provided for the whole year.
(g) A quarter of the amount of printing and advertising is to be carried forward to the next year.
(h) Credit purchases invoice amounting to Rs 400 has been omitted from the books.
(i) Stock on 31.12.09 was Rs 78,000.
Prepare:
(i) A trading and profit and loss account for the year ended 31.12.19; and
(ii) A balance sheet as on 31.12.19.

[Ans: Gross profit Rs 80,000. Net profit Rs 36,328. Balance sheet total Rs 1,16,918]

12. The following trial balance was extracted from the books of S. Samanta as at December 31, 2019:

	Dr. Rs	Cr. Rs
Capital		49,000
Drawings	6,750	
Stock-in-trade, Dec. 31, 2018	28,410	
Purchases and sales	2,63,390	3,62,160
Balance at bank	13,550	
Cash in hand	534	
Leasehold premises: balance at December 31, 2018	17,000	
Motor vehicle (cost Rs 44,500)	22,700	
Motor and delivery expenses	871	
Trade debtors and creditors	31,856	21,600
Wages, salaries and commission	37,780	
Provision for discount on creditors, December 31, 2018	390	
Discount received		5,194
Rates and insurance	1,263	
Lighting and fan	289	
General expenses	13,071	
	4,37,854	4,37,854

You are given the following information:

(a) Stock-in-trade, December 31, 2019, Rs 24,640.

(b) Rates and insurance paid in advance at December 31, 2019, Rs 348.

(c) The lease of the premises (original cost Rs 21,000) is for a period of 21 years from January 1, 2015.

(d) Motor vehicles are to be depreciated at the rate of 20% per annum, on cost.

(e) The cash in hand shown in the trial balance (Rs 534) includes a post dated cheque for Rs 34, which had been cashed for a customer on December 31, 2019.

(f) The amount of trade debtors shown in the trial balance (Rs 31,856) includes Rs 1,000 which represents an advance payment to a salesman, on account of his commission for the month of December. It has been found that this amounts to Rs 1,030, but no entry for it has been made in the books.

(g) The provision required for discount on creditors at December 31, 2019, is 21/2% of the amount owing to trade creditors on that date.

You are required to prepare a trading and profit and loss account for the year 2019 and a balance sheet as on December 31, 2019.

[Ans: Gross profit Rs 95,000. Net profit Rs 36,388. Balance sheet total Rs 99,728]

13. Prepare a trading and profit and loss account for the year 2019 and a balance sheet of Narayan Trading Company, as at 31st December, 2019, from the following extract of ledger balances and additional information:

	Rs
Proprietor's capital account	1,19,400
Proprietor's drawings account	10,550
Bills receivable	9,500
Plant and machinery	28,800
Wages	40,970
Salaries	11,000
Sundry debtors	62,000
Sundry creditors	59,630
Loan (received) at 6%	20,000
Returns inwards	2,780

Purchases	2,56,590
Sales	3,56,430
Commission received	5,640
Discount allowed	5,870
Rent and taxes	5,620
Stock on 1st January, 2019	89,680
Travelling expenses	1,880
Insurance (annual premium Rs 300 paid up to 31st March, 2020)	400
Cash	530
Bank (debit balance)	18,970
Repairs and renewals	3,370
Bad debts	3,620
Fixtures and fittings	8,970

The following additional information is also available:

(i) Stock on hand on 31st December, 2019, was Rs 1,28,960.

(ii) Sundry debtors include Rs 1,000, doubtful receivable from Mr. K. Sharma, on which Rs 500 is to be written off.

(iii) Create a provision of 5% on sundry debtors.

(iv) Interest @ 5% per annum to be allowed on proprietor's capital.

(v) Wages include Rs 1,200 for erection of new machinery purchased last year.

(vi) Depreciate plant and machinery by 5% and fixtures and fittings by 10%.

(vii) Commission earned but not received Rs 600.

(viii) Interest on loan for the last two months is not paid.

[Ans: Gross profit Rs 96,570. Net profit Rs 64,478 (before charging interest on capital Rs 597). Balance sheet total Rs 2,53,158]

14. From the following particulars taken from the books of Mr. Sarkar, prepare a trading and profit and loss account for the year ended 31st December, 2019 and a balance sheet as on that date:

	Rs
Sundry debtors	52,000
Sundry creditors	22,000
Cash in hand	2,392
Furniture	3,500
Motor car	22,000
Purchases	1,45,000
Sales	2,92,000
Sales returns	2,600
Salaries	8,420
Opening stock	11,400
Motor car expenses	6,108
Rent, rates and taxes	3,600
Insurance premium (annual) paid on 1st October, 2019	2,400
Cash at bank	6,200
Machinery	24,000
Wages	23,600
General expenses	2,680
Carriage inwards	2,040
Carriage outwards	1,630
Fuel and power	6,430
Sarkar's capital	20,000
Drawings	8,000

The following information is relevant:

(i) Closing stock Rs 35,000.

(ii) Goods worth Rs 2,000 were distributed as free samples.

(iii) Rs 1,000 paid for erection of machinery was debited to wages account.

(iv) Write off further bad debts Rs 3,000 and create a provision for doubtful debts at 5% of sundry debtors.

(v) Depreciate furniture and machinery by 10% and motor car by 20%.

(vi) Commission of Rs 3,600 has been earned but not received till the close of the accounting year.

(vii) An amount of Rs 10,000 was borrowed from Mr. Mahajan on 1st July, 2019 and it was returned on 31st December, 2019. However, interest at 10% p.a. still remains unpaid.

[Ans: Gross profit Rs 1,38,930. Net profit Rs 1,05,242. Balance sheet total Rs 1,39,742]

15. Mr. C Gora carries on a retail business. His trial balance on 31st March, 2019 was as follows:

	Dr. Rs	Cr. Rs
Purchases	1,85,672	
Sales		2,56,650
Returns inwards	4,250	
Returns outwards		3,120
Provision for doubtful debts		5,200
Sundry debtors	40,200	
Sundry creditors		25,526
Bills payable		8,950
Stock (opening)	26,725	
Wages and salaries	8,575	
Furniture	6,075	
Alteration of shop	4,500	
Postage, stationery and insurance	3,226	
Electricity	350	
Trade expenses	2,314	
Rent, rate and taxes	3,517	
Bad debts	525	
Loan @ 5% to Samiulla, 1st December, 2018	3,000	
Investment (cost)	12,000	
Dividend from investments		825
Prepaid insurance	524	
Cash in hand and at bank	5,752	
Bills receivable	17,070	
Capital account		28,000
Drawings account	6,000	
Wages and salaries outstanding		2,019
Rent accrued, but not paid		750
Depreciation on furniture	675	
	3,31,040	3,31,040

Prepare a trading and profit and loss account for the year ended 31st March, 2019 and a balance sheet as on that date having regard to the following adjustments:

(a) Sundry debtors include an item of Rs 250 for goods supplied to the proprietor and an item of Rs 600 from a customer who has become insolvent.

(b) Provision for doubtful debts it to be maintained at 5% on sundry debtors.

(c) 1/5th of alteration to the shop is to be written off.

(d) Goods of the value of Rs 1,000 have been destroyed by fire and the insurance company has admitted the claim for Rs 700.

(e) Bills receivable include a dishonoured promissory note for Rs 650.

(f) Stock at the end was Rs 10,520.

(g) An intimation form the bank that a customer's cheque for Rs 1,000 had been dishonoured is still to be entered in the books.

[Ans: Gross profit Rs 54,553. Net profit Rs 37,596. Balance sheet total Rs 96,591]

16. Mr. Burman carries on the business as a retailer. He extracted the following balances from his books of accounts as on 31st December, 2019:

	Dr. Rs	Cr. Rs
Capital account		7,50,000
Drawings	18,000	
Building	5,00,000	
Furniture and fixtures	20,000	
Opening stock	2,25,000	
Sales		18,00,000
Purchases	13,37,000	
Sundry creditors		2,00,00
Sundry debtors	5,00,000	
Office expenses	24,000	
Salaries	18,000	
Rent	6,000	
Travelling and conveyance	4,000	
Insurance	1,000	
Motor car expenses	15,000	
Postage and telephone	3,600	
Electricity charges	2,400	
Fixed deposit with banks @ 10% interest	50,000	
Cash in hand	1,000	
Cash at bank	10,000	
Loan from Harinath @ 12% interest		25,000
Motor car	40,00	
Printing and stationery	5,000	
Provision for bad and doubtful debts		5,000
	27,80,000	27,80,000

You are required to prepare a trading and profit and loss account for the year ended 31st December, 2019 and a balance sheet as on that date after taking into consideration the following adjustments:

(i) Closing stock as on 31st December, 2019 is valued at Rs 64,800.

(ii) A customer returned goods on 31st December, 2019 amounting to Rs 4,000 which was not accounted for but already included in the closing stock at selling price. The cost of the said goods was Rs 3,200.

(iii) Annual insurance premium of Rs 1,000 is valid up to 31st March, 2020.

(iv) Provision for bad and doubtful debts is to be kept at one per cent on sundry debtors.

(v) Interest on fixed deposit with banks and payable on loan from Harinath is to be provided for whole year.

(vi) Provide depreciation on buildings @ 2 ½%, furniture and fixtures @ 10% and motor car @ 20%.

(vii) Mr. Burman has used goods for his personal use costing Rs 2,000 for which adjustment is necessary.

[Ans: Gross profit Rs 3,00,000. Net profit Rs 2,00,790. Balance sheet total Rs 11,58,790]

17. The following trial balance was extracted from the books of S. Talwar, a trader, on 31st December, 2019:

	Dr. Rs	Cr. Rs
Capital		3,25,000
Freehold land and building	1,17,000	
Furniture and fittings	17,420	
Stock-in-trade (1st January, 2019)	1,48,200	

Electricity	2,314	
Drawings	75,400	
Purchases	10,21,800	
Sales		12,37,600
General expenses	46,826	
Balance at bank	10,712	
Motor van	3,120	
Discount received		22,932
Discount allowed	28,964	
Trade debtors	1,23,500	
Trade creditors		99,450
Rates and insurance	2,496	
Wages and salaries	64,610	
Goodwill	15,600	
Bad debts written off	11,180	
Provision for bad debts (1st January, 2019)		4,160
	16,89,142	16,89,142

The following matters are to be taken into account:

(a) The stock-in-trade on 31st December, 2019 was valued at Rs 2,05,400.

(b) Rates and insurance paid in advance at 31st December, 2019 amounted to Rs 650.

(c) The motor van shown in the trial balance was sold on 31st December, 2019 for Rs 1,040 cash, which Talwar retained for private use. No entry for this transaction had been made in the books.

(d) Goodwill is to be reduced by Rs 3,900.

(e) Electricity outstanding on 31st December, 2019 was Rs 364.

(f) The provision for doubtful debts is to be increased to Rs 5,980.

(g) Provide for depreciation of furniture and fittings Rs 1,742.

You are required to prepare a trading and profit and loss account for the year 2019 and a balance sheet as on 31st December, 2019.

[Ans: Gross profit Rs 2,73,000. Net profit Rs 1,30,286. Balance sheet total Rs 4,78,660]

18. From the following trial balance and information, prepare trading and profit and loss account of Mr. Rishabh for the year ended 31.3.19 and a balance sheet as on that date:

	Dr. Rs	Cr. Rs
Capital		1,00,000
Drawings	12,000	
Land and buildings	90,000	
Plant and machinery	20,000	
Furniture	5,000	
Sales		1,40,000
Returns outward		4,000
Debtors	18,400	
Loan from Gajanand on 1.7.18 @ 6% p.a.		30,000
Purchases	80,000	
Returns inward	5,000	
Carriage	10,000	
Sundry expenses	600	
Printing and stationery	500	
Insurance expenses	1,000	
Provision for bad and doubtful debts		1,000
Provision for discount on debtors		380
Bad debts	400	

Profit of textile department		10,000
Stock of general goods on 1.4.18	21,300	
Salaries and wages	18,500	
Creditors		12,000
Trade expenses	800	
Stock of textile goods on 31.3.19	8,000	
Cash at bank	4,600	
Cash in hand	1,280	
	2,97,380	2,97,380

Additional Information:

(i) Stock of general goods on 31.3.19 valued at Rs 27,300.

(ii) Fire occurred on 23.3.19 and Rs 10,000 worth of general goods were destroyed. The insurance company accepted claim for Rs 6,000 only paid the claim money on 10.4.20.

(iii) Bad debts amounting to Rs 400 are to be written off. Provision for bad and doubtful debts is to be made at 5% and for discount at 2% on debtors. Make a provision of 2% on creditors for discount.

(iv) Received Rs 6,000 worth of goods on 27.3.19 but the invoice of purchase was not recorded in purchase book.

(v) Rishabh took away goods worth Rs 2,000 for personal use but no record was made thereof.

(vi) Charge depreciation at 2% on land and building, 20% on plant and machinery and 5% on furniture.

(vii) Insurance prepaid amounts to Rs 200. [C. A. Foundation May, 1999]

[Ans: Gross profit Rs 61,000. Net profit Rs 38,098. Balance sheet total Rs 1,73,088]

19. The following is the trial balance of K on 31.3.19:

	Dr. Rs	Cr. Rs
Capital		8,00,000
Drawings	60,000	
Opening stock	75,000	
Purchases	15,95,000	
Freight on purchases	25,000	
Wages (11 months up to 29.2.19)	66,000	
Sales		23,10,000
Salaries	1,40,000	
Postage, telegrams, telephones	12,000	
Printing and stationery	18,000	
Miscellaneous expenses	30,000	
Creditors		3,00,000
Investments	1,00,000	
Discount received		15,000
Debtors	2,50,000	
Bad debts	15,000	
Provision for bad debts		8,000
Building	3,00,000	
Machinery	5,00,000	
Furniture	40,000	
Commission on sales	45,000	
Interest on investments		12,000
Insurance (year up to 31.7.19)	24,000	
Bank balance	1,50,000	
	34,45,000	34,45,000

Adjustments:

(i) Closing stock Rs 2,25,000.

(ii) Machinery worth Rs 45,000 purchased on 1.10.18 was shown as purchases. Freight paid on the machinery was Rs 5,000, which is included in freight on purchases.

(iii) Commission is payable at 2 ½% on sales.

(iv) Investments were sold at 10% profit, but the entire sale proceeds have been taken as sales.

(v) Write off bad debts Rs 10,000 and create a provision for doubtful debts at 5% of Debtors.

(vi) Depreciate building by 2 ½ % p.a. and machinery and furniture at 10% p.a.

Prepare trading and profit and loss account for the year ending 31.3.19 and a balance sheet as on that date. **[C. A. Foundation Nov. 2000]**

[Ans: Gross profit Rs 7,08,000. Net profit Rs 3,81,000. Balance sheet total Rs 14,3700]

20. The following are the ledger balances of Shri Babubhai for the year ended 31st March, 2020:

	Rs
Capital account	85,000
Drawing account	15,250
Sundry creditors	55,909
Purchases (less returns)	1,58,278
Loans taken on mortgage	20,000
Sundry debtors	17,800
Goodwill	10,000
Interest on mortgage loan	400
Cash in hand	364
Bad debts provision	450
Furniture and fixtures	22,500
Sales (less returns)	1,48,950
Cash at bank	6,756
Discount allowed	1,216
Bills payable	11,575
Salaries	15,200
Rent and rates	3,756
Electricity charges	2,120
Insurance	1,000
Advertisement	17,256
Finished goods (stock on 1st April, 2019)	12,625
Buildings	21,200
Bad debts	450
Discount received	2,715
Bills receivable	16,263
Outstanding expenses	2,100
General expenses	4,065
Prepaid insurance	200

(i) A garage was purchased for Rs 10,000 on 31st March, 2020 but this was wrongly debited to purchase.

(ii) Depreciation is to be charged @ 10% on furniture and fixtures and 5% on buildings.

(iii) Interest has to be provided on mortgage loan at 6% per annum, keeping in view the fact that a sum of Rs 5,000 was repaid on 30th June, 2019.

(iv) Electricity charges were paid in advance to the extent of Rs 155.

(v) Provision for bad debts should be maintained at 10%.

(vi) Out of the bills receivable, one bill for Rs 1,200 matured for payment in the last week of March, 2020. However, the bankers informed that they could not collect the said bill up to 31st March, 2020. This information was not recorded in the books.

(vii) The closing stock of finished goods as on 31st March, 2020 was Rs 64,987.

You are required to prepare the trading and profit and loss account for the year ending 31st March, 2020 and the balance sheet as on that date.

[Ans: Gross profit Rs 53,034. Net profit Rs 4,806. Balance sheet total Rs 1,65,015]

PARTNERSHIP:

ADMISSION OF A PARTNER:

1. The following goodwill account was opened by the partners P and Q on the admission of R as a partner into their firm on 1.1.2019:

Goodwill Account

	Rs		Rs
1.1.19		1.1.19	
To P's capital	49,000	By P's capital	29,400
To Q's capital	29,400	By Q's capital	29,400
		By R's capital	19,600
	78,400		78,400

You are required to study the above goodwill account and answer the following questions:

(i) What was the old profit sharing ratio of P and Q?
(ii) What share of profit is agreed to be given to R?
(iii) What is the revised profit sharing ratio of the old partners?
(iv) What amount of cash R would have to bring in as premium for goodwill if no goodwill account was opened in the books and how the same would have been shared by P and Q?

[Ans: (i) 5:3 (ii) ¼ (iii) 1:1 (iv) Rs 19,600 to be credited to P (no share of Q)]

2. E and F carried on business in partnership since 2012 sharing profits and losses in the ratio of 2:1 respectively. They admitted G on 1st April, 2018 for 2/7th shares. The actual value of goodwill (not shown in books) however, on that date was Rs 21,000. G contributed the following assets towards the payment of his capital and goodwill: cash Rs 1,000, sundry debtors Rs 5,000, stock Rs 6,000 and goodwill of his connections Rs 5,000.

Pass the necessary journal entries to give effect to the above. Also give the new profit sharing ratio of the partners.

[Ans: Assets contributed by G Rs 17,000 to be credited to E and F to be extent of Rs 6,000 in the sacrificing ratio of 2:1 as premium for goodwill and the balance of Rs 11,000 to G as his capital. New profit-sharing ratio 10:5:6]

3. A and B are partners in a firm sharing profits and losses in the ratio of 3:2. They agree to admit C into partnership for 1/5th share, which he acquires 3/20th from A and 1/20th from B. C brings Rs 60,000 as capital and Rs 16,000 as premium for goodwill.

Give necessary journal entries to record C's admission and show the new profit-sharing ratio.

[Ans: Share of premium: A Rs 12,000, B Rs 4,000. New profit-sharing ratio 9:7:4]

4. A and B are partners sharing profits in the ratio of 7:3. A surrender 1/7th of his share and B surrenders 1/3rd of his share in favour of C, a new partner. C contributes Rs 25,000 as capital and the required amount for goodwill which is valued at Rs 30,000 for the firm.

Give appropriate journal entries and show the future profit-sharing ratio.

[Ans: New profit-sharing ratio 3:1:1.Sacrificing ratio 1:1.Premium for goodwill to be paid by C Rs 6,000. Share of premium: A Rs 3,000 and B Rs 3,000]

5. A and B are partners sharing profits as 3:2. They admit C as a partner for 1/3rd share in the future profits of the firm. C pays Rs 10,000 as premium for goodwill.

Pass journal entries appropriating the premium money and show the new profit-sharing ratio in each of the following cases:
(i) If he acquires his share of profits in the original ratio of the existing partners.
(ii) If he acquires his share of profits in equal proportion from the existing partners.
(iii) If he acquires his share of profits as 1/4th from A and 1/12th from B.
[Ans: Premium to be shared: (i) A Rs 6,000, B Rs 4,000 (ii) A Rs 5,000, B Rs 5,000 (iii) A Rs 7,500, B Rs 2,500
New profit-sharing ratio (i) 6:4:5 (ii) 13:7:10 (iii) 21:19:20]

6. P and Q are partners in a firm sharing profits and losses in the ratio of 3:2. They admit R as a partner on 1.1.17 on the basis of his buying 1/5th of P's share and 1/6th of Q's share. On 1.1.19 they permit R to purchase a further 1/10th of their remaining shares. How much did R pay each of the others on each occasion for goodwill, assuming that the goodwill of the firm was Rs 30,000 on the first occasion and Rs 40,000 on the second? What is the ultimate share of each partner in the business?
[Ans: Payment by R for goodwill: on 1.1. 17 Rs 3,600 to P and Rs 2,000 to Q. On 1.1.19 Rs 1,920 to P and Rs 1,333 to Q. Ultimate profit sharing ration 324:225:201]

7. A, B and C are partners. They share profits and losses in the ratio of 5:3:2. Their capitals show credit balance of Rs 50,000, Rs 45,000 and Rs 35,000 respectively.
Two new partners, D and E are introduced. The profit and losses will now be shared by A, B, C, D and E in the ratio of 3:4:2:2:4. E pays Rs 12,000 for his share of goodwill plus an extra amount of Rs 25,000 for capital. D has not got sufficient cash to pay immediately, for goodwill, though he had agreed to pay on the same basis. It is, therefore, agreed to make the adjustment through a loan account opened in his name. However, he contributes Rs 10,000 for capital.
Pass journal entries to record the above transactions and prepare capital accounts of the partners.
[Ans: Sacrificing ratio 9:1:2. Premium payable by D Rs 6,000. Journal entry for premium:
Debit Bank Rs 12,000 and D's Loan by Rs 6,000 and Credit A Rs 13,500, B Rs 1.500 and C Rs 3,000]

8. Golab, Sabir and Riaz were partners sharing profits and losses as to Golab one-half, Sabir one-third and Riaz one-sixth. They admitted Safi as a partner for one – sixth in profits which he acquired equally from Golab and Sabir and he had to bring Rs 25,000 for his capital and Rs 12,000 as premium for goodwill. Safi paid his capital money, but in respect of premium for goodwill he could bring only Rs 4,000 and in regard to the unpaid amount he agreed to the raising of a goodwill account in the books of the new firm as would be appropriate in the circumstances.
You are required to:
(i) Give journal entries to carry out the above arrangements; and
(ii) Work out the new profit-sharing ratio of the partners.
[Ans: Share of premium: Golab Rs 2,000, Sabir Rs 2,000. Rs 48,000 will be raised in the books as goodwill and credited to Golab, Sabir and Riaz in the old ratio of 1/2, 1/3, 1/6. New profit sharing ratio 5:3:2:2]

9. A and B are partners sharing profits as 3:2. Their books showed goodwill at Rs 20,000. C is admitted with 1/5th share which he acquired equally from A and B. C brings Rs 20,000 as capital and Rs 10,000 as his share of goodwill.
You are required to give journal entries and calculate the new profit-sharing ratio.
[Ans: Old Goodwill will be written off to A and B in old ratio. Premium of Rs 10,000 will be divided by A and B in equal ratio. New Profit-sharing ratio 5:3:2]

10. A and B are partners sharing profits and losses in the ratio of 3:2. Goodwill appears in their balance sheet at Rs 24,000 when C is admitted into partnership for 1/5th share in profit. He pays Rs 45,000 for capital and Rs 10,000 as premium for goodwill. The profit-

sharing ratio of A, B and C in the new firm would be 2:2:1. It is decided that goodwill account will not appear in the books.

Pass journal entries in the books of the firm to record the above adjustments.

[Ans: Old Goodwill will be written off to A and B in old ratio. Premium of Rs 10,000 will be credited to A only.]

11. Give journal entries in the following cases:

    a) A and B share profits and losses in the ratio of 3:2. They take C into partnership on C's bringing in Rs 5,000 for $1/5^{th}$ share of goodwill of the firm. Goodwill account stands in the firm's books at Rs 20,000. It is decided to retain goodwill account at this figure in the books.

    [True premium Rs 1,000 to be credited to A Rs 600 and B Rs 400. Balance Rs 4,000 be credited to C]

    b) A and B sharing profits in the ratio of 3:2 admit C, who pays Rs 1,000 as premium for a fourth share of goodwill in the firm. The new ratio is agreed at 3:3:2. Goodwill account appears in the books at Rs 1,000. It is decided that goodwill account is to appear in the books at its full value.

    [Goodwill Dr. Rs 3,000: A and B Cr. Rs 1,800 and Rs 1,200. Rs 1,000 will be credited to C]

    c) A and B share profits equally. The admit C, who pays Rs 1,000 out of his share of premium of Rs 1,800 for a fourth share. Goodwill account appears in the books at Rs 6,000. Goodwill account is not to stay in the books.

    [Old goodwill A/c will be written off to old partners in old ratio. Rs 6,000 will be divided by A and B in sacrificing ratio]

12. Akash and Kusum are partners in a firm sharing profits and losses as three-fourths and one-fourths respectively. They admit Swapan as a partner for two-fifth share on the condition that he brings Rs 10,000 as capital and Rs 4,000 as premium for goodwill. Goodwill account appears in the books at Rs 6,000.

    Pass necessary journal entries for admission of Swapan in each of the following cases:

    (i) That goodwill account is maintained in the books at its full value.

    (ii) That goodwill account is maintained in the books at its existing value.

    (iii) That goodwill account is written off from the books.

    Also show their future profit-sharing ratio.

    [Ans: (i) Dr. Goodwill Rs 4,000: Cr. Akash Rs 3,000 and Kusum Rs 1,000. Premium of Rs 4,000 will be credited to Swapan.

    (ii) True premium Rs 1,600 to be credited to Akash Rs 1,200 and Kusum Rs 400. Balance premium of Rs 2,400 + 10,000 will be credited to Swapan.

    (iii) Dr. Akash Rs 4,500 and Kusum Rs 1,500 and Cr. Goodwill by Rs 6,000. Share of premium Akash Rs 3,000 and Kusum Rs1,000 in sacrificing ratio.

13. Ratan and Madan are in partnership agreement with the profit-sharing ratio of 4:1. They agreed to admit Bhuban as a third partner who is to bring Rs 10,000 as premium for goodwill and the agreed profit-sharing ratio after admission is 2:1:1.

    Record the change through a journal entry.

    Calculation should be shown.

    [Ans: The entire premium of Rs 10,000 brought by Bhuban to be credited to Ratan. Besides Madan is to be debited and Ratan is to be credited with Rs 2,000 for acquiring $1/20^{th}$ share by Madan from Ratan]

14. X and Y are in partnership sharing profits and losses in the ratio of 2:1. As from 1.10.2018 they agreed to take Z into partnership on the conditions that Z will have $1/6^{th}$share, the old partners agreeing to share profits and losses equally as between them in the new firm. Z brings Rs 4,000 as his share of goodwill.

    You are required to show the adjusting entries for goodwill.

[Ans: The entire premium of Rs 4,000 brought by Z to be credited to X. Besides Y is to be debited and X is to be credited with Rs 2,000 for acquiring 1/12th share by Y from X]

15. P and Q are in partnership sharing profits and losses as 4:1. The admit R into the firm, R paying a premium of Rs 8,000 for one-third of the profits; as between themselves, P and Q agree to share future profits and losses equally.
Draft journal entry showing the appropriation of premium money and any other adjustment.
[Ans: The entire premium of Rs 8,000 brought by R to be credited to P. Besides Q is to be debited and P is to be credited with Rs 3,200 for acquiring 2/15th share by Q from P]

16. Following is the balance sheet of a partnership firm on 31st December, 2012

Liabilities	Rs	Assets	Rs
Capital accounts:		Sundry assets	33,000
Jiban	18,000	Cash	5,000
Jogin	12,000	Goodwill	6,000
Reserve	6,000		
Trade creditorss	8,000		
	44,000		44,000

Jahar is admitted as a third partner on 1st January, 2013, with a fifth share in the future profits of the firm. He is to bring Rs 10,000 in cash out of which Rs 2,000 is to be treated as premium for goodwill.
Show the necessary journal entries if:
(i) Goodwill account is to appear on the balance sheet at full value; and
(ii) Goodwill account is fully wiped off from the balance sheet.

[Ans: (i) Goodwill A/c Dr. Rs 4,000 Jiban Cr. Rs 2,000 and Jogin Cr. Rs 2,000. Total Rs 10,000 will be credited to Jahar
(ii) Jiban Dr. Rs 3,000 and Jogin Dr. Rs 3,000, Goodwill Cr. Rs 6,000. Share of premium equally by Jiban and Jogin]

17. A, B and C are partners in a firm sharing profits and losses as 11:10:9. They take D and E as partners. The revised profit-sharing ratio is 4:3:5:2:1. D brings Rs 2,800 as premium for goodwill, but E is unable to bring any premium and it is agreed to make necessary adjustments through the capital accounts assuming that not goodwill account will be raised.

Show journal entries.

[Ans: Premium of Rs 2,800 to be shared by: A Rs 1,200, B Rs 1,600. Besides, C will be debited with Rs 700 for acquiring 1/30th share and E with Rs 1,400 for acquiring 2/30th share; corresponding credit being given to A Rs 900 and to B Rs 1,200]

18. B Chowdhury, having carried on the practice of a dental surgeon for some years, agrees to admit P Mitterasan equal partners on January 1. 2019, at which date the position of Chowdhury's firm is as follows:

Liabilities	Rs	Assets	Rs
B. Chowdhury : Capital Bank overdraft	16,000 18,000	Premises and sundry assets	34,000
	34,000		34,000

No formal partnership deed is prepared, but it is agreed that, Mitter should introduce sufficient cash to pay off the bank overdraft. Of this sum, Rs 4,000 is to be regarded as the price of Mitter's half of the goodwill, and is to remain in the business.
As there is still a shortage of working capital, Chowdhury agrees to advance a further sum of Rs 10,000 as a temporary loan, which he pays in on January 1. 2019.

The net profit for the year to December 31, 2019, amounts to Rs 24,000 which has all been paid into the bank, the other assets remaining the unchanged.
Prepare capital accounts of the partners, the bank account and a balance sheet as at December 31, 2019
[Ans: Balance of capital: B. Chowdhury Rs 32,000, Mitra Rs 26,000, Cash at bank 34,600. Balance sheet total Rs 68,600]
Note: in the absence of agreement, Chowdhury is entitled to interest on capital at 6% p.a.

19. Amit and Pramit agreed to admit Samprit into partnership. The profits of the original partnership were shares as 3:2, but it was decided that the new partnership should be equal and that all capitals should be equal on the basis of Samprit's capital. The balance sheet of Amit and Pramit was as follows:

	Rs		Rs
Capital accounts:		Bank	17,840
Amit	24,000	Other assets	26,960
Pramit	18,000	Goodwill	10,000
Creditors	12,800		
	54,800		54,800

Samprit agreed to pay Rs 4,000 for his share of the goodwill and this was paid to Amit and Pramit out the partnership. Samprit also agreed to introduce Rs 15,000 as his capital.
You are asked to show the balance sheet of the new partnership, eliminating goodwill as an asset.
[Ans: Balance sheet toal Rs 57,800. Balance of capital Rs 15,000 each. Pramit brings in Rs 1,000 and refund to Amit Rs 3,000. Balance at bank Rs 30,840]
Note: The payment of premium Rs 4,000 by Samprit to Amit and Pramit is made outside the partnership and does not require to be recorded.

20. Tom and Bom are equal partners in a firm. The balance sheet of the firm as on 31st March, 2019 is given below:

Liabilities	Rs	Assets	Rs
Capital accounts:		Plant and machinery	50,000
Tom	50,000	Furniture and fixtures	25,000
Bom	50,000	Stock-in-trade	20,000
Sundry creditors	20,000	Sundry debtors	5,000
Bills payable	5,000	Cash at bank	25,000
	1,25,000		1,25,000

On 1st April, 2019, they agreed to admit Com as 1/3rd partner to increase the capital base to Rs 1,50,000. Com agrees to pay Rs 75,000.
Show the necessary journal entries, capital accounts and the balance sheet of the firm after Com's admission.
[Ans: Balance of capital A/c Rs 50,000 each. Balance sheet total Rs 1,75,000]
Note: The capital base of the new firm is agreed to be Rs 1,50,000 requiring Com to contribute Rs 50,000 as his share of capital. But he agrees to pay Rs 75,000 implying that the excess payment of Rs 25,000 is towards premium for goodwill and this amount will be withdrawn by the existing partners.

21. Hira and Meera are partners in a firm sharing profits and losses in the ratio 3:2. Their capitals are Rs 60,000 and Rs 40,000 respectively. They admit Kamala as a new partner who will get 1/6th share in the profits of the firm. Kamala brings in Rs 25,000 as her capital. Find out the amount of goodwill on the basis of the above information and show the journal entry raising the goodwill account in the books. Also show the calculations to find out their new profit-sharing ratio.

[Ans: Dr. Goodwill Rs 25,000: Cr. Hira Rs 15,000 and Meera Rs 10,000. New ratio 3:2:1]

Note: Kamala contributes Rs 25,000 as capital for 1/6th share in profit. Total capital of the firm on the basis of Kamala's contribution is Rs 1,50,000. Capital as per accounts including Kamala's contribution is Rs 1,25,000. The excess Rs 25,000 is treated as goodwill.

22. Kailash commenced his business with a capital of Rs 50,000 on 1st January, 2010. During the five years ending 31st December, 2014 the results of his business were:

Year		***Rs***
2010	Loss	10,000
2011	Profit	26,000
2012	Profit	34,000
2013	Profit	40,000
2014	Profit	50,000

During this period he withdrew Rs 80,000 for his personal use. On 1st January, 2015 he admitted Vinod into partnership on the following terms:
(i) Goodwill is to be valued at 3 times the average profits of last five years.
(ii) Vinod will have ½ share of future profits.
(iii) He will bring his share of goodwill in cash.
(iv) He will bring capital in cash equal to that of Kailash after his admission.
Calculate the amount to be brought in by Vinod and make entries to record the transactions pertaining to admission.

[Ans: Value of goodwill Rs 84,000. Premium for goodwill paid by Vinod Rs 42,000. Capital contributed by Vindo Rs 1,52,000]

Note: Capital of Kailash at the time of Vinod's admission: Rs 50,000 + Rs 1,40,000 (profit for 5 years) – Rs 80,000 (drawing) + Rs 42,000 (premium paid by Vinod) = Rs 1,52,000.

23. Kaku and Deo are in partnership sharing profits and losses in the ratio of 4:3 and for last four years they have been entitled to annual salaries of Rs 4,500 and Rs 7,500 respectively, but not to any interest on capitals.

Their annual accounts have shown the following net profits before charging salaries:

			Rs
	2010	Profit	17,618
Year to 31st March:	2011	Profit	11,000
	2012	Profit	21,000

On 1st April, 2012, Gore is admitted to partnership on the following terms:
(i) From 1st April, 2012 profits and losses are to be shared as follows:
Kaku 4/9th, Deo 1/3rd, Gore 2/9th
(ii) Gore is to bring in Rs 9,000 cash for his 2/9th share of capital.
(iii) Gore is to bring in an additional amount to purchase his share of partnership goodwill, valued at four years' purchase of the weighted average profits of the last three years (after allowing for salaries), profit to be weighted as 1:2:3 for 2009 – 10, 2010 – 11 and 2011 – 12 respectively.
(iv) Gore is to be entitled to a salary of Rs 6,000 per year, Kaku and Deo to the same salaries as before.

No goodwill account is to be opened in the book; any adjustment in respect of goodwill being made through the partners' current account. The balances on the partners' current accounts at 1st April, 2012 are as follows:

	Capital (Rs)	***Current (Rs)***
Kaku	18,000 (Cr)	4,200 (Cr)
Deo	13,500 (Cr)	1,600 (Dr)

You are required to show partners' capital and current accounts at 1st April, 2012, in columnar form, incorporating the entries arising on the admission of Gore.

[Ans: Value of goodwill Rs 20,412. Premium for goodwill paid by Gore Rs 4,536 to be shared by Kaku Rs 2,592 and Deo Rs 1,944]

24. B. Rajan and D. Sharda decide to admit S. Todi into partnership with them. The agreement provides that, Todi is to receive a one-fifth share of the profits and that Rajan and Sharda are to continue to share profits as between themselves, in the proportion 3:2. Goodwill is to be assessed at three years' purchase of the excess of the average profit (for the past six year) on a return of 10 per cent per annum on the capital employed in the business as on the date of admission.

    Todi is to bring in Rs 10,000 cash in addition to a premium for his share of goodwill. The capital accounts of Rajan and Sharda at the date of the agreement were Rs 36,000 and Rs 24,000 respectively.
    The average profits for the past six years were Rs 10,800.
    Show the journal entries (including cash) to give effect to the admission of Todi where:
    (a) Goodwill is raised to its full value in the books; and
    (b) Goodwill account is not raised.
    [Ans: Value of goodwill Rs 14,400. (a) Credit Rajan Rs 8,640 and Sharda Rs 5,760 (b) Debit Todi Rs 2,880 and Credit Rajan Rs 1,728 and Sharda Rs 1,152]

25. Ankur and Anup are two partners sharing profits and losses in the ratio of 5:3 respectively. Anju is admitted into the partnership and their future profit and loss sharing ratio has been agreed at 11:5:4 respectively. The partners decide to maintain the existing 'reserve fund' of Rs 24,000.
    Pass the necessary journal entry.
    [Ans: Debit Anju Rs 4,800: Credit Ankur Rs 1,800 and Anup Rs 3,000]
    Revaluation of assets and liabilities:

26. The following is the balance sheet of S and A, a partnership business, as at 31st December, 2012

Balance Sheet

Liabilities	Rs	Assets	Rs
Creditors	40,000	Cash at bank	12,000
Capital accounts:		Plant and machinery	50,000
S 48,000		Furniture	10,000
A 54,000		Stock	40,000
	1,02,000	Debtors	30,000
	1,42,000		1,42,000

The partners decided to revalue the assets and liabilities as under on the eve of admission of a new partner:

	Rs
Plant and machinery	60,000
Debtors	27,000
Furniture	9,500
Stock	36,000

An amount of Rs 3,000 included in creditors was no longer a liability and hence, required to be properly adjusted.
A contingent liability of Rs 500 not included in the above balance sheet dad to be cleared.
Show the revaluation account, capital accounts and balance sheet after revaluation.
[Ans: Profit on revaluation Rs 5,000; Balance of capital A/cs: S Rs 50,500, A Rs 56,500; Balance sheet total Rs 1,44,500]

27. A and B are in partnership sharing profits and losses in the ratio of 3:2. The balance sheet of the partnership as at 30th April, 2013, is as shown below:

Liabilities	Rs	Assets	Rs
Capital accounts:		Office equipment	3,000
A	36,000	Motor vehicles	16,800

B	19,800	Stock	33,600
Creditors	30,400	Debtors	37,500
Reserve	5,000	Cash	300
	91,200		91,200

It has been decided to admit C into the partnership as form 1st May, 2013. He is to contribute Rs 20,000 in cash immediately to the new partnership as his capital contribution; profits and losses are to be shared in the ratio of 6:3:1. The assets of the new partnership are to be valued as follows:

	Rs
Office equipment	900
Motor vehicle	24,000
Stock	36,000
Debtors	36,000
Goodwill	30,000

However, the partners do not intend to retain a goodwill account in the new partnership books, and goodwill is to be written off.

You are required to:

(i) Prepare the revaluation account and the partners' capital accounts to record the above transactions; and

(ii) Construct the partnership balance sheet of A, B and C immediately after the admission of C on 1st May, 2013.

[Ans: Profit on revaluation Rs 6,000; Balance of capital A/cs: A Rs 42,600, B Rs 26,200, C Rs 18,000; Balance sheet total Rs 1,17,200]

28. The balance sheet of Sen and Mitra as on 31st March, 2013 is given below:

Liabilities	Rs	Assets	Rs
Capital accounts:		Freehold property	40,000
Sen	1,20,000	Furniture	12,000
Mitra	60,000	Stock	24,000
General reserve	48,000	Debtors	1,60,000
Creditors	32,000	Cash	24,000
	2,60,000		2,60,000

Sen and Mitra share profits and losses in the ratio of 2:1. They agree to admit Gupta into the firm subject to the following terms and conditions:

(a) Gupta will bring in Rs 42,000 of which Rs 18,000 will be treated as his share of goodwill to be retained in the business.

(b) Gupta will be entitled to 1/4th share in the profits of the firm.

(c) A provision for bad and doubtful debts is to be created at 3% on debtors.

(d) Furniture is to be depreciated by 5%.

(e) Stock is to be revalued at Rs 21,000.

Prepare revaluation account, capital accounts and opening balance sheet of the new firm.

[Ans: Loss on revaluation Rs 8,400; Balance of capital A/cs: Sen Rs 1,58,400, Mitra Rs 79,200, Gupta Rs 24,000; Balance sheet total Rs 2,93,600]

29. Aslam and Muslim are partners in a firm sharing profits and losses as 5:3. The position of the firm as on 31st March, 2013 is as follows:

Liabilities	Rs	Assets	Rs
Capital accounts:		Plant and machinery	50,000
Aslam 40,000		Stock	34,500
Muslim 30,000	70,000	Sundry Debtors	25,000
Sundry Creditors	20,000	Bills receivable	15,000
Bank loan	45,000	Cash at bank	10,500
	1,35,000		1,35,000

Imran now joins them on condition that, he will share 1/4th of future profits, the balance being shared by the old partners in their old ratio. He introduces Rs 60,000 by way of capital in cash and pays of the bank loan, such amount being credited to Imran's loan account. He also pays Rs 12,000 by way of premium for goodwill of the business and this amount is to remain in the business. The partners agree to depreciate plant and machinery by 10% and raise a provision against sundry debtors at 4%.

You are required to:

(i) Journalise the transactions in the books of the firm and show the resultant balance sheet; and

(ii) To ascertain the new profit-sharing ratio.

[Ans: Loss on revaluation Rs 6,000. Balance of capital A/cs: Aslam Rs 43,750, Muslim Rs 32,250; Balance sheet total Rs 2,01,000]

30. Dingdong and Singsong are equal partners. They decide to admit Pingpong as a new partner and to readjust the balance sheet values for this purpose. The balance sheet of the firm as at 31st December, 2018 was as under:

Liabilities		Rs	Assets		Rs
Creditors		20,000	Machinery		20,000
Bills payable		8,000	Furniture		14,000
Capital accounts:			Stock-n-trade		12,000
Dingdong	30,000		Debtors	23,200	
Singsong	20,000	50,000	Less:Provision	1,200	22,000
			Cash		10,000
		78,000			78,000

The following adjustments were to be made before Pingpong's admission:

(a) Rs 2,000 more were to be provided for bad debts.

(b) Furniture is to be valued at Rs 12,000.

(c) Value of machinery is to be appreciated by Rs 4,000.

(d) Investments worth Rs 2,400 (not included in the balance sheet) are to be taken into account.

(e) Pingpong brings Rs 20,000 for capital and Rs 8,000 for goodwill. The amount of goodwill is withdrawn by Dingdong and Singsong in their due proportion.

Give journal entries and prepare the balance sheet of the firm after admission of Pingpong as a partner.

[Ans: Profit on revaluation Rs 2,400; Balance of capital A/cs: Dingdong Rs 31,200, Singsong Rs 21,200, Pingpong Rs 20,000; Balance sheet total Rs 1,00,400, Cash balance Rs 30,000]

31. A and B are partners of X & Co. sharing profits and losses in 3:2 ratio between themselves. On 31st March, 2019, the balance sheet of the firm was as follows:

Balance sheet of X & Co. as at 31.3.2019

Liabilities		Rs	Assets	Rs
Capital accounts:			Plant and machinery	20,000
A	37,000		Furniture and fittings	5,000
B	28,000	65,000	Stock	15,000
Sundry creditors		5,000	Sundry debtors	20,000
			Cash in hand	10,000
		70,000		70,000

X agrees to join the business on the following conditions as and from 1st April, 2019:

(a) He will introduce Rs 25,000 as his capital and pays Rs 15,000 to the partners as premium for goodwill for 1/3rd share of the future profits of the firms.

(b) A revaluation of assets of the firm will be made by reducing the value of plant and machinery to Rs 15,000, stock by 10%, furniture and fittings by Rs 1,000 and by making a provision for bad doubtful debts at Rs 750 on sundry debtors.

You are asked to prepare profit and loss adjustment account, capital accounts of partners including the incoming partner X, balance sheet of the firm after admission of X and also find out the new profit-sharing ratio assuming the relative ratios of the old partners will be in equal proportion after admission.

[Ans: Loss on revaluation Rs 8,250; Balance of capital A/cs: A Rs 44,050, B Rs 27,700, C Rs 25,000; Balance sheet total Rs 1,01,750, Premium paid by C will be credited to A and B in the sacrificing ratio of 4:1]

32. A and B are partners in a firm, sharing profits and losses in the ratio of 3:2. The balance sheet of A and B as on 1.1.2019 was as follows:

Liabilities		Rs	Assets		Rs
Sundry creditors		12,900	Building		26,000
Bills payable		4,100	Furniture		5,800
Bank overdraft		9,000	Stock-in-trade		21,400
Capital accounts:			Debtors	35,000	
A	44,000		Less:provision	200	34,800
B	36,000		Investment		2,500
		80,000	Cash		15,500
		1,06,000			1,06,000

C was admitted to the firm on the above date on the following terms:

(i) He is admitted for 1/6th share in future profits and to introduce a capital of Rs 25,000.

(ii) The new profit sharing ration of A, B and C will be 3:2:1 respectively.

(iii) C is unable to bring in cash for his share of goodwill, partners therefore, decide to raise goodwill in account in the books of the firm. They further decide to calculate goodwill on the basis of C's share in the profits and the capital contribution made by him to the firm.

(iv) Furniture is to be written down by Rs 870 and stock to be depreciated by 5%. A provision is required for debtors @ 5% for bad debts. A provision would also be made for outstanding wages for Rs 1,560. The value of buildings having appreciated be brought up to Rs 29,200. The value of investment is increased by Rs 450.

(v) It is found that creditors included a sum of Rs 1,400 which is not to be paid off.

Prepare the following:

(i) Revaluation account;

(ii) Partners' capital account; and

(iii) Balance sheet of new partnership firm after admission of C

[Ans: Profit/loss on revaluation Nil; Balance of capital A/cs: A Rs 71,000, B Rs 54,000, C Rs 25,000; Balance sheet total Rs 1,76,160. Value of goodwill Rs 45,000]

RETIREMENT OF A PARTNER:

1. X, Y and Z are in partnership sharing profits in proportion of 3/7th, 3/7th and 1/7th respectively. On 31st December, 2018, Y retires and the balance sheet of the firm on that date was as follows:

Liabilities		Rs	Assets	Rs
Sundry creditors		6,000	Cash at bank	2,000
Current accounts:			Bills receivable	4,000
X	3,000		Sundry debtors	20,000
Y	3,500		Goodwill	5,000
Z	2,000	8,500	Stock	14,000
Capital accounts:			Fixtures	1,500
X	10,000			
Y	12,000			
Z	10,000	32,000		
		46,500		46,500

The partnership deed provided that, in the event of a partner retiring, the assets and liabilities except goodwill were to be taken as per the last balance sheet. Goodwill was to be valued at twice the average annual profit s calculated on the basis of the five years immediately preceding the retirement. The profits were: 2008 Rs 4,010, 2009 Rs 6,000, 2010 Rs 8,000, 2011 Rs 10,000, 2012 Rs 5,000.

You are to ascertain the amount payable to Y on retirement and to transfer the same to a loan account in his name, workings the problems on the assumption that:
(a) The continuing partners decide to maintain goodwill account at the full value.
(b) They decide to leave goodwill account at its original value; and
(c) They decide to write off goodwill account from their books.
Show journal entries and the adjusted balance sheet under each case.

[Ans: Value of goodwill Rs 13,204. Transfer to Y's Loan A/c Rs 17,016 (a) Balance sheet total Rs 54,704. Balance of Current A/cs: X Rs 6,516 (Dr), Z Rs 3,172 (Cr) (b) Balance sheet total Rs 46,500. Balance of Current A/cs: X Rs 363 (Dr), Z Rs 1,121 (Cr) (c) Balance sheet total Rs 45,016. Balance of Current A/cs: X Rs 3,387 (Dr), Z Rs 129 (Cr)
Note: Make adjustment through current accounts of partners thus leaving capital accounts of X and Z fixed at Rs 10,000 each.

2. P, Q and R are partners sharing profits and losses equally. R retires on 1st January, 2019. Goodwill is valued at Rs 18,000, which is raised in the books.
On 30th June, 2019, P and Q admit S as a partner. S brings in Rs 15,000 as capital but he is unable to bring anything for goodwill, which is valued at Rs 24,000 and raised in the books and written off. The new profit sharing ration is 3:2:1.
Make journal entries giving effect to the above adjustment for goodwill.
[Ans: Entries for Goodwill: On retirement of R: Debit Goodwill A/c Rs 18,000; Credit P's Capital Rs 6,000; Credit Q's Capital Rs 6,000; Credit R's Capital Rs 6,000 On admission of S: Debit Goodwill A/c Rs 6,000(i.e. 24,000 – 18,000); Credit P's Capital Rs 3,000; Credit Q's Capital Rs 3,000; Credit Goodwill A/c Rs 24,000; Debit P's Capital Rs 8,000; Debit Q's Capital Rs 8,000; Debit S's Capital Rs 4,000]

3. K, L and M are partners sharing profits and losses in the ratio 4:3:1. L retires, selling his share of profits to K and M for Rs 18,000; Rs 8,000 being paid by K and Rs 10,000 by M. Profit for the year after L's retirement is Rs 12,600.
You are required to:
(i) Give necessary journal entries to record the above mentioned sale of L's share to K and M; and
(ii) Calculate the new profit-sharing ratio and distribute the profit between K and M.
[Ans: (i)Debit K's Capital Rs 8,000; Debit M's Capital Rs 10,000; Credit L's Capital Rs 18,000 Debit P/L Appropriation A/c Rs 12,600; Credit K's Capital Rs 8,400; Credit M's Capital Rs 4,200; (ii) New profit sharing ratio of K and M is 2:1] Revaluation of assets and liabilities on retirement:

4. A, B and C were partners sharing profits and losses in the ratio of $\frac{1}{2}:\frac{1}{3}:\frac{1}{6}$ respectively. The balance sheet of the firm as on 31st December, 2018 stood as follows:

		Rs			Rs
Creditors		19,000	Cash at bank		2,500
Bills payable		5,000	Debtors	16,000	
Reserve		12,000	Less:Provision	500	15,500
Capital accounts:			Stock		25,000
A	40,000		Motor vans		8,000
B	30,000		Machinery		35,000
C	25,000	95,000	Buildings		45,000
		1,31,000			1,31,000

B retired on that date subject to the following conditions:

(i) Goodwill of the firm was to be raised at Rs 18,000
(ii) Machinery was to be depreciated by 10% and motor vans by 15%.
(iii) Stock was to be appreciated by 20% and building by 10%.
(iv) The provision for doubtful debts was to be increased by Rs 1,950.
(v) Provision for liability for workmen's compensation to the extent of Rs 1,650 was to be created.

It was agreed that A and C would share profits in future in the ratio of 3:2 respectively.
The amount due to B was to be transferred to his loan account.
You are required to prepare the revaluation account, capital accounts of the partners and the balance sheet of the firm after the retirement of B.

[Ans: Profit on revaluation Rs 1,200, Transfer to B's Loan A/c Rs 40,400, Balance of Capital A/cs: A Rs 55,000, C Rs 30,200. Balance Sheet total Rs 1,51,800]

5. The profit-sharing ration of A, B and C of a partnership firm was 2:2:1. The balance sheet of the firm as on 31.12.2018 was as follows:

Liabilities		Rs	Assets		Rs
Capital accounts:			Goodwill		10,000
A	40,000		Plant and machinery		50,000
B	50,000		Furniture		25,000
C	20,000	1,10,000	Stock		20,000
General reserve		10,000	Debtors	25,000	
Sundry creditors		15,000	Less:Provision	2,000	23,000
Bills payable		5,000	Bank		7,000
			Advertisement suspense		5,000
		1,40,000			1,40,000

B decided to retire on 31.12.2018
The terms of retirement were as follows:
(a) The value of goodwill was Rs 20,000.
(b) The values of furniture and machinery had to be reduced by 20% and 10% respectively.
(c) The value of stock to be increased by 10%.
(d) The provision for doubtful debts had to be increased to Rs 2,500.
(e) A and C would bring required amount of cash in their profit-sharing ratio so that cash of Rs 10,000 could be maintained after discharging the amount due to B
Prepare capital accounts of partners and revaluation account.

[Ans: Profit on revaluation Rs 1,500 (including goodwill), Balance of Capital A/cs: A Rs 87,666, C Rs 43,834.]

6. A, B and C are partners in a firm whose balance sheet of the firm as on 31st December, 2018 was as follows:

		Rs		Rs
Creditors		7,096	Cash at bank	6,496
General reserve		3,000	Debtors	9,000
Capital accounts:			Stock	10,600
A	8,000		Furniture	2,000
B	6,000			
C	4,000	18,000		
		28,096		28,096

B retired on that date and in this connection it was decided to make the following adjustments:
(a) To reduce stock and furniture by 5% and 10% respectively.
(b) To provide for doubtful debts at 5% on debtors.
(c) Rent outstanding (not provided as yet) was Rs 260.
(d) Goodwill was valued at Rs 4,200.

A and C decided:

(i) To share profits and losses in the ratio of 5:3 respectively.
(ii) Not to show goodwill in the books.
(iii) To readjust their capital in profit-sharing ratio.
(iv) To bring in sufficient cash to pay off B immediately and to leave a balance of Rs 1,000 in the bank.

B was paid off.
Pass journal entries to record the above and prepare balance sheet of the new firm.

[Ans: Loss on revaluation Rs 1,440, Cash brought by A Rs 1,495, C Rs 929, Payment to B Rs 7,920, Capital in the new firm: A Rs 8,790, C Rs 5,274. Balance Sheet total Rs 21,420]

7. Gold, Silver and Diamond are partners in a firm sharing profits and losses in the ratio of 5:3:2. Gold retires on 1st April, 2018 on which date the balance sheet of the firm stood as under:

	Rs		Rs
Capital accounts:		Goodwill	10,000
Gold	80,000	Furniture	30,000
Silver	50,000	Office equipments	25,000
Diamond	40,000	Building	60,000
General reserve	20,000	Stock	77,000
Sundry creditors	90,000	Sundry debtors	75,000
Bills payable	15,000	Cash	18,000
	2,95,000		2,95,000

It is provided in the 'Deed of Partnership' that in the event of death or retirement of a partner, goodwill is to be valued at two years' purchase of the average profits of the last 4 years. The profit for the last 4 years were:

2017 – 18	Rs 30,000	2016 – 17	Rs 24,000
2015 – 16	Rs 20,000	2014 – 15	Rs18,000

Furniture and building are revalued at Rs 25,000 and Rs 75,000 respectively. Stock is over-valued by 10%.

It was decided that Gold should be paid Rs 50,000 immediately on retirement and the balance on his capital account is to be treated as a loan to the firm. Silver and Diamond contributed necessary sums in equal proportion to pay off Gold and to leave Rs 20,000 cash as working capital.

Assuming the above-mentioned arrangements are given effect to, you are required to show the revaluation account, the cash account and the capital accounts of the partners.

[Ans: Value of goodwill Rs 46,000, Profit on revaluation Rs 39,000 (including goodwill), Transfer to Gold's Loan A/c Rs 59,500, Cash brought in: Silver Rs 26,000, Diamond Rs 26,000, Balance of Capital A/cs: Silver Rs 93,700, Diamond Rs 77,800]

8. A, B and C were partners in a firm. They shared profits and losses in the ratio of 3:2:1. On 1st April, 2019, B retired and on that date the balance sheet of the firm was as under:

	Rs		Rs
Capital accounts:		Land and buildings	50,000
A	68,000	Plant and machinery	60,000
B	44,000	Investments	10,000
C	38,000	Stock	36,000
Sundry creditors	32,000	Bills receivable	4,000
Bills payable	10,000	Sundry debtors	20,000
		Cash at bank	12,000
	1,92,000		1,92,000

(1) A and C decided to share future profits and losses in the ratio of 5/8th and 3/8th respectively.

(2) The goodwill of the firm was valued at two years' purchase based on the average of last three years' profits. The profits of the last three years were as under:

2018 – 19	Profits	Rs 49,000
2017 – 18	Loss	Rs 7,200
2016 – 17	Profits	Rs 29,600

It was decided that B's share of goodwill was to be adjusted in the capital accounts of A and C. (No goodwill account was to be raised in the books of the firm)

(3) Stock and land and buildings were to be depreciated by 10% and plant and machinery to be increased by 10%.

(4) 5% was to be provided for doubtful debts on sundry debtors and a provision of Rs 12,000 was to be made for outstanding legal expenses.

(5) The amount due to B was to be transferred to his loan account.

Pass necessary journal entries for the above adjustments. Prepare profit and loss adjustment account, partners' capital accounts and balance sheet of the firm after the retirement of B.

[Ans: Loss on revaluation Rs 15,600, C's share of goodwill Rs 16,000 to be debited to A Rs 6,000 and to C Rs 10,000. Transfer to B's Loan A/c Rs 54,800, Balance of Capital A/cs: A Rs 54,200, C Rs 25,400. Balance Sheet total Rs 1,88,400]

9. A, B and C are in partnership sharing profits and losses in the ratio of 3:2:1. The balance sheet of the firm as on 31st March, 2019, was as follows:

		Rs			Rs
Capital accounts:			Machinery at cost	50,000	
A	40,000		Less: Provision for		
B	60,000		depreciation	8,000	42,000
C	20,000	1,20,000	Furniture		1,000
Reserve		48,000	Sundry debtors	80,000	
Sundry creditors		60,000	Less: Provision for		
			Doubtful debts	3,000	77,000
			Stock		50,000
			Cash at bank		58,000
		2,28,000			2,28,000

On 31st March, 2019, B retired and A and C continued in partnership sharing profits and losses in the ratio of 3:2. It was agreed that adjustments were to be made in the balance sheet as on 31st March, 2019 in respect of the following:

(a) Machinery was to be revalued at Rs 45,000.

(b) The stock was to be reduced by 2%.

(c) The furniture was to be reduced to Rs 600.

(d) The provision for doubtful debts would be Rs 4,000.

(e) A provision of Rs 300 was to be made for outstanding expenses.

It was further agreed that the goodwill of the firm was to be valued at Rs 24,000 and B's share of the same was to be adjusted into the accounts of A and C. B was paid off in full. A and C were to bring such an amount in cash so as to make their capitals in proportion to the new profit-sharing ratio, subject to the condition that a cash balance of Rs 20,000 was to be maintained as working capital.

Pass necessary journal entries to give effect to the above arrangements and prepare the partners' capital accounts as on 31st March, 2019. **[ICWA, Inter]**

[Ans: Profit on revaluation Rs 300, B's share of goodwill Rs 8,000 to be debited to A Rs 2,400 and to C Rs 5,600. Payment to B Rs 84,100, Cash brought by A Rs 16,430 and by C Rs 29,670. Balance of Capital A/cs: A Rs 78,180, C Rs 52,120]

10. A, B and C were partners sharing profit in the ratio of ½, 1/3 and 1/6 respectively. The balance sheet of the firm as on 31st December, 2018 was as follows:

		Rs		Rs
Capital accounts:			Fixtures and fittings	5,000
A	24,000		Motor vehicles	20,000
B	16,000		Stock	30,000
C	15,000	55,000	Debtors	25,000
Reserve		15,000	Balance at bank	4,000
Creditors		14,000		
		84,000		84,000

C retired from the partnership on the same date. It was agreed that goodwill should be valued at Rs 18,000, but otherwise the books value of the assets less liabilities was a reasonable estimate of their current values. On his departure from partnership, C took with him a car (book value Rs 5,000) and certain office furniture (book value Rs 2,000). A and B agreed that the furniture should be a retirement gift from the partnership.

You are required to pass the journal entries in the books of the firm to give effect to the above arrangements and prepare the balance sheet of A and B transferring C's capital account to his loan account.

[Ans: Amount transferred to C's Loan A/c Rs 15,500, Balance of Capital A/cs: A Rs 39,300, B Rs 26,200. Balance Sheet total Rs 95,000]

11. On 31st December, 2012, the balance sheet of Young, Old and Keen, sharing profits and losses in proportion to their capital, stood as follows:

		Rs			Rs
Creditors		21,600	Cash at bank		16,000
Capital accounts:			Debtors	20,000	
Young	90,000		Less: Provision	400	19,600
Old	60,000		Stock		18,000
Keen	30,000	1,80,000	Machinery		48,000
			Land and building		1,00,000
		2,01,600			2,01,600

On that date, Old wants to retire from the firma and the remaining partners decide to carry on the firm. The following re-adjustments of assets and liabilities have been agreed upon before the ascertainment of the amount payable to Old:

(i) That out of the amount of insurance premium which was fully debited annually to profit and loss account, Rs 2,000 be carried forward for unexpired insurance on 31.12.2012.

(ii) The land and building be appreciated by 10%.

(iii) That the provision for doubtful debts be brought up to 5% on debtors.

(iv) That machinery be depreciated by 5%.

(v) That a provision of Rs 3,000 be made in respect of an outstanding bill for repairs.

(vi) The goodwill of the entire firm is to be fixed at Rs 36,000 and Old's shares of the same should be adjusted in the account of Young and Keen who share future profits in the proportion of 3/4th and 1/4th respectively. (no goodwill account being raised); and

(vii) That Old is to be paid Rs 10,000 in cash and the balance is to be transferred to his loan account.

You are required to prepare:

(i) Revaluation account
(ii) Capital account of the partners; and
(iii) Balance sheet of the firm of Young and Keen

[Ans: Profit on revaluation Rs 6,000, Amount transferred to Old's Loan A/c Rs 64,000, Balance of Capital A/cs: Young Rs 84,000, Keen Rs 28,000. Balance Sheet total Rs 2,00,000]

12. The balance sheet of A, B and C who were sharing profits in proportion to their capital stood as follows on 31st December, 2018:

		Rs			Rs
Creditors		13,800	Cash at bank		11,000
Capital accounts:			Sundry debtors	10,000	
A	40,000		Less: Provision	200	9,800
B	30,000		Stock		16,000
C	20,000	90,000	Plant and machinery		17,000
			Factory land and building		50,000
		1,03,800			1,03,800

B retired on the above date and the following was agreed upon:

(i) that sock be depreciated by 6%;

(ii) that the provision for doubtful debts be brought up to 5% on debtors;

(iii) that the factory land and buildings be appreciated by 20%;

(iv) that a provision of Rs 1,540 be made in respect of outstanding legal charges;

(v) that the goodwill of the entire firm be fixed at Rs 21,600 and B's share of goodwill be adjusted into the account of A and C who are going to share future profits in the ratio of 5:3. (no goodwill account is to be raised); and

(vi) that the entire capital of the firm, as newly constituted, be fixed at Rs 56,000 between A and C in the proportion of 5:3. (actual cash to be brought in or paid off, as the case may be)

Pass journal entries to give effect to the above arrangements. Show the balance sheet after B's retirement transferring the amount due to B to a separate account in his name.

[Ans: Profit on revaluation Rs 7,200, B's share of goodwill Rs 7,200 to be debited to A Rs 3,900 and to C Rs 3,300. Transfer to B' Loan A/c Rs 39,600. Balance Sheet total Rs 1,10,400. Cash at Bank Rs 9,400]

13. On 31st March, 2019 the balance sheet of P, Q and R sharing profits and losses in the ratio of 2:3:2, stood as follows:

Liabilities		Rs	Assets	Rs
Capital accounts:			Land and building	1,00,000
P	1,00,000		Machinery	1,70,000
Q	1,50,000		Stock-in-trade	50,000
R	1,00,000	3,50,000	Sundry debtors	60,000
Sundry creditors		50,000	Cash and bank balance	20,000
		4,00,000		4,00,000

On 31st March, 2019, Q desired to retire from the firm and the remaining partners decided to carry on,

It was agreed to revalue the assets and liabilities on that date on the following basis:

(1) Land and buildings be appreciated by 30%.

(2) Machinery be depreciated by 20%.

(3) Stock to be valued at Rs 45,000.

(4) Provision for bad debts be made at 5%.

(5) Old credit balances of sundry creditors Rs 5,000 be written off.

(6) Joint life policy of the partners (not included in the balance sheet) surrendered and cash obtained Rs 35,000.

(7) Goodwill of the entire firm be valued at Rs 63,000 and Q's share of the goodwill be adjusted in the account of P and R, who share future profits and losses in the ratio of 3:2. No goodwill account to be raised.

(8) The total capital of the firm is to be the same as before settlement. Individual capital be in their profit-sharing ratio.

(9) Amount due to Q is to be settled on the following basis:
50% on retirement and balance 50% within one year.
Prepare revaluation account, capital accounts of partners, cash account and balance sheet as on 1st April, 2019 of P and R.

[C.A. Foundation, May 1997]

[Ans: Profit on revaluation Rs 28,000, Q's share of goodwill Rs 27,000 to be debited to P Rs 19,800 and to R Rs 7,200. Payment to Q Rs 94,500 and transfer to his Loan A/c Rs 94,500. Cash brought by P Rs 1,21,800 and by R Rs 39,200, Capital in the new firm P Rs 2,10.000 and R Rs 1,40,000. Balance Sheet total Rs 4,89,500]

14. A, B and C are partners sharing profits and losses as 4:3:2. B retires and A and C carry on in their old ratio.

It is agreed that the retiring partner shall be paid off immediately in cash, the amount being provided by the continuing partners. Capitals of the continuing partners in the new firm shall be in profit-sharing ratio. Their balance sheet on the date of retirement is as under:

Liabilities		Rs	Assets		Rs
Capital accounts:			Land and building		2,50,000
A	2,00,000		Machinery		70,000
B	2,52,000		Stock-in-trade		3,00,000
C	1,48,000	6,00,000	Sundry debtors	81,000	
Sundry creditors		1,10,000	Less: Provision	1,000	80,000
			Cash and bank balance		10,000
		7,10,000			7,10,000

Goodwill is valued at Rs 90,000

Value of stock and building are to be reduced by Rs 30,000 and Rs 50,000 respectively. Provision for bad debts is not needed. While appropriating profits for the last year an amount of Rs 9,000 was wrongly credited to B in excess.

Pass journal entries and show balance sheet as the newly constituted firm.

[Ans: Profit on revaluation Rs 28,000, Payment to B Rs 3,00,000. Cash brought by A Rs 2,32,000 and by C Rs 68,000, Balance of Capital A/cs: A Rs 5,14,000 and C Rs 2,57,000. Balance Sheet total Rs 8,81,000]

15. Ajoy, Bikash and Kamal were partners sharing profits and losses in the ratio 3:2:1. Their balance sheet as on 31.3.2019 stood as follows:

Liabilities		Rs	Assets		Rs
Sundry creditors		12,500	Cash at bank		1,500
General reserve		18,000	Sundry debtors	15,000	
Capital accounts:			Less: Provision	1,500	13,500
Ajoy	40,000		Stock		12,500
Bikash	21,000		Joint life policy		8,000
Kamal	20,000	81,000	Office equipments		14,000
			Furniture		12,000
			Building		50,000
		1,11,500			1,11,500

Bikash retires on 1.4.2019 subject to the following conditions:

(i) A typewriter purchased on 1.10.2018 for Rs 2,000, debited to office expenses account, is to be brought into account charging depreciation at the rate of 10% p.a.

(ii) Building is revalued at Rs 75,000, Furniture is to be written down by Rs 2,000 and Stock is reduced to Rs 10,000.

(iii) Provision for bad debts is to be calculated at 5% on debtors.

(iv) Goodwill of the firm is valued at Rs 18,000 but no goodwill account is to be raised.

(v) Life policy is to be shown at surrender value. The surrender value is Rs 7,500.

(vi) Amount due to Bikash is to be transferred to his loan account.

(vii) Ajoy and Kamal will share profit and losses in the ration of 2:1 and their capital accounts are to be adjusted in profit sharing ratio.

You are required to prepare revaluation account, partners' capital accounts and balance sheet immediately after retirement.

[Ans: Profit on revaluation Rs 22,650, Amount transferred to Bikash's Loan A/c Rs 40,550, Balance of Capital A/cs: Ajoy Rs 54,067, Kamal Rs 27,033. Cash brought in by Kamal Rs 3,258 and refund to Ajoy Rs 3,258]

16. Atin, Bratin and Jatin are partners in a firm sharing profits and losses in the ratio of 2:2:1. Their balance sheet as at 31.12.2018 is as follows:

Liabilities	Rs	Assets	Rs
Capital accounts:		Land and building	72,000
Atin 65,600		Machinery	35,500
Bratin 43,700		Furniture	10,400
Jatin 32,200	1,41,500	Motor car	18,000
General reserve	22,000	Stock	19,800
Sundry creditors	18,000	Sundry debtors 23,700	
		Less: Provision for	
		Bad debts 1,500	22,200
		Cash at bank	3,600
	1,81,500		1,81,500

Bratin retires on 31.12.208 but Atin and Jatin continue in partnership sharing profits in the ratio of 3:2. The terms of retirement provide the following:

(a) Goodwill is to be valued at 2 years' purchase of the average annual profits of the last three years but it should not be shown in the books. The profits of the last three years are: 2016 Rs 12,100, 2017 Rs 8,480, 2018 Rs 10,920

(b) The value of land and building is to be appreciated by 20%, machinery is to be valued at Rs 32,000 and provision for doubtful debts is to be maintained at Rs 1,800

(c) Furniture purchased on 1.7.2017 at a cost of Rs 3,000 was debited to purchase account. This asset is to be taken into account charging deprecation @ 10% p.a. under straight line method.

(d) Annual insurance premium of Rs 2,400 paid on 1.4.2018 has been entirely charged to profit and loss account.

(e) Bratin will take over the motor car at Rs 16,000 and a bank loan of Rs 50,000 is to be arranged for the balance amount payable to him on his retirement.

(f) The capital of the new firm will be readjusted by bringing in or paying off cash so that the capital of Atin and Jatinbe in the new profit-sharing ratio.

Prepare revaluation account, capital account of partners and the balance sheet of the new firm.

[Ans: Profit on revaluation Rs 11,750, Payment to Bratin Rs 50,360. Cash brought in by: Jatin Rs 9,186,Cash refunded to Atin Rs 9,186. Balance of Capital A/cs: Atin Rs 65,334 and Jatin Rs 43,556. Balance Sheet total Rs 1,76,890]

17. D, B and M are partners in a business sharing profits $^3/_4$th, $^1/_8$th and $^1/_8$th respectively. Their balance sheet as on 31st December, 2018 was as follows:

Liabilities	Rs	Assets	Rs
Sundry creditors	40,000	Plant and machinery	60,000
General reserve	5,000	Patents	10,000
Capital accounts:		Sundry debtors	35,000
D 50,000		Stock	20,000
B 30,000		Cash	25,000
M 25,000	1,05,000		
	1,50,000		1,50,000

M retires on 31st December, 2018 on the following conditions:

(a) Goodwill is to be valued at 3 years' purchase of the average profits of the last 4 years.The profits were as follows:

2015	Rs 50,000	2017	Rs 40,000
2017	Rs 60,000	2018	Rs 50,000

(b) Goodwill account is not to appear in the books after M's retirement.

(c) Plant and machinery was valued at Rs 50,000; Patents at Rs 15,300 and stock at Rs 18,000
(d) A provision of 5% on debtors was necessary.
(e) On 30th June, 2017, a shed was constructed at a cost of Rs 10,000. This amount was charged to profit and loss account. This asset is now to be brought in the books, after allowing 5% p.a. depreciation on the original cost. [This adjustment should be ignored for the purpose of valuation of goodwill as stated in (a) above]
(f) B was to acquire the whole of the share of profit of M.
(g) The total capital of the firm was to be Rs 80,000 and capitals of D and B were to be in their profit-sharing ratio, necessary adjustments to be made in cash.
(h) M is to leave Rs 30,000 in the business as loan at 12%. The remaining amount is to be paid to him immediately.

You are required to prepare:
(i) Revaluation account
(ii) Partners' capital accounts, showing all adjustments.
(iii) Balance sheet of the firm after M's retirement.
Repayment of retiring partner's claim by instalments

[Ans: Profit on revaluation Rs 800. Value of goodwill Rs 1,50,000. Immediate payment to M Rs 14,475. Cash brought by D Rs 5,650 and by B Rs 8,025. Capital A/cs: D Rs 60,000, B Rs 20,000. Balance sheet total Rs 1,50,000. Cash balance Rs 24,200] Note: M's share of goodwill (1/8 × 1,50,000) or Rs 18,750 will be credited to him and debited to B (because the whole of M's share is acquired by B).

18. Wood, Ember and Ash are partners sharing profits and losses in the ratio 5:3:2. On 1st January, 2008, Ash retires. On the date, the capital accounts of the partners showed credit balances: Wood Rs 40,000, Ember Rs 30,000 and Ash Rs 20,000. It was provided in the 'partnership deed' that, in case of retirement, the retiring partner should be entitled to a share of the goodwill of the firm to be calculated at two years' purchase of the average profits of the three years immediately preceding the date of retirement and that the payment of capital and share of goodwill to the retiring partner shall be made by annual instalments of Rs 10,000 each, interest being at 10 per cent on the unpaid balances.
The profits for the year 2005, 2006 and 2007 were Rs 24,000, Rs 28,000 and Rs 29,000 respectively.
The first instalment was paid on 31st December, 2008. Show Ash's loan account unit the payment of the whole amount due to him was made.

[Ans: Ash's share of goodwill Rs 10,800. Interest: 1st year Rs 3,080, 2nd year Rs 2,388, 3rd year Rs 1,627, 4th year Rs 790, Last instalment Rs 8,685]

19. The balance sheet of A, B and C who are sharing profits and losses in the ration 1/2, 1/3rd and 1/6th respectively was as follows on 30th June, 2019:

Liabilities		Rs	Assets	Rs
Bills payable		6,400	Cash in hand	150
Sundry creditors		12,500	Cash at bank	25,500
Capital accounts:			Bills receivable	5,400
A	40,000		Book debts	17,800
B	25,000		Stock	22,300
C	20,000	85,000	Furniture	3,500
Profit and loss account		4,500	Plant and machinery	9,750
			Buildings	24,000
		1,08,400		1,08,400

A retires from business from 1st July, 2019 and his share in the firm is to be ascertained on a revaluation of assets as follows:
Stock Rs 20,000, furniture Rs 3,000, plant and machinery Rs 9,000, buildings Rs 20,000 and Rs 850 is to be provided for doubtful debts. The goodwill of the firm is agreed to be valued at Rs 6,000.

A is to be paid Rs 11,050 in cash on retirement and the balance in three equal yearly instalments on 30th June with interest at 5% per annum.

Pass journal entries to be passed on retirement of A and prepare capital accounts of the partners. Also prepare A's loan account till it is finally paid off.

[Ans: Loss on revaluation Rs 8,400. Transfer to A's Loan A/c Rs 30,000, Balance of Capital A/cs: B Rs 25,700, C Rs 20,350. Repayment of Loan: on 30.6.20 Rs 11,500 (including Rs 1,500 as interest), on 30.6.21 Rs 11,000 (including Rs 1,000 as interest), on 30.6.22 Rs 10,500 (including Rs 500 as interest)]

20. The balance sheet of Red, White and Green who share profits and losses in the ratio of 3:3:2 respectively was as follows on 31st December, 2018:

Liabilities	Rs	Assets	Rs
Capital accounts:		Leasehold property	16,000
Red 24,000		Plant	15,600
White 10,000		Furniture	6,400
Green 8,000	42,000	Stock	8,500
Reserve	4,800	Sundry debtors	4,300
Creditors	8,630	Cash at bank	4,630
	55,430		55,430

Red retires from the business from 1st January, 2019, and his share in the business is to be ascertained on a revaluation of assets as follows:

Leasehold property Rs 20,000, plant Rs 14,000, furniture Rs 5,000, stock Rs 9,600, provision for doubtful debts is to be made at Rs 300. The goodwill of the firm is to be fixed at Rs 10,000. Red it to be paid Rs 2,225 immediately and the balance in 4 equal half-yearly instalments with interest at 8% per annum.

Show the necessary accounts to give effect to the above arrangements, the balance sheet of White and Green immediately after Red's retirement, and Red's loan account till it is finally closed.

[Ans: Profit on revaluation Rs 1,800. Balance sheet total Rs 65,005 (raising Goowill A/c in the books). Balance of Capital A/cs: White Rs 16,225; Green Rs 12,150. Amount transferred to Red's Loan A/c Rs 28,000. Interest: (i) Rs 1,120 (ii) Rs 840 (iii) Rs 560 (iv) Rs 280]

21. Rahul, Biren and Somnath were partners sharing profits as 2/5th, 3/10th and 3/10th respectively. Their balance sheet on 31st December, 2016 is as follows:

Liabilities	Rs	Assets		Rs
Capital accounts:		Building		18,000
Rahul 16,000		Plant		14,000
Biren 12,000		Motor car		4,000
Somnath 10,000	38,000	Stock		10,000
Profit and loss account	5,000	Debtors	7,000	
Bills payable	2,000	Less: Provision	1,000	6,000
Creditors	8,000	Cash at bank		1,000
	53,000			53,000

Biren retires on that date on the following terms:

(i) The goodwill of the firm is to be valued at Rs 7,000.
(ii) Stock and building are to be appreciated by 10%.
(iii) Plant and motor car are to be depreciated by 10%.
(iv) Liability for the payment of gratuity to workers Rs 2,000 is not yet recorded in the books.
(v) Provision for bad debts is no longer necessary.
(vi) It is decided not to maintain the goodwill account in the books.

(vii) The amount payable to Biren is to be paid in 3 equal annual instalments with interest at 10% p.a., the first instalment being payable on 31st December, 2017.

You are required to prepare:

(a) Revaluation account;
(b) Partners' capital accounts;
(c) Balance sheet of Rahul and Somnath immediately after retirement; and
(d) Biren's loan account for 2017.

[Ans: Profit or loss on revaluation: nil. Balance sheet total Rs 55,000; Balance of Capital A/cs: Rahul Rs 16,800, Somnath Rs 10,600, Amount transferred to Biren's Loan A/c Rs 15,600. Amount of 1st Instalment Rs 6,760 (including Rs 1,560 as interest)]

22. Ananda and Sunanda were partners sharing profits and losses in the ratio of 3:2. The balance sheet of the partnership firm on 31.12.01 was as under:

Liabilities	Rs	Assets	Rs
Capital accounts:		Goodwill	6,000
Ananda	50,000	Land and buildings	50,000
Sunanda	30,000	Plant and machinery	40,000
Current account:		Furniture	4,000
Ananda	2,000	Sundry debtors	10,000
General reserve	10,000	Stock-in-trade	8,000
Sundry creditors	38,800	Cash at bank	12,000
		Current account:	
		Sunanda	800
	1,30,800		1,30,800

Sunanda retired on 1.1.02 on the following terms:

(a) The goodwill of the firm to be revalued at Rs 10,000.
(b) Plant and machinery to be depreciated by 5% and stock-in-trade to be appreciated by 10%.
(c) 5% of sundry debtors to be provided for bad debts.
(d) A liability to the extent of Rs 1,000 on account of compensation to be paid to workers of the firm to be brought into account.
(e) Rs 10,000 to be paid to Sunanda immediately on his retirement and the balance amount due to his to be extinguished by payment of Rs 8,000 every year on December 31. Interest @ 10% p.a. on the outstanding balance to be credited to him.

You are required to show:

(i) Revaluation account;
(ii) Capital accounts;
(iii) Loan account of Sunanda till it is finally paid off; and
(iv) Balance Sheet of Ananda immediately after the retirement of Sundanda.

[Ans: Loss on revaluation Rs 2,700. Transfer to Sunanda's Loan Rs 23,720. Balance of Ananda's Capital A/c (transferring Current A/c thereto) Rs 58,780. Balance Sheet total Rs 1,22,300. Interest credited to Loan A/c: 1st year Rs 2,372, 2nd year Rs 1,809, 3rd year Rs 1,190, 4th year Rs 509, Last instalment Rs 5,600]

23. Opal, Coral and Emerald were in partnership sharing profits in the ratio of 5:3:2. Their balance sheet as at March 31, 2019 was as follows:

Balance Sheet

Liabilities	Rs	Assets		Rs
Capital accounts:		Leasehold premises		32,000
Opal	25,000	Stock		18,500
Coral	20,400	Debtors	12,300	
Emerald	16,500	Less: Provision	1,300	11,000
Creditors	13,500	Cash at bank		14,500
	76,000			76,000

Opal retired on March 31, 2019. Coral and Emerald agreed to carry on the business, sharing profits as before i.e. 3:2.

The following matters were taken into consideration:

(i) Goodwill was to be valued at Rs 15,000.
(ii) The premises were valued at Rs 40,000.
(iii) Stock was considered to be worth Rs 16,000.
(iv) The provision for doubtful debts was to be increased by Rs 700.
(v) Opal was to be paid Rs 5,000 immediately and the balance due to his was to be transferred to a loan account.

No goodwill account was to be opened and the balance of assets in the books (except cash at bank) were not to be altered for the purpose of the continuing partnership; any adjustments considered to be necessary were to be made through the partners' capital accounts.

Show the journal entries to make the above adjustments and set out the opening balance sheet of the new partnership of Coral and Emerald.

[Ans: Profit on revaluation Rs 19,800 (including goodwill), Net adjustment for revaluation: Dr. Coral Rs 5,940, Dr. Emerlad Rs 3,960, Cr. Opan Rs 9,900. Amount transferred to Opal's Loan A/c Rs 30,500. Balance of Capital A/cs: Coral Rs 14,460; Emerlad Rs 12,540. Balance sheet total Rs 71,000]

24. A, B and C were partners sharing profits and losses in the ratio of 5/10th, 3/10th and 2/10th respectively. They had taken out a joint life policy of the face value of Rs 20,000. On 31st December, 2018, its surrender value was Rs 4,000. On that date the balance sheet of the firm stood as under:

Liabilities		Rs	Assets	Rs
Sundry creditors		5,300	Fixed assets	25,000
Outstanding expenses		700	Stock	11,000
Reserve		3,000	Book debts	9,000
Capital accounts:			Cash at bank	2,000
A	20,000			
B	10,000			
C	8,000	38,000		
		47,000		47,000

On this date B decided to retire and for the purpose:

(i) Goodwill was valued at Rs 15,000
(ii) Fixed assets were valued at Rs 30,000; and
(iii) Stock was considered worth Rs 10,000

B was to be paid by cash brought in by A and C in such a way as to make their capitals proportionate to their new profit sharing ration which was to be 3/5th and 2/5th respectively. Goodwill was to be passed through books without raising a goodwill account. The joint life policy was also not to appear in the balance sheet.

Record these matters in the journal of the firm and prepare the resultant balance sheet.

[Ans: Profit on revaluation Rs 4,000; Payment to B Rs 17,800; Balance sheet total Rs 51,000]

25. Rao, Jha and Puri are partners in a firm, sharing profits and losses as Rao ½, Jha 1/3rd and Puri 1/6th. The balance sheet of the firm on 31st December, 2018 was as follows:

Liabilities	Rs	Assets	Rs
Capital accounts:		Fixed assets	33,600
Rao 20,000		Stock	12,400
Jha 16,000		Debtors	5,800
Puri 12,000	48,000	Cash at bank	2,580
Sundry creditors	6,380		
	54,380		54,380

Rao retired on 31st December, 2018, subject to the following adjustments:

(i) Fixed assets be appreciated by Rs 6,400.

(ii) Provision for bad debts be made at 5% on debtors.

(iii) Stock be considered as worth Rs 11,000.

(iv) Goodwill of the firm be valued at Rs 12,000, and adjustment in this respect be made without raising goodwill account.

(v) An adjustment be made in respect of wrong appropriation of profit for the year 2018 whereby Rs 1,500 was credited to Rao in excess.

Rao's share in the firm was purchased by Jha and Puri in their profit sharing ratio making payments privately.

Pass journal entries to record the above mentioned transactions and show the balance sheet of the firm as it would appear immediately after Rao's retirement.

[Profit on revaluation Rs 4,710; Payment to Rao Rs 26,855 (since payament has been made privately Debit Rao Rs 26,855; Credit Jha Rs 17,903 and Puri Rs 8,952); Balance of Capital A/cx: Jha Rs 32,437 Puri Rs 20,237. Balance Sheet total Rs 59,090]

26. Sarat and Sisir carried on business in partnership. On 31st December, 2018, they dissolve the partnership and Sarat retired.

Their balance sheet at that date was as follows:

Liabilities	Rs	Assets	Rs
Sundry creditors	12,000	Freehold land and buildings	12,000
Bills payable	7,000	Plant and machinery	15,000
Loan on mortgage of freehold		Loose tools	4,000
property	8,000	Patterns and models	3,000
Sarat's capital	25,000	Stock-in-trade	20,000
Sisir's capital	20,000	Sundry debtors	13,000
		Bills receivable	3,500
		Cash	1,500
	72,000		72,000

Profits and losses were shared in the proportion of Sarat two-third and Sisir one-third.

Sisir agreed to take over the business on the following terms:

The freehold land and buildings were to be taken over by Sarat at the amount stated in the balance sheet, subject to mortgage. Sisir was to rent the premises on a repairing lease at Rs 800 per annum.

Revaluations were to be made which resulted as follows:

Plant and machinery Rs 12,000; Loose tools Rs 4,500; Patterns and models Rs 2,600; Stock-in-trade Rs 16,000.

Besides, the goodwill was valued at Rs 6,000.

Sarat agreed to allow the amount due to him (less Rs 500 which was to be paid to him in cash) to remain as loan to Sisir at 6 per cent interest.

Make out Sisir's balance sheet after the transactions have been completed.

[Ans: Sarat's Loan A/c Rs 19,900. Balance of Sisir's capital Rs 19,700. Balance sheet total Rs 58,600 (raising Goodwill A/c).

27. The following balance sheet shows the position of Red & Co. as on 31st December, 2018:

Liabilities	Rs	Assets	Rs
Capital accounts:		Goodwill	16,000
Red	48,000	Plant and fixtures	54,000
White	36,000	Stock	20,772
Green	12,000	Debtors	28,920
Creditors	26,168	Cash	2,476
	1,22,168		1,22,168

Profits are being shared between Red, White and Green in the ratio of 3:2:1. White retired on 1st January, 2019, for the purpose of entering into a separate partnership with another trader. Red and Green remained in partnership, retaining all the assets at the values shown in the above balance sheet, except that goodwill was agreed to be valued at Rs 12,000 only and plant and fixtures at Rs 52,000. Under the old partnership agreement any partner retiring otherwise than by death bound himself to pay to the remaining partners a fine equal to half his share of the goodwill (they divide this in their profit sharing proportion) and to leave the balance of his capital account as a loan to the firm, to be paid off at the firms option at any time up to three years, either one sum or by instalments.

Set out the accounts showing the above transactions and a balance sheet showing the position immediately after White's withdrawal, assuming Green has brought in an additional Rs 12,000 capital, of which Rs 8,000 has been paid over to White.

[Ans: Loss on revaluation Rs 6,000 (including goodwill). Balance of Capital A/cs: Red Rs 46,500, Green Rs 23,500. Balance sheet total Rs 1,20,168. Transfer to White's Loan A/c Rs 24,000, Find Rs 2,000 to be debited to White and credited to Red and Green in the ratio of 3:1]

28. Anwar, Barat and Chacko were in partnership sharing profits and losses in the ratio of 5:3:2 respectively. The firm's draft summarised balance sheet at 31st March, 2019 was as follows:

Liabilities	Rs	Assets	Rs
Capital accounts:		Freehold buildings	45,000
Anwar	55,000	Office furniture and equipment	16,000
Barat	38,000	Motor vehicles	8,000
Chacko	15,000	Stock	30,000
Loan: Anwar	12,000	Debtors less provision	32,000
Sundry creditors	25,000	Bank	14,000
	1,45,000		1,45,000

At this date of the above balance sheet, Anwar decided to leave partnership and Barat and Chacko agreed to continue, sharing profits in the ratio of 2:1 respectively.

Before Anwar left the partnership it was agreed between the three partners that the following adjustments should be made to the draft balance sheet:

(a) The value of freehold buildings should be increased to Rs 61,000 and the value of office furniture and equipment should be reduced by Rs 1,500.

(b) A reduction of Rs 3,000 should be made in the value of stock and the provision for bad debts should be increased by Rs 1,500.

(c) Both bank and creditors should be reduced to allow for a settlement of Rs 10,000 with main supplier upon which the partnership had received a discount of 5%. Although this payment was made on 30th March, 2019 it was not entered in the books until 1st April, 2019.

It was also agreed that Anwar would take a motor vehicle at its book value of Rs 3,000 and office furniture and equipment at its revalued amount of Rs 5,000. Total goodwill was valued at Rs 1,00,000 and of this it was agreed that Rs 25,000 would be taken over by Anwar through the transfer to him personally of certain partnership customers. Barat and Chacko agreed that goodwill would not appear as an asset in the books of the new partnership.

The continuing partners were unable to pay the amount owing to Anwar immediately. So it was agreed that this would be transferred to his loan account.

Required:

(i) Prepare the revaluation account of the partnership.
(ii) Prepare the partners' capital accounts (of both the old and new firm) in columnar form.
(iii) Prepare the opening balance sheet of the new firm.

[Ans: Profit on revaluation Rs 10,000. Balance of Capital A/cs: Barat Rs 21,000, Chacko Rs 12,000. Balance of Anwar's Loan A/c Rs 89,000. Balance Sheet total Rs 1,37,000]

DEATH OF A PARTNER:

1. Ram, Shyam and Jadu were in a partnership sharing profits and losses in the ratio of 5:3:2. On 1st January, 2019, Shyam dies and his share of goodwill is valued at Rs 18,000. However, other partners want to continue the business and agreed to share future profits equally.

Show the necessary entries under the following cases:
(i) If no goodwill account is raised in the books.
(ii) If goodwill account is raised at full value.
(iii) If goodwill account is raised and written off.

[Ans: (i) Jadu Dr. Rs 18,000; Shyam Cr. Rs 18,000. (ii) Goodwill Dr. Rs 60,000; Ram Cr. Rs 30,000; Shyam Cr. Rs 18,000; Jadu Cr. Rs 12,000.
(iii) For raising as in (i). For writing off, Ram Dr. Rs 30,000; Jadu Dr. Rs 30,000; Goodwill Cr. Rs 60,000]

2. A, B and C were in partnership sharing profits as 4/8th, 3/8th and 1/8th respectively. It was provided under the partnership deed that, on the death of any partner goodwill was to be valued at one-half of the net profits credited to his account during the last 4 completed years (books of accounts are closed on 31st December)

B dies on 1st January, 2019. The firms trading results for the last 4 years were as follows:

2016	Profit Rs 1,20,000	2018	Loss	Rs 20,000
2017	Profit Rs 60,000	2019	Profit	Rs 80,000

You are required to:

(i) Determine the amount that should be credited to B in respect of his share of goodwill.
(ii) Pass a journal entry with raising goodwill account for its adjustment assuming the profit-
sharing ratio between A and C in future would be 3:2.

[Ans: (a) Rs 45,000 (b) Debit A's Capital Rs 12,000, C's Capital Rs 33,000; Credit B's Capital Rs 45,000]

3. X, Y and Z were trading in partnership sharing profits and losses as 4:3:3 respectively. The accounts of the firm are made up to 31st December, every year.

The deed provided that, on the death of a partner, goodwill is to be valued at 3 years' purchase of the average profits of 3 years ending up to the date of death, after deducting interest @ 8% on capital employed and a fair remuneration to each partner. The profits are assumed to be earned evenly throughout the year.

On 30th June, 2018, X dies and it was agreed to adjust goodwill in the capital accounts without showing any amount of goodwill in the balance sheet. It was agreed, for the purpose of valuation of goodwill, that fair remuneration to each partner would be Rs 15,000 p.a. and that the capital employed would be Rs 1,56,000 and Y and Z were to continue the partnership sharing profits and losses equally after the death of X.

The following were the amounts of profits of various years before charging interest on capital employed:

2015 Rs 67,200 2016 Rs 75,600 2017 Rs 72,000 2018 Rs 62,400

Compute the value of goodwill and show the entry in the books of the firm.

[**Ans: Value of goodwill Rs 39,600. Dr. Y's Capital Rs 7,992, Dr. Z's Capital Rs 7,992; Cr. X's Capital Rs 15,894]**

4. Alva, Bala and Chawla carried on business in partnership, sharing profits and losses in proportion on 3:2:1. Their capitals were as under as per the balance sheet as at 30th June, 2018:

Alva Rs 15,000 Bala Rs 10,000 Chawla Rs 7,500

On 31st March, 2019, Chawla dies, and you are instructed to prepare an account for presentation to his executors, having regard to the following facts:

(a) Capitals carried interest at 12% p.a.

(b) Chawla's drawings from 1st July, 2018 to the date of his death amounted to Rs 2,250.

(c) Chawla's share of profit for the portion of the current financial year for which he lived was to be taken at the sum calculated on the average trading results of the last three completed year and goodwill was to be raised on the basis of two years' purchase of the average profit of those three year. The annual profits were Rs 8,750, Rs 8,000 and Rs 9,500 respectively.

Pass the necessary journal entries and show the account of the executors of Chawla.

[Ans: Amount due to executor of Chawla Rs 9,936 including Rs 2,917 for goodwill and Rs 1,094 for profit.]

5. X, Y and Z are partners in a firm sharing profits and losses as X 50%, Y 30% and Z 20%. Their balance sheet as on 31.12.2018 was as stated below:

Liabilities	Rs	Assets	Rs
Capital accounts:		Building	26,000
X	25,000	Furniture	15,000
Y	18,000	Stock	25,000
Z	9,000	Cash at bank	14,000
Sundry creditors	20,000		
Bills payable	8,000		
	80,000		80,000

Y died on 30.6.2019. The partnership deed stipulates among other provisions that on the death of a partner:

(i) The share of the deceased partner's capital shall be taken at the figure as per last balance sheet, to which his hare of profit be added on the basis of the proportionate average profit of the three preceding years.

(ii) Goodwill of the firm will be taken at 5 years' purchase of the average profits of the three previous years.

The entire amount payable to the deceased partner is to be transferred to the executors of Y (deceased) loan account, carrying interest at 5%. Profits for the three previous years were Rs 13,000, Rs 8,000 and Rs 12,000 respectively.

Prepare the executors of Y (deceased) loan account, and also give the balance sheet as at 1.7.2019.

[Ans: Value of goodwill Rs 55,000. Transfer to Executor's Loan A/c Rs 36,150. Balance Sheet total Rs 1,36,650 (deducting Y's share of profit up to the date of his death Rs 1,650 to Profit and Loss Suspense A/c and showing the same on the asset side). Balance of Capital A/cs: X Rs 52,500; Z Rs 20,000]

6. Ajit and Biman were partners. The partnership deed provides *inter alia*:

(i) That the accounts be balanced on 31st December each year.

(ii) That the profits be divided as follows:

Ajit one-half, Biman one-third and carried to reserve one –sixth

(iii) That in the event of death of a partner, his executor will be entitled to the following:

(a) The capital to his credit at the date of death.

(b) His proportion of profit to date of death based on the average of profits of the last three completed years.

(c) His share of goodwill based on the three years' purchase of the average profits for the three preceding completed years.

On 31st December, 2018 the trial balance was as under:

	Rs	Rs
Ajit's capital		1,80,000
Biman's capital		1,20,000
Reserve		60,000
Debtors	1,00,000	
Investments	80,000	
Cash at bank	20,000	
Creditors		40,000
Fixed assets	2,00,000	
	4,00,000	4,00,000

The profits for three years were: 2016 Rs 84,000, 2017 Rs 78,000 and 2018 Rs 90,000. Biman dies on 1st Mary, 2019

(a) Show the calculation of Biman's:

(i) Share of profits, and

(ii) Share of goodwill

(b) Draw up Biman's capital account as would appear in the firm's ledger transferring the amount to his executor's loan account.

[Ans: Biman's share of profit up to the date of death Rs 11,200 and his share of goodwill Rs 1,00,800. Transfer to Executor's Loan A/c Rs 2,56,000]

7. A, B and C were in partnership sharing profits equally. C died on 31st March, 2019. The balance sheet of the firm as at 31st December, 2018 was as under:

Liabilities	Rs	Assets	Rs
Sundry creditors	15,600	Cash in hand and at bank	4,000
General reserve	6,000	Debtors	18,000
Investment fluctuation reserve	2,100	Stock	28,000
Provision for doubtful debts	1,800	Investment (at cost)	8,000
Capital accounts:		Freehold property	30,000
A 30,000		Goodwill	13,500
B 25,000			
C 21,000	76,000		
	1,01,500		1,01,500

On the date of death, it was found that:

(1) Freehold property was worth Rs 54,000.

(2) Debtors were all good.

(3) Investments were valued at Rs 7,500 and were taken by A at that value.

(4) A liability for workmen's compensation for Rs 3,000 was to be provided for.

(5) Goodwill was to be valued at one year's purchase of the average profit of last 5 years.

(6) C's share of profit up to the date of death was to be calculated on the basis of last year's profit.

The profits of last 5 years were as under:

2014	Rs 11,000	2016	Rs 8,000	2018	Rs 12,000
2015	Rs 11,500	2017	Rs 10,000		

Prepare the capital accounts of the partners transferring the amount due to C to his executor's account.

[Ans: Amount due to C's executors Rs 31,134. Balance of Capital A/cs: A Rs 31,633; B Rs 34,133 (debiting C's share of profit up to the date of death of Profit and Loss Suspense A/c)

8. The balance sheet of P, Q and R as on 31st December, 2018 was as follows:

Liabilities	Rs	Assets	Rs
Bills payable	2,000	Cash at bank	5,800
Creditors	5,000	Bills receivable	800
General reserve	6,000	Stock	9,000
Loans	7,100	Sundry debtors	16,000
Capital accounts:		Furniture	2,000
P 22,750		Plant and machinery	6,500

Q 15,250 R 12,000	50,000	Building	30,000
	70,100		70,100

The profit-sharing ratio was 3:2:1. R died on 30th April, 2019.

The partnership deed provides that:

(a) Goodwill is to be calculated on the basis of 3 years' purchase of the preceding 5 years' average profit. The profits were: 2018 Rs 27,000; 2017 Rs 16,000, 2015 Rs 17,000, 2014 Rs 10,000, 2013 Rs 5,000

(b) The deceased partner should be given share of profits up to the date of death on the basis of profits of the previous year.

(c) The assets have been revalued as under:

Stock Rs 10,000
Debtors Rs 15,000
Furniture Rs 1,500
Plant and machinery Rs 5,000
Building Rs 35,000

A bill for Rs 600 was found worthless

(d) They also agreed that goodwill should not continue to appear in books.

(e) A sum of Rs 12,400 was paid immediately to R's executors and the balance to be paid in two equal annual instalments together with interest at 10% p.a. on the amount outstanding.

The first instalment was paid on 30th April, 2020.

Give the journal entries and show R's executors account till it is finally settled.

[Ans: R's share of goodwill Rs 7,500. Profit on revaluation Rs 2,400; R's share of profit up to the date of death Rs 1,500. Transfer to R's Executor's A/c Rs 22,400 (before immediate payment of Rs 12,400); Payment of instalments: 1st Rs 6,000 (including interest Rs 1,000), 2nd Rs 5,500 (including interest Rs 500).]

9. A, B and C were partners sharing profits and losses in the ratio of 5:3:2 respectively. On 31st December, 2016 their balance sheet stood as under:

Liabilities	Rs	Assets	Rs
Sundry creditors	55,000	Goodwill	25,000
Reserve	30,000	Buildings	1,00,000
Capital accounts:		Patents	30,000
A 1,50,000		Machinery	1,50,000
B 1,25,000		Stock	50,000
C 75,000	3,50,000	Debtors	40,000
		Cash at bank	40,000
	4,35,000		4,35,000

C died on 1st May, 2017.

It was agreed that:

(a) Goodwill be valued at 2 ½ years' purchase of the profits of last 4 years, which were: 2013 Rs 65,000; 2014 Rs 60,000; 2015 Rs 80,000; 2016 Rs 75,000

(b) Machinery be valued at 1,40,000, Patents at Rs 40,000, Buildings at Rs 1,25,000

(c) For the purpose of calculating C's share in the profits of 2017, the profits of 2017 should be taken to have been earned on the same scale as in 2016.

(d) A sum of Rs 21,000 was to be paid immediately to the executors of C and the balance to be paid in four equal half yearly instalments together with interest @ 10% p.a. The first instalment was paid on 31st October, 2017.

Give necessary journal entries to be passed on the death of C and prepare C's executors' account till the amount due is fully paid.

[Ans: Value of goodwill Rs 1,75,000. C's chare of profit up to the date of death Rs 5,000.Profit on revaluation Rs 25,000. Transfer to Executor's A/c Rs 1,21,000 (before immediately payment of Rs 21,000). Payment of instalment: 1st Rs 30,000 (interest Rs 5,000), 2nd Rs 28,750 (interest Rs 3,750), 3rd Rs 27,500 (interest Rs 2,500), 4th Rs 26,250 (interest Rs 1,250)]

10. P, Q and R were partners in a firm sharing profits and losses in the ratio of 1:2:2. Their balance sheet on 31st March, 2018 was as follows:

Liabilities	Rs	Assets	Rs
Sundry creditors	20,000	Goodwill	30,000
Bank loan	50,000	Building	1,20,000
General reserve	30,000	Computers	80,000
Capital accounts:		Stock	20,000
P	40,000	Sundry debtors	20,000
Q	80,000	Cash at bank	20,000
R	80,000	Investments	10,000
	3,00,000		3,00,000

R dies on 31st December, 2018. His account has to be settled under the following terms: Goodwill is to be calculated at two years' purchase on the basis of average of last three years' profits and losses. The profits and loess for the three years were as detailed below:

Year ended on	Profit (loss)
31.3.18	30,000
31.3.17	20,000
31.316	(10,000)

Profit for the period from 1st April, 2018 to 31st December, 2018 shall be ascertained proportionately on the basis of average profits and losses of the preceding three years.

During the year ending on 31st December, 2018 a car costing Rs 40,000 was purchased on 1st April, 2018 and debited to travelling expenses account on which depreciation is to be calculated at 20% p.a. The asset is to be brought into account at the depreciated value.

Values of other assets were agreed as follows:

Building at Rs 1,40,000; Computer at Rs 50,000; Investments at Rs 6,000; Stock at Rs 16,000; Debtors are considered good.

You are required to draw up partners' capital accounts and balance sheet of the firm as on 31st December, 2018 assuming that other items of assets and liabilities remained the same.

[Ans: Loss on revaluation Rs 18,000 (considering goodwill separately). Adjusted profit for the year 2017 – 18 Rs 62,000. Value of goodwill Rs 48,000 (of which Rs 30,000 already appears in the books). R's share of profit for the period from 1.418 to 31.12.18 Rs 7,200. Transfer to Executors of R A/c Rs 1,12,000. Balance of Capital A/cs: P Rs 52,400, Q Rs 1,04,800. Balance Sheet total Rs 3,39,200]

11. A, B and C were partners in a firm sharing profits and losses equally. Their balance sheet on 31st December, 2018 was as follows:

Liabilities	Rs	Assets	Rs
Capital accounts:		Plant and machinery	23,650
A	10,000	Furniture	4,500
B	16,000	Stock	20,000
C	14,000	Debtors	20,540
Creditors	10,000	Cash	11,310
6% Loan	30,000		
	80,000		80,000

C died on 1st January, 2019.

The following information is available:

(1) Rs 2,260 received from D as rent was credited to D's account. He has already a debit balance for other transactions.

(2) Machine purchase on 26th December, 2018 for Rs 6,000 was debited to purchase account. Erection charges of Rs 1,000 were charged to repairs account.

(3) Interest of Rs 2,408 was paid in advance. But the entire amount was charged to profit and loss account in 2018.

(4) Machinery is valued at 20% below the book value after adjustment for (2) above.
(5) Debtors are estimated to be worth 95% of book value.
(6) Goodwill account is to be raised to the extent of deceased partner's share. Goodwill is to be valued at three years' purchase of the average profit of the years 2016, 2017 and 2018.

Profits for the year 2016 and 2017 were Rs 18,000 and Rs 22,000 respectively. Profits for the year 2018 subject to the adjustments (1), (2) and (3) above was Rs 13,842. One-half of the dues to the deceased is to be met immediately by cash to be brought in by the continuing partners in their profit-sharing ratio. Balance will continue as loan with 12% interest p.a. in the name of the executors of the deceased partner.

Show the necessary accounts and balance sheet of the firm after one-half of the dues is paid on.

[Ans: Increase in profit for 2018 as a result of rectification of errors Rs 11,668. Loss on revaluation Rs 7,270.C's share of goodwill Rs 21,170.Payment to C's executor Rs 18,318. Transfer to C's executor's Loan A/c Rs 18,318. Cash brought in by A and B Rs 9,159 each. Balance of Capital A/cs: A Rs 20,325, B Rs 26,625. Balance Sheet total Rs 1,05,568]

Treatment of joint and individual life policies:

12. P, Q and R are partners in a firm. On 1st April, 2017 they took out a joint life policy for Rs 30,000 upon which an annual premium of Rs 1,200 is payable. Premium is considered as an ordinary business expense. P, Q and R share profits in the ratio of 3:2:1 respectively. On 15th March, 2019, R died and the policy money was received on 17th May, 2019. Accounts are closed on 31st December every year.
Give the journal entries for the year 2002 recording the treatment of joint life policy.

13. A and B, who share profit in the ratio 3:2, take out a joint life policy on 1st January, 2008, for Rs 8,000, the annual premium being Rs 320. The firm closed its books on 31st December every year; and the policy was shown in the balance sheet at its surrender value each year. The surrender values were as follows:

31st December;	2008	nil
	2009	Rs 240
	2010	Rs 400
	2011	Rs 580

A died on 9th July, 2012 and the policy money was received on 25th September, 2012.
Show the entries in the life policy account for the years concerned.

14. A, B and C, who shared profits in the ratio 4 : 3 : 2, took out a joint life policy for Rs 10,000 at an annual premium of Rs 480. The first premium was paid on 1st January, 2008, and subsequently on 1st January annually. The surrender values were as follows:

31st December, 2008	nil
2009	Rs 240
2010	Rs 760
2011	Rs 980

A died on 27th March, 2012 and the policy money was paid to the firm on 15th April, 2012.
The annual premia were debited to a joint life policy account as and when paid, and the balance of this account was adjusted to its surrender value yearly through the medium of life policy fund account.
Show the ledger accounts in the books of the partnership.

15. A, B and C carried on business in partnership sharing profits and losses in proportion of ½, 1/3rd and 1/6th respectively.
The 'Partnership Deed' provided that on the death of a partner, his executor will be paid as under:
(a) The amount lying to the credit of his capital account the date of death, less drawings made during the period.

(b) His share of profit till the date of his death will be taken at the sum calculated on the average of the last three completed years' profit.

(c) His share of goodwill on the basis of two years' purchase of the average of the last three years' profits.

For the past ten years they had paid annual premia of Rs 1,250 on a policy for Rs 30,000, which became due on the death of any partner. The premia had been debited to the firm's profit and loss account and no asset appeared in the balance sheet in respect the policy.

The capital accounts carry interest @ 6% p.a. The balance sheet on 31st December, 2018 showed the partners' capitals: A Rs 20,000, B Rs 15,000, C Rs 10,000
A died on 31st March, 2019 as a result of an accident. He had drawn Rs 3,500 during the period from 1st January, 2018 to 31st March, 2019. The annual profits for the last three completed years were Rs 8,000, Rs 7,600 and Rs 9,000.

Prepare A's executors' account.

[Ans: Amount due to executors of A Rs 41,025 including Rs 8,200 for goodwill, Rs 1,025 in profit, Rs 15,000 for life policy and Rs 300 for interest]

16. The following is the balance sheet of R, S and T as on 31st December, 2018. Their profit-sharing ratio is 3:2:1.

Liabilities		Rs	Assets	Rs
Capital accounts:			Fixed assets	40,000
R	16,000		Sundry debtors	32,000
S	12,000		Insurance policy on joint life of	
T	10,000	38,000	partners	6,000
Current accounts:			Stock	24,000
R	4,000		Bank	9,000
S	3,000		Cash	3,000
T	1,000	8,000		
Reserve		18,000		
Profit and loss account:				
Opening balance	6,000			
Profit for the year		20,000		
14,000		20,000		
Creditors		10,000		
Bank overdraft				
		1,14,000		1,14,000

S died on 31st March, 2019. His account has to be settled and paid. For the year 2019, proportionate profit of 2018 is to be taken into account. For 2018, a bad debts of Rs 2,000 has to be adjusted. Goodwill has to be calculated at three times of the four years' average profits. A policy is taken on the joint life of partners for Rs 35,000 and the annual premium of Rs 2,000 has to be paid on 1st February every year. The profits were for 2017 Rs 16,000, 2016 Rs 20,000 and for 2015 Rs 12,000. Goodwill account need not be kept in the account.

Calculate the amount payable to S's heirs. Show necessary ledger account of all partners and other detailed calculation.

[Ans: Value of goodwill Rs 45,000. Profit on life policy to be credited to R, s and T Rs 27,000 (i.e. Rs 35,000 sum assured less Rs 6,000 premium paid as per balance sheet less Rs 2,000 premium due on 1.02.19). S's share of profit for 201 (3 months) Rs 1,000.Amount payable to S's heirs Rs 52,000. Balance of Current A/cs: R Rs 24,250, T Rs 7,750 (making all adjustments through Current A/cs)]

17. A, B and C are partners sharing profits and losses in the ratio of 2:1:1 respectively. On 31st March, 2019, their balance sheet is as follows:

Liabilities	Rs	Assets	Rs
A's capital	1,00,000	Goodwill	30,000
B's capital	60,000	Freehold property	90,000
C's capital	40,000	Furniture	14,500
Creditors	45,000	Joint life policy	20,000
Bills payable	15,000	Stock	61,000
		Debtors	34,500
		Cash at bank	10,000
	2,60,000		2,60,000

A died on 1st April, 2019. The firm had taken a joint life policy for Rs 1,20,000, the payment for which was received by the firm. According to partnership deed, on retirement or death of a partner, the goodwill of the firm was to be valued at 1½ times of the average profit for the last four year. The profits for the last four years were Rs 64,000, Rs 69,000, Rs 72,000 and Rs 75,000 respectively. For paying the amount due to A's legal representative, B and C brought as much cash as would bring their capitals in profit-sharing ratio and the firm would have a cash balance of Rs 3,000.

Pass journal entries to record the above mentioned transactions and prepare partners' capital accounts.

[Ans: Value of goodwill Rs 1,05,000 (i.e. an increase of Rs 75,000). Payment to A's executors Rs 1,87,500. Amount brought in by: B Rs 28,750, C Rs 48,750. Balance of Capital A/cs: B and C Rs 1,32,500 each]

18. Firm ABC consists of three partners A, B and C, sharing profits and losses in the ratio of 5:3:2 respectively. The partner A dies on February 20, 2020. Profit and loss account for the period up to the date of death and balance sheet as on that date were prepared. The balance sheet as on that date was as below:

Liabilities		Rs	Assets	Rs
Capital accounts:			Goodwill	6,000
R	16,000		Machinery	35,000
S	12,000		Furniture	6,000
T	12,000	40,000	Stock	9,000
Loan from A		5,000	Debtors	15,000
General reserve		7,000	Bank	3,000
Creditors		22,000		
		74,000		74,000

In addition to the assets shown above, the firm had three life policies, one in the name of each partner, for an insured value of Rs 20,000 each, the premia for which were charged to profit and loss account.

According to the 'Partnership Deed', on death of a partner, the assets and liabilities are to be revalued by a valuer. The revalued figures were:

(1) Goodwill Rs 21,000; Machinery Rs 45,000; Debtors are subject to a provision for doubtful debts at 10% and Furniture at Rs 7,000.

(2) Provision for a disputed liability to be made for Rs 1,500.

(3) Death-claim for policy in the name of the deceased will be realised in full and the surrender values of the other two policies were Rs 7,500 each.

The business will be continued by B and C, henceforth sharing profits and losses equally. The net balance due to A is transferred to a loan account, which will be paid off later. Continuing partners decide to show goodwill in the books at its full value but not to show life policy account.

Show the revaluation account, capital accounts and the new balance sheet of the firm.

[Ans: Profit on revaluation Rs 23,000 (including goodwill). Amount due to A's executors Rs 49,500 (including A's loan). Balance sheet total Rs 1,18,500. Balance of Capital A/cs: B Rs 28,000, C Rs 17,500]

19. A, B and C carried on business in partnership sharing profits and losses in proportion of ½. 1/3 and 1/6 respectively. The 'Partnership Dee' provided that on the death of a partner his executors be paid as under:

(a) The amount lying to the credit of his capital account on the date of death, less drawing made during the period.

(b) His share of profit till the date of death be taken at the sum calculated on the average of the last three completed years' profit.

(c) A goodwill account be raised on the basis of two years' purchase of the average of profits of the last three years.

The firm had insured the partners' lives severally: A for Rs 20,000; B for Rs 15,000 and C for Rs 10,000. All premia were charged to profit and loss account.

The capital account to carry interest at 6% per annum.

A died on 31st March, 2019.

The balance sheet on 31st December, 2018 showed the capitals as under:

A Rs 40,000; B Rs 30,000; C Rs 20,000

A had drawn Rs 7,000 during the period 1st January, 2019 to 31st March, 2019.

The surrender value of the policies on 31st March, 2019 amount in each case to one-half of the sum assured.

The annual profits for the last three completed years were Rs 15,000, Rs 16,000 and Rs 18,000.

Prepare A's executor's account and pass necessary journal entries.

[Ans: Amount due to executor of A Rs 68,226 including Rs 16,333 for goodwill, Rs 2,042 for profit, Rs 600 for interest, Rs 10,000 for policy on own life and Rs 6,250 for policies on lives of B and C]

20. Kishore and Kumar were equal partners. The 'Partnership Deed' provided for interest on capital at 5%, but not on drawings, and for a valuation of goodwill, on death, at two and a half years' purchase of the average profit for the last three completed years.

An assurance policy for Rs 8,000 on their joint lives was taken out for the purpose of paying out a deceased partner, and at the date of Kishore's death on 30th November, 2019, the surrender value appearing in the balance sheet on 30th June, 2019 was Rs 2,900. The profits for the three years ended 30th June, 2019 were Rs 6,000, Rs 7,200 and Rs 5,700.

At 30thjune, 2019, Kishore's capital was Rs 2,400; his share of profit since death was Rs 1,800, and his drawings amounted to Rs 4,000.

Prepare an account showing the amount due to Kishore's estate.

[Ans: Amount due to Kishore's estate Rs 10,675 including Rs 7,875 for goodwill and Rs 2,550 for life policy]

DISSOLUTION OF FIRM:

1. Arun, Barun and Tarun are partners in a firm sharing profits and losses in the ratio of 2:2:1. Their balance sheet as at 31st December, 2018, was as follows:

Liabilities	Rs	Assets	Rs
Creditors	30,000	Cash at bank	20,000
Capital accounts:		Sundrydebtors 30,000	
Arun 50,000		Less: Bad debts	
Barun 20,000		provision 3,000	27,000
Tarun 10,000	80,000	Stock	43,000
General reserve	50,000	Furniture	20,000
		Goodwill	50,000
	1,60,000		1,60,000

The partners decided to dissolve the partnership as on that date.

The following are the amounts realised: Book debts Rs 25,000; Stock Rs 48,000; Furniture Rs 19,000.

Arun agreed to buy the firm-name and goodwill for Rs 60,000; creditors were paid Rs 27,000 in complete discharge. Expenses of realisation amounted to Rs 1,000.

Show the capital accounts, realisation account and the bank account of the firm on dissolution.

[Profit on realisation Rs 14,000. Final repayment: Arun Rs 15,600; Barun Rs 45,600; Tarun Rs 22,800]

2. A, B and C carrying on business in partnership decided to dissolve the firm on 31.12.2018 when their balance sheet was as follows:

Liabilities	Rs	Assets	Rs
Creditors	68,000	Cash at bank	50,000
Capital accounts:		Debtors	1,24,000
A	2,40,000	Stock	74,000
B	1,80,000	Tools	16,000
C	1,20,000	Motor car	24,000
		Machinery	1,20,000
		Buildings	2,00,000
	6,08,000		6,08,000

The partnership deed provided that profits will be divided in the ratio of 3:2:1 respectively among A, B and C

Assets realised as under

	Rs		Rs
Stock	80,000	Tools	10,000
Machinery	1,56,000	Motor car	50,000
Buildings	1,68,000	Goodwill	1,20,000

Debtors were realised in full subject to bad debts of Rs 6,000.
Creditors were settled at a discount of Rs 1,440. There was an unrecorded assets valued at Rs 6,000, which was handed over to A for Rs 4,000.
You are required to prepare realisation account, bank account and partners' capital accounts.

[Profit on realisation Rs 1,49,440. Final repayment: A Rs 3,10,720; B Rs 2,29,814; C Rs 1,44,906]

3. Neon and Silicon were in partnership sharing profits and losses in the ratio: Neon three-fifths, Silicon, two-fifths. The following was the summarised balance sheet of the partnership as on 31st December, 2018

Liabilities		Rs	Assets	Rs
Capital accounts:			Freehold building	62,000
Neon	83,750		Plant and machinery	26,500
Silicon	52,370	1,36,120	Motor cars	15,400
Loan:			Investments	36,000
Neon	25,000		Stock	35,300
Silicon	2,000	27,000	Debtors	37,600
Creditors		31,680		
Bank overdraft		18,000		
		2,12,800		2,12,800

It was agreed as follows:

(1) Neon and Silicon, wishing to dissolve the partnership, accepted the offer of Cobalt Ltd. to take over the stock, building, plant and machinery for Rs 1,80,000.

(2) There were two motor cars whose book values were Rs 8,000 and Rs 7,400 respectively. Neon took over the first car at a valuation of Rs 9,500 and Silicon the other at a valuation of Rs 6,500.

(3) Neon's loan, together with the accrued interest, was transferred to his capital account.
(4) Cash realised on the sale of investments amounted to Rs 32,000. The debtors realised Rs 35,700 and the creditors were settled for Rs 30,800.
(5) Costs of dissolution incurred were Rs 650.

Prepare accounts showing the result of the dissolution.

[Profit on realisation Rs 51,130. Final repayment: Neon Rs 1,31,928; Silicon Rs 66,322]

4. Ashok and Bidhan, trading in partnership and sharing profits and losses in the proportion of 2:1, agree to dissolve their partnership on 31st January, 2020, when their balance sheet is as follows:

Liabilities	Rs	Assets	Rs
Sundry creditors	22,000	Bank	2,000
Reserves	10,000	Stock	24,000
Capital accounts:		Sundry debtors	41,000
Ashok 55,000		Machinery	55,000
Bidhan 35,000	90,000		
	1,22,000		1,22,000

Bidhan takes over stock and in consideration agrees to pay off sundry creditors. Ashok takes over machinery and sundry debtors both at 10% less than their book values and also the balance. Goodwill is assessed at Rs 6,000 and Ashok is allowed to continue the business. So the entries to close the partnership books.

[Loss on realisation Rs 5,600. Final repayment by Ashok and Bidhan Rs 36,466]

5. Ram and Hari are partners in a firm. They share profits and losses in the ratio of 1:2. On 1st April, 2020, they decided to dissolve the partnership and on that date the balance sheet of the firm was as under:

Liabilities	Rs	Assets		Rs
Sundry creditors	50,000	Cash at bank		10,000
General reserve	60,000	Sundrydebtors	50,000	
Hari's loan	30,000	Less: Provision for		
Capital accounts:		Doubtful debts	2,000	48,000
Ram	1,50,000	Stock		1,02,000
Hari	1,00,000	Furniture		30,000
		Machinery and plant		80,000
		Land and buildings		1,20,000
	3,90,000			3,90,000

The sales of firm's properties realised Rs 1,00,000 from stock, Rs 34,000 from furniture and Rs 1,00,000 from land and buildings. Rs 45,000 were collected from debtors and creditors were paid off at a discount of Rs 1,000.
Machinery and plant are taken over by Ram at their book value. The expenses on realization amounted to Rs 4,000.
Pass journal entries to close the books of the firm and prepare necessary ledger account.

[Loss on realisation Rs 24,000. Final repayment: Ram Rs 82,000; Hair Rs 1,24,000]

6. What journal entries would you pass for the following transactions on the dissolution of the firm of partners X and Y who were sharing profits and losses in the ratio of 5:4?

(i) A type writer completely written off in the books of accounts was sold for Rs 1,200.
(ii) Stock Rs 18,500 already transferred to realization account was taken over by X at an agreed value of Rs 15,000.

(iii) Creditors Rs 14,000 already transferred to realization account were paid Rs 13,000 in full discharge.
(iv) Dissolution expenses Rs 800 were paid by Y.
(v) A bill receivable for Rs 9,000 under discount was dishonoured and had to be taken up by the firm.
(vi) The firm had a credit balance of Rs 10,000 in the workmen's compensation fund against which there was no liability for compensation.
(vii) The firm had a joint life policy for Rs 40,000, which was not shown in its books. The surrender value of the policy on the date of dissolution was Rs 12,000.
(viii) Profit on realization amounted to Rs 18,000.

7. A, B and C were in partnership. They decided to dissolve the firm. Their position at 31st December, 2019, was as follows:

Liabilities	Rs	Assets	Rs
Creditors	8,400	Cash in hand	475
Bills payable	1,500	Debtors	9,375
Loan from bank	9,000	Bills receivable	950
Capital accounts:		Furniture	950
A	4,500	Plant	15,900
B	3,000	Goodwill	1,000
C	2,250		
	28,650		28,650

They shared profits and losses in the proportion of 2:2:1 respectively.
Goodwill realised Rs 6,000; 10% of the book debts provided bad and the bills receivable realised only Rs 900; the plant was sold for Rs 12,000 and the office furniture was taken over by A at book value. The bills payable were met before the due date, earning a rebate of Rs 100. The bank loan was paid off including interest of Rs 300. The creditors were settles for Rs 8,000.
Show the realization account, cash account and the capital accounts of the partners.

[Profit on realisation Rs 312.50. Final repayment: A Rs 3,675; B Rs 3,125; C Rs 2,312.50]

8. A and B carried on business in partnership sharing profits 5/8th and 3/8th respectively. A retired at the close of business at 30th June, 2019, at which date the position of the firm was as follows:

Liabilities	Rs	Assets		Rs
A's capital	10,000	Land and buildings		12,000
B's capital	6,000	Investments		2,000
A's current account	200	B's current account		150
Loan on mortgage	5,000	Pre-payments		50
Accrued charges	70	Stock		6,500
Sundry creditors	3,500	Sundrydebtors	1,800	
		Less: Provision for		
		doubtful debts	35	1,765
		Bank		2,305
	24,770			24,770

B agreed to take over land and buildings at books value. He also acquired the stock for Rs 6,250, sundry debtors for Rs 1,700 and assumed liability for mortgage.

A took over the investments at book value.
Pre-payments were settled by a cash refund of Rs 30.
Creditors were paid less 2 per cent discount, and accrued charges were paid in full. B then paid into bank the required amount and the balance due to A was paid off.
You are required to submit dissolution account, cash account and capital accounts of A and B.

[Dissolution loss Rs 265. Final settlement Rs 8,034 to A and 9,199 brought by B]

9. Old, Sage and Wit sharing profits in the ratio of 3:1:1 agree upon dissolution and decide that they would taken over certain assets and liabilities and carry on business separately. The balance sheet as on 30.11.2019 is as follows:

Liabilities	Rs	Assets		Rs
Creditors	12,000	Cash		6,400
Loans	3,000	Sundry assets		34,000
Capital accounts:		Debtors	48,400	
Old	55,000	Less: Provision for		
Sage	20,000	Bad debts	2,400	46,000
Wit	14,000	Stock		15,600
		Fixtures		2,000
	1,04,000			1,04,000

It was agreed as follows:

(a) Goodwill is to be ignored.

(b) Old is to take over all fixtures at Rs 1,600 and debtors amounting to Rs 40,000 at Rs 34,000. Old also agrees to pay the creditors.

(c) Sage is to take over all the stock at Rs 14,000 and certain of the sundry assets at Rs 14,400 (being book value less 10%)

(d) Wit is to take over the remaining sundry assets at 90% of the value less Rs 100 allowance and assume responsibility for the discharge of the loan, together with accrued interest of Rs 60 which has not been recorded in the books of the firm.

The expenses of dissolution were Rs 540. The remaining debtors were sold to a debt collecting agency for 50% of the book value.

Prepare necessary accounts to close the books of the firm.

[Loss on realisation Rs 13,500. Final settlement: Rs 22,000 paid to Old; Rs 11,100 brought in by Sage and Rs 1,740 by Wit. Agreed value of sundry assets taken over by Wit Rs 16,100]

10. Dream, Fleam and Gleam are in partnership sharing profits and losses in the proportion of half, one-third and one-sixth respectively. They decide to discontinue the business and dissolve partnership on 1st October, 2019, on which date the balance sheet of the firm was as under:

Liabilities		Rs	Assets	Rs
Capital accounts:			Premises	19,230
Dream	15,000		Machinery	8,100
Fleam	9,000	24,000	Stock	6,320
Contingency reserve		7,500	Sundry debtors	11,050
Sundry creditors		12,195	Bills receivable	460
Bank loan		3,840	Cash at ban	1,435
			Capital account:	
			Glean	940
		47,535		47,535

The assets realised the following amounts:

Premises Rs 11,600; Machinery Rs 6,000; Stock Rs 7,000; Debtors Rs 8,500; Bills receivable Rs 460. The goodwill was sold for Rs 3,000.

Discount amounting to Rs 300 were allowed by creditors while paying their claims. The expenses of realization amounted o Rs 400.

During the course of dissolution, a liability under an action for damages was settled at Rs 9,000 against Rs 7,500 contingently provided in the books of the firm.

Prepare necessary accounts to close the books of the firm.

[Loss on realisation Rs 10,200. Final repayment: Dream Rs 9,900; Fleam Rs 5,600; Glean to bring in Rs 2,640]

11. P, Q and R are partners sharing profits and losses equally. On 31st March, 2020, their balance sheet stood as follows:

Liabilities	Rs	Assets	Rs
Bills payable	16,000	Cash at bank	15,000
Creditors	1,19,000	Debtors	1,25,000
Loan from Q	25,000	Stock	2,90,000
General reserve	30,000	Furniture	40,000
P's current account	15,000	Machinery	1,20,000
Q's current account	15,000	R's current account	30,000
P's capital account	2,00,000		
Q's capital account	1,00,000		
R's capital account	1,00,000		
	6,20,000		6,20,000

The firm was dissolved on the above mentioned date. P agreed to pay creditors at par. Q took over the entire furniture for Rs 36,000. The remaining assets were sold for Rs 5,53,000. Bills payable were retired for a discount of Rs 100 received for payment before the due dates of maturity. Expenses on dissolution amounted to Rs 1,200.

Prepare important ledger accounts and cash book.

[Profit on realisation Rs 12,900. Final repayment towards capital: P Rs 3,48,300; Q Rs 93,300; R Rs 84,300]

12. The following is the balance sheet of A and B as on 30th June, 2019:

Liabilities	Rs	Assets		Rs
Sundry creditors	40,000	Goodwill		20,000
Bills payable	40,000	Building		50,000
Bank overdraft	20,000	Plant and machinery		50,000
Mrs. A's loan	40,000	Investments		30,600
B's loan	20,000	Stock		17,400
Investment fluctuation reserve	5,600	Debtors	34,000	
Employees' provident fund	2,400	Less: Provision for		
General reserve	4,000	Bad debts	4,000	30,000
A's capital	40,000	Bills receivable		20,000
B's capital	40,000	Cash at bank		26,000
		Profit and loss account		8,000
	2,52,000			2,52,000

The firm was dissolved on 30th June, 2019 and the following arrangements were agreed upon:

(i) A agreed to pay off his wife's loan.
(ii) Debtors realised Rs 24,000.
(iii) B took over all investments at Rs 24,000.
(iv) Other assets realised as follows:

	Rs
Plant and machinery	40,000
Buildings	1,00,000
Goodwill	12,000

(v) Sundry creditors and bills payable were settled at 5% discount.
(vi) A accepted stock at Rs 16,000 and B took over bills receivable at 20% discount.
(vii) Realisation expenses amounted to Rs 4,000.

Prepare realisation account, partners' capital account and bank account.

[Profit on realisation Rs 19,600. Final repayment: A Rs 71,800; B Rs 27,800]

13. The following is the balance sheet of A and B as on 31st December, 2019

Liabilities	Rs	Assets	Rs
Sundry creditors	25,000	Cash in hand	2,000
Bills payable	10,000	Cash at bank	10,000
Mrs. B's loan	5,000	Stock-in-trade	25,000
Reserve	8,000	Debtors 22,000	
Capital accounts:		Less: Provision for	
A 10,000		Baddebts 2,000	20,000
B 30,000	40,000	Plant and machinery	15,000
		Land and buildings	16,000
	88,000		88,000

The firm was dissolved on 31st December, 2019.

The following transactions took place:

(i) B undertook t pay Mrs. B's loan and took over 50% of the stock at a discount of 20%.

(ii) Debtors realised Rs 18,000. Balance of the stock was sold at a profit of 30% on cost.

(iii) Sundry creditors were paid out at a discount of 10%. Bills payable were paid in full.

(iv) Plant and machinery realised Rs 25,000, land and buildings Rs 40,000.

B took over the goodwill of the firm at a valuation of Rs 10,000. Realisation expenses were Rs 1,750.

Prepare realisation account, partners' capital account and bank account.

[Profit on realisation Rs 44,000. Final repayment: A Rs 36,000; B Rs 41,000]

14. The following is the balance sheet of Biraj and Rajen as on 31st December, 2019:

Liabilities	Rs	Assets	Rs
Sundry creditors	60,000	Cash in hand	1,000
Bills payable	16,000	Cash at bank	16,000
Mrs. Biraj's loan	8,000	Stock-in-trade	10,000
Mrs. Rajen's loan	22,000	investments	20,000
Reserve fund	20,000	Debtors 40,000	
Investment fluctuation reserve	2,000	Less:Provision 4,000	36,000
Biraj's capital	20,000	Plant and machinery	40,000
Rajen's capital	20,000	Buildings	30,000
		Goodwill	8,000
		Profit and loss account	7,000
	1,68,000		1,68,000

The firm was dissolved on 31st December, 2019 and the following arrangements were agreed upon:

(i) Biraj took over stock-in-trade and in consideration promised to pay off Mrs. Biraj's loan.

(ii) Rajen took over half the investments at 10% discount.

(iii) Debtors realised Rs 38,000.

(iv) Creditors and bills payable were due, on an average basis, one month after 31st December, but they were paid immediately on 31st December, 2019, at 6% discount per annum.

(v) Plant realised Rs 50,000; buildings Rs 80,000; goodwill Rs 120,000 and remaining investments Rs 9,000.

(vi) There was an old typewriter in the firm which had been written off completely form the books. It is estimated to realise Rs 600. It was taken over by Rajen at this price.

(vii) Realisation expenses were Rs 2,000.

Prepare realisation account, capital accounts of partners and bank account to give effect to the dissolution.

[Profit on realisation Rs 62,980. Final repayment: Biraj Rs 57,990; Rajen Rs 48,390]

15. Ram, Rahim and Antony were in partnership sharing profits and losses in the ratio of ½, 1/3rd and 1/6th respectively. They decided to dissolve the partnership on 31.3.20, when the balance sheet of the firm appeared as under:

Liabilities		Rs	Assets	Rs
Sundry creditors		5,67,000	Goodwill	4,56,300
Bank overdraft		6,06,450	Plant and machinery	6,07,500
Joint life policy reserve		2,65,500	Furniture	64,650
Loan from Mrs. Ram		1,50,000	Stock	2,36,700
Capital accounts:			Sundry debtors	5,34,000
A	4,20,000		Joint life policy	2,65,500
B	2,25,000		Commission receivable	1,40,550
C	1,20,000	7,65,000	Cash in hand	48,750
		23,53,950		23,53,950

The following details are relevant for dissolution:

(i) The joint life policy was surrendered for Rs 2,32,500.
(ii) Ram took over goodwill and plant and machinery for Rs 9,00,000.
(iii) Ram also agreed to discharge bank overdraft and loan from Mrs. Ram.
(iv) Furniture and stock were divided equally between Ram and Rahim at an agreed valuation of Rs 3,60,000.
(v) Sundry debtors were assigned to firm's creditors in full satisfaction of their claim.
(vi) Commission receivable was received in time.
(vii) A bill discounted was subsequently returned dishonoured and proved valueless Rs 30,750 (including Rs 500 noting charges)
(viii) Ram paid the expenses of dissolution amounting to Rs 18,000.
(ix) Antony agreed to received Rs 1,50,000 in full satisfaction of his rights, title and interest in the firm.
You are required to show the accounts relating to closing of books on dissolution of the firm.

[Loss on realisation Rs 1,53,900 of which Rs 14,250 will be borne by Antony so as to make his claim equal to Rs 1,50,000. The balcnce of Rs (1,53,900 – 14,250) or Rs 1,39,650 will be borne by Ram and Rahim in the ratio fo 3:2. Final repayment: Ram Rs 1,63,410; Rahim Rs 77,640; Antony Rs 1,50,000]

16. Ankur, Bankim and Chandan are partners in a firm sharing profits and losses in proportion to their capitals which on 30th June stood at Rs 6,000, Rs 4,000 and Rs 2,000 respectively. The firm's liabilities on that date amounted to Rs 6,000. In addition, Chandan had loaned Rs 1,200 to the firm. They dissolved the partnership on 30th June. Expenses on dissolution amounted to Rs 1,200 and the assets realised Rs 28,800.

Prepare the account to close the books of the firm.

[Book value of assets on the date of dissolution Rs 19,200.Profit on realisation Rs 8,400. Final repayment towards capital: Ankur Rs 10,200; Bankim Rs 6,800; Chandan Rs 3,400]

17. Owl and Quail agreed to dissolve partnership at 31st December, 2019, when their position was as follows:

	Rs		Rs
Owl's capital	36,000	Owl's loan to firm	12,000
Quail's capital	27,000	Quail's loan to firm	9,000
Sundry creditors	22,500	Cash at bank	1,5000

The assets (other than cash at bank) realised Rs 1,17,000 and the costs of realisation were Rs 2,100. No formal agreements had even existed between the partners.

You are required to prepare the accounts required to close the books of the partnership.

[Book value of assets (other than cash at bank) on the date of dissolution Rs 1,05,000. Profit on realisation Rs 9,900. Final repayment towards capital: Owl Rs 40,950; Quail Rs 31,950]

18. A and B were partners from 1.1.2016 with capitals of Rs 1,20,000 and Rs 80,000 respectively. They shared profits in the ratio of 3:2. They carried on business for two years. In the first year ending 31.12.2016 they made a profit of Rs 1,00,000 but in the second year ending 31.12.2017, a loss of Rs 40,000 was incurred. As the business was no longer profitable, they dissolved the firm on 31.12.2017. Creditors on that date were Rs 40,000. The partners withdrew for personal use Rs 16,000 each per year. The assets realised Rs 2,00,000. The expenses on realisation were Rs 6,000.

Prepare realisation account, partners' capital account and cash account.

[Book value of assets on the date of dissolution Rs 2,36,000. Loss on realisation Rs 42,000. Final repayment: ARs 98,800; B Rs 55,200]

19. Vijay, Somani and Panesar were partners sharing profits and losses in the proportion of 4:3:3 respectively. Their respective capitals on 1st January, 2017 were Rs 60,000, Rs 48,000 and Rs 36,000. Under agreement, capital of the partners carried interest at 5% per annum. During the year 2017 and 2018 the profits before allowing interest on capital were Rs 24,000 and Rs 30,000 respectively. Each partner's drawings were Rs 3,000 per year.

On 31st December, 2018, when the creditors were 20% of the total assets, the firm was dissolved and creditors were paid out Rs 40,000 in full satisfaction. The assets realised Rs 1,56,000.

Show the realisation account and partners' capital account and cash account to close the books of the firm.

[Book value of assets on the date of dissolution Rs 2,25,000, Creditors Rs 45,000. Loss on realisation Rs 64,000. Final repayment: Vijay Rs 50,240; Somani Rs 39,480; Panesar Rs 26,280]

20. A, B and C were partners sharing profits and losses in the ratio of 3:2:1 respectively. On 31.12.2019, their balance sheet stood as follows:

Liabilities		Rs	Assets		Rs
Sundry creditors		46,200	Cash at bank		10,500
Bills payable		10,800	Stock		59,400
A's loan		57,000	Debtors	57,000	
Capital accounts:			Less: Provision	3,000	54,000
A	60,000		Plant and machinery		1,31,100
B	12,000				
C	60,000	1,32,000			
Reserve		9,000			
		2,55,000			2,55,000

There was a joint life insurance policy for Rs 60,000. The firm was dissolved on 1.1.20. The policy was surrendered for Rs 15,000 and goodwill was sold for Rs 12,000. Stock realised Rs 45,000 and debtors realised only 60% of the book value. Machinery was sold for Rs 90,000. Liabilities were paid in full. In addition, a bill for Rs 6,000 under discount was dishonoured and had to be taken up by the firm. The expenses on realisation amounted to Rs 2,400.

You are required to prepare the necessary ledger accounts closing the books of the firm.

[Loss on realisation Rs 56,700. Final settlement: B to bring Rs 3,900; A and C to be paid Rs 36,150 and Rs 52,050 respectively]

21. Yesterday, Today and Tomorrow were partners in a firm sharing profits and losses in the ratio of 3:2:1. They decided to dissolve their firm with effect from December 31, 2019, the balance sheet on which date was as follows:

Liabilities	Rs	Assets	Rs
Creditors	25,000	Machinery	45,000
Loan on mortgage	20,000	Stock	20,000
Joint life policy reserve	12,000	Debtors 30,000	
Capital accounts:		Less: Provision 1,500	28,500
Yesterday 45,000		Joint life policy	15,000
Today 30,000		Patents	20,000
Tomorrow 15,000	90,000	Cash at bank	18,500
	1,47,000		1,47,000

Additional information in connection with the dissolution was as follows:

(a) Joint life policy was surrendered and insurance company paid a sum of Rs 18,000.

(b) Today took some of the patents at Rs 3,500 whose book value was Rs 5,000.

(c) The remaining assets realised as follows:
Machinery Rs 30,000; Stock Rs 15,500; Debtors Rs 25,500; Patents 50% of the book value.

(d) Liabilities were paid and discount of Rs 1,250 was allowed by the creditors.

(e) Expenses of dissolution amounted to Rs 1,500.

Prepare necessary ledger account to close the books of the firm.

[Loss on realisation Rs 28,750. Final repayment: Yesterday Rs 36,625; Today Rs 20,917; Tomorrow Rs 12,208]

22. A, B and C are partners in a firm sharing profits and losses in the ratio of 5:3:2. They agreed to dissolve the firm as on 31st March, 2020 on which date their balance sheet was as under:

Liabilities	Rs	Assets	Rs
Capital accounts:		Goodwill	3,000
A 10,000		Furniture	10,000
C 70,000	80,000	Joint life policy	
Reserve fund	10,000	(at surrender value)	20,000
Joint life policy fund	20,000	Sundry debtors	40,000
Sundry creditors	18,000	Stock	22,000
Outstanding rent	2,000	Cash at bank	30,000
		Current account:	
		B	5,000
	1,30,000		1,30,000

Furniture and stock were taken over by A at an agreed valuation of Rs 12,000 and Rs 15,000 respectively. Joint life policy was surrendered and sundry debtors were realised in full after allowing a discount of 20%. Sundry creditors were taken over by B who agreed to settle account with them at Rs 17,000. The realisation expenses amounted to Rs 1,000.
You are required to prepare ledger accounts in the books of the firm.

[Loss on realisation Rs 16,000. Final settlement: A bringsin Rs 10,000; B and C to be paid Rs 16,200 and Rs 72,800 respectively]

23. A, B and C sharing profits in the ratio of 2:2:1, agreed upon dissolution of their partnership on 31st December, 2019, on which date their balance sheet was as under:

Liabilities	Rs	Assets	Rs
Capital accounts:		Fixed assets	50,000
A 40,000		Life policy	
B 30,000	70,000	(at surrender value)	10,000
Reserve fund	10,000	Debtors 10,000	

Joint life policy reserve	10,000	Less: Provision 500	9,500
Creditors 19,000		Stock at invoice price 10,000	
Less: Provision for		Less: Price unloading 2,000	8,000
discount 500	18,500	Investments 8,000	
Salary outstanding	2,000	Less:fluctuation fund 500	7,500
		Current account:	
		C	2,000
		Bank	23,500
	1,10,500		1,10,500

Investments were taken over by A at Rs 6,000; creditors of Rs 10,000 were taken over by who has agreed to settle account with them at Rs 9,900. Remaining creditors were paid at Rs 7,500. Joint life policy was surrendered and fixed assets realised Rs 70,000. Stock and debtors realised Rs 7,000 and Rs 9,000 respectively. One customer, whose account was written off as bad, now paid Rs 800 which is not included in Rs 9,000 above. There was an unrecorded asset of Rs 3,000, half of which was handed over to settle half of an unrecorded liability of Rs 5,000 and the balance of unrecorded liability was paid in cash. The remaining half of unrecorded asset was sold in the market which realised Rs 1,300.

B took over the responsibility of completing dissolution and he is granted salary of Rs 400 p.a. Realisation expenses amounted to Rs 1,100. Dissolution was completed and final payments were made on 30th June, 2020.

You are required to prepare necessary ledger accounts in the books of the firm.

[Profit on realisation Rs 15,000. Final repayment: A Rs 48,000; B Rs 55,500; C Rs 5,000]

24. A, B and C are in three chartered accountants practicing in partnership in Kolkata. They share profits and losses in the proportion of ½, 1/3rd and 1/6th respectively. The partnership is dissolved on 30th June, 2019, as A retires from practice. The balance sheet is as follows:

Balance Sheet as at 30th June, 2019

Liabilities	Rs	Assets	Rs
Capital accounts:		Goodwill	10,500
A 15,000		Furniture	5,600
B 10,000		Debtors	26,300
C 5,000	30,000	Books	2,500
Fees received in advance	4,000	Cash at bank	3,600
Liabilities	7,500		
Profit and loss account	7,000		
	48,500		48,500

Each partner is to be credited with a year's interest at 6 per cent on his capital. B takes over furniture and liabilities. C takes over debtors and books. The amount of fees received in advance is returned to the clients after adjustment of the sum of Rs 1,000 for work partly done. Each partner takes one-third of the cash balance.

Show the realisation account, cash account and the capital accounts of the partners.

[Loss on realisation Rs 10,500. Final settlement: C pays Rs 24,417; A and Breceive Rs 13,550 and Rs 10,867 respectively]

25. Roy, Sen and Guha sharing profits and losses as 3:2:1, decided to dissolve their partnership on December 31, 2019, on which date their balance sheet was as under:

Liabilities	Rs	Assets	Rs
Capital accounts:		Plant and machinery	30,300
Roy 30,000		Investments	14,700
Sen 15,000	45,000	Stock-in-trade	5,800
Mrs. Roy's loan	7,500	Joint life policy	10,000
Life policy fund	10,000	Debtors 7,000	

Investment fluctuation fund	4,500	Less: Provision 400	6,600
Sundry creditors	13,800	Cash at bank	4,900
		Capital account:	
		Guha	8,500
	80,800		80,800

The joint life policy is surrendered for Rs 8,000. The investments are taken over by Roy for Rs 11,500. Roy agrees to discharge his wife's loan. Sen takes over all the stock for Rs 5,000 and debtors amounting to Rs 4,000 at Rs 3,000. Plant and machinery are sold for Rs 40,000. The remaining debtors realise 50 per cent of the book value. The expenses of realisation amount to Rs 500. It is found that an investment not recorded in the books, is worth Rs 2,500. The same is taken over by one of the creditors at this value.

Prepare the final accounts of the partners, closing the books of the firm and show the result of the dissolution.

[Profit on realisation Rs 8,100. Final repayment: Roy Rs 35,050; Sen Rs 13,033;Guha to bring in Rs5,483]

26. Anand, Besant and Srikant were in partnership sharing profits and losses in the ratio of 5:3:2. The following was their balance sheet as on 31st December, 2019:

Liabilities	Rs	Assets	Rs
Capital accounts:		Buildings	20,000
Anand	15,000	Plant and machinery	14,000
Besant	12,000	Furniture	4,000
Srikant	10,000	Motor vehicle	8,000
Loan: Besant 5,000		Investments	5,000
Interest to 31.12.19 500	5,500	Debtors 7,000	
General reserve	5,000	Less: Provision 1,500	5,500
Investment fluctuation fund	1,000	Stock-in-trade	6,000
Sundry creditors	8,000	Profit and loss account	4,000
Bank overdraft	10,000		
	66,500		66,500

The partnership was dissolved on 31st December, 2019, on the following terms:

(1) Srikant was allowed to use the firm-name in the business to be started by him and, for this, he paid into the partnership Rs 4,000 which is to be divided between Anand and Besant.

(2) He also took over assets at the following valuations:
- (i) Stock-in-trade Rs 5,000
- (ii) Furniture Rs 2,500
- (iii) Part of plant and machinery Rs 7,000

(3) Anand took over the motor car at a valuation of Rs 3,000.

(4) Besant took over the investments at 10% discount.

(5) Net receipts from the same of the buildings amount to Rs 35,000.

(6) The debtors realised Rs 6,000 and the remaining assets were sold by action, the net receipts being Rs 7,000.

(7) The creditors were paid and a contingent liability, not brought into accounts, was settled for Rs 1,500.

(8) Certain assets, not brought into accounts, were distributed among the partners at the following valuations: Anand Rs 800, Besant Rs 500, Srikant Rs 400
Show the ledger accounts closing the books of the firm, assuming that the expenses of realisation amounted to Rs 300.

[Profit on realisation Rs 8,400. Final repayment: Anand Rs 18,400; Besant Rs 11,320 (over and above Rs 5,500 for loan and interest);Srikant to bring in Rs3,020]

27. Shame and Fame are in partnership sharing profits and losses in equal proportion. On 30.9.19, they sold their business to Splender Ltd. The balance sheet as drawn up on 30.9.19 stood as under:

Liabilities		Rs	Assets	Rs
Creditors		49,000	Sundry assets	1,63,500
Capital:			Cash in hand	4,700
Shame	7,800			
Fame	50,400	98,200		
Loan from Shame		21,000		
		1,68,200		1,68,200

The buyers Splender Ltd. agree as follows:

(a) To pay Rs 1,59,200 for sundry assets and Rs 30,000 for goodwill.

(b) To deposit Rs 50,000 immediately to enable payments to creditors, and the balance on completion of all formalities on 31.12.19. They agree to pay interest at 5% p.a. on the balance of purchase price.

Shame and Fame are to be allowed interest at 5% p.a. on their above capitals. Shame's loan account is to be credited with interest at 4% p.a.

Show necessary ledger accounts to close the books of the vendors. (Ignore fraction).

[Profit on realisation Rs 25,700. Final repayment: Shame Rs 21,210 for loan and Rs 61,399 for capital; Fame Rs 64,031 for capital]

28. A, B and C are partners in a firm sharing profits and losses as 3:2:1. They decide to dissolve the firm and appoint B to realise the assets and pay liabilities. B is to receive 5% of the amount coming to A and C as his remuneration and is to bear all expenses of realisation.

The following is the balance sheet prepared by the firm as on the date of dissolution:

Liabilities	Rs	Assets		Rs
Creditors	12,000	Cash		4,000
A's capital	40,000	Debtors	42,000	
B's capital	30,000	Less: provision	2,000	40,000
		Stock-in-trade		18,000
		Other assets		17,000
		C's capital		3,000
	82,000			82,000

B realises as follows:

Debtors Rs 34,000; Stock Rs 14,000; Goodwill Rs 1,500; Other assets Rs 7,900.

It was found that the creditors amounting to Rs 1,000 were omitted from balance sheet. The creditors are paid at book value less 5%.

The expenses of realisation amount to Rs 1,200.

You are asked to prepare necessary accounts to close the books of the firm.

[Loss on realisation Rs 17,950. Final repayment: A Rs 29,548; B Rs 25,494;C to bring in Rs5,992]

29. Raj and Joy were in partnership sharing profits in the ratio of 3:2. The balance sheet of the firm on December 31, 2018 was as follows:

Liabilities	Rs	Assets	Rs
Capital accounts:		Fixed assets	32,500
Raj	25,430	Current assets	24,070
Joy	18,790		
Creditors	12,350		
	56,570		56,570

On December 31, 2019, current assets amounted to Rs 30,740 and creditors were Rs 10,940. Each partner drew Rs 2,400 in 2019. There had been no capital expenditure during the year.

On 1st January, 2020, Raj and Joy agreed to wind up their business and they ceased to trade on that day. During January, 2020 they sold the plant for Rs 30,800 and current assets (other than cash) at their book value and the creditors were paid off in full.

On January 31, 2020, the partners withdrew the amount due to them.

You are required to show:

(a) Calculation of the profit for 2019.

(b) Realisation account, cash account and partners' capital accounts to record the dissolution.

Note: Ignore depreciation.

[Profit for the year Rs 12,880.Loss on realisation Rs 1,700. Final repayment: Raj Rs 29,738; Joy Rs 20,862]

UNIT – IV

1. What do you mean by Financial Lease? Distinguish between Financial Lease and Operating Lease.
2. What do you mean by Hire Purchase System? Distinguish between Hire Purchase and Instalment Purchase System.
3. What is Hire Purchase System? Give the accounting entries in the books of the Hire Purchaser recording the hire purchase.
4. What do you mean by Branch Accounting? Distinguish between Branch Accounting and Departmental Accounting.
5. What are the characteristics of Dependent Branches?
6. What is an Independent Branch? Give the journal entries in the books of Head Office and Branch recording the transactions taking place between the Branch and Head Office.
7. What do you mean by incorporation of branch Trial Balance in the Books of Head Office? Give the journal entries recording the incorporation of Branch Trial Balance in the books of Head Office.
8. What is Departmental Accounting? Discuss the objectives and benefits of preparing the departmental accounts.

Practical Problems:

BRANCH ACCOUNTING

1. G. P. Shah & Co. Kolkata, opened a new branch at Bangalore on 1st January, 2018. The following information is available in respect of the branch for the year 2018:

		Rs
Goods sent to branch		80,000
Cash sales at branch		55,000
Credit sales at branch		60,000
Salaries of branch staff paid by head office		20,000
Office expenses of the branch paid by head office		10,000
Cash remittances to branch towards petty cash		7,000
Petty cash at branch on 31.12.18		600
Debtors at branch on 31.12.18	6,000	
Stock at branch on 31.12.18		24,000

Prepare branch account to show the profit/loss from the branch for the year 2018.

[Ans: Branch Profit Rs 26,600]

2. BS Ltd. of Kolkata has a branch at Asansol. The branch does not maintain account books and all the collections at branch are remitted to head office. The head office reimburses the expenses at the branch.

From the following information for the year ended 31.12.18, prepare branch account in the books of BS Ltd.

		Rs
Goods sent to branch		1,30,000
Good returned to head office		5,000
Sales at branch		1,60,000
Cash remitted by the branch		
Cash remitted to branch for reimbursement of expenses:		
Salaries		10,000
Rent		5,000
Electricity		2,000
Other expenses		3,000
Other particulars:	***1.1.18 (Rs)***	***31.12.2018 (Rs)***
Stock	8,000	9,000
Debtors	12,000	20,000
Cash	1,500	1,500

[Ans: Branch Profit Rs 16,000]

3. Joy & Co. Kolkata has a branch at Guwahati for sale of goods. For the year ending 31st March, 2019, the following particulars are furnished:

	Rs
Goods sent to branch	1,42,000
Goods returned by branch	4,000
Cash sales	79,000
Credit sales	2,02,000
Cash received from debtors	1,89,500
Branch expenses paid by the head office:	
Rent	10,000
Salaries	30,000
Cash sent by head office to branch for petty cash	5,000

Other details:

	1st April, 2018 Rs	***31st March, 2019 Rs***
Petty cash at branch	100	150
Branch debtors	23,500	?
Branch stock	44,500	27,000

All cash collections are remitted to the head office.
Show the Guwahati branch account in the head office books and slso the branch trading and profit and loss account for the year.

[Ans: Branch Profit Rs 80,550. Gross profit as per Trading A/c Rs 1,25,500]

4. A Ltd. with its head office Kolkata has a branch at Delhi. You are given the following particulars relating to Delhi branch for the year ended 30th June, 2019:

	Rs
Stock at branch on 1st July, 2018	15,700
Goods sent to branch during the year	45,600
Total sales at branch (including Rs 19,700 for cash sales)	73,300
Cash received from debtors	52,200
Branch debtors on 1st July, 2018	16,900
Petty cash at branch on 1st July, 2018	110
Cash sent to branch for expenses:	3,900
Salaries	12,800
Petty cash	2,600
Rent	3,000
Stock at branch on 30th June, 2019	18,800

Petty cash at branch on 30th June, 2019	90

Prepare Delhi branch account, a branch trading account and a profit and loss account in the books of head office.

[Ans: Branch Profit Rs 16,280. Gross profit as per Trading A/c Rs 34,700]

5. Sri B. Banik of Kolkata has branch at Mumbai. Goods are supplied to the branch at cost. The expenses of the branch are paid from Kolkata and the branch keeps a sales journal and debtors' ledger only.
From the following information supplied by the branch, prepare a branch account and a branch debtors account in the books of head office:

	Rs
Opening stock (1st April, 2018)	24,000
Closing stock (31st March, 2019)	18,000
Credit sales	41,000
Cash sales	17,500
Receipt from debtors	37,900
Sundry debtors on 31st March, 2019	9,160
Goods received from head office	30,000
Goods-in-transit from head office on 31st March, 2019	3,600
Expenses paid by the head office for the branch	10,400

[Ans: Branch Profit Rs 12,100. Debtors (opening) Rs 6,060]

6. From the following particulars, prepare a branch account in the books of head office assuming that all sales at branch are on cash basis:

	Rs
Opening stock at branch	45,000
Goods sent to branch	1,35,000
Expenses:	
Salaries	15,000
Other expenses	6,000
Sales	1,80,000

Closing stock could not be ascertained, but it is known that the branch usually sells at cost plus 20%. The branch manager is entitled to a commission of 5% on the profit on the branch before charging such commission.

[Ans: Branch Profit Rs 8,550. Manager's commission Rs 450]

7. The following information and particulars relate to New Delhi branch for the year 2018 – 19:

	31st March, 2018 Rs	***31st March, 2019 Rs***
Stock	50,000	75,000
Debtors	70,000	95,000
Petty cash	250	120

Goods costing Rs 5,50,000 were sold by the branch @ 25% profit on cost. Cash sales amount to Rs 1,50,000 and rest were credit sales.
Branch spend Rs 30,000 for salaries, Rs 12,000 for rent and Rs 8,000 for petty expenses. (All expenses are remitted by head office)
Branch receives all goods from head office.
You are required to show the New Delhi branch account in the books of head office for the year 2018 – 19 and prove you answer by preparing a branch trading and profit and loss account.

[Ans: Branch Profit Rs 87,500. Gross profit as per Trading A/c Rs 1,37,500]

8. Mukherjee Bros. had a small branch at Midnapore. You are required to prepare Midnapore branch account in the books of Mukherjee Bros. for calculating profit made

at Midnapore branch. Transactions during the year ending 31st March, 2019 were as follows:

	Rs
Stock at cost on 1.4.18	8,000
Furniture on 1.4.18	4,000
Goods sent to branch at cost	1,20,000
Cash sales made by branch	1,80,000
Furniture purchased by branch on permission from head office	2,400
Stock at the end with branch	7,000
Expenses paid by head office	10,600

It was required to write off furniture at 10% p.a. No depreciation is provided on additions made during the year.

[Ans: Branch Profit Rs 48,000]

9. A company with its head office at Mumbai has branch at Kolkata. The branch receives all goods from head office, who also remits cash for all expenses. Sales are by the branch on credit as well as for cash.
Total sales by the branch for the year ended 31st March, 2019 amounted to Rs 5,60,000 out of which 20% is cash sales.

The following further information is relevant:

	1st April, 2018 Rs	***31st March, 2019 Rs***
Stock – in – trade	25,000	36,000
Debtors	60,000	48,000
Petty cash	120	180

Expenses actually incurred by the branch during the year were:

	Rs
Salaries	36,000
Rent	12,000
Petty expenses	5,600

All sales are made by the branch at cost plus 25%.
You are required to prepare the Kolkata branch account in the books of head office for the year ended 31st March, 2019.

[Ans: Branch Profit Rs 58,400. Goods sent to branch Rs 4,59,000. Collection from debtors Rs 48,000. Remittance for petty cash Rs 5,680]

Synthetic method and normal/abnormal loss of goods

10. From the following detail regarding West Coast Branch of Bombay Trading Co., prepare a branch account and a branch debtors account in respect of the year 2018:

	Rs
Stock on 1st January, 2018	12,000
Stock on 31st December, 2018	9,600
Debtors on 1st January, 2018	10,000
Debtors on 31st December, 2018	11,500
Goods sent to branch during 2018	42,000
Cash sales	25,800
Credit sales	36,000
Returns to head office	4,800
Bad debts	600
Discount allowed to customers	310
Returns from customers	3,000
Expenses paid by head office:	

Salaries and wages	8,400
Rent (from 1.1.18 to 31.3.19)	5,250
Sundry expenses	3,600
Normal loss of goods due to wastage	800
Abnormal loss of goods due to pilferage	2,200

[Ans: Branch Profit Rs 2,090. Collection from debtors Rs 30,590.]

11. From the following details relating to Baroda branch for the year ending 31st March, 2019, prepare the branch account in the head office books showing your workings clearly. All the collections at branch are remitted to head office:

			Rs
Stock on 1.4.18			25,000
Debtors on 1.4.18			10,000
Furniture on 1.4.18			6,000
Petty cash on 1.4.18			1,000
Insurance prepaid on 1.4.18			300
Salaries outstanding on 1.4.18			4,000
Goods sent to branch during 2018 – 19			2,00,000
Cash sales during the year			2,70,000
Total sales			3,50,000
Cash received from debtors by branch			65,000
Cash received from debtors direct by head office			5,000
Goods returned by branch			2,000
Goods returned by debtors			1,000
Cash sent to branch for expenses:			
	Rent (@ Rs 800 p.m.)	9,600	
	Salaries (@ Rs 4,000 p.m.)	48,000	
	Petty cash	2,000	
	Insurance (for 1 year up to June, 2019)	1,200	60,800
Petty cash expenses			2,200
Discount allowed to debtors			500
Stock on 31.3.19			15,000

Depreciation on furniture @ 10% p.a.

Goods costing Rs 2,500 were damaged in transit and a sum of Rs 2,000 was recovered from the insurance company in full settlement of the claim.

[Ans: Branch Profit Rs 80,900. Closing balance of debtors Rs 18,500. Petty cash Rs 800]

Goods charge to branch at cost plus a percentage (or at selling price) synthetic method

12. A business firm opened a branch at Nagpur on 1st April, 2018. The goods are sent by the head office to the branch at cost plus 25%. The following are the particulars of the transactions relating to the branch for the accounting year ended 31st March, 2019:

			Rs
Goods sent to branch at invoice price			1,42,000
Sales:	Cash	1,25,000	4,000
	Credit	1,75,000	79,000
Cash collected from branch debtors			2,02,000
Discount allowed			1,89,500
Stock on 31.3.19, at invoice price			
Cash sent to branch for:			10,000
	Wages	3,000	30,000
	Freight	11,000	5,000
	Other expenses	6,000	
Spoiled goods written off, at invoice price			

Prepare branch account showing profit earned or loss incurred during the year ended 31st March, 2019. Also show memorandum branch debtors account, ascertaining closing balance of branch debtors.

[Ans: Branch Profit Rs 39,600. Debtors on 31.3.19 Rs 15,000.]

13. ESS Ltd. opened a branch at Jaipur on 1st January, 2018. Goods are sent to the branch at cost plus $33^1/_3$%. Prepare Jaipur branch account for the year ended 31st December, 2018 and 31st December, 2019 respectively in the books of head office:

	2018 Rs	2019 Rs
Goods sent to Jaipur branch at invoice price	4,50,000	7,00,000
Sales at branch:		
Cash sales	1,50,000	3,04,000
Credit sales	1,96,000	4,10,000
Cash received from debtors	1,54,000	3,23,000
Discount allowed to customers	2,000	5,000
Cash sent to branch for expenses (including petty cash)	60,000	1,00,000
Goods returned by branch to the head office (invoice price)	15,000	-----
Stock on 31st December at invoice price	84,000	69,000
Petty cash at branch on 31st December	900	700

[Ans: Branch Profit: 2018 Rs 21,650; 2019 Rs 72,500. Branch debtors 31.12.18 Rs 40,000; 31.12.19 Rs1,22,000.]

14. B. K. Chemicals Ltd. Kolkata has branch at Kulti. Goods are invoiced to the branch at selling price, being cost plus 25%. The branch sends all cash received to the head office, all expenses being paid from Kolkata.
From the following particulars, prepare the branch account in the books of the head office and make necessary adjustments therein to arrive at the actual branch profit or loss for the year ended 31st March, 2019:

	Rs		Rs
Invoice value of stock:		Cash sales during the year	1,29,600
On 1.4.18	30,000	Credit sales during the year	84,000
On 31.3.19	36,000	Salaries	11,520
Sundry debtors on 1.4.18	28,800	Rent and rates	5,660
Bad debts during the year	2,400	Sundry expenses	2,160
Goods supplied form head office	2,16,000	Cash received from customers	76,800

[Ans: Branch Profit Rs 23,860. Branch debtors on 31.3.19 Rs 33,602.]

15. Goods are invoiced by head office at a price so as to show 20% profit on such price and branch sales are partly in cash and partly on credit.
From the following particulars draw up the branch account in the head office books:

	Rs
Stock of goods at branch at January 1, 2019 (invoice price)	3,500
Stock of goods at branch at December 31, 2019 (invoice price)	3,750
Goods sent to branch (cost price)	2,20,000
Goods returned to head office (invoice price)	15,000
Cash sales for the year	60,000
Credit sales for the year	3,46,000
Returns from customers	8,000
Discount and allowances to customers	12,000
Bad debts	1,000
Cash received from customers	3,29,000
Sundry debtors on January 1, 2019	48,000
Sundry debtors on December 31, 2019	44,000
Establishment and sundry other branch expenses	85,000

[Ans: Branch Profit Rs 92,200.]

16. The Patna Branch of Kolkata office keeps its own sales ledger and pays all cash receipts to the credit of head office account in the Bank of Baroda, Kolkata. All expenses are paid from head office. The head office supplies goods to the branch at cost plus 20 per cent. From the following details of the branch, prepare Patna branch account in the Kolkata head office books for the year ended 31st December, 2019:

	Rs
Stock on 1st January, at invoice price	24,000
Stock on 31st December, at invoice price	33,600
Debtors on 1st January	24,000
Cash sales	1,00,000
Credit sales	1,30,000
Cash and cheques received on ledger accounts in full satisfaction of Rs 1,24,000	1,23,000
Goods supplied by head office at invoice price	2,40,000
Salaries	17,000
Rent	6,000
Other expenses	17,000

Returns from branch debtors direct to head office, Rs 2,400 (head office invoice price being Rs 1,920.

[Ans: Branch Profit Rs 3,000. Closing balance of debtors Rs 27,600.]

17. Jishan Bros. of Mumbai has a branch at Delhi. Goods are invoiced to the branch at cost plus 20%. The expenses of the branch are paid from Mumbai and the branch keeps a sales journal and the debtors ledger only.
Form the following information supplied by the branch, prepare trading and profit and loss account of the branch for the year ending 31st March, 2019 and show the accounts of the branch as it would appear in the books of the head office.

	Rs
Opening stock (at invoice price)	12,000
Closing stock (at invoice price)	9,000
Credit sales	20,500
Cash sales	8,750
Receipts from debtors	18,950
Debtors on 31st March, 2019	4,580
Goods received from head office	15,000
Goods in transit from head office on 31st March, 2019	1,800
Expenses paid by the head office for branch	5,200

[Ans: Branch profit Rs 9,050. Gross profit as per Trading A/c Rs 14,250. Opening balance of branch debtors Rs 3,030]

18. A Patna based merchant has a branch at Gaya to which he charges out goods at cost plus 25%. The Gaya branch keeps its own sales ledger and remits all cash received to Patna head office every day. All expenses are paid from the head office.

The transactions for the Gaya branch were as follows:

	Rs			Rs
Stock (1.1.19)	11,000	Returns inward		500
Debtors (1.1.19)	1,700	Cheques sent to branch:		
Petty cash (1.1.19)	100	Rent	600	
Cash sales	2,650	Wages	200	
Goods sent to branch	20,000	Salary and		
Collection on ledger accounts	21,000	other expenses	900	1,700
Goods returned to head office	400	Stock (31.12.219)		13,000
Bad debts	300	Debtors (31.12.19)		2,000
Allowances to customers	250	Petty cash (31.12.19)		100

Prepare in Patna books, the Gaya branch account and the branch trading account and the profit and loss account for the year ended 31st December, 2019.

[Ans: Branch profit Rs 8,170. Gross profit as per Trading A/c Rs 10,420. Credit sales Rs 22,350]

19. Ramesh & Co. has its branch at Kanpur to which goods are invoiced at cost plus 20%. Prepare branch account in head office books form the following:

	Rs
Opening stock at branch	24,000
Cash sales at branch	17,500
Credit sales	41,000
Collection from debtors	37,900
Goods received from head office	30,000
Branch expenses:	
Paid by head office	3,000
Paid by branch	6,000
Expenses unpaid	1,400
Closing stock at branch	18,000
Closing balance of debtors	9,160
Goods in transit from head office	3,600

[Ans: Branch profit Rs 18,100. Opening balance of branch debtors Rs 6,060]

20. Johnson & Co. has a branch at Kolkata. Goods are invoiced to the branch at cost plus 25%. Branch is instructed to deposit cash every day in the head office account in the bank. All expenses are paid by cheque by the head office except petty expenses which are paid by the branch manager.
From the following particulars, prepare branch account in the books of head office:

	Rs
Stock on 1st April, 2019	2,500
Stock on 31st March, 2020	3,000
Sundry debtors on 1st April, 2019	1,400
Sundry debtors on 31st March, 2020	1,800
Cash sales for the year	10,800
Credit sales for the year	7,000
Cash remitted to the head office	15,000
Furniture purchased by the branch manager	1,200
Goods invoiced from head office	18,200
Expenses paid by head office	1,640
Expenses paid by the branch	120

[Ans: Branch profit Rs 1,880. Collection from debtors Rs 6,600.Cash at branch on 31.3.20 Rs 1,080. Branch debtors on 31.3.19 Rs 40,000; on 31.3.20 Rs 1,22,000]

21. M/s AyaramGayaram, Kolkata, started on 1st April, 2019, two branches at Berhampur and Nagpur. All goods sold at branches are received from the head office invoiced at 125 per cent on cost. All expenses relating to the branches are paid by the head office. Each branch has its own sales ledger and sends weekly statements. All cash collections are remitted daily to the head office by the branches. The following particulars relating to the half-year ended 30th September, 2019 have been extracted from the weekly statements sent by the branches:

	Berhampur Rs	Nagpur Rs
Credit sales	1,25,200	1,10,000
Cash sales	78,600	85,200
Sales returns	2,300	1,200
Sundry debtors on 30th September, 2019	34,500	23,600
Rent and rates	3,200	4,500
Bad debts	6,000	-----
Salaries	16,000	18,000

General expenses	2,600	1,500
Goods received from head office	1,50,000	1,25,000
Advertisement	7,500	5,200
Stock on 30th September, 2019	45,000	35,000

You are required to prepare the branch accounts as they would appear in the books of the head office, showing the profit or loss for the period and the trading and profit and loss account separately for each branch.

[Branch profit: Berhampur Rs 82,200; Nagpur Rs 92,800. Gross profit as per Trading A/c: Berhampur Rs 1,17,500; Nagpur Rs 1,22,000. Collection from debtors: Berhampur Rs 82,400; Nagpur Rs 85,200]

22. Dhar& Co. of Kolkata has a selling branch at Ghaziabad to which goods are invoiced at 25% above cost. The branch is authorized to effect credit sales as well. The branch maintains cash book, sales day book, debtors ledger and stock book and periodical returns are sent to head office.
Following particulars are available for the year ended 30th September, 2019:

	Rs
Debtors as on 30.9.18	26,000
Credit sales effected by the branch	72,500
Cost of goods sent to branch during the year	62,500
Goods received by the branch during the year	67,500
Bad debts written off at branch	2,000
Cash in hand at branch as on 30.9.18	3,750
Cash remitted to head office	80,000
Closing stock at branch, at invoice value	7,500
Cash collected by branch from debtors	75,000
Expenses incurred by branch	12,000
Cash sales made by branch	15,000
Opening stock at branch, at invoice value	15,000

You are required to show the Ghaziabad branch account for the year ended 30th September, 2019 showing the branch profit for the year and the goods sent to branch account.

[Ans: Branch profit Rs 13,500. Goods-in-transit at invoice price Rs 10,625 (i.e. invoice price of goods sent minus goods received by branch). Closing balance of debtors Rs 21,500. Closing balance of cash at branch Rs 1,750]

23. The following particulars are available in respect of Faridabad Branch of P. K. Trader, Kolkata, for the year ended 31st March, 2019:

	Rs
Stock at branch – 1st April, 2018, at selling price	16,800
Goods sent to branch, at selling price	3,28,000
Goods returned by branch	3,800
Cash sales at branch	1,80,200
Credit sales at branch	1,42,000
Carriage	2,500
Returns from customers	5,000
Rent and taxes	12,500
Salaries and wages	9,400
Discount allowed to customers	4,500
Sundry expenses	3,200
Cash received from debtors	1,35,000
Bad debts written off	4,800
Debtors – 1st April, 2018	53,000
Shortage of stock at branch at selling price	960

All purchases were made by head office which invoiced goods to the branch at selling price being cost plus $33^1/_3$%. All cash collected by branch were remitted to head office.

You are required to draw up the Faridabad branch account as it would appear in head office books, disclosing the net profit for the year ended 31st March, 2019.

[Ans: Branch profit Rs 41,680. Closing balance of debtors Rs 45,700 and closing balance of stock Rs 22,840]

24. S. Ltd. maintains a branch at Kolkata to which it sends goods at cost plus 25%. Kolkata branch sells goods both for cash and on credit. All collections and cash sales are directly deposited to head office bank account and all expenses are paid by the head office directly.
From the following information, prepare Kolkata branch account in the books of head office:

		Rs
1.4.18:		
Brach stock at invoice price		30,000
Branch debtors		40,000
Transactions during the year:		
Goods sent to branch at cost		1,40,000
Goods returned by branch at invoice price		10,000
Goods returned by debtors to branch		3,000
Credit sales		1,20,000
Cash sales		30,000
Bad debts		2,000
Discount allowed		3,000
Abnormal loss of goods at invoice price		8,000
Cheques sent by head office to branch:		
Rent	4,000	
Salaries	6,000	
Petty cash	2,000	12,000
Balances on 31.3.19:		
Debtors		45,000
Stock at invoice price		40,000
Outstanding rent		1,000

[Ans: Branch profit Rs 5,000. Collection from debtors Rs 1,07,000]

25. A & Co. of Chenai has a branch at Kolkata. Goods are invoiced from the head office at cost plus $33^1/_3$%. Brach is allowed to make sales at invoice price only. Expenses of the branch, except petty expenses, are paid directly by the head office.
From the following information, prepare branch account in the books of head office to ascertain net profit of the branch:

		Rs
Debtors on 1.1.19		10,000
Petty cash with the branch on 1.1.19		1,000
Stock on 1.1.19 (at invoice price)		8,000
Goods invoiced by the head office		88,000
Furniture as on 1.1.19		2,000
Cash by head office to branch for petty expenses		2,000
Sales: Cash	50,000	
Credit	36,000	86,000
Sales returns by branch debtors		800
Goods damaged (at invoice price)		1,000
(amount received from insurance company Rs 500)		
Good returned by branch to head office		2,000
Cash remitted by branch to head office		70,500
Brach expenses:		
Petty expenses		1,500
Freight and cartage		500
Salaries		3,500

Bad debts	50
Deprecation on furniture	80
Advertisement for the branch	200
Rent	1,000

[Ans: Branch profit Rs 14,220. Stock (at invoice price) on 31.12.19 Rs 7,800.Debtors on 31.12.19 Rs 19,450. Petty cash on 31.12.19 Rs 1,500]

26. Rohit and Co. of Delhi has a branch at Bhivani. Goods are invoiced to the branch at cost plus 25%. The branch does not maintain account books and all collection of the branch are remitted to head office. The expenses of the branch are reimbursed by the head office.
    From the following particulars, prepare the branch account in the books of head office for the six months ending 30th September, 2019:

	Rs
Balance on 1.4.19:	
Stock (at cost to head office)	55,000
Debtors	15,000
Furniture	12,000
Petty cash	500
Transactions for six months:	
Goods received from head office (at invoice price)	2,25,000
Cash sales	1,95,000
Credit sales	80,000
Goods returned to head office (at invoice price)	12,750
Normal loss	1,000
Sales returns by customers to branch	500
Cash received from debtors	50,000
Bad debts	400
Trade discount customers (already taken into account while invoicing)	12,000
Bills receivable received from customers at branch	15,000
Goods sent to branch on 27.9.19, received by branch on 5.10.19 (at invoice price)	1,500
Cash sent to branch for expenses	10,500
Cash discount allowed to customers	800
Balance on 30.9.19:	
Stock (at cost to head office)	5,600
Debtors	?
Petty cash	500
Depreciate furniture @ 20% per annum	

[Ans: Branch profit Rs 42,400. Debtors on 30.9.19 Rs 28,300]

Goods charged to branch at cost price – Analytical method

27. Modern Co. Ltd. invoices goods at cost to its branches situated in Kolkata, Delhi and Chenai. The branches sell on credit as well as for cash. From the following details relating to the Kolkata branch, show the branch stock, branch expenses, branch debtors and branch profit and loss account in the books of Modern Co. Ltd.:

	Rs
Goods received from Modern Co. Ltd.	25,400
Goods returned to Modern Co. Ltd.	350
Cash sales	16,500
Credit sales	30,000
Allowances to customers	150
General trade charges	650
Returns from customers	300
Bad debts	300
Discount allowed to customers	1,200

Cash received on ledger accounts	24,600
Rent and rates	900
Wages and salaries	3,000
Debtors: Opening	13,100
Closing	16,550
Stock: Opening	7,500
Closing	6,950

[Gross profit Rs 20,600. Net profit Rs 14,400]

28. From the following details prepare necessary accounts in the books of head office:

	Opening Rs	Closing Rs
Branch cash	1,000	2,000
Branch debtors	40,000	60,000
Branch stock	50,000	80,000

Rs 2,00,000 worth of goods were sent by head office to branch at cost and the branch returned Rs 10,000 worth of goods to head office.

The branch remitted Rs 2,40,000 to the head office. Branch debtors returned Rs 5,000 worth of goods to the branch and Rs 2,000 branch debtors were written off as bad debt. The branch does not maintain complete double entry books of accounts.

[Gross profit Rs 1,03,000. Net profit Rs 1,01,000. Collection from debtors Rs 2,41,000. Sales Rs 2,68,000]

Goods charged to branch at cost plus a percentage – Analytical method

29. X Ltd. of Kolkata has a branch at Delhi. Goods are invoiced to the branch at cost plus $33^1/_3$%. The branch remits all cash received to the head office and all expenses are paid by the head office.

From the following particulars prepare branch stock account, branch adjustment account, branch debtors account and branch profit and loss account in the books of the head office:

	Rs
Brach debtors on 1.1.19	6,000
Brach stock on 1.1.19 (invoice price)	2,400
Sales: Cash	3,000
Credit	60,000
Goods from head office (invoice price)	72,000
Cash received from debtors	57,600
Discount allowed to debtors	1,400
Bad debts	300
Brach expenses paid by head office	15,000
Brach stock on 31.12.19 (invoice price)	11,400

[Gross profit Rs 15,750. Net loss Rs 950. Closing balance of debtors Rs 6,700]

Goods charged to branch at cost plus a percentage – Analytical method – Apparent gross profit/loss

30. The following information related to Ventap Ltd. which has a head office in Kolkata and operates a branch in Mumbai. All purchases are made by the head office and goods are supplied to the branch at cost plus 20 per cent. All branch transactions are recorded in the books of head office, which also pays branch expenses. All cash received by the branch is sent to head office, and branch sales are on credit terms.

On 1st November, 2018 the stock of goods held by the branch at invoice price amounted to Rs 10,800 and the debtors were Rs 7,725. At the same date the credit balance of the branch adjustment account amounted to Rs 1,800.

During the financial year to 31st October, 2019, the following transactions took place at the branch:

	Rs
Goods forwarded by head office (at invoice price)	97,380
Goods returned by branch (at invoice price)	1,926
Discount allowed	4,245
Sales	1,06,340
Sales returns	1,062
Branch expenses	12,081
Cash collected from debtors	98,544

On 31st October, 2019, the stock of goods held by the branch at invoice price amounted to Rs 5,886.

You are required to show the appropriate entries in the ledger at head office, and show the profit earned by the Mumbai branch.

[Gross profit Rs 21,638. Net profit Rs 5,312. Closing balance of debtors Rs 10,214]

31. M Ltd. has a branch at Chennai. Goods are invoiced to the branch at cost plus 50%. Branch remits all cash received to the head office and alls expenses are paid by the head office.

From the following particulars, prepare branch stock account, branch adjustment account, branch debtors account and branch profit and loss account in the books of the head office:

	Rs
Stock on 1.1.19 (invoice price)	37,200
Debtors on 1.1.19	27,200
Goods invoiced to branch (cost price)	1,36,000
Cash sales	10,040
Credit sales	1,24,000
Cash received from debtors	1,21,600
Goods returned by debtors	4,800
Goods returned to head office	6,000
Expenses at branch	21,000
Stock on 31.12.19 (invoice price)	1,01,160

[Gross profit Rs 39,880. Apparent gross loss as per Branch Stock A/c Rs 4,800 to be transferred to Branch Adjustment A/c. Net profit Rs 18,280. Closing balance of debtors Rs 24,800]

32. Jeewanlal Ltd. has head office in Kolkata, and also a branch in Chennai where all sales are on credit basis. All goods are purchased by the head office and invoiced to the branch at cost price plus $33^1/_3$%. For the year ended 30th September, 2019, the following particulars are available:

	Rs
Goods sent to Chennai branch (at cost to head office)	20,250
Sales as shown by Chennai branch reports	24,800
Goods returned to head office (at invoice price to branch)	900
Cash received from branch debtors and remitted to head office in Kolkata	22,800
Discount allowed to branch debtors	950
Debtors' balance at branch written off as bad	300
Branch debtors on 30th September, 2018	1,800
Stock of goods on 30th September, 2018 (at invoice price to branch)	5,400
Stock of goods on 30th September, 2019 (at invoice price to branch)	6,600

You are required to record the following accounts as they would appear in the head office books, showing the balances as on 30th September, 2019, and the branch gross profit for the year ended on that date:

(a) Chennai branch stock account;

(b) Goods sent to branch account; and
(c) Chennai branch debtors account

[Gross profit Rs 6,125. Apparent gross loss as per Branch Stock A/c Rs 100 to be transferred to Branch Adjustment A/c. Net profit Rs 18,280. Closing balance of debtors Rs 2,550]

Goods charged to branch at cost plus a percentage – Analytical method – Abnormal loss

33. A Kolkata head office has a branch at Chennai. All goods are purchased by the head office and invoiced the branch at cost plus 25%. All cash received by the branch is deposited to the head office account in Chennai branch of the head office's bank.
From the following particulars, write up branch stock account, branch adjustment account, branch debtors' account and branch profit and loss account in the books of Kolkata head office for the year ended December 31, 2019:

	Rs
Stock at branch, on January 1 (at cost price)	32,000
Stock at branch, on December 31 (at cost price)	40,000
Goods from head office (at invoice price)	1,00,000
Branch debtors at January 1	20,000
Receipts from debtors	50,000
Cash sales	25,000
Total sales	85,000
Discount allowed to debtors	2,400
Bad debts written off	1,600
Brach expenses	10,000
Goods lost by fire at branch (at invoice price)	5,000
Insurance claim recovered by head office	3,500

[Gross profit Rs 17,000. Net profit Rs 2,500. Closing balance of debtors Rs 26,000]

Goods charged to branch at cost plus a percentage – Analytical method – Normal/abnormal loss

34. Traders Ltd. invoices goods to its branch at cost plus $33^1/_3$%. From the following particulars, prepare the branch stock account and the branch adjustments account as they would appear in the books of the head office:

	Rs
Stock at commencement at branch, (at invoice price)	1,50,000
Stock at close at branch, (at invoice price)	1,20,000
Goods sent to branch during the year (at invoice price) (including goods invoiced at Rs 20,000 to branch on 24.3.19 but not received by branch before close of the year)	10,00,000
Return of goods to head office (invoice price)	50,000
Cash sales at branch	9,00,000
Credit sales at branch	60,000
Invoice value of goods pilfered	10,000
Normal loss at branch due to wastage and deterioration of stock (at invoice value)	15,000

[Gross profit Rs 2,47,500. Apparent gross loss as per Branch Stock A/c Rs 25,000]

35. Bombay Trader Ltd. sends goods to its Chennai branch at cost plus 25%. The following particulars are available in respect of the branch for the year ended 31st March, 2019:

	Rs
Opening stock at branch at cost to branch	80,000
Goods sent to branch at invoice price	12,00,000

Pilferage (normal) at invoice price	3,000
Loss-in-transit at invoice price	21,000
Sales	12,25,000
Expenses	60,000
Closing stock at branch at cost to branch	40,000
Recovered from insurance company against loss-in-transit	10,000

Show the ledger accounts in the head office books for:
(a) Branch stock account;
(b) Goods sent to branch account;
(c) Brach adjustment account; and
(d) Branch profit and loss account.

[Gross profit Rs 2,49,8000. Apparent gross loss as per Branch Stock A/c Rs 9,000 to be transferred to Branch Adjustment A/c. Net profit Rs 1,83,000]

Goods charged to branch at selling price – Analytical method – Normal loss

36. Nabadaya Ltd. of Kolkata opened a branch at Delhi on 1st January, 2019. Goods are invoiced to branch at selling price adding 25% to the cost.
From the particulars relation to 2019, prepare branch stock account, branch debtors account, branch adjustment account and branch profit and loss account in the books of the head office:

		Rs
Goods sent to branch (invoice price)		75,000
Cash sales		30,000
Credit sales		35,000
Cash received from debtors		30,000
Discount allowed to debtors		200
Goods returned by customers		1,000
Cash remitted to branch for:		
Rent	900	
Salaries	3,000	
Sundry expenses	100	4,000
Spoilage of goods (invoice price)		250

[Gross profit Rs 12,600. Net profit Rs 8,400.Closing stock at invoice price Rs 10,750. Closing balance of debtors Rs 3,800]

Goods charged to branch at selling price – Analytical method – Abnormal loss

37. On 1st January, 2019, goods costing Rs 33,000 were invoiced by Kolkata head to its branch at Kanpur and charged up at selling price designed to produce a gross profit of 25% on selling price. At the end of the month, the returns form Kanpur branch showed that the sales were Rs 30,000. Goods invoiced at Rs 600 to Kanpur branch had been returned to Kolkata head office. The closing stock at Kanpur branch was Rs 12,300 at selling price.
Record the above transactions in Kanpur branch stock account, Kanpur branch stock adjustment account in the head office ledger and balance the said accounts on 28th February, 2019.
[Gross profit Rs 7,500 (considering stock shortage as abnormal loss). Stock shortage at selling price Rs 1,100 (cost Rs 825). Net profit Rs 6,675]

Goods charged to branch at selling price – Analytical method – Stock shortage

38. CG Ltd. has a branch at Guwahati. All branch transactions are recorded in the head office books but the branch keeps a sales ledger and certain subsidiary books.
All purchases are made by the head office, goods being delivered direct to the branch and charged to it at selling price, which is cost plus 25%.
On 1st January, 2019 stock-in-trade at branch, valued at selling price, amounted to Rs 15,870 and debtors to Rs 4,122.

During the year ended 31st December, 2019 the following transactions took place at the branch:

	Rs
Goods sent to branch at selling price	87,410
Goods returned to head office at selling price	1,640
Credit sales to customers	53,766
(items previously sold on credit)	
Returns from customers at selling price	1,232
Cash sales	26,284
Cash received from debtors	48,748
Discount allowed	1,074
Bad debts written off	496

A consignment of goods dispatched to the branch in December, 2019 with a selling price of Rs 600 was not received at the branch until January, 2020. This item is included in the amount of goods sent to branch at selling price, but has not been included in the stock figure.

At 31st December, 2019 the stock-in-trade at the branch at selling price amounted to Rs 22,000. Any stock unaccounted for is to be regarded as normal wastage and pilferage.

All cash received by the branch is deposited to the head office account in the Guwahati Branch of head office bank. Branch expenses during the year, paid by head office, amounted to Rs 3,260.

Show the necessary ledger accounts in the books of the head office and determine the profit or loss made by the branch for the year ended 31st December, 2019.

[Gross profit Rs 15,634. Stock shortage at selling price Rs 162 (treated as normal loss). Net profit Rs 10,804]

39. Begumpur Handloom Co-operative Ltd. has a branch in Cuttack. Goods are invoiced to Cuttack at selling price which is cost plus 331/3%. Cuttack branch maintains only a sales ledger, except that all other transactions are recorded in head office books. Brach sells goods both for cash and on credit. All cash collected by branch is sent to the head office at regular intervals and all branch expenses are met by the head office.

The following particulars are related to the Cuttack branch for the accounting year ended 31st December, 2019:

	Rs
Stock on 1st January, 2019 (invoice price)	24,000
Branch debtors as on 1st January, 2019	18,000
Goods received from head office (cost price)	72,000
Branch sales:	
Cash	20,000
Credit	80,000
Goods returned by debtors	4,000
Cash received from debtors	72,000
Goods returned to head office (invoice price)	4,000
Discount allowed to customers	1,600
Bad debts	1,400
Cash sent to branch for:	
Wages	2,000
Freight	2,500
Salary and other expenses	4,000
Stock on 31st December, 2019 (cost price)	13,200

Prepare in the books of head office:

(1) Brach stock account (in double column);

(2) Branch debtors account; and

(3) Branch profit and loss account.

[Gross profit Rs 24,000. Stock shortage at selling price Rs 2,400 (cost Rs 1,800). Net profit Rs 10,700. Branch debtors on 31.12.19 Rs 19,000]

40. M/s Sen& Roy of Kolkata has a branch at Asansol. Goods are invoiced to the branch at selling price which consists of cost plus 20% of selling price. All cash received by the branch is daily remitted to the head office and all expenses of the branch are paid from head office.

The following details are given for the year ended 31st December, 2019:

		Rs
Opening stock at branch on 1.1.19 (at cost price)		10,000
Branch debtors as on 1.1.19		12,000
Goods received by branch till 31.12.19 (at invoice price)		80,000
Remittances to head office by branch:		
Cash sales	16,000	
Cash received from debtors	45,600	61,600
Credit sales at branch		57,100
Goods returned to head office		2,400
Bad debts written off		600
Cash remitted by head office to branch for expenses:		
Wages and salaries	11,000	
Rent and taxes	3,000	
Sundry expenses	510	14,510
Stock on 31.12.19 (at invoice price)		15,000
Discount allowed to customers		400
Debtors on 31.12.19		22,500

Show necessary ledger accounts in the books of head office and determine the profit or loss make by the branch for the year ending 31st December, 2019.

[Gross profit Rs 15,020 (considering stock shortage as abnormal loss). Stock shortage at selling price Rs 2,000 (cost Rs 1,600). Net loss Rs 2,090]

41. Retail Stores Ltd. opened a branch at Gopalpur in late 2017, and forwarded goods for re-sale from the head office at Kolkata, invoicing them at selling price; the mark-up being one-third of selling price.

The head office maintained a branch stock account, goods sent to branch account, branch debtors account and branch adjustment account. These were written up form weekly branch returns of cash sales, credit sales, cash received from debtors and other credit allowed to debtors.

During the year to 31st December, 2019, the following transactions took place at Gopalpur:

	Rs
Goods received from Kolkata	1,80,000
Goods returned to Kolkata	1,680
Bad debts	596
Cash received from debtors	68,624
Cash discount allowed	1,808
Cash sales	1,00,800
Credit sales	72,000

The following additional information is also available in respect of the branch:

	1.1.19 Rs	31.12.19 Rs
Stock in hand (at selling price)	16,080	21,000
Debtors	6,608	7,580

You are required to present the ledger accounts in the head office recording the above transactions and compute the gross profit of the branch for the period.

[Gross profit Rs 57,200 (considering stock shortage as normal loss). Stock shortage at selling price Rs 600 (cost Rs 400)]

42. X of Kolkata opened a branch at Jaipur on 1st July, 2019. The goods were sent out by the head office to the branch and invoiced at selling price of the branch which was $133^1/_3$ per of the cost price of the head office.

The following are the particulars relating to the transactions of Jaipur branch:

		Rs
Goods sent to branch (at cost to head office)		4,50,000
Sales: Cash	1,25,000	
Credit	2,75,000	4,00,000
Cash collected from debtors		2,60,00
Discount allowed		4,000
Cash sent to branch for:		
Wages	6,000	
Freight	22,000	
Other expenses	12,000	40,000
Stock at branch (at invoice price)		1,92,000

Ascertain the profit or loss for the Jaipur branch for the year ended 30th June, 2020 after preparing branch stock account, branch debtors account and branch profit and loss account.

[Gross profit Rs 1,00,000 (considering stock shortage as abnormal loss). Stock shortage at selling price Rs 8,000 (cost Rs 6,000). Net profit Rs 50,000. Closing balance of debtors Rs 11,000]

43. B. K. Stores Ltd. with head office in Kolkata, has a branch at Kalyani. All gods are purchased by the head office and supplied to and sold by the branch at 25 per cent over cost. Apart from a sales ledger kept at the branch, the whole transactions are recorded in the books of the head office.

The following are the particulars relating to the transactions at the branch during the year ended 31st December, 2019:

	Rs
Stock in hand at 1st January, 2019 (at price supplied)	10,000
Sundry debtors at 1st January, 2019	9,600
Goods supplied by head office	57,000
Returns to head office (at price supplied)	3,000
Sales on credit	48,000
Sales for cash	5,600
Bad debts written off	400
Cash received from debtors	51,000
Discount allowed to debtors	1,000
Stock on hand at 31st December, 2019 (at price supplied)	10,250

From the foregoing particulars, compile the branch stock account and branch total debtors account for the year ended 31st December, 2019, as they would appear in the head office books indicating the various transfers that will be made to the profit and loss account.

[Gross profit Rs 10,600 (considering stock shortage as normal loss). Stock shortage at selling price Rs 150. Closing balance of debtors Rs 5,200]

44. L.G.D. Ltd. a Kolkata trading company, has a branch at Ranchi. All purchased are made by the head office and goods sent to the branch are invoiced to the branch at selling price, which is 20 per cent above cost. All sales by the branch are on credit terms. Branch expenses are paid by the head office and all cash received by the branch is remitted to the head office. All branch transactions are recorded in the head office books.

The balances relating to the branch in the head office ledger on 1st April, 2019, were as follows:

	Rs
Branch stock account (stock at branch at invoice price)	3,600
Branch adjustment account	600
Branch debtors (amount owing by branch customers)	2,575
Transactions during the year to 31st March, 2020	Rs

Goods sent to branch (at invoice price)	32,460
Returns from branch to head office (at invoice price)	642
Branch sales	33,780
Returns from customers to branch	354
Cash received from branch debtors	32,848
Discount allowed to branch debtors	1,415
Branch expenses paid	4,027

The branch stock at 31st March, 2020 (at invoice price to the branch) was Rs 1,962.

There were no expenses outstanding at 31st March, 2020, and none had been paid in advance.

You are required to show the accounts relating to the branch (including the branch profit and loss account), in the ledger of the head office, for the year to 31st March, 2020.

[Gross profit Rs 6,546 (considering stock shortage as normal loss). Stock shortage at selling price Rs 30.Net profit Rs 104. Closing balance of debtors Rs 1,738]

45. Goods sent from head office of the B.S. Trading Company to one of its branches were invoiced at selling price which was cost plus 50 per cent. During the year ended 30th June, 2013, the total invoice was for Rs 1,32,192.

Returns during the year showed the following details:

	Rs
Stock on 1st July, 2012 (invoice price)	10,800
Credit sales invoiced by branch	72,540
Cash sales made by branch	53,460
Branch debtors 1st July, 2012	8,044
Branch expenses paid by head office	892
Brach expenses paid by branch	11,108
Cash received from branch debtors	71,828
Cash remitted to head office	1,02,800
Cash at branch on 30th June, 2013	16,824

Head office sent one of their man to take stock at 30th June, 2013. It was valued at Rs 10,960 (at cost to head office).

Show in the books of head office:

(a) Branch stock account;

(b) Branch stock adjustment account;

(c) Branch debtors account;

(d) Branch cash account; and

(e) Branch profit and loss account

[Gross profit Rs 41,448 (considering stock shortage as normal loss). Stock shortage at selling price Rs 552.Net profit Rs 29,632.Closing balance of debtors Rs 8,756. Opening branch cash Rs 5,444]

46. A head office in Kolkata has a branch at Kanpur. Goods sent to the branch are invoiced at selling price i.e. cost plus $33\frac{1}{3}$%. From the following particulars, you are required to prepare branch stock account as it would appear in the head office books:

	Rs
Stock on 1.1.12 (at invoice price)	15,000
Stock on 31.12.2012 (at invoice price)	12,000
Goods sent to Kanpur during the year (at invoice price)	1,00,000
Sales at branch:	
On credit	22,000
For cash	75,000
Returns to head office (at invoice price)	5,000
Invoice value of goods lost by fire not covered by insurance	1,000

[Gross profit Rs 20,250]

47. A.B.C. Co. carry on a merchanting business. The ratio of gross profit to sales was 25 per cent. The head office of the firm was in Kolkata and there was a branch at Ranchi. No books were kept at Ranchi other than a debtors' total account. All cash was banked at Ranchi for credit of head office, and all disbursements for Ranchi were made by head office.

At 1st April, 2012 (the commencement of the financial year), the following balances stood in the head office books, after the books had been closed for the last year:

	Rs
Ranchi branch stock account (at selling price)	4,000
Ranchi branch stock adjustment account (Cr)	1,000
Ranchi branch debtors' total account	10,000

During the year ended 31st March, 2013, the following Ranchi transactions were recorded:

	Rs
Goods invoiced pro forma to Ranchi from head office (at selling price)	1,20,000
Cash sales	5,000
Credit sales	1,00,000
Cash received from debtors	96,000
Discount allowed to debtors	2,460
Ranchi expenses paid	25,000

The branch manager took stock on 31st March, 2013, at selling price which amounted to Rs 16,000.

There was a fire during the year and certain uninsured goods were destroyed.

You are required to draw up:

(a) Branch stock account;

(b) Branch stock adjustment account;

(c) Branch debtors account; and

(d) Branch profit and loss account

[Gross profit Rs 26,250. Net loss Rs 3,460. Goods destroyed at selling price Rs 3,000 (cost price Rs 2,250)]

48. A head office sends goods to its branch office at selling price which is arrived at after adding 50% to cost price and all expenses are met by the branch office out of remittance from head office. All collections by branch are sent to bank in the account of head office.

The following particulars are available in respect of the branch for the year ended 31st March, 2013:

	Rs
Stock as on 31st March, 2012 (at selling price)	45,000
Goods from head office	1,51,500
Cash sales paid into bank	1,52,850
Credit sales	6,750
Debtors on 31st March, 2012	4,500
Cash collections from debtors sent to bank	7,750
Expenses	30,300
Deficiency in branch stock on actual stock taking	300

You are required to draw up the stock, debtors and profit and loss account of the branch for the year ended 31st March, 2013.

[Gross profit Rs 53,200. Net profit Rs 22,700.Closing stock at selling price Rs 36,600. Closing balance of debtors Rs 3,500]

49. Sankar Corporations Ltd. has two branches – one at Ranchi and another at Bhagalpur. Goods are invoiced to branches at selling price which is cost plus 50%. Branches remit all cash received to head office and all expenses are met by the head office.

From the following particulars, prepare the necessary ledger accounts on the 'stock and debtors system' to show the profit earned at Ranchi branch:	Rs
Stock on 1st January, 2012	9,300
Debtors on 1st January, 2012	6,800
Goods sent to branch (at cost)	34,000
Sales at branch:	
Cash	25,010
Credit	31,000
Cash collected from debtors	30,400
Goods returned from Bhagalpur branch to Ranchi branch	1,200
Shortage of stock at branch (including normal spoilages of Rs 450)	1,500
Discount allowed to customers	2,550
Expenses at branch	200
	5,400

[Gross profit Rs 18,370. Net profit Rs 11,370. Closing stock at invoice price Rs 2,040]

50. A Kolkata head office invoiced goods to its branch at Kanpur at selling price which is $33^1/_3$% above cost. The head office directly meets all the expenses of the branch and the later daily banks all its receipts in the head office account.
From the following data, prepare branch stock, branch debtors, branch adjustment and branch profit and loss account in the head office books:

	Rs
Stock (at invoice price) : Opening	4,500
: Closing	2,400
Debtors : Opening	6,000
: Closing	7,500
Returns from debtors directly to head office	1,500
Receipts (including Rs 52,500 from debtors)	90,000
Salaries, rent etc.	15,000
Bad debts and discount	3,000
Burglary of stock (at invoice price)	2,100

[Goods sent to branch at invoice price Rs 96,000. Credit sales at branch Rs 58,500. Gross profit Rs 23,625. Net profit Rs 4,050]

51. A Kolkata head office has a retail branch at Allahabad. Goods are sent by the head office to the branch marked at selling price which is cost plus 25%. All the expenses of the branch are paid by the head office. All cash collected by the branch (from customers and cash sales) is deposited to the credit of head office account.
From the following particulars of the branch, prepare branch stock account, branch debtors account, branch expenses account and branch adjustment account in the books of the head office:

	Rs
Debtors on 1.1.19	12,000
Debtors on 31.12.19	14,000
Inventory with branch (at invoice price)	
On 1.1.19	16,000
On 31.12.19	17,000
Cash sales during the year	60,000
Amount deposited in the head office account during the year	1,27,000
Goods returned to head office (at invoice price)	5,000
Salaries paid	6,000
Rent paid	4,000
Discount allowed to debtors	2,000
Bad debts written off	1,000
Spoilage	2,000

[Goods sent to branch at invoice price Rs 1,40,000. Credit sales at branch Rs 72,000. Gross profit Rs 24,800. Net profit Rs 11,800] Note: Spoilage is a normal loss.

52. Record the following transactions relating to a branch in the head office books and close the accounts concerned at 31st December, 2019. Also work out the net profit earned by the branch during the year:

	Rs
Branch stock on 1st January, 2019 (at selling price)	16,400
Cost of goods sent to branch	2,28,150
Goods received by branch till 31st December, 2019 (at selling price)	3,00,000
Goods returned by branch to head office (at selling price)	3,880
Cash sales during the year	1,72,520
Credit sales during the year	1,30,000
Returns from customers to branch (at selling price)	4,500
Returns from customers direct to head office (at selling price)	240
Carriage	3,000
Rent and rates	12,000
Salaries and wages	9,500
Discount allowed	5,000
Sundry expenses	3,000
Cash received in respect of credit accounts	1,22,500
Bad debts written off	5,000
Debtors on 1st January, 2019	52,500
Branch stock on 31st December, 2019 (at selling price)	19,560

The head office invoiced goods to the branch at selling price, which is $33^1/_3$% above cost. Cash received by the branch was remitted to the head office. Branch expenses were paid direct from head office.

[Gross profit Rs 74,445. Net profit Rs 40,740. Goods-in-transit at selling price Rs 4,200. Stock discrepancy (surplus) at selling price Rs 5,060. Closing balance of debtors Rs 45,260]

53. Welcome Stores Ltd. operates a retail branch at Ambala. All purchased are made by the head office in Kolkata and goods are charged out to the branch at selling price, which is cost plus 50 per cent.

All cash received by the branch is remitted to head office, and branch expenses are paid out of an imprest account which is reimbursed by the head office monthly.

The Ambala branch keeps a sales ledger and the necessary subsidiary books, but otherwise all Branch transactions are recorded in the books at head office.

On 1st January, 2019, stock-in-trade at Ambala, at selling price, amounted to Rs 2,478 and debtors to Rs 684.

During the year, 2019, the following transactions took place at the branch:

	Rs
Cash sales	6,230
Credit sales (less returns)	4,460
Goods received from head office (at selling price)	10,380
Goods returned to head office (at selling price)	162
Cash received from debtors	4,683
Discount allowed to debtors	107
Bad debts written off	67
Expenses of branch	1,518

On 31st December, 2019, the branch stock-in-trade (at selling price) was found to amount to Rs 1,980.

You are required:

(a) To write up the branch stock account and the branch total debtors account in the Kolkata books, necessary to control the branch stock-in-trade and the branch debtors; and

(b) To prepare the Ambala branch trading and profit and loss account for the year 2019.

[Gross profit Rs 3,546 (considering stock shortage as normal loss). Net profit Rs 1,854. Stock shortage at selling price Rs 26. Closing balance of debtors Rs 287]

54. D. P. Ltd. is company in the retail trade. Business has been concentrated in the past on shopping premises in the Shyambazar area, but is has now decided to open a branch at Gariahat. The branch was opened on 1st January, 2019: goods were charged out to the branch at selling price which is 10 per cent above cost. The following information was extracted from the head office records relating to the branch at the end of the year 2019. All amounts shown are at selling price.

	Rs
Goods sent to branch	24,200
Credit sales	12,960
Cash sales	9,240
Goods returned to branch by customers	1,100
Goods returned to head office by branch	484
Bad debts	160
Authorized reduction in selling price	394
Discount allowed to customers	80
Cash remitted by branch to head office	18,230
Stock at branch, 31st December	1,320
Cash at branch, 31st December	500
Branch expenses paid by branch	50
Branch expenses paid by head office	780

Normal loss of goods at branch is estimated at 1 per cent of goods received.
You are required to prepare the ledger accounts (including the branch profit and loss account) in the books of head office.

[Gross profit Rs 1,340. Net loss Rs 330.Abnormal loss of goods at selling price Rs 660.Closing balance of debtors Rs 2,080. Collection from debtors Rs 9,540]

55. G. B. Ltd. operates a retail business from its head office in Kolkata and a branch at Haldia. All payments for the branch are made by head office and branch pays all money received into the bank daily to the credit of head office.
With the exception of a sales ledger, all transactions of Haldia branch are recorded in the books of the head office.
All gods for resale are sent from Kolkata to Haldia at selling price which is 331/3 per cent above cost.
On 1st May, 2018, stock in hand at Haldia, at selling price, amounted to Rs 8,436 and debtors to Rs 992.
The following transactions took place at Haldia during the year ended 30th April, 2019:

	Rs
Cash sales	12,600
Credit sales	16,860
Goods received by the branch (at selling price)	35,184
Goods returned to Kolkata (at selling price)	2,640
Cash received from debtors	16,684
Reduction in selling price approved by head office	852
Cash discount allowed to credit customers	298
Debts written off as irrecoverable	112

Goods sent by head office to Haldia in April, 2019 with a selling price of Rs 1,260 were not received at the branch until mid-May and were not included in its figures as on 30th April, 2019. The stock in hand at the branch at the yearend amounted to Rs 10,248 at selling price.
You are required to write up the branch total debtors account and branch stock account as they would appear in the books of at Kolkata for the year ended 30th April, 2019, bringing down the balances as on that date.

[Gross profit Rs 6,726. Abnormal loss of goods at selling price Rs 420. Closing balance of debtors Rs 758]

56. Neera Ltd. operates a branch at Asansol. All purchases are made the head office in Kolkata, goods for the branch being delivered to it direct and charged out at selling price, which is cost plus 50%.
    All cash received by the branch is remitted to Kolkata. Branch expenses are paid by the branch out of an imprest which is reimbursed monthly by Kolkata.
    The branch keeps a sales ledger and certain essential subsidiary books, but otherwise all branch transactions are recorded in the books of the Kolkata office.
    On 1st January, 2019, stock-in-trade at the branch, at selling price, amounted to Rs 9,792, and debtors to Rs 2,290.
    During the year ended 31st December, 2019, the following transactions took place at the branch:

	Rs
Goods received by the branch at selling price	30,660
Cash sales	12,830
Credit sales	6,456
Goods returned to branch by credit customers	180
Goods returned by branch to head office at selling price	312
Authorized reduction in selling price	994
Cash received from debtors	6,532
Debtors written off as irrecoverable	330
Cash discount allowed to credit customers	424

The expenses relating to the branch for the year ended 31st December, 2019 amounted to Rs 2,058. On 31st December, 2019, physical stock-in-trade at the branch at selling price amounted to Rs 16,680.
You are required to write up the branch stock account, branch debtors' account, and branch profit and loss account as would appear in the Kolkata books.

[Gross profit Rs 5,706 (considering stock shortage Rs 1,120 as abnormal loss). Net profit Rs 654. Closing balance of debtors Rs 280]

57. Gopal Stores Ltd. operates a retail branch at Patna. All purchases are made by the head office in Kolkata, goods being charge out to the branch at selling price, which is cost plus 50%. All cash received by the branch is remitted to Kolkata. Branch expenses are paid out of an imprest account which is reimbursed by Kolkata monthly. Branch keeps a sales ledger and subsidiary books but otherwise all branch transactions are recorded in the books of the Kolkata office. On 1st April, 2019 stock-in-trade at Patna, at selling price, amounted to Rs 2,76,900 and debtors to Rs 54,800.
    During the year 2019 – 20, the following transactions took place at the branch:

	Rs
Goods received from Kolkata, at selling price	9,37,200
Cash sales	5,21,000
Credit sales less returns	4,23,700
Goods returned to Kolkata, at selling price	14,400
Agreed allowances to customers off selling price (already taken into account while invoicing)	8,200
Cash received from debtors	3,98,600
Discount allowed to debtors	9,700
Bad debts written off	4,800
Expenses	1,43,800

On 31st March, 2020 stock-in-trade at Patna, at selling price, was found to amount to Rs 2,45,100 and any stock unaccounted for was to be regarded as normal wastage and pilferage.
You are required to (a) write up the branch stock account; and (b) prepare the trading and profit and loss account of the branch for the year 2019-20.

[Gross profit Rs 3,08,300; Net profit Rs 1,50,000. Normal wastage and pilferage (stock shortage) Rs 1,700]

58. A head office in Kolkata has a branch at Dhanbad. All purchases are made by the head office and goods are invoiced to the branch at the expected selling price, that is, cost plus 25%. The following details are obtained regarding operation at the branch during the year ended 31st December, 2012:

	Rs
Opening stock at branch (at selling price)	8,400
Goods sent to branch (at cost)	40,488
Cash sales (including goods marked down during the year)	40,950
Credit sales	6,888
Returns to head office (at cost)	1,400
Stock lost in burglary (at cost)	2,800
Agreed allowances off selling price (i.e. mark-down)	112
Cash received from debtors	5,950
Discount allowed to debtors	70
Bad debts written off	30

The closing stock at the end (at cost per stock take) is Rs 4,200 and any stock unaccounted for is to be regarded as normal wastage and pilferage. All goods marked down has been sold during the year.

You are required to opening and write up the branch stock account, the branch adjustment account, the goods sent to branch account and the branch debtors account in the books of head office.

[Gross profit Rs 8,930; Normal wastage and pilferage Rs 560(balancing figure of Branch Stock A/c) to be transferred to Branch Adjustment A/c. Closing balance of debtors Rs 838. Balance of Goods Sent to Branch A/c transferred to Trading A/c Rs 39,088]

59. A. Shabana established a retail business at Baliygunge several years ago and has since opened branch shops at Bhawanipur, Jadavpur and Alipur. All the purchasing and administra -tion is done at Ballygunge. Branches sell both for cash and on credit terms but all invoices for credit sales are despatched from Ballygunge and payments from credit customers received there. The average gross profit that the branches are expected to achieve is 50% on cost price.

The following information related to the Alipur branch for the first six months of 2012:

	Rs
Balances included in the balance sheet figures at 31st December, 2011:	
Stock (cost price)	28,000
Debtors	9,000
Goods sent to branch (selling price)	1,80,000
Credit sales	60,000
Cash sales	1,02,000
Transfer from other branches (to Alipur) (at selling price)	12,000
Transfer to other branches (from Alipu) (at selling price)	21,000
Goods returned to Ballygunge (at selling price)	6,000
Cash from debtors received at Ballygunge	53,000
Bad debts written off	2,000
Goods returned by credit customers to branch	2,400
Goods returned by credit customers to Ballygunge	1,200
Closing stock of goods at branch (selling price)	45,000

You are required to prepare the appropriate accounts for the Alipur branch for the first six months of 2012.

[Gross profit Rs 52,800 (considering stock shortage Rs 2,400 as abnormal loss). Net profit Rs 49,200. Closing balance of debtors Rs 10,400]

60. Tass Ltd. has a head office and two branches, A and B. All records are kept in the head office books. All goods are charged out at selling price which is cost plus 50%.

Branch A had the following transactions in 2012 (all figures at selling price)

	Rs
Opening stock	26,700
Cash sales	72,940
Credit sales	3,200
Returns from credit customers to branch	570
Returns from credit customers direct to head office	120
Returns from branch to head office	1,170
Transfer to Branch B	4,500
Goods sent by head office	78,300

Notes: (1) Goods with selling price of Rs 660 were lost in transit from head office to branch. An insurance claim of Rs 400 was received.

(2) Branch stock with normal selling price of Rs 2,400 become shop spoiled and marked down to Rs 2,000. Three-quarters of these goods were sold and included in cash sales.

You are required to record the above transactions in the books of head office of Tass Ltd.

[Closing stock at branch Rs 22,700. Balance of Goods sent to Brach A/c transferred to Trading A/c Rs 48,340. Gross profit Rs 24,950. Net profit Rs 24,510. Closing balance of debtors Rs 2,510]

61. The following are the transactions of a concern having a head office and two branches, for the quarter ending 31st December, 2012:

	Branch I Rs	Brach II Rs
Goods invoiced by head office	1,68,000	1,74,000
Goods returned to head office	----	13,500
Cash sales	67,950	78,500
Credit sales	87,300	1,10,850
Sales returns	3,600	1,350
Cash received from debtors	86,400	1,11,150
Stock as on 1.10.12	85,500	1,24,500
Debtors as on 1.10.12	14,850	11,400
Stock as on 31.12.12	95,550	1,03,200
Debtors as on 31.12.12	12,150	9,750
Inter-branch transfer of goods, at selling price (see item 4 below)	6,000 (Cr)	6,000 (Dr)

The following further information is supplied to you:

(1) All purchases are made by head office and all sales are made by branches.
(2) Goods are invoiced to branches at selling price, being cost plus 25%.
(3) The branches are allowed to sell for cash or on 30 days' credit terms.
(4) Brach I transferred goods to Brach II at selling price Rs 6,000.

You are required to write up, in the head office books, the following accounts, pertaining to each of the two branches, for the above quarter:

(a) Branch stock account;
(b) Brach stock adjustment account;
(c) Goods sent to branch account; and
(d) Brach debtors account.

[Gross Profit: Branch I Rs 30,090; Branch II Rs 37,760 (considering stock discrepancy as normal loss/gain). Stock discrepancy: Brach I Rs Rs 300 shortage at selling price; Brach II Rs 200 surplus at selling price]

62. Shymali Stores Ltd. Kolkata, has its braches at Rajkot and Udupi. It charges goods to its branches at cost plus 25%. Following information is available of the transactions of Rajkot Branch for the year ended 31st March, 2013:

Balances on	1.4.18 Rs	31.3.19 Rs
Stock	30,000	?

Debtors	10,000	14,000
Petty cash	50	230

Transactions during 2018-19 (Rajkot branch):		Rs
Goods sent to Rajkot branch (at invoice price)		3,25,000
Goods returned to head office (at invoice price)		10,000
Cash sales		1,00,000
Credit sales		1,75,000
Goods pilfered (invoice price)		2,000
Goods lost in fire (invoice price)		5,000
Insurance Co. paid to head office for loss by fire at Rajkot		3,000
Cash sent to Rajkot Branch for:		
Salaries and wages	20,000	
Rent	9,000	
Petty expenses	5,000	34,000
Bad debts at branch		500
Goods transferred to Udupi Brach under head office advice		15,000
Insurance charges paid by head office		500
Goods returned by debtors		500

Goods worth Rs 15,000 (included above) sent by Rajkot branch to Udupi branch were in transit on 31.3.13.
Show the following accounts in the books of Shyamali Stores Ltd.:
(a) Rajkot branch stock account;
(b) Rajkot branch debtors account;
(c) Rajkot branch adjustment account;
(d) Rajkot branch profit and loss account;
(e) Stock reserve account; and
(f) Goods sent to Rajkot branch account

[Gross Profit Rs 54,900/ Net profit Rs 17,480. Closing stock Rs 48,500. Collection from debtors Rs 1,70,000]

63. Goods are consigned to two branches, A and B, at 120% and 125% of cost respectively. The invoices of goods sent to the two branches amount respectively to Rs 24,000 and Rs 40,000. But included in the former, are invoices for goods costing Rs 6,000 invoiced to A at 120% (i.e. at Rs 7,200) through mistake, as it should have actually been considered as invoiced to B at 125% on cost. Sales are all for cash, being A Rs 14,400 and B Rs 30,000. Show the appropriate ledger entries in the head office books.

    [Gross profit: A Rs 2,400; B Rs 6,000. Closing stock at invoice price: A Rs 2,400; B Rs 17,500]

64. The following information relates to two departments of Kaveri Emporium, a branch of Savana Ltd. The parent organisation supplies all goods to the departments at selling price and Department X operates at cost plus 20 per cent, whereas Department Z operates at cost plus $33\frac{1}{3}$ per cent. All credit accounts are controlled by head office, to which cash is remitted, and wages and expenses are also paid by head office.

	X Rs	Z Rs
Sales: Cash	2,20,032	2,76,640
Credit	28,128	
Stock at beginning, at selling price	2,640	1,888
Stock at end, at selling price	36,120	47,360
Goods sent to departments, at selling price	2,88,288	3,24,080
Returns from departments, at selling price	6,408	960
Mark down of 10% on the selling price of goods which cost	400	1,920
Wages and expenses	15,008	15,688
Cash collected from debtors	28,492	

Cash received from Kaveri Emporium Opening cash balance Debtors outstanding at the beginning Closing cash balance	5,14,688 18,816 2,732 800	

You are required to show the appropriate entries in the ledger at head office; and prepare a statement showing the trading profit earned by each department.

[Gross profit: X Rs 41,160; Z Rs 68,404 (considering stock shortage Rs 192 for X and Rs 752 for Z as normal loss). Net profit: X Rs 26,152; Z Rs 52,176. Closing debtors Rs 2,368. Remittance from branch Rs 5,14,688]

65. Traders Assembly Ltd. has two branches, at Patna and Guwahati. During the year ended 31st March, 2019, goods have been invoiced to the Patna branch at 20% above cost and to the Guwahati branch at 25% above cost the branches to not maintain complete books of accounts but the following figures are available for the year ended 31st March, 2019:

	Patna Rs	Guwahati Rs
Opening stock, at invoice price	7,200	8,000
Goods sent to branch, at cost	40,000	32,000
Amount remitted by branch	64,000	64,000
Amount remitted by head office	12,000	12,000
Goods returned by branch, at invoice price	2,400	-----
Cash as on 1.4.18	1,600	800
Cash as on 31.3.19	800	400
Goods returned by customers to branch, at selling price	4,000	3,200
Expenses at branch	7,200	2,400

All sales at the branches are for cash. During the year, Patna branch purchased fixed assets worth Rs 3,200 and this amount is included in the figure of branch expenses. Patna branch transferred to the Guwahati branch goods costing Rs 4,000 during the year. The Guwahati Branch remitted Rs 1,600 to the Patna branch also during the year. There was a closing stock of Rs 19,200 valued at invoice price at the Patna branch. There was no closing stock at the Guwahati branch. The branch stock adjustment account in the head office books showed the following position as on 1st April, 2018:

For Patna – Rs 1,200 (Cr.),   For Guwahati – Rs 1,600 (Cr.)

Prepare branch stock accounts, branch stock adjustment accounts, goods sent to branch accounts, branch cash account and branch profit and loss account in the head office books, ignoring depreciation.

[Gross profit: Patna Rs 32,800; Guwahati Rs 13,200. Apparent gross profit as per Brach Stock A/c: Patna Rs 28,000; Guwahati Rs 2,600. Sales: Patna Rs 60,800; Guwahati Rs 58,800. Net profit: Patna Rs 28,800; Guwahati Rs 10,800]

Notes: (1) For goods returned by customer debit Brach Stock A/c and Credit Brach Cash A/c.

(2) Sales will come out as balancing figure from Branch Cash A/c.

66. A head office at Mumbai has a branch at Chennai in charge of a manager. The ratio of gross profit on turnover at the branch was 25 per cent constant throughout the year.

The branch manager is entitled to a commission of 10 per cent on the profit earned by the branch calculated before charging his commission, but subject to deduction from such commission a sum equal to 50 per cent of any ascertained deficiency on branch stock. All goods were supplied to the branch by head office.

From the following figures extracted from the books, calculate the commission due to the manager for the year ended 31st December, 2019:

	Rs
Stock on 1.1.19, at cost	31,210
Goods received from head office, at cost	1,08,700
Sales	1,46,400

Establishment expenses	22,550
Drawings by manager against commission	1,000
Stock on 31.12.19, at selling price	39,800

[Total commission Rs 1,285. Balance of commission due Rs 285]

67. Saron Stores Ltd. with its head office at Kolkata, invoiced goodsto its branch at Durgapur at 20% less the list price, which is cost plus 100%, with instruction that cash sales were to be made at invoice price and credit sales at catalogue price (i.e. list price).
From the following particulars available from the branch, prepare branch stock account, branch adjustment account, branch profit and loss account and branch debtors account for the year ending 31st December, 2019:

		Rs
Stock on 1st January, 2019 (invoice price)		60,000
Debtors on 1st January, 2019		50,000
Goods received from head office (invoice price)		6,60,000
Goods returned to head office (invoice price)		5,000
Sales:		
Cash	2,30,000	
Credit	5,00,000	7,30,000
Cash received from debtors		4,28,170
Expenses at branch		86,830
Remittances to head office		6,00,000
Debtors on 31st December, 2019		1,21,830
Stock at invoice price on 31st December, 2019		77,000

[Gross profit Rs 3,36,250. Apparent gross profit as per Branch Stock A/c Rs 1,00,000. Stock shortage at invoice price Rs 8,000 (cost Rs 5,000). Net profit Rs 2,44,420]

Note: When cost price is Rs 100 list price is Rs 200 (i.e. cost plus 100%), and invoice price is Rs 160 (i.e. list price minus 20%).

68. N. P. Enterprise of Hatibagan, Kolkata, invoices goods to its Howrah branch at 20% less than the list price which is cost plus 100 per cent with instructions that cash sales were to be made at invoice price and credit sales at list price.
From the following particulars available from Howrah branch, prepare (a) branch stock account, (b) branch debtors account, and (c) Howrah branch account to reveal the profit for year ended on 31st March, 2020:

	Rs
Stock on 1st April, 2019, at invoice price	18,000
Debtors on 1st April, 2019	10,000
Personal computer (P. C.) at branch	50,000
Goods received from head office at invoice price	1,80,000
Cash sales	82,000
Credit sales	1,20,000
Goods in transit on 31st March, 2020	10,000
Cash sent to branch for expenses	32,000
Actual expenses at branch	30,000
Stock at the end at invoice price	16,000
Bad debts written off	400
Goods returned by customers direct to head office at list price	1,500
Debtors are the end	8,100

Depreciate personal computer by 20%.

[Apparent gross profit as per Branch Stock A/c Rs 24,000.Stock shortage at invoice price Rs 4,000. Collection from debtors Rs 1,20,000. Branch profit Rs 47,100]

Note: Returns from customers will be credited to branch debtors at Rs 1,500 (i.e. list price) but to Branch A/c at Rs 1,200 (i.e. invoice price)

Wholesale profit and Retail profit at branch

69. A head office sends goods to its branch at 20% less than the list price. Goods are sold to customers at cost plus 100%.
From the following particulars, ascertain the profit made at the head office and at branch on wholesale basis:

	Head office Rs	Branch Rs
Purchases	2,00,000	----
Goods sent to branch (invoice price)	80,000	----
Sales to customers	1,70,000	80,000

[Head office profit: Gross Rs 1,15,000 and net Rs 1,09,000; Branch both gross and net Rs 16,000; Closing stock: Head office Rs 65,000; branch (invoice price) Rs 16,000. Provision for unrealized profit on stock held by branch Rs 6,000]
Note: When cost price of head office is Rs 100, list price is Rs 200 (i.e. cost price + 100%) and invoice price is Rs 160 (i.e. list price less 20%)

70. P. K. Co. Ltd. with their head office at Kolkata, invoiced goods to their Mumbai branch at invoice price. The invoice price is 20% less than the list price, which is cost plus 100% with the instructions that sales are made at list price.
From the following particulars ascertain the profit earned by the head office and branch:

	Kolkata Head office Rs	Mumbai Branch Rs
Opening stock	40,000	----
Purchases	2,00,000	----
Goods sent to branch at cost price	62,500	-----
Goods received from head office at invoice price	-------	96,000
Sales	1,70,000	80,000
Trade expenses	14,000	8,000

Stocks at head office are valued at cost price but those of branch are valued at invoice price.
[Gross profit: Head office Rs 1,22,500; Branch Rs 16,000. Net Profit: Head office Rs 95,000; Branch Rs 8,000. Closing stock: Head office Rs 92,500; Branch (invoice price) at godown Rs 64,000; in transit Rs 4,000. Additional provision to be made for unrealized profit on stock held by branch Rs 13,500 (i.e. provision required is Rs 68,00 less provision on existing stock Rs 32,000]

71. Green Ltd. has a retail branch at Pune. Goods are sold at 60% profit on cost. The wholesale price is cost plus 40%. Goods are invoiced from Kolkata head to branch at Pune at wholesale price. From the following particulars, ascertain the profit made at head office and branch for the year ending 31st December, 2019:

	Kolkata Head office Rs	Mumbai Branch Rs
Stock on 1st January, 2019	3,50,000	----
Purchases	21,00,000	----
Goods sent to branch (at invoice price)	7,56,000	-----
Sales	17,12,000	
Stock on 31st December, 2019	8,40,000	7,20,000 1,26,000

Sales at head office are made only on wholesale basis and that at branch only to consumer. Stock at branch is valued at invoice price.
[Profit: Head office Rs 8,22,000; Branch Rs 90,000. Provision for unrealized profit on stock held by branch Rs 36,000)

72. Rahul Limited operates a number of retail outlets to which goods are invoiced at wholesale price which is cost plus 25%. These outlets sell the goods at the retail price which is wholesale price plus 20%.

Following is the information regarding one of the outlets for the year ended 31.3.2019:

	Rs
Stock at the outlet 1.4.18	30,000
Goods invoiced to the outlet during the year	3,24,000
Gross profit made by the outlet	60,000
Goods lost by fire	?
Expenses of the outlet for the year	20,000
Stock at the outlet 31.3.19	36,000

You are required to prepare the following accounts in the books of Rahul Limited for the year ended 31.3.19:

(a) Outlet stock account;

(b) Outlet profit and loss account; and

(c) Stock reserve account.

[Outlet sales Rs 3,60,000. Goods lost by fire Rs 18,000. Outlet profit Rs 22,000. Additional stock reserve required Rs 1,200]

Note: When cost price is Rs 100, wholesale price is Rs 125 (Cost price + 25%), retail price is Rs 150 (Wholesale price + 20%) and outlet gross profit is Rs 25 (retail price – wholesale price). Sales at outlet = Rs 60,000 $\times \frac{150}{25}$ = Rs 3,60,000.

BRANCH MAINTAINING DOUBLE ENTRY BOOKS

73. Give journal entries to rectify or adjust the following in the books of the head office and the branch:

(i) Goods costing Rs 16,000, purchased by branch, but payment made by head office. The head office has debited the amount to its own purchases account.

(ii) Brach paid Rs 30,000 as salary to a visiting head office official. The branch has debited the amount to salaries account.

(iii) Depreciation, Rs 50,000 in respect of branch assets whose accounts are kept in head office books is to be recorded by both the parties.

(iv) Expenses Rs 70,000 to be charged to the branch for work done on its behalf by the head office.

74. Unique Ltd. with head office in Kolkata has branches are Rayganj and Gopalganj. The head office closes its books of accounts on 31st December every year.

Show the adjusting journal entries in the books of head office and Rayganj Branch in regard to the following:

(a) A remittance of Rs 12,400 made by Rajganj Branch to the head office on 28th December was received by the latter on 8th January.

(b) The Rayganj Branch paid Rs 250 dividend to a local shareholder on behalf of the head office.

(c) Goods worth Rs 15,000 sent by head office to GopalganjBanch on 24th December was received by the latter on 8th January.

(d) A sum of Rs 500 being arrears of call money was received by the Rayganj Branch from a shareholder in December.

(e) Depreciation at 10% per annum it to be provided on machinery at Rayganj Branch costing Rs 60,000, the account of which is in the head office books.

(f) Goods worth Rs 3,000 was sent by Rayganj Branch to Gopalganj Branch under instructions from the head office.

75. A head office passes adjustment entry at the end of each month to adjust the position arising out of inter-branch transactions during the month. From the following inter-branch transactions in January, 2019, make the entry in the books of head office:

(a) Mumbai Branch:

(i) Received goods: Rs 6,000 from Kolkata branch; Rs 4,000 from Patna branch.

(ii) Sent goods: Rs 10,000 to Patna branch; Rs 8,000 to Kolkata branch.

(iii) Receive bills receivable Rs 6,000 from Patna branch.

(iv) Sent acceptance: Rs 4,000 to Kolkata branch; Rs 2,000 to Patna branch.

(b) Chennai branch (apart from the above):

(v) Received goods: Rs 10,000 from Kolkata branch; Rs 4,000 from Mumbai branch.

(vi) Cash sent: Rs 2,000 to Kolkata branch; Rs 6,000 to Mumbai branch.

(vii) Sent goods to Patna branch Rs 6,000.

(viii) Paid bill payable: Rs 4,000 to Patna branch; Cash Rs 4,000 to Patna branch.

[Chennai branch Dr. Rs 6,000; Patna branch Dr. Rs 16,000; Mumbai branch Cr. Rs 6,000; Kolkata branch Cr. Rs 16,000]

76. A business has three branches at Cochin, Chandigarh and Cuttack. The head office at Chennai purchases goods and sends them to branches, to be sold at uniform percentage of profit on cost. The following particulars are made available to you to enable you to prepare a combined Trading Account for the year ended 31st March, 2020:

	Chennai Rs	Cochin Rs	Chandigarh Rs	Cuttack Rs
Stock on 1st April, 2019	54,000	16,000	12,500	10,000
Purchases in the year	2,74,000	------	-----	-----
Sales	-------	1,80,000	1,20,000	1,00,000
Stock on 31st March, 2020	28,000	6,000	5,000	2,500
Brach accounts on 1st April, 2019:				
Cochin	15,000			
Chandigarh	32,000			
Cuttack	4,000			
Remittances from branches	3,20,000	1,50,000	1,00,000	70,000

Chennai office invoices goods to the branches at fixed sales price but maintains branch accounts in its ledger at cost price.

Show branch accounts in Chennai Head Office books.

	Cochin (Rs)	**Chandigarh (Rs)**	**Cuttack (Rs)**
Gross profit	**36,000**	**24,000**	**20,000**
Branch A/c closing balance	**37,000**	**46,000**	**28,000**

Rate of profit on invoice price 20%.

77. The Guntur branch of National Industries sent the following trial balance to its head office at Hyderabad on 31.12.19:

	Dr. Rs	Cr. Rs
Sundry creditors		8,600
Sundry debtors	12,000	
Cash on hand	6,250	
Furniture	1,900	
Stock on 1.1.19	2,250	
Purchases	66,450	

Goods from head office	34,000	
Sales		1,12,500
Goods returned to head office		2,250
Wages and salaries	5,500	
Trade expenses	5,250	
Head office account		10,250
	1,33,600	1,33,600

Stock on hand on 31.12.19 was Rs 5,200.

Prepare the trading and profit and loss account, balance sheet and head office account in the books of Guntur branch.

[Gross profit Rs 11,750; Net profit Rs 6,500. Balance sheet total Rs 25,350. Balance of Head Office A/c Rs 16,750]

78. The trial balance of Dhanbad branch of Kolkata head office stood as follows:

	Dr. Rs	Cr. Rs
Stock on 1st January, 2019	30,000	
Furniture	12,000	
Debtors	28,000	
Creditors		1,000
Goods from Kolkata	80,000	
Sales		1,14,000
Cash on hand	4,000	
Salaries, rent and expenses	11,000	
Kolkata head office account		50,000
	1,65,000	1,65,000

Closing stock at Dhanbad as at 31st December, 2019, was valued at Rs 23,000. A remittance of Rs 5,000 made by the branch on 29th December, 2019, was received by the head office on 31st January, 2020.

Calculate Dhanbad branch profit and show journal entries to incorporate branch profit, assets and liabilities in Kolkata head office books. Also prepare Dhanbad branch account in Kolkata head office ledger.

79. A branch establishment sent the following trial balance to its head office:

	Dr. Rs		Cr. Rs
Balance at bank	9,000	Sundry creditors	14,000
Cash in hand	140	Sales	2,20,000
Sundry debtors	54,000	Head office account	57,840
Purchases	1,60,000		
Rent and taxes	4,000		
General expenses	7,000		
Salaries	12,000		
Bad debts	700		
Fixtures and fittings	2,400		
Machinery	4,600		
Stock, 1st January	38,000		
	2,91,840		2,91,840

The proportion of head office expenses to be charged to the branch is Rs 4,500. The salaries include a sum of Rs 2,600 paid to the branch manager who is further entitled to

15% on the net profit of the branch before charging such commission. The branch stock on 31st December was Rs 22,000.

Prepare branch trading and profit and loss account and balance sheet after charging 10% depreciation on fixed assets.

80. The following is the trial balance of Agra branch as at 31st March, 2019:

	Dr. Rs		Cr. Rs
Mumbai head office	32,400	Sales	3,80,000
Stock, 1st April, 2018	60,000	Goods supplied to head office	60,000
Purchases	1,78,000	Creditors	18,500
Goods received from head office	90,000		
Salaries	15,000		
Debtors	37,000		
Rent	9,600		
Office expenses	4,700		
Cash in hand	17,800		
Furniture	14,000		
	4,58,500		4,58,500

Closing stock was valued at Rs 27,000. The branch account in the books of head office stood at Rs 4,600 (debit balance) on 31st March, 2019. On 28th March, 2019, the head office forwarded goods to the value of Rs 25,000 to the branch where they were received on 3rd April, 2019.

Required:

(a) Branch trading and profit and loss account;

(b) Journal entries necessary to incorporate the above figures; and

(c) Agra branch account in the books of head office.

81. A Kolkata head office has a branch office at Durgapur. On 31st December, 2019, the trial balance of the branch stood as follows:

	Dr. Rs	Cr. Rs
Fixed assets	3,470	-----
Debtors and creditors	10,750	2,110
Stock, 1st January	7,500	-----
Goods from head office	28,560	-----
Sales	------	39,750
Discount	760	190
Cash in hand	1,310	-----
Rent, rates and taxes	930	------
Sundry expenses	650	-----
Depreciation	340	-----
Carriage inwards	820	-----
Head office account	-----	33,850
Wages and salaries	3,690	-----
Bad debts	320	-----
Remittance to head office	16,800	-----
	75,900	75,900

Stock, 31st December, Rs 8,250.

Prepare trading and profit and loss account of the branch. Also prepare head office account in branch books and branch account in head office books.

82. On 31st December, 2019, the trial balance of Patna branch of a Kolkata head office stood as follows:

	Dr. Rs	Cr. Rs
Stock on 1.1.19	1,00,000	
Furniture	40,100	
Debtors	48,000	
Goods received from Kolkata office	2,60,000	
Salaries, rent and expenses	24,000	
Cash in hand	3,000	
Kolkata office account		40,000
Sales		4,15,000
Sundry creditors		20,000
	4,75,000	4,75,000

Stocks at Patna on 31st December, 2019 were valued at Rs 96,000. A remittance of Rs 5,000 made by the branch on 28th December, 2019 was received by the head office on 3rd January, 2013.
Show journal entries to close the books of Patna branch. Also prepare the Kolkata head office account in the branch ledger and the Patna branch account in the head office ledger.

83. A head office receives the following trial balance from its branch:

	Dr. Rs	Cr. Rs
Head office account		31,500
Opening stock	13,700	
Purchases	62,950	
Goods received from head office	19,500	
Sales		1,20,000
Sundry creditors		12,700
Salaries	23,600	
General expenses	12,900	
Sundry debtors	30,800	
Discount received		450
Cash at bank	1,200	
	1,64,650	1,64,650

The closing stock at the branch was Rs 32,400. The branch account in the head office books stood at Rs 39,500 (debit balance). Goods sent by the head office Rs 2,000 had not yet reached the branch. Depreciation of branch assets whose accounts are kept in the head office books was Rs 5,400.
Record the above noted items and incorporate the branch trial balance in the head office books by means of journal entries
.

84. Following is the trial balance of Kanpur branch as on 31st December, 2019:

	Rs		Rs
Purchases	34,700	Creditors	4,680
Goods from head office	16,200	Head office current account	15,120
Debtors	12,800	sales	76,400
Sundry expenses	2,760		
Cash at bank	2,500		

Petty cash Stock (on 1.1.19) Administrative expenses Selling expenses	100 14,540 8,080 4,520		
	96,200		96,200

Stock in hand at branch on 31st December, 2019 was valued at Rs 16,400. Kanpur branch current account in the head office books on 31st December, 2019 stood at Rs 16,880 (Dr). On the same date goods sent to Kanpur branch account stood at Rs 17,960.
Show journal entries to incorporate the above trial balance in the head office books after creating a provision for doubtful debts at 2 ½ % on debtors. Also show hoe the Kanpur branch current account will appear finally in the head office books.

Departmental Accounting:

1. The business of ABC Ltd. is carried on in three departments, A, B and C. the following information relates to the year ended 30th April, 2019:

	Deptt. A	Deptt B	Deptt. C
	Rs	Rs	Rs
Sales	1,76,400	3,52,800	5,29,200
Purchases	1,10,000	2,16,700	2,99,800
Stock on 1st May, 2018	26,800	40,300	38,700
Stock on 30th April, 2019	24,300	42,000	43,600

Overhead expenses for the year, to be apportioned on the basis indicated, are:

Overhead expenses	Rs	Basis of apportionment
Rent and rate	1,26,000	Floor area
Wages and salaries	1,92,000	Number of employees
Insurance	5,290	Value of opening stock
Administration	31,325	Purchases
Advertising	31,752	Sales

Statistical information relating to the three departments is appended:

Departments	Floor area (square metres)	Number of employees
A	5,000	8
B	7,000	11
c	8,000	13

Prepare accounts in columnar form showing the trading results of the departments for the year.

[Gross profit: A Rs 63,900; B Rs 1,37,800; C Rs 2,34,300. Net profit (loss): A (Rs 27,732); B Rs 4,266; C Rs 73,099]

2. The Hill Cart Motel has two revenue producing departments A and B. the following information relates to the Motel's trading during the year ended 31st March, 2020:

	Deptt. A	Deptt B	Total
	Rs	Rs	Rs
Purchases	24,000	36,000	60,000
Stock: 1st April, 2019	1,500	2,400	3,900
30th April, 2020	2,100	3,000	5,100
Sales	60,000	72,000	1,32,000
Wages and salaries	13,500	22,500	36,000
Lighting and power	1,260	1,950	3,210

Repairs and maintenance	7,200
Administration expense	6,600
Rent and rates	6,000
Investment income	1,200
Depreciation	3,600
Loan interest	10,400
Advertising	2,850
Laundry expenses	1,980
Legal fees	600

Allocation and apportionment of expenses:

(i) Repair and maintenance are apportioned in proportion to wages and salaries.

(ii) Of the administration expenses Rs 2,400 is allocated to Department A and Rs 4,200 to Department B.

(iii) Laundry expenses are apportioned in proportion to sales.

You are required to prepare a departmental trading and profit and loss account for the year ended 31st March, 2020 indicating clearly:

(a) The gross profit or loss of each department.

(b) The departmental profit or loss of each department; and

(c) The overall net profit or loss of the business.

[Gross profit: A Rs 21,840; B Rs 12,150.Departmental profit: A Rs 15,840; B Rs 2,370. Overall loss Rs 4,040]

3. M/s Z & Co. has two departments. You are required to prepare the trading and profit and loss account for each department for the year ended on 31st March, 2020 on the basis of following information:

	Department A	Department B
	Rs	Rs
Opening stock (1.4.19)	25,000	20,000
Purchases	2,30,000	1,90,000
Sales	6,33,000	4,92,000
Sales return	3,000	2,000
Closing stock (31.3.20)	30,000	18,000
Wages	80,000	60,000
Salaries	40,000	25,000

Other common expenses:	Rs
Rent	15,000
Electricity	6,000
Depreciation	18,000
Selling expenses	8,000

Some other relevant information is given below:

	Department A	Department B
Light points	18	9
Value of assets (Rs)	1,50,000	1,20,000
Floor area (sq. ft.)	300	200

[Gross profit: A Rs 3,25,000; B Rs 2,38,000. Net profit: A Rs 3,57,500; B Rs 1,93,500]

Note: Basis of apportionment of common expenses:

Rent – Floor area; Depreciation – Value of assets; Electricity – Light points; Selling expenses – Net sales.

4. The following balances as at 31.12.19 have been extracted from the books of Shri Ram & Co. which has two departments:

	Deptt. A	Deptt. B	General
	Rs	Rs	Rs
Opening stock as at 1.1.19	25,000	20,000	
Purchases	2,30,000	1,90,000	
Purchases returns	2,000	1,000	
Sales	6,33,000	4,92,000	
Sales returns	3,000	2,000	
Wages	1,80,000	1,60,000	
Miscellaneous charges	35,000	32,000	
Sundry debtors			1,90,000
Sundry creditors			1,73,000
Plant and machinery			2,40,000
Leaseholds			80,000
Buildings			1,20,000
Furniture and fittings			48,000
Office and selling expenses			1,28,000
Cash in hand on 31.12.19			8,000
Cash at bank on 31.12.19			1,10,000
Capital			5,00,000

Plant and machinery is to be depreciated by 10%, buildings by 2%, furniture and fittings by 5%. Leaseholds are to be written off by Rs 8,000. The stocks in hand on 31.12.19 were as follows:

Department A	Rs 26,000
Department B	Rs 24,000

All unallocated expenditure is to be apportioned in the ratio of the net sales of each department.

Prepare in columnar form trading and profit and loss account of the two departments and balance sheet of the combined business as a whole on 31.12.19.

[Gross profit: A Rs 2,23,000; B Rs 1,45,000. Net profit: A Rs 95,300; B Rs 40,900. Balance sheet total Rs 8,09,200]

5. P. Nandi is the proprietor of a shop selling books, periodicals, newspapers and children's games, toys and fancy goods. For the purpose of his accounts he wishes the business to be divided into two departments:

Department A : Books, periodicals and newspapers.

Department B : Games, toys and fancy goods.

The following balances have been extracted from his nominal ledger as at 31st March, 2019:

	Rs		Rs
Sales:		Wages of newspaper delivery boys	1,500
Dept. A	1,50,000	General office salaries	7,500
Dept. B	1,00,000	Rates	1,300
Stock (1.4.18)		Fire insurance – buildings	500
Dept. A	2,500	Lighting	1,200
Dept. B	2,000	Repairs to premises	250
Purchases:		Internal telephone	250
Dept. A	1,18,000	Cleaning	300
Dept. B	82,000	Accountancy and audit charges	1,200
Wages of sales assistants:		General office expenses	600

Dept. A	10,000
Dept. B	7,500

Stock at 31st March, 2019 was valued at:

Dept.A Rs 3,000 Dept. B Rs 1,500

The proportion of the total floor area occupied by each department was:

Dept. A one-fifth Dept. B four-fifth

Prepare P. Nandi's trading and profit and loss account for the year ended 31st March, 2019, apportioning the overhead expenses, where necessary, to show the departmental profit or loss.

[Gross profit: A Rs 32,500; B Rs 17,500. Net profit: A Rs 14,660; B Rs 3,240]
Note: Allocate general office salaries, accountancy and general office expenses on the basis of turnover; and rates, fire insurance, lighting, repairs, telephone and cleaning on the basis of area]

6. From the following trial balance and additional information, prepare departmental trading and profit and loss account for the year ending 31st December, 2019 and a balance sheet as on that date:

Trial Balance as on 31st December, 2019

			Dr. (Rs)	Cr. (Rs)
Opening stock:	Deptt. A	1,800		
	Deptt. B	1,350	3,150	
Purchases:	Deptt. A	3,400		
	Deptt. B	3,200	6,600	
Sales:	Deptt. A	6,100		
	Deptt. B	5,100		11,200
Wages:	Deptt. A	800		
	Deptt. B	290	1,090	
Rent, rates, taxes etc.			1,200	
Discount allowed and received			242	132
Advertising			400	
Carriage inward			600	
Salaries			300	
Plant and machinery			2,000	
Furniture			400	
Sundry debtors and creditors			600	1,800
Capital				4,200
Cash balance			750	
			17,332	17,332

Additional information:

(1) Rent, rates, taxes etc., salaries and carriage inward to be allocated in the ratio of 2:1 between A and B.

(2) Discount allowed and received on the basis of departmental sales and purchases.

(3) Advertising and depreciation to be apportioned equally.

(4) Services rendered by Deptt. A to Deptt. B valued at Rs 100.

(5) Depreciation at 10% on plant and machinery and 20% on furniture.

(6) Closing stock – Deptt. A Rs 1,600 and Deptt. B Rs 1,500.

Gross Profit: A Rs 1,300; B Rs 1,560; Net profit (loss) : A Rs 4 (loss); B Rs 574. Balance sheet total Rs 6,570

7. The business of Mr. Banerjee consists of two departments, viz. –
   (i) Publishing and books selling; and
   (ii) Stationery
   The following balances are extracted from his books on 30th June, 2020:

	Rs		Rs
Banerjee's capital	2,00,000	Freight charges on paper	2,727
Banerjee's drawings	25,218	Sale of books	92,076
Furniture and fittings	1,20,000	Sale of stationery items	21,012
Electric appliances	25,000	Purchase of stationery items	14,212
Sundry debtors	12,920	Stock of books (1.7.19)	25,240
Sundry creditors	62,860	Stock of stationery (1.7.19)	7,819
Bank balance (Dr.)	50,712	Office expenses	39,898
Purchase of printing paper	27,412	Cash in hand	1,572
Printing charges	23,218		

Taking into account additional information available as below, you are required to prepare departmental trading and profit and loss account of Mr. Banerjee for the year ended on 30.06.20 and his balance sheet as at that date:

(i) Stock as on 30.6.2020:

Books	Rs 27,420
Stationery	Rs 8,917

(ii) Fixed assets are to be depreciated at the following rates:

Furniture and fittings	10% p.a.
Electrical appliances	15% p.a.

(iii) Included in office expenses is insurance prepaid to the extent of Rs 400. Outstanding office expenses were Rs 302 at the end of the year.

(iv) Stationery items valued at Rs 2,200 were utilised for the purpose of office during the year. No entry had been passed in the books in this regard.

(v) All expenses which are not direct, are to be apportioned in the ratio of 2:1 as between publishing and book-selling and stationer.

Ans: Gross Profit: Publishing Rs 40,899; Stationery Rs 10,098; Net profit (loss): Publishing Rs 2,399; Stationery (Rs 9,152). Balance Sheet total Rs 2,31,191.

8. Singh Auto Garage has three departments, viz – (i) Cars and trucks, (ii) Two-wheelers, and (iii) Servicing. The former two sell spare parts and occupy a godown-cum-showroom. The servicing department uses a garage and adjoining site.
   The following particulars are extracted from the books of the business for the year ended 31st March, 2020, from which you are required to prepare: (a) a departmental trading and profit and loss account; (b) a general profit and loss account; and (c) a balance sheet:

	Rs		Rs
Stock (1.4.19):		Godown and showroom rent	24,000
Cars and trucks	1,00,000	Land and garage building	2,72,000
Two-wheelers	27,500	Office expenses	36,000
Purchases:		Garage equipment	1,00,000
Cars and trucks	3,50,000	Showroom furniture and fittings	70,000
Two-wheelers	1,10,000	Office van	24,000
Sales:		Sundry debtors	12,000
Cars and trucks	6,00,000	Sundry creditors	60,000
Two-wheelers	3,00,000	Bank overdraft	17,200

Servicing	1,00,000	Power and lighting	36,000
Wages of counter salesmen:		Bank interest	1,000
Cars and trucks	30,000	Cash in hand	900
Two-wheelers	12,000	Drawings account	12,000
Wages of garage labour	10,800	Proprietor's capital account	1,63,000
Office salaries and wages	12,000		

Following further information is available:

(i) Included in 'Land and garage building' is the cost of site used by the servicing department Rs 2,00,000.

(ii) Closing stock on 31.3.2020 at the departments:

Cars and trucks	Rs 90,000
Two-wheelers	Rs 32,500

(iii) 50% of power and lighting is to be charged to servicing department, the balance equally to the other departments.

(iv) Rates for depreciation are:

Building 5%; Garage equipment 15%; Showroom furniture etc. 10%; Office van 20%.

(v) Outstanding expenses were:

Interest	Rs 150
Other expenses	Rs 2,000

(vi) Interest and all expenses relating to the office are to be considered common and charged to the general profit and loss account.

(vii) The departments using the showroom, share the space and furniture and fittings equally.

Ans: Departmental gross profit: Cars Rs 2,40,000; Two-wheelers Rs 1,95,000; Servicing Rs 89,200; Departmental net profit: Cars Rs 1,85,500; Two-wheelers Rs 1,58,500; Servicing Rs 52,600; Combined net profit Rs 3,40,650; Balance sheet total Rs 5,71,000. Note: Depreciation on building: 5% on Rs (2,72,000 – 2,00,000) = Rs 3,600

9. From the following information you are required to show the approximate net profit of three departments, X, Y and Z of a departmental store for the three months ended 31st March, 2020:

	X	Y	Z
	Rs	Rs	Rs
Stock on 1st January	23,000	18,000	10,000
Purchases for the three months	72,000	46,000	24,000
Cash sales for the three months	60,000	70,000	20,000
Credit sales for the three months	40,000	10,000	30,000
Direct expenses for the three months	19,400	23,000	18,700

The indirect expenses of the whole store for the three months were Rs 39,500 on total store sales (cash and credit) of Rs 7,90,000. These expenses are allocated in proportion to the total sales of each department.

Stock was not taken on 31st March, 2020, but the usual rates of gross profit (sales minus purchase cost of goods sold) for the three departments are:

X	30% on sales
Y	40% on sales
Z	50% on sales

Provision for bad debts is to be made at the rate of 1% on the credit sales of each department.

Ans: Gross profit: X Rs 30,000; Y Rs 32,000; Z Rs 25,000; Closing stock: X Rs 25,000; Y Rs 16,000; Z Rs 9,000. Net profit: X Rs 5,200; Y Rs 4,900; Z Rs 3,500.

Note: Since gross profit is calculated here on the basis of sales minus purchase cost of goods sold, direct expenses will be debited to profit and loss account.

10. A businessman wishes to ascertain the separate net profits of two departments X and Y for the six months ending 30th June, 2020. It is not practicable to take stock on that date. However, the rates of gross profit (calculated without reference to direct expenses) are determined at 40% and 30% on sales at the two departments respectively. There are in all six departments. Indirect expenses are to be charged in proportion to departmental sales except as to one-third, which is to be divided equally. The following figures are extracted from the books for the period ended 30th June, 2020:

	X	Y
	Rs	Rs
Stock (1.1.20)	30,000	28,000
Sales	1,40,000	1,20,000
Purchases	90,000	72,000
Direct expenses	18,300	28,400

Indirect expenses of all six departments were Rs 36,000. The sales of other departments were Rs 1,40,000.

Prepare a columnar trading and profit and loss account for the period ending 30th June, 2020, making stock reserve for each department at 7% on estimated value of stock on 30th June, 2020.

Ans: Gross profit: X Rs 56,000; Y Rs 36,000; Closing stock: X Rs 36,000; Y Rs 16,000; Share of indirect expenses: X Rs 14,400; Y Rs 13,200 . Net profit (loss): X Rs 20,780; Y (Rs 4,6,720)

Note: Since gross profit is calculated here without reference to direct expenses, direct expenses will be debited to profit and loss account.

11. On 1st January, 2019, the balance sheet of Parikh, who runs a departmental store, was as follows:

Liabilities	Rs	Assets		Rs
Sundry creditors	10,200	Cash in hand		950
Parikh's capital account	37,500	Cash at bank		4,250
		Sundry debtors		12,500
		Stock-in-trade:		
		A	5,000	
		B	6,000	
		C	2,500	13,500
		Plant and machinery		16,500
	47,700			47,700

From the following information and instructions, make out a trading and profit and loss account showing the estimated net profits of the three departments for the interim period of six months ending 30th June, 2019 and also a balance sheet as on that date based on the estimated net profit.

A stock reserve of 10% on the estimated value of stock as on 30th June, 2019 is to be made before arriving at the estimated net profits of the departments concerned:

	A	B	C
	Rs	Rs	Rs
Direct expenses	2,000	1,250	650
Sales for the period	12,500	10,000	5,000
Purchases for the period	6,000	5,000	4,000

It was not possible for the management to take stock, but the normal rates of gross profit for the departments concerned were 40%, 30% and 20% respectively on sales. The indirect expenses amounted to Rs 1,350 which is to be distributed in the ratio of amount of gross profit earned and depreciation on plant and machinery @ 10% p.a. to be apportioned on the basis of turnover.

The debtors on 30th June, 2019, amount to Rs 7,500 and creditors to Rs 2,500, while cash in hand is Rs 750 and cash at bank is Rs 7,500, plant and machinery remains as it was. He had drawn Rs 1,500 during the period for his personal expenses.

Ans: Gross Profit: A Rs 5,000; B Rs 3,000; C Rs 1,000. Closing stock: A Rs 5,500; B Rs 5,250; C Rs 3,150. Net profit: A Rs 3,325; B Rs 1,725; C Rs 385. Balance shet total Rs 43,935.

Note: Direct expenses will be debited to trading account here, this being the normal treatment.

12. M. L. Baig commenced trading on 1st April, 2019 as Baig Stores – retail stationers and confectioners, with an initial capital of Rs 6,000 which was utilised in the opening of a business bank account.

All receipts and payments are passed through the bank account. The following is a summary of the items credited in the business cash book during the year ended 31st March, 2020:

	Rs
Purchase of fixtures and fittings:	
Stationery department	5,200
Confectionery department	3,000
Staff wages:	
Stationery department	4,400
Confectionery department	3,080
Rent for the period 1st April, 2019 to 30th April, 2020	2,600
Rates for the year ended 31st March, 2020	1,140
Electricity	740
Advertising	2,200
Payment to suppliers	1,07,110
Drawings	10,000
The purchases during the year under review were:	
Stationery department	52,000
Confectionery department	58,500

The above purchases do not include goods costing Rs 1,000 bought by the business and then taken over Mr. Baig for his own domestic use. The figure of Rs 1,000 in included in payment to suppliers.

The gross profit in the stationery department is at the rate of 20 per cent on sales, whilst in the confectionery department it is 25 per cent on sales. In both departments, sales each month are always at a uniform level. The policy of Mr. Baig is to have month-end-stock in each department just sufficient for the following month's sales. The prices of all goods bought by Baig Stores have not changed since the business began.

The total debtors at 31st March, 2020, amounted to Rs 18,000.

In August, 2019 Mr. Baig and his sister, Mrs. Hasina, benefited from legacies from their late mother's estate of Rs 10,000 and Rs 8,000 respectively. Both legacies were paid into the bank account of Baig Stores. Mrs. Hasina has agreed that her legacy should be an interest free loan to the business.

At 31st March, 2020, electricity charges accrued due amounted to Rs 220.

Mr. Baig has decided that, expenses not incurred by a specific department should be apportioned to the departments as follows:

Rent and rates	according to floor area occupied
Electricity	according to consumption
Advertising	according to turnover

Two-thirds of the business floor space is occupied by the stationery department, whilst three-quarters of the electricity is consumed by that department. All the floor space of the business is allocated to departments.

It has been decided that depreciation on fixtures and fittings should be provided at the rate of 10 per cent on the cost of assets held at the year-end.

You are required to produce:

(a) A trading and profit and loss account for the year ended 31st March, 2020 for
(i) The stationery department, and
(ii) The confectionery department

(b) A balance sheet as at 31st March, 2020.

Ans: Gross Profit: Stationery Rs 12,000; Confectionery Rs 18,000. Net profit: Stationery Rs 3,000; Confectionery Rs 12,000. Balance sheet total Rs 34,080. Sales: Stationery Rs 60,000; Confectionery Rs 72,000. Closing stock (1/13th of purchase) Rs 4,000 and Rs 4,500. Creditors Rs 4,400. Bank balance Rs 1,460.

13. S. Surana is the proprietor of a retail business which has two main departments selling, respectively, hardware and electrical goods. At 30th September, 2019, the balances in the books of the business were as follows:

	Rs	Rs
Capital		71,000
Sales: Hardware		59,000
: Electrical		29,500
Purchases: Hardware	20,000	
: Electrical	10,000	
Stock at 1st October, 2018: Hardware	2,320	
: Electrical	2,136	
Salaries and wages : Hardware	20,560	
: Electrical	15,440	
Advertising	615	
Discount allowed: Hardware	400	
: Electrical	200	
Drawings	3,000	
Premises (at cost)	43,000	
Shop fittings and equipment:		
Hardware	18,000	
Electrical (at cost less depreciation)	7,000	
Debtors and creditors	10,200	5,319
Bank	5,600	
Rent and rates	1,580	

Canteen charges	875	
Electricity	880	
Insurance of stock	940	
General administrative salaries and expenses	2,073	
	1,64,819	1,64,819

Notes:

(1) At 30th September, 2019, the following amounts were owing:

Wages	: Hardware	Rs 250
	: Electrical	Rs 170
Electricity		Rs 20

(2) The general administration expenses and the rent and rates included prepayments of Rs 33 and Rs 80 respectively.

(3) Stock at 30th September, 2019 were: Hardware Rs 2,800; Electrical Rs 2,450.

(4) Depreciation is to be provided on shop fittings and equipments at 10 per cent of the written down value.

(5) The managers of the hardware and electrical departments are to be paid a commission of 5 per cent of the net profit (prior to payment of commission) of the respective departments.

(6) In apportioning the various expenses between the two departments, due regard is to be had to the following information:

	Hardware	*Electrical*
Number of workers	9	6
Average stock level (Rs)	2,500	2,200
Floor area (sq. mt.)	4,000	2,000

The general administration salaries and expenses are primarily incurred in relation to the processing of purchase and sales invoices.

You are require to prepare departmental trading and profit and loss account for the year ended 30th September,2019, and a balance sheet as on that date.

Gross profit: Hardware Rs 39,480; Electrical Rs 19,814. Net profit: Hardware Rs 11,471; Electrical Rs 788. Balance sheet total Rs 86,663. Manager's commission: Hardware Rs 604; Electrical Rs 41.

14. A Ltd. has three department X, y and Z. from the following particulars given by A Ltd. compute (a) the value of stock as on 31st March, 2022 and (b) the departmental results:

(i)

	X	Y	Z
Stock (1.4.2021)	Rs 12,000	18,000	6,000
Purchases	Rs 73,000	62,000	24,000
Actual sales	Rs 86,250	79,700	37,300
Gross profit on normal selling price	20%	25%	$33\frac{1}{3}$ %

(ii) During the year certain items were sold at a discount given below and these discounts were reflected in the values of sales stated above:

	Departments		
	X (Rs)	Y (Rs)	Z (Rs)
Sales at normal price	5,000	1,500	500
Sales at actual price	3,750	1,200	300

Ans: Gross Profit: X Rs 16,250; Y Rs 19,700; Z Rs 12,350; Closing stock: X Rs 15,000; Y Rs 20,000; Z Rs 5,000

15. The following balances as at 31st December, 2022 have been extracted from the books of S. Khaleel, the proprietor of a departmental store:

	Rs
Salaries and wages	1,42,500
Fuel, cleaning etc.	12,360
Rent and rates	27,050
Advertising	15,000
Sundry debtors	41,900
Sundry creditors	16,800
Provision for bad debts	5,000
Investments	50,000
Fixtures and fittings	46,500
Cash at bank	21,550
S. Khaleel: Capital account	2,00,000
Current account (Cr.)	880
Drawings	75,120

The records relating to the stock shows:

	Deptt. X (Rs)	Deptt. Y (Rs)
Stock 1st January, 2022 (at cost)	10,700	68,000
Purchases	94,600	2,20,980
Return outward	900	2,200
Stock 31st December, 2022 (at cost)	21,000	61,600

Note: (1) Department X sells articles for Rs 40 each which is equivalent to 180% of cost price while, Department Y sells articles for Rs 60 each which is equivalent to 200% of cost price.

(2) Write off bad debts of Rs 3,300 and adjust the provision for bad debtors 10% of the remaining outstanding debts. These adjustments should be apportioned equally between Department X and Department Y.

(3) Provide for Rs 4,000 investment income due to be received.

(4) Provide for Rs 1,150 rent due to be paid.

(5) Depreciate fixtures and fittings by 10%.

(6) All general expenses should be apportioned between Department X and Department Y on the basis of the number of articles sold by these departments during the year.

You are required to calculate the value of sales and prepare a trading and profit and loss account (in departmental form) for the year ended 31st December, 2022 and a balance sheet as at that date.

Ans: Department A: Gross profit Rs 66,720; Departmental net loss Rs 1,930
Department B: Gross profit Rs 2,25,180; Departmental net profit Rs 88,960
Total net profit Rs 91,030. Balance sheet total Rs 2,34,740

Inter-departmental transfer of goods at selling price:

16. From the following data, prepare departmental trading and profit and loss account, and thereafter the combined income account revealing the concern's true result for the year ended 31st December, 2022:

Departments

	A (Rs)	B (Rs)
Stock (1st January, 2022)	40,000	----
Purchases from outside	2,00,000	20,000
Wages	10,000	1,000
Transfer of goods from Department A	---	50,000
Stock (31st December, 2022) at cost to the department	21,000	61,600
Sales to outsiders	2,00,000	71,000

B's entire stock represents goods from Department A which transfers them at 25% above its cost. Administrative and selling expenses amount to Rs 15,000 which are to be allocated between Department A and B in the ratio 4 : 1 respectively.

Ans: Gross profit: A Rs 30,000; B Rs 10,000. Departmental net profit: A Rs 18,000; B Rs 7,000. Combined net profit Rs 23,000.Provision for unrealised profit on stock Rs 2,000.

17. O and K are two departments of Red Company Kolkata. O department sells goods to K Department at normal market price.
    From the following particulars, prepare a trading and profit and loss account of the two departments for the year ended 31st March, 2022:

	O Rs	K Rs	General Rs
Stock on 1st April, 2021	12,000	Nil	---
Purchases	2,76,000	24,000	
Goods from O Department	---	84,000	---
Wages	12,000	19,200	---
Salaries	8,000	5,000	---
Stock on 31st March, 2022 at cost to department	60,000	21,600	---
Sales	2,76,000	1,74,000	---
Stationery and printing	2,560	1,960	---
Plant and machinery	----	14,400	
Salaries (general)	-----	-----	18,000
Miscellaneous expenses	-----	-----	3,600
Advertisement	-----	-----	9,600
Bank charges	-----	-----	2,400

Rs 18,600 of the closing stock of K Department represents stock transferred from O Department. Depreciate plant and machinery by 10%. The general unallocated expenses are to be apportioned between O and K in the ratio of 3 : 2.

Ans: Gross profit: O Rs 1,20,000; K Rs 68,400. Departmental net profit: O Rs 89,280; K Rs 46,560. Combined net profit Rs 1,29,640. Provision for unrealised profit on stock Rs 6,200.

18. A company has two departments X and Y. Department X sells goods to Department Y at normal market price. From the following particulars, prepare a departmental trading and profit and loss account for the year ended 31st March, 2022:

	Deptt. X Rs	Deptt. Y Rs	General Rs
Opening stock	15,000	Nil	---
Purchases	2,50,000	40,000	
Goods from Department X	---	40,000	---
Wages	15,000	20,000	---

Salaries (departments)	7,0000	5,000	---
Closing stock at cost to department	80,000	20,000	---
Sales	2,60,000	1,45,000	---
Printing and stationery	2,500	1,500	---
Machinery	----	15,000	
Advertisement	-----	-----	12,000
Salaries (general)	-----	-----	18,000

Depreciate machinery by 10%. The general unallocated expenses are to be apportioned in the ratio of : 1 to the department X and Y.

Ans: Gross profit: X Rs 1,00,000; Y Rs 65,000.
Departmental net profit: X Rs 70,500; Y Rs 47,000.
Combined net profit Rs 1,14,167.
Provision for unrealised profit on stock Rs 3,333.

19. BPK Ltd. has two departments P and Q. From the following data, prepare trading and profit and loss account and the combined income account for the year ended 31st March, 2022:

	Deptt. P	Deptt. Q
	Rs	Rs
Stock as on 1.4.2021	45,000	15,000
Purchases	1,80,000	30,000
Direct wages	20,000	10,000
Transfer of goods from P	-----	40,000
Sales	2,10,000	90,000
Stock as on 31.3.2021	40,000	20,000

Department S's stock represents goods transferred from Department P. Goods were transferred from P to Q at 25% above cost. Interest Rs 4,000, salaries and wages Rs 10,000, depreciation Rs 6,000 and administrative and selling expenses amounting to Rs 12,000 are to be allocated in the ratio of departmental gross profit. Opening figure of reserve for unrealised profit on departmental stock was Rs 1,000.

Ans: Gross profit: P Rs 45,000; Q Rs 15,000. Departmental net profit: P Rs 21,000; Q Rs 7,000. Combined net profit Rs 25,000.

Provision for unrealised profit on stock:	***Rs***
Provision required: $20{,}000 \times \frac{25}{125}$	***4,000***
Less: Provision existing	***1,000***
Addition provision to be made	***3,000***

20. K. K. Lala& Co. has two departments A and B. Department A sells goods to Department B at normal selling price.
From the following particulars, prepare departmental trading and profit and loss account for the year ended 31st December, 2022 and also ascertain the net profit to be shown in the balance sheet:

	Deptt. A	Deptt. B
	Rs	Rs
Opening stock	1,00,000	Nil
Purchases	23,00,000	2,00,000
Goods from Department A	---	7,00,000
Wages	1,00,000	1,60,000
Travelling expenses	10,000	1,40,000
Closing stock at cost to department	5,00,000	1,80,000

Sales	23,00,000	15,00,000
Printing and stationery	20,000	16,000

The following expenses incurred for both the departments were not apportioned between the departments:

(a) Salaries	Rs 2,70,000
(b) Advertisement expenses	Rs 90,000
(c) General expenses	Rs 8,00,000
(d) Depreciation	Rs 12,000

Advertisement expenses are to apportioned in the turnover ratio, salaries in 2 : 1 ratio and depreciation in 1 : 3 ratio between the departments A and B. General expenses are to be apportioned in 3 : 1 ratio.

Ans: Gross profit: A Rs 10,00,000; B Rs 6,20,000. Departmental net profit: A Rs 1,32,526; B Rs 1,29,474. Combined net profit Rs 2,15,333. Provision for unrealised profit on stock Rs 46,667.

21. A firm has two departments – Sawmill and Furniture. Furniture is made with wood supplied by the Sawmill Department at its usual selling price.
From the following figures prepare departmental trading and profit and loss account for the year 2022:

	Sawmill Rs	Furniture Rs
Opening stock on 1st January, 2022	1,50,000	25,000
Sales	11,00,000	2,25,000
Purchases	10,00,000	7,500
Supply to furniture department	1,50,00	----
Selling expenses	10,000	3,000
Wages	----	30,000
Closing stock on 31st December, 2022	1,00,000	30,000

The value of stock in the Furniture Department consists of 75 per cent wood and 25 per cent other expenses. The Sawmill Department earned gross profit at 15 per cent in 2021. General expenses of the business as a whole came to Rs 55,000.

Ans: Gross profit: Sawmill Rs 2,00,000; Furniture Rs 42,500. Departmental net profit: Sawmill Rs 1,90,000; Furniture Rs 39,500. Combined net profit Rs 1,73,712.50. Additional provision to be made for unrealised profit on stock Rs 787.50.

22. A firm has two departments – Cloth and Readymade Clothes Departments. The readymade clothes are made by the firm itself out of the cloth supplied by the Cloth Department at its usual selling price.
From the following figures, prepare departmental trading and profit and loss account for the year ended 31st March, 2022:

	Cloth Department Rs	Readymade Clothes Department Rs
Opening stock	2,40,000	48,000
Purchases	18,00,000	24,000
Sales	20,00,000	6,00,000
Transfer to Readymade Cloth Department	4,00,000	-----
Manufacturing expenses	-----	68,000
Selling expenses	40,000	4,000

Closing stock	3,00,000	60,000

The stock in Readymade Clothes Department may be considered as consisting of 80% of cloth and the rest as other expenses. The Cloth Department earned a gross profit of 25% on sales in 2021-22.

Ans: Gross profit: Cloth Department Rs 66,000; Readymade Department Rs 1,20,000. Departmental net profit: Cloth Department Rs 6,20,000; Readymade Department Rs 1,16,000. Combined net profit Rs 7,32,400. Additional provision to be made for unrealised profit on stock Rs 3,600.

23. A company manufacturing electronics components operates with two departments. Transfers are made between the departments of both purchased goods and manufactured finished goods. Goods purchased are transferred at cost and manufactured goods are transferred only at selling price as is the case with open market.

Transactions for the year ended 30th June, 2022 are given below:

	Dept. A Rs	Dept. Rs
Opening stock (at cost)	20,000	15,000
Sales	1,90,000	1,35,000
Wages	12,500	7,500
Purchases	1,00,000	80,000
Closing stock:		
Purchased goods	2,000	5,000
Manufactured goods	7,000	8,000

The following were the transfers from Department A to Department B: purchased goods Rs 6,000 and finished goods Rs 20,000, and from Department B to Department A: purchased goods Rs 5,000 and finished goods Rs 35,000. Stocks were valued at cost to the department concerned. 20% of the closing stock of manufactured goods at each department represents finished goods received from the other department.

Draw out departmental trading account and the company's trading account for the year ended 30th June, 2022.

Ans:Gross Profit: Department A Rs 52,500; Department B Rs 59,500. Combined gross profit Rs 1,11,110. Provision for unrealised profit ons tock Rs 890. For the purpose of calculating provision for unrealised profit, take percentage of gross profit on (sales + transfer of finished goods)

24. On the basis of the following trial balance and additional information provided to you thereafter, prepare departmental trading account and general profit and loss account for the year ended 31st March, 2023 and balance sheet as on that date:

Trial Balance as on 31st March, 2023

	Debit Rs	Credit Rs
Capital account		3,00,000
Land and building	2,25,000	
Furniture	35,000	
Opening stock :		
Department : A	1,20,000	
B	2,40,000	
Purchases:		
Department : A	12,00,000	

B	17,00,000	
Sales :		
Department : A		20,00,000
B		32,00,000
General expenses	14,00,000	
Debtors	2,10,000	
Creditors		1,00,000
Drawings	2,80,000	
Bank	1,50,000	
	56,00,000	56,00,000

Additional information:

(i) Closing stock of Department A is Rs 1,30,000 which includes goods purchased from Department B and invoiced at Rs 50,000. Department B transfer goods to Department A at cost plus 25%.

(ii) Closing stock of Department B is Rs 2,60,000 which includes goods purchased from Department A at an invoice price of Rs 1,08,000 which is arrived at by Department A by adding 20% to the cost of the goods.

(iii) Sales of Department A and Department B include goods transferred to the other department at Rs 2,00,000 and Rs 3,00,000 respectively.

(iv) Depreciation is to be provided on land and building @ 5% per annum and on furniture @ 10% per annum.

HIRE PURCHASE AND INSTALMENT PAYMENT SYSTEM

1. Van Suppliers Ltd. sold a tempo to Motor Purchasing Co. on hire-purchase system on 1st January, 2010. The agreed cash selling price was Rs 8,400 which was to bear interest at 6% p.a.The payments were to be made as follows:

   Rs 2,000 on delivery   Rs 2,400 on 31.12.2011
   Rs 2,400 on 31.12.2010   Rs 2,400 on 31.12.2012

   The Motor Purchasing Co. provides depreciation at the rate of 10% p.a. under reducing balance method.
   Show the journal entries in the books of both the parties recording the above transactions.

   [Interest: 2010 Rs 384; 2011 Rs 263; 2012 Rs 153]

2. On 1st January, 2010, Engineer purchased machinery from Marshall on hire-purchase system, over a period of three years. Rs 5,000 was payable on delivery on 1st January, 2010 and the balance by following instalments on 31st December in each year:

2010	Rs 10,000
2011	Rs 10,000
2012	Balance amount

   Marshall charged interest at 10% p.a. on the yearly balances. The cash value of the machinery on delivery was Rs 30,000. Depreciation at the rate of 20% p.a. on diminishing balances was written off in each year. Engineer paid all the instalments on the due date.
   Show the machinery account and Marshall account in the books of Engineer for the three years to 31st December, 2012. **[ICWA Inter]**

   [Interest: 2010 Rs2,500; 2011 Rs1,750; 2012 Rs 925. Amount of 3rd instalment Rs 10,175]

3. On 1st January, 2007, Sun Co. Ltd. took delivery from Star Co. Ltd. of five machines on hire-purchase system. A sum of Rs 200 per machine was paid on delivery and the

balance was payable in five instalments of Rs 300 each per machine, annually on 31st December. The vendors charge interest at the rate of 5% p.a. on the yearly balances. The cash value of each machine was Rs 1,500. Depreciation was provided @ 10% p.a. under the reducing balance method.
(i) Show the calculation of interest and depreciation; and
(ii) Write up the machinery account and vendor account in the books of Sun Co. Ltd.

[Interest: 2007 Rs 325; 2008 Rs 266; 2009 Rs 205; 2010 Rs 140; 2011 Rs 64.]

4. Sri S. Nandi acquired a machine on 30.6.2008 from B. C. Ltd. on hire-purchase system. The cash price of the machine was Rs 34,000. The agreement provided that he would pay Rs 8,000 on delivery of the machine and the balance in six half-yearly instalments of Rs 4,800 each. B. C. Ltd. charged interest at 6% per annum on half-yearly balance. The buyer closed his books of accounts on 31st December every year.

    Assuming that he decided to write off depreciation on the machine at 10% per annum (on diminishing balance method), show necessary ledger accounts in the books of S. Nandi.

    [Interest included in instalments: 1st Rs 780; 2nd Rs 659; 3rd Rs 535; 4th Rs 407; 5th Rs 275; 6th Rs 144. Interest transferred to Profit and Loss A/c: 2008 Rs 780; 2009 Rs 1,194; 2010 Rs 682; 2011 Rs 144. Depreciation: 2008 Rs 1,700; 2009 Rs 3,230; 2010 Rs 2,907; 2011 Rs 2,616]

5. Indian Plastics Ltd. purchased one tempo delivery van under instalment payment agreement from Hindustan Autos Ltd. on 1st January, 2010; payments to be made of Rs 2,000 on that date and the balance in three equal instalments of Rs 4,000 each on 1st January, 2011, 2012 and 2013. The cash price of the van was Rs 12,894. Interest was charged @ 5% per annum on the yearly balances. The purchased decided to charge 20% on the written down value as depreciation each year.

    Show ledger accounts in the books of Indian Plastics Ltd.

    Also show journal entries in the books of Hindustan Autos Ltd.

    [Interest: 2010 Rs 545; 2011 Rs 372; 2012 Rs 189]

6. G. T. Products Ltd. purchased a machine on instalment system form B. K. Manufacturers Ltd. on 1st January, 2011. Its cash price was Rs 14,900 and it was agreed that Rs 4,000 was to be paid against delivery followed by 3 annual instalments of Rs 4,000 each. The interest agreed was 5% p.a.

    Give ledger accounts in the books of the purchaser for 2011 and 2012 after charging depreciation at 10% p.a. on the diminishing balance method. (Calculations may be made to the nearest of rupee)
    [Interest: 2011 Rs 545; 2011 Rs 372] Note: Instalment falls due on 1st January every year.

7. A taxi-hire concern purchased vehicles on the hire-purchase system over a period of three years paying Rs 8,460 down on 1st January, 2009 and further annual payments of Rs 20,000 due on 31st December m 2009, 2010 and 2011.

    The cash price of the vehicle was Rs 60,000, the vendor company charging interest at 8 per cent per annum on outstanding balances.

    Show the appropriate ledger accounts in the hire purchaser's books for the three years and how the items would appear in the balance sheet at 31st December, 2009; depreciation at 10 per cent per annum on the written down value is to be charged and interest calculated to the nearest rupee.
    [Interest: 2009 Rs 4,123; 2010 Rs 2,853; 2011 Rs 1,484]

8. On 1st January, 2010, B. Banik bought a machine (cash price Rs 10,460) from G. Ltd. on the following hire purchase terms. B. Banik was to make an immediate payment of Rs 3,000 and three annual payments of Rs 3,000 on 31st December each year. The rate of interest chargeable is 10 per cent per annum. B. Banik depreciates machinery @ 10 per cent on the diminishing balance each year.
    (a) Make the entries relating to this machine in B. Banik's ledger for the years 2010, 2011 and 2012 (All calculations are to be made to the nearest rupee)

(b) Show how the machinery account would appear in the balance sheet as at 31st December, 2010.

[Interest: 2010 Rs 746; 2011 Rs 521; 2012 Rs 273]

9. B. Ltd. Purchased a number of machines from Machine Suppliers Ltd. on hire-purchase terms under an agreement dated 1st January, 2008, which provided for five instalments of Rs 15,000 payable annually and commencing on 31st December, 2008. Depreciation is provided on the fixed instalment system by B. Ltd. based on an estimated life of ten years with a residual value estimated at Rs 1,000. The cash price of the machines would be Rs 54,080. Interest being computed at 12 per cent per annum.

Give in respect of the above transactions (a) the entries in the accounts of the purchasing company for five years ended 31st December, 2012, instalments being paid on the due dates, and (b) The entries in the purchasing company's balance on 31st December, 2011.

[Interest: 2008 Rs 6,490; 2009 Rs 5,468; 2010 Rs 4,325; 2011 Rs 3,044; 2012 Rs 1,593. Annual depreciation Rs 5,308]

10. On 1st April, 2010, a transport company ordered a motor vehicle whose cash price was Rs 3,50,000. The company entered into a hire-purchase agreement to pay Rs 1,00,000 immediately and eight quarterly instalments of Rs 36,740 each, the first instalment being payable on 30th June, 2010. The rate of interest was 15% per annum. The company depreciated the motor vehicle @ 10% per annum on the diminishing balance method.

Prepare the motor vehicle account in the books of the hire-purchaser for two years ended 31st March, 2012 assuming that on every payment the hire-purchaser debited the motor vehicle account with that portion of the payment which was made towards cash price. Also assume the account is being closed on 31st March, every year.

[Interest included in instalments: 1st Rs 9,375; 2nd Rs 8,349; 3rd Rs 7,284; 4th Rs 6,180; 5th Rs 5,034; 6th Rs 3,845; 7th Rs 2,611; 8th Rs 1,242 (balancing figure). Payment towards cash price: Down payment Rs 1,00,000; 1st Instalment Rs 27,365; 2nd Instalment Rs 28,391; 3rd Instalment Rs 29,456; 4th instalment Rs 30,560; 5th Instalment Rs 31,706; 7th Instalment Rs 34,129; 8th Instalment Rs 35,498. Balance of Motor Car A/c on 31.3.11 Rs 1,80,772; on 31.3.12 Rs 2,83,500]

11. On 30th September, 2009, B. Basu, who prepare final accounts annually to 30th September, bought a motor lorry on hire-purchase system from the Auto and Finance Co. The cash price of the lorry was Rs 61,620. Under the terms of the hire-purchase agreement, Basu paid a deposit of Rs 20,000 on 30th September, 2009, and two instalments of Rs 23,980 on 30th September, 2010 and 2011. The hire-vendor charged interest at 10 per cent per annum on the balance outstanding on 1st October each year. All payments were made on the due dates.

Basu maintained the motor lorry account at cost and accumulated the annual provision for the depreciation, at 25 per cent on the diminishing balance method, in a separate account.

You are required to:

(i) Prepare the following accounts as they would appear in the ledger of B. Basu for the period of the contract:

(a) Auto and Finance Co.
(b) Motor lorry on hire-purchase
(c) Provision for depreciation on motor lorry; and
(d) Hire-purchase interest payable

(ii) Show how the above matters would appear in the balance sheet of B. Basu at 30th September, 2010.

The Auto Finance Co. prepares final account annually to 30th September, on which date it charges B. Basu with the interest due.

Make calculations to the nearest rupee.

[Interest: 30.9.10 Rs 4,162; 30.9.11 Rs 2,178]

12. On 1st July, 2009, Roy & Co. purchased a machine from B. K. Industries on instalment basis. The cash price of the machine was Rs 20,000. The payment was to be made Rs 5,000 on the date of contract i.e. July 1, 2009 and the balance in three annual instalments of Rs 5,000 plus interest at 6 per cent per annum payable on March 31 each year, the first instalment being payable on March 31, 2010.

The books of accounts of Roy & Co. were closed on March 31, and depreciation was written off at 10 per cent per annum on written down value basis.

You are required to prepare the machinery account, B. K. Industries account and interest account in the books of Roy & Co., assuming that the parties completed the transactions and all the instalments were paid.

[Interest: 31.3.10 Rs 675; 31.3.11 Rs 600; 31.3.12 Rs 300. Balance of Machinery A/c on 31.3.12 Rs 14,895]

Note: Interest and depreciation will be charged in the first year for 9 months.

13. On 1st January, 2011, Bakshi Bros. acquired a machine on hire-purchase.
The terms of contract were as follows:

(i) The cash price of the machine was Rs 20,000
(ii) Rs 8,000 was to be paid on the signing of the contract.
(iii) The balance was to be paid in annual instalments of Rs 4,000 plus interest.
(iv) Interest chargeable on the outstanding balance was 6 per cent per annum.

Depreciation at 10 per cent per annum is to be written off on straight line method.
You are required to show:
(a) The relevant accounts in the books of Bakshi Bros. from 1st January, 2011 to 31st December, 2012.
(b) The machinery account in the balance sheet of Bakshi Bros. as on 31st December, 2012.
[Interest: 2011 Rs 720; 2012 Rs 480]

14. On 1st January, 2010, PS Ltd. purchased a motor car from TB Ltd. on hire purchase system, the cash price of which was payable as Rs 12,000 down and the balance in 3 equal annual instalments together with interest @ 10% p.a. The amount of the last instalment including interest was Rs 17,600. Depreciation was to be provided at 20% p.a. on the reducing balance.
At the end of 3 years of service the motor car was sold for Rs 30,000 cash.
Show: (a) Motor Car A/c
(b) Vendor's account in the books of the buyer for the 3 years to 31st December, 2012.
[Amount of each instalment excluding interest is Rs 16,000. Cash price Rs 60,000]
Use of annuity table for finding cash price, amount of instalments etc.

15. Asansol Collieries Ltd. entered into a hire-purchase agreement with Wagon Suppliers Ltd. for the purchase of some wagons over a period of four years from January 1, 2009 by yearly instalments of Rs 10,000 payable on December 31 each year. Wagons Suppliers Ltd. charges interest at the rate of 6% per annum on the yearly balances.
Show the journal entries and ledger accounts in the books of Asansol Collieries Ltd. Charge depreciation on wagons at 10% per annum on written down value.
Note: The present value of Re 1 per annum for 4 years at 6% interest per annum is Rs 3.4651.
[Cash price Rs 34,651. Interest: 2009 Rs 2,079; 2010 Rs 1,604; 2011 Rs 1,100; 2012 Rs 566]

16. Ashoka Enterprise purchased machinery from Bura& Co. on hire-purchase system on 1.1.2007.
The agreement was that Ashok Enterprise was to pay Rs 16,705 on signing the contract and 5 annual instalments of Rs 10,000 payable on 31st December each year. Annual instalment included interest chargeable @ 5% p.a.
Present value of Re 1 per annum for 5 years at 5% is Rs 4.329477.
Ashoka Enterprise closes their books on 31st December each year and charge depreciation @ 10% p.a. on the original cost.

Draw up in their ledger the machinery account and the hire vendor's account.
[Cash price Rs 60,000. Interest: 2007 Rs 2,165; 2008 Rs 1,773; 2009 Rs 1,362; 2010 Rs 930; 2011 Rs 475]

17. A manufacturer purchases a plant for Rs 22,730 on instalment payment system. The first payment is to be made at the time of taking delivery of the plant and the entire payment is to be completed by four more equal payments. The vendor charges interest @ 5% per annum.
Assuming depreciation to be charged @ 10% per annum on the reducing instalment plan, draw up the plant account and the vendor's account in the books of the manufacturer.
Note: The present value of Re 1 invested at the beginning of each year for 5 years at 5% per annum is Rs 4.5460.
[Amount of each instalment Rs 5,000. Interest: 1st Year Rs 887; 2nd Year Rs 681; 3rd Year Rs 465; 4th year Rs 237]

18. On 1st January, 2009 AP & Co. sold on hire-purchase a generating machine to BFS Ltd. The cash price of the machine was Rs 31,786.
The arrangement was that BFS Ltd. was to pay Rs 10,000 on the date of purchase and execution of the agreement. Balance (together with interest) was to be paid by three instalments of equal amount on 31st December, 2009, 2010 and 2011. AP & Co. charges 5 per cent interest per annum.
Pass journal entries and write up ledger accounts in the books of BFS Ltd. assuming that depreciation is to be charged at 20% per annum on fixed instalment basis.
Also write up the account of BFS Ltd. in the books of AP & Co.
Note: The present value of Re 1 per annum for 3 years is 2.72325.
[Amount of each instalment Rs 8,000. Interest: 2009 Rs 1,089; 2010 Rs 744; 2011 Rs 381]

Ascertainment of cash price by back calculation method

19. A purchased a machine from B under hire-purchase system payable in 3 equal instalments of Rs 10,000 each. The agreement was signed on 1st January, 2010, but the first instalment was paid on 31st December, 2010. Each instalment included interest @ 10% p.a. on the unpaid balance of the cash down value.
Write up machinery account and B A/c in the books of A after charging depreciation @ 20% p.a. on the reducing balance method for 3 years ended 31st December, 2012.
[Cash price Rs 24,868. Interest: 2010 Rs 2,487; 2011 Rs 1,736; 2012 Rs 909. Balance of Machinery A/c on 31.12.12 Rs 12,732]

20. X Ltd. purchased on 1.1.09 machinery from Credit Ltd. on hire-purchase basis. It was agreed to pay the amount as below:

	Rs
On signing the agreement	50,000
First instalment on 31.12.09	29,000
Second instalment on 31.12.10	14,500
Third instalment on 31.12.11	13,500

The above instalments include interest @ 8% p.a. X Ltd. paid all the instalments within due date.
Prepare machinery account and Credit Ltd.'s account in the books of X Ltd. for all these years assuming rate of depreciation to be 10% p.a. under diminishing balance method.
[**Cash price Rs 1,00,000. Interest: 2009 Rs 4,000; 2010 Rs 2,000; 2011 Rs 1,000. Balance of Machinery A/c on 31.12.11 Rs 72,900]**

21. Arnab Taxi Services Co. purchased 3 taxis on 1.109 from Auto Traders on hire-purchase system. It was agreed up to make payment as under:

		Rs
1.109	On signing the agreement	10,350

31.12.09	At the end of first year	19,965
31.12.10	At the end of second year	19,965
31.12.11	At the end of third year	19,965
	Total hire-purchase price	70,245

Nothing more was payable after third instalment.
All the instalments are duly paid by Arnab Tax Services Co. Interest was reckoned @ 10% p.a. Depreciation was charged at the rate of 20% p.a. on diminishing balance method. Arnab Taxi Services co. closes its books on 31st December every year.
Prepare the following accounts in the books of Arnab Taxi Services Co. up to 31.12.11
(i) Auto Traders Account;
(ii) Taxis account; and
(iii) Interest account
[**Cash price Rs 60,000. Interest: 2009 Rs 4,965; 2010 Rs 3,465; 2011 Rs 1,815. Balance of Taxis A/c on 31.12.11 Rs 30,7200]**

22. Anand Ltd. had purchased machinery on hire-purchase system from Neomer Machinery Ltd. The terms are that they would pay Rs 20,000 down on 1.1.2008 and five annual instalments of Rs 11,000 each commencing from 1.1.2009. They charged depreciation on machinery at the rate of 15 per cent per annum under the diminishing balance system.
Neomer Machinery Ltd. had charged interest at the rate of 10 per cent per annum.
Show the machinery account and Neomer Machinery Ltd. account to record the above transactions in the books of Anand Ltd. till the instalments are paid off.
Anand Ltd.'s accounting year ended on 31st December in each year.
[**Cash price Rs 61,698. Interest: 2008 Rs 4,170; 2009 Rs 3,487; 2010 Rs 2,736; 2011 Rs1,909; 2012 Rs 1,000]**

23. On 1st April, 2008, Joypur Collieries Ltd. obtained one wagon on hire-purchase from Wagon Suppliers Ltd. the total amount payable being Rs 72,000. Payment was to be made as Rs 12,000 immediately and the balance in four annual instalments of Rs 15,000 each including interest charged at the rate of 5% per annum payable on 31st March each year.
You are required to:
(a) Ascertain the cash price of the wagon; and
(b) To show the ledger account, necessary in the books of Joypur Collieries Ltd. for two annual instalments. Wagons are to be depreciated at 10% p.a.
[**Cash price Rs 65,190. Interest (for the year ending 31st March): 2009 Rs 2,659; 2010 Rs 2,042; 2011 Rs 1,395; 2012 Rs714]**

24. A man bought a machinery by hire-purchase. He paid Rs 600 cash down, Rs 640 at the end of the first year, Rs 890 at the end of the second year and Rs 880 at the end of the third year. The interest on the cash price is 10 per cent per annum.
Write up the hire-purchaser account in the books of the Vendor.
[**Cash price Rs 2,578. Interest: 1st Year Rs 198; 2nd Year Rs 154; 3rd Year Rs 80]**

25. P. K. Bose acquired on 1st January, 2010 a machine under a hire-purchase agreement which provides for five half yearly instalments of Rs 6,000 each, the first instalment being due on 1st July, 2010.
Assuming that the applicable rate of interest is 10 per cent, calculate the cash value of the machine.
[**Cash price Rs 25,977. Interest included in instalments: 1st Rs 1,299; 2nd Rs 1,063; 3rd Rs 817; 4th Rs 558; 5th Rs 286]**

26. On 1st July, 2009, Bengal Printers purchased a printing machine on hire-purchase basis, payment to be made as Rs 10,000 on the said date and the balance in three half-yearly

instalments of Rs 8,200, Rs 7,440 and Rs 6,300 commencing from December 31, 2009. The vendor charged interest at 10 per cent per annum calculated on half-yearly rests. Bengal Printers close their books annually on December 31, and provide depreciation at 10 per cent per annum on diminishing balances in each year.

Determine the cash price of the machine and show the necessary ledger accounts in the books of Bengal Printers.

[**Cash price Rs 30,000. Interest included in instalments: 1st Rs 300; 2nd Rs 640; 3rd Rs 1,000. Balance of Machinery A/c on 31.12.12 Rs 25,650]**

27. Navina Industries purchase on instalment basis machinery on 1st January, 2008. The term was that, on 31st December each year a payment of Rs 5,000 has to be made to the vendors, which includes interest @ 5% on the balance of cash-down price due and so on for five years completing the payment in five instalments. It was decided to depreciate the machinery @ 10% p.a. on reducing balance method.

Ascertain the cash-down price and show interest suspense account and machinery account in the books of the buyer. Calculation of interest may be made to the nearest rupee.

[**Cash price Rs 21,648. Total interest Rs 3,352. Interest in instalments: 2008 Rs 1,082; 2009 Rs 886; 2010 Rs 681; 2011 Rs 465; 2012 Rs 238. Balance of Machinery A/c on 31.12.12 Rs 12,783]**

28. S. Roy had purchased machinery on hire-purchase system from B. K. Industries. The terms are that, he would pay Rs 8,000 down on signing the agreement and 5 annual instalments of Rs 5,500 each, commencing from the beginning of the next year. He had charged depreciation @ 10% p.a. under diminishing balance system. At the end of five years of service, the machinery was sold for Rs 15,000 cash.

Show the machinery account and hire vendor's account in the books of S. Roy for these five years, assuming that B. K. Industries had charged interest @ 10% p.a. on the yearly balances of cash price.

[**Cash price Rs 28,849. Interest: 1st Year Rs 2,085; 2nd Year Rs 1,743; 3rd Year Rs 1,368; 4th Year Rs 955; 5th Year Rs 500. Loss on sale Rs 2,035]**

Allocation of interest when the rate is not given

29. Mr. Chawdhury purchased machinery under hire-purchase agreements from Mr. Laha. The cash price of the machinery was Rs 15,500. The payment, for purchase is to be made as under:

	Rs
On signing the agreement	3,000
First year end	5,000
Second year end	5,000
Third year end	5,000
	18,000

Make necessary journal entries in the books of the parties adopting the interest suspense method. Ignore depreciation.

[**Interest: 1st Year Rs 1,250; 2nd Year Rs 833; 3rd Year Rs 417]**

30. On 1st January, 2008, RV Ltd. purchased a machine from NK Ltd. under a hire-purchase agreement. This provided for the immediate payment of a deposit of Rs 20,000 and five annual instalments of Rs 10,000 each on 31st December in each year. The first annual instalment was to be paid on 31st December, 2008. The cash price of the machine was Rs 55,000.

The whole of the hire-purchase interest was, on 1st January, 2008, transferred to a hire-purchase interest suspense account, and charges were made to annual profit and loss account in proportion to the amount owing to NK Ltd. during each year.

The machine was depreciation at the rate of 20% per annum on cost. The financial year of RV Ltd. ends on 31st December of each year, and you are to assume that all payments were made as they became due.

You are required to:

(a) Write up, in the books of RV Ltd. the above transactions in the following ledger accounts:

(i) NK Ltd., showing the balance outstanding at the end of each year;

(ii) Plant and machinery at cost;

(iii) Provision for depreciation on plant and machinery, showing the balance at the end of 2008, 2009 and 2010;

(iv) Hire-purchase interest suspense, showing the annual charges to profit and loss account and the balance outstanding at the end of each year.

(b) Show your workings regarding the apportionment of hire-purchase interest over the life of the contract.

(c) Show how the balances appearing on the ledger account mentioned in (a) above would appear in the balance sheet of RV Ltd. at 31st December, 2010.

All calculations should be made to the nearest rupee.

[Interest: 2008 Rs 5,000; 2009 Rs 4,000; 2010 Rs 3,000; 2011 Rs 2,000; 2012 Rs 1,000]

31. Using the information which follows you are required to:

(a) Write up the transactions in the following ledger accounts in the books of A Ltd.:

(i) B Ltd. account showing the balance at the end of each year;

(ii) Plant and machinery account at cost;

(iii) Provision for depreciation of plant and machinery account showing the balance at the end of the financial year 2010 and 2011;

(iv) Hire-purchase interest suspense account, showing the annual charge to profit and loss account and the balance at the end of each financial year.

(b) Show your workings regarding the apportionment of hire-purchase interest over financial years 2010, 2011 and 2012.

(c) Show how the balances appearing on the ledger account mentioned in (a) above would appear in the balance sheet of A Ltd. on December 31, 2011.

On January 1, 2010 A Ltd. paid a deposit of Rs 1,500 to B Ltd. under the terms of a hire-purchase agreement whereby A Ltd. acquired a machine in return for the payment of the deposit and five half yearly instalments of Rs 1,000 each. The cash price of the machine was Rs 5,830, the first instalment was paid on June 30, 2010 and subsequent instalments were paid on December 31 and June 30 as they became due.

The machine was depreciated at the rate of 20% p.a. on the reducing balance method, with yearly rest. The company's financial year end on December 31, each year.

The whole of the hire-purchase interest was, on January 1, 2010, transferred to a hire-purchase interest suspense account, and charges were made to annual profit and loss account in proportion to the amounts owing to B Ltd. during each half-year. All calculations should be made to the nearest rupee.

[Interest: 2010Rs (223 + 179) or Rs 402; 2011 Rs (138+89) or Rs 223; 2012 Rs 45]

Treatment of Accrued Interest

32. On July 1st, Wagon Suppliers Ltd. supplied on hire-purchase to Carters Ltd. a wagon, the cash price of which was Rs 2,233, the terms being a deposit of Rs 500 payable on signing of the contract and four annual payments of Rs 500 each, the first being payable on the following June 30th. The rate of interest is 6 per cent per annum.

Each company makes up its annual accounts to December 31st.

Write up the relevant accounts in the books of the Wagon Suppliers Ltd. and Carters Ltd., for the accounting year in which the contract was made and the following year, and show how these transactions would appear in the final accounts of the respective companies at the end of the latter year, i.e. second year (rate of depreciation 10 per cent of original cost).

Calculations are to be made to the nearest rupee.

[Accrued interest: 1st year Rs 52; 2nd year Rs 40. Interest transferred to profit and loss account: 1st year Rs 52; 2nd year Rs 92]

33. Sri Ghosh acquired a motor car from Motor Hires Ltd. on 1st January, 2009. The cash price of the car was Rs 18,870. He agreed to pay Rs 4,000 on the delivery of the car to him and the balance in four half-yearly instalments of Rs 4,000 each, commencing with 30th June, 2009. The Motor Hires Ltd. charges interest at 6 per cent per annum with half-yearly rest.
Sri Ghosh prepares his accounts annually on 30th September and writes off depreciation on motor car at 20% p.a.
You are required to show:
(i) Motor Hire Ltd. account;
(ii) Motor car account; and
(iii) Interest account for the year ended 30th September, 2009, 2010, 2011.
[Accrued interest: 30.9.09 Rs 170; 20.9.10 Rs 58. Interest transferred to P/L A/c: 30.9.09 Rs 616; 30.9.10 Rs 457]

Default in payment of instalment and repossession (partially or in full)

34. Bakshi Bros. acquired a machine on hire-purchase. Rs 6,000 was payable on delivery of the machine i.e. on 1st January, 2009 and the balance by four annual instalments of Rs 6,000 each on 31st December each year. The vendor charged 5 per cent interest per annum on the yearly balances. The cash value of the machine on delivery was Rs 27,300. Bakshi Bros. close their books of accounts annually on 31st December and provide depreciation at 10 per cent p.a. on the diminishing balance.
All amounts due under the hire-purchase agreement were duly paid till 31st December, 2010, but there was a default in respect of the instalment falling due on 31st December, 2011 with the result that the machine was repossessed by the vendor.
Draw up the necessary ledger accounts in the books of the purchaser.
[Interest: 2009 Rs 1,065; 2010 Rs 818; 2011 Rs 559; loss on surrender Rs 8,160]

35. On 1st January, 2010, G.Sen acquires 3 machines on hire-purchase from P. Roy at 10% p.a. interest. G. Sen immediately pays Rs 60,000 and also agrees to pay three instalments annually of Rs 1,00,000 each, the first instalment becoming due on December 31, 2010. G. Sencharges depreciation @ 20% p.a. on diminishing balance method. G. Sen pays the first instalment but fails to pay thereafter. Immediately after G. Sen's default, P. Roy repossesses the machines and values them in his books at Rs 1,85,000. In 2012 he incurs Rs 4,500 as reconditioning expenses and resells the machines for Rs 2,00,000.
Show the relevant accounts in the books of both the parties, if both of them close books on December 31, every year.
[Cash price Rs 3,08,686. Interest: 2010 Rs 24,869; 2011 Rs 17,355; 2012 Rs 9,090. Loss on surrender Rs 6,649. Loss on repossession Rs 5,910 and profit on re-sale Rs 10,500]

36. Arunagshu Transport Agency purchased two motor vans costing Rs 80,000 each from Debika Auto Company on 1st January, 2009 on hire purchase system. The terms of payment were as follows:
Payment of Rs 20,000 for each motor van on delivery.Remainder in three equal instalments together with interest @ 10% p.a. to be paid at the end of each year.
Arungshu Transport Agency writes off 20% depreciation each year on the diminishing balance method. Hire-purchaser paid two instalments due on 31st December 2009 and 2010 but could not pay the final instalment.
Debika Auto Company re-possessed one motor van adjusting its value against the amount due. The re-possession was done on the basis of 25% depreciation on fixed instalment method.
Write up the ledger accounts in the books of Arunagshu Transport Agency.

[Interest: 2009 Rs 12,000; 2010 Rs 8,000; 2011 Rs 4,000. Value of motor van left at the end of 3rd year (31.12.11) Rs 40,690. Value of re-possessed motor van adjusted Rs 20,000. Loss on surrender Rs 20,960. Balance due to Debika Auto Company on 31.12.11 Rs 24,000]

37. Seema Agency purchased three trucks from Vishal Auto Ltd. on 1st January, 2017, under hire-purchase agreement. The cash price of each truck is Rs 1,50,000. According to the terms and conditions of Vishal Auto Ltd. 10% of the cash price is to be paid on delivery and balance cash price in three equal yearly instalments payable at the end of each year together with interest @ 10% p.a.
Seema Agency writes off 20% depreciation on straight line method. SeemaAgncy paid the first and second instalment in due time but failed to pay the last instalment due on 31st December, 2019.
Vishal Auto Ltd. agreed to leave two trucks with Seema Agency and take back the third one, adjusting the value against the amount due. The returned truck being valued @ 30% depreciation on diminishing balance method.
Vishal Auto Ltd. sold the repossessed truck for Rs 45,000 in cash on 7th January, 2020 after incurring repairing expenses of Rs 8,000.
Show truck account and Vishal Auto Ltd. account in the books of Seema Agency and re-possessed truck account in the books of Vishal Auto Ltd. to give effect to the above transactions.
[Interest: 2017 Rs 40,500; 2018 Rs 27,000; 2019 Rs 13,500. Agreed value of trucks surrendered Rs 51,450. Loss on surrender Rs 8,550. Balance c/f on 31.12.19: Trucks A/c Rs 41,638; Vishal Auto Ltd. A/c Rs 97,050.Loss on re-sale of trucks (in the books of Vishal Auto Ltd.)Rs 14,450.

38. Raha Transport Co. purchased from Howrah Motors three motor vans costing Rs 50,000 each on the hire purchase system on 1.1.10. Payment was to be made as Rs 30,000 down and remainder in three equal annual instalments payable on 31.12.10, 31.12.11 and 31.12.12 together with interest @ 9%. Raha Transport Co. writes off depreciation at the rate of 20% p.a. on the diminishing balance. It paid the instalment due at the end of first year i.e. 31.12.10 but could not pay the next on 31.12.11. Howrah Motors agreed to leave one van with the purchaser on 1.1.12 adjusting the value of the other two vans against the amount due on 1.1.12. The vans were valued on the basis of 30% depreciation annually.
Show the necessary accounts in the books of Raha Transport Co. for the years 2010, 2011 and 2012.
[Interest: 2010 Rs 10,800; 2011 Rs 7,200; 2010 Rs 3,438. Value of motor van left at the end of 2nd year Rs 32,000. Value of re-possessed motor vans adjusted Rs 40,000 (applying 30% depreciation on straight line basis). Loss on surrender Rs 24,000. Balance of Motor van A/c on 31.12.12 Rs 25,600. Instalments paid: on 31.12.10 Rs 50,800; on 31.12.11 Nil; on 31.12.12 Rs 41,638 (assuming final payment was made on this date)
Note: Value of re-possessed motor vans to be adjusted will be Rs 49,000 if diminishing balance basis of depreciation is applied. Loss on surrender in that case will be Rs 15,000.

39. Roman Transport Co. purchased five trucks from Ramos Auto Ltd. on 1st January, 2011 on hire-purchase system. The cash price of each truck is Rs 1,20,000. The mode of payments was as follows:
(i) 15% of cash price down,
(ii) 25% of cash price at the end of each year for 4 years.
Roman Transport Co. writes off 15% depreciation annually. The payment due on 31st December, 2012 could not be made. Ramos Auto Ltd. agreed to leave three trucks with the buyer on the condition that the value of other two trucks would be adjusted against the amount due, the trucks being valued at cost less 25% depreciation p.a.
Show the necessary ledger accounts in the books of Roman Transport Co.

[Interest: 2011 Rs 36,000; 2012 Rs 27,000. Value of re-possessed trucks adjusted Rs 1,35,000 (applying diminishing balance method). Loss on surrender Rs 38,400 and balance of Trucks A/c on 31.12.12 Rs 2,60,100 (applying diminishing balance method). Balance of Ramos Auto Ltd. A/c on 31.12.12 Rs 2,88,000.
Note: Total interest of Rs 90,000 will be spread over the 4 years in the ratio of the outstanding payment (i,e, 4:3:2:1).

40. Bengal Taxi Association acquired on 1st January, 2008 five Ambassador cars on hire purchase basis from Ashoke Financiers. The cash down price of the cars was Rs 3,00,000.
The price was payable in five annual instalments of Rs 66,000 each, the first being paid on signing the agreement. Interest @ 5% was charged. Depreciation to be charged @ 10% per annum on written down value.
Due to sharp fall in business, after making payment for the first and the next two instalments, the Bengal Taxi Association suspended payment for two cars and returned them to the hive vendor. The association carried out its obligation for the remaining three cars.
You are required to draw up from the above information:
(i) Motor vehicle account;
(ii) Ashoke Financiers account; and
(iii) Vehicles surrendered account.
[Interest: 2008 Rs 11,700; 2009 Rs 8,985; 2010 Rs 1,909 (balancing figure).Loss on surrender Rs 35,952. Balance of Cars A/c on 31.12.12 Rs 1,06,288]

41. Banerjee & Co. purchased seven trucks on hire purchase on 1st July, 2011. The cash price of each truck was Rs 50,000. The company has to pay 20% of the cash purchase price at the time of delivery and the balance in five half-yearly instalments starting from 31st December, 2011, with interest at 5% per annum.
On the company's failure to pay the instalment due on 30th June, 2012, it was agreed that, the company would return three trucks to the vendor and remaining four would be retained. The vendor agreed to allow him a credit for the amount paid against these three trucks less 25%.
Show the relevant account in the books of the company assuming that the books are closed on 30th June every year and depreciation @ 20% p.a. is charged on trucks.
[Balance of Trucks A/c on 30.6.12 Rs 1,60,000. Balance of Hire Vendor A/c on 30.6.12 Rs 1,20,100. Loss on surrender Rs 10,500]
Treatment in the books of seller when interest is not separately charged but considered as part of hire purchase sale price and ascertainment of profit/loss.

42. Panaji Ltd. which sells goods on hire purchase at a gross profit of 20% on sales, have the following balances:

	Rs
Stock in hand (at the shop):	
On 1.4.12	9,000
On 31.3.13	7,500
Stock with customers on hire-purchase (at selling price):	
On 1.4.12	10,800
Purchases	19,380
Goods sent out this year (at selling price)	26,100
Instalments due (customers still paying):	
On 1.4.12	600
On 31.3.13	900

Prepare the necessary account for the year ending on 31st March, 2013, if cash of Rs 18,000 is received during the year by way of instalments.

[Instalments matured during the year Rs 18,300. Profit for the year Rs 3,660.]

43. ESS Ltd. has a hire purchase department. Goods are sold on hire-purchase at a profit of 25% on sales price.
From the following particulars, prepare hire-purchase trading account in the books of ESS Ltd. for the yea to 31st March, 2013:

	Rs
1.4.12:	
Stock in hand (at the shop)	10,000
Instalments due	6,000
Stock out with customers at hire-purchase price	80,000
During the year ended 31.3.13:	
Goods sold on hire purchase at hire-purchase price	1,76,000
Purchases	1,36,000
Cash received	1,60,000
31.3.13:	
Stock in hand (at the shop)	14,000
Stock out with customers at hire-purchase price	92,000

[Instalments matured during the year Rs 1,64,000. Profit for the year Rs 41,000.]

44. The following figures relate to the business of a trader who sells goods under hire purchase agreement at a profit of $33^1/_3$% on sales:

2012		Rs
Jan. 1	Stock out on hire at prices charged to customers	15,000
	Stock in shop	2,000
	Instalments overdue (goods not forfeited)	1,100
Dec. 31	Stock out on hire at prices charged to customers	18,000
	Stock in shop	3,000
	Instalments overdue (goods no forfeited)	2,100
	Purchases during the year	27,000
	Cash received from instalments during the year	35,000

Prepare hire-purchase trading account for the year and a balance sheet as at 31st December 2012.
[Goods sent on hire-purchase during the year Rs 39,000 at selling price. Instalments matured during the year Rs 36,000. Profit for the year Rs 12,000]