



Qn 1. (a) Explain any two of the following :

- (i) Combined journal entries.
- (ii) Sub-division of journal.
- (iii) Balancing ledger accounts.
- (iv) Accommodation bill.

Ans. 1(a)(i) Compound Journal Entries:-

When 2 or more Accounts are affected by a transaction so more than two lines are required. Such a Journal Entry is known as Compound Journal Entry and takes the following format.

Account to be debited. as.

To Account to be credited.

To Account to be credited.

For eg; if an expense is incurred in which part of the expense is paid with cash and the remainder placed in account payable, then two lines would be used for the credit. One for the cash portion and one for the account payable portion. The total of the two credits must be equal to the debit amount.

As many accounts as are necessary can be used in this manner and multiple accounts also can be used in this manner and multiple accounts also can be used for the debit side if needed.

1(a)(ii) Sub Division of Journals

Though the principle of journalising all transactions, known as continental system of bookkeeping is quite perfect in actual business but in a large business it is found inconvenient to Journalise every transaction and sometime it becomes rather impossible for one man to Journalise numerous transactions on a business in one journal. Therefore, the journal is sub-divided into different journals known as the **subsidiary books** or **books of prime entry** or **books of original entry**. These are the books in which are recorded the details of transactions as they take place from day to day, in a classified manner.

In every trading concern, the transactions, however numerous they may be, can be grouped into small number of classes. They consist chiefly of receipts and payments of cash, purchases and sales of goods, returns of goods purchased and sold, bills receivable and bills payable. The journal is divided in such a way that a separate book is used for each class of transactions.

The important subsidiary books used in modern business world are the following:-

1. **Cash Book:** It is used to record all cash receipts and payments.
2. **Purchases Book:** It is used to record all credit purchases.
3. **Sales Book:** It is used to record all credit sales.
4. **Purchases returns book:** It is used to record all goods returned by us to our suppliers.
5. **Sales Returns Book:** It is used to record all goods returned to us by our customers.
6. **Bills Receivable Book:** It is used to record all accepted bills received by us.
7. **Bills payable Book:** It is used to record all bills accepted by us to our creditors.
8. **Journal Proper:** It is used for recording those transactions for which there is no separate book.

All these **subsidiary books** are called **books of original entry**, as transactions in their original form are entered therein.

Ans. 1 (a) (iii) Ledger Balancing

The act of finding the balance in a ledger account is called ledger account balancing.

Whatever may be the number of debits and credits in a ledger account, the balance is obtained by setting off the sum of all the debits against the sum of all the credits. The balance amount in a ledger A/c is the difference between these two terms.

In setting off, we always assume that the greater sum is being set off from the smaller one. Then the ledger account balance is interpreted as Debit side total credit side total (if debit side total is greater.)

Credit side total – Debit side total. (if credit side total is greater)

Ans. 1 (a) (iv) An Accommodation Bill is a bill of exchange signed by a party as drawer, drawee, endorser to accommodate another party whose credit is not strong enough to enable him to borrow on his single name. It is drawn for the purpose of arranging temporary finance.

Therefore, an Accommodation Bill is a Bill of exchange which has been drawn on and accepted by a reputable party for the purpose of giving value to the bill so that it can be discounted. Accommodation Bills are those which are drawn and



accepted without any consideration. Accommodation Bill is also called 'Kite Bill'. 'Kite' is an informal name for an Accommodation Bill: As no consideration is involved, accommodation bills are not legally enforceable. But there exists a strong moral understanding between the parties concerned.

Such Bills are always discounted with the Bank. The loss by way of discounting charges is to be shared by the drawer and the drawee in the same ratio in which they share the proceeds.

Qn. 1 (b) State, with reasons in brief, whether the following statements are correct or incorrect.

- (i) Depreciation cannot be provided if there is a loss in a financial year.
- (ii) Trial balance ensures the arithmetical accuracy of the ledger.
- (iii) Account sale is a statement sent by the consignor to the consignee.
- (iv) Wages paid for erection of machinery are debited to profit and loss account.
- (v) Receipts and payments account is a summary of all capital receipts and capital payments.

Ans. 1) b)

- (i) Incorrect : Depreciation has to be provided in the books of Accounts even if there is no profit since depreciation is charge against profit.
- (ii) Correct: Trial Balance ensures the arithmetical accuracy of the ledger.
- (iii) Incorrect : Account sale is a statement sent by consignee to consigner.
- (iv) Incorrect : Wages paid for erection of machinery is a capital expenditure and hence shouldn't be debited to profit & loss A/c.
- (v) Incorrect : Receipts & payments includes both revenue Receipts & payments as well as capital receipts & payments.

Qn. 2. (a) Re-write the following sentences after filling-in the blank spaces with appropriate word(s)/figure(s) :

- (i) No depreciation has been charged on machinery. This is an error of _____
- (ii) Valuation of closing stock in hand is done at the lower of _____ and _____.
- (iii) Payments recorded in the petty cash book are posted in _____ to ledger accounts.
- (iv) Closing capital is Rs. 4,00,000 and opening capital is Rs. 3,00,000, but profit ascertained is Rs. 1,40,000. There must have been net _____ of Rs. 40,000 during the year.
- (v) If a suspense account has been opened, every on-sided error is rectified by passing a journal entry through _____ account.
- (vi) Trade discount is deducted from the _____ price.
- (vii) When a bill receivable is dishonoured, the amount of the bill is debited to the _____ account.
- (viii) The period of indemnity in case of fire insurance claims generally does not exceed _____

Ans. 2.(a)

- (i) No depreciation has been charged on machinery. This is an error of Omission
- (ii) Valuation of closing stock in hand is done at the lower of cost and Net Realisable value.
- (iii) Payments recorded in the petty cash book are posted in Direct to ledger accounts.
- (iv) Closing capital is Rs. 4,00,000 and opening capital is Rs. 3,00,000, but profit ascertained is Rs. 1,40,000. There must have been net Drawings of Rs. 40,000 during the year.
- (v) If a suspense account has been opened, every on-sided error is rectified by passing a journal entry through suspense account.
- (vi) Trade discount is deducted from the Purchase price.
- (vii) When a bill receivable is dishonoured, the amount of the bill is debited to the Drawer account.
- (viii) The period of indemnity in case of fire insurance claims generally does not exceed dislocation period.

Qn 2 (b) Distinguish between any two of the following : -

- (i) Trade Discount and Cash Discount
- (ii) Bills of Exchange and Promissory note.
- (iii) Trial Balance and Balance Sheet.

Ans. 2(b)(i)

Trade Discount	Cash Discount
<ul style="list-style-type: none"> It is allowed to promote the sales It is allowed on purchase of goods It is shown a deduction in the invoice itself. Trade discount a/c is not opened in the ledger. It may vary with the quantity purchased 	<ul style="list-style-type: none"> It is allowed to encourage quick payment. It is allowed on payment of money. It is not shown in the invoice. Cash discount a/c is opened in the ledger. It may vary with the time period within which the payment is received.

(ii)

Bill of Exchange	Promissory Note.
<ul style="list-style-type: none"> There may be three parties to it; viz the drawer, the acceptor and the payee. It is drawn by the creditor It is an order to make payment. It needs acceptance by the drawee. The liability of the drawer is secondary 	<ul style="list-style-type: none"> There are only two parties to it, the maker who draws the note and sign it and the payee to whom the amount is payable. It is drawn by the debtor. It is a promise to make payment. It does not need acceptance. The liability of the drawer is primary.

(iii) Difference between Trial Balance and Balance Sheet

The trial balance is an internal document-it stays in the accounting department. It is a listing of all of the accounts in the general ledger (balance sheet accounts and income statement accounts) and their respective balances as of a specified point in time, such as June 30, 2006. The purpose of the trial balance is to document that the total amount of account balances with debit balances is equal to the total of amount of account balances with credit balances.

The balance sheet is a financial statement that reports the dollar amounts of assets, liabilities, and stockholders' equity at a specified point, such as June 30, 2006. Since it is a financial statement, it will be distributed outside of the accounting department. As a result, it should be prepared in accordance with generally accepted accounting principles. (Often the balance sheet accounts in the general ledger are summarized and combined so that the resulting balance sheet is only 20 - 30 lines in length.)

Qn 3. (a) Choose the most appropriate answer from the given options is respect of the following :

- Opening entry is passed with –
 - Balances from trial balance
 - Balances from the last year's balance sheet
 - Items of trading account
 - Items of profit and loss account.
- The following error would not affect the profit –
 - Goods sold to Ram, debited to Mohan
 - Sales book was undercast by Rs. 1,000
 - A purchase of Rs. 400 was wrongly written as Rs. 40 in purchases book
 - Expenses of plant repairs debited to plant account.
- Which one of the following accounting concepts treats owner of the business as creditor of the business –
 - Going concern concept
 - Historical cost concept
 - Business entity concept
 - Realisation concept.
- The process of entering transactions in the ledger is called –
 - Journalising
 - Posting
 - Summarising
 - Balancing.
- If a payment is made on a bill on due date, then it is called –
 - Honouring of the bill
 - Retiring of the bill
 - Dishonouring of the bill



- (d) Renewal of the bill.
- (vi) Trading account is a part of –
 - (a) Trial balance
 - (b) Cash book
 - (c) Final accounts
 - (d) Journal.
- (vii) Revaluation account is prepared to find out the profit or loss on –
 - (a) Sale of fixed assets
 - (b) Revaluation of assets and liabilities
 - (c) Sale of goods
 - (d) Sale of services.
- (viii) When depreciation is charged equally year after year, it is known as –
 - (a) Fixed instalment method
 - (b) Diminishing balance method
 - (c) Depreciation fund method
 - (d) Annuity method.

- Ans. 3(a)** (i) Ans. (b)
(ii) Ans. (a)
(iii) Ans. (c)
(iv) Ans. (b)
(v) Ans. (a)
(vi) Ans. (c)
(vii) Ans. (b)
(viii) Ans. (a)

Qn 3 (b) Explain any two of the following statements :

- (i) In the absence of partnership deed, provisions of the Indian Partnership Act, 1932 are applied.
- (ii) Single entry system of book keeping is unscientific, incomplete and defective system.
- (iii) Every transaction has debit and credit aspects.

Ans. 3) b) (i) In absence of partnership deed the following provisions of Indian Partnership Act 1932 are applied:

- (a) The profit showing ratio among the partners shall be equal.
- (b) No remuneration, commission shall be payable to any partner.
- (c) No interest on capital, interest on drawings shall be allowed or charged
- (d) Interest on partners loan shall be paid 6% p.a simple interest.

3(b)(ii). Accounting records which are not prepared according to the principles or rules of double entry are known as 'incomplete records' or single entry system.

But, it is not proper to describe it as single entry system because in single entry only the personal aspect of a transaction is recorded and the real & nominal aspect are not recorded while incomplete records means to maintain those* transactions which suits the requirements of a concern.

Therefore, single entry does not mean that there is only one entry for each transaction, some transactions are recorded same as double entry system such as cash collected from debtors ; some transactions are recorded partially eg cash sales, cash purchases etc.; and certain transactions are not recorded at all like bad debts, depreciation, etc. Under single entry system, all the conventions, assumptions, principles of double entry system are not followed in the manner, that's why it is not possible to check the arithmetical accuracy of transactions by preparing Trial Balance. Kohler defines it as :- a system of book keeping in which as a rule, only records of cash & of personal accounts are maintained; it is always incomplete double entry system, varying with circumstances.

In India, there are many small scale business enterprise which do not keep their accounts as per double entry system for the sake of convenience. They record few transactions like double entry system but majority of their working prefers only single entry system. Defects :

- (1) Since no trial balance is prepared, the arithmetical accuracy of books of accounts cannot be Checked.
- (2) Because no nominal accounts are maintained, a Trading & Profit & Loss A/c cannot be prepared and consequently, profitability of business becomes very difficult to ascertained.
- (3) Since real accounts are also not maintained, a Balance Sheet cannot be prepared to depict the financial position of any business enterprise.
- (4) The system does not provide adequate & reliable data for planning and control for the business unit



- (5) Due to incomplete information, results of current year cannot be compared with that of previous years and as such it is very difficult to exercise control over undesirable transactions.
- (6) It becomes very difficult to fix the correct prices of assets or liabilities at the time of winding up or sale of a business unit.
- (7) Because of lack of unscientific system, internal checking becomes impossible and there are always the chances of fraud & errors.
- (8) No limited company can keep their accounts under single entry system due to some legal restrictions.

Ans.3(b) (iii) Dual Aspect Concept: According to this, every business transaction is recorded as having a dual aspect. In other words, every transaction affects at least two accounts, if one account is debited, any other account must be credited.

Whenever a transaction is to be recorded it has to be recorded in two or more accounts to balance the equation. The system of recording transactions based on this principle is called as "Double Entry System".

It is because of this principle that the two sides of the Balance Sheet are always equal and the following accounting equation will always hold good.

$$\text{ASSETS} = \text{LIABILITIES} + \text{CAPITAL}$$

Qn. 4. (a) Rim Zim Ltd. maintains a current account with the State Bank of India. On 31st March, 2010, the bank column of its cash book showed a debit balance of Rs. 1,54,300. However, the bank statement showed a different balance as on that date. The following were the reasons for the difference :

	Rs.
(i) Cheques deposited, but not yet credited by the bank	75,450
(ii) Cheques issued, but not yet presented for payment	80,760
(iii) Bank charges not yet recorded in the cash book	1,135
(iv) Cheques received by the bank directly from trade debtors	1,35,200
(v) Insurance premium paid by the bank as per standing instructions, but not yet recorded in the cash book	15,400
(vi) Dividend collected by the bank, but not yet recorded in the cash book.	1,000

Find out the balance as per the bank statement as on 31st March, 2010.

Ans. 4) a)

**Bank Reconciliation Statement
as on 31st March 2010**

Particulars	Amount
Debit balance as per cash book	1,54,300
Add : Cheques issued but not yet presented for payment	80,760
Cheques received by bank directly	1,35,200
Dividend collected by bank not recorded in cash book	1,000
Less : Cheques deposited but not yet credited by bank	(75,450)
Bank charges not yet recorded by bank	(1,135)
Insurance premium paid by bank	(13,400)
Cr. balance as per pass book	2,81,275

Qn. 4 (b) On 1st April, 2005, a company acquired a lease of land for a term of 5 years at a cost of Rs. 4,00,000. It is proposed to depreciate the lease by annuity method charging 5% per annum interest.

Show the lease account for the entire period of 5 years. A reference to the annuity tables shows that to depreciate Re. 1 by annuity method over 5 years, charging 5% per annum interest, one must write off a sum of Re. 0.230975 every year.

Ans. 4) b)
Lease A/c

Date	Particulars	Amount	Date	Particulars	Amount
1 April 05	To Bank	4,00,000	31.3.06	By Depreciation	92,390
	To Interest	20,000	31.3.06	By bal. c/d	3,27,610
	(4,00,000 x 5%)	<u>4,20,000</u>			<u>4,20,000</u>
1.4.06	To bal. c/d	3,27,610	31.3.07	By Depreciation	92,390
31.3.07	To Interest (3,27,610 x 5%)	16,381	31.3.07	By bal. c/d	2,51,601
		<u>3,43,991</u>			<u>3,43,991</u>
1.4.07	To bal. b/d	2,51,601	31.3.09	By Depreciation	92,390
31.3.08	To Interest (2,51,601 x 5%)	12,580	31.3.08	By bal. c/d	1,71,791
		<u>2,64,181</u>			<u>2,64,181</u>
1.4.08	To bal. b/d	1,71,791	31.3.09	By Depreciation	92,390
31.3.09	To Interest (1,71,791 x 5%)	8,590	31.3.09	By bal. c/d	87,991
		<u>1,80,381</u>			<u>1,80,381</u>
1.4.09	To bal. b/d	87,991	31.3.10	By Depreciation	92,390
31.3.10	To interest (87,991 x 5%)	4,399			
		<u>92,390</u>			<u>92,390</u>

Qn. 5.(a) Amar, Akbar and Anthony were carrying on a business in partnership, sharing profits and losses in the ratio of 2:1:1 respectively. They took a joint life policy for Rs. 1,20,000 on 1st April, 2006. The last premium was paid on 1st May, 2009. Akbar died on 10th June, 2009 and policy money was received on 31st July, 2009.

The Surrender values of the policy as on 31st March in different years were as follows :

- (i) 2007 – Nil;
- (ii) 2008 – Rs. 1,000; and
- (iii) 2009 – Rs. 1,600.

Prepare joint life policy account for the entire period assuming that the joint life policy was maintained at its surrender value and the accounts were closed on 31st March every year.

Ans. 5) a)
Joint life policy A/c

Date	Particulars	Amount	Date	Particulars	Amount
1 May 06	To Bank A/c	5,000	31.3.07	By P/L A/c	5,000
		<u>5,000</u>			<u>5,000</u>
1.4.07	To bal. b/d	-	31.3.08	By P/L A/c	4000
1.5.07	To bank A/c	5,000	31.3.08	By bal. c/d	1000
		<u>5000</u>			<u>5000</u>
1.4.08	To bal. b/d	1000	31.3.09	By P/L A/c	4,400
1.5.08	To Bank A/c	5000	31.3.09	By bal. c/d	1,600
		<u>6000</u>			<u>6000</u>
1.4.09	To bal. b/d	1,600	31.7.09	By Bank	1,20,000
1.5.09	To Bank A/c	5,000			
31.07.09	To Amar 56,700				
	Akbar 28,350				
	Anthony <u>28,350</u>				
		<u>1,13,400</u>			
		<u>1,20,000</u>			<u>1,20,000</u>



Qn. 5 (b) The following information is available from Sachin, who maintains books of account on single entry system :

Particulars	On 1 st April, 2009 (Rs.)	On 31 st March, 2010 (Rs.)
Cash and bank	20,000	21,000
Sundry debtors	17,000	25,000
Stock	40,000	60,000
Furniture	29,000	29,000
Sundry creditors	32,000	22,000
10% Loan from Mrs. Sachin	30,000	30,000

Sachin with drew Rs. 5,000 from the business every month for meeting his household expenses. During the year, he sold investments held by him privately for Rs. 35,000 and invested the amount in his business.

At the end of the year 2009-10, it was found that full year's interest on loan from Mrs. Sachin had not been paid.

Depreciation @ 10% per annum was to be provided on furniture for the full year. Shop assistant was to be given a share of 5% on the profits ascertained before charging such share.

Calculate profit earned during the year ended 31st March, 2010 by Sachin.

Ans. 5) b)

Balance Sheet
As on 1st April 2009

Liabilities	Amount	Assets	Amount
Capital A/c (Bal. fig.)	44,000	Furniture	29,000
Sundry creditors	32,000	Stock	40,000
10% loan from Mrs. Sachin	30,000	Sundry Debtors	17,000
		Cash and Bank	20,000
	<u>1,06,000</u>		<u>1,06,000</u>

Balance Sheet
As on 31st March 2010

Liabilities	Amount	Assets	Amount
Capital A/c (Bal. fig.)	77,100	Furniture	29,000
Sundry creditors	22,000	Less : Depreciation	<u>2,900</u>
10% loan from Mrs. Sachin	30,000	Stock	60,000
O/S interest on loan	3,000	Sundry debtors	25,000
		Cash and Bank	21,000
	<u>1,32,100</u>		<u>1,32,100</u>

Statement of calculation of profit

Particulars	Amount
Closing capital	77,100
Add: Drawings (5000 x 12)	60,000
Less: Additional capital	(35,000)
Less: Opening capital	<u>(44,000)</u>
Net profit for the year ending 31 st March 2010	58,100

Qn 6. The following is the summary of the each transactions of a literary society for the year ended 31st March, 2010 :

	Rs.		Rs.
Cash balances on	31,900	Rent and rates	16,800
1 st April, 2009		Wages	24,500
Entrance fees	25,500	Lighting	7,200
Subscriptions	1,60,000	Lecture fees	43,500
Donations	16,500	Books	21,300
Life membership subscription	25,000	Office expenses	45,000
Interest on fixed deposit	1,200	Fixed deposit @ 6% per annum on 1 st	
Profit from entertainment	4,400	October, 2009	80,000



		Cash at bank on 31 st March, 2010	24,200
		Cash in hand on 31 st March, 2010	2,000
	2,64,500		2,64,500

At the beginning of the year, the society possessed books worth Rs. 2,00,000 and furniture valued at Rs. 85,000. Ordinary subscriptions in arrear at the beginning of the year amounted to Rs. 3,500 and at the end of the year Rs. 4,500. Six months' rent, Rs. 6,000 was due both at the beginning and at the end of the year. Provide Rs. 5,000 as depreciation on furniture and Rs. 11,300 as depreciation on books.

Prepare the society's income and expenditure account for the year ended 31st March, 2010 and its balance sheet as on that date.

Ans. (6)

Income & Expenditure A/c

Expenditure	Amount	Income	Amount
To Rent 16,800		By Subscriptions 1,60,000	
(-) Opening o/s 6,000		(-) Opening o/s 3,500	
(+) Opening o/s <u>6,000</u>	16,800	(+) Closing o/s <u>4,500</u>	1,61,000
To Wages 24,500	24,500	By interest on fixed deposit 1,200	
To lighting 7,200	7,200	(+) Accrued Interest on	
To lecture fees 43,500	43,500	Fixed Deposit <u>1,200</u>	2,400
To Office Expenses 45,000	45,000	By Profit on Entertainment	4,400
To Depreciation			
Furniture 5,000			
Books <u>11,300</u>	16,300		
To Surplus	14,500		
	<u>1,67,800</u>		<u>1,67,800</u>

Opening Balance Sheet 1st April 2009

Liabilities	Amount	Assets	Amount
Capital fund (B.f)	3,14,400	Books	2,00,000
O/s Rent	6,000	Furniture	85,000
		Cash in hand	31,900
		Subscriptions in arrears	3,500
	<u>3,20,400</u>		<u>3,20,400</u>

Balance Sheet as on 31st march 2010

Liabilities	Amount	Assets	Amount
Capital fund 3,14,400		Books 2,21,300	
(+) Surplus 14,500		Less: Depreciation <u>11,300</u>	2,10,000
(+) Donations <u>16,500</u>	3,45,400	Furniture 85,000	
Entrance fees 25,500	25,500	Less: Depreciation <u>5,000</u>	80,000
O/s Rent 6,000	6,000	Cash at Bank	24,200
Life membership fees 25,000	25,000	Cash in hand	2,000
		Fixed deposit	80,000
		Subscriptions in arrears	4,500
		Accrued interest on fixed deposit	1,200
	<u>4,01,900</u>		<u>4,01,900</u>

Qn. 7. From the following balances extracted from the books of Karan and the additional information, prepare the trading and profit and loss account for the year ended 31st March, 2010 and also show the balance sheet as on that date :

	Debit Balance (Rs. '000)	Credit Balance (Rs. '000)
Stock on 1 st April, 2009	625	-
Purchases and sales	903	1372



Returns	22	13
Capital account	-	300
Drawings	45	-
Land and buildings	300	-
Furniture and fittings	80	-
Trade debtors and trade creditors	250	450
Cash in hand	35	-
Investments	100	-
Interest	-	5
Commission	-	30
Direct expenses	75	-
Postage, Stationery and telephone	25	-
Fire insurance premium	20	-
Salaries	90	-
Bank overdraft	-	400
	<u>2,570</u>	<u>2,570</u>

Additional information :

- Closing stock on 31st March, 2010 is valued at Rs. 6,50,000. Goods worth Rs. 5,000 are reported to have been taken away by the proprietor for his personal use at home during the year.
- Interest on investments Rs. 5,000 is yet to be received while Rs. 10,000 of the commission received is yet to be earned.
- Rs. 5,000 of the fire insurance premium paid is in respect of the quarter ending 30th June, 2010.
- Salaries Rs. 10,000 for March, 2010 and bank overdraft interest estimated at Rs. 20,000 are yet to be recorded as outstanding charges.
- Depreciation is to be provided on land and buildings @ 5% per annum and on furniture and fittings @ 10% per annum.
- Make a provision for doubtful debts @ 5% of trade debtors.

Ans. 7)

**Trading & P/L A/c
for the year ending 31st March, 2010**

Particulars	Amount	Particulars	Amount
To Opening Stock	625	By Sales	1372
To Purchase	903	Less: Sales Returns	<u>22</u>
Less: Purchase return	13	By Closing Stock	650
Less: Drawings	<u>5</u>		
To Direct Expenses	75		
To G.P	415		
	<u>2000</u>		<u>2000</u>
To Postage, Stationery & Telephone	25	By G.P	415
To Fire insurance premium	20	By Interest	5
(-) Prepaid Insurance premium	<u>5</u>	(+) Accrued interest	<u>5</u>
To Salary	90	By Commission	30
(+) O/S Salary	<u>10</u>	(-) unearned commission	<u>10</u>
To Interest on Bank O/D	20		
To Depreciation A/c			
Land & Building	15		
Furniture	<u>8</u>		
	23		
To Provision for Bad-debts	12.5		
To N.P	249.5		
	<u>445</u>		<u>445</u>

Balance Sheet
As on 31 March 2010

Liabilities	Amount	Assets	Amount
Capital A/c 300.00		Land & Building 300	
(+) N.P 249.50		Less: Depreciation <u>15</u>	285.00
(-) Drawing <u>5.00</u>	544.5	Furniture and Fittings 80	
Creditors 450		Less: Depreciation <u>8</u>	72.00
Bank O/D 400		Debtors 250.00	
O/S salary 10		Less: Prov. for B/D <u>12.50</u>	237.50
O/S interest on Back O/D 20		Cash in hand	35.00
Unearned commission 10		Investment	100.00
		Closing stock	650.00
		Accrued Interest	5.00
		Prepaid Insurance Premium	5.00
	<u>1434.5</u>		<u>1434.5</u>

Qn. 8. (a) Ajay of Agra and Bijoy of Bijnor enter into a joint venture to consign 200 bales of cloth to Dinesh of Delhi to be sold on their joint risk which is in the proportion of 3/7 and 4/7 respectively. Ajay sends 150 bales of cloth at Rs. 2,600 each, paying freight and other charges Rs. 4,900. Bijoy sends 50 bales of cloth at Rs. 2,500 each. paying expenses amounting to Rs. 3,600. All the bales of cloth are sold by Dinesh for Rs. 14,00,000 out of which Dinesh deducts Rs. 6,000 for expenses and 10 % on total sales as his commission. Dinesh remits Rs. 3,00,000 to Ajay and the balance to Bijoy through bank drafts.

Prepare joint venture account and the accounts of Bijoy and Dinesh in Ajay's ledger.

Ans. 8) a)

In the books of Ajay
Joint Venture A/c

Particulars	Amount	Particulars	Amount
To Goods Sent on Consignment (150 balls x 12,600)	3,90,000	By Dinesh Sales	14,00,000
To Cash A/c Freight	4,900		
To Bijoy :- Goods Sent on Consignment	1,25,000		
Expenses	3,600		
To Dinesh :- Expenses 6,000			
Comission <u>1,40,000</u>	1,46,000		
To P/L 3,13,071			
Bijoy A/c <u>4,17,429</u>	<u>7,30,500</u>		
	<u>14,00,000</u>		<u>14,00,000</u>

Bijoy A/c

Particulars	Amount	Particulars	Amount
To Dinesh A/c	9,54,000	By Joint venture A/c	
		Goods sent on consignment	1,25,000
		Expenses	3,600
		Profit	4,17,429
		By Bank	<u>4,07,971</u>
	<u>9,54,000</u>		<u>9,54,000</u>

Dinesh A/c

Particulars	Amount	Particulars	Amount
To Joint Venture Sales	14,00,000	By Joint venture Expenses Commission	6,000 1,40,000
		By Cash	3,00,000
		By Binod	9,54,000
	14,00,000		14,00,000

Qn. 8 (b) A merchant closes his books every year on 31st March. A fire occurred in Ins premises on 16th May, 2009 and stock costing Rs. 38,000 only could be salvaged. Using the following additional information, prepare a statement showing the amount of claim to be lodged with the insurance company :

Particulars	2006 -07	2007-08	2008-09	1-4-2009 to 16-5-2009
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Opening stock	1,50,300	1,40,300	1,58,200	1,60,000
Purchases	4,40,000	5,12,900	5,86,800	78,000
Sales	6,00,000	6,60,000	7,80,000	99,200
Closing stock	1,40,300	1,58,200	1,60,000	?

Ans. 8) b)

		2006-07	2007-08	2008-09
Sales (a)		6,00,000	6,60,000	7,80,000
(+) Closing Stock (b)		1,40,300	1,58,200	1,60,000
(-) Purchase (c)		4,40,000	5,12,900	5,86,800
(-) Opening Stock (d)		1,50,300	1,40,300	1,58,200
G.P (e)		1,49,700	1,65,000	1,95,000
G.P ratio $\left(\frac{e}{a} \times 100 \right)$		24.95%	25%	25%

Hence G.P ratio = 25%

**Memorandum Trading A/c
(1-4-2009 to 16-5-2009)**

Particulars	Amount	Particulars	Amount
To Opening Stock	1,60,000	By Sales	99,200
To Purchase	78,000	By Closing Stock	1,63,600
To G.P (99,200 x 25%)	24,800	(Balancing figure)	
	2,62,800		2,62,800

Statement showing net loss

Stock lost by fire	1,63,600
Less : Stock salvaged	38,000
Net loss	1,25,600