ANSWER 1(a)

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

(ii) **False:** A forfeited share is merely a share available to the company for sale and remains vested in the company for that purpose only. Reissue of forfeited shares is not allotment of shares but only a sale as they have already been allotted earlier.

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

(iv) **False:** There are three ways of preparing an Account Current: (i)With help of interest table; (ii) By means of products and (iii) By means of products of balances.

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

(vi) **True:** In case the due date of a bill falls after the date of closing the account, then no interest is allowed for that. However, interest from the date of closing to such due date is written in "Red-Ink" in the appropriate side of the 'Account current'. This interest is called Red-Ink interest.

(vii) **False:** The provisions of the Indian Partnership Act, 1932 shall not apply to a limited liability partnership. Limited Liability (LLPs) Act, 2008 is applicable for Limited Liability Partnerships.

ANSWER 1(b)

The main advantage of setting accounting standards is that the adoption and application of accounting standards ensure uniformity, comparability and qualitative improvement in the preparation and presentation of financial statements. The other advantages are: Reduction in variations; Disclosures beyond that required by law and ease in comparison.

ANSWER 1(c)

Date	Particulars	Rs.	Date	Particulars	Rs.
1996			1996		
Jan 1	To Bank A/c (1)	19,40,000	Dec. 31	By Dep. A/c	
Jan.1	To Bank A/c (Erection expense)	60,000		(1) Rs.2,00,000 + (2) Rs.50,000	2,50,000
Jul . 1	To Bank A/c (2) (New Machinery)	10,00,000		By Balance c/d (18,00,000 + 9,50,000)	27,50,000
		30,00,000			30,00,000
			1997		
1997				By. Dep. A/c	
Jan 1.	To balance b/d	27,50,000	Dec.31	(1) Rs.2,00,000 + (2) Rs.1,00,000	3,00,000
				By balance c/d	24,50,000
			Dec. 31		
		27,50,000			27,50,000
1998		24,50,000	1998		
Jan 1	To Balance b/d	15,00,000	Jul.1	By Bank	8,00,000
Jul. 1	Bank A/c (3)		Dec .31	By P&L A/c	7,00,000
			Dec.31	Dep. A/c	
				(1) (Rs.1,00,000 + (2) Rs.1,00,000 + (3) Rs.75,000	
				(2)Rs.7,50,000 + (3) 14,25,000	21,75,000
		39,50,000			39,50,000
1999			1999		
Jan.1	To Balance b/d	21,75,000	Dec.31	By Dep. A/c	
				(2) Rs.1,50,000 + (3)Rs.2,85,000	4,35,000
				By Balance c/d	
				(2) 6,00,000 + (3)Rs. 11,40,000	17,40,000
		21,75,000			21,75,000
2000			2000		
Jan.1	To Balance b/d	17,40,000	Dec. 31	By Dep. A/c	
				(2) Rs.1,20,000 + (3) Rs.2,28,000	3,48,000
				By Balance c/d	
				(2) Rs. 4,80,000 + (3) Rs. 9,12,000	13,92,000
		17,40,000			17,40,000

Notes :

Loss on sale on machinery :	Rs
Cost of purchase (01-01-1996)	20,00,000
Depreciation for 1996 (full year)	2,00,000
	18,00,000
	2,00,000
Depreciation for 1997 (Full year)	16,00,000
	1,00,000
Depreciation for 1998 (Half year)	15,00,000
Written down value	8,00,000
Sale of the machinery	7,00,000
Loss on sale	

ANSWER 2(a)

(i)	P & L Adjustment A/c To Suspense A/c (Correction of error by which sales account was overcast last year)	Dr.	1,000	1,000
(ii)	X To Y (Correction of error by which sale of ₹ 5,000 to X was wrongly debited to Y's account)	Dr.	5,000	5,000
(iii)	Suspense A/c To P & L Adjustment A/c (Correct of error by which general expenses of ₹ 180 was wrongly posted as ₹ 810)	Dr.	630	630
(iv)	Bills Receivable A/c Bills Payable A/c To P (Correction of error by which bill receivable of ₹ 1,550 was wrongly passed through BP book)	Dr. Dr.	1,550 1,550	3,100
(v)	P & L Adjustment A/c To Mrs. Neetu (Correction of error by which legal expenses paid to Mrs. Neetu was wrongly debited to her personal account)	Dr.	1,190	1,190
(vi)	Suspense A/c To Ram To Shyam (Removal of wrong debit to Shyam and giving credit to Ram from whom cash was received)	Dr.	3,000	1,500 1,500
(vii)	Suspense A/c To P&L Adjustment A/c (Correction of error by which Purchase A/c was excess debited by ₹90/-, ie: ₹1,325 – ₹1,235)	Dr.	90	90

Suspense A/c

	₹		₹
To P & L Adjustment A/c	630	By P & L Adjustment A/c	1,000
To Ram	1,500	By Difference in Trial Balance (Balancing figure)	2,720
To Shyam	1,500		
To P&L Adjustment A/c	90		
	3,720		3,720

ANSWER 2(b) –

(i) Cash Book (Bank Column)

Date	Particulars	Amount	Date	Particulars	Amount
2019		₹	**2019**		
Sept. 30	To Party A/c	64000	Sept. 30	By Balance b/d	16.248
	To Customer A/c (Direct deposit)	469,600		By Bank charges	2320
	To Balance c/d	44968		By Customer A/c (B/R dishonoured)	560,000
		578,568			2,89,284 578568

(ii) Bank Reconciliation Statement as on 30th September, 2019

Particulars	Amount
	₹
Overdraft as per Cash Book	44,968
Add: Cheque deposited but not collected upto 30th Sept., 2019	52,56,000
	5300968
Less: Cheques issued but not presented for payment upto 30th Sept., 2019	(5304000)
Credit by Bank erroneously on 6th Sept.	(80000)
Overdraft as per bank statement	83032

Note: Bank has credited Neel by 80,000 in error on 6th September, 2019. If this mistake is rectified in the bank statement, then this will not be deducted in the above statement

ANSWER 3(a) –

In the books of M
Consignment A/c

Dr. **Cr.**

Particulars	Rs.	Particulars	Rs
To Goods sent to Consignee A/c		By S A/c	
(5,000 × Rs. 20)	1,00,000	(Sales) (3,750 kg. × Rs 30)	1,12,500
To Bank		By Cash A/c (Insurance paid)	2,250
Freight & insurance	25,000	By Abnormal Loss A/c	875
To S A/c		By Stock on Consignment	25,658
Godown Rent	10,000	By P/L a/c (loss)	5,342
Wages	1,000		
Printing & stationary	5,000		
	5,625		
	1,46,625		1,46,625

Dr. **S A/c**

Particulars	Rs.	Particulars	Rs
To Consignment (3750 × Rs 30)	1,12,500	By Bills Receivable	50,000
		By Consignment	
		Godown Rent	
		Wages	1,000
		Printing & Stationary	5,000
		Commission	5,625
		By Bank A/c	40,875
	1,12,500		1,12,500

(i) Calculation of Closing Stock:

Particular	Kg
Goods Sent	5,000
(-) Destroyed in transit	(125)
(-) Sold By 'S'	(3750)
(-) Lost due to leakage	(125)
Closing Stock	1,000 kg.

(ii) Calculation of value of Closing Stock:

Total Cost	1,25,000
(-) Abnormal loss	(3125)
	12,1875
(+) Consignee's exp.	NIL
(Note)	1,21,575
Units remaining	Cost
4,750	12,1875
1,000	25,658

Note on Consignee expenses: It is assumed that expenses paid by consignee are selling expenses in nature & hence are not included in Closing stock.

ANSWER 3(b) –

Books of H

Date	Particulars	Amount (Dr.) Rs	Amount (Cr.) Rs
1.7.99	G's A/c Dr. To Bills Payable A/c (Being Acceptable of bill drawn by G)	80,000	80,000
1.9.99	J's A/c Dr. To Sales A/c (Being Sales made to J)	90,000	90,000
1.9.99	Bills Receivable A/c Dr. Banks A/c Dr. Discount A/c Dr. To J's A/c (Being Acceptance received from J's endorsement of bill received from G and Rs. 9,000 received in full settlement of the amount due)	80,000 9,000 1,000	90,000
1.9.99	Bills Payable A/c Dr. To Bills Receivable A/c (Beings Own acceptance received from Ji's Endorsement cancelled)	80,000	80,000
1.10.99	Purchase A/c Dr. To G's A/c (Being purchases made from G)	1,00,000	1,00,000
	G's A/c Dr. To Bank A/c (Being Amount paid to G after adjustment of Rs. 80,000 for accommodation extended to him)	20,000	20,000

ANSWER 3(c) –

In the books of Mr. Ram
Current Account as on 31st Oct., 2014

Date	Particulars	Rs	Date	Days	Product	Date	Particulars	Rs.	Date	Days	Product
1/17	To Balance b/d	750	1/17	123	92,250	20/8	By Sales Return	200	20/8	72	14,400
15/8	To Sales	1,250	15/8	77	96,250	22/9	By Bank	800	22/9	39	31,200
	To Interest	18.48				15/10	By Cash	500	15/10	16	8,000
							By Bal. c/d	518.48	By Balance of Products		1,34,900
		2,018.48			1,88,500			2,018.48			1,88,500

Interest = $1{,}34{,}900 \times \frac{5}{100} \times \frac{1}{365}$

Interest = Rs 18.48

ANSWER 4(a) –

Trading and Profit and Loss Account

(For the year ended 31st March , 1998)

Particular		Amount	Particular		Amount
To , Opening Stock		7,400	By Sales	49,800	
To , Purchases	25,000		Less: Sales on Approval Basis	1,200	48,600
Less: Return	300	24,700	By, Closing Stock	6,000	
To , Wages		5,400	Add: Stock with Customer	1000	7,000
To Gross Profit c/d		18,100			55,600
		55,000	By Gross Profit b/d		18,100
To, Repairs to plant		520	By Discount on Purchases		708
To, Salaries		2,100	By Provision for Bad Debts (2)		752
To, Rent		240			
To Bad Debts (200+600)		800			
To Depreciation on Plant & Machinery	400				
Building	500	900			
To Commission to work Manager		1,800			
To Commission to General Manager (3)		1,200			
To Net Profit		12,000			
		19,560			19,560

Balance Sheet of Mr . X

As on 31st March ,1998

Liabilities		Amount	Assets		Amount
Capital Account	10,000		Land and Building		14,900
Less : Income Tax	100		Plant and Machinery		3,600
	9,900		Stock in hand	6,000	
Add : Net Profit	12,000	21,900	Add: Stock with Customers	1,000	7000
Bank Overdraft		760			
Bills Payable		1,600	Debtors (1)	4,960	
Sundry Creditors		6,252	Less: Provision for Bad Debts	248	4,712
Salaries Outstanding		400			
Outstanding Commission			Bill receivable		3,000
Work Manager	1,800		Accrued Income		300
General Manager	1,200	3,000	Cash in hand and at Bank		400
		33,912			33,912

Working Notes:

(1)

Debtors as per Trial Balance		7,000
Less: Debtors on account of goods sold on approval basis	1200	
Landlord account wrongly taken debtor	240	1,440
		5,560
Less : Bad Debts Written off		600
		4,960

(2) Provision for Bad Debts Required (Adjusted Debtor)
5% on Debtors Rs 4,960= Rs 248= 752

(3) Calculation of Commission of General manager
10/10 x Rs (15,00-1,800= 1200)

ANSWER 4(b) –

Bil date A	B Amount Rs	C Term	Due date D (Including grace period)	No of days (Taking E 19 Nov . 03 as base)	Product P= B x E Rs.
16 Aug. 2003	3,000	3 Months	19 Nov 03	0	0
20 Oct. 2003	2,500	60 Days	22 Dec 03	33	82,500
14 Dec, 2003	2,000	2 Months	17 Fe 04	90	1,80,000
24 Jan, 2004	1,000	60 Days	27 March 04	129	1,29,000
06 March, 2004	1,500	2 Months	09 May 04	172	2,58,000
	10,000				6,49,500

Average due date = Base date + Days equal to $\frac{\textit{Sum of Product}}{\textit{Sum of Amount}}$

= 19 Nov, 03 + $\frac{6,46,500}{10,000}$

= 19 Nov , 03 +65 days (approx)

= 23 Jan ,2004

ANSWER 5(a) –

Delhi Club
Receipts and Payments Account
(For the year ended 31st March 1998)

Receipts	Rs.	Income	Rs.
To donations for Building and Library Room	2,00,000	By Land	10,000
To Entrance Fees	17,000	By furniture	1,30,000
To subscription	19,000	By Salaries	4,800
To Locker rents	600	By Maintenance of Playground	1,000
To sundry Income	1,060	By Rent	8,000
To Refreshment	16,000	By Refreshment Account	8,000
To Bal. C/d		By Library Books	25,000
overdraft	1,08,140	By 9% Govt. Bonds	1,60,000
		By Bank Terms Deposit	15,000
	3,61,800		3,61,800

Income and Expenditure Account
For the year ended 31st March 1998

Expenditure		Rs.	Income		Rs.
To Salaries	4,800		By entrance Fees		17,000
Add- Outstanding	200	5,000	By Subscription	19,000	
			Add. Outstanding	1,000	20,000
To Maintenance of playground	1,000				
Add Outstanding	1,000	2,000	By Locker Rents		
			By Sundry Income	1,060	6,00
To Rent		8,000	Add Outstanding	540	
To Depreciation					1,600
Furniture	14,600		By Refreshment Account		8,000
Library Books	2,500	17,100			
To surplus		15,100			
		47,200			47,200

Balance Sheet of Delhi Club
As on 31st March 1998

Liabilities		Rs.	Assets		Rs.
Capital Fund		**15,100**	Land		10,000
Building & Library Room Fund		**2,00,000**	Furniture	1,46,000	
Creditors for Furniture		**16,000**	Less: Depreciation	14,600	1,31,400
Creditors for Expenses			Library Books	25,000	
Salaries Outstanding	200		Less: Depreciation	2,500	22,500
Maintenance of playground	1,000	**1,200**	9% Gov. bonds		1,60,000
Bank Overdraft		**1,08,140**	Bank Term Deposits		15,000
			Subscription Receivable		1,000
			Sundry Income Receivable		540
		3,40,440			**3,40,440**

ANSWER 5(b) –

In the Books of Mr. Ganesh

Journal Entries

Date	*Particulars*		*L.F.*	*Dr.* ₹	*Cr.* ₹
2018 March 31	Sales A/c	Dr.		6,500	
	To Trade receivables A/c				6,500
	(Being the cancellation of original entry for sale in respect of goods lying with customers awaiting approval)				
March 31	Inventories with Customers on Sale or Return A/c	Dr.		5,000	
	To Trading A/c (Note 1)				5,000
	(Being the adjustment for cost of goods lying with customers awaiting approval)				
April 25	Trade receivables A/c	Dr.		3,900	
	To Sales A/c				3,900
	(Being goods costing worth ₹ 3,900 sent to Mr. Aditya on sale or return basis has been accepted by him)				

Balance Sheet of Mr. Ganesh as on 31st March, 2018 (Extracts)

Liabilities	₹	*Assets*	₹	₹
		Trade receivables (₹ 75,000 - ₹ 6,500)		68,500
		Inventories-in-trade	50,000	
		Add: Inventories with customers on Sale or Return	5,000	55,000
				1,23,500

Notes:

(1) Cost of goods lying with customers = 100/130 x ₹ 6,500 = ₹ 5,000

(2) No entry is required on 15th April, 2018 for goods returned by Mr. Bakkiram. Goods should be included physically in the Inventories.

ANSWER 5(c) –

(i) Capitalisation Method:

Total Capitalised Value of the firm

$$= \frac{\text{Average Profit} \times 100}{\text{Normal Rate of Return}} = \frac{₹\,1,50,000 \times 100}{20} = ₹\,7,50,000$$

Goodwill = Total Capitalised Value of Business – Capital Employed

= ₹ 7,50,000 – ₹ 5,00,000 [i.e., ₹ 3,00,000 (J) + ₹ 2,00,000 (K)]

Goodwill = ₹ 2,50,000

(ii) Super Profit Method:

Normal Profit = Capital Employed x 20/100 = ₹ 1,00,000

Average Profit = ₹ 1,50,000

Super Profit = Average profit – Normal Profit

=₹ 1,50,000 – ₹ 1,00,000 = ₹ 50,000

Goodwill = Super Profit x Number of years' purchase

= ₹ 50,000 x 2 = ₹ 1,00,000

ANSWER 6(a) –

Profit and Loss Adjustment A/c

Particulars		Amount Rs	Particulars	Amount Rs
To Profit Transferred to:			By Goodwill	4,000
To X's Capital A/c	7,800		By Land & Building A/c	15,600
To Y's Capital A/c	15,600	23,400	By Furniture A/c	3,800
		23,400		23,400

Partner's Capital A/c

Particular	X	Y	Z	Particular	X	Y	Z
To Balance c/d	53,200	53,200	53,200	By Balance b/d	26,400	33,600	-
				By Profit & Loss Adj	7,800	15,600	-
				By General Reserves A/c	2,000	4,000	-
				By Sundry Assets	-	-	22,400
				By Bank A/c	17,000	-	30,800
	53,200	53,200	53,200		53,200	53,200	53,200

Bank A/c

Particulars	Amount Rs	Particular	Amount Rs
To Profit transferred to: To X's Capital A/c To Y's Capital A/c	12,000 17,000 30,800	By Balance c/d	59,800
	59,800		59,800

Balance Sheet of New Firm as on 1st April, 2004

Liabilities		Amount Rs	Assets	Amount Rs
Capital Account			Goodwill (18,000 + 6,000)	24,000
X	53,200		Land & Building	30,000
Y	53,200		Furniture (6,000 + 2,800)	8,800
Z	53,200	1,59,600		
		9,000	Stock (26,000 + 13,600)	39,600
			Sundry Debtors	6,400
			Cash at Bank	59,800
		1,68,600		1,68,600

Working notes:

The capital account of the partners are to be equally adjusted and so the additional cash is to be brought by the incoming partner. For this purpose, the highest capital i.e. of Y is taken as the base and

Y's Total capital = (Y's Capital = profit on Revaluation + general Reserve

= (33,600 + 15,600 + 4,000)

= Rs 53,200

X has to bring Rs 17,000 (53,200 – (26,400 + 2,000 + 7,800)

and Z has to bring Rs 30,800 (53,200 – 22,400)

ANSWER 6(b) –

Journal of Piyush Limited

Date 2018	*Particulars*		*Dr. ₹*	*Cr. ₹*
July 1	Bank A/c (Note 1 – Column 3)	Dr.	8,40,000	
	To Equity Share Application A/c			8,40,000
	(Being application money received on 4,20,000 shares @ ₹ 2 per share)			
July 10	Equity Share Application A/c	Dr.	8,40,000	
	To Equity Share Capital A/c			2,60,000
	To Equity Share Allotment A/c (Note 1 - Column 5)			4,00,000
	To Bank A/c (Note 1–Column 6)			1,80,000
	(Being application money on 1,30,000 shares transferred to Equity Share Capital Account; on 2,00,000 shares adjusted with allotment and on 90,000 shares refunded as per Board's Resolution No.....dated...)			
	Equity Share Allotment A/c	Dr.	6,50,000	
	To Equity Share Capital A/c			3,90,000
	To Securities Premium a/c			2,60,000
	(Being allotment money due on 1,30,000 shares @ ₹ 5 each including premium at ₹ 2 each as per Board's Resolution No....dated....)			
	Bank A/c (Note 1 – Column 8)	Dr.	2,50,000	
	To Equity Share Allotment A/c			2,50,000
	(Being balance allotment money received)			
	Equity Share Final Call A/c	Dr.	6,50,000	

	To Equity Share Capital A/c (Being final call money due on 1,30,000 shares @ ₹ 5 per share as per Board's Resolution No.....dated....)			6,50,000
2019 April 30	Bank A/c To Equity Share Final Call A/c (Being final call money on 1,30,000 shares @ ₹ 5 each received)	Dr.	6,50,000	6,50,000

Working Note:

Calculation for Adjustment and Refund

Category	No. of Shares Applied for	No. of Shares Allotted	Amount Received on Application (1x ₹ 2)	Amount Required on Application (2 x ₹ 2)	Amount adjusted on Allotment	Refund [3-4-5]	Amount due on Allotment	Amount received on Allotment
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	20,000	20,000	40,000	40,000	Nil	Nil	1,00,000	1,00,000
(ii)	1,00,000	50,000	2,00,000	1,00,000	1,00,000	Nil	2,50,000	1,50,000
(iii)	3,00,000	60,000	6,00,000	1,20,000	3,00,000	1,80,000	3,00,000	Nil
TOTAL	**4,20,000**	**1,30,000**	**8,40,000**	**2,60,000**	**4,00,000**	**1,80,000**	**6,50,000**	**2,50,000**