

Solution to Q-1:-

Trading Account
For the year ended 31st March 2012

Dr		Cr	
To Opening Stock	20,500	By Sales	1,40,500
" Purchases	68,000	" Closing Stock	27,000
"Manufacturing Wages	21,500	"Stock destroyed by fire	10,000
"Manufacturing Expenses	1,500		
"factory Rent	4,000		
"Carriage inward	1,500		
"Gross profit c/d	60,500		
	Rs.1,77,500		Rs.1,77,500

Profit and Loss Account

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

Balance Sheet of Mr.R.Ramdasas on 31st March 2012

Liabilities		Assets		
Capital	Rs.60,000	80,250	Machinery 28,000	26,600
Less Drawings	7,200		Less Dep. 5% 1,400	
	52,800			
Add Net Profit	27,450			
Sundry Creditors		14,300	Furniture 10,000	9,000
			Less Dep. 10% 1,000	
Bills Payable		4,200	Sundry Debtors 23,500	21,850
			Less Bad debts 500	
			Less Provision For Doubtful Debts 1,150	
			Insurance Claim	6000
			Bill Receivable	5300
			Closing Stock	27000
			Insurance Unexpired	300
			Cash in hand	500
			Cash at Bank	2,200
		98750		98750

Solution to Question -2(a)

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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)

2.

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)

3.

Dinesh Sethi Account Dr	Rs.12,500/-	
To Ganesh Sethi Account		Rs.12,500/-

(Being amount wrongly posted now rectified)

4.

M/S Arya Provision-Store Dr	Rs.74, 000/-	
To Purchase Account		Rs.37,000/-
To, Sales Account		Rs.37,000/-

(being sale wrongly entered in purchase account now rectified)

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Sales Account Dr	Rs.12,000/-	
Profit & Loss Account Dr	Rs.1000/-	
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.
3. 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:

1. **The Drawer:-** Writer of the Bill is called the Drawer. He is generally creditor.
2. **The Drawee:-** The person on whom the bill is drawn is called the drawee of Bill. He is normally the debtor.
3. **Payee:-** 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.

Solution to Question -3(a)**(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's cheque omitted from the Bank column		15,000
Less Unpresented Cheques	1,50,000	
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's Cheque	25000
		By satyam's cheque	15000
	Rs.47000		Rs.47000
		By Balance b/d	Rs.43000

Bank Reconciliation Statement as on 31st Dec.2011

Particulars	Dr (Rs.)	Cr (Rs.)
Bank overdraft as per cash Book		43,000
Add un-clear Cheques		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:-

- To arrive at true profit or loss.
- 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.
- To replace the asset.
- Saving in Income Tax.
- For accurate ascertainment of cost of production.

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
5. 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)****Schedule note**AS at 31st March
This yearAs at 31st March
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:

- 26 Total Current Assets less:
 Total Current Liabilities
- 27 Security Deposits from consumers
- 28 Other 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
- 33 Funds from state Govt.
- 34 Contribution, Grants and subsidies towards cost of capital assets
- 35 Reserve and reserve funds

Surplus/(Deficit)**Total Funds**