#### Solution to Q-1:-

# Trading Account For the year ended 31st March 2012

		Cr
20,500	By Sales	1,40,500
68,000	" Closing Stock	27,000
21,500	"Stock destroyed by fire	10,000
1,500		
4,000		
1,500		
60,500		
Rs.1,77,500		Rs.1,77,500
	68,000 21,500 1,500 4,000 1,500 60,500	68,000 "Closing Stock 21,500 "Stock destroyed by fire 1,500 4,000 1,500 60,500

## Profit and Loss Account

<u>Dr</u>			Cr
To, Salaries	16,000	By Gross Profit	60,500
Office Rent	2,000		
Insurance 1200 Less Unexpired 300	900		
Carriage outward	1,700		
General Expenses	5,400		
Loss by fire	4,000		
Provision for doubtful debts: Bad debts: 500 Add provision made during the year for Doubtful debts 1,150 1,650 Less old provision for doubtful debt1,000	650	3	
Depreciation Machinery 5% 1,400 Furniture 10% 1,000	2,400		
Net Profit	27,450		
	60,500		60,500

## Balance Sheet of Mr.R.Ramdassas on 31st March 2012

Liabilities				Assets
Capital Less Drawings Add Net Profit	Rs.60,000 <u>7,200</u> 52,800 27,450	80,250	Machinery28,000 Less Dep.5% 1,400	26,600
Sundry Creditors		14,300	Furniture 10,000 Less Dep.16% 1,000	9,000
Bills Payable	4,200	Sundry Debtors 23,500 Less Bad debts 500 Less Provision For Doubtful Debts 1,150	21,850	
			Insurance Claim	6000
			Bill Receivable	5300
		Closing Stock	27000	
		Insurance Unexpired	300	
		Cash in hand	500	
		Cash at Bank	2,200	
		98750		98750

#### Rectify the following Errors with Necessary Journal Entries:-

1.

Drawings Account Dr Rs.5000/-

To General Expenses Account Rs.5000/-

(being the amount wrongly debited to General Expenses Account now rectified)

Purchase Account Dr

Rs.25,000

To Mahanvir Eng. Works

Rs.25,000

(being the credit purchase not entered in Books now rectified by rewriting)

Dinesh Sethi Account Dr

Rs.12,500/-

To Ganesh Sethi Account

Rs.12,500/-

(Being amount wrongly posted now rectified)

M/S Arya Provision Store Dr Rs.74, 000/-

To Purchase Account
To Sales Account

Rs.37,000/-

Rs.37,000/-

( being sale wrongly entered in purchase account now rectified)

5

Sales Account Dr

Rs.12,000/-Rs.1000/-

Profit & Loss Account Dr Rs
To, Machinery Account

Rs.13.000/-

(being amount wrongly credited to sales account instead of Machinery Account)

# Solution to Question -2(b)

**Bill of Exchange:-** "It is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument."

## Characteristics of Bill of Exchange:-

- 1. It must be in writing.
- 2. It must contain an unconditional order.
- It must be signed by the maker.
- 4. The maker must direct a certain person to pay the money.
- 5. The payment must be of a certain sum of money.
- 6. The date of Bill must be correctly mentioned.

## Parties to a Bill:

- The <u>Drawer</u>:-Writer of the Bill is called the Drawer. He is generally creditor.
- 2. <u>The Drawee</u>:- The person on whom the bill is drawn is called the drawee of Bill. He is normally the debtor.
- Pavee:- The person who is entitled to receive the amount of Bill on its maturity is called "payee". A writer of the Bill can be "drawer" as well as "payee" of the Bill.

## (i) Without Adjusting Cash Book:

Bank Reconciliation Statement as on 31st Dec. 2011

Particulars	Dr (Rs.)	Cr (Rs.)
Bank overdraft as per cash Book		4 500
Add un cleared Cheques		85,000
Add Interest Debited in pass Book only		2,500
Add Dishonored Cheque of Anand		25,000
Add satyam'scheque omitted from the Bank column		15,000
Less Unpresented Cheques	1,50,000	3
Less Bill credited in pass Book	4,000	
	1,54,000	1,32,000
Balance as per Pass Book		22,000
	1,54,000	1,54,000

### (ii) After Adjusting Cash Book:

Cash Book(Bank Columns only)

Dr			Cr
To, Bill Collected as per Pass Book	4,000	By Balance b/d	4500
To Balance c/d	43000	By interest	2500
		By Dishonour of Anand'sCheque	25000
		By satyam'scheque	15000
	Rs.47000		Rs.47000
		By Balance b/d	Rs.43000

Bank Reconciliation Statement as on 31st Dec.2011

Dank Reconcination Statement as on 51 Dec.2011			
Particulars	Dr (Rs.)	Cr (Rs.)	
Bank overdraft as per cash Book		43,000	
Add unclearCheques		85,000	
Less Un-presented Cheques	1,50,000		
	1,50,000	128000	
Balance as per Pass Book		22,000	
	1,50,000	1,50,000	

# Solution to Question -3(b)

## Depreciation:-

"Depreciation is permanent, gradual, and regular decline in Book Value which a fixed asset is considered to suffer over a period of time on account of various causes."

## Objects or need for charging Depreciation:-

- 1. To arrive at true profit or loss.
- 2. To show true and fair position of state of affairs of business.
- To keep the capital intact by distribution of dividend out of profits only.
- 4. To replace the asset.
- 5. Saving in Income Tax.
- 6. For accurate ascertainment of cost of production.

#### Solution to Question -4(a)

Journal:-

"A journal is a chronological record of transactions showing names of accounts to be debited and credited and the amounts to be debited and credited." M

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"Journal is a book of original entry where all the business transactions are recorded at first instance."

#### Uses of Journal:-

1. It helps in preparation of ledger.

- 2. Errors whenever found are rectified mostly through Journal entries.
- Amount to be transferred from one account to another account are affected through Journal entry.
- At close of year, balances of accounts are transferred to final accounts through Journal entries.
- All adjustments in accounts at time of preparation of final accounts are made through Journal.
- 6. It helps in convenient recording of transactions.
- 7. It helps in maintaining permanent record of information.

#### Solution to Question -4(b)

In order to find out the true profit/loss made by business during an accounting period, the interest on capital employed is allowed. It is an expense for the business and a gain to the proprietor. Interest on capital being an expense is debited to P&L Account and is added to Capital. The following adjustment entry is made:-

Interest on capital A/c Dr
To Capital A/c

 Bad Debts:- Bad debts are irrecoverable debts from customers. It is a loss to the firm. The Bad debts account is transferred to P&L Account and Balance of Sundry Debtors is reduced. Following entry is recorded:-

> Bad debts A/c Dr To Debtors(Customer's) A/c

3. Prepaid expenses:- These are those expenses the payment for which have been made in the current accounting period but the full benefit has not been derived till the close of the accounting period and some benefit will be available for next accounting year also. Such a portion of expense is called pre-paid expenses. Following entry is made:

Pre-paid expense A/c Dr To Concerned Expense A/c

4. Income Received in Advance: Some times certain incomes are received during the accounting period but whole of their amount does not relate to that accounting period. That part of the income which is related to the next accounting period is known as income received in advance. Such an income is a liability. The adjustment entry is as under:

Concerned Income A/c Dr
To Income received in Advance A/c

Solution to Question -5(a) Total Current Assets:-1.stocks 2. Receivable against supply of power. 3. Cash and Bank Balance 4. Loan and Advances Sundry Receivables Cash and Bank Balance:-1.Cash on Hand 2. Cash Imprest with staff 3. Balance with Banks 4. Cash in Transit Security Deposit from consumers: 1.Security Deposit from consumers (in cash) 2. Security Deposit from consumers (Other than cash) 3. Interest payable on consumers deposits Borrowing for working Capital: 1. Cash credit from Banks 2. Bank overdrafts Solution to Question -5(b) Balance Sheet (Statement-3) AS at 31st March As at 31st March Schedule note This year **Previous Year** Net Assets: 19 Net Fixed Assets Gross Block Less Accumulated Dep. **Net Fixed Assets** 21 Capital Expenditure in Progress 22 Assets not in use 23 Deferred costs 24 Intangible Assets 25 Investments Net Current Assets: 26Total Current Assets less: **Total Current Liabilities** 27 Security Deposits from consumers 28other current liabilities Total current Liabilities Net current Assets 29 Subsidy receivables from Govt. Net Assets Financed By 30 Borrowing for working Capital 31 Payment due on capital Liabilities 32 Capital Liabilities

34 Contribution. Grants and subsidies towards cost of capital assets

Surplus/(Deficit)
TotalFunds

33Funds from state Govt.

35 Reserve and reserve funds