

Key to **F u n d a m e n t a l**

Principles of Accounting

I.Com. -II

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1 SINGLE ENTRY SYSTEM

Problem No. 1

Mr. Sajid
Statement of Profit and Loss Account
For the year ended. December 31, 2006

	Rs.
Capital at the ended of the year	1,20,000
Add drawings	15,000
	1,35,000
Less Fresh Capital	20,000
	1,15,000
Less Capital on Jan. 1st	1,00,000
Net Profit	15,000

Problem No. 2

Statement of Affairs
As on January 1, 2005

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Creditors	11,000	Cash in hand	100
		Cash at bank	1,500
		Stock	10,000
		Debtors	4,250
		Fixtures	900
Capital	13,250	Machinery	7,500
	24,250		24,250

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Statement of Affairs
As on 31st December, 2005

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Creditors	9,000	Cash in hand	150
		Cash at bank	2,500
		Stock	13,000
		Debtors	7,000
		Fixtures	850
Capital	21,500	Machinery	7,000
	30,500		30,500

Statement of Profit and Loss Account
As on 31st December, 2005

Capital as on 31st December, 2005	21,500
Add drawings	1,600
	23,100
Less Fresh Capital Introduce	2,500
	20,600
Less Capital on Jan. 1, 2005	13,250
Net Profit	7,350

Problem No. 3

Statement of affairs
As on 31st December, 2005

Liabilities		Amount	Assets	Amount
Sundry Creditors		5800	Cash	2000
Loan	10000		Stock	28400
Add Interest	4500	10450	Sundry debtors	32400
Capital		46550		
		62800		62800

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Statement of Profit & Loss A/c
As on 30th June, 2005

	Rs.
Capital as on 31st December	46550
Add drawings	15600
	62150
Less Capital on January 1 2005	50000
Net Profit	12150

Problem No. 4

Statement of Affairs
As on January 1, 2005

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Creditors	43,000	Cash in hand	2,750
		Cash at bank	33,000
		Stock	40,000
		Debtors	50,000
		Furniture	15,000
Capital	95,750		
	140,750		140,750

Statement of Affairs
As on 31st December 2005

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
Creditors	51,000	Cash in hand		56,000
		Cash at bank		20,000
		Debtors	60,000	
		Less Reserve	3,000	57,000
		Furniture	22,000	
		Less Depreciation	2,200	19,800
Capital	101,800			
	152,800			152,800

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Statement of Profit and Loss Account

Capital as on 31st December, 2005	101,800
Add drawings	4,000
	105,800
Less Capital on Jan. 1	95,750
	10,050

Problem No. 5

Statement of Affairs
As on January 1, 2005

Liabilities	Amount	Assets	Amount
Sundry Creditors	15000	Sundry Debtors	53000
Bank Overdraft	7400	Stock	17000
Capital	69000	Furniture	1400
		Plant	20000
	91400		91400

Statement of Affairs
As on 31st December, 2005

Liabilities	Amount	Assets		Amount
Sundry Creditors	19500	Cash in hand		100
Capital	106600	Bank Balance		4000
		Sundry Creditors	88000	
		Less Reserve	4400	83600
		Stock		19000
		Furniture		1400
		Plant	20000	
		Less Depreciation	2000	18000
	126100			126100

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Statement of Profit and Loss Account
For the year ended 31st December, 2005

	Rs.
Capital as on 31st December	106600
Add drawings	30000
	136600
Less Fresh Capital	6000
	130600
Less Interest on Capital	3600
	127000
Less Capital as on Jan. 2005	69000
Net Profit for the year	58000

Problem No. 6

Statement of Affairs
As on ~~January 1, 2005~~ 31st Dec 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Creditors		8,500	Cash in hand		2,500
			Cash at bank		10,000
Loan	10,000		Stock in trade		24,000
Add Interest	1,000	11,000	Debtors		4,000
			Investment		8,000
			Furniture	2,000	
Capital		30,900	Less Depreciation	100	1,900
		50,400			50,400

Statement of Profit and Loss Account
As on December, 2005

	Rs.
Capital as on 31st December, 2005	30,900
Add drawings	12,000
	42,900
Less Capital on Jan. 2005	40,000
Net Profit	2,900

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Balance Sheet
As on 31st December, 2005

Liabilities		Amount	Assets	Amount
		Rs.		Rs.
Creditors		8,500	Cash in hand	2,500
			Cash at bank	10,000
Loan	10,000		Stock in trade	24,000
Add Interest	1,000	11,000	Debtors	4,000
Capital	40,000		Investment	8,000
Add Net Profit	2,900		Furniture	2,000
	42,900			
Less Drawings	12,000	30,000		
		50,400		50,400

Problem No. 7

Statement of Affairs
As on 31st December, 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Sundry Creditors		500	Cash in hand		2800
Rent outstanding		150	Sundry Debtors		4800
Loan	5000		Stock		6800
Add Interest	225	5225	Bills Receivable		1600
Capital		11925	Furniture	2000	
			Less depreciation	200	1800
		17800			17800

Statement of Profit and Loss Account
As on 31st December, 2005

	Rs.
Capital as on 31st December 2005	11925
Add drawings	3600
	15525
Less Capital during the year	1500
	14025
Less Capital on Jan. 1, 2005	10000
Net Profit	4025

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Problem No. 8

Statement of Affairs
As on 31st December, 2005

		Rs.			Rs.
Creditors		7000	Cash		2000
Bank Loan	4000		Debtors	16700	
Add outstanding Interest	350	4350	Less Reserve for bad debts	835	
Capital		16385	Stock		4000
			Motor cycle	5000	
			Less depreciation	750	4250
			Furniture	1800	
			Less depreciation	180	1620
		27735			27735

Statement of Profit and Loss Account
For the year ended on 31st December, 2005

	Rs.
Capital as on 31st December	16385
Less Fresh Capital	1000
	15385
Add Drawings	700
	16085
Less Capital on Jan. 1, 2005	15000
Net Profit	1085

Problem No. 9

Statement of Affairs
As on January 1, 2005

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Sundry Creditors	30,800	Motor Van	3,800
Cash at bank (Over Draft)	40,000	Furniture and Fixture	3,000
		Stock in Trade	33,400
		Sundry Debtors	22,400
		Cash in hand	500
Capital	22,400	Bills Receivable	30,100
	93,200		93,200

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Statement of Affairs
As on 31st December, 2005

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
Cash at bank (overdraft)	38,000	Cash in hand		2,400
Sundry Creditors	28,000	Bill Receivable	29,400	
		Less Reserve	1,400	28,000
		Sundry DeLtors	21,000	
		Less bad debts	1,000	
			20,000	
		Less Reserve	1,000	19,000
		Motor Van	3,800	
		Less Depreciation	600	3,200
		Furniture and Fixture	3,000	
		Less Depreciation	300	2,700
Capital	15,500	Stock in Trade		27,000
	82,300			82,300

Statement of Profit and Loss Account
As on December, 2005

	Rs.
Capital as on 31st December, 2005	15,500
Add drawings	5,200
	20,700
Less Capital on January	22,400
Net Loss	1,700

Balance Sheet
As on 31st December, 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Creditors		28,000	Cash in hand	2,400	
Bank Overdraft		38,800	Bills Receivable	29,400	
Capital	22,400		Less Reserve	1,400	28,000
Less Net Loss	1,700		Sundry Debtors	21,000	
	20,700		Less Bad Debts	1,000	

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Less Drawings	5,200	15,500		20,000	
			Less Reserve	1,000	19,000
			Stock in Trade		27,000
			Motor Van	3,800	
			Less Depreciation	600	3,200
			Furniture and Fixture	3,000	
			Less Depreciation	300	2,700
		82,300			82,300

Problem No. 10

Mr. Irfan
Statement of Affairs
As on January 1, 2005

Liabilities	Amount	Assets	Amount
	Rs		Rs.
Sundry Creditors	140,000	Cash in hand	7,500
Bill Payable	5,000	Bank Balance	63,000
Capital	453,000	Sundry Debtors	150,000
		Stock	96,000
		Furniture & Fixture	31,500
		Plant & Machinery	250,000
	598,000		598,000

Mr. Irfan
Statement of Affairs
As on January 1, 2005

Liabilities	Amount	Assets		Amount
Sundry Creditors	12,000	Cash in hand		5,800
Bills Payable	7,000	Bank Balance		72,000
Capital	536,620	Stock in Trade	104,200	
		Sundry Debtors	189,000	
		Less Reserve	3,780	185,220
		Plant & Machinery	300,000	
		Less Depreciation	45,000	255,000
		Furniture & Fixture	46,000	
		Less depreciation	180	1620
	663,620			663,620

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Statement of Profit and Loss Account
As on December, 2005

	Rs.
Capital as on 31st December, 2005	536,620
Add drawings	60,000
	596,620
Less Capital on January 1, 2005	453,000
Net Profit	143,620

Mr. Irfan
Statement of Affairs
As on January 1, 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Sundry Creditors		12,000	Cash in hand		5,800
Bills Payable		7,000	Bank Balance		72,000
Capital	453,0000		Stock in Trade		104,200
Add Net Profit	143,620		Sundry Debtors	189,000	
	596,620		Less Reserve	3,780	185,220
Less Drawings	60,000	536,620	Plant & Machinery	300,000	
			Less Depreciation	45,000	255,000
			Furniture& Fixture	46,000	
			Less Depreciation	4,600	41,400
		663,620			663,620

Problem No. 11

Statement of Affairs
As on January 1, 2005

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Sundry Creditors	800	Cash in hand	500
		Cash at bank	4,000
		Stock in trade	5,600
		Sundry Debtors	3,225
Capital	13,725	Furniture	1,200
	14,525		14,525

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Statement of Affairs
As on 31st December, 2005

Sundry Creditors	10,940	Cash in hand			335
		Cash at Bank			5,430
		Stock			5,050
		S. Debtors	3,830		
		Less Bad Debts	120		
			3710		
		Less Provision	185.50		3524.50
		Furniture	1,300		
		Less Dep.	130		1,170
Capital	72,069.50	Motor Truck	75000		
		Less Dep.	7500		67,500
Total:	83009.50				83009.50

Statement of Profit and Loss Account
As on 31st December, 2005

	Rs.
Capital as on 31st December	72069.50
Add drawings	5000.00
	77069.50
Less Capital on January 1.	13,725.00
Net Profit	63344.50

Balance Sheet
As on December, 2005

Liabilities		Amount	Assets		Amount
Sundry Creditors		10940	Cash in hand		335
Capital	13725		Cash at Bank		5430
Add Net Profit	63344.50		Stock		5050
	77069.50		Sundry Debtors	3830	
Less Drawings	5000	72069.50	Less Bad Debts	120	
				3710	
			Less Provision	185.50	3524.50
			Furniture	1300	
			Less Depreciation	130	1170.00
			Motor Truck	75000	
			Less depreciation	7500	67500
Total:		83009.50			83009.50

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Problem No. 12

Mr. Farrukh
Statement of Affairs
As on 1st Jan. 2006

Equity & Liabilities	Amount	Prop. & Assets	Amount
Sundry Creditors	72,500	Cash at bank	20,000
Loan from bank	60,000	S. Debtors	1,38,000
Outstanding Liabilities	43,000	Stock in trade	15,000
		Furniture & Fixture	8,000
Capital (Bal Fig)	83,500	Land & Building	30,000
		Plant & machinery	48,000
	2,59,000		2,59,000

Mr. Farrukh
Statement of Affairs
As on 1st Dec. 2006

Equity & Liabilities	Amount	Prop. & Assets		Amount
Sundry Creditors	75,000	Cash at bank		18,000
Loan from bank	50,000	S. Debtors		1,55,000
Outstanding Liabilities	38,000	Stock in trade		28,000
		Furniture & Fixture	8,000	
Capital (Bal Fig)	1,33,500	Add Purchased	1,000	
			9,000	
		Less: Depreciation	900	8,100
		Land & Building	30,000	
		Less: Depreciation	600	29,400
		Plant & machinery	48,000	
		Less Sold	15,000	
			33,000	
		Add Purchased	31,500	
			64,500	
		Less: Depreciation	4,500	60,000
	2,98,500			2,98,500

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Mr. Farrukh
Statement of Profit and Loss
As on 31st Dec. 2006

Capital as on 31st Dec. 2006		1,33,500
Add Drawings		4,500
		1,38,000
Less Profit on sale of Machinery	2,500	
Less: Additional Capital introduced during the year	50,000	
Less Capital as on 1st Jan. 2006	83,500	1,36,000
Net Profit		2,000

Problem No. 13

Trading Profit and Loss Account
For the year ended December 31, 2005

Particulars		Amount	Particulars	Amount
		Rs.		Rs.
To Stock (Opening)		900	By Sales	2,210
To Purchases	1,400		By Stock (ending)	750
Less Drawing	50	1,350		
To Wages	420			
Less Drawing	208	212		
To Gross Profit C/F		498		
Total		2,960	Total	2,960
To Sundry Expenses		200	To Gross Profit B/F	498
To Net Profit (Capital)		298		
Total:		498	Total:	498

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M/S A. Trader
Balance Sheet
As on December 31, 2005

Liabilities		Amount	Assets	Amount
		Rs.		Rs.
Creditors		200	Cash at Bank	140
Capital	910		Debtors	160
Add Net Profit	298		Stock	750
	1,208			
Less Drawing (208+50)	258	950		
Total:		1,150	Total:	1,150

Problem No. 14

Purchases	Rs.
Cash Purchases	4,500
Credit Purchases	10,200
Total Purchases:	14,700

Sales	Rs.
Cash Sales	3,500
Credit Sales	12,000
Total Purchases:	15,500

Mr. A
Trading, Profit and Loss Account
For the year ended on December 31, 2005

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Purchases	14,700	By Sales	15,500
To Gross Profit	3,050	By Stock	2,250
Total:	17,750	Total:	17,750
To Trade Expenses	1,325	By Gross Profit	3,050
To War Charity	50	By Commission	250
To Depreciation	10		
To Bad Debits	500		
To Net Profit (Capital)	1,415		
	3300		3300

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Mr. A
Balance Sheet
As on 31st December, 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Creditors		2,350	Cash in Hand		1,500
Expenses Owing		150	Debtors		5,000
Capital	5,000		Expenses Prepaid		75
Add Net Profit	1,415	6,415	Stock		2,250
			Furniture	100	
			Less Depreciation	10	90
Total:		8,915	Total:		8,915

Problem No. 15

M/S. A & B
Trading, Profit and Loss Account
For the year ended on December 31, 2005

Particulars		Amount	Particulars		Amount
		Rs.			Rs.
To Purchases		27,050	By Sales		50,190
To Gross Profit C/D		23,140			
	Total:	50,190		Total:	50,190
To Salaries		6,100	Gross Profit B/D		23,140
To Rent		3,150			
To Sundry Expenses		1,280			
To Net Profit (Capital)		12,610			
	Total:	23,140		Total:	23,140

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M/S. A & B

Balance Sheet

As on Sept. 30, 2005

Liabilities		Amount	Assets	Amount
		Rs.		Rs.
Capital	27,610		Good Will	6,180
Add Net Profit	12,610		Fitting & Furniture	4,670
	40,220		Cash	2,170
Less Drawing	27,200	13,020		
Total:		13,020	Total:	13,020

Problem No. 16

Mr. Naseem

Trading, Profit and Loss Account

For the year ended on December 31, 2005

Particulars		Amount	Particulars		Amount
		Rs.			Rs.
To Total Purchases		266,000	By Total Sales		302,000
To Gross Profit		56,000	By Stock		20,000
	Total:	3,22,000		Total:	3,22,000
To Expenses		22,000	By Gross Profit		56,000
To Depreciation Truck		12,000			
To Net Profit		22,000			
	Total:	56,000		Total:	56,000

Mr. Naseem

Balance Sheet

As on Sept. 30, 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Capital	90,000		Cash		24,000
Add Net Profit	22,000		Truck	60,000	
			Less Depreciation	12,000	48,000
	112,000		Bills Receivables		120,000
Less Drawings	10,000	102,000	Stock		20,000
Bills payable		110,000			
Total:		212,000	Total:		212,000

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Problem No. 17

Trading, Profit and Loss Account
For the year ended on December 31, 2005

Particulars		Amount	Particulars	Amount
To Purchase	19000		By Sales	17000
To Less Drawings	500	18500	By Closing Stock	6500
To Gross Profit c/d		5000		
		23500		23500
To Office Salaries		2000	By Gross Profit b/d	200
To Bad Debts		500		
To Business Expenses		700		
To Net Profit		1800		
	Total	5000	Total:	5000

Balance Sheet
As on 31st December, 2005

Liabilities		Amount	Assets	Amount
Sundry Creditors		5600	Cash	800
Capital	10000		Closing Stock	6500
Add Net Profit	1800		Sundry Debtors	5200
	11800		Furniture	3000
Less Drawings	1900	9900		
Total:		15500	Total:	15500

Calculation of Cash
Cash

To Capital	10000	By Cash paid to Creditors	9900
To Sales	7000	By Purchases	4000
To Cash Received from Debtors	4300	By Drawings	1200
		By Salaries	2000
		By Business Expenses	700
		By Drawings	200
		By Furniture	3000
		By Closing Balance	800
Total:	21300		21300

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2 ACCOUNTS OF NON-TRADING CONCERNS

Problem No. 1

Lucky Club
Income and expenditure Account
For the Year Ended 31st December, 2005

	Rs.		Rs.
To Salaries	700	By subscription	2,000
To General Expenses	185	By Donation	640
To Drama Expenses	450	By Proceeds of drama tickets	1,250
To News papers etc.	200	By Bank interest	100
To Municipal Taxes	50		
To Charity	210		
To Electricity charges	150		
To Excess of Income over Expenditure	2,045		
	3,990		3,990

Problem No. 2

Faisal Friends Football Club
Income and Expenditure Account
For the year ending 31st December, 2005

Expenditure		Amount	Income		Amount
General Expenses	3,000		Annual Subscription	8,150	
Add: Outstanding	200	3,200	Add: Accrued	1,750	9,900
Salaries and Wages	2,750		Membership fee		1,250
Add: Outstanding	500	3,250	Enterance fee		1,200
Rent, Rates and Taxes		2,500			
Printing and Stationary		620	Interest on Securities		900
Repairs		750	Misc. Receipts		250
Depreciation of furniture		500			
Excess of Incomes over Expenditure (surplus)		2,980			
Total:		13,500	Total		13,500

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Problem No. 3

Income and Expenditure Account
For the year ended 31st December, 2005

Expenditure	Rs.	Income	Rs.
To Charities	14,500	By Donations	4,000
To Staff salaries	2,900	By Subscriptions	4,000
To Rent and Taxes	1,400	By Legacies	3,000
To Printing & Stationery	300	By Interest on Investment	10,000
To Postage	100	By Interest on Deposits	150
To Advertisements	300		
To Excess of Income over Expenditure (Surplus)	1,650		
Total:	21,150	Total:	21,150

Problem No. 4

Income and Expenditure Account
For the Year Ending 31st December, 2005

Expenditure		Amount	Income		Expenditure
		Rs.			Rs.
To Rent		10,400	By Entrance Fee		110
To Stationery	6,136		By Subscription	33,800	
To Add Closing	728		By Add Accrued	936	34,736
	6854		By Locker Rent	1,000	
To Less Opening	624	6,240	By Add Closing	180	
To Wages		10,660		1,180	
To Repairs		1,612	By Less Opening	120	1,060
To Interest		3,000	By Special Subscription for minister party	6,900	
To Excess of Income		12,984	By Add Outstanding	1,100	8,000
		14,896			14,896

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Problem No. 5

Faisalabad Nursing Society
Income and Expenditure Account
For the year ending 21st December, 2005

Expenditure		Amount	Income		Amount
		Rs.			Rs.
To Salaries of Nurses		656	By Subscriptions	1,115	
To Board, Laundry, & Domestic help		80	Less wrong inclusion	100	
					1,015
To Rent, Rates & Taxes		200	By Fees from non members		270
To Car Expenses		840	By Muncipal Grant		1,000
To Drugs & Incidental Expenses	670		By Interest		38
Add: Outstanding	128	798			
			By deficit balance		551
	Total:	2,874		Total:	2,874

Faisalabad: Nursing Society
Balance Sheet
31st December, 2005

Liabilities		Rs.	Assets	Rs.
Building Fund	1,560		Cash	1,247
Add: Commission	100		Motor Car	2,000
		1,660		
			Land	3,000
Outstanding Expenses		128		
Capital:	10,010			
Less: Deficiency	551			
		9,459		
	Total:	11,247	Total:	11247

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Note: Capital on 1st January, 2005 is as certain as under:-

	Rs.
Land	8,000
Cash	2,010
Capital:	10,010

Problem No. 6

Income and Expenditure Account
For the Year ended 31st December, 2005

Particulars	Rs.	Particulars		Rs.
To Salaries	900	By Subscriptions	2,000	
To General Expenses	85	Outstanding	500	2,500
To Drama Expenses	450	By Donations		640
To Newspapers etc.	150	By proceeds of Drama Tickets		1,250
To Muncipal Taxes	45	By Sale of waste paper		95
To Charity	250			
To electricity charges	145			
To Depreciation Building	250			
To surplus of Income over Expenditure	2,210			
Total:	4,485		Total	4,485

Lahore Club
Balance Sheet
As on 31st December, 2005

Liabilities	Rs.	Assets	Rs.
Subscription received in Advance	75	Cash	1,370
		Investment	2,000
Salaries outstanding	100	Subscriptions outstanding	500
Capital on 1.1.2005	6,250	Prepaid Taxes	15
Surplus for 2005	2,210	Building less Depreciation	4,750
Total:	8,635	Total	8,635

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The amount of capital as on 1st January, 2005 is as curtained as follows

Subscription outstanding	50
Cash	1,200
Building	5,000
Capital on 1.1.2005	6,250

Problem No. 7

Lucky Club
Income and Expenditure Account
For the Year ended 31st December, 2005

		Rs.			Rs.
To Rent	6,000		By Entrance Fee		16,000
To Less Advance	3,600	2,400	By Subscriptions	12,000	
To Purchases of cold Drinks	24,000		By Less received in Advance	2,400	9,600
To Less Closing	3,750	20,250	By Sales of cold drinks		29,750
To Salaries and wages		9,600			
To Printing and Stationery		340			
To General Expenses		6,475			
To Depreciation on Furniture		1,292			
Surplus		14,993			
		55,350			55,350

Lucky Club
Balance Sheet
As on 31st December, 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Advance Subscription		2,400	Cash in hand		6,415
Deposits	8,000		Furniture	12,920	
Add Surplus	14,993	22,993	Less Depreciation	1,292	11,628
			Closing Stock		3,750
			Cold drink		
			Prepaid Rent		3,600
		25,393			25,393

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Problem No. 8

Faisalabad Club
Income and Expenditure Account
For the year ended on 31st December, 2005

Expenses	Rs.	Income		Rs.
To printing and stationery	2000	By Subscription	6000	
To Establishment	700	By Less for 2004	200	
To Rent	2000		5800	
To Contingent Expenses	1500	By Less for 2006	100	
To Conference Expenses	1200		5700	
To Depreciation on books	1000	By add outstanding		
To Surplus Balance	12200	for 2005	500	6200
		By Donations		
		10000x50/100		5000
		By Govt. Grants		
		(15000x50/100)		7500
		By Misc. Receipts		1900
	20600			20600

Faisalabad Club
Balance Sheet
As on 31st December, 2005

Liabilities		Amount	Assets		Amount
Subscription for 96			Cash in hand		22300
Received in advance		100	Cash at Bank		
Donations			(18000-16400)		1600
(10000x50/100)		5000	Subscription in arrears		
Govt. Grants					500
(15000x50/100)		7500	Library Books	5000	
Capital fund	3600		Less depreciation	1000	4000
Add Surplus balance	12200	15800	Furniture	900	
			Less sale on furn.	900	
		28400			28400

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Note:

Cash at Bank calculated as under:

Bank Remittances	18000
Less bank withdrawals	16400
	1600

Cash at Bank
Capital Fund

Assets as on 1.1.95 — Cash 2500 + Furniture 900 + Subscription in Arrears + 200 = 3600
less Liabilities --

3600

Problem No. 9

Income and Expenditure Account
For the year ended 31st July 2005

Expenditure		Rs.	Payment		Rs.
To salaries	2,400		By subscriptions	3,500	
Add: unpaid	400	2,800	Add: outstanding	500	4,000
To Printing & Stationery		500	By Interest	500	
To Telephone	~~370~~ 370	370	Add: accrued	100	600
To Insurance	370				
Less: prepaid	50	320	By Tennis fees		400
To Tennis		300	By Billiards		350
To Billiards		500	By ½ Admission		2,500
To Sundry expenses		180	By ¼ Membership fee		1,000
To Entertainment		1,500	By Profit on entertainment		250
To Depreciation on Sports equipment	1,600				
To Building	510	2,110			
To Surplus		590			
	Total:	9,100		Total:	9,100

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Balance Sheet
As at 31st July, 2005

Liabilities		Rs.	Assets		Rs.
Salary payable		400	Building	25,500	
Capital funds			Less: Depreciation	510	24,990
Admission fee	2,500		Sports material	2,600	
Donations	30,000		Less: Depreciation	1,600	1,000
Life membership			Investment		6,000
Fee %	3,000		Subscription owing		500
	35,500				
Add: surplus	590	36,090	Interest accrued		100
			Prepaid insurance		50
			Cash at Bank		3,850
	Total:	36,490		Total:	36,490

Problem No. 10

Literary and Debating Society
Income and Expenditure A/c
For the year ended on March 31, 2005

Expenditure	Rs.	Income	Rs.
To Rent & Rates	336	By entrance fees	510
To wages	490	By subscriptions	3,220
To lighting	144		
To Lectures Fees etc.	870	By Donations	330
To office expenses	900	By life membership subscription	500
To depreciation Books	226		
To depreciation further	100	By Interest	52
To surplus of income over Expenditure	1,630	By Profit from entertainments	84
Total:	4,996	Total:	4,996

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Litrary and Debating Society
Balance Sheet
As on December, 2005

Liabilities		Rs.	Assets	Rs.
Rent owing		120	Cash in hand	40
Capital:	6,288		Cash at Bank	484
Surplus for the year	1,630		Fixed deposit	1,600
		7,918	Interest accrued thereon	24
			Subscription outstanding	90
			Books	4,200
			Furniture	1,600
	Total:	8,038	Total:	8,038

The capital on 1st Jan. 2005 is as certained as under :-

Books	4,000
Furniture	1,000
Subscription outstanding	70
Cash Balance	638
	6,408
Less: Rent owing	120
Capital on 1.1.2005	6,288

Problem No. 11

AL-Fateh Cricket Club
Income and Expenditure Account
For the year ended on 31st December, 2005

Expenditure		Amount	Income		Amount
Interest on loan		38	Subscription	1,320	
Wages	1,181		Add due	150	
Add outstanding wages	21	1,202		1,470	
Repairs	127		Less previous year	120	1,350
Add outstanding	16	143	Sale of tickets		500
Postage		29	Bar Sales		1,079
Depreciation of furniture		95.50			
Bar expenses		825			
Cricket expenses		506			
Surplus		90.50			
	Total:	2,929		Total:	2,929

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Al-Fateh Cricket Club
Balance Sheet
As on 31st December 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Outstanding wages	21		Cash in hand		221.00
Outstanding repairs	16	37.00	Subscription due		150.00
Loan	750		Furniture	860.00	
Less Repayment	150	600.00	Add new furniture	95.00	
Capital fund	1,823.00			955.00	
Add surplus	90.50	1,913.50	Less depreciation	95.50	859.50
			Crockery		1,320.00
	Total:	2,550.50		Total:	2,550.50

Calculation of Capital Funds:

Cash in hand	273
Crockery	1,320
Furniture	860
Subscription due	120
	2,573
Less loan	750
Capital on Jan 1	2,923

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Problem No. 12

Ali Hospital
Income and Expenditure Account
For the year ended on December, 2005

Expenditures		Rs.	Incomes		Rs.
To Salaries	12,000		By Interest Income	2,000	
" Add outstanding	500	12,500	" Less received		
" Drugs expenses		19,500	in Advance	100	1,900
" Diet expenses		3,000	" Subscription	16,000	
" Rent and Taxes	6,000		" Less received in		
" Less Prepaid	200	5,800	Advance	3,500	12,500
" Laundry charges		500	" Donations		12,500
" Surgery and Dispensary expenses		5000	" Receipts from patients		4,500
" Office expenses		1,000	" Misc. Income		1,00
" Depreciation of building		1,400	" Deficit		17,300
" Depreciation of office equipment		1,000			
Total		49,700	Total		49,700

Ali Hospital
Balance Sheet
For the year ended December, 31, 2005

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Outstanding salaries		500	Cash in hand		4,000
Unearned interest		100	Cash at bank		29,000
Subscription received in advance		3,500	Prepaid Rent		200
Capital	194,000		Furniture		10,000
Less Deficit	17,300	176,700	Building	70,000	
			Less depreciation	1,400	68,600
			Land		20,000
			Equipment	50,000	
			Less depreciation	1,000	49,000
Total		180,800	Total		180,800

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3 CONSIGNMENT ACCOUNTS

Problem No. 1

Books of consignor

Date	Particulars	L.F.	Debit	Credit
			Rs.	Rs.
	Consignment a/c		15,000	
	To Goods sent on consignment a/c			15,000
	Dispatched 100 Radio sets to consignment at Rs. 150 each.			
	Consignment a/c		300	
	To Cash a/c			300
	Incurred Expenses on Freight and packing			
	Cash a/c		10,000	
	To Karim & Co.			10,000
	Received a draft of Rs. 10,000 as an advance			
	Karim & Co.		20,000	
	To Consignment a/c			20,000
	Sold 100 Radio sets at Rs. 200 each			
	Consignment a/c		20,000	
	To Karim & Co.			20,000
	Commission due to the consignee			
	Consignment a/c		1,150	
	To Karim & Co.			1,150
	Expenses incurred by the consignee			
	Consignment a/c		1,550	
	To Profit and Loss a/c			1,550
	Profit on consignment transferred to profit and loss a/c			

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Goods sent on consignment a/c		15,000	
To Trading a/c			15,000
Goods sent on consignment Transferred to trading a/c			
Cash a/c		6,850	
To Karim & Co.			6,850
Cheque received from the consignee on final settlement			

Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	15,000	By Karim & Co.	
To Cash a/c (freight and packing)	300	(Sale)	20,000
To Karim & Co. (Commission)	2,000		
To Karim & Co. (Expenses)	1,150		
To Profit (Transferred to profit & loss a/c)	1,550		
	20,000		20,000

Karim & Co. (Consignee)

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	20,000	By Cash a/c	10,000
		By Consignment a/c	2,000
		By Consignment a/c	1,150
		By Bank a/c	6,850
	20,000		20,000

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Problem No. 2

Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	2,50,000	By Nafees & Co. (Sales)	4,00,000
To cash (Expenses)	15,000		
To Nafees & Co. (Expenses)	26,000		
To Nafees & Co. (Commission)	28,000		
To Profit transfer to General profit and loss a/c	81,000		
	4,00,000		4,00,000

Nafees & Co.

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	4,00,000	By Consignment a/c	26,000
		By Consignment a/c	28,000
		By Balance	3,46,000
	4,00,000		4,00,000

Goods sent on Consignment A/c

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Trading a/c	2,50,000	By Consignment a/c	2,50,000
	2,50,000		2,50,000

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Problem No.3

Account Sale for 20 Crates of Crockery

2004		Rs.	Rs.
June 10	Sale		
	20 Crates of Crockery at Rs. 2,100 per crate		42,000
	Less Expenses	375	
	Octori duties	450	
	Godown Rent	212	
	Misc. Expenses	51	
	Commission	2,100	3,188
	Cheque enclosed to Messers Pak. Pur China for the balance		38,812

Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	30,000	By Zahid Sons	42,000
To Cash a/c (Expenses)	1,900	(Sale)	
To Zahid Sons (Expenses)	3,188		
To Zahid Sons (Commission)	2,100		
To Profit transferred to Profit and loss a/c	4,812		
	42,000		42,000

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Zahid Sons (Consignee)

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	42,000	By Consignment a/c	1,088
		By Consignment a/c	2,100
		By Bank a/c	38,812
	42,000		42,000

Problem No. 4

Books of Mr. Sajid (consignor)

Date	Particulars	L.F.	Debit	Credit
			Rs.	Rs.
	Consignment a/c		25,000	
	To Goods sent on consignment a/c			25,000
	Goods sent to the consignee			
	Consignment a/c		1,140	
	To Cash a/c			1,140
	Expenses incurred on the despatch of goods			
	Bills Receivable a/c		4,000	
	To Majid			4,000
	Bill Received as advance			
	Bank A/c		3,800	
	Discount A/c		200	
	To Bills receivable a/c			4,000
	Bill discounted with the bank			
	Mr. Majid		15,000	
	To Consignment a/c			15,000
	Sold goods by the consignee			

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Consignment a/c		360	
To Majid			360
Expenses incurred by the consignee			
Consignment a/c		500	
To Majid			500
Commission due to the consignee			
Stock on consignment A/c		15,750	
To Consignment A/c			15,750
Value of unsold stock			
Consignment a/c		3,750	
To Profit and Loss a/c			3,750
Profit on consignment transferred to profit and loss a/c			
Bank A/c		10,140	
To Mr. Majid			10,140
Balance received from the consignee			
Goods sent on consignment a/c		25,000	
To Trading a/c			25,000
Goods sent on consignment Transferred to trading a/c			

Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	25,000	By Mr. Majid	15,000
To Cash a/c	1,140	By Stock on consignment a/c	15,750
To Majid (Expenses)	360		
To Majid (Commission)	500		
To Profit & loss a/c	3,750		
	30,750		30,750

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Mr. Majid (Consignee)

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	15,000	By Bills Receivable a/c	4,000
		By Consignment a/c	360
		By Consignment a/c	500
		By Balance c/d	10,140
	15,000		15,000

Goods sent on consignment A/c

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Trading a/c	25,000	By Consignment a/c	25,000
	25,000		25,000

Problem No.5

Books of Kamal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Consignment a/c		20,000	
	To Goods sent on consignment			20,000
	Dispatched 1,000 fountain pens Rs. 20 each			

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Consignment a/c		1,100	
To Cash a/c			1,100
Expenses incurred on dispatched of goods			
Faraz		36,000	
To Consignment a/c			36,000
Sold 900 fountains pens at Rs. 40 each by the consignee			
Consignment a/c		900	
To Faraz			900
Expenses Incurred by the consignee			
Consignment a/c		1,800	
To Faraz			1,800
Commission due to the consignee			
Stock on consignment a/c		14,400	
To Profit and Loss a/c			14,400
To Consignment transferred to profit and loss a/c			
Goods Sent on consignment a/c		20,000	
To Trading a/c			20,000
Goods sent on consignment transferred to trading a/c			
Cash c/c		33,300	
To Faraz			33,300
Bank draft received from consignment on final settlement			

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Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	20,000	By Faraz	36,000
To Cash Account (Expenses)	1,100	By Stock on Consignment a/c	2,200
To Faraz (Expenses)	900		
To Faraz (Commission)	1,800		
To Profit transferred to profit and loss a/c	14,400		
	38,200		38,200

Faraz

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	36,000	By Consignment a/c	900
		By Consignment a/c	1,800
		By Bank a/c	33,300
	36,000		36,000

Problem No. 6

In the Books of Riaz

Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	2,000	By Rashid (Sales)	1,800

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To cash (Expenses)	100	By Stock on consignment a/c	1,065
To Rashid (Expenses)	58		
To Rashid (Commission)	144		
To Profit transfer to profit and loss a/c	563		
	2,865		2,865

Working

Valuation of unsold stock

Price of the ½ of the unsold stock = 1,000

+ Proportionate Direct Expenses $(\frac{100+30}{2}) = \frac{130}{2}$ = 65

1,065

Rashid

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	1,800	By Consignment a/c	58
		By Consignment a/c	144
		By Balance	1,598
	1,800		1,800

Goods sent on Consignment A/c

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Trading a/c	2,000	By Consignment a/c	2,000
	2,000		2,000

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Problem No. 7

Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment	75,000	By Fahad (Sale)	69000
" Cash (Expenses)	5500	" Fahad (Sales)	22000
" Fahad (Expenses)	2500	" Stock on consignment	16200
To Fahad (Commission)	9100		
" Profit on Consignment	15100		
	107200		107200

Fahad

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	91000	By Cash	2000
		" Consignment	9100
		" Consignment	2500
		" Bank	59400
	91000		91000

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Problem No. 8

Rashid Bros. Journal

Date	Particulars	L.F.	Debit	Credit
			Rs.	Rs.
	Consignment a/c		50000	
	To Goods sent on consignment a/c			50000
	Dispatched cloth at Invoice price			
	Consignment a/c		500	
	To Cash a/c			500
	Expenses incurred on the dispatch of cloth			
	Bills Receivable a/c		5,000	
	To Karim Khan			5,000
	Bill received from Karim Khan			
	Karim Khan		48000	
	To Consignment a/c			48000
	Three fourth of th cloth sold by the consignee			
	Consignment a/c		2,000	
	To Karim & Co.			2,000
	Expenses and commission of the consignee recorded			
	Stock on consignment a/c		12625	
	To Consignment a/c			12625
	Value of the unsold stock			
	Goods sent on consignment a/c		50,000	
	To Trading a/c			50,000
	Goods sent on consignment			
	Transferred to trading a/c			

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	Consignment a/c To Profit and Loss a/c Profit on consignment transferred to profit and loss a/c		8125	8125
	Cash a/c To Karim Khan Cash received from Karim in settlement of his a/c		41000	41000

Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	5000	By Karim Khan	48,000
To Cash a/c (Expenses)	500	By Stock on Consignment a/c	12625
To Karim Khan	2000		
To Profit transfer to profit and loss a/c	8125		
	60625		60625

Karim Khan

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	48,000	By Bills Receivable	5,000
		By Consignment a/c	2,000
		By Bank a/c	41,000
	48,000		48,000

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Problem No. 9

Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To goods sent on consignment a/c	140,000	By Saleem & Co.	159,200
To Cash a/c (Expenses)	4,500		
To Saleem & Co. (Expenses)	2,450		
To Saleem & Co. (Commission)	7,960		
To Profit transferred to profit and loss	4,290		
	159,200		159,200

Saleem & Co.

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	159,200	By Consignment a/c	2,450
		By Consignment a/c	7,960
		By Balance c/d	148,790
	159,200		159,200

Problem No. 10

Calculations

Closing Stock	Rs.	Abnormal Loss	Rs.
Number of cars remaining unsold 2		Cost of one car destroyed	120,000
		Expenses incurred by Aslam	
Cost of two cars @ Rs.		10000/20	5000
120000 each	240000	Abnormal loss on one car	125000

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Proportional Expenses of Aslam 100000 x $\frac{2}{20}$	10000	Amount paid by insurance Company	9000
Value of the closing stock	250000	Amount transferred to Profit and loss A/c	35000

Books of Aslam

Consignment Account

Particulars	Amount	Particulars	Amount
To Goods sent on consignment	240000	By Imran (Sale)	2550000
To Bank (Freight)	70000	By Cash	90000
To Bank Insurance	3000	By Profit & Loss A/c	35000
To Imran (Exp.)	33000	By Consignment Stock	250000
To Imran (Commission)	127500		
To Profit & Loss A/c	264500		
Total:	2925000	Total:	2925000

Goods Sent of Consignment

Particulars	Amount	Particulars	Amount
Trading Account	2400000	By Consignment A/c	2400000
Total:	2400000	Total:	2400000

Imran

Particulars	Amount	Particulars	Amount
To Consignment Account	2550000	By Consignment (Expenses)	33000
		By Consignment A/c (Commission)	127500
		By Bank A/c (Remittance)	900000
		By Balance c/d	1489500
Total:	2550000	Total:	2550000

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Abnormal Loss Account

Particulars		Amount	Particulars	Amount
To ent A/c		125000	By Insurance company A/c	90000
			By Profit & Loss A/c	3500
	Total:	125000	Total:	125000

Problem No. 11

Consignment Account

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			Rs.
	Goods sent on consignment A/c	8,00,000		B. of Lahore	8,35,000
				Closing Stock	2,75,000
				Profit and Loss A/c	50,000
	Freight A/c	65,000			
	Insurance A/c	40,000			
	Com. & Exp. A/c	87,000			
	Profits Loss A/c	1,68,000			
	Total:	11,60,000		Total:	11,60,000

B. (Consignee A/c)

Date	Particulars	J/F	Amount	Date	Particulars	J/F	Amount
			Rs.				Rs.
	Consignment A/c		8,35,000		B/R A/c		3,00,000
					Com. & Exp. A/c		87,000
					Bank A/c		4,48,000
	Total:		8,35,000		Total:		8,35,000

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Problem No. 12

Consignment To Karachi A/c

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			Rs.
	To Goods sent on Consignment A/c	1,50,000		By Sales 800 X 220) A/c	1,76,000
	To Bank (Freight & Insurance A/c)	11,500		Loss	16,150
	(Duty A/c)	14,400		By Stock on Consignment	17,750
	To Bashir (Expenses)	2,000			
	To Bashir (Commission)	8,800			
	To Profit & Loss Account	23,200			
	Total:	2,09,900		Total:	2,09,900

Bashir

Date	Particulars	Amount	Date	Particulars		Amount
		Rs.				Rs.
	To Consignment A/c	1,76,000		By Bank A/c		50,000
				By Consignment A/c		
				Duty	14,400	
				Expenses	2,000	
						16,400
				By Consignment Ac (Commission)		8,800
				By Balance c/d		1,00,800
	Total:	1,76,000		Total:		1,76,000

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Note

(1) **The Value of loss has been valued as follows:-**

1000 bicycles at Rs. 150 each	15,000	
Add $\frac{100}{1,000}$ of freight & insurance	1,150 (11,500x	$\frac{100}{1,000}$
Total:	16,150	

(2) **The Value of closing stock has been calculated as follows:-**

	Rs.
100 bicycles at Rs. 150 each	15,000
$\frac{100}{1,000}$ of freight and insurance	1,150
$\frac{100}{900}$ of duty	1,600
Total:	17,750

Problem No. 13

Consignment A/c

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on Consignment A/c	2,00,000	By Karim	1,76,000
To Cash (Expenses)	2,000	By Stock on Consignment	41,000
To Karim (Expenses)	3,750		
To Karim (Commission)	20,000		
To Karim (Bad Debts)	10,250		
To Profit transferred to general Profit & Loss Account	5,000		
Total:	2,41,000	Total:	2,41,000

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Karim

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			Rs.
	To Consignment A/c	2,00,000		By Bills Receivable A/c	50,000
				By Consignment A/c	3,750
				By Consignment Ac	20,000
				By Consignment Ac	10,250
				By Balance c/d	1,16,000
	Total:	2,00,000		Total:	2,00,000

Goods Sent of Consignment Account

Particulars	Amount	Particulars	Amount
Trading Account	2,00,000	By Consignment A/c	2,00,000
Total:	2,00,000	Total:	2,00,000

Problem No. 14

Books of Shalimar & Co.
Journal

Date	Particulars	L.F.	Debit	Credit
			Rs.	Rs.
	Consignment a/c		1,00,000	
	To Goods sent on consignment a/c			1,00,000
	Goods sent on consignment			

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signment a/c		1,000	
To Cash a/c			1,000
Expenses incurred on the dispatch of goods			
Malik & Co.		80,000	
To Consignment a/c			80,000
Goods sold by the consignee			
Consignment a/c		5,600	
To Malik & Co.			5,600
Commission due to the consignee			
Cash a/c		40,000	
To Malik & Co.			40,000
Cash received from the consignee			
ent a/c		2,000	
& Co.			2,000
Expenses incurred by the consignee			
Stock on consignment a/c		30,300	
To Consignment a/c			30,300
Stock with the consignee			
Goods sent on consignment a/c		1,00,000	
To Trading a/c			1,00,000
Goods sent on consignment transferred to trading a/c			
Consignment a/c		1,700	
To General Profit and Loss a/c			1,700
Profit on consignment transferred to profit and loss a/c			

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Consignment Account

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Goods sent on consignment a/c	1,00,000	By Malik & Co.	80,000
To Cash a/c (Expenses)	1,000	By Stock on Consignment a/c	30,300
To Malik & Co. (commission)	5,600		
To Malik & Co. (Expenses)	2,000		
To Profit transfer to profit and loss a/c	1,700		
	1,10,300		1,10,300

Malik & Co.

Particulars	Amount	Particulars	Amount
	Rs.		Rs.
To Consignment a/c	80,000	By Consignment a/c	25,000
		By Consignment a/c	5,600
		By Cash a/c	40,000
		By balance c/d	32,400
	48,000		48,000

Goods Sent of Consignment Account

Particulars	Amount	Particulars	Amount
To Trading Account	1,00,000	By Consignment A/c	1,00,000
Total:	1,00,000	Total:	1,00,000

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4 PARTNERSHIP ACCOUNTS (I)

Division of Profit or loss

PARTNERSHIP ACCOUNT

Problem No. 1

Profit and Loss Account

		Rs.		Rs.
To C's Salary		5,000	By Profit b/d	60,000
To Interest on Capitals				
A	3,000			
B	1,800			
C	1,200	6,000		
Share of Profits:				
A	24,500			
B	14,700			
C	9,800	49,000		
		60,000		60000

Capital Accounts

	A	B	C		A	B	C
To Drawings a/c	6,000	5,000	6,000	By Balance b/d	50,000	30,000	20,000
				By Profit	24,500	14,700	9,800
To Balance c/d	71,500	41,500	30,000	By Interest	3,000	1,800	1,200
				By Salary	--	--	5,000
	77,500	46,500	36,000		77,500	46,500	36,000

Problem No. 2

i. Partners profit if no interest is calculated on capital

Total Profit = Rs. 36,000

A's Share 36,000 X 5/10= Rs. 18,000

B's Share 36,000 X 3/10= Rs. 10,800

C's shares 36,000 X 2/10= Rs. 7,200

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ii. **Profit and loss Account**

Particulars		Amount	Particulars	Amount
To Interest	A	2,500	By Balance	36,000
	B	2,000		
	C	1,500		
A's Shares	15,000			
B's Share	9,000			
C's Shares	6,000	30,000		
		36,000		36,000

Problem No. 3

Profit and Loss Account

		Rs.		Rs.
To Interest on capital			By Profit b/d	175,000
X =	6,000			
Y =	9,000			
Z =	12,000	27,000		
To Z's salary		48,000		
To share of profit				
X =	25,000			
Y =	25,000			
Z =	50,000	10,000		
		175,000		175,000

a) **Capital Accounts under fluctuating method**

	X	Y	Z		X	Y	Z
To Drawings	2,000	2,000	2,000	By Balance b/d	100,000	150,000	2,00,000
				By Interest	6,000	9,000	12,000
				By Profit	25,000	25,000	50,000
To Balance c/d	129,000	182,000	308,000	By Salary	--	--	48,000
	131,000	184,000	310,000		131,000	184,000	310,000

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b) capi... Account under Fixed Method

	X	Y	Z		X	Y	Z
To Balance	100,000	15,000	200,000	By Balance b/d	100,000	150,000	2,00,000
	100,000	15,000	200,000		100,000	150,000	2,00,000

Current Accounts

	X	Y	Z		X	Y	Z
...rawings	2,000	2,000	2,000	By Interest	6,000	9,000	12,000
				By Profit	25,000	25,000	50,000
To Balance c/d	29,000	32,000	108,000	By Salary	--	--	48,000

Problem No. 4

Profit and Loss Appropriation Account

		Rs.		Rs
To Interest on Capitals			By Profit b/d	50,000
Faraz	10,000			
Farrukh	8,000			
Fahad	5,000	23,000		
Farrukh's Salary		6,000		
Reserve 5% on Net Profit		1,050		
Net Profit		19,950		
		50,000		50,000

Capitals are Fluctuating

Capitals Account

	Faraz	Farrukh	Fahid		Faraz	Farrukh	Fahid
To Drawings	5,000	7,000	9,000	By Balance b/d	100,000	80,000	50,000
				By Interest	10,000	8,000	5,000
				By Salary	--	6,000	--
To Balance c/d	113,674	93,939	50,337	By Profit	8,974	6,939	4,337
	118674	100939	59387		118674	100939	59387

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Problem No. 5

Profit and Loss Appropriation Account

			Rs.		Rs.
To Interest on capitals				By profit b/d	25,021
X =		2,400			
Y =		1,668			
Z =		954	5,022		
Remaining profit Rs. 19,999 will be transferred to partners capital accounts. First Rs. 10,000 in the ration of 40%/35% and 25% the Rs. 9999 equally.					
X	4,000	+ 3,333	7,333		
Y	3,500	+ 3,333	6,833		
Z	2,500	+ 3,333	5,833		
			25,021		25,021

Capitals Accounts

	A	B	C		A	B	C
To Drawings	8,000	8,000	8,000	By Balance b/d	40,000	27,800	15,900
				By Interest	2,400	1,668	954
To Balance c/d	41,733	33,301	17,687	By Profit	7.333	6,833	5,833
				By Salary	--	5,000	3,000
	49,733	41,301	25,687		49,733	41,301	25,687

Problem No. 6

Profit and Loss Account for the year 1995

		Rs.		Rs.
To C's Salary		12,000	By Balance b/d	83,000
To Interest on Capitals				
A	3,000			
B	5,000	8,000		
To C's Commission		3,000		
To Charity Fund		12,000		
To A's Profit	24,000			
To B's Profit	24,000	48,000		
Total:		83,000	Total:	83,000

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Capitals Accounts

	A	B	C		A	B	C
To Drawings	10,000	9,000	13,000	By Balance b/d	60,000	100,000	--
				By Interest	3,000	5,000	--
To Balance c/d	77,000	120,000	2,000	By Salary	--	--	12,000
				By Commission	24,000	24,000	3,000
	87,000	129,000	15,000		87,000	129,000	15,000

Problem No. 7

Profit and Loss Account
For the year 2006

		Rs.		Rs.
To Interest on loan		300	By Balance b/d	20,300
To Net Profit		12,000		
Transferred to Capitals				
A Rs.	10,000			
B Rs.	10,000	20,000		
Total:		20,300	Total:	20,300

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PARTNERSHIP ACCOUNTS (II)

Admission of a New Partner

Problem No. 1

Calculations of Goodwill

The Profits for three years = 12,000 + 16,000 + 20,000

48,000 / 3 x 3 = 48,000

1) **when Goodwill brought in cash**

Journal Entries

	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Cash Account		112,000	
	To C's Capital Account			100,000
	To Goodwill Account			12,000
	C brings his share of capital and goodwill			
	Goodwill Account		12,000	
	To A's Capital Account			8,000
	To B's Capital Account			4,000
	Goodwill distributed among the old partners in their scarifying ratios			

2) **When the Goodwill is withdrawn by the old partner**

			Rs.	Rs.
	Cash Account		112,000	
	To C's Capital Account			100,000
	To Goodwill Account			12,000
	C brings his share of capital and goodwill			
	Goodwill Account		12,000	
	To A's Capital Account			8,000
	To B's Capital Account			4,000
	Goodwill distributed among the old partners in their scarifying ratios			

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	A's Capital Account		8,000	
	B's Capital Account		4,000	
	To Cash Account			12,000
	Goodwill withdrawn by the old partners			

3) When Goodwill is Raised

			Rs.	Rs.
	Cash Account		100,000	
	To C's Capital Account			100,000
	C brought is as capital			
	Goodwill Account		48,000	
	To A's Capital Account			32,000
	To B's Capital Account			16,000
	Goodwill raised and transferred to the old partners in their old ratios			

4) When Goodwill is Raised and Written off

			Rs.	Rs.
	Cash Account		100,000	
	To C's Capital Account			100,000
	C brought is as capital			
	Goodwill Account		48,000	
	To A's Capital Account			32,000
	To B's Capital Account			16,000
	Goodwill raised and transferred to the old partners in their old ratios			
	A's Capital Account		24,000	
	B's Capital Account		12,000	
	C's Capital Account		12,000	
	To Goodwill Account			00
	Goodwill written off among the all partners capital accounts			

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Problem No. 2

Journal

	Rs.	Dr.	Cr.	Rs.
Bank Account	5,000			
To C's Capital Account				5,000
C brought his share of capital				
Goodwill Account	1,500			
To A's Capital a/c				750
To B's Capital a/c				750
The additional goodwill raised on O's admission				

Balance Sheet of a New Film

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
A's Capital	5,750	Sundry Assets	8,000
B's Capital	4,750	Bank	6,000
C's Capital	5,000	Goodwill	3,500
Sundry Creditors	2,000		
Total:	17,500	Total:	17,500

Problem No. 3

Calculation of total value of goodwill:

For 1/5th share, the value of goodwill is Rs.	2,000
For full share, the value of goodwill is	10,000

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Journal Entries

	Rs.	Rs.
Goodwill	7500	
To A (3/5th share)		4500
To B (2/5th share)		3000
Difference between total value of goodwill and the value of goodwill already appearing has been raised and credited to old partners in the old ratio.		
Cash	10000	
To C's Capital		10000
Amount brought in by C for capital and goodwill, credited to his capital account.		
Reserve Fund	4000	
To A's Capital		2400
To B's Capital		1600
Reserve fund transferred in old ratio		
A's Capital	1600	
B's Capital	1600	
C's Capital	800	
To Goodwill		4000
Goodwill brought down to he desired amount in the new ratio.		

Balance Sheet of A, B and C

	Rs.		Rs.
A's Capital	13300	Goodwill	6000
B's Capital	11000	Assets	17500
C's Capital	19200	Cash	10000
	33500		33500

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Problem No. 4

Calculation of the value of hidden goodwill

For 1/5 share in profit R brings Rs. 12000
For full share of profit R will
Bring Rs. (12000 x 5) Rs. 60000
If R should bring Rs. 60000 for full share
then it means that business in Worth Rs. 60000
Less tangible assets after the admission of Rs. (40000+12000) = 52000
Hence the hidden value of the goodwill will be Rs. 8000

Date	Particulars	L/F	Debit	Credit
	Cash A/c		12000	
	To R capital A/c			12000
	R brought his share of capital			
	Goodwill A/c		8000	
	To P capital			6000
	To Q capital			2000
	Goodwill raised and transferred to he old partners capital A/c			
	Reserve A/c		10000	
	To P capital			7500
	To Q capital			2500
	Reserve transferred to the old partners capital A/c			

Balance Sheet of a new firm

Liabilities	Amount	Assets	Amount
P's capital	33500	Building	2000
Q's capital	14500	Machinery	1000
R's capital	12000	Cash	22000
		Goodwill	8000
	60000		60000

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Problem No. 5

Journal

	Rs.	Rs.
Cash A/c	40000	
To C's Capital A/c		2500
To Goodwill A/c		1500
C brought his share of capital and goodwill.		
Goodwill A/c	15000	
To A's Capital		15000
To B's Capital		
Goodwill distributed among the old partners in their sacrificing ratios.		
A's Capital A/c	2500	
B's Capital A/c	5000	
To Cash A/c		7500
Half the amount of the goodwill withdrawn by the old partner.		
General Reserve A/c	9000	
To A's Capital A/c		6000
To B's Capital A/c		3000
General Reserve transferred to the old partners		

Capital Account

	A	B	C		A	B	C
To Cash A/c	2500	5000		By Balance	60000	30000	--
To Balance c/d	68500	38000	25000	By Cash A/c			25000
				By goodwill	5000	10000	
				By Reserve	6000	3000	
	71000	43000	25000		71000	43000	25000

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Goodwill Account

	Rs.		Rs.
To A's Capital A/c	5000	By Cash	15000
To B's Capital A/c	10000		
	15000		15000

Cash Account

	Rs.		Rs.
To Balance b/d	24000	By A's Capital A/c	2500
To C's Capital A/c	25000	By B's Capital A/c	5000
To Goodwill A/c	15000	By Balance c/d	56500
	64000		64000

Balance Sheet of the New Film

	Rs.		Rs.
Sundry Creditors	25000	Cash at Bank	56500
Capital: A	68500	Sundry Assets	100000
B	38000		
C	25000		
	156500		156500

Problem No. 6

		Rs.	Rs.
	Cash A/c	20,000	
	To Z's Capital A/c		15,000
	To Goodwill A/c		5,000
	Amount brought in by Z as Capital and Goodwill.		

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Goodwill A/c	5,000	
To X's Capital A/c		2,000
To Y's Capital A/c		3,000
Goodwill distributed among the old partners.		
Revaluation A/c	2,000	
To Fixed Assets		1,000
To Sundry Debtors		1,000
Decrease in the value of Assets Recorded.		
X's Capital	800	
Y's Capital	1,200	
To Revaluation A/c		2,000
Loss on Revaluation transferred to old partners.		

Capital Account

	X	Y	Z		X	Y	Z
To Revaluation A/c	800	1,200	--	By Balance b/d	12,000	18,000	--
To Balance	13,2000	19,800	15,000	By Cash A/c	--	--	15,000
				By Goodwill	2,000	3,000	--
	14,000	21,000	15,000		14,000	21,000	15,000

Balance Sheet of New Firm

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
Sundry Creditors	9,000	Cash		20,800
Capitals: X	13,200	Sundry Debtors	10,000	
Y	19,800	Less Provision	1,000	9,000
Z	15,000	Stock		72,000
		Fixed Assets		20,000
Total:	57,000		Total:	57,000

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Problem No. 7

Journal Entries

Date	Particulars	L.F	Dr.	Cr.
			Rs.	Rs.
	Cash A/c		14,500	
	To Fahad's Capital A/c			10,000
	To Fahad's Goodwill A/c			4,500
	Cash brought by Fahad as his Capital and goodwill A/c			
	Goodwill A/c		4,500	
	To Fraz's Capital A/c			3,000
	To Farrukh's Capital A/c			1,500
	Goodwill distributed among the old partners.			
	Revaluation A/c		4,250	
	To Stock A/c			1,200
	To Building A/c			2,800
	To Provision for Bad Debts A/c			250
	Decrease in the value of above assets.			
	Machinery A/c		5,000	
	To Revaluation A/c			5,000
	Increase in the Value of Machinery.			
	Revaluation A/c		750	
	To Fraz's Capital A/c			500
	To Fahad's Capital A/c			250
	Profit on Revaluation transferred to old Partner's Capital Accounts.			

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Revaluation Account

		Rs.		Rs.
To Stock A/c		1,200	By Machinery A/c	5,000
To Building A/c		2,800		
To Provision for Bad Debts A/c		250		
To Fraz's Capital A/c	500			
To Farrukh Capital A/c	250	7,500		
Total:		5,000	Total:	5,000

Capital Accounts

	Faraz	Farrukh	Fahad		Faraz	Farrukh	Fahad
To Balance c/d	37,500	18,750	10,000	By Balance b/d	34,000	17,000	--
				By Cash A/c	--	--	10,000
				By Goodwill A/c	3,000	1,500	--
				By Revaluation A/c	500	250	--
Total:	37,500	18,750	10,000	Total:	37,500	18,750	10,000

Balance Sheet of the New Firm

Liabilities		Amount	Assets		Amount
		Rs.			Rs.
Sundry Creditors		28,000	Cash in hand		15,000
Bills Payable		3,000	Cash at Bank		5,500
Capitals:	Faraz	37,500	Sundry Debtors	5,000	
	Farrukh	18,700	Less Reserve	250	4,700
	Fahid	10,000	Stock		10,800
			B/R		6,000
			Machinery		30,000
			Building		25,200
	Total:	97,250		Total:	97,250

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Problem No. 8

Journal

		Rs.	Rs.
Cash Account		10,000	
To C's Capital Account			10,000
Cash brought in the C as Capital			
Goodwill Account		2,0000	
To A's Capital Account			15,000
To B's Capital Account			5,000
Goodwill raised/			
Revaluation Account		2,900	
To Stock Account			2,000
To Furniture Account			100
To Reserve for Doubtful Debts			800
Assets Revalued.			
Buildings Account		5,000	
To Revaluation Account			5,000
Building Revalued			
Revaluation Account		2,100	
To A's Capital Account			1,575
To B's Capital Account			525
Revaluation account transferred to capital accounts			
A's Capital Account		26,575	
B's Capital Account		5.525	
To Cash Account			32,100
Extra Capital drawn.			

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Revaluation Account

Particulars		Rs.	Particulars	Rs.
To Stock a/c		2,000	By Buildings a/c	5,000
To Furniture a/c		100		
To Res. For Bad Debts		800		
To profit transferred to				
A' Capital	1,575			
B' Capital	525	2,100		
	Total:	5,000	Total:	5,000

A's Capital Account

Particulars	Rs.	Particulars	Rs.
To Cash a/c	26,575	By Balance b/f	40,000
To Balance c/d	30,000	By Goodwill a/c	15,000
		By Revaluation a/c (profit)	1,575
Total:	56,575	Total:	56,575

B's Capital Account

Particulars	Rs.	Particulars	Rs.
To Cash a/c	5,525	By Balance b/f	10,000
To Balance c/d	10,000	By Goodwill a/c	5,000
		By Revaluation a/c (profit)	525
Total:	15,525	Total:	15,525

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Balance Sheet of A, B and C
As at Dec. 31, 2005

Liabilities		Rs.	Assets		Rs.
Sundry Creditors		37,500	Cash at Bank		400
Capital Accounts:			Bills Receivable		3,000
A	30,000		Books Debts	16,000	
B	10,000		Less: Reserve	800	15,200
C	10,000	50,000	Stock		18,000
			Furniture		900
			Buildings		30,000
			Goodwill		20,000
	Total:	87,500		Total:	87,500

Problem No. 9

Revaluation Account

	Rs.		Rs.
To Plant a/c	8,000	By Loss	
To Stock a/c	1,000	Hassain ¾	9,000
To Reserve for bad debts	3,000	Rehman ¼	3,000
	12,000		12,000

Capital Accounts

	Hussain	Rehman	Zaman		Rehman	Hussain	Zaman
To Loss on revaluation	9,000	3,000	--	By Balance b/d	50,000	30,000	--
				By Goodwill a/c	15,000	5,000	--
To Balance c/d	56,000	32,000	22,000	By Cash a/c	--	--	22,000
	65,000	35,000	22,000		65,000	35,000	22,000

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Balance Sheet of Hussain, Rehman & Zaman

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
Capital accounts		Plant		32,000
Hussain	56,000	Stock		9,000
Rehman	32,000	Debtors	30,000	
Zaman	22,000	Less Reserve	3,000	27,000
Creditors	20,000	Cash at Bank		62,000
	130,000			130,000

Problem No. 10

	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Bank Accounts		35,000	
	To Karim's Capital Account			25,000
	To Goodwill Accounts			10,000
	Amount brought in by Karim as capital and goodwill			
	Goodwill Account		10,000	
	To Rahim's Capital Accounts			5,000
	To Rahman's Capital Accounts			5,000
	Goodwill transferred to old partners in the raio of sacrifice i.e. equally			
	Revaluation Accounts		5,000	
	To Plant & Machinery			3,000
	To Provision for doubtful debts			500
	To Sundry Creditors			1,500
	Revaluation in assets recorded			

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	Building Accounts		7,000	
	To Revaluation Accounts			7,000
	Increase in the value of building recorded			
	Revaluation Accounts		2,000	
	To Rahim's Capital Accounts			2,000
	To Rehman's Capital Accounts			
	Profit on revaluation credited to old partners			

Revaluation Accounts

		Rs.		Rs.
To Plant & Machinery a/c		3,000	By Building a/c	7,000
To Prov. for bad debts a/c		500		
To Sundry Creditors		1,500		
To Profit transferred to				
Rahim (3/5)	1200			
Rahman (2/5)	800	2000		
		7,000		7,000

Rahim's Capital Account

	Rs.		Rs.
To Balance c/d	26,200	By Balance b/d	20,000
		By Goodwill a/c	5,000
		By Revaluation a/c	1,200
	26,200		26,200

Rahman's Capital Account

	Rs.		Rs.
To Balance c/d	30,000	By Balance b/d	25,000
		By Goodwill a/c	5,000
		By Revaluation a/c	800
	30,000		30 000

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Bank Account

	Rs.		Rs.
To Balance b/d	5,000	By Balance c/d	40,000
To Karim's Capital a/c	35,000		
	40,000		40,000

Balance Sheet of Rahim, Rehman and Karim
As at Jan. 1, 2000

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
Sundry Creditors	16,500	Buildings		25,000
Capitals:		Plant & Machinery		12,000
Rahim	26,200	Stock		12,000
Rahman	30,000	Sundry Debtors	10,000	
Karim	25,000	Less Provision	500	9,500
		Bank		40,000
	98,500			98,500

Problem No. 11

		Rs.	Rs.
Capital Account		24,000	
To H's Capital Account			15,000
To Goodwill Account			9,000
Amount of Capital and goodwill brought in by H.			

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Goodwill Account		9,000	
To D's Capital Account			3,000
To E's Capital Account			3,000
To F's Capital Account			3,000
Goodwill transferred to old partners.			
D's Capital Account		1,500	
E's Capital Account		1,500	
F's Capital Account		1,500	
To Cash Account			4,500
One half goodwill withdraw by the old partners.			
Memorandum Revaluation Account		4,500	
To D's Capital Account			1,500
To E's Capital Account			1,500
To F's Capital Account			1,500
Profit on revaluation credited to old partners.			
D's Capital Account		1,125	
E's Capital Account		1,250	
F's Capital Account		1,125	
H's Capital Account		1,125	
To Memorandum Revaluation Account			4,500
Memorandum Revaluation Account close by debiting all partners in new profit sharing ratio.			

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Memorandum Revaluation Account

Particulars	Rs.	Particulars	Rs.
To Stock	1,140	By Buildings	7,500
To Furniture	240		
To Reserve for Doubtful Debts	540		
To Provision for Bills Discounted	1,080		
To Profit transferred to			
D	1,500		
E	1,500		
F	1,500		
Total:	7,500	Total:	7,500
To Buildings	7,500	By Stock	1,140
		By Furniture	240
		By Reserve for doubtful Debts	540
		By Provision for Bills Discounted	1,080
		By loss transferred to	
		D 1/4 1,125	
		E 1/4 1,125	
		F 1/4 1,125	
		H 1/4 1,125	
Total:	7,500	Total:	7,500

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Balance Sheet of D, E, F and H

Liabilities	Rs.	Assets	Rs.
Bills Payable	3,300	Cash	20,100
Creditors	6,000	Debtors	10,800
Capitals		Stock	11,400
D	18,675	Furniture	2,400
E	14,475	Buildings	19,500
F	7,875		
H	13,875		
Total:	64,200	Total:	64,200

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6 PARTNERSHIP ACCOUNTS (III)

Retirement and Death of a Partner

Problem No. 1

	Particulars	L.F	Debit	Credit
			Rs.	Rs.
a.	Goodwill Account		40,000	
	To Fahad's Capital a/c			20,000
	To Husnain's Capital a/c			12,000
	To Asad's Capital a/c			8,000
	Goodwill raised at full value and credited to the all partners capital account			
b.	Goodwill Account		40,000	
	To Fahad's Capital a/c			20,000
	To Husnain's Capital a/c			12,000
	To Asad's Capital a/c			8,000
	Goodwill raised at full value and credited to the all partners capital account			
	Fahad's Capital a/c		25,000	
	Husnain's Capital a/c		15,000	
	To Goodwill account			40,000
	Goodwill written off among the remaining partners			
c.	Goodwill Account		8,000	
	To Asad's Capital a/c			8,000
	Asad's Share of goodwill raised and credited to the Asad's Capital			
d.	Goodwill Account		8,000	
	To Asad's Capital a/c			8,000
	Asad's Share of goodwill credited to the Asad's Capital			

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	Fahad's Capital a/c		5,000	
	Husnain's Capital a/c		3,000	
	To Goodwill a/c			8,000
	Asad's share of goodwill written off among the remaining partners in their gaining ratios.			

Problem No. 2

	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Reserve Fund Account		12,000	
	To C's Capital a/c			6,000
	To D's Capital a/c			4,000
	To E's Capital a/c			2,000
	Reserve fund credited to all partners capital accounts			
	Goodwill Account		18,000	
	To C's Capital a/c			9,000
	To D's Capital a/c			6,000
	To E's Capital a/c			3,000
	Goodwill transferred to the all partners capital accounts			
	Profit and loss adjustment a/c		6,650	
	To Plant and machinery			3,500
	To Motor Vans			1,200
	To Reserve for doubtful debts			1,950
	Decrease in the value of above assets recorded			
	Stock a/c		5,000	
	Factor Buildings a/c		4,500	
	To profit and loss adjustments a/c			9,500
	Increase in the value of above assets recorded			

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Profit and loss adjustments a/c		2,850	
To C's Capital a/c			1,425
To D's Capital a/c			950
To E's Capital a/c			475
Being the transferred of profit on adjustments			
D's Capital a/c		40950	
To D's Loan a/c			40950
D's Capital transferred to his loan account			

Revaluation Account

To Motor Vans		1,200	Stock	5000
To Reserve For doubtful a/c		1,950	By Factory & building a/c	4,500
To C's Capital a/c	1,425			
To D's Capital a/c	950			
To E's Capital a/c	475	2,850		
		9,500		9,500

Capital Accounts

	A	B	C		A	B	C
To Balance c/d	56,425	--	30,475	By Balance b/d	40,000	30,000	25,000
To Transfer to Loan a/c	--	40,950	--	By Reserve	6,000	4,000	2,000
				By Goodwill	9,000	5,000	3,000
				By Profit	1,425	950	475
	56,425	40,950	30,475		56,425	40,950	30,475

Goodwill Account

	Rs.		Rs.
To C's Capital	9,000	By Balance	18,000
To D's Capital	6,000		
To E's Capital	3,000		
	18,000		18,000

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Balance Sheet of C, D and E
As at 31st December, 2005

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
Sundry Creditors	19,000	Goodwill		18000
Bills Payable	5,000	Cash at bank		2,500
D's Loan a/c	40,950	Sundry Debtors	16,000	
Capital C	56,425	Less Reserve	2,450	13,550
E	30,475	Stock		30,000
		Motor Vans		6,800
		Plant and Machinery		31,500
		Factory Building		49,500
	151850			151850

Problem No. 3

Journal Entries

	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Goodwill a/c		18,000	
	To A's Capital a/c			7,200
	To B's Capital a/c			5,400
	To C's Capital a/c			5,400
	Goodwill transferred to the all partners capital accounts			
	Profit and Loss Adjustment a/c		14,000	
	To Machinery a/c			10,000
	To Reserve for doubtful debts			3,000
	To Fixtures			1,000
	Decrease in the value of above assets recorded			
	Stock a/c		5,000	
	To Profit and Loss adjustment a/c			5,000
	Increase in the value of stock recorded			

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	A's Capital a/c		3,600	
	B's Capital a/c		2,700	
	C's Capital a/c		2,700	
	To Profit and Loss Adjustment a/c			9,000
	Loss on revaluation transferred to profit and loss adjustments account			
	Ci Capital Account		17700	
	To Ci Loan Account			17700
	Ci Capital Transferred to Loss a/c			

Profit and Loss Adjustment Account

	Rs.			Rs.
To Plant and Machinery	10,000	By Stock a/c		5,000
To Reserve for doubtful debts	3,000	By A's Capital	3,600	
To Fixtures	1,000	By B's Capital	2,700	
		By C's Capital	2,700	9,000
	14,000			14,000

Capital Accounts

	A	B	C		A	B	C
To Profit and Loss Adjustments	3,600	2,700	2,700	By Balance b/d	20,000	15,000	15,000
To Balance c/d	23,600	17,700	--	By Goodwill	7,200	5,400	5,400
To Transferred to Loan a/c	--	--	17,700				
	27,200	20,400	20,400		27,200	20,400	20,400

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Balance Sheet of A, B and C
As at 31st December, 2005

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
Sundry Creditors	30,500	Cash at Bank		3,500
Capital:		Debtors	35,000	
A	23,600	Less Reserve	3,000	32,000
B	17,700	Fixtures		1,000
C	17,700	Machinery		15,000
		Stock		20,000
		Goodwill		18,000
	89,500			89,500

Problem No. 4

Profit and Loss Adjustment Account

To Stock	2,000	By Building a/c	12,500
To Machinery	3,000		
To Reserve for bad debts	2,000		
To Profit transferred to Capital a/c	5,500		
Ahmad	2,750		
Aleem	1,650		
Ali	1,100		
Total:	12,500	Total:	12,500

Ali Capital Account

To Balance due	31,300	By Balance b/d	20,000
		By Reserve Fund	3,000
		By Goodwill	7,200
		By Profit	1,100
Total:	31,300	Total:	31,300

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Problem No. 5

Journal

Particulars	L/F	Rs.	R.s
Goodwill Account		1,000	
To Old's Capital Account			500
To Young's Capital Account			500
Goodwill raised in the books			
Revaluation Account		826	
To Stock			500
To Reserve for Doubtful Debts			326
Decrease in assets recorded			
Old's Capital Account		413	
Young's Capital Account		413	
To Revaluation Account			824
Loss on Revaluation transferred to partners			
Old's Capital Account		2,000	
To Old Loan Account			2,000
Rs. 2,000 Revaluation as loan on mortgage			
Old's Capital Account		3,087	
To Bills Payable Account			3,087
A bill given to old			

Balance Sheet of Young

As at 31st December, 2005

Liabilities	Amount	Assets		Amount
	Rs.			Rs.
Sundry Creditors	7,000	Bank Balance		100
Bills Payable	3,087	Sundry Debtors	8,150	
Old's Loan	2,000	Less Reserve for	326	7,824
Young Capital	4,087	Bad debts		
		Stock		2,750
		Machinery		1,500
		Freehold		3,000
		Goodwill		1,000
Total:	16,174	Total:		16,174

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Problem No. 6

Karim's Capital Account

Particulars	Rs.	Particulars	Rs.
To Cash (Drawings)	5,000	By Balance b/d	20,000
		By Goodwill a/c	12,000
		By Profit & Loss	1,000
To Balance c/d	28,750	By Interest on Capital	750
Total:	33,750	Total:	33,750

Calculations: Calculation of Goodwill

$$\text{Average Profit} = \frac{15,000 + 12,000 + 9,000}{3} = 12,000$$

$$\text{Goodwill} = 12,000 \times 3 = 36,000$$

$$\text{Karim's share} = \frac{36,000 \times 3}{9} = 12,000$$

Profit and Loss: Average Profit for three year Rs. 12,000.

$$\text{Profit upto 31st March} = \frac{12,000 \times 3}{12} = 3,000$$

$$\text{Karims's share} = \frac{3,000 \times 3}{9} = 1,000$$

Problem No. 7

M/S Capital Account

Date	Particulars	Rs.	Date	Particulars	Rs.
2005			2005		
Mar. 31	To Drawings	1,800	Mar. 31	By Balance b/d	24,000
	To Balance due	46,133		By Profit for 3 months	1,233
				By Interest	300
				By Share of Policy Money	12,000
				By Share of Goodwill	10,400
	Total:	47,933		Total:	47,933

Problem No. 8

Smith's Capital Account

Particulars	Rs.	Particulars	Rs.
To Balance due to Smith's Executive	12,800	By Capital at date of death	6,000
		By Reserve 2/5	1,200
		By Profit	560
		By Goodwill	5,040
Total:	12,800	Total:	12,800

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Problem No. 9

Journal Entries

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
2006				
Feb. 21	Interest a/c		60	
	To B's Capital a/c			60
	Interest on Capital			
	Reserve Fund A/c		1,000	
	To B's Capital a/c			1,000
	Share of reserve fund			
	Profit & Loss a/c		53,333	
	To B's Capital a/c			53,333
	Share of profit for the period			
	Goodwill a/c		5,866.67	
	To B's Capital a/c			5,866.67
	Share of goodwill			
	Cash a/c		16,200	
	To Investments			16,200
	Investments sold			
	B's Capital a/c		13,460	
	To Cash a/c			13,460
	Cash paid to B			

B's Capital Account

	Rs.		Rs.
To Cash a/c	13,460	By Balance b/d	6,000
		By Reserve Fund	1,000
		By Interest	60
		By Profit and Loss a/c	533.33
		By Goodwill	5,866.67
	13,460		13,460

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PARTNERSHIP ACCOUNTS (IV)

Dissolution of the partnership

Problem No. 1

Journal

Particulars	L/F	Rs.	Rs.
Realization Account		70,000	
To Sundry Assets A/c			90,000
Transferred of assets to Realisation a/c			
Sundry Creditors		20,000	
To Realisation Account			20,000
Transfer of Sundry Creditors to Realisation a/c			
Cash Account		90,000	
To Realisation Account			90,000
Cash received from the sale of assets.			
Realization Account		2,000	
To Cash Account			2,000
Realisation expenses paid			
Realization Account		20,000	
To Cash Account			20,000
Creditors paid off			
Realisation Account		18,000	
To P's Capital Account			12,000
To Q's Capital Account			6,000
Profit on realisation transferred to the partners capital			
P's Capital Account		52,000	
Q's Capital Account		26,000	
To Cash Account			78,000
Excess Capital Return to the partners			

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Realisation Account

Particulars		Rs.	Particulars	Rs.
To Sundry Assets		90,000	By Sundry Creditors	20,000
To Cash (Expenses)		2,000	By Cash A/c	90,00
To Cash (Creditors)		20,000		
To P's Capital A/c	12,000			
To Q's Capital A/c	6,000	18,000		
Total:		1,10,000	Total:	1,10,000

Capital Accounts

	P	Q		P	Q
		Rs.		Rs.	Rs.
To Cash	52,000	26,000	By balance b/d	40,000	20,000
			By Realisation A/c	12,000	60,000
Total:	52,000	26,000	Total:	52,000	26,000

Cash Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	10,000	By Realisation	2,000
To Realisation a/c	90,000	By Realisation	20,000
		By Realisation	
		By P's Capital b/d	52,000
		By C Capital b/d	26,000
Total:	1,00,000	Total:	1,00,000

Problem No. 2

Journal

Particulars	L/F	Rs.	Rs.
Realization Account		59,000	
To Machinery			25,000
To Stock			11,000
To Debtors			10,000
To Patents			5,000
To Goodwill			8,000
Various assets transferred to Realisation a/c			

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Sundry Creditors		12,000	
Reserve for Bad Debts		500	
To Realisation Account			12,500
Transfer of liabilities to Realisation a/c			
Cash Account		50,000	
To Realisation Account			50,000
Amount realized by sale of various assets.			
Realization Account		11,500	
To Cash Account			11,500
Payment to Creditors			
Realization Account			
To Cash Account		1,000	
Payment of Expenses.			1,000
A's Capital Account		4,500	
B's Capital Account		3,000	
C's Capital Account		1,500	
To Realisation Account			9,000
Transfer of loss of Capital Account			
Contingency Reserve		3,000	
To A's Capital Account			1,500
To B's Capital Account			1,000
To C's Capital Account			500
Reserve transferred to Capital Account			
A's Capital Account		17,000	
B's Capital Account		13,000	
C's Capital Account		9,000	
To Cash Account			39,000
Payment to partners.			

Realisation Account

Date	Particulars	Rs.	Date	Particulars	Rs.
2005			2005		
Jan. 31	To Sundry Assets	59,000	Jan. 31	By Sundry Creditors	12,000
	To Cash (Creditors paid)	11,500		By Provision for Bad Debts	500
	To Cash (expenses)	11,000		By Cash	50,000
				By Loss to	

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				- A	=	4,500
				B	=	3,000
				C	=	1,500
		Total:	71,500			Total:

	9,000
	71,500

Capital Accounts

	A	B	C		A	B	C
	Rs.		Rs.		Rs.	Rs.	Rs.
To Realisation a/c	4,500	3,000	1.500	By balance b/d	20,000	15,000	10,000
To Cash	17,000	13,000	9,000	By Reserve	1,500	1,000	500
Total:	21,500	16,000	10,500	Total:	21,500	16,000	10,500

Cash Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,500	By Realisation	11,500
To Realisation a/c	50,000	By Realisation	1,000
		By A Capital b/d	17,000
		By B Capital b/d	13,000
		By C Capital b/d	9,000
Total:	51,500	Total:	51,500

Problem No. 3

Journal

Particulars	L/F	Rs.	Rs.
Realization Account		80,000	
To Plant Machinery			50,000
To Debtors			10,000
To Investment			20,000
Various assets transferred to Realisation a/c			
Fraz Capital a/c		55,000	
Farrukh Capital account		25,000	
Fahad Capital account		8,000	
To Realisation account			88,000
Fraz takes of plant and machinery Farrukh takes over the investment and Fahad takes over the debtors			

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Sundry Creditors		15,000	
To Realisation Account			15,000
Transfer of creditors to Realisation accounts			
Realization Account		14,250	
To Cash Account			14,250
Sundry Creditors were paid off			
Realization Account		8,750	
To Fraz Capital account			4,375
To Farrukh capital account			2,625
To Fahad Capital account			1,750
Profit on realisation transferred to the partners capital account			
Cash Account		20,625	
To Fraz Capital Account			20,625
Cash brought by Fraz			

Realisation Account

Particulars		Amount	Particulars	Amount
To Plant		50,000	By Sundry Creditors	15,000
To Debtors		10,000	By Fraz capital	55,000
To Investment		20,000	By Farrukh Capital	25,000
To Cash A/c		14,250	By Fahad Capital	8,000
To Fraz capital a/c	4,375			
To Farrukh capital a/c	2,625			
To Fahad capital a/c	1,750	8,750		
	Total:	1,03,000	Total:	1,03,000

Capital Accounts

	Fraz	Farrukh	Fahad		Fraz	Farrukh	Fahad
	Rs.		Rs.		Rs.	Rs.	Rs.
To Realisation a/c	55,000	25,000	8,000	By balance b/d	30,000	25,000	20,000
To Cash	-----	2,625	13,750	By Realization	4,375	2,625	1,750
				By Cash	20,625	-----	-----
Total:	55,000	27,625	21,750	Total:	55,000	27,625	21,750

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Cash Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	10,000	By Realisation	14,250
To Fraz Capital a/c	20,625	By Farrukh Capital	2,625
		By Fahad Capital	13,750
Total:	30,625	Total:	30,625

Problem No. 4

Journal

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Realization Account		43,000	
	To Sundry Debtors			5,000
	To Stock			20,000
	To Plant & Fixtures			14,000
	To Goodwill			4,000
	Being transfer of assets of realization.			
	Sundry Creditors		6,000	
	To Realisation Account			6,000
	Being transfer of liabilities to realization account			
	Cash account		39,400	
	To Realisation account			39,400
	Being the amount realized by sale of various assets			
	Realisation Account		600	
	To Cash Account			600
	Payment of expenses			
	Realization Account		5,700	
	To Cash Account			5,700
	Payment of sundry liabilities at a discount of 5%			
	Sadaf Account		2,600	
	Robina Account		1,300	
	To Realisation Account			3,900
	Transfer of loss on realization to capital accounts			

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Sadaf Loan Account		8,000	
To Cash Account			8,000
Payment of P's Loan			
Sadaf's Capital Account		17,400	
Robina's Capital Account		8,700	
To Cash Account			26,100
Repayment to partners of what is due to them from the firm.			

Realization Account

	Rs.			Rs.
To sundry assets	43,000	By Sundry Liabilities		6,000
To Cash (expenses)	600	By Cash Assets realized		39,400
To Cash (Liabilities)	5,700	By Capital Account		
		Sadaf (2/3)	2,600	
		Robina (1/3)	1,300	3,900
	49,300			49,300

Capital Account

	Sadaf	Robina		Sadaf	Robina
	Rs.	Rs.		Rs.	Rs.
To Realisation a/c	2,600	1,300	By Balance c/d	20,000	10,000
To Cash	17,400	8,700			
	20,000	10,000		20,000	10,000

Cash Account

	Rs.		Rs.
To Balance b/d	1,000	By Realisation a/c	600
To Realisation Account	39,400	By Realisation a/c	5,700
		By Sadaf's Loan	8,000

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		By Sadaf's Capital a/c	17,400
		By Robina's Capital	8,700
	40,400		40,400

Problem No. 5

Realisation Account

To Sundry asset		90,000	By Creditors		30,000
To Cash a/c		80,000	By Cash a/c		100,000
X Capital	6,000				
Y Capital	4,000	10,000			
		1,00,000			1,00,000

Capital Accounts

Particulars	P	Q	R	Particulars	P	Q	R
To Realisation (loss)	18,000	6,000	12,000	By Balnace	30,000	15,000	3,000
To Q	4,667	2,333	--	By Reserve			
To Bank	10,333	7,667	--	(1/2, 1/6, 1/8)	3,000	1,000	2,000
				By P 2/3	--	--	4,667
				By Q 1/3	--	--	2,333
Total:	33,000	16,000	12,000	Total:	33,000	16,000	12,000

Problem No. 6

Realization Account

	Rs.			Rs.
To Sundry Assets	96650	By Cash		69000
To Cash Creditors	5030	By Q's Capital A/c		22000
To Q's Capital	10000	By Creditors		5280
To Cash (Expenses)	11000	By Bank Loan		10000
		By P's Capital	9840	
		By Q's Capital	6560	16400
	77680			77680

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Capital Account

	P	Q		P	Q
To Realization A/c		22000	By Balance b/d	60000	20000
To Realization A/c	9840	6560	By Reserve	3000	2000
To Cash A/c	53160	3440	By Bank Loan		10000
	63000	32000		63000	32000

Cash Account

	Rs.		Rs.
To Balance b/d	3630	By Realization A/c	15030
To Realization A/c	69000	By Realization (expenses)	1100
		By P's Capital	53160
		By Q's Capital	3440
	72630		72630

Problem No. 7

Realization Account

	Rs.			Rs.
To Sundry Assets	55000	By Sundry creditors		17000
To Cash (liabilities paid)	19300	By provision for Sun. Cre.		500
To Cash (Expenses)	500	By Loss A	2400	
		By Loss B	1600	4000
	72800			72800

Capital Account

	X	Y		X	Y
To Realization loss	2400	1600	By Balance b/d	20000	200000
To Realization A/c	2500	2500			
To Cash A/c	15100	15900			
	20000	20000		20000	20000

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Cash Account

	Rs.		Rs.
To Balance b/d	2500	By Sundry Creditors	15800
To Realization A/c	46300	By Royalities	1500
		By Realization A/c (Exp.)	500
		By X's Capital A/c	15100
		By Y's Capital A/c	15900
	48800		48800

Problem No. 8

Journal

Date	Particulars	Rs.	Rs.
2005			
June 30	Realisation a/c	21,940	
	To Sundry Assets:		
	Investments		4,900
	Debtors		2,000
	Stock		4,000
	Furniture		3,000
	Machinery		8,000
	Assets transferred to Realisation account		
June 30	Liabilities		
	Creditors	3,600	
	Bills Payable	1,500	
	To Resalisation a/c		5,100
	Liabilities transferred to Realisation account		
" "	Bank A/c	16,500	
	To Realisation a/c		16,500
	Sales Proceeds of Assets.		
" "	Rehman's Capital a/c	5,000	
	The Realisation a/c		5,000
	Investment taken over by Rahim.		
" "	Realisation a/c	4,950	
	To Bank a/c		4,950
	Liabilities discharged		

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" "	Realization a/c	490	
	To Bank a/c		490
	Realisation expenses.		
" "	Rahim's Capital a/c	390	
	Rehman's Capital a/c	195	
	Rashid's Capital a/c	195	
	To Realisation a/c		780
	Loss on Realisation debited to Capital a/cs.		
" "	Rehman's Loan a/c	2,000	
	To Bank a/c		2,000
	Loan paid off.		
" "	General Reserve a/c	1,500	
	To Rahim's Capital a/c		750
	To Rehman's Captial a/c		375
	To Rashid's Capital a/c		275
	Reserve credited to Capital a/cs.		
June 30	Bank a/c	820	
	To Rehman's Capital a/c		
	Cash brought in		
	Rahim's Capital a/c	8,360	
	Rashid's Capital a/c	4,180	
	To Bank a/c		12,540
	Payment in final settlement.		

Realization Account

2005		Rs.	2005		Rs.
June		21,940	June		5,100
30	To Sundry Assets		30	By Liabilities a/c	
	To Bank a/c (Exps.)	490		(Crs. and B/P)	
	To Bank a/c	4,950		By Bank a/c	16,500
				By Rehman's Capital a/c	5,000
				By Rahim's Captial a/c	390
				By Rehman's Capital a/c	195
				By Rashid's Capital a/c	195
	Total:	27,380		Total:	27,380

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Bank Account

Date	Particulars	Rs.	Date	Particulars	Rs.
2005			2005		
June 30	To Bal. B/d	2,660	June 30	By Realisation a/c	4,950
	To Realisation a/c	16,500		By Realisation a/c	490
	To Rehman	820		To Rehman Loan a/c	2,000
				To Rahim	8,360
				To Rashid	4,180
	Total:	19,980		Total:	19,980

Capital Accounts

Particulars	Rahim	Rehman	Rashid	Particulars	Rahim	Rehman	Rashid
To Realisation a/c	--	5,000	--	By Balance b/d	8,000	4,000	4,000
To Realisation (loss)	390	195	195	By General Reserve	750	375	375
To Balance c/d	8,360	--	4,180	By Balance a/c	--	820	--
Total:	8,750	5,195	4,375	Total:	8,750	5,195	4,375

Problem No. 9

Realisation Account

	Rs.			Rs.
To Sundry Assets	1,57,000	By Cash (Sale Procceds)		1,12,000
To Cash (Expenses)	1,200	By Loss A	30,600	
To Creditors (Damages)	15,000	B	20,400	
		C	10,200	61,200
Total:	1,73,200	Total:		1,73,200

Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
To Realisation loss	30,600	20,400	10,200	By Balnace b/d	60,000	40,000	10,000
To Cash A/c	29,400	19,600	--	By Cash A/c	--	--	200
Total:	60,000	40,000	10,200	Total:	60,000	40,000	10,200

Cash Account

Particulars	Rs.	Particulars	Rs.
To Balance b/d	3,000	By Realisation A/c (Exp.)	1,200
To Realisation A/c	1,12,000	By Realisation A/c (Liabilities)	55,000
To Capital A/c	200	By A's Capital A/c	29,400
		By B's Capital A/c	19,600
		By A's Loan A/c	10,000
Total:	1,15,200	Total:	1,15,200

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Problem No. 10

Journal Entries

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Realization Account		11,212	
	To Investment			1,010
	To Sundry Debtors			2,800
	To Stock			1,910
	To Machinery			1,000
	To Building			4,000
	Transfer of the assts to realized a/c			
	Sundry Creditors		1,460	
	Bills Payable		2,540	
	Provisions for bad debts		150	
	To Realisation a/c			4,150
	Transfer of the liabilities to realization account			
	Cash a/c		5,062	
	To Realisation a/c			5,062
	Cash received from the sale of assets			
	A's Capital a/c		3,500	
	B's Capital a/c		800	
	To Realisation a/c			4,300
	Building took over by a and Investment by B			
	B's Loan a/c		2,000	
	To Cash a/c			2,000
	B's Loan Paid			
	Realization a/c		2,000	
	To Cash a/c			2,000
	B's Loan paid			
	Realization a/		4,000	
	To Cash a/c			4,000
	Liabilities paid			

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A's Capital a/c		850	
B's Capital a/c		510	
C's Capital a/c		340	
To Realisation a/c			1700
Loss on realisation transferred to the Partners Capital Accounts			
B's Capital a/c		263	
C's Capital a/c		747	
To Cash a/c			1,010
Capital paid off			
Cash a/c		1,730	
To A's Capital a/c			1,730
Cash brought by A			

Realization Account

	Rs.			Rs.
To Sundry Assets:		By Sundry Creditors		1,460
Investments	1,000	By Bills Payable		2,540
Debtors	2,800	By Provision for bad debts		150
Stock	1,912	By Cash a/c		5,062
Machinery	1,500	By A's Capital a/c		3,500
Building	4,000	By B's Capital a/c		800
To Cash a/c	4,000	By A's Capital a/c	850	
		By B's Capital	510	
		By C's Capital	340	1,700
	15,212			15,212

Capital Accounts

	A	B	C		A	B	C
To Realisation a/c	850	510	340	By Balance b/d	2,500	1,500	1,000
To Realisation a/c	3,500	800	--	By Current a/c	120	73	87
To Cash a/c	--	263	747	By Cash a/c	1,730	--	--
	4,350	1,573	1,087		4,350	1,573	1,087

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Problem No. 11

Realization Account

Particulars	Rs.	Particulars		Rs.
To Sundry Assets	5,620	By Cash A/c		4,844
To Cash Creditors paid	3,875	By Sundry Creditors		3,875
To Cash Expenses	52	By Loss:		
		A	414	
		B	276	
		C	138	828
Total:	9,547	Total:		9,547

Capital Accounts

Particulars	A	B	C	Particulars	A	B	C
To Balance	--	--	159	By Balance b/d	1,520	1,120	--
To Realisation Loss	414	276	138	By Cash A/c	414	276	--
				By A's Capital	--	--	171
To C's Cap.	171	126	--	By B's Capital	--	--	126
To Cash a/c	1,349	994	--				
Total:	1,934	1,396	297	Total:	1,934	1,396	297

Cash Account

Particulars	Rs.	Particulars	Rs.
To Balance b/c	986	By Realization a/c Expenses	52
To Realization a/c	4,844	By A's Loan	250
To A's Capital	414	By Realization a/c	
To B's Capital	276	Creditors paid	3,875
		By A's Capital	1,349
		By B's Capital	994
Total:	6,520	Total:	6,520

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Problem No. 12

Capital Accounts

Particulars	X	Y	Z	Particulars	X	Y	Z
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
To Balance	--	--	6,000	By Balance b/d	18,000	12,000	--
To Loss on Realization	3,000	3,000	3,000	By Cash a/c	3,000	3,000	--
To Z's Capital	15,400	3,600	--	By X's Capital	--	--	5,400
To Cash a/c	12,600	8,400	--	By Y's Capital	--	--	3,600
Total:	21,000	15,000	9,000	Total:	21,000	15,000	9,000

Problem No. 13

Capital Accounts

	Saleem	Karim	Rasheed		Saleem	Karim	Rasheed
To balance b/d	----	----	20,000	By balance b/d	30,000	10,000	------
To Rasheed's				By realisation	6,000	6,000	6,000
Capital a/c	9,000	3,000		By Cash a/c			2,000
To cash a/c	13,000	13,000		By Saleem Capital a/c			9,000
				By Karim Capital a/c			3,000
	36,000	16,000	20,000		36,000	16,000	20,000

Cash Account

Particular	Rs.	Particular	Rs.
To Balance b/d	60,000	By Realisation a/c	22,000
To Rasheed's Capital a/c	2,000	By Saleem's Capital a/c	27,000
		By Karim's Capital a/c	13,000
	62,000		62,000

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Problem No. 14

Realization Account

To S. Assets	61000	By Creditors		30000
" Cash (Creditor)	30000	" Cash A/c		34500
" Cash (Expenses)	3500	" X's Capital	10000	
		" Y's Capital	10000	
		" Z's Capital	10000	30000
	94500			94500

Where Capital are Fixed

	X	Y	Z		X	Y	Z
To Balance b/d	--	--	10000	By Balance b/d	20000	10000	--
" Realization a/c	10000	10000	10000	" Reserve Fund	5000	5000	5000
" Z's Capital in				" Cash	--	--	3000
Rating 20-10	8000	4000	--	" X's Capital	--	--	8000
" Cash	70000	1000	--	" Y's Capital	--	--	4000
	25000	15000	20000		25000	15000	20000

Before the decision Garner Vs. Murry

A's Capital Account

To Realisation (Loss)	50000	By Balance b/d	250000
" C's Capital A/c	65000		
" Cash A/c	135000		
	250000		250000

B's Capital Account

To Realisation (Loss)	50000	By Balance b/d	150000
" C's Capital A/c	65000		
" Cash A/c	35000		
	150000		150000

C's Capital Account

To Balance b/d	80000	By A's Capital A/c	65000
To Realisation (Loss)	50000	" B's Capital A/c	65000
		(Profit sharing ratio)	
	130000		130000

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Cash Account

To Balance b/d	50000	By Realization A/c	300000
" Cash A/c	450000	" Realization A/c	30000
		" A's Capital	135000
		" B's Capital	35000
	500000		500000

Cash Account

To Balance c/d	4000	By Realisation A/c	30000
" Realization A/c	34500	" Realization A/c	3500
" Z's Capital A/c	3000	" X's Capital	7000
		" Y's Capital	1000
	41500		41500

Where Capital are Fixed

	X	Y	Z		X	Y	Z
To Balance b/d	--	--	10000	By Balance b/d	20000	10000	--
" Realization a/c	10000	10000	10000	" Reserve Fund	5000	5000	5000
" Z's Capital in Rating 20-10	8000	4000	--	" Cash	--	--	3000
" Cash	70000	1000	--	" X's Capital	--	--	8000
				" Y's Capital	--	--	4000
	25000	15000	20000		25000	15000	20000

Cash Account

To Balance c/d	4000	By Realisation A/c	30000
" Realization A/c	34500	" Realization A/c	3500
" Z's Capital A/c	3000	" X's Capital	7000
		" Y's Capital	1000
	41500		41500

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Problem No. 15

Realization Account

To Sundry Assets	570000	By S. Creditors			300000
" Cash A/c (Creditors)	300000	" Cash A/c			450000
" Cash A/c (Expenses)	30000	" A's Capital	50000		
		" B's Capital	50000		
		" C's Capital	50000		150000
	900000				900000

After the decision Garner Vs. Murry

A's Capital Account

To Realisation (Loss)	50000	By Balance b/d	250000
" C's Capital A/c	81250	" Cash A/c	50000
" Cash A/c	168750		
	300000		300000

B's Capital Account

To Realisation (Loss)	50000	By Balance b/d	150000
" C's Capital A/c	98750	" Cash A/c	50000
" Cash A/c	101250		
	200000		200000

C's Capital Account

To Balance b/d	80000	By A's Capital A/c	81250
To Realisation (Loss)	50000	" B's Capital A/c	48750
	130000		130000

Cash Account

To Balance c/d	50000	By Realisation A/c	300000
" Realization A/c	450000	" Realization A/c	30000
" A's Capital A/c	50000	" A's Capital	168750
" B's Capital A/c	50000	" B's Capital	101250
	600000		600000

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Problem No. 16

Realisation Account

	Rs.			Rs.
To Sundry Assets	18,500	By Cash a/c		6,000
To Cash Account	100	Dawood Capital	7,875	
		Mansoor Capital	4,725	12,600
	18,600			18,600

Cash Account

	Rs.		Rs.
To Balance b/d	500	By Realisation a/c	100
To Realisation a/c	6,000	By Sundry Creditors	6,900
To Dawood	500		
	7,000		7,000

Capital Account

	Dawood	Mansoor		Dawood	Mansoor
	Rs.	Rs.		Rs.	Rs.
To Realisation a/c	7,875	4,725	By Balance b/d	7,500	1,500
To Unpaid amount	105	--	By Cash	500	--
			By Profit & Loss a/c	--	3,225
	8,000	4,725		8,000	4,725

Creditors Account

	Rs.		Rs.
To Cash a/c	6,900	By Balance b/d	10,000
To P & Loss a/c	3,100		
	10,000		10,000

Profit & Loss Account

	Rs.		Rs.
To Mansoor's Capital	3,225	By Unpaid creditors	3,100
		By Dawood's Unpaid amount	125
	3,225		3,225

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Problem No. 17

Realization Account

		Rs.			Rs.
To Sundry Asset			By Cash a/c		
Stock	24,000		Stock	15,000	
Debtors	20,000		Debtors	16,000	
Furniture	3,000	47,000	Furniture	1,000	32,000
			By Loss trahsferred to		
To Realisation a/c (Expenses)		3,000	A	6,000	
			B	6,000	
			C	6,000	18,000
		50,000			50,000

Sundry Creditors Account

	Rs.		Rs.
To Cash	31,500	By Balance b/d	40,000
To Profit and Loss a/c balance transferred	8,500		
	40,000		40,000

Cash Account

	Rs.		Rs.
To Balance b/d	1,000	By Realisation a/c (Expenses)	3,000
To Realisation a/c assets realized	32,000	By Sundry Creditors (available cash paid to them)	31,500
To A's Capital a/c amount received	1,500		
	34,000		34,000

Capitals Accounts

	A	B	C		A	B	C
To Balance b/d	--	--	10,000	By Balance b/d	5,000	3,000	--
To Loss on realisation	6,000	6,000	5,000	By A's Loan a/c	10,000	--	--
				Cash	1,500	--	--
To P & L a/c transfer	10,500	--	--	By P & L a/c transfer	--	3,000	16,000
	16,500	6,000	16,000		16,500	6,000	16,000

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8 JOINT STOCK COMPANY ACCOUNTS

Problem No. 1

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Bank a/c		7,00,000	
	To Share application a/c			7,00,000
	Share application money received			
	Share application a/c		2,00,000	
	To Bank a/c			2,00,000
	Excess Share application money for 2,000 shares was refunded			
	Share application a/c		5,00,000	
	To Share Capital a/c			5,00,000
	Share application money transferred to the share capital			

Balance Sheet

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Authorized Capital			
10,000 shares of Rs. 100 each	10,00,000	Cash at Bank	5,00,000
Issued, Subscribed& Paid up Capital			
5,000 shares of Rs. 100 each	5,00,000		
	22,00,000		22,00,000

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Problem No. 2

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Bank a/c		22,00,000	
	To Share application a/c			22,00,000
	Share application money received			
	Share application a/c		22,00,000	
	To Share Capital a/c			20,00,000
	To Share Premium a/c			2,00,000
	Share application money transferred to the share capital & share premium			

Balance Sheet

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Authorized Capital		Cash at Bank	22,00,000
50,000 shares of Rs. 100 each	50,00,000		
Issued & Subscribed Capital			
20,000 shares of Rs. 100 each	20,00,000		
Called & Paid up Capital			
20,000 share of Rs. 100 each	2,00,000		
add share premium account	20,000		
	22,00,000		22,00,000

Problem No. 3

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Bank A/c		81,000	
	To Share Application a/c			81,000
	Share application money received			

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	Share application a/c		81,000	
	Share discount a/c		9,000	
	To Share Capital a/c			90,000
	Share application money transferred to share capital on share issued to discount			

Balance Sheet

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Authorized Capital		Cash at Bank	81,000
20,000 share of Rs. 10 each	2,00,000	Share discount	9,000
Issued Capital		Sundry Assets	1,00,000
20,000 share of Rs. 10 each	2,00,000		
Subscribed Call and Paid up **Capital**			
10,000 share of Rs. 10 each	1,00,000		
9,000 share of Rs. 10 each	90.000		
	1,90,000		1,90,000

Problem No. 4

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Bank a/c		2,31,000	
	To Share application a/c			2,31,000
	Share application money received			
	Share application a/c		11,000	
	To Bank a/c			11,000
	Share application money returned to non allottee			
	Share application a/c		2,20,000	
	To Share capital a/c			2,20,000
	To Share premium a/c			
	Share application money transferred to share capital a/c at share premium a/c			

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	Machinery a/c		3,00,000	
	To Share capital a/c			3,00,000
	Machinery purchased and share allottees			

Balance Sheet

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Authorized Capital		Cash at bank	2,20,000
5,000 share of Rs. 100 each	5,00,000	Machinery	3,00,000
Issued, Subscribed, Called and Paidup Capital			
2,000 share of Rs. 100 each	2,00,000		
add Share premium	2,000		
Issued for machinery purchase			
3,000 share of Rs. 100 each allotted for machinery	3,00,000		
	5,20,000		5,20,000

Problem No. 5

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Bank a/c		2,85,000	
	To Share application a/c			2,85,000
	Share application money received			
	Share application a/c		2,85,000	
	Share discount a/c		15,000	
	To Share capital a/c			3,00,000
	Share application money returned to the share capital a/c issued at discount			
	Capital Profit aa/c		10,000	
	To Share discount a/c			10,000
	Share discount amounting Rs. 10,000 written out of capital profit			

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Balance Sheet

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Authorized Capital		Cash at bank	2,85,000
10,000 shares of Rs. 100 each	10,00,000	Share discount	5,000
Issued Capital		Sundry assets	30,000
5,000 shares of Rs. 100 each	5,00,000		
Subscribed, Called and			
Paid up Capital			
3,000 shares of Rs. 100 each	3,00,000		
add Capital Profit	20,000		
	3,20,000		3,20,000

Problem No. 6

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Bank a/c		500,000	
	To Share Capital a/c			5000,000
	Issued 5000 shares to the Directors			
	Bank A/c		1,400,000	
	To Share Application A/c			1,400,000
	Application received for 14000 shares.			
	Share Application A/c		1,400,000	
	To Share Capital A/c			1,400,000
	Shares allotted to the public.			
	Bank A/c		100,000	
	To Share Capital A/c			100,000
	1000 Shares issued to the under writers.			

Problem No. 7

Date	Particulars	Debit	Credit
		Rs.	Rs.
1995	Bank A/c	90,000	
Nov. 1	Discount on Shares A/c	10,000	
	To Share Capital A/c		10,0000
	Issued 1000 shares to Directors at a discount		

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Dec. 1	Bank A/c	180,000	
	To Share application A/c		180,000
	Received applications for 2000 shares.		
" "	Share Application A/c	180,000	
	Discount Shares A/c	20,000	
	To Share Capital A/c		200,000
	Allotted 2000 shares to public.		

Salam Corporation
Balance Sheet
As at _____

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Authorized Capital		Cash at Bank	2,70,000
5000 Shares of Rs. 100 each	500,000	Discount on Shares	30,000
Issued Capital			
4000 Shares of Rs. 100 each.	400,000		
Subscribed Capital			
3000 Shares of Rs. 100 each.	300,000		
Called up to and Paid up Capital			
3000 Shares of Rs. 100 each	300,000		
Total:	300,000	Total:	300,000

Problem No. 8

Date	Particulars	Debit	Credit
		Rs.	Rs.
	Cash A/c	200000	
	To Share Capital		200000
	2000 Shares allotted to the Directors		
	Bank A/c	5000000	
	To Share application A/c		5000000
	Amount Received as Share application		
	Share application A/c	500000	
	To share Capital A/c		500000
	Share application money transferred to the share Capital a/c		

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	Preliminary Expenses A/c	100000	
	To Share Capital A/c		100000
	1000 Shares issue against preliminary expenses.		

Balance Sheet of Shalimar Limited

Liabilities	Amount	Assets	Amount
Authorized Capital			
10,000 Shares of Rs. 100 each	1000000	Cash at Bank	700000
Issued, subscribed and paid up Capital		Preliminary Expenses	100000
Paid up Capital			
8000 Shares of Rs. 100 each	800000		
	800000		800000

Problem No. 9

			Rs.	Rs.
(a)	Bank A/c		200000	
	To 6% debenture A/c			200000
	Issued of 2000 debentures at par.			
(b)	Bank A/c		220000	
	To 6% debenture A/c			200000
	To Premium on issue of debenture			20000
	Issue of 2000 debenture at 10% premium.			
(c)	Bank A/c		180000	
	Discount on issue 5% Debenture		20000	
	To Debenture A/c			200000
	Issue of 2000 debenture at 10% discount.			

Problem No. 10

Date	Particulars	Debit	Credit
		Rs.	Rs.
a	Bank a/c	1,00	
	To 6% debentures a/c		1,00
	Issue of 1,000, 6% debentures of Rs. 100 each		

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b	Bank Account	100	
	Loss on Issue of Debenture Account	5	
	To Debentures Account		100
	To Premium on Redemption of Debentures a/c.		5
	Issue of Debenture at Rs. 100, repayable at Rs. 105		
c	Bank Account	95	
	Discount on Issue of Debentures Account	5	
	To Debentures Account		100
	Issue of Debenture of Rs. 100 at Rs. 95.		
d	Bank Account	105	
	To Debentures Account		100
	To Premium on Debentures Account		5
	Issue of Debenture at Rs. 105, repayable at Rs. 100.		
e	Bank Account	95	
	Loss on Issue of Debentures Account	10	
	To Debentures Account		100
	To Premium of Redemption of Debentures A/c		5
	Issue of Debenture at Rs. 95 but repayable at Rs. 105		

Balance Sheet

	Liabilities	Amount	Assets	Amount
a	Debenture A/c	100	Bank A/c	100
		100		100
b	Debenture A/c	100	Bank A/c	100
	Premium on Redemption	5	Loss on Debenture A/c	5
		105		105
c	Debenture A/c	100	Bank A/c	95
			Discount A/c	5
		100		100
d	Debenture A/c	100	Bank A/c	105
	Premium on Debenture	5		
		105		105
e	Debenture A/c	100	Bank A/c	95
	Premium on Redemption	5	Loss on Debenture	10
		105		105

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Problem No. 11

Date	Particulars	Debit	Credit
		Rs.	Rs.
	Bank a/c	1,00,000	
	To 6% debenture a/c		1,00,000
	Issue of 1,000, 6% debenture of Rs. 100 each		
	Bank a/c	95,000	
	Discount on issue of debentures	5,000	
	To 6% debenture a/c		1,00,000
	Issue of 1,000 debentures of Rs. 100 each at a discount of 5%		
	Bank a/c	1,05,000	
	To 6% debentures a/c		1,00,000
	To Premium on debentures a/c		5,000
	Issue of 1,000 debentures of Rs. 100 each at Rs. 105		
	Bank a/c	96,000	
	Loss on Issued of debentures a/c	9,000	
	To 6% debenture a/c		1,00,000
	To Premium on redemption of debentures a/c		5,000
	Issue of 1,000 debentures of Rs. 95 but redeemable at Rs. 105		

Balance Sheet

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
6% Debentures	1,00,000	Bank	1,00,000
6% Debentures	1,00,000	Bank a/c	95,000
		Discount on Issue of Debentures	5,000
	1,00,000		1,00,000
6% Debentures	1,00,000		
Premium on Debentures	5,000	Bank	1,05,000
	1,05,000		1,05,000
6% Debentures	1,00,000	Bank	96,000
Premium on Redemption of Debentures	5,000	Loss on Debentures	9,000
	1,05,000		1,05,000

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Problem No. 12

Date	Particulars	L.f	Debit	Credit
(a)	Bank A/c		60000	
	To 6% debenture A/c			60000
	Issue of Debenture at par and repayable at par.			
(b)	Bank A/c		63000	
	To 6% Debenture A/c			60000
	To Premium on issue of debenture A/c			3000
	Issue of Debenture at premium but repayable at par.			
(c)	Bank A/c		54000	
	Discount on issue of Debenture		6000	
	To 6% Debenture A/c			60000
	Issue of debenture at 10% discount but repayable at par.			
(d)	Bank A/c		60000	
	Loss on Debenture A/c		3000	
	To 6% Debenture A/c			60000
	To Premium on redemption A/c			3000
	Issue of debenture at par and repayable at premium.			
(e)	Bank A/c		57000	
	Loss on Debenture A/c		6000	
	To Debenture A/c			60000
	To Premium on Redemption			3000
	Issue of debenture at discount but repayable at premium.			

Problem No. 13

Journal Entries for issue of debentures

(a)	Bank a/c	100.000	
	To 6% Debentures a/c		100.000
	Issue of 1.000 debenture at		
(b)	Bank a/c	100.000	
	To 5% debenture a/c		100.000
	Issue 1,000 debenture of 100 each at par		
(c)	Bank a/c	105.000	
	To Debentures a/c		100.000
	To Premium on issue of debentures		5.000
	Issued 1,000 debentures of Rs. 100 each at a premium of 5%		

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(d)	Bank a/c	95,000	
	Discount on issue of debentures	5,000	
	To debentures a/c		100.000
	Issue of 1,000 debentures at discount of 5%		

Problem No. 14

			Rs.	Rs.
(a)	Cash A/c		220000	
	To Debenture A/c			200000
	To Premium on issue of debenture A/c			20000
	Issue of 2000 Debenture at premium for cash.			
(b)	Bank A/c		90000	
	Discount on issue of debenture		10000	
	To Debenture A/c			100000
	Issue of 1000 debentures at discount			
(c)	Furniture A/c		50000	
	To Vendors A/c			50000
	Furniture purchased.			
(d)	Vendors A/c		50000	
	To Debenture A/c			50000
	Being the issue of Debentures.			
(e)	Debenture Suspense A/c		500000	
	To Debenture A/c			500000
	Debenture issued as collateral security.			

Problem No. 15

Journal

Date	Description	Dr.	Cr.
		Rs.	Rs.
	Business purchase A/c	45,000	
	To vendors (Nazir Sons)		45,000
	Purchase consideration agreed		

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	Cash at bank	20,000	
	Sundry Debtors	5,000	
	Furniture	16,000	
	Plant	25,000	
	Good-will	15,000	
	To Sundry Creditors		15.000
	To Bank Loan		21,000
	To Vendors (Nazir Sons)		45,000
	Being the various assets and liable taken over.		
	Vendors (Nazir Sons)	45,000	
	To Share Capital		30,000
	To Bank A/c		15,000
	Being the payment of the purchase price.		

Moon Corporation

Balance Sheet

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Sundry Creditors	15,000	Cash at Bank	5,000
Bank Loan	21,000	Sundry Debtors	5,000
Share Capital		Furniture	16,000
2000 shares of Rs. 15 each	30,000	Plant	25,000
		Good-will	15,000
Total:	66,000	Total:	66,000

Problem No. 16

Journal

Particulars	Rs.	Rs.
Business Purchase Account	45,000	
To Vendors (Gold and Silver)		45,000
Business purchase consideration settled.		
Land and Buildings	25,000	
Machinery	10,000	
Stock	12,000	
Sundry Debtors	5,000	

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Bank	1,000	
Good will	7,000	
To Sundry Creditors		15,000
To Business Purchase Account		45,000
Being the amount of assets and liabilities takes over by the Co.		
Vendors (Gold and Silver)	40,000	
To Share Capital Account		40,000
Being the allotment of 4,000 Share of Rs. 10 each as fully paid allotted to vendors in part payment of Purchase Consideration		

Cash Book

Particulars	Rs.	Particulars	Rs.
To Balance b/d	1,000	By Vendors	5,000
To Share Capital A/c	50,000	By Machinery a/c	25,000
		By Preliminary Expenses a/c	6,000
		By Balance c/d	15,000
Total:	51,000	Total:	51,000

Balance Sheet of Fine Metals Limited

Liabilities	Rs.	Assets	Rs.
Authorized Capital:		Goodwill	7,000
10,000 Shares of Rs. 10 each	1,000,0000	Land & Building	25,000
		Machinery	35,000
Subscribed & Paid up Capital		Stock	12,000
4,000 Shares of Rs. 10 each allotted to vendors	40,000	Sundry Debtors	5,000
		Bank	5,000
5,000 Shares of Rs. 10 each issued to public fully paid up	50,000	Preliminary Expenses	6,000
sundry Creditors	15,000		
Total:	1,05,000	Total:	1,05,000

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Problem No. 17

Journal

Jan. 2005			1,20,000	
	Business Purchase Account			1,20,000
	To M/s. (Bashir and Nazir)			
	Purchased consideration agreed			
	Plant and Machinery Account		40,000	
	Premises Account		30,000	
	Stock Account		24,000	
	Sundry Debtors		20,000	
	Goodwill Account		26,000	
	To Sundry Creditors			20,000
	To Business Purchase Account			1,20,000
	Assets and Liabilities taken over			
	Bank Account		60,000	
	To Share Capital Account			50,000
	To Share Premium Account			10,000
	Issue of 5,000 shares at a premium to public.			
	M/s. Bashir and Nazir		1,20,000	
	To Share Capital Account			80,000
	To Share Premium Account			16,000
	To Bank Account			24,000

Balance Sheet of Feroz

As at January 1, 1987

Liabilities	Amount	Assets	Amount
Share Capital		Goodwill	26,000
13,000 Shares of Rs. 10 each	1,30,000	Plant and Machinery	40,000
Share Premium	26,000	Premises	30,000
Sundry Creditors	20,000	Stock	24,000
		Sundry Debtors	20,000
		Bank	36,000
Total:	1,76,000	Total:	1,76,000

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Problem No. 18

Date	Particulars	L.F	Debit	Credit
			Rs.	Rs.
	Business Purchase a/c		3,40,000	
	To Baqar Corporation			3,40,000
	Purchase consideration agreed			
	Raw-Material		106,250	
	Investments		21,250	
	Buildings		52,700	
	Machinery		79,050	
	Goodwill		1,27,500	
	To Bank Loan			46,750
	To Business Purchase a/c			3,40,000
	Assets and Liabilities taken over			
	Baqar Corporation		3,40,000	
	To Share Capital a/c			1,70,000
	To Share Premium a/c			42,500
	To Bills Payable a/c			40000
	Cash			87500
	Payment made to Baqar Corporation			

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26 DEPRECIATION

Problem No. 1

Original Cost of the Asset – Residual Value
Useful life of the Asset

Solution

Determination of the amount of depreciation

$$\left(\frac{\text{Rs. } 25{,}000 - \text{Rs. } 5{,}000}{10}\right) = \text{Rs. } 2{,}000 \text{ every year}$$

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2001		Rs.	2001		Rs.
Jan. 1	To Cash	25000	Dec. 31	By Depreciation	2000
				By Balance c/d	23000
	Total	25000		Total	25000
2002			2002		
Jan. 1	To Balance c/d	23000	Dec. 31	By Depreciation	2000
				By Balance c/d	21000
	Total	23000		Total	23000
2003			2003		
Jan. 1	To Balance c/d	21000	Dec. 31	By Depreciation	2000
				By Balance c/d	19000
	Total	21000		Total	21000
2004			2004		
Jan. 1	To Balance c/d	19000	Dec. 31	By Depreciation	2000
				By Balance c/d	17000
	Total	19000		Total	19000
2005			2005		
Jan. 1	To Balance c/d	17000	Dec. 31	By Depreciation	2000
				By Balance c/d	15000
	Total	17000		Total	17000

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Problem No. 2

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2003		Rs.	2003		Rs.
Jan. 1	To Cash A/c	95,000	Dec. 31	By Depreciation	10,000
	To Cash A/c	5,000		By Balance	90,000
	Total	100,000		Total	100,000
2004			2004		
Jan. 1	To Balance c/d	90,000	Dec. 31	By Depreciation	9,000
				By Balance c/d	81,000
	Total	90,000		Total	90,000
2005			2005		
Jan. 1	To Balance c/d	81,000	Dec. 31	By Depreciation	8,100
				By Balance c/d	72,900
	Total	81,000		Total	81,000
2006			2006		
Jan. 1	To Balance c/d	72,900	Dec. 31	By Depreciation	7,290
				By Balance c/d	65,610
	Total	72,900		Total	72,900

Problem No. 3

a) Straight Line Method

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2001		Rs.	2001		Rs.
Jan. 1	To Cash A/c	80,000	Dec. 31	By Depreciation	10,000
	To Cash A/c	12,359			
	To Cash A/c	7,631		By Balance	90,000
	Total	100,000		Total	100,000
2002			2002		
Jan. 1	To Balance c/d	90,000	Dec. 31	By Depreciation	10,000
				By Balance c/d	80,000
	Total	90,000		Total	90,000
2003			2003		
Jan. 1	To Balance c/d	80,000	Dec. 31	By Depreciation	10,000
				By Balance c/d	70,000
	Total	80,000		Total	80,000

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2004 Jan. 1	To Balance c/d	70,000	2004 Dec. 31	By Depreciation	10,000
				By Balance c/d	70,000
	Total	70,000		Total	70,000
2005 Jan. 1	To Balance c/d	60,000	2005 Dec. 31	By Depreciation	10,000
				By Balance c/d	50,000
	Total	60,000		Total	60,000

working $= \frac{\text{Value of the Machinery}}{\text{Estimated Life}}$ $\frac{10,000}{10}$ = Rs. 10,000

b) Diminishing Balance Method

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2001		Rs.	2001		Rs.
Jan. 1	To Cash A/c	80,000	Dec. 31	By Depreciation	40,000
	To Cash A/c	12,359			
	To Cash A/c	7,631		By Balance	60,000
	Total	100,000		Total	100,000
2002			2002		
Jan. 1	To Balance c/d	60,000	Dec. 31	By Depreciation	24,000
				By Balance c/d	36,000
	Total	60,000		Total	60,000
2003			2003		
Jan. 1	To Balance c/d	36,000	Dec. 31	By Depreciation	14,000
				By Balance c/d	21,000
	Total	36,000		Total	36,000
2004			2004		
Jan. 1	To Balance c/d	21,600	Dec. 31	By Depreciation	8,640
				By Balance c/d	12,960
	Total	21,600		Total	21,600
2005			2005		
Jan. 1	To Balance c/d	12,960	Dec. 31	By Depreciation	5,184
				By Balance c/d	7,776
	Total	12,960		Total	12,960

Working = Diminishing Balance x Rate

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Problem No. 4

Machine Account

Date	Particulars	Amount	Date	Particulars	Amount
2002		Rs.	2002		Rs.
April 1	To Cash A/c	8,000	Dec. 31	By Depreciation	862.50
	To Cash A/c	3,500		By Balance	10,637.50
	Total	11,500		Total	11,500
2003			2003		
April 1	To Balance c/d	10,637.50	Dec. 31	By Depreciation	1,150.00
				By Balance c/d	9,487.50
	Total	10,637.50		Total	10,637.50
2004			2004		
Jan. 1	To Balance c/d	9,487.50	Dec. 31	By Depreciation	1,150
				By Balance c/d	8,337.50
	Total	9,487.50		Total	9,487.50
2005			2005		
Jan. 1	To Balance c/d	8,337.50	Dec. 31	By Depreciation	6,500
				By Balance c/d	575
				By Profit & Loss A/c	1,262.50
	Total	8,337.50		Total	8,337.50

Problem No. 5

Plant Account

Date	Particulars	Amount	Date	Particulars	Amount
2004		Rs.	2004		Rs.
Jan. 1	To Cash A/c	10,000	Dec. 31	By Depreciation (10% on 10,000 for one year)	1,000
July 1	To Cash A/c	5,000		10% on 5,000 for 6 months	250
				By Balance c/d	13,750
	Total	15,000		Total	15,000
2005			2005		
Jan 1	To Balance b/d	13,750	Dec. 31	By Cash (Sale)	4,000
				By profit & loss a/c (loss on sale)	4,550
				by depreciation 10% on 9,000 for 6 months)	450
				10% on 4,750 for 1 year	475
				By balance c/d	4,275
	Total	13,750		Total	13,750

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Working

		Rs.
Original cost of first Machinery		10,000
Depreciation for first year 10%		1,000
		9,000
Balance at end of first year		
Depreciation for 6 months of second year at 10% $= \frac{9,0000 \times 10}{12 \times 100} X\ 6$		450
Book value at end of six months	5	8,550
Sale proceeds		4,000
Loss on sale		4,550

Problem No. 6

Motor Lorry Account

Date	Particulars	Amount	Date	Particulars	Amount
2003		Rs.	2003		Rs.
Jan. 1	To Cash A/c	80,000	Dec. 31	By Depreciation	16,000
				By Balance c/d	64,000
		80,000			80,000
2004			2004		
Jan. 1	To Balance c/d	64,000	Dec. 31	By Depreciation	12,800
				By Balance c/d	51,200
		64,000			64,000
2005			2005		
Jan. 1	To Balance c/d	51,200	Dec. 31	By Depreciation	10,240
				By Balance c/d	40,960
		51,200			51,200
2006			2006		
Jan. 1	To Balance c/d	40,960	Dec. 31	By Depreciation	8,192
	To Cash A/c	80,000		By P. & L A/c	12,768
				By Balance c/d	1,00,000
	Total	1,20,960		Total	1,20,960

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Problem No. 7

(Straight Line Method)

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2000		Rs.	2000		Rs.
Jan. 1	To Cash A/c	50,000	Dec. 31	By Depreciation	5,000
				By Balance c/d	4,5000
	Total	50,000		Total	50,000
2001			2001		
Jan. 1	To Balance c/d	45,000	Dec. 31	By Depreciation	5,000
				By Balance c/d	40,000
	Total	45,000		Total	45,000
2002			2002		
Jan. 1	To Balance c/d	40,000	Dec. 31	By Depreciation	5,550
	To Cash	10,000		By Balance c/d	45,450
	To Cash	1,000			
	Total	51,000		Total	51,000
2003			2003		
Jan. 1	To Balance c/d	45,450	Dec. 31	By Depreciation	6,100
				By Balance	39,350
	Total	45,450		Total	45,450

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Diminishing Balance Method

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2000		Rs.	2000		Rs.
Jan.	To Cash A/c	50,000	Dec. 31	By Depreciation	5,000
				By Balance c/d	4,5000
	Total	50,000		Total	50,000
2001			2001		
Jan	To Balance c/d	45,000	Dec. 31	By Depreciation	4,500
				By Balance c/d	40,500
	Total	45,000		Total	45,000
2002			2002		
Jan	To Balance c/d	40,000	Dec. 31	By Depreciation	4,600
	To Cash	10,000		By Balance c/d	46,900
	To Cash	1,000			
	Total	51,000		Total	51,000
2003			2003		
Jan	To Balance c/d	46,900	Dec. 31	By Depreciation	4,690
				By Balance	42,210
	Total	46,900		Total	46,900

Problem No. 8

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2002		Rs.	2002		Rs.
Jan. 10	To Cash A/c	50,000	Dec. 31	By Depreciation	5,000
				By Balance c/d	45,000
	Total	50,000		Total	50,000
2003			2003		
Jan. 1	To Balance c/d	45,000	Dec. 31	By Depreciation	5,500
	To Cash b/d	10,000		By Balance c/d	49,500
	Total	55,000		Total	55,000
2004			2003		
Jan. 1	To Balance c/d	49,500	Dec. 31	By Depreciation	4,950

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				By Balance c/d	44,550
	Total	49,500		Total	49,500
2005			2005		
Jan. 1	To Balance c/d	44,550	Dec. 31	By Cash	5,000
				By P & Loss A/c	2,290
				By Depreciation	3,726
				By Balance c/d	33,534
	Total	44,550		Total	44,550
2006			2006		
Jan. 1	To Balance c/d	33,534	Dec. 31	By Depreciation	5,000
April 4	To Cash b/d	16,466		By Balance c/d	45,000
	Total	50,000		Total	50,000

Note: As the rate is simply10% so the depreciation is required to be provided at 10% and not at 10% pa.

Problem No. 9

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2000		Rs.	2000		Rs.
Jan. 01	To Cash A/c	100000	Dec. 31	By Depreciation	10000
				By Balance c/d	90000
		100000			100000
2001			2001		
Jan. 01	To Balance c/d	90000	Dec. 31	By Depreciation	9000
				By Balance c/d	81000
		90000			90000
2002			2002		
Jan. 01	To Balance c/d	81000	Sep. 30	By Depreciation	1519
Sep. 30	To Cash A/c	20000	// // //	By Cash A/c	10000
			// // //	By Profit & Loss A/c	8731
			Dec. 31	By Depreciation	6575
				By Balance c/d	74175
		101000			101000
2003			2003		
Jan. 01	To Balance c/d	74175	Dec. 31	By Depreciation	7417.50
				By Balance c/d	66757.50
	Total	74175		Total	74175

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Working Notes:

Loss on the Sale of Machinery

		Rs.
¼ of the Machinery value on 01-01-00	=	25000
Less: Depreciation on 31-12-00	=	2500
		22500
Less Depreciation on 31-12-01	=	2250
		20250
Less: Depreciation for 9 month at 10% on Sep. 2002	=	1519
Value of the Machinery on the date of sale		18731
Less: Sale price		10000
Loss on Sales of $\frac{1}{4}$ machinery		8731

Machinery Account Balance 01-01-02	81000
Less: Value of the Machinery sold	20250
Balance of remaining machinery	60750
Depreciation on 60750@ 10%	6075
Add: Depreciation on 20000@ 10% for 3 month	500
	6575

Problem No. 10

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
1999		Rs.	1999		Rs.
April 01	To Cash A/c	1000000	Dec. 31	By Depreciation	150000
				By Balance c/d	850000
		1000000			1000000
2000			2000		
Jan. 01	To Balance c/d	850000	Dec. 31	By Depreciation	200000
				By Balance c/d	650000

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		850000			850000
2001			2001		
Jan. 01	To Balance c/d	650000	Sep. 30	By Cash A/c	120000
Sep. 30	To Cash A/c	220000		By Depreciation	30000
	To Profit	30000		By Depreciation	171000
				By Balance c/d	569000
		900000			900000
2002			2002		
Jan. 01	To Balance c/d	579000	Dec. 31	By Depreciation	204000
				By Balance c/d	375000
	Total	579000		Total	579000

Depreciation in :- **Working Notes**

	Rs.
1999 1st Year Depreciation $1000000 \times \frac{20}{100} \times \frac{9}{12}$ =	150000
2000 2nd year Depreciation full year Rs. $1000000 \times \frac{20}{100}$ =	200000
2001 3rd year Depreciation on 30th September	
on one Motor Lorry Rs. $200000 \times \frac{20}{100} \times \frac{9}{12}$ =	3000
Depreciation on the cost of remaining Motor Lorry	
for full year Rs. $800000 \times \frac{20}{100}$	160000
Depreciation on New Machinery Rs. $220000 \times \frac{20}{100} \times \frac{3}{12}$ =	11000
	171000

Profit on Machinery

Total price of Machinery sold	Rs.	200000
Less Depreciation 40000 + 40000 + 30000	=	110000
		90000
Less sold for Rs.		120000
Profit on Machinery	Rs.	30000

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Problem No. 11

Machinery Account

Date	Particulars	Amount	Date	Particulars	Amount
2001			2001		
Jan. 1	To Cash	100000	Dec. 31	By Depreciation	12700
Jan. 1	To Cash	2000		By Balance c/d	139300
July 1	To Cash	50000			
		152000			152000
2002			2002	1984	
Jan. 1	To Balance c/d	139300	Dec. 31	By Depreciation	15200
				By Balance c/d	124100
		139300			139300
2003			2003	1985	
Jan. 1	To Balance c/d	124100	Dec. 31	By Cash	40000
	To Cash	25000		By P. Loss a/c	41600
				By Depreciation	10125
				By Balance c/d	57375
		149100			149100
2004			2004		
Jan. 1	To Balance c/d	57375	Dec. 31	By Depreciation	8606
				By Balance c/d	43769
		43769			43769
2005			2005		
Jan. 1	To Balance b/d	43769	Dec. 31	By Depreciation	7315
				By Balance c/d	71454
	Total	43769		Total	43769

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Problem No. 12

Leasehold Land Account

Date	Particulars	Amount	Date	Particulars	Amount
1980		Rs.	1980		
Jan. 1	To Cash	40000	Dec. 31	By Depreciation	9239
Dec. 31	To Interest	2000		By Balance b/d	32761
		42000			42000
1981			1981		
Jan. 1	To Balance b/d	32761	Dec. 31	By Depreciation	9239
Dec. 31	To Interest	1638		By Balance c/d	25160
		34399			34399
1982			1982		
Jan. 1	To Balance b/d	25160	Dec. 31	By Depreciation	9239
Dec. 31	To Interest	1258		By Balance c/d	17179
		26468			26468
1983			1983		
Jan. 1	To Balance b/d	17179	Dec. 31	By Depreciation	9239
Dec. 31	To Interest	858		By Balance c/d	8798
		18037			18037
1984			1984		
Jan. 1	To Balance b/d	8798	Dec. 31	By Depreciation	9239
Dec. 31	To Interest	440			
	Total	9239		Total	9239

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Problem No. 13

Lease Account

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			
2002 Jan. 1	To Cash	20,000	2002 Dec. 31	By depreciation fund	20,000
	Total	20,000		Total	20,000

Depreciation Fund Account

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			
2002 Dec. 31	To Balance c/d	4,709.80	2002 Dec. 31	By P & L a/c	4,709.80
	Total:	4,709.80		Total:	4,709.80
2003 Dec. 31	To Balance b/d	9,607.99	2003 Jan. 1	By balance b/d	4,709.80
			Dec. 31	Depreciation fund Investment	188.39
				P & L a/c	4,709.80
	Total:	9,607.99		Total:	9,607.99
2004 Dec. 31	To Balance	14,702.11	2004 Jan. 1	By Balance b/d	9,607.99
				By depreciation Investment	384.32
				By L & L A/c	4,709.80
	Total:	14,702.11		Total:	14,702.11
2005 Dec. 31	To lease a/c	20,000.00	2005 Jan. 1	By balance b/d	14,701.11
			Dec. 31	By depreciation Investment	588.09
				By P & L a/c	4,702.88
	Total:	20,000.00		Total:	20,000.00

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Depreciation Fund Investment Account

Date	Particulars	Amount	Date	Particulars	Amount
		Rs.			
2002			2002		
Dec. 31	To Cash	4,709.80	Dec. 31	By balance	4,709.80
	Total:	4,709.80		Total:	4,709.80
2003			2003		
Dec. 31	To Balance b/d	4,709.80	Dec. 31	By balance	9,607.99
	To Depreciation Fund				
	To Cash	4,709.80			
	Total:	9,607.99		Total:	9,607.99
2004			2004		
Jan. 1	To balance b/d	9,607.99	Dec. 31	By Balance	14,702.11
Dec. 31	Depreciation	384.32			
	fund (Investment)				
	To Cash	4,709.80			
	Total:	14,702.11		Total:	14,702.11
2005			2005		
Jan. 1	To balance	14,702.11	Dec. 31	By balance	20,000.00
Dec. 31	To depreciation				
	Total:	20,000.00		Total:	20,000.00

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