

# CA FOUNDATION – ACCOUNTANCY

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**ACCOUNTING PROCESS**

**Ans.1**

**Rectified Journal Entries**

Transaction	Particulars	Debit (₹)	Credit (₹)
(1)	Suspense A/c Dr. To A's A/c (Being rectification of amount received from A wrongly debited to his account)	10,000	10,000
(2)	Suspense A/c Dr. To Purchase A/c To Purchase Return A/c (Being rectification of purchase return wrongly posted to purchase A/c)	40,000	20,000 20,000
(3)	Suspense A/c Dr. To Discount A/c (Being rectification of discount received wrongly debited to Discount A/c)	16,000	16,000
(4)	Motor Car Repairs A/c Dr. To Motor Car A/c To Suspense A/c (Being rectification motor car repairs of ₹ 9060 wrongly debited to motor car A/c as 7060)	9,060	7,060 2,000
(5)	B's A/c Dr. To A's A/c (Being rectification of amount paid to B wrongly debited to A)	40,000	40,000

**Suspense A/c**

Particulars	₹	Particulars	₹
To A's A/c	1,00,000	By Difference in trial Balance (Bal. fig.)	1,54,000
To Purchase A/c	20,000	By Motor Car Repairs A/c	2,000
To Purchase Return A/c	20,000		
To Discount A/c	16,000		
	1,56,000		1,56,000

**Ans.2**

**Rectified Journal Entries**

Transaction	Particulars	Debit (₹)	Credit (₹)
(1)	Purchase A/c Dr. Sales A/c Dr. To Ravi's A/c (Being rectification of purchases wrongly entered to sales book)	15,000 15,000	30,000
(2)	Bills Receivable A/c Dr. Bills Payable A/c Dr. To Arun A/c (Being rectification of Bills Receivable wrongly recorded in bills Payable Book)	25,000 25,000	50,000
(3)	Prepaid Rent A/c Dr. To Suspense A/c (Being rectification of omission of prepaid rent a/c to be brought forward)	3,500	3,500
(4)	Customer A/c Dr.	4,000	

	To Purchase A/c To Purchase Return A/c (Being rectification of purchase return wrongly entered in Purchase Book)		2,000 2,000
(5)	Bills Payable A/c Dr. To Harish A/c (Being rectification of Bills Payable A/c wrongly debited to Harish's A/c)	25,000	25,000
(6)	Repairs A/c Dr. Radio A/c Dr. To Purchase A/c To Janki A/c (Being rectification of the amount wrongly entered in purchase book as 46000)	2,5000 45,000	46,000 1,500

**Suspense A/c**

Particulars	₹	Particulars	₹
To Balance b/d	1,000	By Prepaid Rent A/c	3,500
to Balance c/d	2,500		
	3,500		3,500

**Ans.3**

**Rectified Journal Entries**

Transaction	Particulars	Debit (₹)	Credit (₹)
(1)	Suspense A/c Dr. To Purchase Return A/c (Being rectification of omission amount not posted to Return Outward Book)	420	420
(2)	Sales A/c Dr. Purchase A/c Dr. To Suspense A/c (Being rectification of purchase amount entered in the sales book)	350 350	700
(3)	Z's A/c Dr. To Suspense A/c (Being rectification of wrong amount and wrong side of account)	680	680
(4)	Sales A/c Dr. Suspense A/c Dr. To Furniture A/c (Being rectification of wrongly entered amount)	4,500 900	5,400
(5)	Drawings A/c Dr. To Purchases A/c (Being recording of the omission of goods taken by proprietor)	500	500

**Suspense A/c**

Particulars	₹	Particulars	₹
To Difference in trial Balance	60	By Sales A/c	350
To Purchase Return A/c	420	By Purchase A/c	350
To Furniture A/c	900	By Z's A/c	350
	1,380		1,380

Ans.4

**Rectified Journal Entries**

Transaction	Particulars	Debit (₹)	Credit (₹)
(1)	Suspense A/c Dr. To P & L Adjustment A/c (Being rectification of under-valuation of Sales Book)	180	180
(2)	P & L Adjustment A/c Dr. To Customer A/c (Being rectification of Person expenses wrongly debited to Expenses)	2,400	2,400
(3)	Drawings A/c Dr. To P & L Adjustment A/c (Being rectification of Person expenses wrongly debited to Expenses)	250	250
(4)	P & L Adjustment A/c Dr. To Suspense A/c (Being rectification of Sales undervalued by ₹ 2740)	2,750	2,750
(5)	Suspense A/c Dr. To P & L Adjustment A/c (Being rectification of discount a wrongly debited to Discount A/c)	100	100
(6)	P & L Adjustment A/c Dr. To Suspense A/c To Creditors A/c (Being rectification of undervalue Purchase Book and wrong posting suppliers A/c as ₹ 51)	136	36 100

Ans. 5

**In the books of Rajesh Rectification entries**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Purchase A/c Dr. Sales A/c Dr. To Suspense A/c (Being purchase was recorded by mistake in sales day book)		1,080 1,080	2,160
2.	Salary a/c (25,200 + 2,520) Dr. To Suspense A/c (Being total of salary a/c Bal. of ₹ 25,200 written as 2,520 on the wrong side.)		27,720	27,720
3.	Interest on Overdraft A/c Dr. To. Suspense A/c (Being posting of entry to the ledger omitted)		1,300	1,300
			<b>31,180</b>	<b>31,180</b>

Dr.	Suspense a/c	Cr.
To Bal. b/d	31,180	By Purchase By Sales By Salary By Interest on overdraft
	<b>31,180</b>	1,080 1,080 27,720 1,300
		<b>31,180</b>

**BANK RECONCILIATION STATEMENT**

**Ans.1 As on 30<sup>th</sup> June, 1996 Adjusted Cash Book**

Particulars	₹	Particulars	₹
To Balance b/d	44,500	By Insurance Premium A/c	2,700
To Dividend A/c	4,000	By Error in totalling A/c	50
To Rent A/c	6,000	By Bank Charges A/c	50
To Bill Receivable A/c	5,900	By Bills Payable A/c	2,000
		By Balance A/c	55,600
	<b>60,400</b>		<b>60,400</b>

**Bank Reconciliation Statement**

	₹
Adjusted balance as per Cash Book (Cr.)	55,600
Add: Cheques issued but not presented for payment till 30 <sup>th</sup> June, 1996	60,000
	1,15,600
Less: Cheque paid into bank for collection but not collected till 30 <sup>th</sup> June, 1996	50,000
Balance as per Pass Book	65,600

**Ans.2 Bank Reconciliation Statement as on 31<sup>st</sup> March, 1997**

Particulars	+Items ₹	-Items ₹
Overdraft as per Cash Book		7,640
Add: Cheques deposited but not credited by the bank		10,000
Interest debited by the bank but not recorded in the cash book		1,000
Bank Charges not recorded in the cash book		340
Less: Interest on securities collected by the bank but not recorded in cash book	1,080	
Credit transfer not recorded in the cash book	200	
Dividend collected by the bank directly but not recorded in the cash book	1,000	
Cheques issued but bot presented for payment	37,400	
Balance as per Bank Statement (bal. fig)		20,700
	39,680	39,680

**Ans.3 Bank Reconciliation Statement (As on 30<sup>th</sup> September, 2003)**

	+Items ₹	-Items ₹
Bank (Credit) Balance as per Pass Book	10,000	
Add: (1) Cheques received but not deposited in Bank	1,200	
(2) Insurance premium paid directly by bank	600	
(3) Cheque received but entered twice in the cash book	1,000	
(4) Bills discounted dishonoured but not recorded in the cash book	5,200	
Less:(1) Cheques deposited but not entered in cash book		500
(2) Bank charges entered twice in cash book		20
(3) Cheque issued but not presented for payment		500
Balance (Dr) as per Cash Book (bal. fig.)		16,980
	<b>18,000</b>	<b>18,000</b>

**Ans.4 Bank Reconciliation Statement (As on 30<sup>th</sup> September, 2005)**

	<b>Particulars</b>	<b>+Items ₹</b>	<b>-Items ₹</b>
1.	Overdraft as per Bank Pass-Book		21,494
2.	Cheque deposited but not yet entered in Cash Book		700
3.	Under cast of debit side of the Bank coloum		100
4.	Cheque deposited ₹ 5,000 but entire in Pass Book as ₹ 4,996	4	
5.	Cheque dishonoured but not recorded in Cash Book	530	
6.	Bills collected by bank but not recorded in Cash-Book		3,500
7.	Bank Charges recorded twice in Cash-Book		25
8.	Bills dishonoured but not yet recorded in Cash Book	8,015	
9.	Cheque deposited but not yet Collected by Bank	2,320	
10.	Cheque issued but not yet presented for payment		1,250
11.	Over draft as per Cash-Book	16,200	
		<b>27,069</b>	<b>27,069</b>

**INVENTORIES**

**Ans.1 Statement of Valuation of Physical as on 31<sup>st</sup> March 1996**

Particulars	₹	₹
Particulars		25,000
Value of stock as on 9 <sup>th</sup> April, 1996		
Add: Cost of sales		
Sales made between 31.3.1996 and 9.4.1996	1,720	
Less: Gross profit @ 25% on sales	430	1,290
		26,290
Less: Purchases actually received		
Purchases from 1.4.1996 to 9.4.1996	120	
Less: Goods not received up to 9.4.1996	50	70
		26,290
Less: Purchases during March, 199 received on 4.4.1996		100
Value of Physical stock as on 31.3.1996		26,120

**Ans.2 Statements of Valuation of stock as on 31<sup>st</sup> March 1997**

Particulars	₹	₹
Value of stock as on 9 <sup>th</sup> April, 1996		70,000
Add: Purchases during the period from 1.4.1996 to 31.3.1997		3,46,000
Add: Manufacturing expenses		70,000
		4,86,000
Less: Cost of sales during the period Sales	5,22,000	
Less: Gross Profit	1,03,200	4,18,800
Value of closing stock		67,200

**Working Notes :**

Calculation of Gross Profit:		
Gross Profit on normal sales		
(5,22,000 - 16,000) x 20/100		1,01,200
Gross profit on the abnormal sales		
16,000 - (20,000 - 6,000)		2,000
		1,03,200

**Ans.3 Valuation of Stock as on 31<sup>st</sup> March 2002**

	₹	₹
1. Stock to godown on 15 <sup>th</sup> April		50,000
2. Add:(a) Cost of goods sold after 31 <sup>st</sup> March till stock taking (₹ 41,000 - ₹ 1,000) x 80/100	32,000	
(b) Cost of stock with customer on approval [(₹ 10,000- ₹ 4,000) x 80/100]	4,800	36,800
3. Less:(a) Cost of goods purchased after 31 <sup>st</sup> March till stock taking is made	5,034	
(b) Stock belonging to consignors (₹ 8,000 x 30/100)	2,400	7,434
4. Stock as on March 31, (at cost)		76,366

Ans.4

**Valuation of Stock as on 31<sup>st</sup> March, 2004**

Particulars	₹	₹
Opening Stock	14,250	
Add: Written off last year	1,750	16,000
Add: Purchases		76,250
Add: Manufacturing Expenses		15,000
Cost of production		1,07,250
Less: Cost of Goods sold:		
Sales	1,24,500	
Less: Abnormal Sales	<u>4,500</u>	
	1,20,000	
Less: Gross Profit @ 20% on sales	<u>24,000</u>	
	96,000	
Add: Cost of Abnormal Sales	<u>5,000</u>	
	1,01,000	
Value of Closing Stock		<u>1,01,000</u> <u>6,250</u>
Statements	₹	₹
Gross Profit		24,000
Less : Loss on Sale of Goods	500	
Administrative Expenses	3,000	
Selling Expenses	6,050	
Financial Charges	2,150	11,700
Profit for the year 2004		12,300



**DEPRECIATION**

**Ans.1**

**Books of Ramlal Machinery a/c**

<b>1987 - 88</b>			
1.4 To Balance b/d	15,000	1.1 By Bank A/c	2,000
1.10 To Bank a/c	10,000	1.1 By Depreciation	225
		1.1 By P & L a/c (Loss)	775
		31.3 By Depreciation (12,000 + 500)	1,700
		31.3 By Balance c/d	20,300
	<b>25,000</b>		<b>25,000</b>

**WN1 P/L on sale**

s1.4.87 WDV	3,000
(-) Dep. (9m)	<u>225</u>
1.1.88 WDV	2775
(-) Sales value	<u>2000</u>
Loss	<u>775</u>

**Ans. 2**

**Books of Hindustan Petrol Machinery A/c**

<b>1981 – 82</b>			
1.7 To Cash / Bank a/c	60,000	31.3 By Depreciation	5500
1.1 To Cash / Bank a/c	40,000	(4,500 + 1,000)	
		31.3 By Bal. c/d	94,500
	10,00,00		10,00,00
<b>1982 – 83</b>			
1.4 To Bal. b/d	94,500	31.3 By Depreciation	11,000
1.10 To Cash / Bank A/c	20,000	(6,000 + 4,000 + 1,000)	
		31.3 By Bal. c/d	1,03,500
	1,14,500		1,14,500
<b>1983 – 84</b>			
1.4 To Bal. b/d	1,03,500	1.4 By Cash / B/c	76,000
1.4 To P & L a/c	59,500	31.3 By Depreciation	10,000
		(4,000 + 4,000 + 2,000)	
		31.3 By Bal. c/d	77,000
	16,300		16,300
<b>1984 – 85</b>			
1.4 To Bal. b/d	77,000		

**WN1 P/L on Sale**

1.7.81 O.C. (60,000 x 1/3)	20,000
(-) Dep. for 81 – 82 (9m)	<u>1,500</u>
1.4.82 WDV	18,500
(-) Dep. for 82 – 83	<u>2,000</u>
1.4.83 WDV	16,500
(-) Sale Value	<u>76,000</u>
Profit	<u>59,500</u>

Ans. 3

Books of Machinery A/c

1981 – 82			
1.4 To Bal. b/d	72,000	1.10 By Cash / Bank	6,000
1.10 To P & L a/c (Profit)	204	1.10 By Depreciation	385
1.1 To Cash / Bank	20,000	1.10 By P & L A/c	1,310
		1.10 By Cash / Bank	13,200
		1.10 By Depreciation	684
		31.3 By Depreciation	5,563
		31.3 By Bal. c/d	65,062
	<b>92,205</b>		<b>92,204</b>

**WN1 P / L on sale**

1.10.1978 O.C.	10,000
(-) Dep. for 1978 – 79 (6m)	<u>500</u>
1.4.79 WDV	9500
(-) Dep. for 1979 – 80	<u>950</u>
1.4.80 WDV	8,550
(-) Dep. for 1980 – 81	<u>855</u>
1.4.81 WDV	7,695
(-) Dep. for 1981 – 82 (6m)	<u>385</u>
1.10.81 WDV	7,310
(-) Sale value	<u>6,000</u>
Loss	<u>1,310</u>

**WN2 P / L on sale**

1.10.79 O.C.	16,000
(-) Dep for 1979 – 80 (6m)	<u>800</u>
1.4.80 WDV	15,200
(-) Dep. for 1980 – 81	<u>1,520</u>
1.4.81 WDV	13,680
(-) Dep. for 1981 – 82 (6m)	<u>684</u>
1.10.81 WDV	12,996
(-) Sale value	<u>13,200</u>
Profit	<u>204</u>

**WN3 Dep. for 1981 – 82**

Old Mach (72,000 – 7,695 – 13,680) x 10% =	5063
New Mach (20,000 x 10% x $\frac{3}{12}$ ) =	<u>500</u>
	<u>5,563</u>

**Bills of Exchange**

**Ans.1**

**Journal Entries in the Books of Mr. David**

<b>Date</b>	<b>Particulars</b>	<b>Amount (Dr.) ₹</b>	<b>Amount (Cr.) ₹</b>
1995 Jan.1	Bills Receivable (No. 1) A/c Dr. Bills Receivable (No.2) A/c Dr. To Mr. Thomas' A/c (Being drawing of bills Receivable No. 1 due for maturity on 4.3.95 and bills receivable No. 2 due for maturity on 4.4.95)	6,000 10,000	16,000
March 4	Mr. Thomas' A/c Dr. To Bills Receivable (No.1) A/c (Being the reversal entry for bill No. 1 on agreed renewal)	6,000	6,000
March 4	Bills Receivable (No.3) A/c Dr. To Interest A/c To Mr. Thomas' A/c (Being the drawing of bill of 3 due for maturity on.7.5.199 @ 18% p.a. in lieu of acceptance of Mr. Thomas)	6,180	180 6,000
March 20	Bank A/c Dr. Discount A/c Dr. To Bills Receivable (No.3) A/c (Being the amount received from official assignee of Mr. Thomas @ 50 Paisa , per rupee against dishonoured bill)	9,900 100	10,000
May 7	Mr. Thomas A/c Dr. To Bills Receivable (No (Being the amount due from on dishonour of acceptance of presentation on the due date).	6,180	6,180
May 7	Mr. Thomas A/c Dr. To Bill Receivable (No.3) A/c (Being the amount due from on dishonour of acceptance of presentation on the due date.)	3,090	3,090
May 7	Bad Debts A/c Dr. To Mr. Thomas A/c (Being the balance 50% debt in Mr. Thomas A/c arising out of dishonoured bill written as bad).	3,090	3,090

**Ans.2**

**Books of Shubham Journal Entries**

<b>Date</b>	<b>Particulars</b>	<b>Amount (Dr.) ₹</b>	<b>Amount (Cr.) ₹</b>
1998 June 1	Bills Receivable A/c Dr. To Rajendra A/c (Being Acceptance received from Rajendra for Mutual accommodation)	45,000	45,000
June 1	Bank A/c Dr. Discount A/c Dr. To Bills Receivable A/c	44,100 900	45,000

	(Being Bill discounted)			
June 1	Rajendra To Bank A/c To Discount A/c (Being one – third of proceeds remitted Rajendra).	Dr.	15,000	14,700 300
Sept. 4	Rajendra To Bills Payable A/c (Being Acceptance given to Rajendra on failure of remittance of the amount due)	Dr.	63,000	63,000
Sept. 4	Bank A/c Discount A/c To Rajendra (Being receipt of Amount from Rajendra and discount amount credited to him.)	Dr. Dr.	11,100 900	12,000
Dec. 7	Bills Payable A/c To Rajendra (Beings Acceptance to Rajendra dishonoured on insolvency.)	Dr.	63,000	63,000
Dec. 7	Rajendra To Bank A/c To Deficiency A/c (Being Amount paid @ 40% and balance credited to Deficiency A/c on failure of payment)	Dr.	42,000	16,800 25,200

**Books of Rajendra Journal Entries**

Date	Particulars		Amount (Dr.) ₹	Amount (Cr.) ₹
1998 June 1	Shubham To Bills Payable A/c (Being Acceptance given for the bill)	Dr.	45,000	45,000
June 1	Bank A/c Discount A/c To Shubham (Being one third of the proceeds of bill after discounting received from shubham)	Dr. Dr.	14,700 300	15,000
Sept. 4	Bill Receivable A/c To Shubham (Being Acceptance received from Shubham to cover the amount due from him)	Dr.	63,000	63,000
Sept. 4	Bank A/c Discount A/c To Bills Receivable A/c (Being Shubham's Acceptance discounted)	Dr. Dr.	61,650 1,350	63,000
Sept. 4	Bills Payable A/c To Bank A/c (Being own acceptance due on the due met)	Dr.	45,000	45,000
Sept. 4	Shubham To Bank A/c To Discount A/c (Being Amount remitted to Shubham, after getting the bill discounted)	Dr.	12,000	11,100 900

Dec. 7	Shubham To Bank A/c (Being Shubham's Acceptance dishonoured on insolvency)	Dr.	63,000	63,000
Dec. 7	Bank A/c Bad Debts A/c To Shubham (Beings Amount and bad debts written off in respect of amount due from Shubham)	Dr. Dr.	16,800 25,200	42,000

**Working Note:**

Calculation of discount to be borne by Mr. Shubham

₹ 15,000 paid to Rajendra out of bill of ₹ 45,000 as such ₹ (45,000 – 15,000) = 30,000 due to Rajendra and ₹ 11,100 further received from Rajendra. Therefore 30,000 + 11,100 = ₹ 41,100 are shared by Shubham, out of total ₹ 61,650. In this proportion, discount is also related to shubham.

Discount shared by Shubham.

$$= \frac{41,100}{61,650} \times (63,000 - 61,650) = \frac{41,100}{61,650} \times 1,350 = ₹ 900.$$

**Ans. 3**

**Books of H**

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

**Ans. 4**

**Book of X Journal Entries**

Date	Particulars		Amount (Dr.) ₹	Amount (Cr.) ₹
2001 April 1	Bills Receivable A/c To Y (Being acceptance on bill received)	Dr.	4,000	4,000
April 1	Bank A/c Discount A/c To Bills Receivable A/c (Being Bill discounted @ 6% p.a.)	Dr. Dr.	3,920 80	4,000
April 1	Y's A/c To Bank A/c To Discount A/c (Being half of the proceeds sent)	Dr.	2,000	1,960 40
April 4	Y's To Bills Payable A/c (Being acceptance given on a New Bill)	Dr.	7,000	7,000
April 4	Bank A/c Discount A/c To Y (Being amount received from Y)	Dr. Dr.	1,300 200	1,500
Aug. 4	Bills Payable A/c To Y (Beings bill dishonoured due to insolvency)	Dr.	7,000	7,000
Aug. 4	Y To Bank A/c To Deficiency A/c (Beings the amount of 25 paise in a rupee paid to Y)	Dr.	3,500	875 2,625

**Working Notes :**

**Y's Account**

Date	Particulars	F.N.	Amt.	Date	Particulars	F.N.	Amt.
2001 April 1	To Bank A/c		1,960	2001 April 1	By B/R		4,000
April 1	To Discount A/c		40	April 4	By Bank A/c		1,300
April 4	To Bill payable A/c		7,00	April 4	By Discount		200
Aug. 4	To Bank		875	Aug. 4	By B/PA/c		7,000
Aug. 4	To Deficiency A/c		2,625				
			12,500				12,500

**Ans. 5**

**In the book of Anil Journal Entries**

Date	Particulars	L.F.	Amount (Dr.) ₹	Amount (Cr.) ₹
2003 5 April	Bills Receivable A/c To Sanjay's A/c (Being acceptance received for material accommodation)	Dr.	9,000	9,000
5 April	Bank A/c Discount A/c To Bills Receivable A/c (Being discounting of bills)	Dr. Dr.	8,820 180	9,000
5 April	Sanjay's A/c To Bank A/c	Dr.	3,000	2,940

	To Discount A/c (Being 1/3 proceeds of the bill transfer to the Sanjay's A/c)			60
8 July	Sanjay's A/c To Bills Payable A/c (Being acceptance of bill given)	Dr.	12,600	12,600
8 July	Bank A/c Discount A/c $\left[ \frac{6,000+2,200}{12,330} \times 270 \right]$ To Sanjay's A/c (Being amount received from Sanjay against 2 <sup>nd</sup> bills)	Dr. Dr.	2,220 180	2,400
11 Oct	Bills Payable A/c To Sanjay's A/c (Being dishonour of bill due insolvency)	Dr.	12,600	12,600
11 Oct	Sanjay's A/c To Bank A/c To Deficiency A/c (Being @ 50% of (₹ 6,000 + 2,400) paid to Sanjay)	Dr.	8,400	4,200 4,200

**Sale or Return**

**Ans.1 Journal Entries in the books of Mr. A.**

(i)	Mr. B's (Debtor) A/c To Sales A/c (Being goods are approved by Mr. B)	Dr.	20,000	20,000
(ii)	Mr. B's (Debtor) A/c To Sales (Being goods are sold)	Dr.	20,000	20,000
	Sale Return A/c To Mr. B's A/c (Being goods are rejected by the customer)	Dr.	20,000	20,000
(iii)	Mr. B's A/c To Sales (Being goods are sold)	Dr.	20,000	20,000
	Sales Return A/c To Mr. B's A/c (Being half of goods rejected by the customer)	Dr.	10,000	10,000

**Ans.2 In the books of 'X'**

**Goods on Sales or Return, Sold and Returned Day Books**

Date (2002)	Party to whom goods sent	L.F.	Amount (₹)	Date (2002)	Sold (₹)	Returned (₹)
Dec. 10	M/S ABC Co.		10,000	Dec. 25	10,000	-
Dec. 12	M/S DEF Co.		15,000	Dec. 16	-	15,000
Dec. 15	M/S GHI Co.		12,000	Dec. 20	10,000	2,000
Dec. 20	M/S DEF Co.		16,000	Dec. 24	16,000	-
Dec. 25	M/S ABC Co.		11,000	Dec. 28	11,000	-
Dec. 30	M/S GHI Co.		13,000	-	-	-
			77,000		47,000	17,000

**Goods on Sales or Return Total Account**

Date (2002)	Particulars	Amount (₹)	Date (2002)	Particulars	Amount (₹)
	To Returns	17,000	Dec. 31	By goods sent on Sales or Return	77,000
	To Sales	47,000			
	To Balance c/d	13,000			
		77,000			77,000



**Consignment**

**Ans.1**

**Consignment Account**

Dr.			Cr.		
Date	Particulars	Amt. (₹)	Date	Particulars	Amt. (₹)
1997 Jan 15	To Goods Sent on Consignment A/c	25,00,000	1997 March 4	By Y A/c (Sales)	21,00,000
Jan 15	To Bank A/c	7,000	April 10	By Y A/c (Sales)	10,80,000
Jan 30	To Y A/c (Clearance expenses)	4,500	April 30	By Stock on Consignment A/c (2)	2,51,150
March 4	To Y A/c (Selling Expenses)	75,000			
April 10	To Y A/c (Selling Expenses)	37,500			
April 30	To Y A/c (Commission) (1)	1,63,500			
April 30	To Net Profit	6,43,650			
		<b>34,31,150</b>			<b>34,31,150</b>

Dr.			Y (Bombay) Account			Cr.		
Date	Particulars	₹	Date	Particulars	₹			
1997 March 4	To Consignment A/c	21,00,000	1997 Jan 30	By Consignment A/c	4,500			
April 10	To Consignment A/c	10,80,000	March 4	By Consignment A/c	75,000			
			April 1	By Consignment A/c	37,500			
			April 30	By Consignment A/c (1)	1,63,500			
			April 30	By Bank A/c	28,99,500			
		<b>31,80,000</b>						<b>31,80,000</b>

**Working Notes :**

**1. Computation of Commission**

Let Total Commission be x

$$x = 225 \times 500 + \frac{1}{4}[(21,00,000 + 10,80,000 - x - (12,500 \times 225)]$$

$$x = 1,12,500 + \frac{1}{4}[31,80,000 - x - 28,12,500]$$

$$x = 1,12,500 + 91,875 - \frac{x}{4}; x + \frac{x}{4} = 1,12,500 + 91,875$$

$$\frac{5x}{4} = 2,04,375$$

Total Commission = ₹ 1,63,500

**Ans.2**

**Books of A**

<b>Consignment a/c</b>			
To GSOC (10,000 x 20)	2,00,000	By Abnormal Loss	
To Cash / B/c. (Exp.)	50,000	Goods (250 x 20)	5,000
To B's A/c		Expenses (10,000 → 50,000)	1250
Octroi & Custom	5000	250 → 9	
Unload (9750 x 0.20)	1,450	By B (Sales = 7,500 x 30)	55,200
Carriage IW	200	By Carriage Stock	
Godown Rent	6,000		
Office & Adm.	12,355		
Selling & Disk	<u>8,000</u>		
To B (Comm.)	33,505		
To P & L A/c ( Profit)	10,125	By P & L a/c (Loss)	71800
	-		
	<b>2,86,450</b>		<b>2,86,450</b>

<b>B's A/c</b>			
To Consignment	22,25,000	By Consignment	33,505
		By Consignment	10125
		By Bank	1,81,370
	2,25,000		2,25,000

**WN1** - CL – Stock (2050 units)

$$= \frac{2,00,000 + 50,000 + 7,150}{10,000 - 250 - 200} \times 20,50 = 55,200$$

**Ans.3**

**D's Account**

Dr.			Cr.		
Date	Particulars	Amt. (₹)	Date	Particulars	Amt. (₹)
1998 Feb. 1	To Bill Payable A/c (80% of ₹ 8.00.000)	6,40,000	1998 Mar. 31	By Bank A/c (820 cycles x ₹ 930)	7,62,600
Mar. 31	To Cash A/c	12,500			
Mar. 31	To Commission A/c	70,520			
Mar. 31	To Bank A/c	39,580			
		<b>7,62,600</b>			<b>7,62,600</b>

Dr.			Cr.		
Date	Particulars	Amt. (₹)	Date	Particulars	Amt. (₹)
1998 March 4	To Bank A/c	6,40,000	1998 Feb. 1	By D's A/c	6,40,000
		<b>6,40,000</b>			<b>6,40,000</b>

**Value of Closing Stock with 'A'**

	₹
160 cycles at ₹ 640 (cost price including freight)	1,02,400
20 Cycles shop-soiled at 50 % of the ₹ 640 i.e. ₹ 320 each	6,400
<b>Value of closing stock with A</b>	<b>1,08,800</b>

**Ans.4**

Dr.		Consignment Account		Cr.	
Particulars	Amt. (₹)	Particulars	Amt. (₹)		
To Goods sent on Consignment A/c (800 x ₹ 900) each	7,20,000	By Consignee's A/c (sales 740 x 100 x ₹ 12)	8,88,000		
To Cash A/c (Expenses: 800x ₹ 100)	80,000	By Cash A/c	570		
To Consignee's A/c Recurring Expenses	22,500	By Consignment Stock	61,950		
Non-Recurring Expenses	39,950	By Profit & Loss A/c	430		
Commission @ 2% on Sale of ₹ 8.88,000	17,760				
Del-credere Commission (1% on ₹ 8,88,000)	8,880				
To Profit and loss A/c	61,860				
	<b>9,50,950</b>				<b>9,50,950</b>

**Working Notes :**

**(1) Valuation of Abnormal Loss**

Particulars	₹
Cost pf packet lost during transit	900
Add: Expenses incurred by Y	100
	<b>1,000</b>
Less: Insurance claim received	570
<b>Value of Abnormal Loss</b>	<b>430</b>

**(2) Cost of Stock at the end**

Particulars	₹
59 packets @ ₹ 900 per packet	53,100
Add: Expenses incurred by Y (59 x ₹ 100)	5,900
Add : Proportionate expenses incurred by the Consignee ( $\frac{59}{799} \times 39,950$ )	2,950
<b>Value of closing stock</b>	<b>61,950</b>

**Ans.5 In the books of A Consignment Account**

Dr.			Cr.		
Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2004 Feb. 18	To Goods sent on consignment account	1,00,000	2004 Mar. 15	By B's account (Sales) (600 x ₹ 160)	96,000
Feb. 18	To cash Account (Expenses)	1,500	May 20	By B's account (Sales) (300 x ₹ 170)	51,000
	To B's account (Clearance charges)	3,000	June 30	By Consignment Stock (W.N. – 2)	10,450
June 30	To B's account (Selling expenses) i.e. (900 x ₹ 20)	18,000			
	Commission (W.N. – 1)	10,050			
June 30	To Profit and loss account				
		1,57,450			1,57,450

**B's Account**

Date	Particulars	Amount ₹	Date	Particulars	Amount ₹
2004 Mar. 15	To Consignment account (Sales)	96,000	2004 Feb. 18	By Consignment account (Clearance charges)	3,000
May 20	To Consignment account (Sales)	51,000	June 30	By Consignment account (Selling expenses, & Commission)	18,000
			June 30	By Cash account	24,900
		1,47,000			1,01,100
					1,47,000

**Working Notes :**

**1. Computation of total commission :**

Let total commission paid/payable be X.

$$X = 900 \times ₹ 25 + \frac{1}{4} [(\text{₹ } 96,000 + \text{₹ } 51,000) - x - (900 \times ₹ 125)]$$

$$X = ₹ 22,500 + \frac{1}{4} [₹ 1,47,000 - x - ₹ 1,12,500]$$

$$X = ₹ 22,500 + \frac{1}{4} [₹ 34,500 - x]; 4x = ₹ 90,000 + ₹ 34,000 - x$$

$$4x + x = ₹ 90,000 + ₹ 34,500$$

$$5x = ₹ 1,24,500$$

$$X = ₹ 24,900$$

**2. Computation of value of the stock :**

100 DVD players @ ₹ 100 each ₹ 10,000

Add: Proportionate expenses of A  $\frac{(\text{Rs.}1,500 \times 100)}{1,000}$  150

Proportionate expenses paid by B  $\frac{(\text{Rs.}3,000 \times 100)}{1,000}$  300

**10,450**

**Ans.6**

**Dr. In the books of Consignment A/c Cr.**

Particulars	₹	Particulars	₹
To Goods sent to Consignee A/c (5,000 x ₹ 20)	1,00,000	By S A/c (Sales) (3,750 kg. x ₹ 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		
Commission (1,12,500 x 5%)	5,625		
	<b>1,46,625</b>		<b>1,46,625</b>

Dr.	S A/c	Cr.	
Particulars	₹	Particulars	₹
To Consignment (3750 x ₹ 30)	1,12,500	By Bills Receivable	50,000
		By Consignment	
		Godown Rent	
		Wages	1,000
		Printing & Stationery	5,000
		Commission	5,625
		By Bank A/c	40,8750
	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	<u>1,000 Kg.</u>

**(ii) Calculation of Value of Closing Stock:**

Total Cost	1,25,000
(-) Abnormal loss	(3125)
	<u>12,1875</u>
(+) Consignee's exp.	<u>NIL</u>
(Note)	<u>1,21,575</u>
<b>Units remaining</b>	<b>Cost</b>
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.

**Final Accounts of Sole Traders**

**Ans.1 Trading and Profit and Loss Account of Mr. Rishabh  
(For the year ended 31<sup>st</sup> March, 1998)**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	21,300	By Sales	1,40,000
To Purchases (1)	84,000	Less : Returns Inward	<u>5,000</u>
Less: Returns Outward	<u>4,000</u>		
	80,000	By Loss of Stock by Fire	10,000
To Carriage	10,000	By Closing Stock	27,300
To Gross Profit c/d	61,000		
	<u>1,72,300</u>		<u>1,72,300</u>
To Sundry Expenses	600	By Gross Profit b/d	61,000
To Printing and stationery	500	By Provisions for Discount on Debtors (380 – 342)	38
To Insurance Exp.	1,000	By Provision for Discount on Creditors	360
Less: Prepaid	<u>200</u>	By Profit of Textile Department	10,000
	800		
To Salaries and Wages	18,500		
To Trade Expenses	800		
To Loss by fire (4)	4,00		
To Interest on loan	1,350		
To Prov. for D/D (New)	900		
Add: Bad Debts	400		
Add: Further Bad Debts	400		
	<u>1,700</u>		
Less : Old Provision	<u>1,000</u>		
	700		
To Depreciation			
Land & Building	1,800		
Plant & Machinery	4,000		
Furniture	<u>250</u>		
	6,050		
To Net Profit	38,098		
	<u>71,398</u>		<u>71,398</u>

**Balance Sheet As on 31<sup>st</sup> March, 1999**

Liabilities	Amount	Assets	Amount
Capital Account	1,00,000	Land and Buildings	90,000
Add: Net Profit	<u>38,098</u>	Less: Depreciation	<u>1,800</u>
	1,38,098	Plant & Machinery	20,000
Less: Drawings	<u>14,000</u>	Less: Depreciation	<u>4,000</u>
	1,24,098	Furniture	5,000
Loan from Gajanand	30,000	Less: Depreciation	<u>250</u>
Interest Accrued	1,350		4,750
Creditors	18,000	Stock:	
Less: Provision for Discount	<u>360</u>	General Goods	27,300
	17,640	Textile Goods	<u>8,000</u>
			35,300
		Debtors (less bad debts)	18,000
		Less: Provision for Bad and Doubtful Debts.	<u>900</u>
			17,100
		Less: Provision for Discount	<u>342</u>
			16,758
		Insurance Claim	6,000
		Prepaid Insurance	200
		Cash at Bank	4,600
		Cash in Hand	1,280
	<u>1,73,088</u>		<u>1,73,088</u>

**Working Notes:**

	₹
(1) Purchases	80,000
Add: Unrecorded Goods	6,000
	<u>86,000</u>
Less: Drawings	2,000
	<u>84,000</u>

(2) Creditors	12,000
Add: For unrecorded Purchases	6,000
	18,000
Provision for discount creditors (2%) of 18,000 = ₹ 360	
(3) Loss by fire	10,000
Less: Insurance claim	6,000
Amount charged to profit and loss Account	4,000

**Ans. 2**

**Trading and Profit and Loss Account of Mr. K  
for the year ended 31<sup>st</sup> March, 2000**

Particulars		Amount (₹)	Particulars		Amount (₹)
To Opening Stock		75,000	By Sales	23,10,000	
To Purchases	15,95,000		Less: Sales of		
Less: Transfer	<u>45,000</u>	15,50,000	Investment	<u>1,10,000</u>	22,00,000
To Freight	25,000		By Closing Stock		2,25,000
Less: Transfer to					
Machinery A/c	<u>5,000</u>	20,000			
To Wages	66,000				
Add: Outstanding	<u>6,000</u>	72,000			
To Gross Profit c/d		7,08,000			
		<u>24,25,000</u>			<u>24,25,000</u>
To Salaries		1,40,000	By Gross Profit b/d		7,08,000
To Miscellaneous Expenses.		30,000	By Interest on investments		12,000
To Printing and Stationary		18,000	By Discounts		15,000
To Postage, Telegrams, telephones		12,000	By Profit of sales of invest.		10,000
To Commission on Sales	45,000				
Add: Outstanding	<u>10,000</u>	55,000			
To Insurance	24,000				
Less: Prepaid	<u>8,000</u>	16,000			
To Provisions for D/D (New provision)					
Bad Debts	15,000				
Add: Written off	10,000				
Add: Prov.	<u>12,000</u>				
	37,000				
Less: Old Prov.	<u>8,000</u>	29,000			
To Depreciation:	7,500				
Building Machinery	52,500				
Furniture	<u>4,000</u>	64,000			
To Net Profit		3,81,000			
		<u>7,45,000</u>			<u>7,45,000</u>

**Balance Sheet of Mr. K as at 31<sup>st</sup> March, 2000**

Liabilities		Amount	Assets		Amount
Capital	8,00,000		Building	3,00,000	
Add: Profit	<u>3,81,000</u>		Less: Depreciation	<u>750</u>	2,92,500
	11,81,000		Machinery	5,00,000	
Less: Drawings	<u>60,000</u>	11,21,000	Add: New	<u>50,000</u>	
Creditors		3,00,000		5,50,000	
Outstanding Expenses			Less: Depreciation	<u>52,500</u>	4,97,500
Wages Outstanding		6,000	Furniture	40,000	
Commission Outstanding		10,000	Less: Depreciation	<u>4,000</u>	36,000
			Debtors	2,50,000	
			Less: Bad Debts	<u>10,000</u>	
				2,40,000	
			Less: Provision for D/D	<u>12,000</u>	2,28,000
			Prepaid Insurance		8,000
			Stock		2,25,000
			Cash ad Bank		1,50,000
		<u>14,37,000</u>			<u>14,37,000</u>

Ans.3

**Trading and Profit & Loss Account  
(for the year ended 31<sup>st</sup> March, 2003)**

Particulars		Amount	Particulars		Amount
To Open. Stock	5,50,000		By Sales		29,35,000
Less: Stationery	<u>1,800</u>	5,48,200	By Closing Stock (8,00,000 – 800)		7,99,200
To Purchase		19,25,000			
To Wages & Salaries		1,25,000			
To Carriage Inward		40,000			
To Gross Profit		10,96,000			
		37,34,200			37,34,200
To Insurance		35,000	By Gross Profit b/d		10,96,000
To Commission Paid		40,000	By Discount		2,000
To Interest		35,000	by Outstanding Commission		40,000
To Trade Expenses (34,500 - 22,500)		12,000			
To Rent & Taxes		1,27,500			
To Stationery		21,500			
To Loss on sale of Furniture		1,700			
To Dep. on Furniture		6,000			
To Provision for Bad debts		75,400			
To Net Profit c/f		7,83,900			
		<b>11,38,000</b>			<b>11,38,000</b>

**Balance Sheet (as on 31<sup>st</sup> March, 2003)**

Liabilities		Amount	Assets		Amount
Capital	8,95,000		Furniture		42,300
Add: Net Profit	7,83,900		Debtors	15,00,000	
Less. Drawings	<u>2,000</u>	16,76,900	Add: Dishonoured	8,000	
Bills Payable		1,85,000	Less: Prov. for D/D	<u>75,400</u>	14,32,600
Creditors			Bills Receivable	2,25,000	
(9,32,500 - 3,000)		9,29,500	Less: Dishonoured	<u>8,000</u>	2,17,000
Creditors for stationery		3,000	Cash & Bank		4,22,500
Due to consignor		1,20,000	Closing Stock		7,99,200
			Stock for Stationary		800
		<b>29,14,000</b>			<b>29,14,400</b>

**Working Notes :**

**Furniture Account**

Particulars	Amount	Particulars	Amount
To Balance b/d	60,000	By Cash	10,000
		By Depreciation	1,300
		By Loss	1,700
		By Depreciation	4,700
		By Balance c/d	42,300
	<b>60,000</b>		<b>60,000</b>

**Stock of Stationery**

Particulars	Amount	Particulars	Amount
To Balance b/d	1,800	By Drawings	2,000
To Trade Expenses (Transfer entry)	22,500	By Profit & Loss A/c	21,500
		By Balance c/d	800
	<b>24,300</b>		<b>24,300</b>

**Consignor's Account**

Particulars	Amount	Particulars	Amount
To Cash	8,00,000	By Balance b/d	4,00,000
To Charges	80,000	By Sales	6,40,000
To Commission	40,000		
To Balance c/d	1,20,000		
	<b>10,40,000</b>		<b>10,40,000</b>

Ans.4

**Trading and Profit & Loss Account  
(For the year ended 31<sup>st</sup> March, 2004)**

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	5,00,000	By Sales	41,50,000
To Purchases 31,00,000		Less Returns	<u>55,000</u>
Less: Returns 45,000			40,95,000
30,55,000		Less Goods sent on approval	<u>1,50,000</u>
Less Furniture 1,00,000		By Goods sent on Approval	1,00,000
29,55,000		By Closing Stock	1,45,000
Less: Drawings 50,000	29,05,000		
To Carnage Inward	10,000		
To Wages	50,000		
To Gross Profit c/d	7,25,000		
	<u>41,90,000</u>		<u>41,90,000</u>
To Salaries	95,000	By Gross Profit b/d	7,25,000
To Rates & Taxes	50,000	By Discount received	75,000
To Postage & Telegram	1,05,000	By Net Loss transferred to Capital A/c	5,02,300
To Insurance	90,000		
To Printing & Stationery	95,500		
To Advertisement	1,70,000		
To Discount allowed	50,000		
To General Expenses	95,700		
To Carriage Outward	22,000		
To Bad debts	50,000		
To Provision for Doubtful Debts	40,000		
To Salesman Commission 78,000			
Add: Outstanding 3,16,500			
To Depreciation on:			
Furniture 65,000			
Motor Car 9,600	74,600		
	<u>13,02,300</u>		<u>13,02,300</u>

**Balance Sheet of Mr. Neel (As on 31<sup>st</sup> March, 2004)**

Liabilities	Amount (₹)	Assets	Amount (₹)
Capital	22,59,200	Furniture	5,50,000
Less: Drawings	45,000	Add: Purchased	<u>1,00,000</u>
Less: Goods With-drawn	50,000		6,50,000
		Less: Dep.	<u>65,000</u>
		Motor Car	48,000
		Less: Dep.	<u>9,600</u>
	21,64,200	Stock in hand	1,45,000
Less: Net Loss	<u>5,02,300</u>	Goods sent on Approval	
Sundry Creditors	4,00,000	Sundry Debtors	10,00,000
Outstanding Salesman's Commission	3,16,500	Less: Goods sent on Approval	<u>1,50,000</u>
			8,50,000
		Less: Bad Debts.	<u>50,000</u>
			8,00,000
		Less: Provision for Doubtful Debts	<u>40,000</u>
		Cash in Hand	2,50,000
		Cash at Bank	5,00,000
	<u>23,78,400</u>		<u>23,78,400</u>



Ans.5

**In the books of Shri Shivam  
Trading Profit & Loss A/c  
(For the year ended 31.3.05)**

Particulars	Amount	Particulars	Amount
To Opening Stock	40,000	By Sales	2,64,000
To Purchases	1,70,000	(-) Sale or Return basis (1200)	2,62,800
To Wages	29,000	By Goods given as free sample	2,000
To Carriage Inward	400	By Closing Stock	
To Gross Profit	56,400	— Given	30,000
		— With Costumer	1,000
	<u>2,95,800</u>		<u>31,000</u>
			<u>2,95,800</u>
To Depreciation		By Gross Profit	56,400
Furniture's & Fixtures 800		By Discount	1,200
Plant & Machinery <u>12,400</u>	13,200		
To Loss By Fire	2,000		
To Patent Written-Off	4,000		
To Salaries	14,800		
To Bad Debts 800			
(+) Additional <u>200</u>	1,000		
To Prov. For Doubtful Debts	950		
To Prov. For Discount	360		
To Postage & Fax	3,000		
To Rent, Rates & Taxes	7,200		
To Interest on Loan			
Paid 300			
(+) Outstanding <u>300</u>	600		
To Insurance	1,600		
To Travailing Exp.	1,000		
To Sundry Exp.	600		
To Advertisement (Goods gives As Sample)	2,000		
To Net Profit Transfer to Capital A/c	5,290		
	<u>59,600</u>		<u>59,600</u>

**Balance sheet (as on 31.3.2005)**

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital		Furniture & Fittings	8,000
Op. Balance	1,60,000	(-) Depreciation	<u>800</u>
(-) Drawings	(24,000)	Plant & Mach. (Note – 1)	62,000
(+) NP	<u>5,290</u>	(-) Depr.	<u>12,400</u>
	1,41,290	Patent	40,000
		(-) Written – off	<u>(4,000)</u>
		Land	28,350
Creditor for Plant & Mach. [Note-]	3,000	Stock.	31,000
Loan from shyam	20,000	Debtor [Note-2]	19,000
(+) Interest	<u>300</u>	(-) Prov. for D/D	(950)
Sundry Creditors	24,000	(-) Prov. for discount	<u>(360)</u>
Bank Overdraft	15,000	Cash in hand	13,250
	<u>2,03,590</u>	Cash at Bank	20,500
			<u>2,03,590</u>

**Working Notes:**

**(1) Computation of plant & Machinery**

Balance given	60,000
(+) New Machinery (1.4.04)	4,000
(-) Machinery Sold.	<u>(2,000)</u>
	<u>62,000</u>

**(2) Computation of Debtor**

Balance	20,400
(-) Bad Debts	(200)
(-) Sale or return	<u>(1,200)</u>
	<u>19,000</u>

Ans.6

In the books of Ganguli Trading and Profit & Loss Account  
for the year ended 31-3-2016

	₹	₹		₹	₹
To Opening stock	12,15,500	2,34,000	By Sales	14,48,000	
To Purchases	(10,000)		Less: Returns	(58,000)	13,90,000
Less: Transfer to furniture A/c	12,05,500		By Closing stock		3,93,000
	(29,000)	11,76,500			
Less: Returns		93,000			
To Carriage inwards		2,79,500			
To Gross profit c/d		17,83,000			17,83,000
		46,500	By Gross profit b/d		2,79,500
To Salaries To Rent		28,500	By Interest		17,250
To Advertisement		56,000	By Discount received		14,950
To Printing & stationery		17,000			
To Interest		7,500			
To Discount allowed		37,700			
To General expenses		19,600			
To Travelling expenses		11,650			
To Fire insurance premium		3,000			
To Postage & telegrams		4,350			
To Provision for doubtful debts (W.N.1)		4,750			
To Depreciation on furniture		1,150			
To Audit fees		3,500			
To Capital A/c (Net profit transferred)		70,500			
		<b>3,11,700</b>			<b>3,11,700</b>

**Balance Sheet as on 31 – 3 – 2016**

Liabilities	₹	₹	Assets	₹	₹
Capital account:			Furniture	9,000	
Balance on 1-4-15	5,40,500		Additions during the year	10,000	
Add: Net profit	70,500			19,000	
	6,11,000		Less: Depreciation	(1,150)	17,850
Less: Drawings	(50,000)	5,61,000	Investments		25,000
Loan from Dena Bank		1,00,000	Deposits		1,50,000
Ltd. Insurance accrued on bank loan (W.N.2)		3,000	Interest accrued on investment & deposits (W.N.3)		10,000
Sundry creditors		64,000	Stock in trade		3,93,000
			Sundry debtors	95,000	
			Less: Provision	(4,750)	90,250
			Cash with Traders Bank Ltd.		40,000
			Cash in hand		1,900
		<b>7,28,000</b>			<b>7,28,000</b>

**Working Notes:**

<b>1. Calculation of provision for doubtful debts:</b>	<b>₹</b>
Sundry debtors as per trial balance	1,20,000
Less: Sales returns not recorded	(15,000)
	1,05,000
Less: Cancellation against sundry creditors	(10,000)
Adjusted balance of sundry debtors	95,000
Provision for doubtful debts @ 5%	4,750
<b>2. Accrued interest on bank loan:</b>	
Annual interest @12%	6,000
Less: Interest paid to Dena bank	(3,000)
Accrued interest	3,000
<b>3. Interest accrued on investments and deposits:</b>	
Annual interest on investments @ 5%	1,250
Annual interest on deposits @ 10%	15,000
	16,250
Less: Interest received on investments and deposits	(6,250)
Accrued interest	10,000

**Partnership Accounts**

**Ans.1 1. Calculation of Profit / Loss for the year ended**

	31.3.2014	31.3.2015	31.3.2016
Profit /(Loss) for the year	20,000	(80,000)	1,05,000
Add/ (Less) : Abnormal items	(40,000)	1,10,000	(25,000)
Net Profit / (Loss)	(20,000)	30,000	80,000

Average Profit =  $\frac{(20,000)+30,000+80,000}{3} = ₹ 30,000$

Two years' purchase of average profits = 30,000 x 2 = ₹ 60,000

Good will to be brought in by Guru = ₹ 60,000 x 40% = ₹ 24,000

Goodwill brought in by Guru shared (at the profit sacrificing ratio) by :

	₹
Gopal (₹ 24,000 x 5/8)	15,000
Govind (₹ 24,000 x 3/8)	9,000
	24,000

**2. Journal Entries**

Date	Particulars		Dr. ₹	Cr. ₹
1.4.2016	Bank A/c To Guru's capital A/c (Amount of capital and goodwill brought in by Guru)	Dr.	1,24,000	1,24,000
1.4.2016	Guru's capital A/c To Gopal's capital A/c To Govind's capital A/c (Amount of goodwill brought in by Guru credited to capital accounts of the old partners in the profit sacrificing ratio 5:3)	Dr.	24,000	15,000 9,000
1.4.2016	Revaluation A/c To Investment A/c To Current assets A/c (Writing down the value of investments to nil and current assets from ₹ 2,00,000 to ₹ 1,80,000 on the occasion of admission of Guru)	Dr.	70,000	50,000 20,000
1.4.2016	Fixed assets A/c To Revaluation A/c (Writing up the value of fixed assets from ₹ 3,00,000 to ₹ 4,00,000 on the occasion of admission of Guru)	Dr.	1,00,000	1,00,000
1.4.2016	Revaluation A/c To Guru's capital A/c To Govind s capital A/c (Net revaluation profit credited to the capital accounts of the old partner in the old profit sharing ratio of 60:40)	Dr.	30,000	18,000 12,000

**3.**

**Revaluation Account**

Particulars	₹	Particulars	₹
To Investments A/c	50,000	By Fixed assets A/c	1,00,000
To Current assets A/c	20,000		
To Partner's capital A/c: (Profit on revaluation)			
Gopal (60%)	18,000		
Govind (40%)	12,000		
	1,00,000		1,00,000

4.

**Partner's Capital Accounts :  
Gopal's Capital Accounts**

Particulars	₹	Particulars	₹
By Balance c/d	1,53,000	By Balance b/d	1,20,000
		By Bank A/c	15,000
		By Revaluation A/c	18,000
	1,53,000		1,53,000

**Govind's Capital Accounts**

Particulars	₹	Particulars	₹
By Balance c/d	1,01,000	By Balance b/d	80,000
		By Bank A/c	9,000
		By Revaluation A/c	12,000
	1,01,000		1,01,000

**Guru's Capital Account**

Particulars	₹	Particulars	₹
To Balance c/d	1,00,000	By Bank b/d	1,00,000
	1,00,000		1,00,000

**Balance Sheet (after admission of Guru) as on 1.4.2016**

Liabilities		₹	Assets		₹
Capital accounts:			Fixed assets		4,00,000
Gopal	1,53,000		Current assets		3,04,000
Govind	1,01,000		(including bank balance of		
Guru	1,00,000	3,54,000	₹ 1,24,000)		
Long term loan		2,00,000	Loans & advances		1,00,000
Current liabilities		2,50,000			
		8,04,000			8,04,000

**Working Notes:**

**1. Calculation of profit sacrificing ratio**

Profit sacrificed by Gopal = 60% - 35% = 25%

Profit sacrificed by Govind = 40% - 25% = 15%

Sacrificing ratio = 25%: 15% or 5:3

**2. Bank balance after admission of Guru:**

**Bank Account**

Particulars	₹	Particulars	₹
To Guru's capital A/c	1,24,000	By Balance c/d	1,24,000
	1,24,000		1,24,000

**Ans.2**

**Revaluation Account**

2016		₹	2016		₹
April 1	To Provision for bad and doubtful debts		April 1	By Inventory in trade	2,500
	To Furniture and fittings			By Land and Building	5,000
	To Capital A/cs: (Profit on revaluation transferred)				
	Dalai	2,520			
	Banerji	2,520			
	Mallick	1,260			
		6,300			
		<b>7,500</b>			<b>7,500</b>

**Partner's Capital Accounts**

Particulars	Dalal ₹	Banerji ₹	Mallick ₹	Mistri ₹	Particulars	Dalal ₹	Banerji ₹	Mallick ₹	Mistri ₹
To Dalal				1,000	By Balance b/d	12,000	12,000	5,000	-
To Banerji				1,000	By General Reserve	2,600	2,600	1,300	
To Balance c/d	19,120	18,120	7,560	3,000	By Cash	-	-	-	5,000
					By Mistri	1,000	1,000	-	-
					By Outstanding Liabilities	1,000	-	-	-
					By Revaluation A/c	2,520	2,520	1,260	-
	19,120	18,120	7,560	5,000		19,120	18,120	7,560	5,000

**Working Notes :**

**Calculation of sacrificing ratio**

Particulars	New share	Old share	Sacrifice	Gain
Dalal	$\frac{5}{15}$	$\frac{2}{5}$	$-\frac{1}{15}$	
Banerji	$\frac{5}{15}$	$\frac{2}{5}$	$-\frac{1}{15}$	
Mallick	$\frac{3}{15}$	$\frac{1}{5}$	No gain No Loss	-
Mistri	$\frac{2}{15}$			$\frac{2}{15}$

Sacrifice by Mr. Dalai and Mr. Banerji = ₹ 15,000 x  $\frac{1}{15}$  = ₹ 1,000 each

**Balance Sheet of M/s. Dalai, Banerji, Mallick and Mistri as on 1 -4-2016**

Liabilities	₹	₹	Assets	₹	₹
Trade payables		12,850	Land and Buildings		30,000
Outstanding Liabilities		500	Furniture		5,850
Capital Accounts of Partners:			Inventory of goods		14,250
Mr. Dalai	19,120		Trade receivables	5,500	
Mr. Banerji	18,120		Less: Provisions	(550)	4,950
Mr. Mallick	7,560		Cash in hand		140
Mr. Mistri	3,000	47,800	Cash at Bank		5,960
		<b>61,150</b>			<b>61,150</b>

**Ans.3**

**Revaluation Account**

	₹		₹
To Machinery A/c	40,000	By Land and Buildings A/c	60,000
To Closing Stock A/c	20,000	By Sundry Creditors A/c	10,000
To Provision for Bad Debts A/c	10,000	By Cash and Bank A/c - joint life policy surrendered	60,000
To Partners' Capital A/c's:			
Ram	30,000		
Rahul	20,000		
Rohit	10,000		
	60,000		
	1,30,000		1,30,000

**Partner's Capital Account's**

	Rahul ₹	Rohit ₹		Rahul ₹	Rohit ₹
31.03.2016	30,000	60,000	31.3.2016	2,00,000	1,00,000
To Ram's Capital A/c	3,00,000	3,00,000	By Revaluation A/c	20,000	10,000
To Balance c/d			By Cash & bank A/c	1,10,000	2,50,000
			– cash brought in by Rahul and Rohit		
	3,30,000	3,60,000		3,30,000	3,60,000
			1.4.2016	3,30,000	3,60,000
			By Balance b/d		

**Ram's loan Account**

		₹			₹
31.3.2016	To Balance c/d	2,10,000	31.3.2016	By Ram's Capital A/c	2,10,000
		2,10,000			2,10,000
			1.4.2016	By Balance b/d	2,10,000

**Cash and bank Account**

		₹			₹
31.3.2016	To Balance b/d	1,00,000	31.3.2016	By Ram's Capital A/c	2,10,000
	To Balance b/d	60,000		By Balance c/d	3,10,000
	To Revaluation A/c – joint life policy surrendered				
	To Rahul's Capital A/c	1,10,000			
	To Rohit's Capital A/c	2,50,000			
		5,20,000			5,20,000
1.4.2016	To Balance b/d	3,10,000			

**M/s Rahul & Rohit Balance Sheet as on 1.4.2016**

Liabilities	₹	₹	Assets	₹	₹
Capital accounts:			Land and buildings		2,60,000
Rahul	3,00,000		Machinery		1,60,000
Rohit	3,00,000	6,00,000	Closing stock		80,000
Ram's loan account		2,10,000	Sundry debtors	2,00,000	
Sundry creditors		1,90,000	Less: Provision for bad debts	(10,000)	1,90,000
			Cash and bank balances		3,10,000
		10,00,000			10,00,000

**Working Notes:**

**1. Gaining ratio of existing partners:**

Rahul  $1/2 - 1/3 = 1/6$

Rohit  $1/2 - 1/6 = 2/6$

**2. Total goodwill of firm is ₹ 1,80,000**

Ram's share ( $1/2 \times ₹ 1,80,000$ ) = ₹ 90,000

Ram's share of goodwill is to be borne by Rahul and Rohit in their gaining ratios i.e.

Rahul =  $1/3 \times ₹ 90,000 = ₹ 30,000$

Rohit =  $2/3 \times ₹ 90,000 = ₹ 60,000$

**3. Ram's Capital Account**

		₹			₹
31.3.2016	To Cash and Bank A/c	2,10,000	31.3.2016	By Balance b/d	3,00,000
	To Ram's Loan A/c - Transfer	2,10,000		By Revaluation A/c	30,000
				By Rahul's Capital A/c - Goodwill	30,000
				By Rohit's Capital A/c – Goodwill	60,000
		4,20,000			4,20,000

**Ans. 4**

**Journal Entries**

		₹	₹
1.	A's Capital account	Dr. 21,000	
	B's Capital account	Dr. 14,000	
	C's Capital account	Dr. 7,000	
	To Profit and loss adjustment account (Profit written back for making adjustments)		42,000
2.	Profit and loss adjustment account	Dr. 6,000	
	To B's Capital account (Bonus credited to B's capital account)		6,000

3.	Profit and loss adjustment account! To A's Capital account To B's Capital account To C's Capital account (Distribution of profits in the new ratio)	Dr.	36,000	12,000 18,000 6,000
4.	Goodwill account (56,000 - 40,000) Fixtures account To Provision for bad debts account To A's Capital account To B's Capital account To C's Capital account (Revaluation of assets on A's retirement)	Dr. Dr.	16,000 9,800	1,800 8,000 12,000 4,000
5.	B's capital account C's capital account To Goodwill account To Provision for bad debts account (Written off goodwill and raising provision for bad debts)	Dr. Dr.	44,700 14,900	56,000 3,600
6.	A's capital account To B's Capital account (Amount payable to A paid by B)	Dr.	1,49,000	1,49,000

**Partner's Capital Accounts**

	A ₹	B ₹	C ₹		A ₹	B ₹	C ₹
To P & L adjustment A/c	21,000	14,000	7,000	By Balance b/d	1,50,000	1,00,000	50,000
To Goodwill and provision for bad debts A/c	-	44,700	14,900	By P & L adjustment account	-	6,000	-
To B's Capital A/c	1,49,000	-	-	By P & L adjustment account	12,000	18,000	6,000
To Cash A/c	-	1,300	-	By Goodwill and fixtures A/c	8,000	12,000	4,000
To Balance c/d	-	2,25,000	75,000	By A's capital A/c	-	1,49,000	-
				By Cash A/c			36,900
	1,70,000	2,85,000	96,900		1,70,000	2,85,000	96,900

**Cash Account**

	₹		₹
To Balance b/d	10,000	By B's capital A/c	1,300
To C's capital A/c	36,900	By Balance b/d	45,600
	46,900		46,900

**Balance Sheet of B and C as on 31<sup>st</sup> March, 2016(after retirement of A)**

Liabilities		₹	Assets	₹	₹
Capital accounts:			Fixtures		39,800
B	2,25,000		Stock		1,70,000
C	75,000	3,00,000	Sundry debtors	90,000	
Sundry creditors		40,000	Less: Provision for bad debts	(5,400)	84,600
			Cash		45,600
		3,40,000			3,40,000

**Working Notes:**

**Calculation of goodwill :**

**1. Average of last five year's profit**

Years ended on	Profit ₹
31.3.2012	15,000
31.3.2013	23,000
31.3.2014	25,000
31.3.2015	35,000
31.3.2016	42,000
	<b>1,40,000</b>

**2. Goodwill at two year's purchase**

₹ 28,000 x 2 = ₹ 56,000

**Final Accounts of Note for Profit Organisations**

**Ans.1**

**Balance Sheet As on 31.12.2015**

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital Fund	42,200	Cash / Bank	2500
		Building	15,000
		Books	10,000
		Furniture	4,000
		Investments	10,000
O/s Advt. Exp.	50	O/s Subscription	600
O/s Salary	100	O/s Interest	100
		O/s Rent	150
	<b>42,350</b>		<b>42,350</b>

**Balance Sheet As on 31.12.2016**

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital Fund	42,200	Books	11,000
(+) Surplus <u>5,000</u>		Cash / Bank	7,350
		Building	14,250
		Furniture	4,000
Special Fund	300	Investments	10,00
O/s Salary	1,400	O/s Subscription	500
O/s Tent Hire	200	O/s Rent	2,000

**Ans.2**

**Republic College Income and Expenditure Account for the year ending 31<sup>st</sup> March, 2016**

<b>Expenditure</b>	<b>₹</b>	<b>₹</b>	<b>Income</b>	<b>₹</b>	<b>₹</b>
To Salaries:			By Tuitions & other fee		8,80,000
Teaching		8,50,000	By Govt. Grants		5,00,000
Research		1,20,000			
To Material & Supplies			By Income from Investments		1,85,000
Consumed:			By Hostel room Rent		1,75,000
Teaching		50,000	By Mess Receipts		2,00,000
Research		1,50,000	By Profit-Stores Sales		75,000
To Repairs & Maintenance		1,12,000	By Seminar and Conferences Income	4,80,000	
To Sports & Games Expenses:					
Cash	50,000		By Less : Expenses	(4,50,000)	30,000
Materials	25,000	75,000	By Consultancy charges : Income		
To Students Welfare Expenses:				1,28,000	
Cash			Less : Expenses		1,00,000
Materials	38,000	1,13,000	By Donations	(28,000)	50,000
To Misc. Expenses	75,000	65,000			
To Scholarships		80,000			
To Depreciation:					
Building		80,000			
Plant & Equipment		85,000			
Furniture		60,000			
Motor Vehicle		36,000			
To Excess of Income over Expenditure		3,19,000			
		<b>21,95,000</b>			<b>21,95,000</b>



**Republic College Balance Sheet as on 31<sup>st</sup> March, 2016**

Liabilities	₹	₹	Assets	₹	₹
Capital Fund			Fixed Assets:		
Opening balance	16,06,000		Land		1,00,000
Add: Excess of Income over Expenditure	3,19,000	19,25,000	Building Cost	16,00,000	
Other Funds			Less: Depreciation	(5,60,000)	10,40,000
Research Fund		8,00,000	Equipment Cost	8,50,000	
Building Fund		25,00,000	Less: Depreciation	5,95,000	2,55,000
Current Liabilities :			Furniture & Fittings:		
Outstanding Expenses		2,25,000	Cost	6,00,000	
Provident Fund		5,10,000	Less: Depreciation	(3,96,000)	2,04,000
Security Deposit		1,50,000	Motor Vehicles		
			Cost :	1,80,000	
			Less: Depreciation	(36,000)	1,44,000
			Library		3,60,000
			Investments:		
			Capital Fund Investments		18,50,000
			Research Fund Investment		8,00,000
			P.F. Investment		5,10,000
			Stock (stores)		
			Material & Supplies		1,25,000
			Tuition fees receivable		80,000
			Cash in hand & at Bank		
					6,42,000
		<b>61,10,000</b>			<b>61,10,000</b>

**Working notes:**

			₹	₹
<b>(1) Material &amp; Supplies - Closing Stock</b>				
Opening Stock				3,00,000
Purchases				<u>8,00,000</u>
				11,00,000
Less : Cost of Material & Supplies Consumed			6,75,000	
			3,00,000	(9,75,000)
Balance				1,25,000
<b>(2) Provisions for Depreciation</b>				
		<b>Building</b>	<b>Plant &amp; Equipment</b>	<b>Furniture &amp; Fitting</b>
		₹	₹	₹
Opening Balance		4,80,000	5,10,000	3,36,000
Addition		80,000	85,000	60,000
Closing Balance		5,60,000	5,95,000	3,96,000
<b>Note:</b> Expense related to income earned like consultancy charges, conference expenses are shown as net of income.				

Ans. 3

**Income and Expenditure Account of Lion Club  
for the year ended 31<sup>st</sup> March, 2016**

<b>Expenditure</b>	<b>₹</b>	<b>Income</b>	<b>₹</b>
To Salaries	1,28,000	By Subscription	1,94,750
To Printing and stationary	70,000	By Entrance donation	90,000
To Postage	40,000	By Interest	60,000
To Telephone and telex	52,000	By Miscellaneous income	9,000
To Repairs and maintenance	48,000	By Profit from operations	92,000
To Glass and table linen	12,000	By Excess of expenditure over income	
To Crockery and cutlery	14,000	(deficit) transferred to capital fund	30,250
To Garden upkeep	8,000		
To Membership fees	4,000		
To Insurance	6,000		
To Electricity charges	43,000		
To Loss on sale of assets	2,000		
To Depreciation	49,000		
	<b>4,76,000</b>		<b>4,76,000</b>

**Balance Sheet of Lion Club as on 31<sup>st</sup> March, 2016**

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital Fund	10,89,600	Fixed assets	4,41,000
Gratuity fund	1,50,000	Stock	2,10,000
Sundry creditors	92,000	Investments	5,00,000
Subscription received in advance	18,000	Subscription outstanding	7,000
Entrance donation refundable	20,000	Interest accrued	2,000
Outstanding expenses	23,000	Bank	2,24,600
		Cash	8,000
	<b>13,92,600</b>		<b>13,92,600</b>

**Working Notes:**

1.

**Opening Balance Sheet**

**Balance Sheet of Lion Club as on 1<sup>st</sup> April, 2015**

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Sundry creditors	1,12,000	Fixed assets	5,00,000
Subscription received in advance	15,000	Stock	3,80,000
Entrance donation received in advance	1,00,00	Investments	5,00,000
Gratuity fund	1,50,000	Subscription outstanding	12,000
Capital fund (balance figure)	10,29,850	Prepaid expenses	1,000
		Cash	10,000
		Bank	3,850
	<b>14,06,850</b>		<b>14,06,850</b>

2. **Subscription**

	<b>₹</b>
Subscription received during the year	2,02,750
<i>Add:</i> Outstanding subscription on 31.3.2016	7,000
	2,09,750
<i>Add:</i> Received in advance as on 1.4.2015	15,000
	2,24,750
<i>Less:</i> Outstanding subscription as on 1.4.2015	(12,000)
	2,12,750
<i>Less:</i> Received in advance as on 31.3.2016	(18,000)
	1,94,750

**3. Entrance donation**

	₹
Entrance donation received during the year	1,00,000
Add: Received in advance as on 1.4.2015	1,00,000
	2,00,000
Less: Entrance donation in respect of ineligible member	(20,000)
	1,80,000
Less: 50% capitalized	(90,000)
Taken to income and expenditure account	90,000

**4. Loss on sale of asset**

	₹
Cost of asset sold	10,000
Less: Sale proceeds	(80,000)
Loss on sale of asset	2,000

**5. Depreciation**

	₹
Fixed asset as per trial balance	5,00,000
Less: Cost of asset sold	(10,000)
	4,90,000
Depreciation on ₹ 4,90,000 @ 10%	49,000

**6. Salaries**

	₹
Salary paid during the year	1,20,000
Add: Outstanding as on 31.3.2016	8,000
	1,28,000

**7. Electricity charges**

	₹
Electricity charges paid during the year	28,000
Add: Outstanding as on 31.3.2016	15,000
	43,000

**8. Interest**

	₹
Interest on 12% Government securities investment (₹ 5,00,000 @ 12% p.a.)	60,000
Less: Interest received during the year	(58,000)
Interest accrued	2,000
Interest credited to Income and Expenditure Account	60,000

**9. Profit from operations**

	₹
Cost of goods sold:	
Opening stock	3,80,000
Add: Purchases	15,00,000
	18,80,000
Less: Closing stock	(2,10,000)
Cost of goods sold (A)	16,70,000
Receipts from operations:	
Receipts from coffee room	10,70,000
Receipts from soft drinks	5,10,000
Receipts from swimming pool	80,000
Receipts from tennis court	1,02,000
Total receipts (B)	17,62,000
Profits from operations (B-A)	92,000

**10. Insurance**

	₹
Insurance paid during the year	5,000
Add: Prepaid insurance as on 1.4.2015	1,000
	6,000

**11. Sundry creditors**

	₹
Opening balance as on 1.4.2015	1,12,000
Add: Purchases made during the year	15,00,000
	16,12,000
Less: Payments made during the year	(15,20,000)
Closing balance as on 31.3.2016	92,000

**12. Outstanding expenses**

	₹
Outstanding salaries	8,000
Outstanding electricity charges	15,000
Outstanding expenses	23,000

**13. Fixed assets**

	₹
Fixed assets as on 1.4.2015	5,00,000
Less: Cost of assets sold	(10,000)
	4,90,000
Less: Depreciation	(49,000)
Fixed assets as on 31.3.2016	4,41,000

**14. Capital fund**

	₹
Capital fund as on 1.4.2015	10,29,850
Add: Entrance donation capitalised	90,000
	11,19,850
Less: Excess of expenditure over income	(30,250)
Balance as on 31.3.2016	10,89,600