

# Answers

## Question 1

- (i) (c)
- (ii) (d)
- (iii) (b)
- (iv) (c)
- (v) (b)
- (vi) (d)
- (vii) Rules are same because according to Business Entity Concept, capital is also a liability of the business.
- (viii) Opening entry is the entry passed to carry forward the balances of assets and liabilities of the previous year to the current year.
- (ix) No, it is not correct. Assets, Liabilities and Capital Accounts only are balanced. Revenue and Expense Accounts are not balanced. They are transferred to Profit & Loss Account to ascertain Net Profit or Loss for the accounting period.
- (x) **Advantages of Computerised Accounting System**
  - 1. **Speed:** Computerised Accounting System processes accounting data at an extremely high speed which is not possible in case of manual accounting system.
  - 2. **Up-to-date Information:** The accounting records in a Computerised Accounting System are updated automatically as and when accounting data is entered and stored. We get latest information pertaining to accounts.
- (xi) Overdraft or unfavourable balance as per Cash Book means credit balance in the bank column of the Cash Book. It is the amount overdrawn from the bank.
- (xii) Balance Sheet differs from Statement of Affairs on the following basis:

<i>Basis</i>	<i>Balance Sheet</i>	<i>Statement of Affairs</i>
<b>Objective</b>	Balance Sheet shows the financial position based on transactions recorded on Double Entry System of Accounting.	The Statement of Affairs shows the financial position not based on transactions recorded on Double Entry System of Accounting but from Incomplete records.

- (xiii) Incomplete accounting records are those accounting records which are not complete, i.e., are not maintained according to Double Entry System of Accounting.
- (xiv) Journal Proper is a residuary book in which those transactions are recorded which are not recorded in any other subsidiary book, i.e.,:
  - (a) Cash Book, (b) Purchases Book, (c) Sales Book, (d) Sales Return Book, (e) Purchase Return Book, (f) Bills Receivable Book, (g) Bills Payable Book.
- (xv) Revenue Reserve is created out of revenue profit, whereas, capital reserve is created out of capital profit.

## Question 2

### JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Purchase A/c (₹ 80,000 – 20% of ₹ 80,000) ...Dr.		64,000	
	Input IGST A/c (₹ 64,000 × 18%) ...Dr.		11,520	
	To Bank A/c			35,000
	To Harish's A/c			40,520
	(Being the goods purchased from Harish, paid ₹ 35,000 by cheque and balance payable after one month)			
(ii)	Furniture A/c ...Dr.		40,000	
	Input IGST A/c ...Dr.		4,800	
	To Cash/Bank A/c			44,800
	(Being the furniture purchased, paid IGST @ 12%) (Note)			
(iii)	Machinery A/c ...Dr.		70,000	
	Input CGST A/c ...Dr.		6,300	
	Input SGST A/c ...Dr.		6,300	
	To Bank A/c			50,000
	To M/s Vishal Industries			32,600
	(Being the machinery purchased and paid ₹ 50,000 by cheque)			

**Note:** Furniture purchased is including IGST @ 12%. Thus, value of furniture excluding IGST = ₹ 44,800 × 100/112 = ₹ 40,000; IGST = ₹ 40,000 × 12% = ₹ 4,800.

*Or*

### JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Surjeet's A/c ...Dr.		28,000	
	To Sales A/c (Note)			25,000
	To Output CGST A/c			1,500
	To Output SGST A/c			1,500
	(Being the goods sold to Surjeet, charged CGST and SGST @ 6% each)			
(ii)	Manpreet's A/c ...Dr.		71,680	
	To Sales A/c (₹ 80,000 – 20% of ₹ 80,000)			64,000
	To Output IGST A/c			7,680
	(Being the goods sold to Manpreet at trade discount of 20% and charged IGST @ 12%)			
(iii)	Rebate A/c ...Dr.		4,000	
	Output CGST A/c ...Dr.		240	
	Output SGST A/c ...Dr.		240	
	To Surjeet's A/c			4,480
	(Being the rebate allowed on goods sold to Surjeet, Output CGST and Output SGST charged at the time of sale, now reversed)			

**Note:** Goods sold to Surjeet is including CGST and SGST @ 6% each. Thus, sales excluding CGST and SGST = ₹ 28,000 × 100/112 = ₹ 25,000. CGST and SGST = ₹ 25,000 × 6/100 = ₹ 1,500 each.

### Question 3

#### TRIAL BALANCE

as on ...

Heads of Accounts	L.F.	Dr. (₹)	Cr. (₹)
Capital		...	80,000
Bad Debts Recovered		...	2,500
Creditors		...	12,500
Returns Outward		...	3,500
Bank Overdraft		...	15,700
Rent		3,600	...
Salaries		8,500	...
Trade Expenses		3,000	...
Cash in Hand		2,100	...
Opening Stock		24,500	...
Purchases		1,18,700	...
Debtors		75,800	...
Bank Deposits		27,500	...
Discount Allowed		400	...
Drawings		6,000	...
Returns Inward		4,500	...
Sales		...	1,36,900
Bills Payable		...	13,500
Discount Received		...	10,000
<b>Total</b>		<b>2,74,600</b>	<b>2,74,600</b>

*Or*

- (i) ₹ 20,000 spent for obtaining licence for starting the factory is a **Capital Expenditure**.  
It is incurred for acquiring a right to carry on business for a long period.
- (ii) ₹ 18,000 spent for changing rings and pistons of an engine is a **Revenue Expenditure** because the change of rings and pistons will restore the efficiency of the engine only and it will not add anything to the capacity of engine.
- (iii) ₹ 40,000 spent on advertising is to be treated as a **Deferred Revenue Expenditure** because the benefit of advertisement will be available for 4 years, ₹ 10,000 is to be written off every year.

Question 4

In the Books of...													
PETTY CASH BOOK													
Receipts	Date	Voucher No.	Particulars	Total Payments ₹	Conveyance ₹	Cartage ₹	Stationery ₹	Postage & Courier ₹	Wages ₹	Repairs ₹	Sundries ₹	Input CGST ₹	Input SGST ₹
20,000	2023		To Cash A/c										
	April 1		By Conveyance A/c	50	50								
	April 2		By Cartage A/c	550		550							
	April 2		By Postage A/c	500			500						
	April 3		By Wages A/c	600				600					
	April 3		By Stationery A/c	896			800						
	April 4		By Conveyance A/c	200	200								
	April 4		By Repairs A/c	1,500						1,500			
	April 5		By Conveyance A/c	100	100								
	April 5		By Cartage A/c	400		400							
	April 6		By Courier charges A/c	700				700					
	April 6		By Conveyance A/c	300	300								
	April 6		By General Expenses A/c	500							500		
	20,000	April 6		By Balance c/d	6,296	650	950	800	1,200	600	1,500	500	48
				13,704									
				20,000									

### Question 5

#### JOURNAL PROPER

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Salaries A/c ...Dr. To Outstanding Salaries A/c (Being the adjustment for salaries due but not paid)		15,000	15,000
(ii)	Closing Stock A/c (Note) ...Dr. To Purchases A/c (Being the adjustment of closing stock)		39,000	39,000
	<b>Alternatively</b> Closing Stock A/c ...Dr. To Trading A/c (Being the adjustment of closing stock)		39,000	39,000
(iii)	Interest on Loan A/c (₹ 20,000 × 9/100 × 9/12) ...Dr. To Outstanding Interest A/c (Being the adjustment of outstanding interest for 9 months @ 9% on ₹ 20,000)		1,350	1,350

**Note:** Closing stock means purchased goods not yet sold. Therefore, for adjustment, Purchases Account is credited and closing stock is debited.

### Question 6

#### PURCHASES RETURN BOOK

Date	Particulars	Debit Note No.	L.F.	Details (₹)	Amount (₹)
2023 April 20	<b>M/s Shiva Electronics</b> 2 Washing Machine @ ₹ 10,000 each Less: Trade Discount 20%			20,000 4,000	16,000
April 25	<b>M/s Vijaya Electronics</b> 6 Pen Drives @ ₹ 1,000 each			6,000	6,000
April 30	Purchases Return A/c ...Cr.				22,000

#### Ledger

Dr.				M/S SHIVA ELECTRONICS				Cr.	
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹		
2023 April 20	To Purchases Return A/c		16,000						

Dr.				M/S VIJAYA ELECTRONICS				Cr.	
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹		
2023 April 25	To Purchases Return A/c		6,000						

Dr. PURCHASE RETURN ACCOUNT				Cr.			
Date	Particulars	J.F.	₹	Date	Particulars	J.F.	₹
				2023 April 30	By Sundries as per Purchases Return Book		22,000

**Note:** Return of Centre Table will be recorded in Journal Proper since in the Purchases Return Book, only the return of goods purchased on credit are recorded.

### Question 7

JOURNAL PROPER				
Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Suspense A/c ...Dr. To Profit & Loss Adjustment A/c (Being rectification of credit sale wrongly passed through purchases book)		8,000	8,000
(ii)	Drawings A/c ...Dr. To Profit & Loss Adjustment A/c (Being the goods withdrawn for personal use wrongly debited to Repair Account, now rectified)		2,500	2,500
(iii)	Profit & Loss Adjustment A/c ...Dr. To Clerk's Personal A/c (Being the salary paid to Clerk wrongly debited to his Personal Account, now rectified)		650	650
(iv)	Suspense A/c ...Dr. To Raghubir's A/c (Being the goods purchased from Raghubir wrongly debited to his account rectified)		1,500	1,500
(v)	Profit & Loss Adjustment A/c ...Dr. To Suspense A/c (Being the depreciation of furniture not posted to Depreciation Account, now rectified)		2,250	2,250
(vi)	Profit & Loss Adjustment A/c ...Dr. To Capital A/c (Being the profit due to rectification of all errors—balance of Profit & Loss Adjustment Account—transferred to Capital Account)		7,600	7,600

Dr. SUSPENSE ACCOUNT				Cr.	
Particulars	₹	Particulars	₹		
To Profit & Loss Adjustment A/c	8,000	By Balance b/d	7,250		
To Raghubir's A/c	1,500	By Profit & Loss Adjustment A/c	2,250		
	9,500		9,500		

Dr. PROFIT & LOSS ADJUSTMENT ACCOUNT		Cr.	
Particulars	₹	Particulars	₹
To Clerk's Personal A/c	650	By Suspense A/c	8,000
To Suspense A/c	2,250	By Drawing's A/c	2,500
To Capital A/c (Transferred of Profit)	7,600		
—Balancing Figure			
	10,500		10,500

**Or**

**Solution:** RECTIFYING JOURNAL ENTRIES

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Suspense A/c ...Dr. To Expenses A/c (Being the mistake in totalling of Expenses Account, now rectified)		1,500	1,500
(ii)	Suspense A/c ...Dr. To Sales A/c (Being the mistake in totalling of Sales Account, now rectified)		2,000	2,000
(iii)	Supplier's A/c ...Dr. To Suspense A/c (Being the mistake in posting from Purchases Book to Ledger, now rectified)		3,250	3,250
(iv)	Sales Return A/c ...Dr. To Suspense A/c (Being the Sales Return from a party, not posted to Sales Return Account, now rectified)		2,000	2,000
(v)	Sundry Creditors A/c ...Dr. To Purchases A/c (Being the payments made to supplier wrongly posted to purchases, now rectified)		6,000	6,000
(vi)	Sundry Debtors A/c ...Dr. To Suspense A/c (Being the sales wrongly credited to Customer's Account, now rectified)		2,000	2,000

Dr. SUSPENSE ACCOUNT		Cr.	
Particulars	₹	Particulars	₹
To Expenses A/c	1,500	By Difference in Trial Balance (Given)	2,500
To Sales A/c	2,000	By Supplier's A/c	3,250
To Balance c/d	6,250	By Sales Return A/c	2,000
		By Sundry Debtors A/c	2,000
	9,750		9,750
		By Balance b/d	6,250

**Notes:**

1. Opening balance in the Suspense Account is equal to difference in the Trial Balance. As debit side of the Trial Balance exceeds its credit side by ₹ 2,500, Suspense Account is showing opening credit balance of ₹ 2,500.
2. Since the Suspense Account still has balance, it is clear that errors still exist.

### Question 8

#### In the Books of Sanjay

Dr.	AMENDED CASH BOOK (BANK COLUMN)		Cr.
Particulars	₹	Particulars	₹
To Balance b/d	4,45,000	By Insurance Premium A/c	2,700
To Dividend A/c	4,000	By Correction of Errors	500
To Rent A/c	60,000	By Bank Charges A/c	150
To Bills Receivable A/c	5,900	By Bills Payable A/c	20,000
		By Balance c/d	4,91,550
	5,14,900		5,14,900

#### BANK RECONCILIATION STATEMENT as on 30th June

Particulars	₹
Adjusted balance as per Cash Book (Dr.)	4,91,550
Add: Cheques issued but not presented for payment till 30th June	60,000
Less: Cheques paid into bank but not collected till 30th June	(55,500)
Balance as per Pass Book (Cr.)	4,96,050

### Question 9

#### JOURNAL OF M/S AJAY TRADERS, DELHI

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Purchases A/c ...Dr. Input IGST A/c (₹ 1,00,000 × 18/100) ...Dr. To Kamal (Being the goods purchased from Kamal)		1,00,000 18,000	1,18,000
(ii)	Telephone Charges A/c ...Dr. Input CGST A/c (₹ 8,000 × 9/100) ...Dr. Input SGST A/c (₹ 8,000 × 9/100) ...Dr. To Bank A/c (Being the telephone charges paid)		8,000 720 720	9,440
(iii)	Hari's A/c ...Dr. To Sales A/c To Output CGST A/c (₹ 80,000 × 9/100) To Output SGST A/c (₹ 80,000 × 9/100) (Being the goods sold to Hari)		94,400	80,000 7,200 7,200
(iv)	Manish's A/c ...Dr. To Sales A/c To Output IGST A/c (₹ 60,000 × 18/100) (Being the goods sold to Manish)		70,800	60,000 10,800
(v)	Output IGST A/c ...Dr. To Input IGST A/c (Being the Input IGST set off against Output IGST)		10,800	10,800
	Output CGST A/c ...Dr. To Input IGST A/c (Being the Input IGST set off against Output CGST)		7,200	7,200
	Output SGST A/c ...Dr. To Input SGST A/c To Bank A/c (Being the Input SGST set off against Output SGST and balance paid)		7,200	720 6,480



**Working Note:**

**Settlement of IGST, CGST and SGST:** Total Input IGST is ₹ 18,000. Firstly it will be completely set off against Output IGST of ₹ 10,800 and remaining ₹ 7,200 has been used to set off output liability of CGST. Input CGST of ₹ 720 will be carried forward. Input SGST of ₹ 720 will be set off against Output SGST of ₹ 7,200 and balance of ₹ 6,480 against Output SGST will be paid.

	IGST (₹)	CGST (₹)	SGST (₹)
Output GST	(10,800)	(7,200)	(7,200)
Less: Input GST	18,000	...	...
Balance	7,200	(7,200)	(7,200)
Adjustment of Balance Input IGST	(7,200)	7,200	...
Balance	Nil	Nil	(7,200)
Less: Input	...	720	720
Net Balance	...	720	(6,480)

**Question 10**

Dr.			MACHINERY ACCOUNT			Cr.	
Date	Particulars	₹	Date	Particulars	₹		
2020			2021				
April 1	To Bank A/c	1,20,000	March 31	By Depreciation A/c	18,000		
			March 31	By Balance c/d	1,02,000		
		1,20,000					1,20,000
2021			2022				
April 1	To Balance b/d	1,02,000	March 31	By Depreciation A/c	16,800		
Sept. 30	To Bank A/c	20,000	March 31	By Balance c/d	1,05,200		
		1,22,000					1,22,000
2022			2022				
April 1	To Balance b/d	1,05,200	June 30	By Bank A/c—Sale	500		
June 30	To Bank A/c	8,000	June 30	By Depreciation A/c (WN 1)	135		
			June 30	By Loss on Sale of Machinery A/c (Profit & Loss A/c) (WN 1)	2,977		
			2023				
			March 31	By Depreciation A/c (WN 2)	16,138		
			March 31	By Balance c/d	93,450		
		1,13,200					1,13,200
2023							
April 1	To Balance b/d	93,450					

**Working Notes:**

1. Calculation of Loss on Sale of Machinery:	₹
Cost of Machinery sold (1st April, 2020)	5,000
Less: Depreciation for 2020–21 ( $₹ 5,000 \times 15/100$ )	750
Book Value of Machinery (1st April, 2021)	4,250
Less: Depreciation for 2021–22 ( $₹ 4,250 \times 15/100$ )	638
Book Value of Machinery (1st April, 2022)	3,612
Less: Depreciation up to 30th June, 2022 ( $₹ 3,612 \times 15/100 \times 3/12$ )	135
Book Value of Machinery sold (30th June, 2022)	3,477
Less: Sale Proceeds	500
Loss on Sale of Machinery	2,977

2. *Calculation of Depreciation after Sale of Machinery:*

Book Value of Machinery (1st April, 2022)	1,05,200
Less: Book Value of Machinery sold (1st April, 2022) (WN 1)	3,612
Remaining Machinery	<u>1,01,588</u>
Depreciation on remaining Machinery ( $\text{₹ } 1,01,588 \times 15/100$ )	15,238
Add: Depreciation on Machinery purchased during 2022-23 ( $\text{₹ } 8,000 \times 15/100 \times 9/12$ )	900
	<u>16,138</u>

*Or*

*Calculation of Opening Capital:*

STATEMENT OF AFFAIRS *as at 1st April, 2022*

Liabilities	₹	Assets	₹
Creditors	11,000	Stock	18,500
Capital (Balancing Figure)	39,300	Debtors	13,000
		Bills Receivables	4,000
		Building	10,800
		Bank	4,000
	<u>50,300</u>		<u>50,300</u>

*Calculation of Closing Capital:*

STATEMENT OF AFFAIRS (BEFORE ADJUSTMENT) *as at 31st March, 2023*

Liabilities	₹	Assets	₹
Creditors	2,300	Stock	40,000
Bank Overdraft	2,000	Debtors	15,000
Capital (Balancing Figure)	64,500	Bills Receivables	3,000
		Building	10,800
	<u>68,800</u>		<u>68,800</u>

STATEMENT OF PROFIT & LOSS *for the year ended 31st March, 2023*

Particulars	₹
Capital at the end	64,500
Less: Additional Capital introduced	10,000
	<u>54,500</u>
Add: Drawings	7,200
Adjusted Capital at the end	61,700
Less: Capital in the beginning	39,300
Profit before adjustment	22,400
Less: Provision for Doubtful Debts	1,000
Depreciation on Building	540
Salaries Outstanding	<u>3,500</u>
	<u>5,040</u>
	17,360
Add: Prepaid Insurance	250
<b>Net Profit</b>	<u>17,610</u>

STATEMENT OF AFFAIRS (ADJUSTED) as at 31st March, 2023

Liabilities	₹	Assets	₹
Creditors	2,300	Stock	40,000
Salaries Outstanding	3,500	Debtors	15,000
Bank Overdraft	2,000	Less: Provision for Doubtful Debts	1,000
Capital	39,300	Bills Receivables	3,000
Add: Net Profit	17,610	Building	10,800
Additional Capital	10,000	Less: Depreciation	540
	66,910	Prepaid Insurance	250
Less: Drawings	7,200		
	59,710		
	67,510		67,510

**Question 11**

**In the Books of Arvind**  
JOURNAL

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2023				
Jan. 1	Bills Receivable (I) A/c ...Dr. To Rajan (Being the bill drawn on Rajan for 2 months)		6,000	6,000
Jan. 1	Bills Receivable (II) A/c ...Dr. To Rajan (Being the bill drawn on Rajan for 3 months)		10,000	10,000
March 4	Rajan ...Dr. To Bills Receivable (I) A/c (Being the first bill cancelled for renewal)		6,000	6,000
March 4	Rajan ...Dr. To Interest A/c (Being the interest charged to Rajan on account of the first bill @ 18% p.a. for 2 months)		180	180
March 4	Bills Receivable (III) A/c ...Dr. To Rajan (Being the fresh bill drawn on Rajan for the balance due <i>plus</i> interest for 2 months)		6,180	6,180
March 20	Bank A/c ...Dr. Rebate A/c ...Dr. To Bills Receivable (II) A/c (Being the second bill of ₹ 10,000 retired and discount allowed ₹ 100)		9,900 100	10,000
May 7	Rajan ...Dr. To Bills Receivable (III) A/c (Being the renewed bill dishonoured on Rajan's insolvency)		6,180	6,180
May 7	Cash/Bank A/c (40% of ₹ 6,180) ...Dr. Bad Debts A/c (₹ 6,180 – ₹ 2,472) ...Dr. To Rajan (Being Rajan became insolvent and only 40% amount received from his private estate. The irrecoverable amount written off as bad debts)		2,472 3,708	6,180

### Question 12

#### Shiksha Club

Dr.		INCOME & EXPENDITURE ACCOUNT for the year ended 31st March, 2023		Cr.	
Expenditure	₹	Income		₹	
To Loss on Sale of Furniture (₹ 60,000 – ₹ 40,000)	20,000	By Subscriptions	6,00,000		
To Salaries	7,20,000	Add: Outstanding Subscription	1,50,000	7,50,000	
Less: Outstanding Salary (2021–22)	60,000	(Balancing Figure)			
	6,60,000	By Sale of Old Newspapers and Magazines		1,08,000	
Add: Outstanding Salaries (2022–23)	12,000	By Gain (Profit) from Entertainment Event		4,40,000	
	6,72,000	By Rent		8,40,000	
To General Expenses	1,80,000	By Deficit—Excess of Expenditure over Income		2,000	
To Electricity Charges	1,20,000				
To Newspapers and Magazines	3,38,000				
To Postage	30,000				
To Stationery	4,00,000				
To Audit Fee	80,000				
To Depreciation on Building	3,00,000				
	21,40,000				21,40,000

#### BALANCE SHEET as at 31st March, 2023

Liabilities	₹	Assets	₹
Subscription Received in Advance	1,20,000	Cash in Hand	3,30,000
Outstanding Salary	12,000	Outstanding Subscription	1,50,000
Capital Fund	79,40,000	Library Books	3,00,000
Less: Deficit	2,000	Add: Purchase	1,00,000
	79,38,000	Furniture	3,70,000
		Add: Purchased	1,80,000
			5,50,000
		Less: Sold	60,000
		Land	4,90,000
		Building	10,00,000
		Less: Depreciation	60,00,000
			3,00,000
	80,70,000		57,00,000
			80,70,000

Or

Dr.		INCOME AND EXPENDITURE ACCOUNT for the year ending 31st March, 2023		Cr.	
Particulars	₹	Particulars		₹	
To Salaries	6,00,000	By Subscription A/c (WN 2)		9,20,000	
To Honorarium	40,000	By Sale of Newspapers		5,000	
To Charities	60,000	By Advertisement		20,000	
To Printing and Stationery	1,20,000	By Deficit, i.e., Excess of Expenditure Over Income		2,62,000	
To Newspapers	8,000				
To Postage	12,000				
To Telephone Expenses	10,000				
To Rent	90,000				
To Sports Material	2,50,000				
To Loss on Sale of Furniture (WN 1)	5,000				
To Depreciation on Furniture (WN 1)	12,000				
	12,07,000				12,07,000

**BALANCE SHEET as at 31st March, 2023**

Liabilities	₹	Assets	₹
Subscription Received in Advance	70,000	Cash at Bank	10,000
<i>Capital Fund:</i>		Subscription Due	60,000
Opening Balance (WN 3)	2,70,000	Furniture	2,00,000
Add: Legacy	1,00,000	Less: Sold	80,000
	3,70,000		1,20,000
Less: Deficit	2,62,000	Less: Depreciation	12,000
	1,08,000		1,08,000
	1,78,000		1,78,000

**Working Notes:**

1. *Calculation of Depreciation on Furniture and Loss on Sale of Furniture:*

*Gross Value of furniture before depreciation:*

Let Gross Value of Furniture = ₹ 100; Depreciation = ₹ 10; Book value after Depreciation = ₹ 100 – ₹ 10 = ₹ 90

Book Value before depreciation = ₹ 1,08,000 × ₹ 100/₹ 90 = ₹ 1,20,000

Depreciation = ₹ 1,20,000 × 10/100 = ₹ 12,000

*Book Value of Furniture sold:*

	₹
Furniture on 1st April, 2022	2,00,000
Less: Furniture on 31st March, 2023 (Gross Value)	1,20,000
Book Value of Furniture sold	80,000
Less: Sale Proceeds	75,000
Loss on sale of Furniture	5,000

2. *Calculation of Subscription Income for 2022–23:*

	₹	₹
Subscription received during the year		9,40,000
Add: Subscription due for 2022–23*	50,000	
Subscription received in advance as on 31st March, 2022	40,000	90,000
		10,30,000
Less: Subscription due for 2021–22	40,000	
Subscription received in advance as on 31st March, 2023	70,000	1,10,000
<b>Subscription Income to be credited to Income and Expenditure Account</b>		<b>9,20,000</b>

\*Subscription due on 31st March, 2023: ₹ 60,000 are inclusive of ₹ 10,000 (i.e., ₹ 50,000 – ₹ 40,000 = ₹ 10,000) still in arrears for 2021–22.

3. *Calculation of Capital Fund on 1st April, 2022:*

**BALANCE SHEET as on...**

Liabilities	₹	Assets	₹
Subscription Received in Advance	40,000	Cash in Hand	20,000
Capital Fund (Balancing Figure)	2,70,000	Cash at Bank	40,000
		Subscription Due	50,000
		Furniture	2,00,000
	3,10,000		3,10,000

### Question 13

(i) Dr. TRADING AND PROFIT AND LOSS ACCOUNT for the year ended 31st March, 2023 Cr.

Particulars	₹	Particulars	₹
To Opening Stock	34,600	By Sales	1,54,500
To Purchases	54,750	Less: Sales Return	2,000
Less: Purchases Return	1,250		1,52,500
	53,500	Less: Purchases Return (WN 1)	5,000
Less: Purchases Return (WN 1)	5,000	By Loss of Stock by Fire	10,000
To Gross Profit c/d	1,04,400	By Closing Stock (WN 2)	30,000
	1,87,500		1,87,500
To Loss of Stock by Fire	6,000	By Gross Profit b/d	1,04,400
To Insurance	12,500	By Commission	3,750
Less: Prepaid Insurance	1,250		
To Salaries	33,000		
To Interest on Loan (Outstanding) (₹ 20,000 × 5/100)	1,000		
To Bad Debts	1,250		
Add: Further Bad Debts	1,000		
	2,250		
Less: Provision for Doubtful Debts	2,000		
To Depreciation on Building	9,820		
To Depreciation on Furniture	1,000		
To Net Profit transferred to Capital A/c	45,830		
	1,08,150		1,08,150

(ii) BALANCE SHEET  
as at 31st March, 2023

Liabilities	₹	Assets	₹
Capital	1,05,000	Furniture and Fittings	6,400
Add: Net Profit	45,830	Land and Building	1,37,500
5% Loan	20,000	Patents	20,000
Outstanding Interest on Loan	1,000	Insurance Company (Claim)	4,000
Sundry Creditors	53,500	Sundry Debtors	38,000
Output CGST (₹ 30,000 – ₹ 20,000)	10,000	Less: Further Bad Debts	1,000
Output SGST (₹ 30,000 – ₹ 20,000)	10,000	Prepaid Insurance	1,250
		Closing Stock	30,000
		Cash	9,180
	2,45,330		2,45,330

#### Working Notes:

1. ₹ 5,000 for Purchases Return wrongly included in sales. The rectifying entry for this would be as follows:

	₹	₹
Sales A/c	...Dr.	5,000
To Purchases Return A/c		5,000

2. As per Prudence Concept, closing stock is valued at cost or net realisable value (i.e., market price), whichever is less.
3. GST is ignored in adjustments.

**Or**

**TRADING AND PROFIT & LOSS ACCOUNT**

*for the year ended 31st March, 2023*

Particulars		₹	Particulars		₹
To Opening Stock		12,000	By Sales	2,80,800	
To Purchases	1,27,200		Less: Returns	4,800	2,76,000
Less: Returns	2,400	1,24,800	By Closing Stock		18,480
To Wages		60,000			
To Carriage Inwards		7,200			
To Gross Profit c/d		90,480			
		2,94,480			2,94,480
To Salaries	24,960		By Gross Profit b/d		90,480
Add: Salary to Biswas	1,200	26,160	By Discount Received		3,600
To General Expenses and Insurance	43,200				
Less: Prepaid Insurance	240	42,960			
To Depreciation on:					
Machinery	3,000				
Furniture	432				
Loose Tools (₹ 12,000 – ₹ 9,600)	2,400	5,832			
To Rent and Taxes		8,640			
To Postage and Telegrams		2,400			
To Provision for Doubtful Debts (New)					
(5% of ₹ 33,600)	1,680				
Less: Old Provision	1,200	480			
To Net Profit transferred to Capital A/c		7,608			
		94,080			94,080

**BALANCE SHEET as at 31st March, 2023**

Liabilities	₹	Assets	₹
Sundry Creditors	16,400	Cash and Bank Balances	8,400
Bank Overdraft	12,000	Closing Stock	18,480
Capital:		Sundry Debtors	33,600
Opening Balance	99,600	Less: Provision for Doubtful Debts	1,680
Add: Net Profit	7,608	Prepaid Insurance	240
	1,07,208	Loose Tools	9,600
Less: Drawings	1,200	Furniture	7,200
	1,06,008	Less: Depreciation	432
Output IGST (Note)	4,000	Machinery	60,000
		Less: Depreciation	3,000
		Goodwill	6,000
	1,38,408		1,38,408

**Note:** Input CGST and Input SGST of ₹ 3,000 each have been set off against Output IGST and balance of Output IGST of ₹ 4,000 will be shown on the liabilities side of Balance Sheet.