Paper-5: FINANCIAL ACCOUNTING

Time Allowed: 3 Hours **Full Marks: 100**

Whenever necessary, suitable assumptions should be made and indicate in answer by the candidates.

Working Notes should be form part of your answer

Section A is compulsory and answer any 5 questions from Section B

Section A

1. Answer the following questions (give workings): **[2×10]**

(i) In preparing the bank reconciliation statement for the month of June 2013, AB Company has the following data:

	₹
Balance as per bank statement	**15,375**
Cheques in transit	**1,250**
Cheques issued but not presented	**1,725**
Bank service charges	**100**

Compute the Bank Balance as per Cash Book.

Answer:

Bank Balance as per Cash Book

=₹15,375 + ₹1, 250 - ₹1,725 + ₹100

=₹15,000.

(ii) Calculate the amount of Salary to be shown in the Income and Expenditure Account for the year ended 31st March 2013 from the following information:

(a) **Salary paid as per Receipt and Payment Account ₹63,000**
(b) **Salary unpaid on 31.3.2012 ₹6,000**
(c) **Salary Prepaid on 31.3.2012 ₹5,000**
(d) **Salary unpaid on 31.3.2013 ₹7,000**
(e) **Salary prepaid on 31.3.2013 ₹8,000**

Answer:

Particulars	Amount (₹)	Amount (₹)
Salary paid during 2012-13		63,000
Add: Salary prepaid on 31.03.2012	5,000	
Salary unpaid on 31.03.2013	7,000	12,000
		75,000
Less: Salary unpaid on 31.03.2012	6,000	
Salary prepaid on 31.03.2013	8,000	14,000
Salary to be shown in Income & Expenditure A/c		61,000

(iii) From the following particulars, show the entries in the books of Consignor: Goods sent on Consignment 150 books of ₹ 200 each.

Expenses incurred by consignor		Expenses incurred by consignee	
Freight	**₹4,000**	**Clearing**	**₹4,000**
Insurances	**₹2,000**	**Storage**	**₹1,000**

Consignee sold 123 books and he informed that a deficiency of 3 units is disclosed by his actual physical stock taking.

Answer:

Journal

Date	Particulars		L.F	Debit	Credit
?	Stock on Consignment A/c	Dr.		6,400	
	To, Consignment A/c				6,400
?	Stock Deficiency A/c	Dr.		800	
	To, Consignment A/c				800
?	Profit and Loss A/c	Dr.		800	
	To, Stock Deficiency				800

Workings:

Valuation of Unsold Stock

Particulars	Amount (₹)
Total Cost	30,000
Add: Consignor's expenses	6,000
Add: Consignees non recurring expenses	4,000
Cost Price of 150 books	40,000

$\therefore$ Value of Stock = ₹40,000 $\times \frac{24}{150}$ =₹6,400

Value of Deficiency of Stock = ₹40,000 $\times \frac{3}{150}$ =800

(iv) X,Y and Z were in partnership sharing profits and losses in the ratio of 3: 2:1. Z retired . His share was taken by X and Y in 2:1 . Calculate the gaining ratio and new profit –sharing ratio.

Answer:

Old ratio =X: Y: Z = 3: 2:1

Now

X gains $\frac{2}{3}$ of $\frac{1}{6} = \frac{2}{18}$ from Z

Similarly, Y gains $\frac{1}{3}$ of $\frac{1}{6} = \frac{1}{18}$ from Z

So, his new ratio will be $\frac{3}{6} + \frac{2}{18} = \frac{11}{18}$

and his new ratio will be $= \frac{2}{6} + \frac{1}{18} = \frac{7}{18}$

Thus, the new ratio between X and Y is 11:7

(v) A bought goods from S for ₹1,000 on credit. For this purpose, S drew a bill on A which was accepted by A on 1.10.2012 for the amount payable after three months. On 1.11.2012, A arranged to retire the bill at a rebate of 12% p.a. Show the entries in the books of S.

Answer:

In the books of S
Journal

Date	Particulars	L/F	Debit (₹)	Credit (₹)
1.10.2012	A A/c Dr. To Sales A/c (Goods sold to A)		1,000	 1,000
1.10.2012	Bill Receivable A/C Dr. To A A/c (Bill drawn which was accepted by A for 3 months)		1,000	 1,000
1.11.2012	Cash a/c Dr. Rebate allowed A/c Dr. To Bill Receivable (Bill accepted by A retired under a rebate of 12% p.a.)		979 21	 1,000

Note: Rebate = ₹1,000 ×12/100×65/365 (from Nov. 1 to Jan.4) =21.36 p. (say ₹21).

(vi) Mugdha Ltd. purchased a machine of ₹ 40 lakhs including excise duty of ₹ 8 lakhs. The excise duty is Cenvatable under the excise laws. The enterprise intends to avail CENVAT credit and it is reasonably certain to utilize the same within reasonable time. How should the excise duty of ₹8 lakhs be treated?

Answer:

Treatment of Excise Duty

Particulars	Debit Amount (₹)	Credit Amount (₹)
Year of Acquisition		
Machine A/c Dr. CENVAT Credit Receivable A/c Dr. CENVAT Credit Deferred A/c Dr. To, Supplier's A/c	32 4 4	 40
Next Year		
CENVAT Credit Receivable A/c Dr. To, CENVAT Credit Deferred A/c	4	 4

(vii) An industry borrowed ₹40,00,000 for purchase of machinery on 1.6.2012. Interest on loan is 9% per annum. The machinery was put to use from 1.1.2013. What is the amount to be charged for the year ended 31.3.2013 to record the borrowing cost of loan as per AS 16.

Answer:

Particulars	₹
(a) Interest upto 31.3.2013 (40,00,000 x 9% x 10/12 months)	3,00,000
(b) Less: interest relating to pre-operative period to be capitalized [3,00,000 x 7/10]	2,10,000
Amount to be charged to P & L A/c [3,00,000 x 3/10]	90,000

(viii) From the following particulars prepare a Consignment Account:

Particulars	Amount (₹)

Opening stock	**-**
Add: Goods sent on consignment	**1,00,000**
	1,00,000
Add: Consignor's Expenses	**10,000**
	1,10,000
Less: Normal Loss	**-**
	1,10,000
Less: Abnormal Loss	**20,000**
	90,000
Add: Non –recurring expenses	**10,000**
	1,00,00
Less: Unsold Stock	**30,000**
Cost of Goods sold	**70,000**
Add: profit at 25% of cost	**17,500**
Sales	**87,500**

Answer:

Dr. Consignment Account Cr

Particulars	₹	Particulars	₹
To, Goods sent on consignment A/c	1,00,000	By Consignee A/c - Sales	87,500
,, Bank A/c - Consignor's expenses	10,000	,, Abnormal Loss A/c	20,000
,, Consignee Expenses A/c - Non – recurring expenses	10,000	,, Unsold Stock A/c	30,000
,, Profit and Loss A/c - Profit on consignment	17,500		
	1,37,500		1,37,500

(ix) Mr. Amit sales during the 2013 were ₹ 5,000 more than purchases during the year. His closing stock was valued at ₹ 5,000 . Rate of gross profit on sales was @ 40%. Draw up his Trading Account for the year ended 31st December,2013.

Answer:

In the books Amit

Dr. Trading Account for the year ended 31.12.13 Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To, Purchases ,, Profit and Loss A/c(B.f.)	20,000 20,000	By, sales ,, Closing Stock	25,000 5,000
	30,000		30,000

Workings:

Gross profit is the difference between the credit side and debit side of Trading Account. Here, credit side is greater than the debit side by ₹ 10,000 (i.e. closing stock ₹ 5,000 + sales figure is more than the purchase figure by ₹ 5,000), which is represented as gross profit. Now, the gross profit is 40% of sales.

$\therefore$ Amount of sales will be $\left(10{,}000 \times \frac{100}{40}\right)$ = ₹ 25,000

Therefore purchase is = ₹ (25,000 – 5,000) = ₹ 20,000

(x) Classify the following between Capital and Revenue giving reasons

(a) Old machinery of book value of ₹ 10,000 worn out dismantled at a cost ₹ 2,500 and scraps realized for ₹ 500.

(b) A firm of builders spent ₹ 4, 00,000 for purchasing a plot of land and erected its own office over 1/4th of the site. The remaining area was developed for sale to public.

Answer:

(a) The book value of the dismantled machinery ₹ 10,000 is a revenue loss as it arose due to under provision of depreciation in the past. Cost of dismantling ₹ 2,500 is a revenue expense as it does not create any extra benefit. However these are not regular loss/expense so may also be treated as deferred revenue loss. The sale of scrap ₹ 500 is a capital receipt as it represents sale proceeds of Fixed Asset.

(b) ₹ 1,00,000 (1/4th of the cost of land) is a capital expenditure as it helps to acquire office premises, a fixed asset. Rest ₹ 3,00,000 is a revenue expenditure as trading activities of the firm includes buying and selling of lands.

Section- B

2 (a) Mayank furnishes you with the following information and asks you to :

(i) Recorded the transactions in the cash book with bank column for November,2013, and

(ii) Prepare reconciliation statements with State Bank of India as on 31st October, and 30th November 2013.

- **On October 31,2013 there was bank overdraft of ₹14,000 as per Cash Book and cash in hand of ₹7,500.**
  Bank Statement as on that date showed cheques deposited but not yet realized of ₹40,000 while cheques issued but not presented for payment amounted to ₹60,000.
- **During the month, customers paid ₹4,50,000 which were deposited into bank. Of these, cheques of ₹50,000 were deposited on 30th November 2013, and realized subsequently. The bank realized all the other cheques and charged ₹300 as collection expenses. These charges are to be entered in the Cash Book and not kept as reconciliation item.**
- **Cheques issued during the month totaled to ₹4,20,000. Bank statement showed that cheques presented for payment totaled to ₹4,50,000 only of which one cheque of ₹7,000 issued in October,2013 was returned on 5.11.2013 for want of Mayank's signature on the cheque. Mayank paid cash to the payee of the cheque and cancelled the cheque. The bank charged ₹25 for cheque return.**
- **Cheque presented for payment during the month included cash withdrawal from bank ₹15,000. 40% of this cash is handed over on various dates to the petty cashier while 50% is taken by Mayank for his personal use.**

- **Bank Charged ₹200 for cheque book issued.**

(b) The total of debit side of Trial balance of a larger boot and shoe repairing firm as on 31.12.2013 is ₹1,66,590 and that of the credit side is ₹42,470. After several checking and re-checking the mistakes are discovered:

Items of Account	Correct Figure (as it would be)	Figures as it appear in the Trial Balance
Opening Stock	₹15,900	₹15,600
Maintenance	₹61,780	₹61,780
Rent & Taxes	₹4,640	₹4,400
Sundry Creditors	₹6,270	₹5,900
Sundry Debtors	₹7,060	₹7,310

Ascertain the correct total of the Trial Balance.

(c) What is Project Accounting? **[8+4+4]**

Answer 2(a) :

Cash Book

Dr. **Cr.**

Date	Particulars	Cash ₹	Bank ₹	Date	Particulars	Cash ₹	Bank ₹
2013 Nov. 30	To, Balance b/d	7,500	-	2013 Nov. 30	By, Balance b/d	-	14,000
	To, Customers A/c	-	4,50,000		By, Bank Charges	-	300
	To, Suppliers A/c	-	7,000		By, Cash A/c	-	15,000
	To, Bank A/c	15,000	-		By, Suppliers A/c	7,000	4,05,000
					By, Petty cash A/c	6,000	-
					By, Drawings A/c	7,500	-
					By, Bank Charges A/c - Cheque return -Cheque book	- -	25 200
					By, Balance c/d	2,000	22,475
		22,500	**4,57,000**			**22,500**	**4,57,000**

Reconciliation Statement with State Bank of India
As on 31st October 2013

Particulars	Amount (₹)
Overdraft as per Cash Book	14,000
Add: Cheques deposited but not yet realized	40,000
	54,000
Less: Cheques issued but not yet presented for payment	60,000
Balance as per bank statement (Favourable)	6,000

Reconciliation Statement with State Bank of India
As on 30th November 2013

Particulars	Amount (₹)
Balance as per Cash Book	22,475
Add: Cheques issued but not yet presented for payment (₹60,000 + ₹4,20,000 -₹4,50,000)	30,000
	52,475
Less: Cheques deposited but not yet realized (₹4,50,000- ₹4,00,000)	50,000
Balance as per bank statement	2,475

Working Note:

I. Total withdrawals amounted to ₹4,20,000 which include ₹15,000; So, ₹4,20,000- ₹15,000 = ₹4,05,000 was paid to creditors.
II. Of the amount of ₹15,000,40% of ₹15,000 i.e. ₹6,000 was given to petty Cashier,50%, i.e,₹7,500 taken for personal use, balance 10% or 1,500 remained in Cash in hand.

Answer 2(b) :

Particulars	**Debit (₹)**	**Credit (₹)**
Total as per Trial Balance	1,66,590	42,470
Opening stock understated((15,900-15,600)	+300	-
Maintenance being credit balance, but shown as debit balance	-61,780	+61,780
Rent & Taxes overstated (4,640-4,400)	-240	-
Sundry Creditors understated(6,270-5,900)	-	+370
Sundry Debtors overstated(7,310-7,060)	-250	-
Total	**1,04,620**	**1,04,620**

Answer 2(c) :

Project accounting (sometimes referred to as **job cost accounting**) is the practice of creating financial reports specifically designed to track the financial progress of projects, which can then be used by managers to aid project management.
Project accounting differs from standard accounting in that it is designed to monitor the financial progress of a project rather than the overall progress of organizational elements. With Project Accounting, financial reports are specifically created to track the project process. Project Accounting provides Project Managers with the ability to accurately assess and monitor project budgets and ensure that the project is proceeding on budget. Project managers can quickly address any cost overruns and revise budgets if necessary.

Project accounting also differs from standard accounting in the time period that it is reported. Standard accounting reports financial progress for fixed periods of time, for example, quarterly or annually. Projects can last from a few days to a number of years. During this time, there may be numerous budget revisions. The project may also be part of a larger overall project. For example, if an organization were constructing a new building that would be the larger project, however telecommunications could be handled as its own project, and as such with a separate project budget.

Costs and revenues that are allocated to projects may be further subdivided into a work breakdown structure (WBS).

Project accounting allows companies to accurately assess the ROI of individual projects and enables true performance measurement. Project managers are able to calculate funding advances and actual versus budgeted cost variances using project accounting. As revenue, costs, activities and labors are accurately tracked and measured, project accounting provides future benefits to the organization. Future quotes and estimates can be fine-tuned based on past project performance. Project accounting can also have an impact on the investment decisions that companies make. As companies seek to invest in new projects with low upfront costs, less risk, and longer-term benefits, the costs and benefit information from a project accounting system provides crucial feedback that improves the quality of such important decisions.

3 (a) Mandira Ltd. provides depreciation on its plant @ 10% on Reducing Balance Method. On 31st December, 2013, it decides to adopt the Straight Line Method of charging depreciation instead of Reducing Balance Method with retrospective effect from 1st January, 2010 although the rate of depreciation is same.

On 01.01.2013, the plant account stood in the books at ₹1,45,800. On 01.04.2013, Mandira Ltd. sold a plant for ₹28,000 whose written-down value was ₹37,800 on 01.01.2010. On 01.09.2013, a new plant was also purchased for ₹90,000.

Show the Plant Account in the books of Mandira Ltd. for the year 2013 only.

(b) Compass, Cone and Circle are in partnership sharing profits and losses in the ratio of 3:2:1. The Balance Sheet of the firm as on 31st Dec,2012 was:

Liabilities	Amount ₹	Amount ₹	Assets	Amount ₹	Amount ₹
Capital Accounts:					
Compass	40,000		Machinery (at cost)	50,000	
Cone	60,000		Less: provision for		
Circle	20,000	1,20,000	depreciation	8,000	42,000
Reserve		30,000	Furniture		1,000
Sundry Creditors		60,000	Sundry Debtors	80,000	
			Less: Provision for Doubtful Debts	3,000	77,000
			Stocks		50,000
			Cash at Bank		40,000
		2,10,000			2,10,000

On 31st March, Cone retired and Compass and Circle 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 2013, in respect of the following:

i. **The Machinery was to be revalued at ₹ 45,000;**
ii. **The stock was to be reduced by 2%;**
iii. **The Furniture was to be reduced to ₹ 600;**
iv. **The provision for doubtful debts would be ₹ 4,000;**
v. **A provision of ₹300 was to be made for outstanding expenses.**

The partnership agreement provided that, on the retirement of a partner, goodwill was to be valued at ₹ 24,000 and Cone's share of the same was to be adjusted into the account of Compass and Circle. The profit up to the date of retirement was estimated at ₹ 18,000.

Cone was to be paid off in full, Compass and Circle were to bring such an amount in cash so as to make their capital in proportion to the new profit – sharing ratio, subject to the condition that a cash balance of ₹ 20,000 was to be maintained as working capital.
Pass the necessary Journal entries to give effect to the above arrangements and prepare the Partners' Capital Accounts as on 31st March 2013. [8+8]

Answer 3(a) :

In the Books of Mandira Ltd.
Plant Account

Dr. **Cr.**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2013			2013		
Jan. 1	To Balance b/d	1,45,800	Apr. 1	By Depreciation A/c (on plant for 3 months) (W.N. 2)	689
Apr. 1	,, Profit on sale of Plant A/c (W.N. 2)	1,133		,, Bank A/c - Sale proceeds	28,000
Sept. 1	,, Bank A/c - Purchase	90,000	Dec.31	,, Depreciation A/c (W.N. 3)	19,220
				,, Profit and Loss A/c (W.N. 4)	4,704
				,, Balance c/d	1,84,320
		2,36,933			2,36,933
2014					
Jan. 1	To Balance b/d	1,84,320			

Workings:

(i) Book value as on 01.01.2010 of the original plant

Particulars	₹
$(₹1,45,800 \times \frac{100}{90} \times \frac{100}{90} \times \frac{100}{90})$	2,00,000
Less: Book value of plant on 01.01.2010 sold in 2013	37,800
Book value on 01.01.2010 for the Balance Plant	1,62,200

(ii) Profit on Sale of Machinery

Particulars	₹
Book value on 01.01.2010	37,800
Less: Depreciation for 2010 @10%	3,780
	34,020
Less: Depreciation for 2011 @10%	3,402
	30,618
Less: Depreciation for 2012 @10%	3,062
	27,556
Less: Depreciation for 2013 @10% for 3 months $\left(2,756 \times \frac{3}{12}\right)$	689

W. D. V. on 01.04.2013 Sold for	26,867 28,000
Profit on Sale	1,133

(iii) Depreciation for 2012

Particulars	₹
On Balance Plant on ₹1,62,200 @10%	16,220
On New plant Purchased $(₹90,000 \times \frac{10}{100} \times \frac{4}{12})$	3,000
	19,220
On Plant sold (for three months already calculated)	689
Total Depreciation	19,909

(iv) Adjustment for additional depreciation due to change in method

Particulars	₹	₹	₹
Depreciation on ₹1,62,200 @ 10% for 3 years under Straight Line Method (i.e., 16,220 x 3)			48,660
Depreciation already written – off under Diminishing Balance Method:			
Book value on 01.01.2009 Less: Depreciation for 2009	1,62,200 16,220	16,220	
Book value on 01.01.2010 Less: Depreciation for 2010	1,45,980 14,598	14,598	
Book value on 01.01.2011 Less: Depreciation for 2011	1,31,382 13,138	13,138	
			43,956
			4,704

Answer 3(b):

In the Books of …………

Journal

Date	Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
2013 Mar.31	Reserve A/c Dr. To Compass's Capital A/c To Cone's Capital A/c To Circle's Capital A/c (Reserve transferred to the Capital Accounts of the partners in 3 : 2 : 1)		30,000	 15,000 10,000 5,000
	Machinery A/c Dr. To Revaluation A/c (Value of the machinery increased on Cone's retirement)		3,000	 3,000
	Revaluation A/c Dr. To Stock A/c To Furniture A/c To Provision for Bad Debts A/c To Outstanding Expenses A/c		2,700	 1,000 400 1,000 300

	(Value of the assets reduced on Cone's retirement)			
	Revaluation A/c Dr. To Compass's Capital A/c To Cone's Capital A/c To Circle's Capital A/c (Profit on revaluation transferred to the Capital Accounts of the partners)		300	 150 100 50
	Compass's Capital A/c Dr. Circle's Capital A/c Dr. To Cone's Capital A/c (Cone's share of goodwill to be adjusted against remaining partners' Capital Accounts in the gaining ratio of 3 : 7 as W.N. 1)		2,400 5,600	 8,000
	Profit and Loss (Suspense) A/c Dr. To Compass's Capital A/c To Cone's Capital A/c To Circle's Capital A/c (Estimated profit transferred to the Capital Account of the partners)		18,000	 9,000 6,000 3,000
	Cone's Capital A/c Dr. To Bank A/c (Payment is made to Cone on his retirement)		84,100	 84,100
	Bank A/c Dr. To Compass's Capital A/c To Circle's Capital A/c (Cash to be brought in by Compass and Circle as per agreement)		46,100	 16,430 29,670

Capital Account

Dr. **Cr.**

Particulars	Compass ₹	Cone ₹	Circle ₹	Particulars	Compass ₹	Cone ₹	Circle ₹
To Cone's Capital	2,400	-	5,600	By Balance b/d	40,000	60,000	20,000
,, Bank (bal. fig.)	-	84,100	-	,, Reserve	15,000	10,000	5,000
,, Balance c/d	78,180	-	52,120	,, Revaluation Profit	150	100	50
				,, Share of profit	9,000	6,000	3,000
				,, Compass's Capital	-	2,400	-
				,, Circle's Capital	-	5,600	-
				,, Bank (bal. fig.)	16,430	-	29,670
	80,580	84,100	57,720		80,580	84,100	57,720
				By Balance b/d	78,180	-	52,120

Working Notes:

1. Total Value of Goodwill ₹24,000.

$\therefore$ Cone's share of Goodwill = 24,000 x $\frac{2}{6}$ = 8,000 to be adjusted against Compass's and Circle's capital in 3 : 7.

Computation of ratio:

Compass = $\frac{3}{5}-\frac{3}{6}=\frac{3}{30}$ (gain) Circle = $\frac{2}{5}-\frac{1}{6}=\frac{7}{30}$ (gain)

2.

Bank Account

Dr. **Cr.**

	₹		₹
To Balance b/d	40,000	By Cone's Capital	84,100
,, Profit – increase in cash	18,000	,, Balance c/d	20,000
,, Compass and Circle's Capital (bal.fig.)	46,100	(to be maintained)	
	1,04,100		1,04,100

3. Total Adjusted Capital of Compass and Cone

Particulars	₹
Compass's Capital:	
(40,000 + 15,000 + 150 + 9,000 – 2,400)	61,750
Circle's Capital	
(20,000 + 5,000 + 50 + 3,000 – 5,600)	22,450
Plus: Total cash to be brought in	46,100
	1,30,300
Combined Adjusted Capital	
Compass's Capital $(1{,}30{,}300 \times \frac{3}{5})$	78,180
Circle's Capital $(1{,}30{,}300 \times \frac{2}{5})$	52,120

4 (a) Mr. Chintamani maintains his accounts on Mercantile basis. The following Trial Balance has been prepared from his books as at 31st March, 2013 after making necessary adjustments for outstanding and accrued items as well as depreciation:

Trial Balance

as at 31st March, 2013

Particulars	**Dr. (₹)**	**Cr. (₹)**
Plant and Machinery	**2,12,500**	
Sundry Creditors		**2,64,000**
Sales		**6,50,000**
Purchases	**4,20,000**	
Salaries	**40,000**	
Prepaid Insurance	**370**	
Advance Rent	**2,000**	
Outstanding Salary		**6,000**
Advance Salary	**2,500**	
Electricity Charges	**2,650**	
Furniture and Fixtures	**72,000**	
Opening Stock	**50,000**	
Outstanding Electricity Charges		**450**

Insurance	1,200	
Rent	10,000	
Miscellaneous Expenses	14,000	
Cash in hand	3,000	
Investments	80,000	
Drawings	24,000	
Dividend from Investments		8,000
Accrued Dividend from Investments	1,500	
Depreciation on Plant and Machinery	37,500	
Depreciation on Furniture	8,000	
Capital Account		2,11,970
Telephone Charges	6,000	
Sundry Debtors	1,70,500	
Stationery and Printing	1,200	
Cash at Bank	65,000	
Interest on Loan	8,000	
Interest Due but not paid on loan		1,500
Loan Account		90,000
	12,31,920	12,31,920

Additional Information:

(i) Salaries include ₹ 10,000 towards renovation of Proprietor's residence.

(ii) Closing Stock amounted to ₹ 75,000.

Mr. Chintamani, however, request you to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2013 and a Balance Sheet as on that date following cash basis of accounting.

(b) Distinguish between Bills of exchange and Promissory Note.

(c) X & Co. has produced a Trial Balance as on March 31, 2013 which does not balance, the difference of ₹1,760 being transferred to the Suspense account. An examination of the Company's books disclose the following errors:

(i) Goods received from XYZ Limited on March 31, 2013 costing ₹9,690 have been included in stock but the invoice has not been received.

(ii) Sales Account in the General Ledger has been credited with a credit note for ₹950 being trade-in allowance given on a company van. This amount had already been taken into account when dealing with the replacement in the Motor Van Account.

(iii) An invoice from Joseph & Co. amounting ₹4,450 for goods purchased has been omitted from the Purchase Day Book and posted direct to Purchase Account in the General Ledger and Joseph & Co. Account in the Suppliers' Ledger but had not been included in the Suppliers' Ledger Control Account in the Trial Balance.

(iv) Discount allowed for the month of March amounting to ₹1,740 has not been posted to Discount Allowed Account in the General Ledger.

(v) A cheque for ₹1,920 received from Jolly Limited, a debtor, has been posted directly to the Sales Account in the General Ledger. [6+4+6]

Answer 4(a):

In the books of Mr. Chintamani
Trading and Profit and Loss Accountfor the year ended 31st March 2013

Dr. **Cr.**

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To, Opening Stock		50,000	By, Sales		6,50,000
To, Purchase		4,20,000	By, Closing Stock		75,000
To, Profit & Loss A/c					
Gross Profit transferred		2,55,000			
		7,25,000			**7,25,000**
To, Salaries	40,000		By, Trading A/c		2,55,000
Less: Outstanding Salary	6,000		- Gross Profit transferred		
	34,000				
Add: Advance Salary	2,500		By, Dividend from Investment	8,000	
	36,500		Less: Accrued	1,500	6,500
Less: Renovation (Drawings)	10,000	26,500			
To, Insurance	1,200				
Add: Prepaid	370	1,570			
To, Rent	10,000				
Add: Advance Rent	2,000	12,000			
To, Electricity Charges	2,650				
Less: Outstanding	450	2,200			
To, Miscellaneous Expenses		14,000			
To, Stationery & Printing		1,200			
To, Interest on Loan	8,000				
Less: Outstanding	1,500	6,500			
To, Telephone Charges		6,000			
To, Depreciation:					
Plant & Machinery	37,500				
Furniture & Fixtures	8,000	45,500			
To, Capital Account		1,46,030			
Net Profit Transferred					
		2,61,500			**2,61,500**

Balance Sheet
as at 31st March 2013

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital Account	2,11,970		Plant and Machinery		

Add: Net Profit (during the year)	1,46,030 3,58,000		(at cost less depreciation)		2,12,500
Less: Drawings (24,000+10,000)	34,000	3,24,000	Furniture & Fixture (at cost less depreciation)		72,000
			Investments		80,000
Loan Account		90,000	Stock-in –trade		75,000
Sundry Creditors		2,64,000	Debtors		1,70,500
			Cash in hand		3,000
			Cash at Bank		65,000
		6,78,000			**6,78,000**

Answer 4(b):

The differences between these two items are as under:

Bills of Exchange	Promissory Note
(i) It is drawn by the seller.	(i) It is drawn by the purchaser.
(ii) It involves an order to make payment.	(ii) It involves a promise to make payment
(iii) It consist of three parties, viz. the drawer, the acceptor and the payee.	(iii)It consist of two parties, namely, the promisor (or maker) and promisor (or payee)
(iv) To be effective, it must be accepted.	(iv) It does not need acceptance.

Answer 4(c):

Under Self-Balance System, Debtors' Control Account is opened in the General Ledger in place of Sundry Debtors Account i.e. Debtors Control Account should be debited and Sales Account should be credited. Same principle is also applied in case of creditors Ledger Control Account.

Date 2013 March 31.	Particulars	L. F.	Debit ₹	Credit ₹
(i)	No. entry is required, simply ₹9,600 to be deducted from Stock.			
(ii)	Sales A/c Dr. To Suspense A/c (Trade- in – allowance credit to Sales A/c, now rectified.)		950	950
(iii)	Suspense A/c Dr. To Creditors Ledger Control A/c (Credit purchased was not posted in the general ledger.)		4,450	4,450
(iv)	Discount Allowed A/c Dr. To Suspense A/c (Discount allowed to customers not credited to Discount Account, now rectified.)		1,740	1,740
(v)	Sales A/c Dr. To Debtor's Control A/c (Cheque received wrongly credit to sales		1,920	1,920

	Account, now rectified.)			

Effect on Profit

	Increase	Decrease
	₹	₹
(a) No effect	-	-
(b)	-	950
(c) No effect	-	-
(d)	-	1,740
(e)	-	1,920
	-	4,610
∴Decrease in Profit	4,610	-
	4,610	4,610

Suspense Account

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Creditors Ledger control A/c	4,450	By difference in T. B. ,, sales A/c ,, Discount allowed a/c	1,760 950 1,740
	4,450		4,450

5(a) It was provided under the partnership agreement between Naresh, Mahesh and Paresh that in the event of death of a partner, the survivors would have to purchase his share in the firm on the following terms:

(i) Deceased's share of Goodwill to be taken at three years' purchase of his share of profits on the average of previous 4 years; and

(ii) Total amount due to his representative to be paid by survivors in 4'equal half yearly installments commencing 6 months after the date of death with 5% interest on outstanding dues.

They shared profits and losses in the ratio of 9: 4: 3 and accounts were drawn up to each year's 30th June.

Naresh died on 31st December, 2013 and their capital accounts on that date were Naresh ₹10,800, Mahesh ₹6,400 and Paresh ₹3,600. Naresh's current account on 31st December, 2013 after crediting his share of profit to that date, however, showed a debit balance of ₹ 960.

Firm's Profits were for the year ended 30th June, 2010 ₹35,200; 30th June, 2011 ₹28,160; 30th June, 2012 ₹ 24,080; 30th June, 2013 ₹8,704.

Show the relevant ledger accounts in the books of the firm recording half-yearly payments to Naresh's estate by the surviving partners.

(b) ABCD Ltd. bought and sold 6% Stock as follows, interest being payable on March 31st and September 30th each year:

2013	**March**	**1**	**Bought ₹24,000 @ 90⅞%**
	June	**15**	**Sold ₹10,000 @ 92⅝% cum-interest**
	August	**1**	**Bought ₹6,000 @ 91⅜%**
	September	**1**	**Sold ₹4,000 @93⅛%**

December 1 Bought ₹12,000 @94⅛% cum-interest.

Prepare Investment Account for the year ended 31.02.2013 assuming brokerage at ⅛% in each case. (Detailed workings are to be given). [8+8]

Answer 5(a)

Working Notes:

Average Profits of the last 4 years = $\frac{₹35,200 + ₹28,160 + ₹24,080 + ₹8,704}{4} = \frac{₹96,144}{4}$ = ₹24,036

Share Naresh = $\frac{9}{16} \times 24,036$ = ₹13,520.25 or ₹13,520

∴ Naresh's share of Goodwill = 3 x 13,520 or ₹40,560

Books of the firm
Naresh's Capital Account

Dr. **Cr.**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
31.12. 13	To Current A/c	960	31.12.13	By Balance b/f	10.800
,,	" Executors A/c (Balance transferred)	50,400		Goodwill A/c	40,560
		51,360			51,360

Executor's Account [of Naresh]

Dr. **Cr.**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
30.06.14	To Bank A/c [1/4 of 50,400 +1260]	13,860	31.12.13	By Naresh's Capital A/c	50,400
,,	To Balance c/d	37,800	30.06.14	,, Inter. A/c [5% of 50,400 for 6 months]	1,260
		51,660			51,660
31.12.14	To Bank A/c [1/4 of 50,400 + 945]	13,545	01.07.14	By Balance b/d	37,800
,,	,, Balance c/d	25,200	31.12.14	,, Inter. A/c [5% of 37,800 of 6 months]	945
		38,745			38,745
30.06.15	To Bank A/c [1/4 of 50,400 + 630]		01.01.15	By Balance b/d	25,200
,,	,, Balance c/d	13,230 12,600	30.06.15	,, Inter. A/c [5% of 25,200 of 6 months]	630
		25,830			25,830
31.12.15	To Bank A/c [1/4 of 50,400 + 315]	12,915	01.07.15 31.12.15	By Balance b/d ,, Inter. A/c [5% of 12,600 of 6 months]	12,600 315
		12,915			12,915

Interest Account

Dr. **Cr.**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
30.06.14	To Executors [of Naresh] A/c	1,260	30.06.14	By Profit & Loss A/c	1,260
31.12.14	To Executors (of Naresh] A/c	945	31.12.14	By Profit & Loss A/c	945
30.06.15	To Executors [of Naresh] A/c	630	30.06.15	By Profit & Loss A/c	630
31.12.15	To Executors [of Naresh] A/c	315	31.12.15	By Profit & Loss A/c	315

Answer 5(b)

In the Books of ABCD Ltd.
6% Stock account
(Interest payable : 31st May and 30th September)

Dr. **Cr.**

Date	Particulars	L.F.	Nominal	Interest	Principal	Date	Particulars	L.F.	Nominal	Interest	Principal
2013 Mar. 1	To, Bank A/c (Purchased at ex-interest)		24,000	600	21,840[A]	2013 Mar. 31	By, Bank A/c (Interest received for 6 months)		-	720	-
June 15	To, Profit and Loss A/c		-	-	25[H]	June 15	By, Bank A/c (sale at cum-interest)		10,000	125	9,125[B]
Aug. 1	To, Bank A/c (Purchase at ex-interest)		6,000	120	5,490[C]	Sept. 1	By, Bank A/c (Sale at ex-interest)		4,000	100	3,720[D]
Sept. 1	To, Profit and Loss A/c (Profit on sale)		-	-	74[H]	Sept. 1	By, Bank A/c (Interest received for 6 months)		-	480[F]	-
Dec. 1	To, Bank A/c		12,000	120	11,190[E]	Dec.31	By, Balance c/d		28,000	420	25,774[G]
Dec. 31	To, Profit and Loss A/c (Interest for the year transferred)		-	1,005	-						
			42,000	1,845	38,619				42,000	1,845	38,619
2014 Jan.1	To, Balance b/d	28,000	420	25,774							

Workings:

A. Purchase Price and Interest on 01.03.2013

Particulars	Amount(₹)
Purchase Price at ex-interest $(₹\,24{,}000 \times \frac{(90\frac{7}{8}+\frac{1}{8})}{100})$	21,840
Interest $(₹\,24{,}000 \times \frac{6}{100} \times \frac{5}{12})$	600

B. Sale Price and Interest on 15.06.2013

Particulars	Amount(₹)
Sale Price at cum-interest $(₹10,000 \times \frac{(92\frac{5}{8}+\frac{1}{8})}{100})$	9,250
Less: Interest $(₹10,000 \times \frac{6}{100} \times \frac{2\frac{1}{2}}{12})$	125

C. Purchase at Ex-interest on 01.01.2013

Particulars	Amount(₹)
Purchase Price at ex-interest $(₹\,6,000 \times \frac{(91\frac{3}{8}-\frac{1}{8})}{100})$	5,490
Interest $(₹\,6,000 \times \frac{6}{100} \times \frac{2}{12})$	120

D. Sale price and Interest on 01.01.2013

Particulars	Amount(₹)
Purchase Price at ex-interest $(₹\,4,000 \times \frac{(93\frac{1}{8}-\frac{1}{8})}{100})$	3,720
Interest $(₹\,4,000 \times \frac{6}{100} \times \frac{2}{12})$	100

E. Purchase Price and Interest on 01.12.2013

Particulars	Amount(₹)
Purchase Price at ex-interest $(₹12,000 \times \frac{(94\frac{1}{8}+\frac{1}{8})}{100})$	11,310
Less: Interest $(₹12,000 \times \frac{6}{100} \times \frac{2}{12})$	120
	11,190

F. Interest on 30.09.2013

$₹(\,28,000 \times \frac{6}{100} \times \frac{6}{12}) = 480$

G. Interest on 31.12.2013

₹$(28{,}000 \times \frac{6}{100} \times \frac{3}{12}) = 420$

VIII. Statement showing the Profit or Loss on Sale of Investment

Date		Nominal ₹	Principal ₹	Selling Price ₹	Profit ₹	Loss ₹
1.3.2013	Purchase	24,000	21,840	-	-	-
15.6.2013	Sale $(10{,}000 \times \frac{21{,}840}{24{,}000})$	10,000 -	9,100	9,125	25	-
		14,000	12,740	-	-	-
1.8.2013	Purchase	6,000	5,490	-	-	-
		20,000	18,230			
1.9.2013	Sale $(4{,}000 \times \frac{18{,}230}{20{,}000})$	-	3,646	3,740	74	-
		16,000	14,584	-	-	-
1.12.2013	Purchase	12,000	11,190	-	-	-
31.12.2013	Balance	28,000	25,774			

6 (a) Samar Ltd. took on lease a land from Bhumi for running a Super bazer on 01.01.2009 on the following conditions:

(i) A fixed rent of ₹8,000 to be paid per month.

(ii) A variable rent at the undernoted percentages on sales would be paid subject to a minimum annual payment of ₹50,000:

Sales Volume	Variable rent
(a) ₹ 1 to ₹50,00,000	**(a) 1% of Sales of this category**
(b) Over ₹50,00,000 and up to ₹1,00,00,000	**(b) 0.75% on sales of sales of this category**
(c) Above ₹1,00,00,00	**(c) 0.5% on sales of sales of this category**

(iii) In case the variable rent falls short of ₹50,000 in any year, the shortfall could be recovered out of excess variable rent of the following two years.

(iv) If normal activities are hampered due to any external reason, the fixed rent will remain suspended for that period.

The annual sales for the first 5 years have been:

Year	Sales by Samar ₹	
2009	**30,00,000**	
2010	**45,00,000**	
2011	**65,00,000**	
2012	**80,00,000**	**[Water logging due to heavy shower for one month]**
2013	**1,20,00,000**	

Show the important ledger accounts in the books of Samar Ltd.

(b) The factory premises of Dolly Ltd. were engulfed in fire on 31st March 2013, as a result of which a major part of stock burnt to ashes. The stock was covered by policy for ₹ 2,00,000, subject to Average Clause.
The records at the office revealed the following information:

I.(i) The Company sold goods to dealers on one month credit at dealer's price which is catalogue price less 15%. A cash discount is allowed @ 5% for immediate payment.
(ii) The goods are also sold to agents at catalogue price less 10% against cash payment.
(iii) Goods are sent to branches at catalogue price.
(iv) Catalogue price is cost + 100%.

II. The sale/despatch during the period up to date of fire is –
(i) Sale to Dealer ₹ 6,80,000 (without Cash Discount)
(ii) Sale to Dealer ₹ 6,46,000 (Net of Cash Discount)
(iii) Sale of Agent ₹ 1,80,000
(iv) Despatch to branches ₹ 6,00,000.

III. Stock on 01.01.2013 was ₹ 5,00,000 at catalogue price. Purchases at cost from 01.01.2013 to 31st March, 2013 ₹ 12,50,000.

IV. Salvaged Stock valued at ₹ 90,000.
Compute the amount of claim to be lodged. [10+6]

Answer 6(a) :
Working Notes:

(i) Fixed Rent in every year is ₹8,000 x 12 or ₹96,000.
In 2012 it should be 8,000 x 11 or ₹88,000.

(ii) Variable Rents to be calculated as:

			₹	
2009	1% of 30,00,000	=	30,000	
2010	1% of ₹45,00,000	=	45,000	
2011	1% of 50,000 + .75 of 15,00,000	= 50,000 = 11,250 =	61,250	
2012	1% of 50,00,000 + .75% of 30,00,000	= 50,000 = 22,500 =	72,500	[Variable rent not affected due to water logging]
2013	1% of 50,00,000 + .75% of 50,00,000 + .5% of 20,00,000	= 50,000 = 37,500 = 10,000	97,500	

(iii) Analysis of payments of variable rent

Year	Minimum Rent	Actual Rent	Short workings Occurred	Short workings Recouped	Short workings Lapsed	Short workings Carried forward	Actual Payment
	₹	₹	₹	₹	₹	₹	₹
2009	50,000	30,000	20,000	-	-	20,000	50,000
2010	50,000	45,000	5,000	-	-	25,000	50,000
2011	50,000	61,250	-	11,250	20,000 – 11,250 =8,750	5,000	50,000
2012	50,000	72,500	-	5,000	-	-	67,500
2013	50,000	97,500	-	-	-	-	97,500

Books of Samar Ltd.
Royalty Account

Dr. Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
31.12.09	To Bhumi A/c [96,000 + 30,000]	1,26,000	31.12.09	By Profit & Loss A/c	1,26,000
31.12.10	To Bhumi A/c [96,000 + 45,000]	1,41,000	31.12.10	By Profit & Loss A/c	1,41,000
31.12.11	To Bhumi A/c [96,000 + 61,250]	1,57,250	31.12.11	By Profit & Loss A/c	1,57,250
31.12.12	To Bhumi A/c A/c [88,000 + 72,500]	1,60,500	31.12.12	By Profit & Loss A/c	1,60,500
31.12.13	To Bhumi A/c A/c [96,000 + 97,500]	1,93,500	31.12.13	By Profit & Loss A/c	1,93,500

Short workings Account

Dr. Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
31.12.09	To Bhumi A/c A/c	20,000	31.12.10	By Balance c/d	20,000
01.01.11	To Balance b/d	20,000	31.12.11	By Balance c/d	25,000

31.12.11	,, Bhumi A/c A/c	5,000			
		25,000			25,000
01.01.12	To Balance b/d	25,000	31.12.12	By Bhumi A/c ,, Profit & Loss A/c ,, Balance c/d	11,250 8,750 5,000
		25,000			25,000
01.01.13	To Balance b/d	5,000	31.12.13	By Bhumi A/c	5,000

Bhumi Account

Dr. **Cr.**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
31.12.09	To Bank A/c	1,46,000	31.12.09	By Rent A/c ,, Short working A/c	1,26,000 20,000
		1,46,000			1,46,000
31.12.10	To Bank A/c	1,46,000	31.12.10	By Rent A/c ,, Short working A/c	1,41,000 5,000
		1,46,000			1,46,000
31.12.11	To Short working A/c ,, Bank A/c	11,250 1,46,000	31.12.11	By Rent A/c	1,57,250
		1,57,250			1,57,250
31.12.12	To Short working A/c ,, Bank A/c	5,000 1,55,000	31.12.12	By Rent A/c	1,60,000
		1,60,000			1,60,000
31.12.13	To, Bank A/c	1,93,500	31.12.13	By, Rent A/c	1,93,500

Answer 6(b) :

In the books of Dolly Ltd.

Let the Cost price be ₹ 100.

Catalogue price will be ₹ 200 (i.e., ₹ 100 + 100%)

Agents' Price will be ₹ 180 (i.e., ₹ 200 – 10%)

Dealers' Price will be ₹ 170 (i.e., ₹ 200 – 15%)

Dealers' Price when cash discount is allowed will be ₹ 161.50 (i.e., dealers' price–5% on ₹161.50).

Ascertainment of Loss of Stock

Particulars	₹	₹
Opening Stock (₹ 5,00,000 x 50%)		2,50,000
Add: Purchases		12,50,000
		15,00,000
Less: Cost of Goods Sent:		
(i) To Dealers ₹ 6,80,000 x $\frac{100}{170}$ =	4,00,000	
(ii) To Agents ₹ 1,80,000 x $\frac{100}{180}$ =	1,00,000	
(iii) To Branches ₹ 6,00,000 x $\frac{100}{200}$ =	3,00,000	
(iv) To Dealers (enjoying Cash Discount) ₹ 3,23,000 x $\frac{100}{161.50}$ =	4,00,000	
		12,00,000
Closing Stock at Cost		3,00,000
Less: Salvaged Stock		90,000
∴ Loss of Stock		2,10,000

So, claim to be lodged after applying Average Clause: as policy value is less than the loss of stock

$$\text{Net claim} = \text{Loss of Stock} \times \frac{\text{Policy Value}}{\text{Stock at the date of fire}}$$

$$= ₹\ 2,10,000 \times \frac{2,00,000}{3,00,000} = ₹\ 1,40,000.$$

7 (a) Mr. X, a cloth trader of Kolkata opened a Branch at Kanpur on 1-4-2012. The goods were sent by Head Office to the Branch and invoiced at selling price to the Branch, which is 25% of the cost price of Head Office.

The following are the particulars relating to the transactions of the Kanpur Branch:

	₹	₹
Goods sent to Branch (at cost to H.O.)		**4,50,000**
Sales — Cash		**2,10,000**
— Credit		**3,20,000**
Cash collected from Debtors		**2,85,000**
Return from Debtors		**10,000**
Discount Allowed		**8,500**
Cash sent to Branch		

for Freight	30,000	
for Salaries	8,000	
for other expenses	12,000	50,000
Spoiled clothes written off at invoice price		10,000
Normal loss estimated at		15,000

Prepare Branch Stock Account, Branch Debtors Account and Branch Adjustment Account showing the net profit of the Branch.

(b) From the following particulars, which have been extracted from the book of A & Co. Prepare General Ledger Adjustment Account in the Creditors Ledger and Debtors Ledger Adjustment Account in the General Ledger:

	Amount ₹		Amount ₹
Debtors Balance (01.01.2013) Dr.	20,000	Bills Receivable received	3,000
Cr.	300	Bills Receivable endorsed	800
Creditors Balance (01.01.2013) Dr.	200	Bills Receivable as endorsed discounted	300
Cr.	15,000	Bills Receivable discounted	1,400
Purchases (including Cash ₹4,000)	12,000	Bills Receivable dishonoured	400
Sales (including Cash ₹6,000)	25,000	Interest charged on dishonoured bills	30
Cash paid to suppliers in full settlement of claims for ₹ 9,000	8,500	Transfer from one ledger to another	600
Cash received from customers in full settlement of claims of ₹ 15,000	14,1000	Returns (Cr.)	700
Bills Payable accepted (including renewals)	2,000	Debtors Balance (31.12.2013)Cr.	450
Bills Payable withdrawn upon renewals	500	Creditors Balance (31.12.2013) Dr.	10,870

[10+6]

Answer 7(a) :

Branch Stock Account

Dr. **Cr.**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To, Goods Sent to Branch A/c (₹4,50,000+25% of ₹4,50,000)	5,62,500		By, Cash Sales A/c	2,10,000
	To, Branch Debtors A/c	10,000		By, Branch Debtors (Cr. Sales)	3,20,000
				By, Branch adjustment A/c (Normal Loss)	15,000
				By, Branch adjustment A/c (Spoiled)	2,000
				By, Profit & Loss A/c	8,000

				(Spoiled)	
				By, Stock Shortage	17,500
		5,72,500			**5,72,500**

Branch Debtors Account

Dr. Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To, Goods sent to Branch	3,20,000		By, Cash A/c	2,85,000
				By, Discount A/c	8,500
				By, Branch stock (return)	10,000
				By, Balance c/d	16,500
		3,20,000			**3,20,000**

Branch Adjustment Account

Dr. Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To, Branch A/c (Spoilage)	2,000		By, 25% Mark up on goods sent	1,12,500
	To, Stock Shortage (of ₹17,500)	3,500			
	To, Normal Loss	15,000			
	To, Gross Profit c/d	92,000			
		1,12,500			**1,12,500**

Branch Profit and Loss Account

Dr. Cr.

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
	To, Freight	30,000		By, Gross Profit b/d	92,000
	To, Salaries	8,000			
	To, Other expenses	12,000			
	To, Spoilage	8,000			
	To, Stock shortage	14,000			
	To, Net Profit c/d	20,000			
		92,000			**92,000**

Answer 7(b) :

In the Creditors Ledger General Ledger Adjustment Account

Dr. Cr.

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
2013 Jan 1	To, Balance b/d	15,000	2013 Jan	By, Balance b/d	200
Dec. 31	To, Creditors Ledger Adjustment A/c:		Dec. 31	By, Creditors Ledger Adjustment A/c:	

	Purchases Bills Payable Withdrawn Bills Receivable Dishonoured (as endorsed)	8,000 500 300		Cash Discount Received (9,000-8,500) Returns Outward Bills Payable Bills Receivable (endorsed) Transfer	8,500 500 700 2,000 800 600
	To, Balance c/d	170		By, Balance c/d	10,870
		23,970			**23,970**
2014 Jan. 1	To, Balance b/d	10,870	2014 Jan. 1	By, Balance c/d	170

In the General Ledger
Debtors Ledger Adjustment Account

Dr. **Cr.**

Date	**Particulars**	**Amount(₹)**	**Date**	**Particulars**	**Amount(₹)**
2013 Jan.1	To, Balance b/d	20,000	2013 Jan. 1	By, Balance b/d	300
Dec.31	To, General Ledger Adjustment A/c: Sales Bills Receivable endorsed dishonoured Bills Dishonoured	 19,000 300 400	Dec. 31	By, General Ledger Adjustment A/c: Cash Discount Allowed (15,000-14,100) Bills Receivable transfer	 14,100 900 3,000 600
	To, Balance c/d	450		By, Balance c/d	21,250
		40,150			**40,150**
2014 Jan. 1	To, Balance b/d	21,250	2014 Jan. 1	By, Balance b/d	450

8 (a) On 31 March, 2012 Chinta Money Bank Ltd. had a balance of ₹ 27 crores in "rebate on bill discounted" account. During the year ended 31st March, 2013, Chinta Money Ltd. discounted bills of exchange of ₹ 12,000 crores charging interest at 18% p.a., the average period of discount being for 73 days. Of these, bills of exchange of ₹ 1,800 crores were due for realization from the acceptor/customers after 31st March, 2013, the average period outstanding after 31st March, 2013 being 36.5 days.

Chinta Money Ltd. asks you to show the ledger accounts pertaining to:

I. Discounting of Bills of Exchange; and

II. Rebate on bill Discounted.

(b) Save Money Bank Ltd. had extended the following credit lines to a Small Scale Industry, which had not paid any Interest since March, 2007:

	Term Loan	**Export Loan**
Balance Outstanding on 31.03.2013	**₹ 105 lakhs**	**₹ 90 lakhs**
DICGC/ECGC cover	**40%**	**50%**
Securities held	**₹ 45 lakhs**	**₹ 30 lakhs**
Realizable value of Securities	**₹ 30 lakhs**	**₹ 24 lakhs**

Compute necessary provisions to be made for the year ended 31st March, 2013.

(c) What is register of claim with reference to Insurance Companies?

(d) Write a note on accounting Life Cycle. [4+4+2+6]

Answer 8(a):

Ledger of Chinta Money Bank Ltd.
Rebate on Bills Discounted Account

(₹ in Crore)

Dr. **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
01.04.12	To, Discount on Bills A/c	27.00	01.04.12	By, Balance b/d	27.00
31.03.13	To, Balance c/d	32.40	31.03.13	By, Discount on bills A/c (Rebate required)	32.60
		59.40			**59.40**

Discount on Bills Account

(₹ in Crore)

Dr. **Cr.**

Date	Particulars	Amount (₹)	Date	Particulars	Amount (₹)
31.03.13	To, Rebate on Bills Discount A/c	32.40	01.04.12	By, Rebate on Bills A/c	27.00
31.03.13	To, Profit and Loss A/c (Transfer)	426.60	31.03.13	By, Bills Purchased and Discounted A/c	432.00
		459			**459**

Answer 8 (b):

Particulars	Term Loan (₹ in lakhs)	Export Credit (₹ in Lakhs)
Balance outstanding on 31.03.13	105.00	90.00
Less: Realisable Value of Securities	30,00	24.00
	75.00	66.00
Less: DICGC cover @40%	30.00	-
ECGC cover @50%	-	33.00
Unsecured balance	**45.00**	**33.00**

Answer 8 (c) :

Register of claims

The Insurance Act, 1938 and the rules framed thereunder have an important bearing on the preparation of accounts by insurance companies.

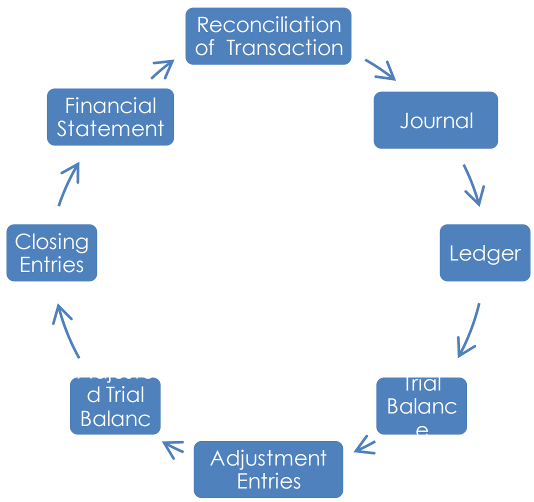
The insurer must maintain a register of claims .
It contains:
The details of claim made such as date of the claim, the name and address of the claimant and the date on which the claim was discharged. If the claim was rejected, the date of rejection and the reasons therefore.

Answer 8 (d) :

When complete sequence of accounting procedure is done which happens frequently and repeated in same directions during an accounting period, the same is called an accounting cycle.

Steps/Phases of Accounting Cycle

The steps or phases of accounting cycle can be developed as under:



ACCOUNTING CYCLE

i. **Recording of Transaction:** As soon as a transaction happens it is at first recorded in subsidiary book.

ii. **Journal :** The transactions are recorded in Journal chronologically.

iii. **Ledger:** All journals are posted into ledger chronologically and in a classified manner.

iv. **Trial Balance:** After taking all the ledger account's closing balances, a Trial Balance is prepared at the end of the period for the preparations of financial statements.

v. **Adjustment Entries :** All the adjustments entries are to be recorded properly and adjusted accordingly before preparing financial statements.

vi. **Adjusted Trial Balance:** An adjusted Trail Balance may also be prepared.