1 Financial Statements of Not for Profit Organisation

1. From the information given below, prepare Receipts and Payments Account of Modern Club, Janakpur for the year ending on March 31, 2021 :

Particulars	₹
Cash & Bank as on April 1, 2020	45,000
Subscriptions (including ₹ 8,000 for 2019-20 and ₹ 12,000 for 2019-20)	4,70,000
12% Investments purchased on April 1, 2020	1,50,000
Entrance fee received	15,000
Sports materials purchased	70,000
Furniture purchased	80,000
Sale of old furniture (Cost ₹ 20,000)	5,000
Municipal Taxes	1,000
Printing and Stationery	24,000
Sale of old sports materials	6,000
General expenses (out of which ₹ 2,000 is yet to be paid)	20,000
Interest received on Investments	6,000
Tournament expenses	72,000
Salary paid	84,000
Postage and Courier	2,000

Solution :

In the books of Modern Club
Receipt and Payments Account
For the year ended 31st March, 2018

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	45000	By 12% Investments	150000
To Subscription	470000	By Sports Material	70000
To Entrance Fee	15000	By Furniture	80000
To sale of old furniture	5000	By Municipal Tax	1000
To sale of old sports material	6000	By Printing and Stationery	24000
To Interest received on investments	6000	By General Expences	18000
		By Tournament Exp.	72000
		By Salary Paid	84000
		By Postage and Courier	2000
		By Balance c/d (b/f)	46000
	547000		547000

2. Calculate what amount will be posted to Income and Expenditure A/c for the year ending 31st March, 2021 :

Particulars	₹
(i) Stock of stationery on 1st April, 2020	7,000
(ii) Creditors for stationery on 1st April, 2020	4,000
(iii) Advance paid for stationery carried forward on 1st April, 2020	6,000
(iv) Stock of stationery on 31st March, 2021	3,000
(v) Creditors for stationery on 31st March, 2021	8,000
(vi) Advance paid for stationery on 31st March, 2021	1,500
(vii) Amount paid for stationery during 2020-21	42,000

Solution :

Calculation of Amount posted to Income and Expenditure Account for the year ended 31st March, 2021.

Stationery consumed as on 31st March, 2021.

Particulars	₹
Paid stationery amount for year 2020-21	42000
Add opening stock as on 1st April, 2020	7000
Less Stock closing as on 31st March, 2021	(3000)
Less Creditors in the beginning (i.e. 1st April, 2020)	(4000)
Add Creditors at the end (i.e. 31st March, 2021)	8000
Add Advance at the starting (i.e. 1st April, 2020)	6000
Less Advance at the end (i.e. 31st March, 2021)	(1500)
Stationery Amount to be recorded to Income and Expenditure Account	54500

3. Following is the Receipts and Payments Account of Citizen Club for the year ended 31st March, 2021 :

Receipts	₹	Payments	₹
To Balance b/d	2,40,000	By Rent	
To Subscriptions (including ₹ 10,000		(paid for 11 months)	1,76,000
for 2021-22)	5,80,000	By Insurance	3,000
To Life Membership Fee	25,000	By Salaries	2,64,000
To Interest on Investments		By Stationery purchased	60,000
(@ 7% p.a. for full year)	28,000	By Balance c/d	3,70,000
	8,73,000		8,73,000

Prepare Income and Expenditure Account for the year ending 31st March, 2021 and the Balance Sheet as at that date after considering the following information :

(i) Subscription in arrear on 31st March, 2020 were ₹ 30,000 and on 31st March, 2021 were ₹ 48,000.

(ii) Stock of stationery on 31st March, 2020 was ₹ 5,000 and on 31st March, 2021 were ₹ 14,000.

(iii) Insurance was paid on 1st January 2021, run for one year.

Solution :

Balance Sheet

For the year ending 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital Fund (B/F)	675000	Cash in hand	240000
		Investments	400000
		O/s Subscription	30000
		Stock of Stationery	5000
	675000		675000

Income and Expenditure Account
for the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Rent	176000		By Subscription	580000	
Add O/s Rent	16000	192000	Less Advance received		
To Insurance	3000		for 2021-22	10000	
Less Prepaid Ins.	2250	750		570000	
To Salaries		264000	Less O/s for 2020	30000	
To stationery				540000	
Opening stock	5000		Add O/s for 2021	48000	588000
Add Purchase	60000		By Interest on Investments		28000
	65000				
Less Closing Stock	14000	51000			
To surplus		108250			
		616000			616000

Balanace Sheet
For the year ending 31st March, 2021

Liabilities		Amt. (₹)	Assets	Amt. (₹)
O/s Rent		16000	Cash in hand	370000
Subscription Received in advance		10000	Investments	400000
Capital Fund	675000		Prepaid Insurance	2250
Add Surplus	108250		Stock of Stationery	14000
	783250		O/s Subscription	48000
Add Life Membership Fee	25000	808250		
		834250		834250

4. Following is the Receipts and Payments Account of Natraj Literary Society, Hyderabad for the year ended 31st March, 2021 :

Receipts		₹	Payments	₹
To Balance b/d 1-4-2020		7,200	By Salaries	16,500
To Donations		8,000	By Sundry Expenses	1,000
To Rent of the Hall		15,400	By Charities	1,500
To Proceeds of Lectures		4,700	By Cost of lectures	3,000
To Interest on Bonds		900	By Newspapers	3,800
To Journey Receipts		5,600	By Journey Expenses	4,400
To Sale of old newspapers		300	By Books	14,000
To Sale of old furniture		400	By Mowing Machine	10,000
(book value ₹ 2,000)			(Puchased on 1-7-2020)	
To Subscriptions :			By Furniture	7,000
2019-20	1,500		By Postage	400
2020-21	38,000		By Conveyance	800
2021-22	800	40,300	By Balance c/d	20,400
		82,800		82,800

Additional Informations :

(1) There are 400 members each paying an annual subscription of ₹ 100.

(2) On 31st March, 2020, the trust owned Buildings ₹ 75,000; Furniture ₹ 10,000; Books ₹ 6,000 and 12% Bonds ₹ 10,000.

(3) Salaries of ₹ 1,500 for March, 2021 were not paid until 7th April, 2021.

(4) Journey income receivable ₹ 400.

(5) Charge depreciation @10% p.a. on buildings and mowing machine and 20% p.a. on the closing balance of furniture and books.

(6) It was decided to treat one-half of the amount received on account of donations as income.

Prepare Income and Expenditure Account for the year ending 31st March, 2021 and a Balance Sheet as at that date.

Solution

Balance Sheet
For the year ending 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital Fund (b/f)	109700	Cash	7200
		O/s Subscription	1500
		12% Bonds	10000
		Books	6000
		Furniture	10000
		Buildings	75000
	109700		109700

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Loss on sale of furniture		1600	By Donation	8000	
To Salaries	16500		Less : half to be		
Add O/s Salaries	15000	18000	capitalized	4000	4000
To Sundry Expences		1000	By Rent of the hall		15400
To charities		1500	By proceeds of lectures		4700
To cost of lectures		3000	By Proceeds of lectures		4700
To Newspapers		3800	By Interst on bonds	900	
To Postage		400	Add Accrued Interest	300	1200
To Conveyance		800	By Journey receipt	5600	
To Dep.			Add Accrued Income	400	6000
Books	4000		By Sale of old newspapers		300
M. Machine	750		By Subscription	38000	
Furniture	3000		Add O/s for the year 2021	2000	40000
Building	7500	15,250			
To Surplus		21850			
		71600			71600

Balance Sheet
For the year ending 31st March, 2021

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Donation	4000	O/s Subscription	2000
Sbuscription received in advance	800	Cash	20400
Outstanding salaries	1500	Accrued journey Income	400

Capital Fund	109700		12% Bonds	10000	
Add Surplus	21850	131550	Add Accured Interest	300	10300
			Books	6000	
			Add Purchase	14000	
				20000	
			Less. Dep.	4000	16000
			Mowing Machine	10000	
			Less. Dep.	750	9250
			$\left(₹\,10000 \times \frac{10}{100} \times \frac{9}{12}\right)$		
			Furniture	10000	
			Add Purchase	7000	
				17000	
			Less sale	2000	
				15000	
			Less. Dep.	3000	12000
			Building	75000	
			Less Dep.	7500	67500
		137850			137850

5. The following is the receipts and payments account of the Rajasthan Society for the year ending 31st March, 2021 :

Receipts		₹	Payments	₹
To Balance b/d		3,000	By Honorarium to Clerk	10,000
To Subscriptions :			By Cost of Car	80,000
Arrear	600		By Car Expenses	4,200
Current	70,000		By Building advance	25,000
Advance	500	71,100	By Charities	2,000
To Donations		17,500	By Meeting Expenses	5,400
To Entrance Fees		15,000	By Electricity	4,800
To Endowment Fund Receipts		14,000	By Medicines etc.	800
To Life Membership Fees		6,000	By Investments	20,000
To Rent of the Hall		8,700	By Expenses on Charity show	6,200
To Grant from local authority		4,000	By Insurance Premium	1,200
To Proceeds of charity show		16,800	By Balance c/d	400
To Sundries		1,200		
To Interest on Investments		2,700		
		1,60,000		1,60,000

Additional Informations :

(i) There are 600 members each paying a monthly subscription of ₹ 10; ₹ 800 being in arrear for 2019-20 at the beginning of the year.

(ii) A donation of ₹ 2,500 was wrongly included in subscriptions of the current year.

(iii) Entire Donation and 2/3 of Entrance fee are to be capitalised.

(iv) Insurance Premium was paid in advance for three months.

(v) Interest on Investments ₹ 300 though accrued was not actually received.

(vi) A bill of medicine purchased during the year amounting to ₹ 200 was outstanding.

(vii) Gujarati cultural association owed ₹ 2,000 for the use of society hall.

You are required to prepare an Income and Expenditure Account for the year ended 31st March, 2021 and a Balance Sheet as at that date.

Solution 5 :

Balance Sheet
For the year ending 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital Fund (B/F)	3800	Cash	3000
		O/s Subscription	800
	3800		3800

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Honorarium to Clerk		10000	By Subscription	70000	
To Car Expences		4200	Less Donations	2500	
To Charities		2000		67500	72000
To Meeting Exp.		5400	Add O/s Subscription		
To Electricity		4800	For year 2021	4500	
To Medicines	800		By Entrance Fees	15000	
Add O/s Bill	200	1000	Less 2/3 to be		
To Expences on Charity Show		6200	Capitalized	10000	5000
To Insurance			By Rent of Hall		8700
Premium	1200		By Grant from Local Authoriries		4000
Less Prepaid	300	900	By Proceed of Charity Show		16800
To Surplus		78200	By Sundries		1200
			By Interest on Investments	2700	
			Add Accrued Interest	300	3000
			By Accrued Incomefor theUse		
			of Society Hall		2000
		112700			1127000

Balance Sheet
For the year ending 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Subscription Received in advance		500	Cash		400
O/s Bill for Medicine		200	2019-20	200	
Donation	17500	2020-21		4500	4700
Add Working Include in			Prepaid Insurance Premium		300
Subscription	2500	20000	Accrued Income for Society Hall		2000
Entrance Fees		10000	Investments	20000	
Endowment Fund		14000	Add Accrued Interest	300	20300
Life Membership Fees		6000	Car		80000
Capital Fund	3800		Building		25000
Add surplus	78200	82000			
		132700			132700

Working note :

	(₹)
Total Subscription receivable during the year 2020-21 (500 ×50)	25000
Less : Amount received during the year 2020-21	20500
Outstanding Subscription for the year 2020-21	4500

6. Prepare an Income and Expenditure Account for the year ended 31st March, 2021 and the Balance Sheet as at that date from the following Receipts and Payments Account of a Club and from the information supplied :

Receipts	₹	Payments	₹
To Balance b/d	2,500	By Salaries	12,000
To Subscriptions :		By General Expenses	3,000
for 2019-20	2,500	By Electric Charges	2,000
for 2020-21	10,000	By Books	1,000
for 2021-22	2,000	By Newspapers	4,000
To Sale of old furniture		By Postage	500
(Costing ₹ 1,000)	600	By Furniture	2,500
To Rent received for the use of Hall	7,400	By Balance c/d	5,000
To Entrance Fees	4,000		
To Sale of Newspapers	1,000		
	30,000		30,000

Additional Informations :

(i) The club has 50 members, each paying annual subscription of ₹ 250. Subscriptions outstanding on 1st April, 2020 ₹ 3,000.

(ii) On 31st March, 2021, Salaries outstanding amounted to ₹ 1,000. Salaries paid included ₹ 1,000 for the year 2019-20.

(iii) General Expenses include Insurance which is prepaid to the extent of ₹ 100.

(iv) On 31st March, 2020, the club owned Land and Building valued at ₹ 1,00,000, Furniture ₹ 6,000 and Books ₹ 5,000.

(v) 40% of Entrance Fees is to be capitalised.

Solution 6.

Balance Sheet
For the year ending 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
O/s Salaries	1000	Cash	2500
Capital Fund (B/F)	115500	O/s Subscription	3000
		Land & Building	100000
		Books	5000
		Furniture	6000
	116500		116500

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Loss on sale of furniture		400	By Subscription	10000	
To Salaries	12000		Add O/s for the year 2020	2500	12500
For the year 2021	1000		By Entrance Fees	4000	
	13000		Less 40% to be		
Less O/s Salaries			Capitalized	1600	2400
For the year 2020	1000	12000	By Rent Received for the year use		7400
To General Expences	3000		By Sale of Newspapers		1000
Less : Prepaid Insurance	100	2900			
To Electric Charges		2000			
To Newspaper		4000			
To Surplus		1500			
		23300			23300

Balance Sheet
For the year ending 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Subscription received in advance		2000	Cash		5000
O/s Salaries		1000	2020-21	500	
			2021-22	2500	3000
Capital Fund	115500		Prepaid Insurance		100
Add Surplus	1500	117000	Books	5000	
Entrance Fees		1600	Add Purchase	1000	
				6000	
			Less Dep.	–	6000
			Furniture	6000	
			Add Purchase	2500	
				8500	
			Less Sale	1000	7500
			Land and Building		100000
		121600			121600

7. Receipts and Payments Account of Shankar Sports Club is given below for the year ended 31st March, 2021 :

Dr. **RECEIPTS AND PAYMENTS ACCOUNT** *for the year ended 31st March, 2021* *Cr.*

Receipts	₹	Payments	₹
To Cash in hand (Opening)	2,600	By Rent	18,000
To Entrance Fee	3,200	By Wages	7,000
To Donation for Building	23,000	By Billiard Table	14,000
To Locker's Rent	1,200	By Furniture	10,000
To Life Membership Fee	7,000	By Interest	2,000
To Profit from Entertainment	3,000	By Postage	1,000
To Subscription	40,000	By Salary	24,000
		By Cash in hand (Closing)	4,000
	80,000		80,000

Prepare Income and Expenditure Account and Balance Sheet with the help of following information :

Subscription outstanding on 31st March, 2020 is ₹ 1,200 and ₹ 2,300 on 31st March, 2021, opening stock of postage stamps is ₹ 300 and closing stock is ₹ 200; Rent ₹ 1,500 related to the year ended 31st March, 2020 and ₹ 1,500 is still unpaid. On 1st April, 2020 the club owned furniture ₹ 15,000, Furniture valued at ₹ 22,500 on 31st March, 2021. The club has a loan of ₹ 20,000 (@ 10% p.a.) which was taken, in year ended 31st March, 2020.

Solution :

Balance Sheet
For the year ending 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
O/s Rent	1500	Cash in Hand	2600
10% Loan	20000	O/s Subscription	1200
		Furniture	15000
		Closing Stock of Postage	300
		Capital Fund Deficit (B/F)	2400
	21500		21500

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Rent	18000		By Entrance Fees		3200
Add O/s Rent for the			By Locker's Rent		1200
year 2021	1500		By Profit from Entertainment		3000
	19500		By Subscription	40000	
Less O/s Rent for the			Less O/s Subs. of		
year 2020	1500	18000	year 2020	1200	
To Wages		7000		38800	
To Dep. on Furniture		2500	Add O/s Subs. For the		
To Interest		2000	year 2021	2300	41100
To Postage	1000		By Deficint (B/F)		6100
Add Opening Stock	300				
	1300				
Less : Closing Stock	200	1100			
To Salaries		24000			
		54600			54600

Balance Sheet
For the year ending 31st March, 2021

Liabilities	Amt. (₹)	Assets		Amt. (₹)
O/s Rent	1500	O/s Subscription		2300
10% Loan	20000	Stock of Postage Stamps		200
Donation For Building	23000	Billiard Table		14000
		Furniture	15000	
		Add Purchase	10000	
			25000	
		Less : Dep.	2500	22500
		Cash in hand		4000
		Capital Fund (Deficit)		1500
	44500			44500

Working Note :

	(₹)
1. Capital Fund Deficit	(2400)
Capital Fund	7000
Add Life Membership Fees	4600
Less : Deficit	(6100)
Capital Fund Deficit	(1500)

8. From the following Receipts and Payments Account of Jaipur Sports Club, prepare Income and Expenditure Account for the year ended 31st March, 2021 :

Dr. **RECEIPTS AND PAYMENTS ACCOUNT** *for the year ended 31st March, 2021* *Cr.*

Receipts		₹	Payments	₹
To Balance b/d		2,00,000	By Rent	60,000
To Entrance Fees :			(including ₹ 15,000 for 2019-20)	
2019-20	10,000		By Insurance Premium	60,000
2020-21	50,000	60,000	(including ₹ 15,000 for 2021-22)	
To Subscriptions :			By Sports Equipments	50,000
2019-20	10,000		By Furniture	60,000
2020-21	90,000		(Purchased on 31st March, 2021)	
2021-22	5,000	1,05,000	By 8% Fixed Deposit	1,20,000
To Life Membership Fees		20,000	(Made on 1st October, 2020)	
To Donations		1,20,000	By Tournament Expenses	10,000
To Donations for Tournament		50,000	By Books	20,000
To Subscriptions for Governor's Party		15,000	By Newspapers	1,000
To Interest on 8% Fixed Deposit		2,400	By Printing and Stationery	19,000
To Sale of Old Newspapers		300	By Balance c/d	1,80,000
To Sale of Old Sports Materials (Book Value ₹ 1,200)		500		
To Locker's Rent (Including ₹ 600 for 2019-20)		6,800		
		5,80,000		5,80,000

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Rent	60000		By Entrance Fees (2020-21)		50000
Less O/s Rent for the			By Donation		120000
year 2019-20	15000	45000	By Interest on Fixed Deposits		2400
To Insurance Premium	60000		By Sale of Old Newspaper		300
Less : O/s Premium for			By Locker's Rent	6800	
the year 2020-21	15000	45000	Less : O/s for the		
To Printing and Stationery		19000	year 2019-20	600	6200
To Newspaper		1000	By Accrued Interest of Investments		2400
To Loss on Sale of old sport			By Subscription	90000	
equipment (₹1200 - ₹500)		700	Add O/s Subscription		
To Surplus		170600	for the year 2019-20	10000	100000
		281300			281300

Working Note :

1. Calculation of Interest on Investments

	₹
Interest on Investment for 6 months $\left(₹120000 \times \frac{8}{100} \times \frac{6}{12}\right)$	4800
Less Interest Received	(2400)
Amount of Accrued Interest on Investments.	2400

9. Following Receipts and Payments Account was prepared from the Cash Book of Delhi Charitable Trust for the year ending 31st March, 2021 :

Dr. **RECEIPTS AND PAYMENTS ACCOUNT** *for the year ending 31st March, 2021* *Cr.*

Receipts	₹	Payments	₹
To Balance b/d :		By Charity	1,15,000
Cash in Hand	1,15,000	By Rent and Taxes	32,000
Cash at Bank	1,26,000	By Salary	60,000
To Donation	90,000	By Printing	6,000
To Subscription	4,28,000	By Postage	3,000
To Legacy Donation	1,80,000	By Advertisements	45,000
To Interest on Investment	45,000	By Insurance	20,000
To Sale of Old Newspapers	2,000	By Furniture	2,16,000
		By Investment	2,30,000
		By Balance c/d :	
		Cash in Hand	99,000
		Cash at Bank	1,60,000
	9,86,000		9,86,000

Prepare Income and Expenditure Account for the year ended 31st March, 2021 and Balance Sheet as on that date after the following adjustments :

(i) Insurance premium was paid for insurance taken *w.e.f.* 1st July, 2020.
(ii) Interest on investment ₹ 11,000 accrued was not received.
(iii) Rent ₹ 6,000; Salary ₹ 9,000 and Advertisement expenses ₹ 10,000 outstanding as on 31st March, 2021.
(iv) Legacy Donation is towards construction of Library Block.

Solution :

Balance Sheet
For the year ended 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital Fund (B/F)	241000	Cash in Hand	115000
		Cash at Bank	26000
	241000		241000

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income	Amt. (₹)
To Charity		115000	By Subscription	428000
To Advertisement	45000		By Donation	90000
Add O/s	10000	55000	By Sale of Old Newspaper	2000
To Insurance	20000		By Interest on Investments	
Less : Prepaid	5000	15000	(45000 + 11000)	56000
To Salary	60000			
Add O/s	9000	69000		
To Rent	32000			
Add O/s	6000	38000		
To Printing		6000		
To Postage		3000		
To Surplus (B/F)		275000		
		576000		576000

Balanace Sheet
For the year ending 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital Fund	241000		Cash in Hand		99000
Add : Legacy Donation	180000		Cash at Bank		160000
	421000		Prepaid Insurance		5000
Add : Surplus	275000	696000	Furniture		216000
O/s Rent		6000	Investments	230000	
			Add : Accrued Interest	11000	241000
		721000			721000

10. From the following Receipts and Payments Account of Kapil Dev Club and from the given additional information, prepare Income and Expenditure Account for the year ending 31st March, 2021 and the Balance Sheet as at that date :

RECEIPTS AND PAYMENTS ACCOUNT

Dr. *for the year ending 31st March, 2021* *Cr.*

Receipts	₹	Payments	₹
To Balance b/d	1,90,000	By Salaries	3,30,000
To Subscriptions	6,60,000	By Sports Material	4,00,000
To Interest on Investments @ 8% p.a. for full year	40,000	By Balance c/d	1,60,000
	8,90,000		8,90,000

Additional Informations :

(i) The club had received ₹ 20,000 for subscription in 2019-20 for 2020-21.
(ii) Salaries had been paid only for 11 months.
(iii) Stock of sports materials on 31st March, 2020 was ₹ 3,00,000 and on 31st March, 2021 ₹ 6,50,000.

Solution :

Balance Sheet
For the year ending 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Subscription Received in Advance	20000	Cash	190000
Capital Fund (B/F)	970000	Closing Stock of Sports Material	300000
		Investments	500000
	990000		990000

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Salary	330000		By Subscription	660000	
Add : O/s	30000	360000	Add : Subs. Received		
To Sports Material Consumed			in advance	20000	680000
Opening Stock	300000		By Interest of Investment		40000
Less : Closing Stock	650000	50000			
To Surplus (B/F)		310000			
		720000			720000

Balance Sheet
For the year ending 31st March,2021

Liabilities		Amt. (₹)	Assets	Amt. (₹)
O/s Salaries		30000	Investments	500000
Capital Fund	970000		Stock of Sports Material	650000
Add : Surplus	310000	1280000	Cash	160000
		1310000		1310000

Working Note :

1. O/s Salaries for 1 Month ₹ $\frac{330000}{11} \times 1$ = ₹ 30000
2. Investments
   $\frac{40000}{8} \times 100$ = ₹ 500000

11. Prepare Income and Expenditure Account for the year ended 31st March, 2021 from the following :

Dr. **RECEIPTS AND PAYMENTS ACCOUNT** *for the year ended 31st March, 2021* *Cr.*

Receipts	₹	Payments	₹
To Balance b/d (Cash)	1,80,000	By Salaries	4,80,000
To Subscriptions	9,00,000	By Rent	50,000
To Sale of Investments	2,00,000	By Stationery	20,000
To Sale of Old Furniture	30,000	By Defence Bonds	3,00,000
(Book Value ₹ 40,000)		By Furniture	2,00,000
To Donations	10,000	By Bicycles	30,000
		By Balance c/d (Cash)	2,40,000
	13,20,000		13,20,000

Solution 11 :

Income and Expenditure Account
For the year ended 31st March, 2021

Expenditure	Amt. (₹)	Income	Amt. (₹)
To Salaries	480000	By Subscription	900000
To Rent	50000	By Donation	10000
To Stationery	20000		
To Loss on sale of old furniture (₹ 40000 – ₹ 30000)	10000		
To Surplus (B/F)	350000		
	910000		910000

12. Following is the Receipts and Payments Account of You Bee Forty Club for the year ended 31st March, 2021 :

Dr. **RECEIPTS AND PAYMENTS ACCOUNT** *for the year ended 31st March, 2021* *Cr.*

Receipts	₹	Payments	₹
To Balance b/d (Cash)	1,50,000	By Salaries and Wages	1,60,000
To Subscriptions :		By Office Expences	35,000
2019-20	60,000	By Sports Equipments	3,40,000
2020-21	3,50,000	By Telephone Charges	24,000
To Donations	50,000	By Electricity Charges	32,000
To Entrance Fees	80,000	By Travelling Expenses	65,000
		By Balance c/d (Cash)	34,000
	6,90,000		6,90,000

Solution 12 :

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Office Expences		35000	By Donation	50000	
To Telephone Charges		24000	By Entrance Fees	80000	
To Telephone Charges		24000	By Subscription	350000	
To Electricity Charges		32000	Add O/s Subs.		
To Salaries and Wages	160000		For the year 2020-21	55000	405000
Add O/s	40000	200000			
To Dep. on sports equipments $\left(34000 \times \frac{25}{100}\right)$		85000			
To Surplus (B/F)		94000			
		535000			535000

13. Given below is the Receipts and Payments Account of Mayur Club for the year ended 31st March, 2021 :

Receipts		₹	Payments	₹
To Balance b/d		1,02,500	By Salaries	60,000
To Subscriptions :			By Expences	7,500
2019-20	4,000		By Drama Expenses	45,000
2020-21	2,05,000		By Newspapers	15,000
2021-22	6,000	2,15,000	By Municipal Taxes	4,000
To Donations		54,000	By Charity	35,000
To Proceeds of Drama Tickets		95,000	By Investments	2,00,000
To Sale of Waste Paper		4,500	By Electricity Charges	14,500
			By Balance c/d	90,000
		4,71,000		4,71,000

Prepare club's Income and Expenditure Account for the year ended 31st March, 2021 and Balance Sheet as at that date after taking the following information into account :

(i) There are 500 members, each paying an annual subscription of ₹ 500, ₹ 5,000 are still in arrears for the year ended 31st March, 2020.

(ii) Municipal Taxes amounted to ₹ 4,000 per year is paid up to 30th June (Prepaid Municipal Taxes in the beginning of the year were ₹ 1,000) and ₹ 5,000 are outstanding of salaries.

(iii) Building stands in the books at ₹ 5,00,000.

(iv) 6% interest has accrued on investments for five months.

Solution 13 :

Balance Sheet
For the year ended 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital Fund (B/F)	612500	O/s Subscription (₹ 4000 + ₹ 5000)	9000
		Prepaid Muncipal Taxes	1000
		Building	500000
		Cash and Bank	102500
	612500		612500

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Municipal Taxes	4000		By Subscription		
Add : Prepaid in 2019-20	1000		(500 Members × ₹ 500)		250000
	5000		By Interest Accrued on Investments		5000
Less : Prepaid in 2020-21	1000	4000	$\left(₹\,280000\times\frac{6}{100}\times\frac{5}{12}\right)$		
To Salaries	60000		By Profit from		
Add O/s	5000	65000	Drama Proceeds	95000	
To Expnces		7500	Less : Drama Expences	(45000)	50000
To Newspaper		15000	By Sale of Waste Papers		4500
To Charity		35000	By Donations		54000
To Electricity Charges		14500			
To Surplus (B/F)		222500			
		363500			363500

Balance Sheet
For the year ending 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Advance Subscription		6000	O/s Subscription		
O/s Salaries		5000	2020-21	45000	
Capital Fund	612500		2019-20	5000	50000
Add Surplus	222500	835000	Prepaid Municipal Taxes		1000
			Buildings		500000
			Investments	200000	
			Add Accrued Interest	5000	205000
			Cash at Bank		90000
		846000			846000

14. Following is the Receipts and Payments Account of Indian Youth Association for the year ended 31st March, 2021 :

RECEIPTS AND PAYMENTS ACCOUNT

Dr. *for the year ended 31st March, 2021* *Cr.*

Receipts		₹	Payments		₹
To Balance b/d :			By Salaries		3,00,000
In Hand	25,000		By Rent		60,000
At Bank	2,45,000	2,70,000	By Printing and Stationery		15,000
To Subscriptions		4,00,000	By Postage and Courier		4,000
To Bank Interest		2,000	By Printer		40,000
To Sale of Old Car		40,000	By Investments		80,000
			By Balance c/d :		
			In Hand	13,000	
			At Bank	2,00,000	2,13,000
		7,12,000			7,12,000

Adjustments :

(i) Investments were made on 1st October, 2020 earning interest @ 5% p.a.

(ii) Subscriptions included ₹ 80,000 for the year ended 31st March, 2020 and ₹ 40,000 for the year ending 31st March, 2022. Subscriptions for the year ended 31st March, 2021 ₹ 80,000 were still in arrears.

(iii) Rent for March, 2021, ₹ 5,000 is unpaid.

(iv) ₹ 3,000 are payable for stationery.

(v) Book value of the car was ₹ 55,000.

Prepare Income and Expenditure Account of the Association for the year ended 31st March, 2021 and Balance Sheet as at that date.

Solution 14 :

Balance Sheet
For the year ending 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital Fund		Cash in Hand	25000
(B/F)	405000	Cash at Bank	245000
		O/s Subscription	80000
		Car	55000
	405000		405000

Income and Expenditure Account
For the year ending 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Salaries		300000	By Subscription	400000	
To Rent	60000		Less : Received for 2020	80000	
Add O/s	5000	65000		320000	
To Printing & Stationery	15000		Less : O/s Received		
Add : O/s	3000	18000	for 2020	40000	
To Postage and Courier		4000		280000	
To Loss on Sale of Car			Add : O/s For the year		
(₹ 55000 – ₹ 40000)		15000	2021	80000	360000

			By Interest		
			Bank Interest	2000	
			Add : Accrued Interest $\left(₹ 80000 \times \frac{5}{100} \times \frac{6}{12}\right)$	2000	4000
			By Deficit (B/F)		38000
		402000			402000

Balance Sheet
For the year ended 31st March, 2021

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Subscription received in advance		40000	Cash in Hand	13000
O/s Rent		5000	Cash at Bank	200000
O/s Printing & Stationery		3000	O/s Subscription	80000
Capital Fund	405000		Accrued Interest	2000
Less : Deficit	38000	367000	Investment	80000
			Printer	40000
		415000		415000

15. Following is the Receipts and Payments Account of Rajdhani Charitable Trust :

RECEIPTS AND PAYMENTS ACCOUNT

Dr. *for the year ended 31st March, 2021* *Cr.*

Receipts		₹	Payments		₹
To Balance b/d :			By Rent		60,000
Cash in Hand	1,40,000		By Salary		1,20,000
Cash at Bank	6,00,000	7,40,000	By Postage and Courier		3,000
To Subscriptions :			By Electricity Charges		60,000
2019-20	50,000		By Furniture		2,00,000
2020-21	8,30,000		By Books		30,000
2021-22	30,000	9,10,000	By Defence Bonds		15,00,000
To Sale of Investment		9,00,000	By Scholarship to Needy Students		2,20,000
To Interest on Investment		20,000	By Balance c/d :		
To Sale of Furniture			Cash in Hand	1,09,000	
(Book value ₹ 30,000)		32,000	Cash at Bank	3,00,000	4,09,000
		26,02,000			26,02,000

Prepare Income and Expenditure Account for the year ended 31st March, 2021 and Balance Sheet as on that date after the following adjustments :

Subscription for the year ended 31st March, 2021 still due were ₹ 70,000. Interest due on Defence Bonds was ₹ 70,000. Rent outstanding was ₹ 10,000. Book value of investment sold was ₹ 8,00,000, ₹ 3,00,000 of the investments were still in hand. Subscriptions received in the year ended 31st March, 2021 included ₹ 4,000 from a life member. Total furniture on 1st April, 2020 was worth ₹ 1,20,000. Salary paid for the year ended 31st March, 2022 is ₹ 20,000.

Solution 15 :

Balance Sheet
For the year ended 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital Fund (B/F)		2010000	Cash in Hand		140000
			Cash at Bank		600000
			Furniture		120000
			Investments		1100000
			(₹ 800000 + ₹ 300000)		
			O/s Subscription		50000
		2010000			2010000

Income and Expenditure Account
For the year ended 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Rent	60000		By Subscription	830000	
Add O/s	10000	70000	Add O/s	70000	
To Salaries	120000			900000	
Less : Prepaid	20000	100000	Less : Life Membership		
To Postage		3000	Fee Capitalized	4000	896000
To Electricity Charges		60000	By Profit on Sale of Investments		
To Scholarship to Needy Students		220000	(₹ 900000 – ₹ 800000)		100000
To Surplus		635000	By Interest on Investments		20000
			By Profit on Sale of Furniture		
			(₹ 32000 – ₹ 30000)		2000
			By Accrued Interest on defence bonds		70000
		1088000			1088000

Balance Sheet
For the year ended 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Subscription Received in Advance		30000	Cash in Hand		109000
Life Membership Fees		4000	Cash at Bank		300000
O/s Rent		10000	O/s Subscription		70000
Capital Fund	2010000		Prepaid Salary		20000
Add : Surplus	635000	2645000	Accrued Interest on Defence Bonds		70000
			Books		30000
			Defence Bonds		1500000
			Furniture	120000	
			Add Purchase	200000	
				320000	
			Less Sale	30000	290000
			Investments	1100000	
			Less Sale	800000	300000
		2689000			2689000

Q. 16. Calculate amount of subscriptions which will be treated as income for the year ended 31st March, 2021 each of the following cases :

	Particulars	₹
Case I.	(i) Subscriptions collected during the year ended 31st March, 2021	2,50,000
	(ii) Subscriptions in arrears for the year ended 31st March, 2021	6,000
	(iii) Subscriptions received in advance for the year ended 31st March, 2022	5,000
Case II.	(i) Subscriptions collected during the year ended 31st March, 2021	49,000
	(ii) Subscriptions for the year ended 31st March, 2020 collected in the year ended 31st March, 2020	3,000
	(iii) Subscriptions unpaid for the year ended 31st March, 2021	2,000
Case III.	(i) Subscriptions received during the year ended 31st March, 2021	25,000
	(ii) Subscriptions outstanding in the beginning of the year ended 31st March, 2021	3,000
	(iii) Subscriptions not yet collected for the year ended 31st March, 2021	5,000
Case IV.	(i) Subscriptions received during the year ended 31st March, 2021	80,000
	(ii) Subscriptions outstanding in the beginning of the year ended 31st March, 2021	5,000
	(iii) Subscriptions not yet collected for the year ended 31st March, 2021	8,000
	(iv) Subscriptions received in advance for the year ended 31st March, 2022	2,000
Case V.	(i) Subscriptions received during the year ended 31st March, 2021	90,000
	(ii) Subscriptions outstanding at the end of the year ended 31st March, 2020	5,000
	(iii) Subscriptions received in advance on 31st March, 2020	3,000
	(iv) Subscriptions received in advance on 31st March, 2021	4,000
	(v) Subscriptions not yet collected for the year ended 31st March, 2021	6,000

Solution 16 :

Calculation of Amount of Subscription
For the year ended 31st March, 2021

Case 1 :

Particulars	Amount
Subscription collected in the year 2020-21	250000
Add : Subscription in arrears for the year 2020-21	6000
Less : Received advance subscription for the year 2021-22	(5000)
Subscription Income for the year 2020-21	251000

Case 2 :

Particulars	Amount
Subscription collected in the year 2020-21	49000
Add : Collected Subscriptions for the year 2020-21 in 2019-20	3000
Add : Unpaid Subscription for the year 2020-21	2000
Subscription Income for the year 2020-21	54000

Case 3 :

Particulars	Amount
Subscription received for the year 2020-21	25000
Less : Outstanding subscription in the starting of the year 2020-21	(3000)
Add : Subscription not collected for the year 2020-21	5000
Subscription Income for the year 2020-21	27000

Case 4 :

Particulars	Amount
Received Subscription for the year 2020-21	80000
Less : Outstanding Subscription in the starting of the year 2020-21	(5000)
Add : Subscription not collected yet for the year 2020-21	8000
Less : Received Advance Subscription for the year 2021-22	(2000)
Subscription Income for the year 2020-21	81000

Case 5 :

Particulars	Amount
Received Subscription for the year 2020-21	90000
Less : Outstanding Subscription at the end of the year 2019-20	(5000)
Add : Received Advance Subscription on 31st March 2020	3000
Less : Received Advance Subscription on 31st March, 2021	(4000)
Add : Subscription not collected yet for the year 2020-21	6000
Subscription Income for the year 2020-21	90000

17. Prepare Income and Expenditure Account from the following particulars of Youth Club for the year ended on 31st March, 2021 :

Dr. **RECEIPTS AND PAYMENTS ACCOUNT** *for the year ended 31st March, 2021* *Cr.*

Receipts		₹	Payments	₹
To Balance b/d (Cash)		32,500	By Salaries	31,500
To Subscriptions :			By Postage	1,250
2019-20	1,500		By Rent	9,000
2020-21	60,000		By Printing and Stationery	14,000
2021-22	1,800	63,300	By Sports Material	11,500
To Donations (Billiards Table)		90,000	By Miscellaneous Expenses	3,100
To Entrance Fees		1,100	By Furniture (1st October, 2020)	20,000
To Sale of Old Magazines		450	By 10% Investment (1st October, 2020)	70,000
			By Balance c/d (31st March, 2021)	27,000
		1,87,350		1,87,350

Additional Informations :

(i) Subscription outstanding as at 31st March, 2021 ₹ 16,200.
(ii) ₹ 1,200 is still in arrears for the year 2019-20 for subscription.
(iii) Value of sports material at the beginning and at the end of the year was ₹ 3,000 and ₹ 4,500 respectively.
(iv) Depreciation to be provided @ 10% p.a. on furniture.

Solution 17 :

Income and Expenditure Account
For the year endeded 31st March, 2021

Expenditure	Amt. (₹)	Income		Amt. (₹)
To Salaries	31500	By Subscription	60000	
To Postage	1250	Add O/s	15000	75000
To Rent	9000	By Entrance Fees		1100
To Printing and Stationery	14000	By Sale of Old Newspapers		450
To Misc. Expences	3100	By Interest on Investment		3500
To Consumption of Sports Material	10000			
To Dep. on Furniture	1000			
To Surplus	10200			
	80050			80050

Working Notes :

1. Depreciation on Furniture

$$₹\ 20000 \times \frac{10}{100} \times \frac{6}{12} = ₹\ 1000$$

2. Interest on Investments

$$₹\ 70000 \times \frac{10}{100} \times \frac{6}{12} = ₹\ 3500$$

3. Consumption of Sports Material

	₹
Opening Stock of Sports Material	3000
Add : Purchase of Sports Material	11500
	14500
Less : Closing Stock of Sports Material	4500
	10000

18. Following is the Receipts and Payments Account of Delhi Football Club for the year ended 31st March,2020 :

Dr. **RECEIPTS AND PAYMENTS ACCOUNT** *for the year ended 31st March, 2020* *Cr.*

Receipts	₹	Payments	₹
To Balance b/d (Cash)	18,000	By Building	4,00,000
To Donations for Building	4,50,000	By Project Expenses (Young	
To Donations	50,000	Talent Search and Development)	90,000
To Government Grant (Young		By Match Expenses	90,000
Talent Search and Development)	1,00,000	By Furniture	1,21,000
To Life Membership Fees	40,000	By 10% Investments	1,60,000
To Match Fund	80,000	(Purchased on 1st July, 2019)	
To Subscriptions	52,000	By Salaries	70,000
To Locker's Rent	4,000	By Insurance	3,500
To Interest on Investments	10,000	By Sundry Expenses	4,700
To Sale of Furniture (Book value		By Balance c/d (Cash)	4,800
₹ 80,000)	1,00,000	By Bank (Young Talent	
To Entrance Fees	50,000	Search and Development)	10,000
	9,54,000		9,54,000

Additional Informations :

(i) During the year ended 31st March, 2020, the Club had 550 members and each paying an annual subscription of ₹ 100.

(ii) Salaries Outstanding as at 1st April, 2019 were ₹ 10,000 and as at 31st March, 2020 were ₹ 5,000.

Prepare Income and Expenditure Account of the Club for the year ended 31st March, 2020.

Solution 18 :

Income and Expenditure Account
For the year ended 31st March, 2021

Expenditure		Amt. (₹)	Income	Amt. (₹)
To Salaries	70000		By Subscription	
Add : O/s at the end	5000		(550 Members × ₹ 100)	55000
	75000		By Entrance Fees	50000
Less : O/s at the beginning	10000	65000		

To Insurance		3500	By General Donation		
To Sundry Expences		4700	$\left(₹\,500000 \times \frac{10}{100}\right)$		50000
To Match Expences	90000		By Locker Rent		4000
Less : Match Fund	80000	10000	By Profit on sale of furniture		
To Surplus (B/F)		107800	(₹ 100000 – ₹ 80000)		20000
			By Interest on Investment	10000	
			Add Accrued Interest	2000	12000
		191000			191000

Working Note :

Calculation of Accrued Interest on Investment

	₹
Interest on Investment for 9 months	12000
$\left(₹\,160000 \times \frac{10}{100} \times \frac{9}{12}\right)$	10000
Amount of Accrued Interest on Investments	2000

19. From the following Receipts and Payments Account and additional information given below, prepare Income and Expenditure Account and Balance Sheet of Rural Literacy Society as on 31st March, 2021 :

Dr. **RECEIPTS AND PAYMENTS ACCOUNT** *for the year ended 31st March, 2021* *Cr.*

Receipts		₹	Payments	₹
To Balance b/d :			By Geneal Expenses	32,000
Cash in Hand		40,000	By Newspapers	18,500
Cash at Bank		1,55,500	By Electricity	30,000
To Subscriptions :			By Fixed Deposit with Bank	1,80,000
2019-20	12,000		(On 30th September, 2020 10% p.a.)	
2020-21	2,65,000		By Books	70,000
2021-22	5,000	2,82,000	By Salary	36,000
To Legacy		12,500	By Rent	65,000
To Government Grant		1,20,000	By Postage Charges	3,000
To Sale of Old Furniture		37,000	By Furniture (Purchased)	1,05,000
(Book Value ₹ 50,000)			By Balance c/d :	
To Interest received on Fixed Deposit		4,500	Cash in Hand	30,000
			Cash at Bank	82,000
		6,51,500		6,51,500

Additional Informations :

(i) Subscription outstanding as on 31st March, 2020 ₹ 20,000 and on 31st March, 2021 ₹ 15,000.

(ii) On 31st March, 2021, salary outstanding ₹ 6,000 and one month rent paid in advance.

(iii) On 1st April, 2020, society owned furniture ₹ 1,20,000 and books ₹ 50,000.

Solution 19 :

Balance Sheet
For the year ending 31st March,2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capital Fund (B/F)	385500	O/s Subscription	20000
		Books	50000
		Furniture	120000
		Cash in Hand	40000
		Cash at Bank	155000
	385500		385500

Income and Expenditure Account
For the year ended 31st March, 2021

Expenditure		Amt. (₹)	Income		Amt. (₹)
To Electricity		30000	By Govt. Grant		120000
To Newspaper		18500	By Sale of Old Newspaper		12500
To Loss on Sale of Furniture			By Intrest on Fixed Depost		
(₹ 50000 – ₹ 37000)		13000	$\left(₹180000 \times \frac{10}{100} \times \frac{6}{12}\right)$		9000
To Salary	36000				
Add O/s	6000		By Subscription	26500	
Less : Prepaid	5000	42000	Add O/s	7000	272000
To Rent	65,000				
Less : Prepaid	5,000	60000			
To General Expenses		32000			
To Postage Charges		3000			
To Surplus (B/F)		215000			
		413500			413500

Balance Sheet
For the year ended 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Subscription received in advance		5000	Books	50000	
O/s Salaries		6000	Add Purchase	70000	120000
Capital Fund	385500		O/s Subscription		15000
Add : Surplus	215000	600500	Fixed Deposit	180000	
			Add accured Interest	4500	184500
			Prepaid Rent		5000
			Cash in Hand		30000
			Cash at Bank		82000
			Furniture	120000	
			Add Purchase	105000	
				225000	
			Less : Sale	50000	175000
		611500			611500

20. Following is the Receipts and Payments Account of Bharti Club for the year ended 31st March, 2021 :

RECEIPTS AND PAYMENTS ACCOUNT OF BHARTI CLUB

Dr. *for the year ended 31st March, 2021* *Cr.*

Receipts	₹	Payments	₹
To Balance b/d	10,500	By Salaries	25,000
To Subscriptions	70,500	By Travelling Expenses	4,000
To Donations	5,000	By Stationery	3,000
To Life Membership Fees	10,000	By Rent	32,000
To Income from Investments	2,000	By Books	4,000
		By Balance c/d	30,000
	98,000		98,000

Additional Informations :

Particulars	31st March, 2020 ₹	31st March, 2021 ₹
Advance Subscription	2,000	3,500
Outstanding Subscription	3,400	4,300
Books	8,000	12,000
9% Investments	25,000	25,000

Prepare Income and Expenditure Account of the Club for the year ended 31st March, 2021 and its Balance Sheet as at 31st March, 2021.

Solution 20 :

Balance Sheet
For the year ended 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Advance Subscription	2000	Books	8000
Capital Fund (B/F)	44900	9% Investments	25000
		Cash	10500
		O/s Subscription	3400
	46900		46900

Income and Expenditure Account
For the year ended 31st March, 2021

Expenditure	Amt. (₹)	Income		Amt. (₹)
To Salaries	25000	By Income From Investment	2000	
To Travelling Exp.	4000	Add : Accured interest	250	2250
To Stationery	3000	By Donation		5000
To Rent	32000	By Subscription		69900
To Surplus (B/F)	13150			
	77150			77150

Balance Sheet
For the year ended 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Advance Subscription		3500	Cash		30000
Capital Fund	44900		Books		12000
Add : Surplus	13150	58050	O/s Subs.		4300
Life Membership Fees		10000	9% Investment	25000	
			Add : Accrued Interest	250	25250
		71550			71550

Working Note :

1. Calculation of Accrued Interest on Investment

Interest $\left(25000 \times \frac{9}{100}\right)$	1750
Interest Paid	2000
Accrued Interest on Investment	250

2. Calculation of Amount of Subscription

	₹
Subscription for the year 2020-21	70500
Add : Advance Subscription for the year 31st March, 2020	2000
Less : Advance Subscription for the year 31st March, 2021	(3500)
Less : Outstanding Subscription for the year 31st March, 2020	(3400)
Add : Outstanding Subscription for the year 31st March,2021	4300
Subscription recorded in Income and Expenditure Account for the year 31st March, 2021.	69900

❑

2 Accounting for Partnership Firms—Fundamentals

1. X and Y are partners sharing profits in the ratio of 2 : 1. The undermentioned trial balance was extracted from their books as at 31st March, 2021 :

Particulars	Dr. Balances	Cr. Balances
	₹	₹
X's Capital		3,20,000
Y's Capital		2,40,000
X's Drawings	40,000	
Y's Drawings	32,000	
Stock (1st April, 2020)	45,200	
Purchases and Sales	8,68,000	12,45,000
Debtors and Creditors	1,52,000	48,000
Buildings	6,00,000	
Cash in hand	5,900	
Bank Overdraft		27,500
Salaries to Staff	74,700	
Rent	26,400	
Advertising Expenditure	5,000	
Travelling Expenses	31,300	
	18,80,500	18,80,500

You are required to prepare the Profit & Loss Account and Profit & Loss Appropriation Account for the year ended 31st March, 2021 and a Balance Sheet as on that date. The following adjustments are to be made :

(i) The value of stock on March 31, 2021 was ₹ 64,000.

(ii) Charge depreciation on Buildings at 10%.

(iii) Provide for outstanding rent ₹ 2,400.

(iv) Partners are entitled to interest on Capital @ 5% and X is entitled to a salary of ₹ 48,000 p.a.

Solution 1 :

Trading and Profit and Loss Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Opening Stock		45200	By Sales	1245000
To Purchases		868000	By Closing Stock	64000
To Gross Profit C/d (B/F)		395800		
		188500		188500
To Dep. on Building By Gross Profit b/d		395800		
$\left(600000 \times \frac{10}{100}\right)$		60000		
To Rent	26400			
Add : O/s Rent	2400	28800		

To Salaries to staff	74700		
To Advertisement Exp.	5000		
To Travelling Exp.	31300		
To Net Profit c/d (B/F)	196000		
	395800		395800

Profit and Loss Appropriation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Interest on Capital			By Profit & Loss A/c	
X -	16000		(Net Profit)	196000
Y -	12000	28000		
To Salary to X		48000		
To Profit Transferred to :				
X's Capital	80000			
Y's Capital	40000	120000		
		196000		196000

Partner's Capital Account

Particulars	X (₹)	Y (₹)	Particulars	X (₹)	Y (₹)
To Drawings	40000	32000	By Balance b/d	320000	240000
To Balance c/d	424000	260000	By Int. on Cap.	16000	12000
			By P & L App.	80000	40000
			By Salary A/c	48000	—
	464000	292000		464000	292000

Balance Sheet
For the year ended 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital			Closing Stock		64000
X's Capital	424000		Building	600000	
Y's Capital	260000	684000	Less Dep.	60000	540000
Bank Overdraft		24500	Cash in Hand		5900
Creditors		48000	Debtors		152000
O/s Rent		2400			
		761900			761900

Working Note :

1. Interest on Capital To Partners

   $X = ₹\ 320000 \times \frac{5}{100} = ₹\ 16000$

   $Y = ₹\ 240000 \times \frac{5}{100} = ₹\ 12000$

2. Distributed Profit among Partners

   $X = ₹\ 120000 \times \frac{2}{3} = ₹\ 80000$

   $Y = ₹\ 120000 \times \frac{1}{3} = ₹\ 80000$

3. Depreciation on Building

   $₹\ 600000 \times \frac{10}{100} = ₹\ 60000$

2. A, B and C were partners in a firm sharing profits in the ratio of 3 : 2 : 1. C was guaranteed to be given a profit of ₹ 40,000 per year. Deficiency if any on that account shall be borne by A and B in the ratio 3 : 2. The net profit of the firm for the year ended 31-3-2021 was ₹ 1,50,000. Prepare Profit & Loss Appropriation Account of the Firm.

Solution 2 :

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Profit Transferred to :			By Profit & Loss A/c	
A's Capital A/c	66000		(Net Profit)	150000
B's Capital A/c	44000			
C's Capital A/c	40000	150000		
		150000		150000

Working Note :

Distribution of Profit for the year 2021

Profit for 2021 = ₹ 150000

Profit sharing ratio = 3 : 2 : 1

C's is given a guarantee of minimum profit of ₹ 40000

A's Profit share = ₹ 150000 × $\frac{3}{6}$ = ₹ 750000

B's Profit Share = ₹ 150000 × $\frac{2}{6}$ = ₹ 50000

C's Profit Share = ₹ 150000 × $\frac{1}{6}$ = ₹ 25000

Deficiency in C's Profit Share = ₹ 40000 – ₹ 25000 = ₹15000

The Deficiency is to be borne by A and B in 3 : 2 ratio.

Therefore,

A's Share in deficiency = ₹ 15000 × $\frac{3}{5}$ = ₹ 9000

B's Share in deficiency = ₹ 15000 × $\frac{2}{5}$ = ₹ 6000

Final profit share of A = ₹ 75000 – ₹ 9000 = ₹ 66000

Final profit share of B = ₹ 50000 – ₹ 6000 = ₹ 44000

Final profit share of C = ₹ 25000 + ₹ 15000 = ₹ 40000

3. Rajat, Nimesh and Vishesh entered into partnership on 1st April, 2019 to share profits and losses in the ratio of 4 : 3 : 3. Rajat, however, is personally guaranteed that Vishesh's share of profit after charging interest on capitals @ 5% p.a. would not be less than ₹ 40,000 p.a. Their capitals were ₹ 3 lakhs, 2 lakh and ₹ 1 lakh respectively. The profit for the year ended March, 2021 were ₹ 1,20,000. Show the distribution of profit.

Solution 3 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2019

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Interest on Capital			By Profit & Loss A/c (Net Profit)	120000
Rajat	150000			
Nimesh	10000			
Vishesh	5000	30000		
To Profit Transferred to :				
Rajat	23000			
Nimesh	27000			
Vishesh	40000	90000		
		120000		120000

Working Note :

Profit available for distribution = ₹ 120000 – ₹ 30000 = ₹ 90000

Rajat's share of profit = ₹ 90000 × $\frac{4}{10}$ = ₹ 36000

Nimesh's share of profit = ₹ 90000 × $\frac{3}{10}$ = ₹ 27000

Vishesh's share of profit = ₹ 90000 × $\frac{3}{10}$ = ₹ 27000

Deficiency in vishesh's profit share = ₹ 40000 – ₹ 27000 = ₹ 13000

The Deficiency is borned by Rajat

Final profit share of Rajat = ₹ 36000 – ₹ 13000 = ₹ 23000

Final profit share of Nimesh = ₹ 27000

Final profit share of Vishesh = ₹ 27000 + ₹ 13000 = ₹ 40000

4. Asgar, Chaman and Dholu are partners in a firm. Their Capital Accounts stood at ₹ 6,00,000; ₹ 5,00,000 and ₹ 4,00,000 respectively on 1st April, 2020. They shared profits and losses in the proportion of 4 : 2 : 3. Partners are entitled to interest on capital @ 8% per annum and salary to Chaman and Dholu @ ₹ 7,000 per month and ₹ 10,000 per quarter respectively as per the provision of the Partnership Deed. Dholu's share of profit (excluding interest on capital but including salary) is guaranteed at a minimum of ₹ 1,10,000 p.a. Any deficiency arising on that account shall be met by Asgar. The profit for the year ended 31st March, 2021 amounted to ₹ 4,24,000.

Prepare Profit & Loss Appropriation Account for the year ended 31st March, 2021.

Solution 4 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Interest on Capital			By Profit & Loss		
Asgar	48000		(Net Profit)	424000	
Chaman	4000				
Dholu	32000	120000			
To Salary to Chaman					
(₹ 7000 × 12)		84000			
To Salary to Dholu					
(₹ 10000 × 4)		40000			
To Profit transferred to :					
Asgar	70000				
Chaman	40000				
Dholu	70000	180000			
		424000			424000

Working Note :

Profit available for distribution = ₹ 424000 – (₹ 120000 + ₹ 84000 + ₹ 40000)
= ₹ 180000

Profit sharing ratio = 4 : 2 : 3

Asgar's profit share = ₹ 180000 × $\frac{4}{9}$ = ₹ 80000

Chaman's profit share = ₹ 180000 × $\frac{2}{9}$ = ₹ 40000

Dholu's profit share = ₹ 180000 × $\frac{3}{9}$ = ₹ 60000

Dholu's minimum Guarantee Profit = ₹ 110000
(Excluding interest on capital but including salary)

Dholu's minimum guarantee Profit
(Excluding Salary) = ₹ 110000 – ₹ 40000 = ₹ 70000
Dholu's actual share of profit = ₹ 60000
Deficiency in Dholu's profit share
₹ 70000 – ₹ 60000 = ₹ 10000
Deficiency isto be borns by Asgar
Therefore
Final profit share of Asgar = ₹ 80000 – ₹ 10000
= ₹ 70000
Final profit share of Chaman = ₹ 40000
Final profit share of Dholu = ₹ 60000 + ₹ 10000
= ₹ 70000

5. Ajay, Binay and Chetan were partners sharing profits in the ratio of 3 : 3 : 2. The Partnership Deed provided for the following :

(i) Salary of ₹ 2,000 per quarter to Ajay and Binay.

(ii) Chetan was entitled to a commission of ₹ 8,000.

(iii) Binay was guaranteed a profit of ₹ 50,000 p.a.

The profit of the firm for the year ended 31st March, 2021 was ₹ 1,50,000 which was distributed among Ajay, Binay and Chetan in the ratio of 2 : 2 : 1, without taking into consideration the provisions of Partnership Deed. Pass necessary rectifying entry for the above adjustments in the books of the firm. Show your workings clearly.

Solution 5 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Salary A/c			By Profit & Loss A/c	
Ajay	8000		(Net Profit)	150000
Biney	8000	16000		
To Chetan's Capital				
(Commission)		8000		
To Profit Transferred to				
Ajay	45600			
Viney	50000			
Chetan	30400	126000		
		150000		150000

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Ajay's Capital A/c	Dr.		6400	
	Biney's Capital A/c	Dr.		2000	
	To Chetan's Capital A/c				8400
	(Being Adjustment Entry Passed)				

Working Note :

Statement Showing Adjustment

Particulars	Ajay	Binay	Chetan	Total
Salary to be provided	8000	8000	—	16000
Commission to be provided	—	—	8000	8000
Profit to be credited	45600	50000	30400	126000
Total	53600	58000	38400	150000
Profit already distributed	(60000)	(60000)	(30000)	150000
Net Adjustment	(6400)	(2000)	8400	Nil

6. Shankar and Manu are partners in a firm. On 1st April, 2020, their fixed capital accounts showed a balance of ₹ 2,00,000 and ₹ 4,00,000 respectively.
On this date, their current account balances were ₹ 50,000 and ₹ 1,00,000 respectively.
On 1st January, 2021, Shankar introduced additional capital of ₹ 2,00,000 while Manu gave a loan of ₹ 1,50,000 to the firm.
The clauses of their partnership deed provided for :
(a) Interest on capital to be allowed at the rate of 10% per annum.
(b) Interest on drawings to be charged at the rate of 12% per annum.
(c) Profits to be shared by them in the ratio of 3 : 2.
(d) 10% of the correct net profit to be transferred to General Reserve.
During the financial year 2020-21, both partners withdrew ₹ 6,000 each at the beginning of every quarter.
The net profit of the firm, before any interest, for the financial year 2020-21 was ₹ 5,00,000.
You are required to prepare for the year 2020-21 :
(i) Profit & Loss Appropriation Account.
(ii) Partners' Fixed Capital Accounts.
(iii) Partners' Current Accounts.
(iv) Partner's Loan Account.

Solution 6 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Interest on Capital			By Profit & Loss A/c	500000	
Shankar	25000		Less Interest on Loan		
(₹ 2,000 + ₹ 5000)			by Manu	2250	497750
Monu	40,000	65,000	By Interest on Drawing A/c		
To General Reserve A/c			Shankar	1800	
(₹ 497750 × $\frac{10}{100}$)		49775	Manu	1800	3200
To Profit Transferred					
Current A/cs					
Shankar	231945				
Manu	154630	386575			
		501350			501350

Partner's Current Accounts

Particulars	Shankar (₹)	Manu (₹)	Particular	Shankar (₹)	Manu (₹)
To Drawings A/c	24000	24000	By Balance b/d	50000	100 000
To Interest on Drawings A/c	1800	1800	By Interest on Capital A/c	25000	40000
To Balance c/d	281145	268830	By P & L App. A/c (Profit)	231945	154630
	306945	306945		306945	306945

Partner's Capital Account

Particulars	Shankar (₹)	Manu (₹)	Particular	Shankar (₹)	Manu (₹)
To Balance c/d	400000	400000	By Balance b/d	200000	400000
			By Bank A/cd	200000	—
	400000	400000		400000	400000

Loan By Manu Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance c/d	152250	By Bank A/c	150000
		By Interest on Loan by Manu A/c	2250
	152250		152250

7. D, E and F were partners in a firm sharing profits in the ratio of 5 : 7 : 8. Their fixed capitals on 1st April, 2020 were D ₹ 5,00,000, E ₹ 7,00,000 and F ₹ 8,00,000. Their Partnership Deed provided for the following :

(i) Interest on capital @ 10% p.a.

(ii) Salary of ₹ 10,000 per month to F.

(iii) Interest on drawing @ 12% p.a.

D withdrew ₹ 40,000 on 30th April, 2020; E withdrew ₹ 50,000 on 30th June, 2020 and F withdrew ₹ 30,000 on 31st March, 2021.

During the year ended 31st March, 2021 the firm earned a profit of ₹ 3,50,000.

Prepare the Profit & Loss Appropriation Account for the year ended 31st March, 2021.

Solution 7 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Interest on Capital			By Profit & Loss A/c		350000
D	50000		(Net Profit)		
E	70000		By Interest on		
F	80000	200000	By Interest on drawings A/c		
To Salary to F			D	4400	
(₹ 10000 × 12)		120000	E -	4500	8900
To Profit Transferred to					
D -	9725				
E -	13615				
F -	15560	38900			
		358900			358900

Working Note :

1. Calculation of Interest on Capital

Interest on D’s Capital = ₹ 500000 × $\frac{10}{100}$ = ₹ 50000

Interest on E's Capital = ₹ 700000 × $\frac{10}{100}$ = ₹ 70000

Interest on F's Capital = ₹ 800000 × $\frac{10}{100}$ = ₹ 80000

2. Calculation of Interest on Drawings

Interest on D's drawing = ₹ 40000 × $\frac{12}{100} \times \frac{11}{12}$ = ₹ 4400

Interest on E's drawings = ₹ 50000 × $\frac{12}{100} \times \frac{9}{12}$ = ₹ 4500

No interest shall be charged on F's Drawing. This is because F withdrew the amount at the end of the year (on 31st March, 2021)

3. Calculation of Profit share of each partner
   Profit available for distribution
   = ₹ 200000 – (₹ 350000 + ₹ 8900) = ₹ 38900
   Profit sharing ratio = 5 : 7 : 8

   D's share of profit = ₹ 38900 × $\frac{5}{20}$ = ₹ 9725

   E's share of profit = ₹ 38900 × $\frac{2}{20}$ = ₹ 13615

   F's share of profit = ₹ 38900 × $\frac{8}{20}$ = ₹ 15560

8. A, B and C are partners sharing profits in the ratio of 3 : 3 : 2. Their deed provided the following :

(i) A was given salary ₹ 5,000 p.a. while B was given salary of ₹ 250 p.m.

(ii) C was entitled to a commission of ₹ 4,000.

(iii) A and C guaranteed that B to get a minimum share of ₹ 25,000 p.a.

Profit for the year was ₹ 72,000. Show distribution of profit.

Solution 8 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Salary A/c			By Profit & Loss A/c	
A	5000		(Net Profit)	72000
B	3000	8000		
(₹ 250 × 12)				
To C's Capital				
(Commission)		4000		
To Profit Transferred to				
A -	21000			
B -	25000			
C -	14000	60000		
		72000		72000

Working Note :

Profit available for distribution
₹ 72000 – (₹ 8000 + ₹ 4000) = ₹ 60000
Profit sharing ratio = 3 : 3 : 2
B's minimum share = ₹ 25000
Deficiency of B's Share = ₹ 25000 – ₹ 22500
= ₹ 2500

Deficiency is to be borne by A and C in 3 : 2 ratio

A's share in deficiency = ₹ 2500 × $\frac{3}{5}$ = ₹ 1500

C's share in deficiency = ₹ 2500 × $\frac{2}{5}$ = ₹ 1000

Therefore
Final profit of A's share = ₹ 22500 – ₹ 1500 = ₹ 21000
Final profit of B's share = ₹ 22500 + ₹ 2500 = ₹ 25000
Final profit of C's share = ₹ 15000 – ₹ 1000 = ₹ 14000

9. A, B and C were partners in a firm sharing profits in the ratio of 2 : 2 : 1. C was guaranted a profit of ₹ 20,000. A agreed to meet the liability arising out of guaranted amount to C. The firm earned a profit of ₹ 80,000 for the year ended 31-3-2021.

Prepare Profit & Loss Appropriation Account.

Solution 9 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To profit transferred to			By profit & Loss A/c	
A	28000		(Net Profit)	80000
B	32000			
C	20000	80000		
		80000		80000

Working Note :

Profit available for distribution = ₹ 80000

Profit sharing ratio = 2 : 2 : 1

A's share in profit = ₹ 80000 × $\frac{2}{5}$ = ₹ 32000

B's share in profit = ₹ 80000 × $\frac{2}{5}$ = ₹ 32000

C's share in profit = ₹ 80000 × $\frac{1}{5}$ = ₹ 16000

C's profit share as per guarantee = ₹ 20000

Deficiency of C's share = ₹ 20000 – ₹ 16000
= ₹ 4000

Deficiency is to be borne by A

Therefore,

A's share of profit = ₹ 32000 – ₹ 4000 = ₹ 28000

B's share of profit = ₹ 32000

C's share of profit = ₹ 16000 + ₹ 4000 = ₹ 20000

10. X and Y earned into partnership on 1st April, 2018. Their capitals as on 1st April, 2020 were ₹ 2,00,000 and ₹ 1,50,000 respectively. On 1st October, 2020, X gave ₹ 50,000 as loan to the firm. As per the provisions of the Partnership Deed :

(i) 20% of Profits before charging Interest on Drawings but after making appropriations was to be transferred to General Reserve.

(ii) Interest on capital is to be allowed @12% p.a. and Interest on drawings is to be charged @ 10% p.a.

(iii) X to get monthly salary of ₹ 5,000 and Y to get salary of ₹ 22,500 per quarter.

(iv) X is entitled to a commission of 5% on sales. Sales for the year were ₹ 3,50,000.

(v) Profit to be shared in the ratio of their capitals upto ₹ 1,75,000 and balance equally.

Profit for the year ended 31st March, 2021 before allowing or charging interest was ₹ 4,61,000. The drawings of X and Y were ₹ 1,00,000 and ₹ 1,25,000 respectively.

Pass the necessary Journal entires relating to appropriation of profit. Prepare Profit and Loss Appropriation Account and the Partners' Capital Accounts.

Solution 10 :

Profit Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Interest on Capital			By Profit & Loss A/c		
X	24000		(₹ 461000 – ₹ 1500)		459500
Y	18000	42000	By Interest Drawing		
To X's Capital			X	5000	
(Commision)			Y	6250	11250
(₹ 350000 × $\frac{5}{100}$)		17500			
To Salary A/c					
X	60000				
Y	90000	150000			
To Reserve A/c		50000			
To Profit Transferred to					
X	118125				
Y	93125	211250			
		470750			470750

Parner's Capital Account

Particulars	X (₹)	Y (₹)	Particulars	X (₹)	Y (₹)
To Drawing	100000	125000	By Balance b/d	200000	150000
To Interest on Drawing	5000	6250	By Interest on Capital	24000	18000
To Balance c/d	134625	219875	By Salary	60000	90000
			By Commission	17500	
			By P & LApp.	118125	93125
	419625	351125		419625	351125

Working Notes :

1. Calculation of Reserve

   Profit before charging interest on Drawings but after charging appropriations
   ₹ 459500 – (₹ 42000 + ₹ 17500 + ₹ 60000 + ₹ 90000)
   = ₹ 250000

   Reserve = ₹ 250000 × $\frac{20}{100}$ = ₹ 50000

2. Division of profit

Partners	Upto ₹ 175000	₹ 36250 (above ₹ 175000)	Total
X	100000	18125	118125
Y	75000	18125	93125

11. Piya and Bina are partners in a firm sharing profits and losses in the ratio of 3 : 2. Following was the Balance Sheet of the firm as on 31st March, 2021 :

Liabilities		₹	Assets	₹
Capitals :			Sundry Assets	1,20,000
Piya	80,000			
Bina	40,000	1,20,000		
		1,20,000		1,20,000

The profits ₹ 30,000 for the year ended 31st March, 2021 were divided between the partners without allowing interest on capital @ 12% p.a. and salary to Piya @ ₹ 1,000 per month. During the year Piya withdrew ₹ 8,000 and Bina withdrew ₹ 4,000. Showing your working notes clearly, pass the necessary rectifying entry.

Solution 11 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bina's Capital A/c Dr. To Piya's Capital A/c (Interest on Capital Adjusted)		5856	 5856

Working Note :

Calculation of Interest on Capital

Particulars	Piya (₹)	Bina (₹)
Closing Capital	80000	40000
Less: Profit already credited	72000	48000
Add : Drawings already debted	8000	4000
Opening Capital	16000	(4000)

Interest on Piya's Capital = ₹ 16000 × $\frac{12}{100}$ = ₹ 1920

Interest on Bina's Capital = ₹ 4000 × $\frac{12}{100}$ = ₹ 480

2. Adjustment Made

Particulars	Piya (₹)	Bina (₹)	Total (₹)
Interest on capital to be credited @ 12% (Cr.)	1920	(480)	1440
Salary to A (Cr.)	12000	—	12000
Profit to be credited (Cr.)	63936	42624	105560
Profit wrongly credited (Dr.)	(72000)	(48000)	(120000)
Difference to be adjusted	5586 (Cr.)	5586 (Dr.)	—

12. Naveen, Qadir and Rajesh were partners doing an electronic goods business in Uttarakhand. After the accounts of partnership were drawn up and closed, it was discovered that interest on capital has been allowed to partners @ 6% p.a. for the years ending 31st March, 2020 and 2021, although there is no provision for interest on capital in the Partnership Deed. In the other hand, Naveen and Qadir were entitled to a salary of ₹ 3,500 and ₹ 4,000 per quarter respectively, which has not been taken into consideration. Their fixed capitals were ₹ 4,00,000, ₹ 3,60,000 and ₹ 2,40,000 respectively. During the last two years they had shared the profits and losses as follows :

Year Ended	Ratio
31st March, 2020	3 : 2 : 1
31st March, 2021	5 : 3 : 2

Pass necessary adjusting entry for the above adjustments in the books of the firm on 1st April, 2021. Show your workings clearly.

Solution 12 :

Table Showing Final Adjustemnts

Particulars	Naveen		Qadir		Rajesh	
	Dr. (₹)	Dr. (₹)	Dr. (₹)	Dr. (₹)	Dr. (₹)	Dr. (₹)
31 March, 2020						
Interest on Capital	24000	—	21600	—	14400	—
Salary	—	14000 (₹3500×4)	—	16000 (₹4000×4)	—	—
Excess Dr. Now Cr. in 3 : 2 : 1.	—	15000	— 10000	—	5000	
31st March 2021						
Interest on Capital	24000	—	21600	—	14400	—
Salary	—	14000	—	16000	—	—
Excess Dr. Now Cr. in 5 : 3 : 2	—	15000	—	9000	—	6000
Total	48000	58000 10000 (Cr.)	43200 7800 (Cr.)	51000 17800 (Dr.)	28800	11000

31st March, 2020 — Total Dr. ₹ 60000 — Total Cr. ₹ 30000

Excess Dr. ₹ 30000 (3 : 2 : 1)

Naveen = ₹ 30000 × $\frac{3}{6}$ = ₹ 15000

Qadir = ₹ 30000 × $\frac{2}{6}$ = ₹ 10000

Rajesh = ₹ 30000 × $\frac{1}{6}$ = ₹ 5000

31st March 2021 — Total Dr. ₹ 60000 — Total Cr. ₹ 30000

Excess Dr. ₹ 30000 (5 : 3 : 2)

Naveen = ₹ 30000 × $\frac{5}{10}$ = ₹ 15000

Qadir = ₹ 30000 × $\frac{3}{10}$ = ₹ 9000

Rajesh = ₹ 30000 × $\frac{2}{10}$ = ₹ 6000

Adjustment Entry will be :

01 Apr. 2021	Rajesh current A/c	Dr.	17800	
	To Naveen's current A/c			10000
	To Quadir's current A/c			7800
	(Adjustment entry passed)			

13. Pappu and Munna are partners in a firm sharing profits in the ratio of 3 : 2. The partnership deed provided that Pappu was to be paid salary of ₹ 2,500 per month and Munna was to get a commission of ₹ 10,000 per year. Interest on capital was to be allowed @ 5% p.a. and interest on drawings was to be charged @ 6% p.a. Interest on Pappu's drawing was ₹ 1,250 and Munna's drawings ₹ 425. Capital of partners were ₹ 2,00,000 and ₹ 1,50,000 respectively and were fixed. The firm earned a profit of ₹ 90,575 for the year ended 31-3-2021.

Prepare Profit & Loss Appropriation Account of the firm.

Solution 13 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Pappu's salary A/c		30000	By Profit & Loss A/c		90575
To Munna's Capital A/c			By Interest on Drawing		
(Commission)		10000	Pappu	1250	
To Interest on Capital			Munna	425	1675
Pappu	10000				
Munna	7500	17500			
To Partner's Capital					
(Profits)					
Pappu	20850	34750			
Munna	13900				
		92250			92250

Working Notes :

1. Calculation of Interest on Capital

   Pappu = ₹ 200000 × $\frac{5}{100}$ = ₹ 10000

   Munna = ₹ 150000 × $\frac{5}{100}$ = ₹ 7500

2. Profit to be distributed in their profit sharing ratio i.e., 3 : 2

   Pappu's share of profit = ₹ 34750 × $\frac{3}{5}$ = 20850

   Munna's share in profit = ₹ 34750 × $\frac{2}{5}$ = 34750

14. A, B and C are partners in a firm. They have omitted interest on capital @ 10% p.a. for three years ended 31st March, 2021. Their fixed capital on which interest was not calculated throughout were :

A – ₹ 1,00,000; B – ₹ 80,000; C – ₹ 70,000

Give the necessary adjusting journal entry with working note.

Solution 14 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c Dr.		5000	
	To B's Capital A/c			1000
	To C's Capital A/c			4000
	(Adjustment of interest on capital omitted in previous 3 years)			

Working Notes :

1. Calculation of Interest on Capital

   A = ₹ 100000 × $\frac{10}{100}$ = ₹ 10000

   B = ₹ 80000 × $\frac{10}{100}$ = ₹ 8000

   C = ₹ 70000 × $\frac{10}{100}$ = ₹ 7000

Total interest on capital = ₹ 25000 (For one year)

For 3 years = ₹ 25000 × 3 = ₹ 75000

The above interest on capital has not been credited to partners, which means the amount of ₹ 75000 must have been distributed as profit to them.

Statement showing adjustments

Particulars	A	B	C	Total
Amount which should have been credited through interest on Capital in :				
2019	10000	8000	7000	25000
2020	10000	8000	7000	25000
2021	10000	8000	7000	25000
Amount which should have been debited for sharing the above lose				
	30000	24000	21000	75000
Wrong Distribution	25000	25000	25000	75000
Net Effect	5000 Dr.	1000 (Cr.)	4000 (Cr.)	– –

15. On 1st April, 2020 the balances of A and B were as follows :

	Capital Account ₹	*Current Account* ₹
A	1,00,000	(Cr.) 8,420
B	40,000	(Dr.) 3,200

On 1st July, 2020, A withdrew ₹ 20,000 from his capital and B introduced ₹ 10,000 as further capital on the same date. According to the deed, interest on capitals is to be allowed at 8% p.a. but no interest is to be allowed or charged on current account balances and drawings. A is entitled to $\frac{3}{5}$ and B $\frac{2}{5}$ of the profit. The manager of the firm is entitled to a commission of 10% of the profit before any adjustment is made according to the deed. For the year ended 31st March, 2021, the profit was ₹ 40,000 and the drawings of A and B were ₹ 12,000 and ₹ 10,000 respectively. Prepare the P & L Appropriation A/c, Capital Accounts and Current Accounts.

Solution 15 :

Profit and Loss Appropriation Account
For the year ended 31st March, 2021

Particulars		**Amt. (₹)**	**Particulars**	**Amt. (₹)**
To Interest on Capital			By Profit & Loss A/c (Profit)	40000
A -	6800			
B -	3800	10600		
To Manageries Commission A/c $\left(₹\ 40000 \times \frac{10}{100}\right)$		4000		
To Profit Transferred to				
A -	15240			
B -	10160	25400		
		40000		40000

Partners Current Account

Particulars	A (₹)	B (₹)	Particulars	A (₹)	B (₹)
To Balanced b/d	–	3200	By Balance b/d	8420	–
To Drawings	12000	10000	By Int. on Capital	6800	3800
To Balance c/d	18460	760	By P & L App.	15240	10160
	30460	13960		30460	13960

Partners Capital Account

Particulars	A (₹)	B (₹)	Particulars	A (₹)	B (₹)
To Bank	20000	–	By Balance b/d	100000	40000
To Balance c/d	80000	50000	By Bank	–	10000
	100000	50000		100000	50000

Working Note :

1. Caluculation of Interest on Capital

$$A = ₹\ 100000 \times \frac{8}{100} \times \frac{3}{12} = ₹\ 2000$$

$$₹\ 80000 \times \frac{8}{100} \times \frac{9}{12} = ₹\ 4800$$

(₹ 2000 + ₹ 4800) = ₹ 6800

$$B = ₹\ 40000 \times \frac{8}{100} = ₹\ 3200$$

$$₹\ 10000 \times \frac{8}{100} \times \frac{9}{12} = ₹\ 600$$

(₹ 3200 + ₹ 600) = ₹ 3800

2. Managers Commission
   Manager's Commission is 10% of the Profit before any adjustments is made

$$₹\ 40000 \times \frac{10}{100} = ₹\ 4000$$

3. As per the partnership deed there isno interest in provided on Drawings.

16. A, B and C are partners in a firm. Net profit of the firm for the year ended 31st March, 2021 ₹ 30,000, which has been duly distributed among the partners in their agreed ratio of 3 : 1 : 1. It is noticed on 10th April, 2021 that the undermentioned transactions were not passed through the books of account of the firm for the year ended 31st March, 2021.

(a) Interest on Capital @6% per annum, the capital of A, B and C being ₹ 50,000; ₹ 40,000 and ₹ 30,000 respectively.

(b) Interest on drawings : A ₹ 350; B ₹ 250; C ₹ 150.

(c) Partners' salaries : A ₹ 5,000; B ₹ 7,500.

(d) Commission due to A (for some special transaction) ₹ 3,000.

You are required to pass a Journal entry, which will not affect Profit & Loss Account of the firm and rectify the position of partners interest.

Solution 16 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c	Dr.		2520	
	C's Capital A/c	Dr.		2740	
	TO B's Capital A/c				5260
	(Adjustment Entry Passed)				

Working Notes :

1. Calculation of Interest on Capital

$$A = ₹\ 50000 \times \frac{6}{100} = ₹\ 3000$$

$$B = ₹\ 40000 \times \frac{6}{100} = ₹\ 2400$$

$$C = ₹\ 30000 \times \frac{6}{100} = ₹\ 1800$$

2. Distribution of Profit Amongst partners
   Net Profit = ₹ 30000
   In the Ratio of = 3 : 1 : 1

$$\text{A's share of profit} = ₹\ 30000 \times \frac{3}{5} = ₹\ 18000$$

$$\text{B's share of profit} = ₹\ 30000 \times \frac{1}{5} = ₹\ 6000$$

$$\text{C's share of profit} = ₹\ 30000 \times \frac{1}{5} = ₹\ 6000$$

3. Statement showing adjustment

Particulars	A	B	C	Total
Interest on Capital (Cr.)	3000	2400	1800	7200
Interest on Drawing (Dr.)	(350)	(250)	(150)	(750)
Salary to Partners (Cr.)	5000	7500	–	12500
Commission to Partner (Cr.)	3000	–	–	3000
Profit after adjustments (Cr.) ₹ 30000 – (₹ 7200	4830	1610	1610	8050
+ ₹ 12500 + ₹ 3000) + 750	15480	11260	3260	
Total				
Profit already distributed ₹ 30000 into 3 : 1 : 1	18000	6000	6000	30000
	2520	5260	2740	–
Net Adjustment	(Dr.)	(Cr.)	(Dr.)	

17. On 31st March, 2021, the balances in the Capital Accounts of Saroj, Mahinder and Umar after making adjustments for profits and drawings, etc., were ₹ 80,000, ₹ 60,000 and ₹ 40,000 respectively. Subsequently, it was discovered that the interest on capital and drawings has been omitted.

(a) The profit for the year ended 31st March, 2021 was ₹ 80,000.

(b) During the year Saroj and Mahinder each withdrew a sum of ₹ 24,000 in equal instalments in the end of each month and Umar withdrew ₹ 36,000.

(c) The interest on drawings was to be charged @ 5% p.a. and interest on capital was to be allowed @ 10% p.a.

(d) The profit-sharing ratio among partners was 4 : 3 : 1.

Showing your workings clearly, pass he necessary rectifying entry.

Solution 17 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Saroj's Capital A/c Dr. Mahinder's Capital A/c Dr. To Umar's Capital A/c (Being profit wrongly distributed without providing interest on capital and drawings, now adjusted)		2350 1300	 3650

Working Note :

1. Calculation of opening capital

Particulars	Saroj (₹)	Mahinder (₹)	Umar (₹)
Closing Capital	80000	60000	40000
Add : Drawings	24000	24000	24000
Less : Profits (₹ 8000 in 4 : 3 : 1)	40000	30000	10000
Opening Capital	64000	54000	66000

2. Calculation of Interest on Capital

Interest on Mahinder's Capital = ₹ 64000 × $\frac{10}{100}$ = ₹ 6400

Interest on mahinder's Capital = ₹ 54000 × $\frac{10}{100}$ = ₹ 5400

Interest on Umar's Capital = ₹ 66000 × $\frac{10}{100}$ = ₹ 6600

3. Calculation of Share of Profit to be credited
Profit available for distribution amongst partners
Profit available for distribution = ₹ 80000 – (₹ 18400 + ₹ 2000) = ₹ 63600

Saroj's Profit Share = ₹ 63600 × $\frac{4}{8}$ = ₹ 31800

Mahinder's Profit Share = ₹ 63600 × $\frac{3}{8}$ = ₹ 23850

Umar's Profit Share = ₹ 63600 × $\frac{1}{8}$ = ₹ 97950

4. Statement showing adjustments

Particulars	Saroj (₹)	Mahinder (₹)	Umar (₹)	total (₹)
Closing Capital	80000	60000	40000	
Interest on Capital	6400	5400	6600	18400
Interest on Drawings	(550)	(550)	(900)	(2000)
Profit to be distributed	31800	23850	7950	63600
Total	37650	28700	13650	80000
Less Profits Wrongly Distributed	(40000)	(30000)	(10000)	(80000)
Net Effect	(2350) Dr.	(1300) Dr.	3650 Cr.	–

18. E, F and G were partners in a firm sharing profits in the ratio of 3 : 2 : 1. After division of the profits for the year ended 31-3-2021 their capitals were : E ₹ 2,95,000; F ₹ 3,30,000; and G ₹ 3,35,000. During the year they withdrew ₹ 40,000 each. The profit of the year was ₹ 1,80,000. The partnership deed provided that interest on capital will be allowed a 12% p.a. While preparing the final accounts, interest on partner's capital was not allowed.

You are required to calculate the capital of E, F and G as on 1-4-2020 and pas the necessary adjustment entry for providing interest on capital. Show your workings clearly.

Solution 18 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	E's Capital A/c Dr. To F's Capital A/c To G's Capital A/c (Adjustment Entry Made)		24600	 1200 23400

Working Notes :

1. Calculation of opening capital

	E (₹)	F (₹)	G (₹)
Closing Capital	295000	330000	335000
Add Drawing	40000	40000	40000
Less Net Profit (180000 in 3 : 2 : 1)	(90000)	(60000)	(30000)
Opening Capital	245000	310 000	345000

2. Profit distributed among partners

$E = ₹\ 180000 \times \frac{3}{6} = ₹\ 90000$

$F = ₹\ 180000 \times \frac{2}{6} = ₹\ 60000$

$G = ₹\ 180000 \times \frac{1}{6} = ₹\ 30000$

3. Calculation of Interest on Capital

$E = ₹\ 245000 \times \frac{12}{100} = ₹\ 29400$

$F = ₹\ 310000 \times \frac{12}{100} = ₹\ 37200$

$G = ₹\ 345000 \times \frac{12}{100} = ₹\ 41400$

4. Statement showing adjustments

	E (₹)	F (₹)	G (₹)	Total
Int. on Capital	29400	37200	41400	108000
Net Profit After Adjustment (₹ 180000 – ₹108000) = ₹ 72000 in 3 : 2 : 1	36000	24000	12000	72000
Total	65400	61200	53400	180000
Profit Already Distributed (₹ 180000 in 3 : 2 : 1)	90000	60000	30000	180000
Net Adjustment	24600 (Dr.)	1200 (Cr.)	23400 (Cr.)	–

19. A, B and C were partners in a firm. On 1st April, 2020 their capitals stood as ₹ 5,00,000; ₹ 2,50,000 and ₹ 2,50,000 respectively. As per provisions of the partnership deed :

(i) C was entitled for a salary of ₹ 5,000 per month.

(ii) A was entitled for a commission of ₹ 80,000 p.a.

(iii) Partners were entitled to interest on capital @ 6% p.a.

(iv) Partners will share profits in the ratio of capitals.

Net profit for the year ended 31.03.2021 was ₹ 3,00,000 which was distributed equally, without taking into consideration the above provisions. Showing your workings clearly, pass necessary adjustment entry for the above.

Solution 19 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	B's Capital A/c Dr. To A's Capital A/c (Adjustment Entry Passed)		60000	 60000

Working Note :

1. Calculation of Interest on Capital

$$A = ₹\ 500000 \times \frac{6}{100} = ₹\ 30000$$

$$B = ₹\ 250000 \times \frac{6}{100} = ₹\ 15000$$

$$C = ₹\ 250000 \times \frac{6}{100} = ₹\ 15000$$

Adjustment Table

Particulars	A (₹)	B (₹)	C (₹)	Total (₹)
Salary to C (Cr.) (₹ 5000 × 12)	–	–	60000	60000
Commission to A (Cr.)	80000	–	–	80000
Interest on Capital (Cr.)	30000	15000	15000	60000
Remaining Profit (₹ 300000 – ₹ 200000) Will be deposited in 2 : 1 : 1 (Cr.)	50000	25000	25000	100000
Total	160000	40000	100000	300000
Less : Profit Already distributed in 1 : 1 : 1 (Dr.)	100000	100000	100000	300000
Net Adjustment	60000 (Dr.)	60000 (Cr.)	–	–

3 Change in Profit Sharing Ratio Among the Existing Partners

1. (a) X and Y were partners in a firm sharing profits in the ratio of 5 : 3. With effect from 1st April, 2020, they agreed to share profits equally. Calculate the individual partner's gain or sacrifice due to change in ratio.

[Ans. X sacrifices and Y gains $\frac{1}{8}$ th share.]

(b) A and B were in partnership sharing profits equally. With effect from 1st April, 2020, they agreed to share profits in the ratio of 4 : 3. Calculate the individual partner's gain or sacrifice due to change in ratio.

Solution 1 :

(A) Old Ratio = 5 : 3

New Ratio = 1 : 1

Sacrificing/Gaining Ratio = Old Ratio – New Ratio

$$X = \frac{5}{8} - \frac{1}{2} = \frac{5-4}{8} = \frac{1}{8} \text{ (Sacrifice)}$$

$$Y = \frac{3}{8} - \frac{1}{2} = \frac{3-4}{8} = \frac{-1}{8} \text{ (Gain)}$$

Therefore, X has sacrificed $\frac{1}{8}$ th share whereas Y has gained $\frac{1}{8}$ th share.

(B) Old Ratio (A and B) = 1 : 1

New Ratio (A and B) = 4 : 3

Sacrificing or Gaining Ratio = Old Ratio – New Ratio

$$\text{A's Share} = \frac{1}{2} - \frac{4}{7} = \frac{7-8}{14} = \frac{-1}{14}$$

$$\text{B's Share} = \frac{1}{2} - \frac{3}{7} = \frac{7-6}{14} = \frac{1}{14}$$

Therefore A's Gain and B's Sacrifices = $\frac{1}{14}$ share.

2. Divya purchased Jyoti's business with effect from 1st April, 2020. Profits shown by Jyoti's business for the last three financial years ended 31st March were :

2018 : ₹ 1,00,000 (including an abnormal gain of ₹ 12,500).

2019 : ₹ 1,25,000 (after charging an abnormal loss of ₹ 25,000).

2020 : ₹ 1,12,500 (excluding ₹ 12,500 as insurance premium on firm's property—now to be insured)

Calculate the value of firm's goodwill on the basis of two years' purchase of the average profit of the last three years.

Solution 2 :

Goodwill = Average Profits × No. of year's purchase

= ₹ 112500 × 2

= ₹ 225000

Working Note :

1. Adjusted Profits of three years :
   2018 = (₹ 100 000 – ₹ 12500) = ₹ 87500
   2019 = ₹ 125000 + ₹ 25000 = ₹ 150000
   2020 = ₹ 112500 – ₹ 12500 = ₹ 100 000

2. Average Profits = $\frac{\text{Total Profits of 3 years}}{3}$

$$= \frac{₹87500 + ₹150000 + ₹100000}{3}$$

$$= \frac{337500}{3} = ₹\ 112500$$

3. Arun and Bharat are partners sharing profits in the ratio of 3 : 2. They decided to admit Manu as a partner from 1st April, 2020 on the following terms :

(i) Manu will be given 2/5th share of the profit.

(ii) Goodwill of the firm will be valued at two years' purchase of three years' normal average profit of the firm.

Profits of the previous three years ended 31st March were :

2020 : Profit ₹ 30,000 (after debiting loss of stock by fire ₹ 40,000).

2019 : Loss ₹ 80,000 (includes voluntary retirement compensation paid ₹ 1,10,000).

2018 : Profit ₹ 1,10,000 (including a gain (profit) of ₹ 30,000 on the sale of fixed assets).

Calculate the value of goodwill.

Solution 3.

Goodwill = Normal Average Profit × No. of year puchases
= ₹ 60000 × 2
= ₹ 120000

Working Note :

Calculation of Normal Average Profit
Actual Prpfits of last 3 years

2020 = ₹ 30000 + ₹ 40000 = ₹ 70000
2019 = ₹ (80000) + ₹ 110000 = ₹ 30000
2018 = ₹ 110000 – ₹ 30000 = ₹ 80000

$$\text{Normal Average Profit} = \frac{₹70000 + ₹30000 + ₹80000}{3}$$

$$= \frac{₹\ ₹180000}{3} = ₹\ 60000$$

4. Following are the profits of a firm for the last 3 years :

2018 : ₹ 40,000 including profits on sale of land ₹ 5,000.

2019 : ₹ 50,000 including ₹ 10,000 loss on sale of Machinery.

2020 : ₹ 45,000 excluding ₹ 5,000 payable for insurance premium.

Compute the value of goodwill of the firm on the basis of two years' purchase of average profit of the last three years.

Solution 4 :

Goodwill = Normal Average Profit × No. of Year Purchases
= ₹ 45000 × 2
= ₹ 90000

Working Notes :

Calculation of Average Profits

Actual Profits of three years :

2018 = ₹ 40000 – ₹ 5000 = ₹ 35000

2019 = ₹ 50000 + ₹ 10000 = ₹ 60000

2020 = ₹ 45000 – ₹ 5000 = ₹ 40000

$$\text{Normal Average Profit} = \frac{₹35000 + ₹60000 + ₹40000}{3}$$

$$= \frac{₹135000}{3} = ₹\ 45000$$

5. Compute goodwill of a firm on the basis of 3 years' purchase of the weighted average profits of last 4 years. The profit of the last 4 years were :

2017 – ₹ 25,000, 2018 – ₹ 30,000, 2019 – ₹ 24,000 and 2020 – ₹ 38,000.

The weights assigned were 1, 2, 3 and 4. Following information is supplied to you :

(a) In 2019, a major repair was made in plant incurring ₹ 10,000 on 1st July which was charged to revenue. The said sum is agreed to be capitalised for goodwill computation subject to depreciation @ 10% p.a. on reducing balance method.

(b) The closing stock of 2018 was over valued by ₹ 3,000.

Solution 5 :

Calculation of Weighted Average Profits of 4 Years

Years	**Actual Profits**	**Weighted No.**	**Weighted Profits (₹)**
2017	25000	1	25000
2018	27000	2	54000
2019	36500	3	109500
2020	37050	4	148200
		10	336700

$$\text{Weighted average profits} = \frac{336700}{10}$$

$= ₹\ 33670$

Goodwill = Weighted Average Profit × No of year purchases

$= ₹\ 33670 \times 3$

$= ₹\ 101010$

Working Notes :

Calculation of Actual Profits of 4 Years

	Particulars	**2017 (₹)**	**2018 (₹)**	**2019 (₹)**	**2020 (₹)**
	Profits/Loss of Last 4 years	25000	30000	24000	38000
1.	Repair of Plant				
	Charged to Revenue	–	–	10000	–
2.	Depreciation or Repair of Plant	–	–	(500)	(950)
				$\left(10000 \times \frac{10}{100} \times \frac{6}{12}\right)$	$\left(9500 \times \frac{10}{100}\right)$
3.	Overvaluation of Closing Stock	– (3000)	3000	–	
	Adjusted Profits/Losses of 4 years	25000	27000	36500	37050

6. Following information is available about the business of a firm :

(i) Profits : In 2016, ₹ 40,000; In 2017, ₹ 50,000; In 2018, ₹ 60,000, (ii) Non-recurring income of ₹ 1,000 is included in the profits of 2017, (iii) Profits of 2016 have been reduced by ₹ 6,000 because goods were destroyed by fire, (iv) Goods have not been insured but it is thought to insure them in future. The insurance premium is estimated at ₹ 400 per year, (v) Reasonable remuneration of the proprietor of business is ₹ 6,000 per year, but it has not been taken into account for calculation of above mentioned profits, (vi) Profits of 2018 include ₹ 5,000 income on investment.

Goodwill is agreed to be valued at two year's purchase of the weighted average profits of the past three years. The appropriate weights to be used are :

2016 — 1; 2017—2; 2018—3.

Solution 6 :

Calculation of Adjusted Profits

Particulars	**2016 (₹)**	**2017 (₹)**	**2018 (₹)**
Profits	40000	50000	60000
Less : Non recurring income	–	1000	–
Add : Goods destroyed by fire	6000	–	–
Less : Insurance Premium	400	400	400
Less : Remuneration to the proprietor	6000	6000	6000
Less : Income on investment	–	–	5000
Profit after all adjustments	39400	42600	48600

Year	**Profits (₹)**	**Weight No.**	**Products (₹)**
2016	39600	1	39600
2017	42600	2	85200
2018	48600	3	145800
		6	270600

$$\text{Weighted Average Profit} = \frac{₹\,270600}{6}$$

Weighted Average Profit = ₹ 45100

Goodwill = Weighted Average × No. of Years of Purchase

= ₹ 45100 × 2

= ₹ 90200

7. The capital of the firm of Anu and Benu is ₹ 1,00,000 and the market rate of interest is 15%. Annual salary payable to partners is ₹ 6,000 each. The profits for the last 3 years were ₹ 30,000, ₹ 36,000 and ₹ 42,000. Goodwill is to be valued at 2 years' purchase of the last 3 years average super profit. Calculate goodwill of the firm.

Solution 7 :

Goodwill = Average super profit × 2

= ₹ 9000 × 2

= ₹ 18000

Working Note :

Super Profit = Average Profit – Normal Profit

= 24000 – 15000

= ₹ 9000

Normal Profit = Salary + Interest

= 6000 × 2 + 1500 × 3

= 12000 + 3000

= 15000

$$\text{Interest of each partner} = ₹\,100000 \times \frac{15}{1000}$$

= ₹ 1500

$$\text{Average Profits} = \frac{₹\,30000 + ₹\,36000 + ₹\,42000}{3}$$

$$= \frac{₹\,108000}{3} = ₹\,24000$$

8. A firm had assets ₹ 1,00,000 including cash ₹ 10,000. The partners' capital was ₹ 70,000 and rest of the balance constituted the reserve. If normal rate of return is 10% and goodwill of the firm is valued at ₹ 27,000 at three years' purchase of super profit, find the average profit of the firm.

Solution 8 :
Total Assets of the Firm (including cash)

$$\begin{aligned}
&= ₹\ 100\ 000 \\
\text{Partner's Capital} &= ₹\ 70\ 000 \\
\text{Reserves} &= ₹\ 100\ 000 - ₹\ 70\ 000 \\
&= ₹\ 30\ 000 \\
\text{Normal Profits} &= \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100} \\
&= ₹\ \ 100\ 000 \times \frac{10}{100} = ₹\ 10\ 000 \\
\text{Goodwill} &= \text{Super Profit} \times \text{No. of Years of Purchase} \\
&₹\ 27000 = \text{Super Profit} \times 3 \\
\text{Super Profit} &= \frac{₹27000}{3} = ₹\ 9000 \\
\text{Super Profit} &= \text{Actual Profits} - \text{Normal Profits} \\
₹\ 9000 &= \text{Actual Profits} - ₹\ 10\ 000 \\
\text{Actual Profits} &= ₹\ 9000 + ₹\ 10\ 000 \\
&= ₹\ 19000
\end{aligned}$$

9. On April 1st, 2020, an existing firm had assets of ₹ 5,00,000 including cash of ₹ 20,000, the firm had a General Reserve of ₹ 90,000, partners' capital accounts showed a balance of ₹ 3,80,000 and creditors amounted to ₹ 30,000. If the normal rate of return is 20% and the goodwill of the firm is valued at ₹ 64,000 at 4 years' purchase of super profit, find the average profits of the firm.

Solution 9 :

$$\begin{aligned}
\text{Total Assets} &= ₹\ 500\ 000\ \text{(including cash)} \\
\text{Total Liabilities} &= ₹\ 90\ 000 + ₹\ 380000 + ₹\ 30\ 000 \\
&= ₹\ 500\ 000 \\
\text{Capital Employed} &= \text{Capital} + \text{Reserves} \\
&= ₹\ 380\ 000 + ₹\ 90\ 000 \\
&= ₹\ 470000 \\
\text{Normal Profits} &= \text{Capital Employed} \times \frac{\text{Rate of Return}}{100} \\
&= ₹\ 470\ 000 \times \frac{20}{100} = ₹\ 94000 \\
\text{Goodwill} &= \text{Super Profits} \times \text{No. of Years of Purchase} \\
₹\ 64000 &= \text{Super Profits} \times 4\ \text{Years} \\
\text{Super Profits} &= \frac{₹64000}{4} = ₹\ 16000 \\
\text{Super Profit} &= \text{Actual Profits} - \text{Normal Profit} \\
₹\ 16000 &= \text{Actual Profits} - ₹\ 94000 \\
\text{Actual Profits} &= ₹\ 16000 + ₹\ 94000 \\
&= ₹\ 110\ 000
\end{aligned}$$

10. Rachi, Prachi and Sakshi are partners in a business. Balances in their Capital and Current Accounts as on 31st March, 2020 were :

	Capital Accounts (₹)	*Current Accounts* (₹)
Rachi	6,00,000	60,000 (Dr.)
Prachi	5,00,000	30,000 (Dr.)
Sakshi	5,00,000	10,000 (Cr.)

The firm earned an average profit of ₹ 2,40,000. If the normal rate of return is 12%, find the value of goodwill by Capitalisation of Average Profit Method.

Solution 10 :

$$\text{Capitalized Valu of Business} = \frac{\text{Average Profits} \times 100}{\text{Normal Rate of Return}}$$

$$= \frac{₹240000}{12} \times 100 = ₹\ 20,00,000$$

Capital Employed = Capital + Current Accounts
= 1600 000 + (80 000)
= 1520000

Goodwill = Capitalized Value − Capital Employed
= ₹ 20,00,000 − ₹ 15,20,000
= ₹ 4,80,000

11. X and Y are partners in a firm sharing profits and losses in the ratio of 3 : 2. With effect from 1st April, 2020, they decided to share future profits equally. On the date of change in the profit-sharing ratio, the Profit & Loss Account showed a credit balance of ₹ 1,50,000. Record the necessary Journal entry for the distribution of the balance in the Profit & Loss Account immediately before the change in the profit-sharing ratio.

Solution 11 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Profits and Loss A/c Dr.		150,000	
	To X's Capital A/c			90000
	To Y's Capital A/c			60000
	(Being Profits Distributed in Old Ratio)			

12. A, B and C who are presently sharing profits and losses in the ratio of 5 : 3 : 2 decide to share future profits and losses in the ratio of 2 : 3 : 5. Give the Journal entry to distribute 'Workmen Compensation Reserve' of ₹ 1,20,000 at the time of change in profit-sharing ratio, when :

(i) no other information is given; (ii) there is no claim against it.

Solution 12 :

Journal For Case (i) and (ii)

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Workmen Compensation reserve A/c Dr.		120000	
	To A's Capital A/c			60000
	To B's Capital A/c			36000
	To C's Capital A/c			24000
	(Distributed Workmen Compensation Reserve in Old Ratio)			

13. X, Y and Z who are sharing profits in the ratio of 5 : 3 : 2, decide to share profits in the ratio of 2 : 3 : 5 with effect from 1st April, 2020. Workmen Compensation Reserve appears at ₹ 1,20,000 in the Balance Sheet as at 31st March, 2020 and Workmen Compensation Claim of ₹ 1,50,000 exists. Pass Journal entries for the accounting treatment of Workmen Compensation Reserve.

Solution 13 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Workmen Compensation Reserve A/c Dr.		120000	
	Revaluation A/c Dr.		30000	
	To Provision for Workmen Compensation Claim A/c			150000
	(Provision Created and Shortfall Charged to Revaluation A/c)			

(ii)	X's Capital A/c Dr. Y's Capital A/c Dr. Z's Capital A/c Dr. To Revaluation A/c (Revaluation Loss Transferred to Partner's Capital A/c's in Old Ratio)		15000 9000 6000	 30000

14. A and B are partners sharing profits and losses in the ratio of 3 : 1. It was decided that with effect from 1st April, 2020 the profit sharing ratio will be 5 : 3. Goodwill is to be valued at 2 years' purchase of average of 3 years' profits.The profits for the years ending 31st March, 2018, 2019 and 2020 were ₹ 36,000, ₹ 32,000 and ₹ 40,000 respectively.

Pass the necessary journal entry for the treatment of goodwill.

Solution 14 :

Journal Entry

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	B's Capital A/c Dr. To A's Capital A/c (Adjustment of Goodwill Made)		9000	 9000

Working Note :

Value of Goodwill = Actual Average Profit × No. of Years of Purchase
= ₹ 3600 × 2
= ₹ 72000

$$\text{Actual Average Profits of Last 3 Years} = \frac{₹36000 + ₹32000 + ₹40000}{3}$$

$$= \frac{₹108000}{3} = ₹\ 36000$$

Adjustment of Goodwill

Particulars	A (₹)	B (₹)	Total (₹)
Distribute of Goodwill in Old Ratio (3 : 1)	54000	18000	72000
Distribution of Goodwill in New Ratio (5 : 3)	45000	27000	72000
Net Adjustment	9000 (Cr.)	9000 (Dr.)	—

15. A, B and C were partners sharing profits and losses in the ratio of 7 : 3 : 2. From 1st April, 2020, they decided to share profits and losses in the ratio of 8 : 4 : 3. Goodwill is to be valued at the average of three years' profits preceding the date of change in profit sharing ratio. The profits for the years ending 31st March, 2017, 2018, 2019 and 2020 were ₹ 52,000, ₹ 48,000, ₹ 60,000 and ₹ 90,000 respectively. Give the necessary journal entry.

Solution 15 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	B's Capital A/c C's Capital A/c To A's Capital A/c (Adjustment Made for Goodwill)		Dr. Dr.	1100 2200

Working Note :

Value of Goodwill = Actual Average Profits × No. of Year of Purchases
= ₹ 66000

Actual Average Profits = $\frac{₹48000 + ₹60000 + ₹90000}{3}$

= $\frac{₹108000}{3}$ = ₹ 66000

Adjustment for Goodwill

	A	B	C	Total
Goodwill Distribution in Old Ratio (7 : 3 : 2)	38500	16500	11000	66000
Goodwill Distribution in New Ratio (8 : 4 : 3)	35200	17600	13200	66000
Net Adjustment	3300 (Cr.)	1100 (Dr.)	2200 (Dr.)	—

16. A, B and C are partners in a firm sharing profits in the ratio 4 : 3 : 2. With effect from 1st January, 2020, they agreed to share profits in the ratio 3 : 2 : 4. The partnership deed provided that in the event of change in profit sharing ratio, goodwill should be valued at two years' purchase of average profits of last 3 years' profit. The profits of 2017, 2018, 2019 were ₹ 30,000, ₹ 36,000 and ₹ 42,000 respectively.

Pass necessary journal entry for goodwill adjustment.

Solution 16 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	C's Capital A/c Dr.		16000	
	To A's Capital A/c			8000
	To B's Capital A/c			8000
	(Adjustment Made for Goodwill)			

Working Notes :

Value of Goodwill = Actual Average Profit × No. of Years of Purchase
= ₹ 36000 × 2
= ₹ 72000

Actual Average Profits = $\frac{₹30000 + ₹36000 + ₹42000}{3}$

= $\frac{₹108000}{3}$ = ₹ 36000

Adjustment of Goodwill

Gaining or Sacrificing Ratio = Old Ratio – New Ratio

A = $\frac{4}{9} - \frac{3}{9} = \frac{1}{9}$ (Sacrifice)

B = $\frac{3}{9} - \frac{2}{9} = \frac{1}{9}$ (Sacrifice)

C = $\frac{2}{9} - \frac{4}{9} = \frac{-2}{9}$ (Gain)

A's Sacrifice in goodwill = ₹ 72000 × $\frac{1}{9}$ = ₹ 8000

B's Sacrifice in goodwill = ₹ 72000 × $\frac{1}{9}$ = ₹ 8000

C's Gain in goodwill = ₹ 72000 × $\frac{2}{9}$ = ₹ 16000

17. X, Y and Z are partners in a firm sharing profits in the ratio of 3 : 2 : 1. They decide that Z's share would be 1/3 in future. For this purpose, goodwill of the firm is valued ₹ 60,000. Pass necessary journal entry to give effect to the change.

Solution 17 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Z' Capital A/c Dr.		10000	
	To X's Capital A/c			6000
	To Y's Capital A/c			4000
	(Adjustment Made for Goodwill)			

Working Notes :

Value of Goodwill = ₹ 60000

Sacrifice or Gain of Partners = Old Ratio – New Ratio

$$= \frac{1}{6} - \frac{1}{3} = \frac{1-2}{6} = \frac{-1}{6} \text{ (Gain)}$$

$$\text{X will sacrifice} = \frac{1}{6} \times \frac{3}{5}\text{th} = \frac{3}{30} \text{ Share}$$

$$\text{Y will sacrifice} = \frac{1}{6} \times \frac{2}{5} = \frac{2}{30} \text{ Share}$$

Share of Partners in Goodwill

$$X = ₹\ 60000 \times \frac{3}{30} = ₹\ 6000 \text{ (Cr.)}$$

$$Y = ₹\ 60000 \times \frac{2}{30} = ₹\ 4000 \text{ (Cr.)}$$

$$Z = ₹\ 60000 \times \frac{5}{30} = ₹\ 10000 \text{ (Dr.)}$$

18. A, B and C are partners sharing profits and losses in ratio 4 : 3 : 2. They decided to share future profits and losses in the ratio 2 : 2 : 1 *(w.e.f.)* 1-4-2020. They decided to record the effect of the following without affecting their book values :

(i) Profit & Loss A/c ₹ 31,500

(ii) Advertisement Suspense A/c ₹ 9,000

Pass necessary adjustment entry.

Solution 18 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	B's Capital A/c Dr.		1500	
	To A's Capital A/c			1000
	To C's Capital A/c			500
	(Adjustment Made For Accumulated Profits/Losses)			

Working Note :

1. Calculation of Net Profit of Accumulated Profits/Loss :

	₹
Profits and Loss A/c	31500
Less : Advertisement Suspense A/c	9000
Net Profits	22500

2. Sacrifice or Gain of Partners
   = Old Ratio – New Ratio

   $A = \frac{4}{9} - \frac{2}{5} = \frac{2}{45}$ (Sacrifice)

   $B = \frac{3}{9} - \frac{2}{5} = \frac{-3}{45}$ (Gain)

   $C = \frac{2}{9} - \frac{1}{5} = \frac{1}{45}$ (Sacrifice)

3. Share of Partners in Accumulated Profits

   A = ₹ 22500 × $\frac{2}{45}$ = ₹ 1000 (Cr.)

   B = ₹ 22500 × $\frac{3}{45}$ = ₹ 1500 (Cr.)

   C = ₹ 22500 × $\frac{1}{45}$ = ₹ 500 (Cr.)

19. A, B and C are partners in a firm sharing profits in the ratio 2 : 2 : 1. Their Balance Sheet stood as follows on 31-3-2020 :

Liabilities		₹	Assets	₹
Capital A/cs :			Fixed Assets	90,000
A	40,000		Current Assets	56,000
B	40,000		Deferred Revenue Expenditure	7,000
C	20,000	1,00,000		
Profit & Loss A/c		25,000		
Creditors		28,000		
		1,53,000		1,53,000

The partners decided to share the profits equally in future. For this purpose, goodwill was valued at ₹ 27,000.

They decided neither to record goodwill in the books nor wish to change any item of the balance sheet.

Pass a single journal entry to give the effect of the change.

Solution 19 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	C's Capital A/c	Dr.		6000	
	To A's Capital A/c				3000
	To B's Capital A/c				3000
	(Adjustment made for Accumulated Losses)				

Working Note :

Calculation of Accumulated Profits/Losses

	₹
Goodwill	27000
Profit & Loss A/c	25000
	52000
Less : Deferred Revenue Exp.	7000
	45000

Sacrificing/Gaining Ratio of Partner

A $\frac{2}{5}-\frac{1}{3}=\frac{6-5}{15}=\frac{1}{15}$ (Sacrifice)

B $\frac{2}{5}-\frac{1}{3}=\frac{6-5}{15}=\frac{1}{15}$ (Sacrifice)

C $\frac{1}{5}-\frac{1}{3}=\frac{3-5}{15}=\frac{-2}{15}$ (Gain)

Share of Partners in Accumulated Profits/Losses

A = ₹ 45000 × $\frac{1}{15}$ = ₹ 3000 (Cr.)

B = ₹ 45000 × $\frac{1}{15}$ = ₹ 3000 (Cr.)

A = ₹ 45000 × $\frac{2}{15}$ = ₹ 6000 (Dr.)

20. A, B and C are partners sharing profits and losses in the ratio of 5 : 3 : 2. Their Balance Sheet as at 31st March, 2020 stood as follows :

Liabilities		₹	Assets	₹
Capital A/cs :			Land and Building	3,50,000
A	2,50,000		Machinery	2,40,000
B	2,50,000		Computers	70,000
C	2,00,000	7,00,000	Investments (Market Value of	
General Reserve		60,000	₹ 90,000)	1,00,000
Investments Fluctuation Reserve		30,000	Sundry Debtors	50,000
Sundry Creditors		90,000	Cash in Hand	10,000
			Cash at Bank	55,000
			Advertisement Suspense	5,000
		8,80,000		8,80,000

They decided to share profits equally *w.e.f.* 1st April, 2020. They also agreed that :

(i) Value of Land and Building be decreased by 5%.

(ii) Value of Machinery be increased by 5%.

(iii) A Provision for Doubtful Debts be created @ 5% on Sundry Debtors.

(iv) A Motor Cycle valued at ₹ 20,000 was unrecorded and is now to be recorded in the books.

(v) Out of Sundry Creditors, ₹ 10,000 is not payable. Hence, is to be written back.

(vi) Goodwill is to be valued at 2 years' purchase of last 3 years ₹ profits. Profits being for year ended 31st March, 2020—₹ 50,000 (Loss); 2019—₹ 2,50,000 and 2018—₹ 2,50,000.

(vii) C was not carry out the work for reconstituting the firm at a remuneration (including expenses) of ₹ 5,000. Expenses came to ₹ 3,000.

Pass Journal entries and prepare Revaluation Account.

Solution 20 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2021 2 Apr.	General Reserve A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Reserve Distributed)		60000	 30000 18000 12000

A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Advertisement suspense A/c (Distributed Advertisement Suspense)			2500 1500 1000	 5000
Investment Fluctuation Reserve A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c To Investments (Distributed Investment Fluctuation Reserve)			30000	 10000 6000 4000 10000
Machinery A/c Dr. Motorcycle A/c Dr. Creditors A/c Dr. To Revaluation A/c (Assets Revalued)			12000 20000 10000	 42000
Revaluation A/c Dr. To Land & Building A/c To Production For Doubtful Debtor A/c To Bank A/c (Remuneration) (Assets Revalued)			25000	 17500 2500 5000
Revaluation A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Profit on revaluation transferred to partner's capital A/c)			17000	 8500 5100 3400
B's Capital A/c Dr. C's Capital A/c Dr. To A's Capital A/c (Adjusted Goodwill)			10000 40000	 50000

Working Notes :

1. Sacrificing or Gaining Ratio of Partners = Old Ratio – New Ratio

$$A = \frac{5}{10} - \frac{1}{3} = \frac{5}{30} \text{ (Sacrifice)}$$

$$B = \frac{3}{10} - \frac{1}{3} = \frac{-1}{30} \text{ (Gain)}$$

$$C = \frac{2}{10} - \frac{1}{3} = \frac{6-4}{30} \text{ (Gain)}$$

2. Goodwill Valuation
   Goodwill = Average Profit × No. of year of purchase
   = ₹ 150000 × 2 = ₹ 300000
3. Goodwill Adjustment Valuation

$$A = ₹\ 300000 \times \frac{5}{30} = ₹\ 50000 \text{ (Cr.)}$$

$$B = ₹\ 300000 \times \frac{1}{30} = ₹\ 10000 \text{ (Dr.)}$$

$$C = ₹\ 300000 \times \frac{4}{30} = ₹\ 40000 \text{ (Dr.)}$$

21. A and B sharing profits and losses in the ratio of 2 : 3, decide to share future profits and losses equally with effect from 1st April, 2020. An extract of their Balance Sheet as at 31st March, 2020 is as follows :

Liabilities	₹	Assets	₹
Workmen Compensation Reserve	40,000		

Show the accounting treatment under the following alternative cases :

Case (i) If there is no other information.

Case (ii) If a claim on account of workmen's compensation is estimated at ₹ 25,000.

Case (iii) If a claim on account of workmen's compensation is estimated at ₹ 40,000.

Case (iv) If a claim on account of workmen's compensation is estimated at ₹ 50,000.

Solution 21 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Case (i)	Workmen Compensation Reserve A/c Dr.		40000	
	To A's Capital A/c			16000
	To B's Capital Ac/			24000
	(Workmen Compensation Reserve Transferred in Partners in Old Ratio)			
Case (ii)	Workmen Compensation Reserve A/c Dr.		40000	
	To Provision on Workmen Compensation Reserve A/c			25000
	To A's Capital A/c			6000
	To B's Capital A/c			9000
	(Workmen Compensation Reserve Transferred to Partners in their Old Ratio)			
Case (iii)	Workmen Compensation Reserve A/c Dr.		40000	
	To Provision for Workmen Compensation Reserve A/c			40000
	(Workmen Compensation Reserve will be credited in provision for workmen compensation reserve A/c)			
Case (iv)	Workmen Compensation Reserve A/c Dr.		40000	
	Loss on Revaluation A/c Dr.		10000	
	To Provision for Workmen Compensation Reserve A/c			40000
	To A's Capital A/c			4000
	To B's Capital A/c			6000
	(Revaluation Loss Transferred to Partners Capital in their Old Ratio)			

22. A, B and C sharing profits and losses in the ratio of 4 : 3 : 2, decide to share profits and losses in the ratio of 2 : 3 : 4 with effect from 1st April, 2020. Following is an extract of their Balance Sheet as at 31st March, 2020 :

Liabilities	₹	Assets	₹
Investment Fluctuation Reserve	54,000	Investment (At Cost)	6,00,000

Show the accounting treatment under the following alternative cases :

Case (i) If there is no other information.

Case (ii) If the market value of Investment is ₹ 6,00,000.

Case (iii) If the market value of Investments is ₹ 5,91,000.

Case (iv) If the market value of Investments is ₹ 5,28,000.

Case (v) If the market value of Investments is ₹ 6,60,000.

Solution 22 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
Case (i)	Investment Fluctuation Reserve A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital (Investment Fluctuation Reserve Distributed in Partners in their Old Ratio)		54000 24000	 18000 12000
Case (ii)	Investment Fluctuation Reserve A/c To A's Capital To B's Capital To C's Capital (Investment Fluctuation Reserve Distributed in Partners in their Old Ratio)		54000	 24000 18000 12000
Case (iii)	Investment Fluctuation Reserve A/c To Investments A/c To A's Capital A/c To B's Capital A/c To C's Capital A/c (Investment Fluctuation Reserve Distributed in Partners in Old Ratio)		54000	 9000 20000 15000 10000
Case (iv)	Investment Fluctuation Reserve A/c Dr. Revaluation A/c Dr. To Investment A/c (Decrease in Investments Set off Against Investment Fluctuation Reserve and Balance Debited to Revaluation A/c)		54000 18000	 72000
	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Revaluation A/c (Loss on Revaluation Transferred to Partners Capital A/cs in 4 : 3 : 2)		8000 6000 4000	 18000
Case (v)	Investment Fluctuation Reserve A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Investment Fluctuation Reserve Distributed in Partners in 4 : 3 : 2)		54000	 24000 18000 12000
	Investment A/c Dr. To Revaluation A/c (Investment Revalued)		60000	 60000
	Revaluation A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Revaluation Profit Transferred To Partner's Capital in 4 :3 : 2)		60000	 26667 20000 13333

23. A, B and C are partners' sharing profits equally. From 1st April, 2020, they decided to share profits in the ratio of 3 : 4 : 5. On that date, Profit & Loss Account showed a credit balance of ₹ 90,000. Partners do not want to distribute the Profit & Loss Account balance but prefer to record the change by an adjustment entry. You are required to give the adjusting entry.

Solution 23 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	C's Capital A/c Dr. To A's Capital A/c (Credit Balance of Profit & Loss Account Adjusted)		7500	 7500

Working Notes :

1. Sacrificing and Gaining Ratio of Partners = Old Ratio – New Ratio

$A = \frac{1}{3} - \frac{3}{12} = \frac{4-3}{12} = \frac{1}{12}$ (Sacrifice)

$B = \frac{1}{3} - \frac{4}{12} = \frac{4-4}{12} = 0$ (No Profit No Gain)

$C = \frac{1}{3} - \frac{5}{12} = \frac{3-4}{12} = \frac{-1}{12}$ (Gain)

2. Share of Partners in Credit Balance of P & L Account

A's Share = ₹ $90000 \times \frac{1}{12}$ = ₹ 7500 (Cr.)

C's Share = ₹ $90000 \times \frac{1}{12}$ = ₹ 7500 (Dr.)

24. Hari, Kunal and Uma are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2020 they decided to share future profits and losses in the ratio of 2 : 5 : 3. Their Balance Sheet showed a balance of ₹ 75,000 in the Profit & Loss Account and a balance of ₹ 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that :

(i) Goodwill of the firm was valued at ₹ 3,00,000.

(ii) That investments (having a book value of ₹ 50,000) were valued at ₹ 35,000.

(iii) That stock having a book value of ₹ 50,000 be depreciated by 10%.

Pass the necessary Journal entries for the above in the books of the firm.

Solution 24 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Profit & Loss A/c Dr. To Haris Capital A/c To Kunal's Capital A/c To Uma's Capital A/c (Accumulated Profit Distributed Among Partners in their Old Ratio 5 : 3 : 2)		75000	 37500 22500 15000
	Investment Fluctuation Reseve A/c Dr. To Investment A/c (Investment Brought Down to their Market Value)		15000	 15000
	Revaluation A/c Dr. To Stock A/c (Stock Depreciated)		5000	 5000
	Kunal's Capital A/c Dr. Uma's Capital A/c Dr. To Hari's Capital A/c (Adjustment Made For Goodwill)		60000 30000	 90000

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Hari's Capital A/c Dr. Kunal's Capital A/c Dr. Uma's Capital A/c Dr. To Revaluation A/c (Loss on revaluation distributed in partners in their old ratio 5 : 3 : 2)		2500 1500 1000	 5000

Working Note :

1. Calculation of Sacrifice/Gain Ratio = Old Ratio – New Ratio

$$\text{Hari} = \frac{5}{10} - \frac{2}{10} = \frac{3}{10} \text{ (Sacrifice)}$$

$$\text{Kunal} = \frac{5}{10} - \frac{3}{10} = \frac{-2}{10} \text{ (Gain)}$$

$$\text{Uma} = \frac{3}{10} - \frac{2}{10} = \frac{-1}{10} \text{ (Gain)}$$

2. Share of Partners in Goodwill

$$\text{Hari} = ₹\ 300000 \times \frac{3}{10} = ₹\ 90000$$

$$\text{Kunal} = ₹\ 300000 \times \frac{2}{10} = ₹\ 60000$$

$$\text{Uma} = ₹\ 300000 \times \frac{1}{10} = ₹\ 30000$$

25. Following is the balance sheet of A and B as on 31st March, 2020 :

Liabilities		₹	Assets	₹
Capitals :			Building	70,000
A	1,00,000		Plant	50,000
B	70,000	1,70,000	Furniture	20,000
Creditors		52,000	Debtors	40,500
			Stock	30,600
			Cash	10,900
		2,22,000		2,22,000

The partners share profits and losses in the ratio 3 : 2. From 1st April, 2020, they agreed to share profits equally. For this purpose, following were agreed upon :

(i) Building is to be valued at ₹ 80,000 and plant at ₹ 5,000. A provision for doubtful debts at 10% is to be created on Debtors.

(ii) Creditors for salary outstanding are to be recorded at ₹ 8,000.

Pass necessary journal entries and show Revaluation Account.

Solution 25 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Revaluation A/c Dr. To Plant A/c To Provision For Doubtful Debts A/c To Creditors For Outstanding Salary A/c (Increase in Liability and Decrease in Assets Recorded)		17050	 5000 4050 8000

	Building A/c Dr. To Revaluation A/c (Increase in Assets Recorded)		10000	10000
	A's Capital A/c Dr. B's Capital A/c Dr. To Revaluation A/c (Loss on Revaluation Transferred to Partner's Capital Account)		4230 2820	7050

Revaluation Account

Particulars	₹	Particulars	₹
To Plant A/c	5000	By Building A/c	10000
To Provision for Doubtful Debts A/c	4050	By Profit Transferred to Partner's Capital	
To Creditors for Outstanding Salaries	8000	A 4230	
		B 2820	7050
	17050		17050

Working Note :

Distribution of Revaluation Loss
(in Old Ratio)

$$\text{A's Share} = 7050 \times \frac{3}{5}$$
$$= ₹\ 4230$$
$$\text{B's Share} = ₹\ 7050 \times \frac{2}{5}$$
$$= ₹\ 2820$$

26. Ram, Mohan, Sohan and Hari were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1st April, 2020, their Balance Sheet was as follows :

BALANCE SHEET OF RAM, MOHAN, SOHAN AND HARI
as on 1st April, 2020

Liabilities		₹	Assets	₹
Capital A/cs :			Fixed Assets	9,00,000
Ram	4,00,000		Current Assets	5,20,000
Mohan	4,50,000			
Sohan	2,50,000			
Hari	2,00,000	13,00,000		
Workmen Compensation Reserve		1,20,000		
		14,20,000		14,20,000

From the above date, the partners decided to share the future profits in the ratio of 1 : 2 : 3 : 4. For this purpose the goodwill of the firm was valued at ₹ 1,80,000. The partners also agreed for the following :

(a) The claim for workmen compensation has been estimated at ₹ 1,50,000.

(b) Adjust the capitals of the partners according to new profit-sharing ratio by opening Partners' Current Accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

Solution 26 :

Revaluation Account

Particulars	₹	Particulars		₹
To Provision for Workman Compensation Claim A/c	30000	By Revaluation Loss		
		Ram	12000	
		Mohan	9000	
		Sohan	6000	
		Hari	3000	30000
	30000			30000

Partner's Capital Account

Particulars	Ram	Mohan	Sohan	Hari	Particulars	Ram	Mohan	Sohan	Hari
	(₹)	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)	(₹)
To Revaluation	12000	9000	6000	3000	By Bal. b/d	400000	450000	250000	200000
To Ram's Cap.	—	—	13500	40500	By Sohan's Cap.	13500	4500	—	—
To Mohan's Cap.	—	—	4500	13500	By Hari's Capital	40500	13500	—	—
To Current A/c	315000	205000	—	—	By Current A/c	—	—	155000	365000
To Bal. c/d	127000	254000	381000	508000					
	454000	468000	405000	565000		454000	468000	405000	565000

Balance Sheet
For the year ended 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital A/cs			Fixed Assets		900000
Ram	127000		Current Assets		520000
Mohan	254000		Current A/c		
Sohan	381000		Ram	315000	
Hari	508000	127000	Mohan	205000	5,20,000
Current A/cs					
Sohan	155000				
Hari	365000	520000			
Claim Against Workmen Competition Fund		150000			
		1940000			1940000

Working Note :

1. Calculation of Sacrificing/Gaining Ratio = Old Ratio – New Ratio

   Ram = $\frac{4}{10}-\frac{1}{10}=\frac{3}{10}$ (Sacrificing)

   Moahn = $\frac{3}{10}-\frac{2}{10}=\frac{1}{10}$ (Sacrificing)

   Sohan = $\frac{2}{10}-\frac{3}{10}=\frac{-1}{10}$ (Gain)

   Hari = $\frac{1}{10}-\frac{4}{10}=\frac{-3}{10}$ (Gain)

2. Calculation of Adjusted Capital
   Ram = ₹ 454000 – ₹ 12000 = ₹ 442000
   Mohan = ₹ 468000 – ₹ 9000 = ₹ 459000
   Sohan = ₹ 250000 –₹ 24000 = ₹ 226000
   Hari = ₹ 200000 – ₹ 57000 = ₹ 1270000

3. Calculation of New Capital

Ram = ₹ 1270000 × $\frac{1}{10}$ = ₹ 127000

Mohan = ₹1270000 × $\frac{2}{10}$ = ₹ 254000

Sohan = ₹ 1270000 × $\frac{3}{10}$ = ₹ 381000

Hari = ₹ 1270000 × $\frac{4}{10}$ = ₹ 508000

4. Adjustment of Goodwill

Ram Sacrifice = ₹ 180000 × $\frac{3}{10}$ = ₹ 54000

Mohan's Sacrifice = ₹ 180000 × $\frac{1}{10}$ = ₹ 18000

Sohan's Gain = ₹ 180000 × $\frac{1}{10}$ = ₹ 18000

Hari's Gain = ₹ 180000 × $\frac{3}{10}$ = ₹ 54000

Journal Entry For Goodwill Will Be

Sohan's Capital A/c	Dr.	18000	
Hari's Capital A/c	Dr.	54000	
To Ram's Capital			54000
To Mohan's Capital			18000
(Adjustment For Goodwill Made)			

27. R, S and T were partners in a firm sharing profits in the ratio of 1 : 2 : 3. Their Balance Sheet as on 31-3-2020 was as follows :

Liabilities		₹	Assets	₹
Creditors		50,000	Land	50,000
Bills Payable		20,000	Building	50,000
General Reserve		30,000	Plant	1,00,000
Capitals :			Stock	40,000
R	1,00,000		Debtors	30,000
S	50,000		Bank	5,000
T	25,000	1,75,000		
		2,75,000		2,75,000

R, S and T decided to share future profits equally with effect from 1-4-2020. For this, it was agreed that :

(a) Goodwill of the firm be valued at ₹ 1,50,000.

(b) Land will be revalued at ₹ 80,000 and Building be depreciated by 6%.

(c) Creditors of ₹ 6,000 were not likely to be claimed and hence should be written off.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

Solution 27 :

Revaluation Account

Liabilities		Amt. (₹)	Assets	Amt. (₹)
To Building A/c	3000		By Land A/c	30000
To Revaluation (Profit)			By Creditors A/c	6000
R -	5500			
S -	11000			
T -	16500	33000		
		36000		36000

Partner's Capital Account

Particulars	R	S	T	Particulars	R	S	T
To T's Capital	25000			By Balance b/d	100000	50000	25000
To Balance c/d	85500	71000	81500	By Revaluation (Profit)	5500	11000	16500
				By GIR	5000	10000	15000
				By R's Capital	—	—	25000
	110500	71000	81500		110500	71000	81500

Balance Sheet
For the year ended 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital A/cs			Land	50000	
R	85500		Add : Increase	30000	80000
S	71000		Building	50000	
T	81500	23800	Less Dep.	30000	47000
Bills Payable		20000	Plant		100000
Creditors	50000		Stock		40000
Less : Write Off	6000	44000	Debtors		30000
		302000			302000

Working Note :

1. Calculation of Sacrificing/Gaining Ratio = Old Ratio – New Ratio

   $R = \frac{1}{6} - \frac{1}{3} = \frac{-1}{6}$ (Gain)

   $S = \frac{2}{6} - \frac{1}{3} = 0$ (No Sacrifice No Gain)

   $T = \frac{3}{6} - \frac{1}{3} = \frac{1}{6}$ (Sacrifice)

2. Goodwill Adjustment

   R's Share = ₹ 150000 × $\frac{1}{6}$ = ₹ 25000 (Dr.)

   T's Share = ₹ 150000 × $\frac{1}{6}$ = ₹ 25000 (Cr.)

   Journal Entry for Goodwill Adjsutment will be :

R's Capital A/c	Dr.	25000	
To T's Capital A/c			25000
(Goodwill Adjustment Made)			

28. A, B and C were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. On March 31, 2020 their Balance Sheet was as follows :

BALANCE SHEET

as at March 31, 2020

Liabilities		₹	Assets	₹
Capitals :	₹		Fixed Assets	1,80,000
A	50,000		Current Assets	35,000
B	40,000			
C	30,000	1,20,000		
Reserve Fund		18,000		
Creditors		27,000		
Employees' Provident Fund		50,000		
		2,15,000		2,15,000

From April 1, 2020, they decided to share future profits equally. For this purpose, the followings were agreed upon :

(i) Goodwill of the firm was valued at ₹ 3,00,000.

(ii) Fixed Assets will be depreciation by 10%.

(iii) Capitals of the partners will be in proportion to their new profit sharing ratio. For this purpose, Current Accounts will be opened.

Pass necessary Journal entries for the above transactions in the books of the firm.

Solution 28 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	C's Capital A/c To A's Capital A/c Dr. (Adjustment of Goodwill)		Dr. 50000	50000
	Reserve Fund A/c Dr. To A's Capital A/c To B's Capital A/c To C's Capital A/c (Reserve Fund Transferred to Partners Capital A/cs in their Old Ratio)		18000	 9000 6000 3000
	Revaluation A/c Dr. To Fixed Assets A/c (Revaluation of Fixed Assets on Change in Profit Sharing Ratio)		18000	 18000
	A's Capital A/c Dr. B's Capital A/c Dr. C's Capital A/c Dr. To Revaluation A/c (Loss on Revaluation Transferred to Partner's Capital A/c in their Old Ratio)		9000 6000 3000	 18000
	A's Capital A/c Dr. To A's Current A/c (Adjustment of Capital By Opening of Current A/c)		60000	 60000
	C's Current A/c Dr. To C's Capital A/c (Adjustment of Capital By Opening Current Account)		60000	 60000

Working Note :

1. Calculation of Sacrificing/Gaining Ratio = Old Ratio – New Ratio

$$A = \frac{3}{6} - \frac{1}{3} = \frac{3-2}{6} = \frac{1}{6}$$

$$B = \frac{2}{6} - \frac{1}{3} = \frac{6-2}{6} = 0 \qquad \text{(No Sacrifice No Gain)}$$

$$C = \frac{1}{6} - \frac{1}{3} = \frac{1-2}{6} = \frac{-1}{6} \quad \text{(Gain)}$$

2. Adjustment of Goodwill

$$\text{A's Share} = ₹\ 300000 \times \frac{1}{6} = ₹\ 50000 \quad \text{(Cr.)}$$

$$\text{C's Share} = ₹\ 300000 \times \frac{1}{6} = ₹\ 50000 \quad \text{(Dr.)}$$

29. A, B and C were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On March 31, 2020, their Balance Sheet was as follows :

BALANCE SHEET

as at March 31, 2020

Liabilities		**₹**	**Assets**	**₹**
Capitals :	₹		Land & Building	3,00,000
A	2,00,000		Stock	1,60,000
B	1,50,000		Debtors	80,000
C	90,000	4,40,000	Cash at Bank	10,000
General Reserve		40,000		
Creditors		70,000		
		5,50,000		5,50,000

From April 1, 2020, they decided to share future profits in the ratio of 1 : 2 : 3. For this purpose the following were agreed upon :

(i) Goodwill of the firm was valued at ₹ 4,50,000.

(ii) Land & Building will be appreciated by 20%.

(iii) Capitals of the partners will be in proportion to their new profit sharing ratio.

For this purpose Current Accounts will be opened.

Pass necessary Journal entries for the above transactions in the books of the firm.

[Ans.

	A (₹)	**B (₹)**	**C (₹)**
Existing Capital	3,45,000	2,20,000	(–) 25,000
Required Capital	90,000	1,80,000	2,70,000
Transferred to Current Accounts	(Cr.) 2,55,000	(Cr.) 40,000	(Dr.) 2,95,000**]**

Solution 29 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Profit Transferred			By Appreciation	
To Partner's Capital			(20% of ₹ 300000)	60000
A	24000			
B	24000			
C	12000	60000		
		60000		60000

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To A's Capital	—	—	105000	By Bal. b/d	200000	150000	90000
To B's Capital	—	—	30000	By Revaluation	24000	24000	12000
To Partner's Current A/c	255000	40000	—	By General Reserve	16000	16000	8000
To Bal.c/d	90000	180000	270000	By C's Capital	105000	30000	—
				By Partners Current A/c	—	—	295000
	345000	220000	405000		345000	220000	405000

Balance Sheet as on 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		70000	Land & Building	300000	
Capital A/cs			Less Dep.	60000	360000
A	90000		Stock		160000
B	180000		Debtors		180000
C	270000	540000	Cash at Bank		10000
Current A/cs			C's Current A/c		295000
A	255000				
B	40000	295000			
		905000			905000

Working Note :

1. Sacrificing/Gaining Ratio of Partners = Old Ratio – New Ratio

$$A = \frac{2}{5} - \frac{1}{6} = \frac{12-5}{30} = \frac{7}{30} \text{ (Sacrifice)}$$

$$B = \frac{2}{5} - \frac{2}{6} = \frac{12-10}{30} = \frac{2}{30} \text{ (Sacrifice)}$$

$$C = \frac{1}{5} - \frac{3}{6} = \frac{6-15}{30} = \frac{-9}{30} \text{ (Gain)}$$

Adjustment of Goodwill :

$$\text{A's Share} = ₹\ 450000 \times \frac{7}{30} = ₹\ 105000 \text{ (Dr.)}$$

$$\text{B's Share} = ₹\ 450000 \times \frac{2}{30} = ₹\ 30000 \text{ (Dr.)}$$

$$\text{C's Share} = ₹\ 450000 \times \frac{9}{30} = ₹\ 135000 \text{ (Cr.)}$$

30. S, T, U and V were partners in a firm sharing profits in the ratio of 4 : 3 : 2 : 1. On 1-4-2020 their Balance Sheet was as follows :

BALANCE SHEET OF S, T, U AND V
as at 1-4-2020

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Capitals :			Fixed Assets	4,40,000
S	2,00,000		Current Assets	2,00,000
T	1,50,000			
U	1,00,000			
V	50,000	5,00,000		
Sundry Creditors		80,000		
Workmen Compensation Reserve		60,000		
		6,40,000		6,40,000

From the above date partners decided to share the future profits in 3 : 1 : 2 : 4 ratio. For this purpose the goodwill of the firm was valued at ₹ 90,000. The partners also agreed for the following :

(i) The claim for workmen compensation has been estimated at ₹ 70,000.

(ii) To adjust the capitals of the partners according to new profit sharing ratio by opening partners current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

Solution 30 :

Ravaluation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Provision for Workmen Compensation Claim A/c	10000	By Revaluation (Loss)		
		S -	4000	
		T -	3000	
		U -	2000	
		V -	1000	10000
	10000			10000

Partner's Capital A/c

Particulars	S	T	U	V	Particulars	S	T	U	V
	(₹)	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)	(₹)
To Revaluation	4000	3000	2000	1000	By Balance b/d	200000	150000	100000	50000
To S's Capital	—	—	—	9000	By V's Capital A/c	9000	18000	—	—
To Partner's Current A/cs	58000	116000	—	—	By Partners Current A/cs	—	—	—	174000
To Balance c/d	147000	49000	98000	196000					
	209000	168000	100000	224000		209000	168000	100000	224000

Balanace Sheet
For the year ended 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
V's Current A/c		174000	Fixed Assets		440000
Sundry Creditors		80000	Current Assets		200000
Claim Against Workmen Compensation Fund		70000	Current A/cs		
Capital A/cs			S	58000	
S	147000		T	116000	174000
T	49000				
U	98000				
V	196000	490000			
		814000			814000

Working Notes :

1. Calculation of Sacrificing/Gaining Ratio = Old Ratio – New Ratio

   $S = \frac{4}{10} - \frac{3}{10} = \frac{1}{10}$ (Sacrificing)

   $T = \frac{3}{10} - \frac{1}{10} = \frac{2}{10}$ (Sacrificing)

   $U = \frac{2}{10} - \frac{2}{10} = 0$ (No Sacrifice No Gain)

   $V = \frac{2}{10} - \frac{2}{10} = 0$ (Gain)

2. Share of Partners in Goodwill

   S's Share = ₹ 90000 × $\frac{1}{10}$ = ₹ 9000 (Cr.)

   T's Share = ₹ 90000 × $\frac{2}{10}$ = ₹ 18000 (Cr.)

   V's Share = ₹ 90000 × $\frac{3}{10}$ = ₹ 27000 (Dr.)

Journal Entry of Goodwill will be :

V's Capital A/c	Dr.	27000	
To S's Capital A/c			9000
To T's Capital A/c			18000
(Adjustment of Goodwill made)			

3. Calculation of Adjusted Capital :
   S = ₹ 209000 – ₹ 4000 = ₹ 205000
   T = ₹ 168000 – ₹ 3000 = ₹ 165000
   U = ₹ 100000 – ₹ 2000 = ₹ 98000
   V = ₹ 50000 – ₹ 28000 = ₹ 22000
   Total Combined Capital = ₹ 490000

4. Calculation of New Capital

   S = ₹ 490000 × $\frac{3}{10}$ = ₹ 147000

   T = ₹ 490000 × $\frac{1}{10}$ = ₹ 49000

   U = ₹ 490000 × $\frac{2}{10}$ = ₹ 98000

   V = ₹ 490000 × $\frac{4}{10}$ = ₹ 196000

31. Suresh, Ramesh, Mahesh and Dinesh were partners in a firm sharing profits in the ratio of 2 : 2 : 3 : 3. On 1st April, 2020, their Balance Sheet was as follows :

BALANCE SHEET OF SURESH, RAMESH, MAHESH AND DINESH

as at 1st April, 2020

Liabilities		₹	Assets	₹
Capital A/cs :			Fixed Assets	6,00,000
Suresh	1,00,000		Current Assets	3,45,000
Ramesh	1,50,000			
Mahesh	2,00,000			
Dinesh	2,50,000	7,00,000		
Sundry Creditors		1,70,000		
Workmen Compensation Reserve		75,000		
		9,45,000		9,45,000

From the above date, the partners decided to share the future profits equally. For this purpose the goodwill of the firm was valued at ₹ 90,000. It was also agreed that :

(a) Claim against Workmen Compensation Reserve will be estimated at ₹ 1,00,000 and fixed assets will be depreciated by 10%.

(b) The Capitals of the partrners will be adjusted according to the new profit-sharing ratio. For this, necessary cash will be brought or paid by the partners as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm.

Solution 31 :

Revaluation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Dep. on Fixed Assets	60000	By Revalaution (Loss)		
To Provision For Claim against workmen Compensation Fund A/c	25000	Suresh	17000	
		Ramesh	17000	
		Mahesh	25500	
		Ganesh	25500	85000
	85000			85000

Dr. **Partner's Capital Account**

Particulars	Suresh (₹)	Ramesh (₹)	Mahesh (₹)	Ganesh (₹)
To Revaluation A/c	17000	17000	25500	25500
To Mahesh's Capital	2250	2250	—	—
To Ganesh's Capital	2250	2250	—	—
To Cash A/c	—	—	25250	75250
To Balance c/d	153750	153750	153750	153750
	175250	175250	204500	254500

Cr.

Particulars	Suresh (₹)	Ramesh (₹)	Mahesh (₹)	Ganesh (₹)
By Balance b/d	100000	150000	200000	250000
By Suresh's Capital	—	—	2250	2250
By Ramesh's Capital	—	—	2250	2250
By Cash	75250	75250	—	—
	175250	175250	204500	254500

Balance Sheet
For the year ended 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital A/cs			Fixed Assets	600000	
Suresh	153750		Less Dep.	60000	540000
Ramesh	153750		Current Assets		345000
Mahesh	153750				
Ganesh	153750	615000			
Claim Against Workmen Compensation Fund		100000			
Sundry Creditors		170000			
		885000			885000

Working Notes :

1. Calculation of Sacrificing/Gaining Ratio = Old Ratio – New Ratio

   Suresh = $\frac{2}{10} - \frac{1}{4} = \frac{4-5}{20} = \frac{-1}{20}$ (Gain)

   Ramesh = $\frac{2}{10} - \frac{1}{4} = \frac{4-5}{20} = \frac{1}{20}$ (Gain)

   Mahesh = $\frac{3}{10} - \frac{1}{4} = \frac{6-5}{20} = \frac{1}{20}$ (Sacrifice)

   Ganesh = $\frac{3}{10} - \frac{1}{4} = \frac{6-5}{20} = \frac{1}{20}$ (Sacrifice)

2. Share of Goodwill of Each Partner

   Suresh Share = ₹ 90000 × $\frac{1}{20}$ = ₹ 4500 (Dr.)

   Ramesh Share = ₹ 90000 × $\frac{1}{20}$ = ₹ 4500 (Dr.)

   Mahesh Share = ₹ 90000 × $\frac{1}{20}$ = ₹ 4500 (Cr.)

   Ganesh Share = ₹ 90000 × $\frac{1}{20}$ = ₹ 4500 (Cr.)

   Journal Entry Will be :

Suresh Capital A/c	Dr.	4500	
Ramesh Capital A/c	Dr.	4500	
To Mahesh Capital A/c			4500
To Ganesh Capital A/c			4500
(Adjustment For Goodwill Made)			

3. Calculation of Adjusted Capital
   Suresh = ₹ 100000 – ₹ 21500 = ₹ 78500
   Ramesh = ₹ 150000 – ₹ 21500 = ₹ 128500
   Mahesh = ₹ 204500 – ₹ 25500 = ₹ 179000
   Ganesh = ₹ 254500 – ₹ 25500 = ₹ 22900
4. Calculation of New Capital

   Suresh = ₹ 615000 × $\frac{1}{4}$ = ₹ 153750

   Ramesh = ₹ 615000 × $\frac{1}{4}$ = ₹ 153750

   Mahesh = ₹ 615000 × $\frac{1}{4}$ = ₹ 153750

   Ganesh = ₹ 615000 × $\frac{1}{4}$ = ₹ 153750

32. Hari, Kunal and Uma are partners in a firm sharing profits and losses in the ratio of 5 : 3 : 2. From 1st April, 2020, they decided to share future profits & losses in the ratio of 2 : 5 : 3. Their Balance Sheet showed a balance of ₹ 75,000 in the Profit & Loss Account and a balance of ₹ 15,000 in Investment Fluctuation Fund. For this purpose, it was agreed that :

(i) Goodwill of the firm was valued at ₹ 3,00,000.
(ii) Investments (having a book value of ₹ 50,000) were valued at ₹ 35,000.
(iii) Stock having a book value of ₹ 50,000 be depreciated by 10%.

Pass the necessary journal entries for the above in the books of the firm.

Solution 32 :

This is the Repeated Question of Q. 24.

33. A, B and C are partners sharing profits and losses in the ratio of 5 : 3 : 2. Their balance sheet as on 31st March, 2020 was as follows :

Liabilities		₹	**Assets**		₹
Creditors		55,000	Cash	5,000	
Capitals :			Debtors	40,000	
A	90,000		*Less* : Provision	4,000	36,000
B	80,000		Stock		70,000
C	70,000	2,40,000	Land & Building		1,84,000
		2,95,000			2,95,000

It was decided that they will share profits in the ratio 3 : 3 : 1 in future.

They also agreed that :

(i) Goodwill of the firm be valued at 2 years' purchase of average super profits. The average profit of the last 3 years are ₹ 90,000 while the normal profits are ₹ 65,000.
(ii) Provision of doubtful debts be reduced by 50%.
(iii) Value of stock be increased by 10%.
(iv) A liability of creditors for ₹ 4,000 is not likely to be claimed.

Partners do not want to record the revised values of assets/liabilities and also do not want to recored the goodwill in the books.

Pass a single entry to record the changes.

Solution 33 :

Journal Entry

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2021 1 April	B's Capital A/c Dr. To A's Capital A/c To C's Capital A/c (The Adjustment Entry made on Change in Profit Sharing Ratio)		8100	 4500 3600

Balance Sheet as on 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		55000	Cash		5000
Capital A/cs			Debtors	40000	
A -	94500		Less : Provision	4000	36000
B -	71900		Stock		70000
C -	73600	240000	Land & Building		184000
		295000			295000

Working Note :

		₹
1.	Provision of Doubtful Debts to Be Reduced 20%	2000
	Value of Stock to be increased by 10%	7000
	Liability of Creditor not likely to be claimed	4000
	Profit on Revaluation	13000
	Add : Adjustment for Goodwill	30000
	Net Positive Charge	63000

Old Ratio of A, B & C = 5 : 3 : 2

New Ratio of A, B & C = 3 : 3 : 1

Sacrifice/Gain of Partners = Old Ratio – New Ratio

$$A = \frac{5}{10} - \frac{3}{7} = \frac{35-30}{70} = \frac{5}{70} \text{ (Sacrifice)}$$

$$B = \frac{3}{10} - \frac{3}{7} = \frac{21-30}{70} = \frac{-9}{70} \text{ (Gain)}$$

$$C = \frac{2}{10} - \frac{1}{7} = \frac{14-10}{70} = \frac{4}{70} \text{ (Sacrifice)}$$

$$\text{A's Share} = ₹\ 63000 \times \frac{5}{70} = ₹\ 4500 \text{ (Cr.)}$$

$$\text{B's Share} = ₹\ 63000 \times \frac{9}{70} = ₹\ 8100 \text{ (Dr.)}$$

$$\text{C's Share} = ₹\ 63000 \times \frac{4}{70} = ₹\ 3600 \text{ (Cr.)}$$

2. Value of Goodwill

Average Profit =	90000
Less : Normal Profit =	65000
Super Profit =	25000

Goodwill = Super Profit × No. of Year of Purchase

= ₹ 25000 × 2

= ₹ 50000

34. Following is the balance sheet of P, Q and R on 31-3-2020 who share profits in the ratio 2 : 2 : 1 :

Liabilities		₹	Assets	₹
Capitals :			Plant	60,000
P	40,000		Furniture	21,000
Q	40,000		Stock	55,000
R	20,000	1,00,000	Debtors	50,000
Reserves		40,000	Bills Receivable	8,000
Creditors		60,000	Bank	6,000
		2,00,000		2,00,000

They decided to share profits equally in future. They further agreed that :

(i) Plant be valued at ₹ 55,000 and stock at ₹ 62,000.
(ii) A provision for doubtful debts on debtors at 5% be created.
(iii) Creditors are estimated at ₹ 62,000.
(iv) Goodwill of firm is valued at ₹ 37,500.
They do not want to record goodwill and revise the value of asset and liabilities. They also do not wish to alter the reserves.

Pass a single entry to record the changes.

Solution 34 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020	R's Capital A/c Dr.		10000	
01 April	To P's Capital A/c			5000
	To Q's Capital A/c			
	(The Adjustment made on change in the profit sharing ratio)			

Balance Sheet as on 01st April, 2020

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Capitals				
P	45000		Plant	60000
Q	45000		Furniture	21000
R	10000	100000	Debtors	50000
Reserves		40000	Bills Receivable	8000
Creditors		60000	Bank	6000
		200000		200000

Working Note :

	₹
1. Provision for doubtful debts on debtors (5% on ₹ 50000)	2500
Creditors increased	2000
Plant decreased	5000
	9500
Stock increased	7000
Loss on Revaluation	(2500)
Add : Adjustment for Goodwill	37500
Add : Adjustment for Reserve	40000
Net Positive Change	75000

OId Ratio of Partners 2 : 2 : 1
New Ratio of Partners 1 : 1 : 1
Sacrifice/Gain of Partner = Old Ratio – New Ratio

$$P = \frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15} \text{ (Sacrifice)}$$

$$Q = \frac{2}{5} - \frac{1}{3} = \frac{6-5}{15} = \frac{1}{15} \text{ (Sacrifice)}$$

$$R = \frac{1}{5} - \frac{1}{3} = \frac{3-5}{15} = \frac{-2}{15} \text{ (Gain)}$$

$$\text{P's Share} = ₹\ 75000 \times \frac{1}{15} = ₹\ 5000 \text{ (Cr.)}$$

$$\text{Q's Share} = ₹\ 75000 \times \frac{1}{15} = ₹\ 5000 \text{ (Cr.)}$$

$$\text{R's Share} = ₹\ 75000 \times \frac{2}{15} = ₹\ 10000 \text{ (Dr.)}$$

35. Following is the Balance Sheet of A, B and C as on 1st April, 2020 :

Liabilities		**₹**	**Assets**	**₹**
Creditors		30,000	Fixed Assets	1,40,000
General Reserve		1,20,000	Stock	30,000
Capital A/cs :			Bank	1,00,000
A	50,000			
B	40,000			
C	30,000	1,20,000		
		2,70,000		2,70,000

Partners share profits and losses in the ratio 3 : 2 : 1.They decided to share profits in ratio 2 : 2 : 1 in future.

They decided to withdraw ₹ 60,000 in their old profit ratio. General Reserve is to appear in the books ₹ 60,000.

Prepare partners' capital accounts to give effect to the change and redraft the Balance Sheet.

Solution 35 :

Partner's Capital Account

Particulars	**A**	**B**	**C**	**Particulars**	**A**	**B**	**C**
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To A's Cap.		4000	2000	By Bal. b/d	50000	40000	30000
To Drawing	30000	20000	10000	By G/R	30000	20000	10000
To Bal. c/d	56000	36000	28000	By B's Cap.	4000		
				By C's Cap.	2000		
	86000	60000	40000		86000	60000	40000

Balance Sheet as on 01st April, 2020

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		30000	Fixed Assets	140000
General Reserve		60000	Stock	30000
Capital A/cs			Bank	40000
A	56000			
B	36000			
C	28000	120000		
		210000		210000

Working Note :

Old Ratio = 3 : 2 : 1

New Ratio = 2 : 2 : 1

Sacrifice/Gain Ratio of Partner = Old Ratio – New Ratio

$$A = \frac{3}{6} - \frac{2}{5} = \frac{15-12}{30} = \frac{3}{30} \text{ (Sacrifice)}$$

$$B = \frac{2}{6} - \frac{2}{5} = \frac{10-12}{30} = \frac{-2}{30} \text{ (Gain)}$$

$$C = \frac{1}{6} - \frac{1}{5} = \frac{5-6}{30} = \frac{-1}{30} \text{ (Gain)}$$

	₹
Drawing of Partners	60000
Part on Revaluation	60000
Net Change Positive	60000

A's Share = ₹ 60000 × $\frac{3}{30}$ = ₹ 6000 (Cr.)

B's Share = ₹ 60000 × $\frac{2}{30}$ = ₹ 4000 (Dr.)

C's Share = ₹ 60000 × $\frac{1}{30}$ = ₹ 2000 (Cr.)

2. Share of Partners in General Reserve

A ₹ 60000 × $\frac{3}{6}$ = ₹ 30000

B ₹ 60000 × $\frac{2}{6}$ = ₹ 20000

C ₹ 60000 × $\frac{1}{6}$ = ₹ 10000

3. Drawings of Each Partner

A ₹ 60000 × $\frac{3}{6}$ = ₹ 30000

B ₹ 60000 × $\frac{2}{6}$ = ₹ 20000

C ₹ 60000 × $\frac{1}{6}$ = ₹ 10000

❑

4

Admission of a Partner

1. A and B are partners sharing profits in the ratio of 5 : 3. C is admitted to the partnership for 1/4th share of future profits. Calculate the new profit sharing ratio.

Solution 1 :

$$\text{C's Share} = \frac{1}{4}$$

$$\text{Remaining Share} = 1 - \frac{1}{4} = \frac{3}{4}$$

$$\text{A's New Share} = \frac{3}{4} \text{ of } \frac{5}{8} = \frac{15}{32}$$

$$\text{B's New Share} = \frac{3}{4} \times \frac{3}{8} = \frac{9}{32}$$

$$\text{C's Share} = \frac{1}{4}$$

$$\text{Thus, the new profit sharing ratio} = \frac{15}{32} : \frac{9}{32} : \frac{1}{4}$$

$$= \frac{15 : 9 : 8}{32}$$

$$\text{New Profit Sharing Ratio} = 15 : 9 : 8$$

2. A and B were partners in a firm sharing profits in 3 : 2. On 1-4-2018 they admitted C as a new partner for 1/4th share. On 1-4-2020 D was admitted as a new partner for 1/5th share which he acquired equally from A, B and C. Calculate the new profit sharing ratio.

Solution 2 :

$$\text{C's Share} = \frac{1}{4}$$

$$\text{Remaining Share} = 1 - \frac{1}{4} = \frac{3}{4}$$

$$\text{A's New Share} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20}$$

$$\text{B's New Share} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20}$$

$$\text{C's Share} = \frac{1}{4}$$

$$\text{New Ratio of A, B and C} = \frac{9}{20} : \frac{6}{20} : \frac{1}{4}$$

$$\text{New Profit Sharing Ratio} = \frac{9 : 6 : 5}{20}$$

$$\text{New Ratio of A, B and C} = 9 : 6 : 5$$

$$\text{D's Share} = \frac{1}{5}$$

He will acquire $\frac{1}{5} \times \frac{1}{3} = \frac{1}{15}$ each from A, B and C.

A's New Share = $\frac{9}{20} - \frac{1}{15} = \frac{27-4}{20} = \frac{23}{60}$

B's New Share = $\frac{6}{20} - \frac{1}{15} = \frac{18-4}{60} = \frac{14}{60}$

C's New Share = $\frac{5}{20} - \frac{1}{15} = \frac{15-4}{60} = \frac{11}{60}$

D's New Share = $\frac{1}{5}$

Thus new profit sharing ratio of A, B, C and D

$$= \frac{23}{60} : \frac{14}{60} : \frac{11}{60} : \frac{1}{5}$$

$$= \frac{23:14:11:12}{60}$$

New Profit Sharing Ratio of A, B, C and D.

= 23 : 14 : 11 : 12

3. Sanjana and Dev were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March, 2020 their Balance Sheet was as follows :

BALANCE SHEET OF SANJANA AND DEV

as at 31.3.2020

Liabilities		₹	Assets		₹
Creditors		60,000	Cash at Bank		1,66,000
Workmen's Compensation			Debtors	1,46,000	
Reserve		60,000	*Less :* Provision for		
Capitals :			Doubtful debts	2,000	1,44,000
Sanjana	5,00,000		Stock		1,50,000
Dev	4,00,000	9,00,000	Investments		2,60,000
			Furniture		3,00,000
		10,20,000			10,20,000

On 1st April, 2020, they admitted Sudha as a new partner for 1/4th share in the profits on the following terms :

(a) Goodwill of the firm was valued at ₹ 4,00,000 and Sudha brought the necessary amount in cash for her share of goodwill premium, half of which was withdrawn by the old partners.

(b) Stock was to be increased by 20% and furniture was to be reduced to 90%.

(c) Investments were to be valued at ₹ 3,00,000. Dev took over investments at this value.

(d) Sudha brought ₹ 3,00,000 as her capital and the capitals of Sanjana and Dev were adjusted in the new profit sharing ratio.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the reconstituted firm on Sudha's admission.

Solution 3 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Furnitute (10% of 300000)		3000	By Stock	30000
To Profit Transferred to Old Partners :			By Investment	40000
Sanjana	24000			
Dev	16000	40000		
		70000		70000

Partner's Capital Account

Particulars	Sanjana (₹)	Dev (₹)	Sudha (₹)	Particulars	Sanjana (₹)	Dev (₹)	Sudha (₹)
To Cash	30000	20000	—	By Balance b/d	500000	400000	—
To Investment	—	300000	—	By Cash	—	—	300000
To Cash	140000	—	—	By Workmen Compensation Fund	36000	24000	—
To Balance c/d	450000	300000	300000	By Premium For Goodwill	60000	40000	—
				By Revaluation	24000	16000	—
				By Cash	—	140000	—
	620000	620000	300000		620000	620000	300000

Balance Sheet
As on 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		60000	Cash at Bank (₹166000 + ₹ 300000 + ₹ 100000 – ₹ 50000 + ₹ 140000 – ₹ 140000)		516000
Capital A/cs			Detors	146000	
Sanjana	450000		Less : Provision	2000	144000
Dev	300000		Stock (₹ 150000 + ₹ 30000)		180000
Sudha	300000	1050000	Furniture (90% of ₹ 300000)		270000
		11,10,000			11,10,000

Working Notes :

1. Computation of Amount of Goodwill to be brought in by Sudha and Adjusted to Sacrificing Partners :

   Revalued goodwill of the firm ₹ 400000

   $$\text{Sudha's share in goodwill} = ₹\ 400000 \times \frac{1}{4}$$

   $$= ₹\ 100000$$

   Sacrificing Ratio of Old Partners = Old Profit

Sharing Ratio of Old Partners

Sanjana's Share in premium for goodwill =

$$₹\ 100000 \times \frac{3}{5} = ₹\ 60000$$

Dev's Share Premium for Goodwill

$$₹\ 100000 \times \frac{2}{5} = ₹\ 40000$$

2. Computation of Partner's Adjusted Capital After Sudha's Admission in the New Profit Sharing Ratio

$$\text{Sudha's Share} = \frac{1}{4}$$

$$\text{Remaining Share} = 1 - \frac{1}{4} = \frac{3}{4}$$

$$\text{Sanjana New Share} = \frac{3}{4} \times \frac{3}{5} = \frac{9}{20}$$

$$\text{Dev's New Share} = \frac{3}{4} \times \frac{2}{5} = \frac{6}{20}$$

$$\text{Sudha's New Share} = \frac{1}{4}$$

New Profit Sharing Ratio of Sanjana, Dev and Sudha

$$= \frac{9}{20} : \frac{6}{20} : \frac{1}{4}$$

$$= \frac{9:6:5}{20} = 9 : 6 : 5$$

Total Adjusted Capital of Sanjana and Dev

$$= ₹\ 590000 + ₹\ 160000 = ₹\ 750000$$

New Capital of Sanjana

$$= ₹\ 750000 \times \frac{9}{15} = ₹\ 450000$$

New Capital of Dev

$$= 750000 \times \frac{6}{15} = ₹\ 300000$$

4. Gautam and Yash are partners in a firm, sharing profits and losses in 3 : 1 respectively. The Balance Sheet of the firm as 31st March, 2020 was as follows :

BALANCE SHEET

as at 31st March, 2020

Liabilities		**₹**	**Assets**	**₹**
Sundry Creditors		50,000	Furniture	60,000
Bills Payable		30,000	Stock	1,40,000
Capitals :			Debtors	80,000
Gautam	4,00,000		Cash in hand	90,000
Yash	1,00,000	5,00,000	Machinery	2,10,000
		5,80,000		5,80,000

Asma is admitted as a partner for 3/8th share in the profits with a capital of ₹ 2,10,000 and ₹ 50,000 for her share of goodwill. It was decided that :

(i) New profit sharing ratio will be 3 : 2 : 3.

(ii) Machinery will be depreciated by 10% and Furniture by ₹ 5,000.
(iii) Stock was re-valued at ₹ 2,10,000.
(iv) Provision for doubtful debts is to be created at 10% of debtors.
(v) The capitals of all the partners were to be in the new profit sharing ratio on the basis of capital of new partner, any adjustment to be done through current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of the new firm.

Solution 4 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Machinery		21000	By Stock	70000
To Furniture		5000		
To Provision for Doubtful Debts		8000		
To Profit Transferred to Old Partners :				
Gautam	27000			
Yash	9000	36000		
		70000		70000

Partner's Capital Account

Particulars	Gautam (₹)	Yash (₹)	Asma (₹)	Particulars	Gautam (₹)	Yash (₹)	Asma (₹)
To Gautam's Current A/c	267000	—	—	By Balance b/d	400000	100000	—
To Balance c/d	210000	140000	210000	By Revaluation	27000	9000	—
				By Bank	—	—	210000
				By Premium For Goodwil	50000	—	—
				By Yash's Current A/c	—	31000	—
	477000	140000	200000		477000	140000	200000

Balance Sheet as on 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Sundry Creditors		50000	Cash		350000
Bills Payable		30000	Debtors	80000	
Capital A/cs			Less : Provision	8000	72000
Gautam	210000		Stock		
Yash	140000		Furniture	60000	
Asma	210000	560000	Less Dep.	5000	55000
Gatam's Current A/c		267000	Machinery	210000	
			Less Dep.	21000	189000
			Yash's Current A/c		31000
		907000			907000

Working Note :

1. Total capital of the firm $= ₹\ 210000 \times \frac{8}{3}$

$= ₹\ 560000$

Gautam's Capital in the firm $= ₹\ 560000 \times \frac{3}{8}$

$= ₹\ 210000$

Yash's Capital in the firm $= ₹\ 560000 \times \frac{2}{8}$

$= ₹\ 140000$

2. Cash

₹ 210000 + ₹ 90000 + ₹ 50000 = ₹ 350000

5. A, B and C are partners sharing profits and losses in the ratio of 5 : 3 : 2. On 31st March, 2020 their Balance Sheet was as follows :

Liabilities		₹	Assets	₹
Capitals :	₹		Bank	10,000
A	80,000		Bills Receivable	20,000
B	50,000		Debtors	38,000
C	36,000	1,66,000	Stock	40,000
Creditors		60,000	Furniture	45,000
Bills Payable		30,000	Investments	36,000
Profit & Loss Account		10,000	Machinery	57,000
			Goodwill	20,000
		2,66,000		2,66,000

They admit D into partnership on the following terms :

(i) Furniture, Stock and Machinery to be depreciated by 10%.
(ii) Investments is revalued at ₹ 40,000.
(iii) Goodwill to be valued at ₹ 36,000.
(iv) Outstanding expenses amounted to ₹ 1,200.
(v) Prepaid Rent ₹ 1,000.
(vi) D to bring ₹ 47,200 towards capital for 1/5 share. Partners' Capitals be adjusted on the basis of D's capital in their profits sharing ratio.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of new firm.

Solution 5 :

Revaluation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Dep.			By Investment		4000
Furniture	4500		By Prepaid Rent		1000
Stock	4000		By Loss Transferred to		
Machinery	5700	14200	Old Partners :		
To O/s Expences		1200	A	5200	
			B	3120	
			C	2080	10400
		15400			15400

Particulars Capital Account

Particulars	A (₹)	B (₹)	C (₹)	D (₹)
To Revaluation (Loss)	5200	3120	2080	—
To Goodwill Write Off	6400	3840	2560	—
To Balance c/d	94400	56640	37760	47200
	106000	63600	42400	47200

Particulars	A (₹)	B (₹)	C (₹)	D (₹)
By Balance c/d	80000	50000	36000	—
By Profit & Loss	5000	3000	2000	—
By Bank (B/F)	21000	10600	4400	47200
	106000	63600	42600	47200

Balance Sheet as On 31st March, 2021

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		60000	Bank		93200
Bills Payable		30000	Bills Receivable		20000
Capital A/cs			Debtors		38000
A	94400		Stock		40000
B	56640		Less Dep.	4000	36000
C	37760		Furniture	45000	
D	47200	236000	Less Dep.	4500	40500
Oustanding Expenses		1200	Investments		40000
			Machinery	57000	
			Less Dep.	5700	51300
			Prepaid Rent		1000
			D's Current A/c		7200
		327200			327200

Working Note :

1. Old Ratio of A, B and C = 5 : 3 : 2.

$$\text{C's Share} = \frac{1}{5}$$

$$\text{Remaining Share} = 1 - \frac{1}{5} = \frac{4}{5}$$

$$\text{A's New Share} = \frac{4}{5} \times \frac{5}{10} = \frac{20}{50}$$

$$\text{B's New Share} = \frac{4}{5} \times \frac{3}{10} = \frac{12}{50}$$

$$\text{C's New Share} = \frac{4}{5} \times \frac{2}{10} = \frac{8}{50}$$

$$\text{D's Share} = \frac{1}{5}$$

Thus, New Profit Sharing Ratio of A, B, C and D

$$= \frac{20}{50} : \frac{12}{50} : \frac{8}{50} : \frac{1}{5}$$

$$= \frac{20 : 12 : 8 : 10}{50} = 10 : 6 : 4 : 5$$

Sacrificing Ratio = Old Ratio – New Ratio

$$\text{A's Share} = \frac{5}{10} - \frac{10}{25} = \frac{25-20}{50} = \frac{5}{50}$$

$$\text{B's Share} = \frac{3}{10} - \frac{6}{25} = \frac{15-12}{50} = \frac{3}{50}$$

$$\text{C's Share} = \frac{2}{10} - \frac{4}{25} = \frac{10-8}{50} = \frac{2}{30}$$

Therefore, Sacrificing Ratio = 5 : 3 : 2

2. Closing Capital of Partners :

Total Capital of Firm = ₹ 73400 + ₹ 46040 + ₹ 33360 + ₹ 47200
= ₹ 20000

New Capital will be in the Profit Sharing Ratio.

Thus,

$$\text{A's New Capital} = ₹\ 236000 \times \frac{10}{25} = ₹\ 94400$$

$$\text{B's New Capital} = ₹\ 236000 \times \frac{6}{25} = ₹\ 56640$$

$$\text{C's New Capital} = ₹\ 236000 \times \frac{5}{25} = ₹\ 37760$$

6. A and B share profits and losses in the ratio of 3 : 2. They admitted C as partner for 1/4 share of profit. He contributed ₹ 30,000 as capital and ₹ 20,000 for goodwill share. The balance sheet of A and B as on 31st March,2020 was as follows :

Liabilities		₹	**Assets**		₹
Creditors		24,000	Cash		7,000
Bills Payable		7,000	Stock		46,000
General Reserve		10,000	Sundry Debtors	25,000	
Capital Accounts :			*Less :* Prov. of Bad Debts	2,000	23,000
A	56,000		Furniture		10,000
B	37,000	93,000	Plant		18,000
			Building		30,000
		1,34,000			1,34,000

The assets and liabilities of the firm were revalued as under :

(a) Stock at ₹ 40,000, Furniture at ₹ 8,000, Plant at ₹ 15,000 and Building at ₹ 37,000.

(b) Provision for Doubtful Debts is to be maintained at 10% of the Debtors.

(c) A liability of ₹ 1,000 included in creditors was not likely to be claimed.

(d) Revaluation expenses ₹ 1,000 were met by A.

Pass journal entries and prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of reconstituted firm.

Solution 6 :

Revaluation Account

Particulars	**Amt. (₹)**	**Particulars**		**Amt. (₹)**
To Stock	6000	By Building		7000
To Furniture	2000	By Creditors		1000
To Plant	3000	By Loss Transferred to		
To Provision	500	Partner's Capital		
To Revaluation Exp.	1000	A	2700	
(Met By A)		B	1800	4500
	12500			12500

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To A's Cap.	—	—	12000	By Bal. b/d	56000	37000	—
To B's Cap.	—	—	8000	By Bank A/c	—	—	50000
To Rev.	2700	1800	—	By C's Cap.	12000	8000	—
To Bal. c/d	71300	47200	30000	By GIR	6000	4000	—
	74000	49000	50000		74000	49000	50000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		23000	Cash		
Bills Payable		7000	(₹ 50000 + ₹ 7000)		56000
Capital A/cs			Stock		40000
Capital A/cs			Sundry Debtors	25000	
A	71300		Less : Provision	2500	22500
B	47200		Furniture		8000
C	30000	148500	Plant		15000
			Building		37000
		178500			178500

Working Note :

Goodwill Write Off :

C's Capital A/c	Dr.	20,000	
To A's Capital A/c			12,000
To B's Capital A/c			8,000
(Goodwill write off in old partners in their old ratio)			

7. A and B are partners sharing profits in the ratio of 5 : 3. Their Balance Sheet stood as under :

Liabilities		₹	Assets	₹
Capitals :	₹		Land	60,000
A	1,30,000		Buildings	88,000
B	70,000	2,00,000	Machinery	40,000
Reserve Fund		24,000	Stock	20,000
Creditors		16,000	Debtors	18,000
			Cash at Bank	14,000
		2,40,000		2,40,000

They admit C on the following terms :

(a) Profit sharing ratio of A, B and C was 7 : 5 : 3.

(b) Land is valued at ₹ 76,000 and Building at ₹ 80,000.

(c) A Bill Receivable for ₹ 7,000 discounted from Bank was dishonoured on this date but no entry was passed for it.

(d) Create provisions for doubtful debts on debtors @ 4%.

(e) Goodwill of firm was valued at ₹ 36,000. C brought his share of goodwill in cash.

(f) C brought ₹ 60,000 as his capital.

Prepare Revaluation Account, Capital Accounts and Balance Sheet.

Solution 7 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Building		8000	By Land	16000
To Provision of Debtors				
(₹ 18000 × $\frac{4}{100}$)		720		
To BIR Discount				
(₹ 7000 × 4 %)		280		
To Partner's Captial (Profit)				
A	4375			
B	2625	7000		
		16000		16000

Partner's Capital Account

Particulars	A (₹)	B (₹)	C (₹)	Particulars	A (₹)	B (₹)	C (₹)
To Balance c/d	155075	83125	6000	By Bal. b/d	130000	7000	—
				By Reserved	15000	9000	—
				By Revaluation (Profit)	4375	2625	—
				By Premium for Goodwill	5700	1500	—
				By Bank A/c	—	—	60000
	155075	83125	60000		155075	83125	60000

Balanace Sheet

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital A/c :			Land		76000
A	155075		Building		80000
B	83125		Machinery		40000
C	60000		Stock		20000
Creditors		16000	Debtors	18000	
			Less : Provision	720	17280
			Cash at Bank		74200
			BIR	7000	
			Less : Discount	280	6720
		314200			314200

Working Note :

Cash at Bank Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	14000	By BIR	7000
To C's Capital	60000	By Balance c/d	74200
To C's Goodwill	7200		
	81200		81200

8. A and B are partners in a firm. Net profit of the firm is divided as follows : 1/2 to A, 1/3 to B and 1/6 carried to a Reserve. They admit C as a partner on 1st April, 2020 on which date, the Balance Sheet of the firm was :

Liabilities		**₹**	**Assets**	**₹**
Capital A/cs :			Building	50,000
A	50,000		Plant and Machinery	30,000
B	40,000	90,000	Stock	18,000
Reserve		10,000	Debtors	22,000
Creditors		20,000	Bank	5,000
Outstanding Expenses		5,000		
		1,25,000		1,25,000

Following are the required adjustment on admission of C :

(a) C brings in ₹ 25,000 towards his capital.

(b) C also brings in ₹ 5,000 for 1/5th share of goodwill.

(c) Stock is undervalued by 10%.

(d) Creditors include a liability of ₹ 4,000, which has been decided by the court at ₹ 3,200.

(e) In regard to the Debtors, the following Debts proved Bad or Doubtful :
₹ 2,000 due from X—bad to the full extent;
₹ 4,000 due from Y—insolvent, estate expected to pay only 50%.

You are required to prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

Solution 8 :

Revaluation Account

Particulars	**Amt. (₹)**	**Particulars**		**Amt. (₹)**
To Bad Debts	2000	By Stock		2000
To Provision for Doubtful Debts A/c (₹ 4000 × 50%) 2000		By Creditors (₹ 4000 – ₹ 3200)		800
		By Loss Transferred to Partners Capital A/c		
		A	720	
		B	480	1200
	4000			4000

Patner's Capital Account

Particulars	**A**	**B**	**C**	**Particulars**	**A**	**B**	**C**
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Revaluation	720	480	—	By Bal. b/d	50000	40000	—
To Bal. c/d	58280	45520	25000	By Reserve	6000	4000	—
				By Bank	—	—	25000
				By Premium for Goodwill	3000	2000	—
	59000	46000	25000		59000	46000	25000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
O/s Expences		5000	Building		50000
Creditors (₹ 20000 – ₹ 800)		19200	Plant & Machinery		30000
Capital A/cs			Stock		
A	58280		(₹ 18000 × 100/90)		20000
B	45520		Debtors	22000	
C	25000	12880	Less Bad Debt	(2000)	
			Less Provision for D. Debt	(2000)	18000
			Bank		
			(₹ 5000 + ₹ 30000)		35000
		153000			153000

Working Notes :

1. Old Ratio of A & B = 3 : 2
   Sacrificing Ratio of A and B = 3 : 2
2. Distribution of Reserves

   A's Share of Reserve = ₹ 10000 × $\frac{3}{5}$ = ₹ 6000

   B's Share of Reserve = ₹ 10000 × $\frac{2}{5}$ = ₹ 4000
3. Distribution of Premium for Goodwill

   A's Share in Goodwill = ₹ 5000 × $\frac{3}{5}$ = ₹ 3000

   B's Share in Goodwill = ₹ 5000 × $\frac{2}{5}$ = ₹ 2000
4. Distribution of Revaluation Loss
   A's Share = ₹

9. Deepika and Rajshree are partners in a firm sharing profits and losses in the ratio of 3 : 2. On 31st March, 2020 their Balance Sheet was :

Liabilities		₹	Assets		₹
Sundry Creditors		16,000	Cash in hand		1,200
Public Deposits		61,000	Cash at Bank		2,800
Bank Overdraft		6,000	Stock		32,000
Outstanding Liabilities		2,000	Prepaid Insurance		1,000
Capital A/cs :			Sundry Debtors	28,800	
Deepika	48,000		*Less :* Provision for		
Rajshree	40,000	88,000	Doubtful Debts	800	28,000
			Plant and Machinery		48,000
			Land and Building		50,000
			Furniture		10,000
		1,73,000			1,73,000

On 1st April, 2020 the partners admit Anshu as a partner on the following terms :

(a) New profit-sharing ratio of Deepika, Rajshree and Anshu will be 5 : 3 : 2.

(b) Anshu shall bring in ₹ 32,000 as his capital.

(c) Anshu is unable to bring his share of goodwill. Partners, therefore, decide to calculate the goodwill on the basis of Anshu's share in the profits and the capital contribution made by her to the firm.

(d) Plant and Machinery is to be valued at ₹ 60,000, Stock at ₹ 40,000 and the Provision for Doubtful Debts is to be maintained at ₹ 4,000. Value of Land and Building has appreciated by 20%. Furniture has been depreciated by 10%.

(e) There is an additional liability of ₹ 8,000 being outstanding salary payable to employees of the firm. This liability is not included in the outstanding liabilities, stated in the above Balance Sheet. Partners decide to show this liability in the books of account of the reconstitued firm.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of Deepila, Rajshree and Anshu.

Solution 9 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Reserve for Doubtful Debts	4000		By Plant and Machinery A/c	
Less : Old Reserve	(800)	3200	(₹ 60000 – ₹ 48000)	12000
To Furniture A/c			By Stock A/c	
(₹ 10000 × 10%)		1000	(₹ 40000 – ₹ 32000)	8000
To O/s Salary		8000	By Land and Building A/c	
To Profit transferred to Partner's Capital A/c			(₹ 50000 × 20%)	10000
Deepika	10680			
Rajshree	7120	17800		
		30000		30000

Partner's Capital Account

Particulars	Deepika	Rashree	Anshu	Particulars	Deepika	Rashree	Anshu
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Deepika's Capital	—	—	2220	By Balance c/d	48000	40000	—
To Rajshree's Capital A/c	—	—	2220	By Rev. (Profit)	10680	7120	—
To Balance c/d	60900	49340	27560	By Anshu's Capital A/c	2220	2220	—
	60900	49340	32000		60900	49340	32000

Balance Sheet as On 01 April, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
O/s Salaries		8000	Cash in Hand		1200
Sundry Creditors		16000	Cash at Bank		28800]
Public Deposits		61000	Stock		40000
O/s Liabilities		2000	Prepaid Insurance		1000
Capital A/cs			Sundry Debtors	28800	
Deepika	60900		Less Provision Machinery	4000	24800
Rajshree	49340		Plant and Machinery		60000
Anshu	27560	137800	Land and Building		60000
			Furniture		9000
		224800			2248000

Working Notes :

1. Old Ratio of Deepika and Rajshree - 3 : 2
   New Ratio of Deepika, Rajshree and Anshu - 5 : 3 : 2
   Sacrificing Ratio of Deepika and Rajshree
   = Old Ratio – New Ratio

$$\text{Deepika} = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$$

$$\text{Rajshree} = \frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$$

   Thus, Sacrificing Ratio of Deepika and Rajshree = 1 : 1.

2. Capitalised Value on the Basis of Anshu's Share

$$= ₹\ 32000 \times \frac{10}{2} = ₹\ 160000$$

   Actual Capital of Partners before Adjsutment of Goodwill
   = ₹ 58680 + ₹ 47120 + ₹ 32000 = ₹ 137800
   Goodwill = Capitalised Value – Actual Capital of All Partners before Adjustment of Goodwill
   = ₹ 160000 – ₹ 137800 = ₹ 22200

$$\text{Anshu's Share of Goodwill} = ₹\ 22200 \times \frac{2}{10}$$

$$= ₹\ 4440$$

   Deepika and Rajshree each will entitled for goodwill

$$= ₹\ 4440 \times \frac{1}{2} = ₹\ 2220$$

10. The Balance Sheet of X, Y and Z who share profits and losses in the ratio of 3 : 2 : 1, as on 1st April, 2020 is as follows :

Liabilities		₹	Assets	₹
Capital A/cs :	₹		Y's Current Account	7,000
X	1,75,000		Land and Building	1,75,000
Y	1,50,000		Plant and Machinery	67,500
Z	1,25,000	4,50,000	Furniture	80,000
Current A/cs :			Investment	36,500
X	4,000		Bills Receivable	17,000
Z	6,000	10,000	Sundry Debtors	43,500
General Reserve		15,000	Stock	1,37,000
Profit & Loss A/c		7,000	Bank	43,500
Creditors		80,000		
Bills Payable		45,000		
		6,07,000		6,07,000

On the above date, W is admitted as a partner on the following term :

(a) W will bring ₹ 50,000 as his capital and get 1/6th share in the profits.

(b) He will bring necessary amount for his share of goodwill premium. Goodwill of the firm is valued at ₹ 90,000.

(c) New profit-sharing ratio will be 2 : 2 : 1 : 1.

(d) A liability of ₹ 7,004 will be created against bills receivable discounted earlier from another Bank but now dishonoured.

(e) The value of stock, furniture and investments is reduced by 20%, whereas the value of Land and Building and Plant and Machinery will be appreciated by 20% and 10% respectively.

(f) Capital Accounts of the partners will be adjusted on the basis of W's Capital through their Current Accounts.

Prepare Revaluation Account, Partners' Current Accounts and Capital Accounts.

Solution 10 :

Revaluation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Stock A/c	27400	By Land and Building A/c		35000
To Furniture A/c	16000	By Land and Machinery A/c		35000
To Investment A/c	7300	By Plant and Machinery A/c		6750
		By Loss Transferred to Partners Capital		
		X -	4475	
		Y -	2983	
		Z -	1482	8950
	50700			50700

Partners Current Account

Particulars	X	Y	Z	Particulars	X	Y	Z
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Bal. b/d	—	7000	—	By Bal. b/d	4000	—	6000
To Revaluation (Loss)	4475	2983	1492	By GIR	7500	5000	2500
To Balance c/d	100525	47350	83175	By Profit and Loss	3500	2333	1167
				By Premium for Goodwill	15000	—	—
				By Partners Capital A/c	75000	50000	75000
	105000	57333	84667		105000	57333	84667

Partner's Capital Account

Particulars	X	Y	Z	W	Particulars	X	Y	Z	W
	(₹)	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)	(₹)
To Current A/c	75000	50000	75000	—	By Balance c/d	175000	150000	125000	—
To Balance c/d	100000	100000	50000	50000	By Cash	—	—	—	50000
	175000	150000	125000	50000		175000	150000	125000	50000

Balance Sheet as On 31st March, 2021

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		80000	Land & Building	210000
Bills Payable		75000	Plant & Machinery	74250
Capital A/cs			Plant & Machinery	74250
X	100000		Furniture	64000
Y	100000		Investments	29200
Z	50000		Bills Receivables	17000
W	50000	300000	Sundry Debtors	43500
Capital A/cs			Stock	109600
X	100525		Bank	108500
Y	47350			
Z	83175	231050		
		656050		656050

Working Note :

1. Old Ratio of X, Y and Z = 3 : 2 : 1.
New Ratio of X, Y and Z and W = 2 : 2 : 1 : 1
Sacrificing Ratio of Partner = Old Ratio – New Ratio

$$X = \frac{3}{2} - \frac{2}{6} = \frac{1}{6} \text{ (Sacrificing)}$$

$$Y = \frac{2}{6} - \frac{2}{6} = 0 \text{ (No Sacrificing No Gain)}$$

$$Z = \frac{1}{6} - \frac{1}{6} = 0 \text{ (No Sacrifice No Gain)}$$

2. Distribution of Goodwill :

$$\text{W's Share of Goodwill} = ₹\ 90000 \times \frac{1}{6} = ₹\ 15000$$

$$\text{X will get} = ₹\ 15000$$

3. Adjustment of Capital :

$$\text{Total Capital of the Firm} = \text{W's Capital} \times \text{Reciprocal of his share}$$

$$= ₹\ 50000 \times \frac{6}{1} = 300000$$

New profit sharing ratio of X, Y, Z and W = 2 : 2 : 1 : 1

$$X = ₹\ 300000 \times \frac{2}{6} = ₹\ 100000$$

$$Y = ₹\ 300000 \times \frac{2}{6} = ₹\ 100000$$

$$Z = ₹\ 300000 \times \frac{1}{6} = ₹\ 500000$$

$$W = ₹\ 300000 \times \frac{1}{6} = ₹\ 500000$$

11. Raghu and Rishu are partners sharing profits in the ratio 3 : 2. Their Balance Sheet as at 31st March, 2020 was as follows :

BALANCE SHEET OF RAGHU AND RISHU

as at 31st March, 2020

Liabilities		₹	Assets		₹
Creditors		86,000	Cash in hand		77,000
Employees' Provident fund		10,000	Debtors	42,000	
Investments Fluctuation Reserve		4,000	*Less :* Provision for		
Capital A/cs :	₹		Doubtful Debts	7,000	35,000
Raghu	1,19,000		Investments		21,000
Rishu	1,12,000	2,31,000	Buildings		98,000
			Plant and Machinery		1,00,000
		3,31,000			3,31,000

Rishabh was admitted on that date for 1/4th share of profit on the following terms :

(a) Rishabh will bring ₹ 50,000 as his share of capital.

(b) Goodwill of the firm is valued at ₹ 42,000 and Rishabh will bring his share of goodwill in cash.

(c) Buildings were appreciated by 20%.

(d) All Debtors were good.

(e) There was a liability of ₹ 10,800 included in Creditors which was not likely to arise.
(f) New profit-sharing ratio will be 2 : 1 : 1.
(g) Capital of Raghu and Rishu will be adjusted on the basis of Rishabh's share of capital and any excess or deficiency will be made by withdrawing or bringing in cash by the concerned partners as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

Solution 11 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Profit Transferred			By Building A/c	19600
To Partner's Capital A/c			By Provision for Doubtful Debts	7000
Raghu	22440		By Liability for Creditors A/c	10800
Rishu	14960	37400		
		37400		37400

Patner's Capital Account

Particulars	Raghu	Rishu	Rishabh	Particulars	Raghu	Rishu	Rishabh
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Cash A/c	48040	84860	—	By Bal. b/d	119000	112000	—
To Balance c/d	100000	50000	50000	By Cash	—	—	50000
				By Investment Fluctuation Fund A/c	2400	1600	—
				By Premium for Goodwill A/c	4200	6300	—
				By Revaluation (Profit)	22440	14960	—
	148040	134860	50000		148040	134860	50000

Balance Sheet as On 31st March, 2021

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors	86000		Cash	4600
Less : Liability	(10800)	75200	Debtors	42000
Employees Provident Fund		10000	Investments	21000
Capital A/cs			Building	
Raghu	100000		(₹ 98000 + ₹ 19600)	117600
Rishu	50000		Plant & Machinery	100000
Rishabh	50000	200000		
		285200		285200

Working Note :

1. Calculation of Sacrificing Ratio :

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$
$$\text{Old Ratio} = 3 : 2$$
$$\text{New Ratio} = 2 : 1 : 1$$
$$\text{Raghu's Share} = \frac{3}{5} - \frac{2}{5} = \frac{12-10}{20} = \frac{2}{20}$$

$$\text{Rishi's Share} = \frac{2}{5} - \frac{1}{4} = \frac{8-5}{20} = \frac{3}{20}$$

Thus, sacrificing ratio of Raghu and Rishi = 2 : 3.

2. Rishabh's share of goodwill

$$\text{Firm's Goodwill} = ₹\ 42000$$

$$\text{Rishabh's Goodwill} = ₹\ 42000 \times \frac{1}{4}$$

$$= ₹\ 10500$$

3. Adjustment of Capital :

Total Capital of New Firm = Rishabh's Capital × Reciprocal of Rishabh's Share

Capital of Rishabh = ₹ 50000

$$\text{Total Capital of New Firm} = ₹\ 50000 \times \frac{4}{1} = ₹\ 200000$$

$$\text{Raghu's New Capital} = ₹\ 200000 \times \frac{2}{4} = ₹\ 100000$$

$$\text{Rishu's New Share} = ₹\ 200000 \times \frac{1}{4} = ₹\ 50000$$

Cash Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	77000	By Raghu's Capital	48040
To Rishabh's Capital	50000	By Rishu's Capital	84860
To Premium For Goodwill A/c	10500	By Balance c/d	4600
	137500		137500

12. A and B are partners sharing profits in the ratio of 2 : 3. Their balance sheet as at 31st March, 2020 as follows :

Liabilities		₹	Assets		₹
Bank Overdraft		32,000	Cash in hand		3,000
Creditors		25,000	Cash at Bank		12,000
P & L Account		10,000	Debtors	40,000	
Capitals :			*Less :* Provision	5,000	35,000
A	1,00,000		Furniture		40,000
B	1,05,000	2,05,000	Building		80,000
			Machinery		1,00,000
			Investments		2,000
		2,72,000			2,72,000

On 1st April, 2020 they admitted C for 1/5 share in profits which he acquires wholly from B. The other terms of agreement were :

(i) Goodwill of the firm was to be valued at two years' purchase of the average of the last 3 years' profits. The profit for the last 3 years were ₹ 58,000; ₹ 66,000 and ₹ 56,000 respectively.

(ii) Provision for Doubtful debts was found in excess by ₹ 2,000.

(iii) Buildings were found undervalued by ₹ 20,000 and furnitrue overvalued by ₹ 5,000.

(iv) ₹ 5,000 for damages claimed by a customer had been disputed by the firm. It was agreed at ₹ 2,000 by a compromise between the customer and the firm.

(v) C was to bring in ₹ 60,000 as his capital and the necessary amount for his share of goodwill.

(vi) Capitals of A and B were to be adjusted in the new profit sharing ratio by opening necessary current accounts.

Prepare Journal Entries, Capital Accounts and the Opening Balance Sheet.

Solution 12 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Excess of Provision for Doubtful Debts A/c	Dr.		2000	
	Under Valuation of Building A/c	Dr.		20000	
	To Revaluation A/c				22000
	(Assets Revalued)				
	Revaluation A/c	Dr.		7000	
	To Overvaluation of Furniture A/c				5000
	To Damages Payable A/c				2000
	(Assets Revalued)				
	Revaluation A/c	Dr.		15000	
	To A's Capital A/c				6000
	To B's Capital A/c				9000
	(Profit On Revaluation Distributed To Partners Account)				
	C's Current A/c	Dr.		24000	
	To A's Current	A/c			9600
	To B's Current A/c				
	(Adjustment of Goodwill Made)				

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
By Balance c/d	120000	120000	60000	By Balance b/d	100000	105000	—
To B's Current		24000		By P & L	4000	6000	—
				By Rev. (Profit)	6000	9000	—
				By Bank (Capital)	—	—	60000
				By B's Current	10000	—	—
				By Goodwill	—	24000	—
	120000	144000	60000		120000	144000	60000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Capital A/cs			Cash in Hand		3000
A	120000		Cash at Bank		64000
B	120000		Debtors	40000	
C	60000	300000	Less Provision	3000	37000
B's Current		24000	Furniture		35000
Creditors		27000	Building		100000
(₹ 25000 + ₹ 2000)			Machinery	100000	
			Investment	2000	
			A's Current	10000	
		351000			351000

Working Note :

1. New Profit Sharing Ratio of A, B & C.

$$\text{A's New Share} = \frac{2}{5}$$

$$\text{B's New Share} = \frac{3}{5} - \frac{1}{5} = \frac{3-1}{5} = \frac{2}{5}$$

$$\text{C's Share} = \frac{1}{5}$$

2. Adjustment of Goodwill

   C's $\frac{1}{5}$ share in profits which is sacrificing wholly by B so Goodwill is write off on account of B.

3. Distribution of P & L account (in old ratio)

$$\text{A's Share} = ₹\ 10000 \times \frac{2}{5} = ₹\ 4000$$

$$\text{B's Share} = ₹\ 10000 \times \frac{3}{5} = ₹\ 6000$$

4. **Cash Account**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	12000	Bank Overdraft	32000
To C's Capital	60000	By Balance c/d	64000
To Goodwill	24000		
	96000		96000

5. Distribution of Revaluation Profit (in old ratio)

   A - $₹\ 15000 \times \frac{2}{5} = ₹\ 6000$

   B - $₹\ 15000 \times \frac{3}{5} = ₹\ 9000$

13. J and K are partners in a firm, sharing profits and losses in the ratio of 3 : 1. On 31st March, 2020, their Balance Sheet was as under :

BALANCE SHEET OF J AND K

as at 31st March, 2020

Liabilities		₹	Assets		₹
Sundry Creditors		70,000	Plant and Machinery		1,76,000
General Reserve		30,000	Inventory		26,000
Provident Fund		40,000	Sundry Debtors	57,000	
Capital A/cs :			*Less :* Provision for Doubtful		
J	1,10,000		Debts	3,000	54,000
K	90,000	2,00,000	Cash at Bank		68,000
			Profit & Loss A/c		16,000
		3,40,000			3,40,000

L was taken as a partner for $\frac{1}{4}$th share, with effect from 1st April, 2016, subject to the following adjustments :

(a) Plant and Machinery was found to be overvalued by ₹ 16,000. It was to be shown in the books at the correct value.

(b) Provision for Doubtful Debts was to be reduced by ₹ 2,000.

(c) Creditors included an amount of ₹ 2,000 received as commission from Malini. The necessary adjustment was required to be made.

(d) Goodwill of the firm was valued at ₹ 60,000. L was to be being in cash, his share of goodwill along with his capital of ₹ 1,00,000.

(e) Capital Accounts of J and K were to be readjusted in the new profit sharing arrangement on the basis of L's capital, any surplus to be adjusted through current account and any deficiency through cash.

You are required to prepare :

(i) Revaluation Account,

(ii) Partner's Capital Accounts, and

(iii) Balance Sheet of the reconstituted firm.

Solution 13 :

Revaluation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Plant & Machinery	16000	By Provision for Doubtful Debts		2000
		By Creditors		2000
		By Loss Transferred to Partners Capital A/c		
		J -	9000	
		K -	3000	12000
	16000			16000

Partners Capital Account

Particulars	J	K	L	Particulars	J	K	L
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To P & L	12000	4000	—	By Bal. B/d	1100000	90000	—
To Bal. c/d	225000	75000	100000	By GIR	22500	7500	—
By Rev. (Loss)	9000	3000	—	By Goodwill	11250	3750	—
To K's Current	—	19250	—	By Bank	102250	—	—
				By Bank	—	—	100000
	246000	101250	100000		246000	101250	100000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Sundry Creditors (₹ 70000 – ₹ 2000)		68000	Plant & Machinery		160000
			Inventory		26000
Provident Fund		40000	Sundry Debtors	57000	
Capital A/cs			Less : Provision	1000	56000
J	225000		Cash at Bank		282250
K	75000				
L	100000	300000			
K's Current A/c		19250			
		527250			527250

Working Note :

1. Sacrificing Ratio of Partners

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$J = \frac{3}{4} \times \frac{3}{4} = \frac{9}{16}$$

$$K = \frac{1}{4} \times \frac{3}{4} = \frac{3}{16}$$

Goodwill Adjustment

$$\text{Firm's Goodwill} = ₹\ 60000$$

$$\text{L's Share in Goodwill} = ₹\ 60000 \times \frac{1}{4} = ₹\ 15000$$

$$\text{J's Share in L's Goodwill} = ₹\ 15000 \times \frac{9}{16} = ₹\ 11250$$

$$\text{K's Share in L's Goodwill} = ₹\ 15000 \times \frac{3}{16} = ₹\ 3750$$

14. A and B were partners in a firm sharing profit in the ratio of 11 : 4. C was admitted as a new partner for 1/5th share in the profits on 31-3-2020. The Balance of A and B on 1-4-2020 was as follows :

Liabilities		₹	Assets		₹
Creditors		15,000	Bank		17,000
Bills Payable		30,000	Stock		29,000
Employees' Provident Fund		20,000	Debtors	30,000	
Workmen Compensation Fund		1,60,000	*Less :* Prov. for B.D.	1,000	29,000
Capitals :			Plant		3,00,000
A	20,00,000		Land		10,00,000
B	5,50,000	25,50,000	Building		14,00,000
		27,75,000			27,75,000

It was agreed that :

(i) C to bring in capital to the extent of 1/5th of the total capital of the new firm and ₹ 1,50,000 for his share of goodwill, half of which was withdrawn by A and B.

(ii) Building and Plant were to be depreciated by 20%.

(iii) Provision for bad debts was to be increased by ₹ 200.

(iv) Claim on account of workmen compensation is ₹ 10,000.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

Solution 14 :

Revaluation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Building	28000	By Loss Transferred to		
To Plant	60000	Partner's Capital		
To Provision for Doubtful Debt	200	A	249480	
		B	90720	34020
	340200			340200

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Revaluation (Loss)	249480	90720	—	By Balance b/d	2000000	550000	—
To Drawings	55000	20000	—	By Workmen Compensation Fund	110000	40000	—
To Balance c/d	1915520	519280	608700	By Premium For Goodwill	110000	40000	—
				By Bank	—	—	608700
	420000	630000	608700		420000	630000	608700

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		15000	Bank		625700
Bills Payable		30000	Stock		29000
Employee Provident Fund		2000	Debtors	30000	
Workmen Compensation Fund		10000	Less Provision	1200	28800
Capital A/cs :			Plant	300000	
A	1915520		Less Dep.	60000	240000
B	519280		Land		1000000
C	608700	3043500	Building	1400000	
			Less : Dep.	280000	1120000
		3118500			3118500

Working Note :

1. Caluculation of C's Capital :
   A's Closing Capital + B's Closing Capital
   $= ₹\ 915520 + ₹\ 519280$
   $= ₹\ 2434800$

   $$\text{C's Share in Firm} = \frac{1}{5}$$
   $$\text{Remaining Share} = 1 - \frac{1}{5} = \frac{4}{5}$$
   $$\text{Combined share of A and B} = \frac{4}{5}$$
   $$\text{Combined Capital of A and B} = ₹\ 243480$$
   $$\text{Thus Firm's Total Capital} = ₹\ 243480 \times \frac{5}{4}$$
   $$= ₹\ 3043500$$
   $$\text{Therefore C's Capital} = ₹\ 3043500 \times \frac{1}{5}$$
   $$= ₹\ 608700$$

2. Distribution of Workmen Compensation Fund :
   $$\text{WCF} = ₹\ 160\ 000 - ₹\ 10\ 000 = ₹\ 150\ 000$$
   $$\text{A's Share} = ₹\ 150\ 000 \times \frac{11}{15} = ₹\ 110000$$
   $$\text{B's Share} = ₹\ 150000 \times \frac{4}{15} = ₹\ 40000$$

3. Distribution of Revaluation Loss :

$$\text{A's Share} = ₹\ 340200 \times \frac{11}{15} = ₹\ 249480$$

$$\text{B's Share} = ₹\ 340200 \times \frac{4}{15} = ₹\ 90720$$

4. Calculation of Partners Drawing :
A and B withdraw half of the C's Capital

i.e., $₹\ 150\ 000 \times \frac{1}{2} = ₹\ 75000$

$$\text{A's Drawing} = ₹\ 75000 \times \frac{11}{15} = ₹\ 55000$$

$$\text{B's Drawing} = ₹\ 750000 \times \frac{4}{15} = ₹\ 20000$$

5. Calculation of Bank Balance :

$$= ₹\ 17000 + ₹\ 608700 = ₹\ 625700$$

15. A and B are partners sharing profits in the ratio of 3 : 2. They admit C as a new partner from 1st April, 2020. They have decided to share future profits in the ratio of 4 : 3 : 3. The Balance Sheet at as 31st March, 2020 is given below :

Liabilities		₹	Assets		₹
A's Capital	1,76,000		Goodwill		34,000
B's Capital	2,54,000	4,30,000	Land and Building		60,000
Workmen Compensation Reserve		20,000	Investment (Market value ₹ 45,000)		50,000
Investment Fluctuation Reserve		10,000	Debtors	1,00,000	
Employees' Provident Fund		34,000	*Less :* Provision for		
C's Loan		3,00,000	Doubtful Debts	10,000	90,000
			Stock		3,00,000
			Bank Balance		2,50,000
			Advertisement Suspense A/c		10,000
		7,94,000			7,94,000

Terms of C's admission are as follows :

(i) C contributes proportionate capital and 60% of his share of goodwill in cash.

(ii) Goodwill is to be valued at 2 years' purchase of super profit of last three completed years. Profits for the years ended 31st March, were :
2018—₹ 4,80,000; 2019—₹ 9,30,000; 2020—₹ 13,80,000.
The normal profit is ₹ 5,30,000 with same amount of capital invested in similar industry.

(iii) Land and Building was found undervalued by ₹ 1,00,000.

(iv) Stock was found overvalued by ₹ 31,000.

(v) Provision for Doubtful Debts is to be made equal to 5% of the debtors.

(vi) Claim on account of Workmen Compensation is ₹ 11,000.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

Solution 15 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Stock		31000	By Land & Building	100000
To Profit Transferred By Provision for Doubtful Debts		5000		
To Partner's Capital A/c				
A	44400			
B	29600	74000		
		105000		105000

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Goodwill	20400	13600	—	By Bal. b/d	176000	257000	—
To Advertisement Suspense A/c	6000	4000	—	By Bank A/c	—	—	306000
To Balance c/d	362400	351600	306000	By Premium For Goodwill	96000	48000	—
				By C's Current	64000	32000	—
				By Revaluation (Profit) 44400	29600	—	
				By Investment Fluctuation Reserve A/c	3000	2000	—
				By Workmen Compensation Reserve	5400	3600	—
	388800	369200	306000		388800	369200	306000

Bank Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	250000	By Balance c/d	700000
To C's Capital	306000		
To Premium for Goodwill	144000		
	700000		700000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Workmen Compensation Reserve		11000	Land and Building		160000
Employees Provident Fund		34000	Bank Balance		700000
C's Loan A/c		300000	Investment		45000
Capital A/cs			Stock		269000
A	362400		C's Current A/c		96000
B	351600		Debtors	100000	
C	306000	1020000	Less Provision	(5000)	95000
		1365000			1365000

Working Note :

1. Old Ratio of A and B = 3 : 2
   New Ratio of A, B and C = 4 : 3 : 3

   Sacrificing Ratio = Old Ratio – New Ratio

   $$\text{A's Share} = \frac{3}{5} - \frac{4}{10} = \frac{6-4}{10} = \frac{2}{10}$$

   $$\text{B's Share} = \frac{2}{5} - \frac{3}{10} = \frac{4-3}{10} = \frac{1}{10}$$

   Thus sacrificing ratio of A and B = 2 : 1.

2. Calcualtion of Goodwill :

   $$\text{Average Profit} = \frac{\text{Total Profits of Past Years Given}}{\text{Numbers of Years}}$$

   $$= \frac{2790000}{3} = ₹\ 930000$$

   $$\text{Normal Profit} = \text{Capital Employed} \times \frac{\text{Normal Rate of Return}}{100}$$

   = ₹ 530000

   Super Profit = Average Profit – Normal Profit
   = ₹ 930000 – ₹ 530000
   = ₹ 400 000

   Goodwill = Super Profit + X No. of Year of Purchase
   = ₹ 400000 × 2 = ₹ 800 000

   $$\text{C's Share of Goodwill} = ₹\ 800\ 000 \times \frac{3}{10} = ₹\ 240000$$

   $$\text{Goodwill Brought in Bank A/c} = ₹\ 240000 \times \frac{6}{100}$$

   = ₹ 144000

3. Calculation of C's Capital

   Combined Capital A and B's Capital for $\frac{7}{10}$th

   = ₹ 362400 + ₹ 351600 = ₹ 714000

   Therefore C's Capital $= ₹\ 714000 \times \frac{10}{7} \times \frac{3}{10}$

   = ₹ 306000

16. X and Y share profits in the ratio of 5 : 3. Their Balance Sheet as at 31st March, 2020 was :

Liabilities		₹	Assets		₹
Creditors		15,000	Cash at Bank		5,000
Employees' Provident Fund		10,000	Sundry Debtors	20,000	
Workmen Compensation Resereve		5,800	*Less :* Provision for		
Capital A/cs :			Doubtful Debts	600	19,400
X	70,000		Stock		25,000
Y	31,000	1,01,000	Fixed Assets		80,000
			Profit & Loss A/c		2,400
		1,31,800			1,31,800

They admit Z into partnership with 1/8th share in profits on 1st April, 2020. Z brings ₹ 20,000 as his capital and ₹ 12,000 for goodwill in cash. Z acquires his share from X. Following revaluation are also made :

(a) Employees' Provident Fund liability is to be increased by ₹ 5,000.
(b) All Debtors are good.
(c) Stock includes ₹ 3,000 for obsolete items. Hence, are to be written off.
(d) Creditors are to be paid ₹ 1,000 more.
(e) Fixed Assets are to be revalued at ₹ 70,000.

Prepare Journal entries, necessary accounts and new Balance Sheet. Also, calculate new profit-sharing ratio.

Solution 16 :

Revaluation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Stock	3000	By Provision for Doubtful Debts A/c		600
To Creditors	1000	By Loss Tansferred to Partners		
To Fixed Assets	10000	Capital		
To Provident Fund	5000	X	11500	
		Y	6900	18400
	19000			19000

Partner's Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Revaluation	11500	6900	—	By Balance b/d	70000	31000	—
To Profit & Loss	1500	900	—	By Workmen Compensation Fund A/c 3625	2175	—	
To Balance c/d	72625	25375	20000	By Cash A/c	—	—	20000
				By Premium For Goodwill	12000	—	—
	85625	33125	20000		85625	33125	20000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors			Cash at Bank	5000
(₹ 15000 + ₹ 1000)		16000	Cash at Bank	5000
Provident Fund			Sundry Debtors	20000
(₹ 1000 + ₹ 5000)		15000	Stock (₹ 25000 – ₹ 3000)	22000
Capital A/cs :			Fixed Assets	
X	72625		(₹ 80000 – ₹ 10000)	70000
Y	25375		Cash	32000
Z	20000	118000		
		149000		149000

Working Notes :

1. Distribution of Revaluation Loss

$$\text{X's Capital} = ₹\ 18400 \times \frac{5}{8} = ₹\ 11500\ \text{(Dr.)}$$

$$\text{Y's Capital} = ₹\ 18400 \times \frac{3}{8} = ₹\ 6900\ \text{(Dr.)}$$

2. Distribution of Accumulated Loss :

$$\text{X's Capital} = ₹\ 2400 \times \frac{5}{8} = ₹\ 1500$$

$$\text{Y's Capital} = ₹\ 2400 \times \frac{3}{8} = ₹\ 900$$

3. Distribution of Workmen's Compensation Fund :

$$\text{X's Capital} = ₹\ 5800 \times \frac{5}{8} = ₹\ 3625$$

$$\text{Y's Capital} = ₹\ 5800 \times \frac{3}{8} = ₹\ 2175$$

4. Z's Premium for Goodwill will be Transferred :
To X's Capital Account because Z receives his entire share from X.
5. Calculation of New Profit Sharing Ratio :
Old Profit Sharing Ratio of X and Y = 5 : 3.

Z acquired $\frac{1}{8}$th share from X

$$\text{New Share of X} = \frac{5}{8} - \frac{1}{8} = \frac{4}{8}$$

$$\text{New Share of Y} = \frac{3}{8}$$

$$\text{New Share of Z} = \frac{1}{8}$$

Thus New Profit Sharing Ratio = 4 : 3 : 1.

17. X and Y are partners in a firm sharing profits in the ratio of 3 : 2. Their Balance Sheet as at 31st March, 2020 was as follows :

Liabilities		₹	Assets		₹
Outstanding Rent		13,000	Cash		10,000
Creditors		20,000	Sundry Debtors	80,000	
Workmen Compensation Reserve		5,600	*Less* : Provision for		
Capital A/cs :			Doubtful Debts	4,000	76,000
X	50,000		Stock		20,000
Y	60,000	1,10,000	Profit & Loss A/c		4,000
			Machinery		38,600
		1,48,600			1,48,600

On 1st April, 2020, they admitted Z as a partner for 1/6th share on the following terms :

(i) Z brings in ₹ 40,000 as his share of Capital but he is unable to bring any amount for Goodwill.
(ii) Claim on account of Workmen Compensation is ₹ 3,000.
(iii) To write off Bad Debts of ₹ 6,000.
(iv) Creditors are to be paid ₹ 2,000 more.
(v) There being a claim against the firm for damages, liabilities to the extent of ₹ 2,000 should be created.
(vi) Outstanding rent be brought down to ₹ 11,200.
(vii) Goodwill is valued at 1½ years' purchase of the average profit of last 3 years, less ₹ 12,000. Profits for the last 3 years amounted to ₹ 10,000; ₹ 20,000 and ₹ 30,000.

Pass Journal entries, prepare Partners' Capital Accounts and opening Balance Sheet.

Solution 17 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Revaluation A/c Dr. To Provision For Doubtful Debts A/c (Provision on Debtors increased)		2000	 2000
	Revaluation A/c Dr. To Creditors A/c (Creditors Increased)		2000	 2000
	Revaluation A/c Dr. To Claim for Damages A/c (Liabilities Increased)		2000	 2000
	Outstanding Rent A/c Dr. To Revaluation A/c (Liability Decreased)		1800	 1800
	X's Capital A/c Dr. Y's Capital A/c Dr. To Revaluation A/c (Loss on Revaluation Transferred to Partner's Capital A/c)		2520 1680	 42000
	Workman Compensation Reserve A/c Dr. To Workmen Compensation Claim To X's Capital A/c To Y's Capital A/c (Workmen Compensation Reserve Distributed)		5600	 3000 1560 1040
	Bank A/c Dr. To Z's Capital A/c (Capital Brought in Cash)		40 000	 40000
	Z's Capital A/c Dr. To X's Capital A/c To Y's Capital A/c (Goodwill Adjusted in the Ratio 3 : 2)		3000	 1800 1200

Partners Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Profit & Loss	2400	1600	—	By Bal. b/d	50000	60000	—
To Revaluation	2520	1680	—	By Bank	—	—	40000
To Bal. c/d	48440	58960	40000	By Workman Compensation Reserve	1560	1040	—
				By Z's Current	1800	1200	—
	53360	62240	40000		53360	62240	40000

Balance Sheet as On 31st March, 2020

Liabilities	Amt. (₹)	Assets	Amt. (₹)
O/s Rent	11200	Cash	50000
Workmen Compensation Claim	3000	Stock	20000
Creditors	22000	Machinery	38600
		Z's Current	3000

Claim for Damages		2000	Debtors	80000	
Capital A/cs			Less Provision for		
X	48440		Doubtful Debts		
Y	58960			(6000)	74000
Z	40000	147400			
		185600			185600

Working Note :

1. Calculation of Goodwill :

Goodwill = Average Profit × No. of Year of Purchase
= (₹ 20000 × 1.5) – ₹ 12000
= ₹ 30000 – ₹ 12000
= ₹ 18000

$$\text{Average Profit} = \frac{₹10000 + ₹20000 + ₹30000}{3}$$

$$= \frac{₹60000}{3} = ₹\ 20000$$

2. Calculation of Z's Share of Goodwill :

$$\text{Z's Share} = ₹18000 \times \frac{1}{6} = ₹\ 3000$$

18. Deepak and Nishtha are partners in a firm sharing profits and losses in the ratio of 7 : 3. Their Balance Sheet as at 31st March, 2020 as follows :

Liabilities		**₹**	**Assets**	**₹**
Creditors		60,000	Cash in hand	36,000
Reserve		10,000	Cash at Bank	90,000
Capital Accounts :			Debtors	44,000
Deepak	1,00,000		Furniture	30,000
Nishtha	80,000	1,80,000	Stock	50,000
		2,50,000		2,50,000

On 1st April, 2020, they admit Prateek on the following terms :

(i) Goodwill is valued at ₹ 40,000 and Prateek is to bring in the necessary amount in cash as premium for goodwill and ₹ 60,000 as Capital for 1/4 share in profits.

(ii) Stock is to be reduced by 40% and furniture is to be reduced to 40%.

(iii) Capitals of the partners shall be proportionate to their profit sharing ratio taking Prateek's Capital as base. Adjustments of capitals to be made by cash.

Requirements : Prepare Revaluation Account, Partner's Capital Accoutns and Cash Account.

Solution 18 :

Revaluation Account

Particulars		**Amt. (₹)**	**Particulars**		**Amt. (₹)**
To Stock	20000		By Revaluation		
To Furniture	18000		Loss Transferred to Partners		
			Capital A/cs		
			Deepak	26600	
			Nishtha	11400	38000
		38000			38000

Patners Capital Account

Particulars	D (₹)	N (₹)	P (₹)	Particulars	D (₹)	N (₹)	P (₹)
To Deepak's Capital	—	—	7000	By Bal. b/d	100000	80000	—
To Nishtha's Capital	—	—	3000	By Bank (Goodwill)	—	—	10000
To Bank (B/F)	—	20600	—	By Bank (Capital)	—	—	60000
To Revaluation (Loss)	26600	11400	—	By Prateek's (Capital)	7000	3000	—
To Balance c/d	126000	54000	60000	By Bank (B/F)	38600	—	—
				By Reserve	7000	3000	—
	152600	86000	70000		152600	86000	70000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		60000	Cash in Hand	124000
Capital A/cs			Cash at Bank	90000
Deepak	126000		Debtors	44000
Nishtha	54000		Furniture	12000
Prateek	60000	240000	Stock	30000
		300000		300000

Working Note :

1. Calculation of New Profit Sharing Ratio of Partners :

$$\text{Prateek's Share} = \frac{1}{4}$$

$$\text{Remaining Share} = \frac{3}{4}$$

Old Ratio of Deepak and Nishtha = 7 : 3

$$\text{Deepak's New Share} = \frac{3}{4} \times \frac{7}{10} = \frac{21}{40}$$

$$\text{Nishtha's New Share} = \frac{3}{4} \times \frac{3}{10} = \frac{9}{40}$$

$$\text{Pratkee's New Share} = \frac{1}{4} \text{ or } \frac{10}{40}$$

Thus new profit sharing ratio of Deepak, Nishtha and Prateek Will be :

$$\frac{21:9:10}{40} = 21 : 9 : 10$$

2. Distribution of Reserves (Old Partners in Old Ratio)

$$\text{Deepak's Share} = ₹\ 10000 \times \frac{7}{10} = ₹\ 7000$$

$$\text{Nishtha's Share} = ₹\ 10000 \times \frac{3}{10} = ₹\ 3000$$

3. Distribution of Revaluation Loss (Old Partners in their Old Ratio)

$$\text{Deepak's Share in Loss} = ₹\ 38000 \times \frac{7}{10} = ₹\ 26600$$

$$\text{Nishtha's Share in Loss} = ₹\ 38000 \times \frac{3}{10} = ₹\ 11400$$

3. Adjustment of Goodwill :

Prateek's Share in Frims Goodwill $= ₹\ 40000 \times \frac{1}{4}$

$= ₹\ 10000$

Deepak's Share in Prateek's Goodwill :

$= ₹\ 10000 \times \frac{7}{10} = ₹\ 7000$

Nishtha's Share in Prateek's Goodwill :

$₹\ 10000 \times \frac{3}{10} = ₹\ 3000$

4. Calculation of Closing Capital of Partners :

Prateek's Capital $= ₹\ 60000$

Firm's Capital = Prateek's Capital × Reciprocal of Prateek's Share

$= ₹\ 60000 \times \frac{4}{1} = ₹\ 240000$

Deepak's Share in Firm's Capital :

$= ₹\ 240000 \times \frac{21}{40} = ₹\ 126000$

Nishtha's Share in Firm's Goodwill :

$= ₹\ 240000 \times \frac{9}{40} = ₹\ 54000$

Prateek's Capital $= ₹\ 60000$

Or

$₹\ 240000 \times \frac{10}{40} = ₹\ 60000$

19. X and Y are partners sharing profits equally. Their Balance Sheet as on 31st March, 2020 is given below :

Liabilities		₹	Assets		₹
Capital A/cs :			Land and Building		1,50,000
X	1,50,000		Plant and Machinery		1,00,000
Y	1,00,000	2,50,000	Furniture and Fittings		25,000
Current A/cs :			Stock		75,000
X	40,000		Debtors	75,000	
Y	30,000	70,000	*Less* : Provision for		
Creditors		1,30,000	Doubtful Debts	5,000	70,000
Bills Payable		50,000	Bills Receivable		30,000
			Bank		50,000
		5,00,000			5,00,000

Z is admitted as a new partner for 1/4th share under the following terms :

(a) Z is to introduce ₹ 1,25,000 as capital.
(b) Goodwill of the firm was valued at nil.
(c) It is found that the creditors included a sum of ₹ 7,500 which was not to be paid. But it was also found that there was a liability for Compensation to Workmen amounting to ₹ 10,000.
(d) Provision for doubtful debts is to be created @ 10% on debtors.
(e) In regard to the Partners' Capital Accounts, present Fixed Capital Accounts Method is to be converted into Fluctuating Capital Accounts Method.
(f) Bills of ₹ 20,000 accepted from creditors were not recorded in the books.
(g) X provides ₹ 50,000 loan to the business carrying interest @ 10% p.a.

You are required to prepare Revaluation Account, Partners' Capital Accounts, Bank Account and the Balance Sheet of the new firm.

Solution 19 :

Revaluation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Reserves for Doubtful Debts A/c	2500	By Creditors		7500
To Liability for Workmen Compensation Fund A/c	10000	By Loss Transferred		
		By Partners Current A/cs		
		X-	2500	
		Y -	2500	5000
	12500			12500

Partner's Current Account

Particulars	X (₹)	Y (₹)	Particulars	X (₹)	Y (₹)
To Revaluation (Loss)	2500	2500	By Balance b/d	40000	30000
To Balance Old	37500	27500			
	40000	30000		40000	30000

Partner's Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
To Balance c/d	187500	127500	125000	By Balance b/d	150000	100000	—
				By Current A/c	37500	27500	—
				By Bank A/c	—	—	125000
	187500	12700	125000		187500	12700	125000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Bills Payable			Land & Building		150000
(₹ 50000 + ₹ 20000)		70000	Plant & Machinery		100000
Creditors			Fixture & Fittings		25000
(₹ 130000 – ₹ 7500 – ₹ 20000)		102500	Stock		75000
Capital A/cs			Bills Receivable		3000
X	187500		Bank		
Y	127500		(₹ 5000 + ₹ 125000 + ₹ 50000)		225000
Z	125000	440000	Debtors	75000	
X's Loan		50000	Less Provision	7500	67500
Workmen Compensation Fund		10000			
		672500			672500

Working Note :

1. Distribution of Revaluation Loss

$$X = ₹\ 5000 \times \frac{1}{2} = ₹\ 2500$$

$$Y = ₹\ 5000 \times \frac{1}{2} = ₹\ 2500$$

2. Reserve For Doubtful Debts

$$= ₹\ 75000 \times \frac{10}{100} = ₹\ 7500$$

20. The Balance Sheet of A and B as at 31st March, 2020 is given below :

Liabilities	₹	Assets	₹
A's Capital	60,000	Freehold Property	20,000
B's Capital	30,000	Furniture	6,000
General Reserve	24,000	Stock	12,000
Creditors	16,000	Debtors	80,000
		Cash	12,000
	1,30,000		1,30,000

A and B share profits and losses in the ratio of 2 : 1. They atree to admit P into the firm subject to the following terms and conditions :

(a) P will bring in ₹ 21,000 of which ₹ 9,000 will be treated as his share of Goodwill to be retained in the business.

(b) P will be entitled to 1/4 share of profits of the firm.

(c) 50% of the General Reserve is to remain as a provision for bad and doubtful debts.

(d) Furniture is to be depreciated by 5%.

(e) Stock is to be revalued at ₹ 10,500.

Prepare Revaluation Account, Capital Accounts and Opening Balance Sheet of the new firm.

Solution 20 :

Revaluation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Furniture A/c	300	By Revaluation		
To Stock A/c	1500	Loss Feed to Partners		
		Capital A/c		
		A	1200	
		B	600	1800
	1800			1800

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Revaluation (Loss)	1200	600	—	By Balance b/d	60000	30000	—
To Balance c/d	72800	36400	12000	By General Reserve	8000	4000	—
				By Cash A/c	—	—	12000
				By Goodwill	6000	3000	—
	74000	37000	12000		74000	37000	12000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Sundry Creditors		16000	Cash		33000
Capital A/cs			Debtors	80000	
A	72800		Less Provision	12000	68000
B	36400		Stock		10500
C	12000	121200	Furniture		5700
		137200			137200

21. A and B were partners in a firm sharing profits in 3 : 1 ratio. They admitted C as a partner for 1/4th share in future profits. C was to bring ₹ 60,000 for his capital. The Balance Sheet of A and B as at 1st April, 2020, the date on which C was admitted, was:

Liabilities		₹	Assets		₹
Capital A/cs :			Land and Building		40,000
A	50,000		Plant and Machinery		70,000
B	80,000	1,30,000	Stock		30,000
General Reserve		10,000	Debtors	35,000	
Creditors		70,000	*Less* : Provision for Doubtful Debts	1,000	34,000
			Investments		26,000
			Cash		10,000
		2,10,000			2,10,000

The other terms agreed upon were :

(a) Goodwill of the firm was valued at ₹ 24,000.

(b) Land and Building were valued at ₹ 65,000 and Plant and Machinery at ₹ 60,000.

(c) Provision for Doubtful Debts was found in excess by ₹ 400.

(d) A liability of ₹ 1,200 included in Sundry Creditors was not likly to be claimed.

(e) The capitals of the partners be adjusted on the basis of C's contribution of capital to the firm.

(f) Excess or shortfall, if any, be transferred to Current Accounts of partners.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

Solution 21 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Plant & Machinery (₹ 70000 – ₹ 60000)		10000	By Land & Building (₹ 65000 – ₹ 40000)	25000
To Profit Transferred			By Provision for Doubtful Debts A/c	400
To Partner's Capital A/cs			By Creditors A/c	1200
A	12450			
B	4150	16600		
		26600		26600

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
To B's Current A/c	—	43150	—	By Bal. b/d	50000	80000	—
				By G/R	7500	2500	—
To Balance c/d	135000	45000	60000	By Revaluation	12450	4150	—
				By Cash	—	—	60000
				By Premium for Goodwills 4500	15000	—	
				By A's Current A/c	60550	—	—
	135000	88150	60000		135000	88150	60000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors			Land & Building		65000
(₹ 7000 – ₹ 1200)		68800	Plant & Machinery		60000
B's Current A/c		43150	Stock		30000
Capital A/cs			Debtors	35000	
A	135000		Less Provision	600	34400
B	45000		Investments		76000
C	60000	240000	Cash		76000
			A's Current A/c		60550
		351950			351950

Working Notes :

1. Sacrificing Ratio = Old Ratio – New Ratio
   Old Ratio of A & B = 3 : 1
   New Ratio of A & B = 3 : 1
2. Adjustment of Goodwill :

$$\text{C's Goodwill} = ₹\ 24000 \times \frac{1}{6} = ₹\ 6000$$

$$\text{A's Share is C's Goodwill} = ₹\ 6000 \times \frac{3}{4} = ₹\ 4500$$

$$\text{B's Share in C's Goodwill} = ₹\ 6000 \times \frac{1}{4} = ₹\ 1500$$

3. Distribution of Revaluation Profit :

$$\text{A's Share in Profit} = ₹\ 16600 \times \frac{3}{4} = ₹\ 12450$$

$$\text{B's Share in Profit} = ₹\ 16600 \times \frac{1}{4} = ₹\ 4150$$

4. Adjsuted Capital :
   Total Capital of the Firm After C's Admission :

$$= ₹\ 60000 \times \frac{4}{1} = ₹\ 240000$$

Remaining Capital After C's Capital :

$$= ₹\ 240000 - ₹\ 60000 = ₹\ 180000$$

$$\text{A's New Capital} = ₹\ 180000 \times \frac{3}{4} = ₹\ 135000$$

$$\text{B's New Capital} = ₹\ 180000 \times \frac{1}{4} = ₹\ 45000$$

Cash Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	10000	By Balance c/d	76000
To C's Capital A/c	60000		
To Premium For Goodwill A/c	6000		
	76000		76000

22. Sumit and Rohit were partners in a firm sharing profits in the ratio of 7 : 3. On 1st April, 2020, they admitted Kavya as a new partner for 1/4th share in profits of the firm. Kavya brought ₹ 4,30,000 as his capital and ₹ 25,000 for his share of goodwill premium.The Balance Sheet of Sumit and Rohit on 1st April, 2020 was as follows :

BALANCE SHEET OF SUMIT AND ROHIT

as at 1st April, 2020

Liabilities		₹	Assets		₹
Capital A/cs :			Land and Building		3,50,000
Sumit	8,00,000		Machinery		4,50,000
Rohit	3,50,000	11,50,000	Debtors	2,20,000	
General Reserve		1,00,000	*Less* : Provision	20,000	2,00,000
Workmen's Compensation Fund		1,00,000	Stock		3,50,000
Creditors		1,50,000	Cash		1,50,000
		15,00,000			15,00,000

It was agreed that :

(a) the value of Land and Building will be appreciated by 20%.

(b) the value of Machinery will be depreciated by 10%.

(c) the liabilities of Workmen's Compensation Fund were determined at ₹ 50,000.

(d) capitals of Sumit and Rohit will be adjusted on the basis of Kavya, capital and actual cash to be brought in or to be paid off as the case may be.

Prepare Revaluation Account, Partners' Capital Accounts and Balance Sheet of the new firm.

Solution 22 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Machinery		45000	By Land & Building	70000
To Profit Transferred to Partner's Capital A/c				
Sumit	17500			
Rohit	7500	25000		
		70000		70000

Partners Capital Account

Particulars	Sumit	Rohit	Kavya	Particulars	Sumit	Rohit	Kavya
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Cash	37000	23000	—	By Balance b/d	850000	350000	—
To Balance c/d	903000	387000	430000	By G/R	70000	30000	—
				By Workman Compensation Fund	35000	15000	—
				By Cash A/c	—	—	438000
				By Prremium for Goodwill	17500	7500	—
				By Revaluation 17500	7500	—	
	940000	410000	430000		940000	410000	430000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Liability for Workmen Compensation Fund		50000	Land & Building		420000
Creditors		150000	Machinery	450000	
Capiutal A/cs			Less Dep.	45000	405000
Sumit	907000		Debtors	220000	
Rohit	387000		Less Provision	20000	200000
Kavya	430000	1720000	Stock		350000
			Cash		545000
		1920000			1920000

Working Notes :

1. Calculation of Sacrificing Ratio :
   Old Ratio of Sumit and Rohit = 7 : 3

$$\text{Kavya Share} = \frac{1}{4}$$

$$\text{Remaining Share} = 1 - \frac{1}{4} = \frac{3}{4}$$

$$\text{Sumit's New Share} = \frac{3}{4} \times \frac{7}{10} = \frac{21}{40}$$

$$\text{Rohit's New Share} = \frac{3}{4} \times \frac{3}{10} = \frac{9}{40}$$

$$\text{Kavya's New Share} = \frac{1}{4} \text{ Or } \frac{10}{40}$$

Therefore new profit sharing ratio of Sumit, Rohit and Kavya will be : $\frac{21:9:10}{40} = 21 : 9 : 10$

$$\text{Sacrificing Ratio} = \text{Old Ratio} - \text{New Ratio}$$

$$\text{Sumit's Sacrifice} = \frac{7}{10} - \frac{21}{40} = \frac{28-21}{40} = \frac{7}{40}$$

$$\text{Rohit's Sacrifice} = \frac{3}{10} - \frac{9}{40} = \frac{12-9}{40} = \frac{3}{40}$$

Sacrifice Ratio of Sumit and Rohit

$$= \frac{7:3}{40} = 7 : 3$$

2. Distribution of Goodwill brought in by Kavya

$$\text{Sumit Share} = ₹\ 25000 \times \frac{7}{10} = ₹\ 17500$$

$$\text{Rohit's Share} = ₹\ 25000 \times \frac{3}{10} = ₹\ 7500$$

3. Distribution of Workmen Compensation Fund

$$\text{Sumit's Share} = ₹\ 50000 \times \frac{7}{10} = ₹\ 35000$$

$$\text{Rohit's Share} = ₹\ 50000 \times \frac{3}{10} = ₹\ 15000$$

4. Distribution of General Reserve :

$$\text{Sumit Share in G/R} = ₹\ 100000 \times \frac{7}{10} = ₹\ 70000$$

$$\text{Rohit's Share in G/R} = ₹\ 100000 \times \frac{3}{10} = ₹\ 30000$$

5. Adjustment of Capital :

Capital Brought in by Kavya = ₹ 430000

Firm's Capital = Capital Brought in by Kavya × Reciprocal of her Share

$$= ₹\ 430000 \times \frac{4}{1} = ₹\ 1720000$$

$$\text{Sumit's New Capital} = ₹\ 1720000 \times \frac{21}{40} = ₹\ 903000$$

$$\text{Rohit's New Capital} = ₹\ 1720000 \times \frac{9}{40} = ₹\ 387000$$

23. Sharma and Gupta were partners sharing profits in the ratio of 3 : 2. Their Balance Sheet on 31st March, 2020 was as follows :

Liabilities	₹	Assets		₹
Creditors	20,000	Cash		14,800
Bills Payable	3,000	Debtors	20,500	
Bank Overdraft	17,000	*Less* : Prov. for Bad Debts	300	20,200
Reserve	15,000	Stock		20,000
Sharma's Capital	70,000	Plant		40,000
Gupta's Capital	60,000	Building		70,000
		Motor Vehicles		20,000
	1,85,000			1,85,000

They agreed to admit Kumar for 1/4th share from 1st april, 2020 subject to the following terms :

(i) Kumar to bring in capital equal to 1/4th of the total capital of Sharma and Gupta after all adjustments including premium for Goodwill.

(ii) Building to be appreciated by ₹ 14,000 and Stock to be depreciated by ₹ 6,000.

(iii) Provision for Bad Debts on Debtors to be raised to ₹ 1,000.

(iv) A provision by made for ₹ 1,800 for outstandng legal charges.

(v) Kumar's share of cash goodwill/premium was calculated at ₹ 10,000.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of new firm on Kumar's admission.

Solution 23 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Stock		6000	By Building	14000
To Provision for Doubtful Debts		700	By Building	14000
To Provision for Legal Charges		1800		
To Profit Transferred to Partners Capital				
Sharma -	3300			
Gupta -	2200	5500		
		14000		14000

Partner's Capital Account

Particulars	Sharma	Gupta	Kumar	Particulars	Sharma	Gupta	Kumar
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Balance c/d	88300	72200	40125	By Balance b/d	70000	60000	—
				By Reserve 9000	6000	—	
				By Revaluation (Profit)	3300	2200	—
				By Premium for Goodwill	6000	4000	—
				By Bank	—	—	40125
	88300	72200	40125		88300	72200	40125

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		20000	Cash		64925
Bills Payable		3000	Debtors	20500	
Bank Overdraft		17000	Less Provision	1000	19500
O/s Legal Charges		1800	Stock		14000
Capital A/cs			Plant		40000
Sharma	88300		Building		84000
Gupta	72200		Motor Vehicle		20000
Kumar	40125	200625			
		242425			242425

Working Note :

1. Capital Brought by Verma :
   Closing Capital of Sharma and Gupta
   $= ₹\ 88300 + ₹\ 72200 = ₹\ 160500$

   Kumar's Share $= \frac{1}{4}$th

   Kumar Will bring in capital equal to $\frac{1}{4}$th of the total capital of Sharma and Gupta after all adjustments.
   Combined Capital of Sharma and Gupta = ₹ 160500

   Thus, Kumar's Capital $= ₹\ 160500 \times \frac{1}{4} = ₹\ 40125$

2. Distribution of Reserve :

   Sharma's Share $= ₹\ 15000 \times \frac{3}{5} = ₹\ 9000$

   Gupta Share $= ₹\ 15000 \times \frac{2}{5} = ₹\ 6000$

3. Distribution of Revaluation Profit

   Sharma $= ₹\ 5500 \times \frac{3}{5} = ₹\ 3300$

   Gupta $= ₹\ 55000 \times \frac{2}{5} = ₹\ 2200$

4. Calculation of Premium for Goodwill :

   Sharma $= ₹\ 10000 \times \frac{3}{5} = ₹\ 6000$

   Gupta $= ₹\ 10000 \times \frac{2}{5} = ₹\ 4000$

5. Calculation of Closing Cash Balance :

	₹
Opening Cash Balance	14800
Add Capital Brought in By Kumar	40125
add Goodwill Brought in By Kumar	10000
Closing Cash Balance	64925

24. A and B share profits in the proportions of 3/4 and 1/4. Their Balance Sheet as at March, 31, 2020 was as follows :

Liabilities	₹	Assets	₹
Sundry Creditors	4,15,000	Cash at Bank	2,65,000
Reserve Fund	40,000	Bills Receivable	30,000
Capital Accounts :		Debtors	1,60,000
A	3,00,000	Stock	2,00,000
B	1,60,000	Fixtures	10,000
		Land and Buildings	2,50,000
	9,15,000		9,15,000

On April, 1,2020, C was admitted into partnership for 1/4th share on the following terms :

(a) That C pays ₹ 1,00,000 as his capital.

(b) That C pays ₹ 50,000 for goodwill. Half of this sum is to be withdrawn by A and B.

(c) That stock and fixtures be reduced by 10% and a 5% provision for doubtful debts be created on Sundry Debtors and Bills Receivable.

(d) That the value of land and building be appreciated by 20%.

(e) There being a claim against the firm for damages, a liability to the extent of ₹ 10,000 should be created.

(f) An item of ₹ 6,500 included in sundry creditors is not likely to be claimed and hence should be written back.

Record the above transactions (journal entries) in the books of the firm assuming that the profit sharing ratio between A and B has not changed. Prepare the new Balance Sheet on the admission of Mr. C.

Solution 24 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	General Reserve A/c Dr.		40000	
	To A's Capital A/c			30000
	To B's Capital A/c			10000
	(General Reserve Transfer to Capital A/cs of Partners)			
	Revaluation A/c Dr.		40500	
	To Fixtures A/c			20000
	To Stock A/c			1000
	To Provision for Doubtful Debts on B/R A/c			1500
	To Provision for Dobtful Debts on Debtors A/c			8000
	To Damages Payable A/c			10000
	(Decrease in the value of assts and Liabilities Created for Damages)			
	Land & Building A/c Dr.		50000	
	Sundry Creditors A/c Dr.		6500	
	To Revaluation A/c			56500
	(Increases in the value of Land and Building and Decrease in Creditors)			

Particulars		L.F.	Dr.	Cr.
Revaluation A/c	Dr.		16000	
To A's Capital A/c				12000
To B's Capital A/c				4000
(Profit on Revaluation Transferred to Partner's Capital A/cs)				
Bank A/c	Dr.		150000	
To C's Capital A/c				100000
To Goodwill A/c				50000
(Capital and Goodwill Introduced by C)				
Goodwill A/c	Dr.		50000	
To A's Capital A/c				37500
To B's Capital A/c				12500
(Goodwill credited to partner's Capital Accounts)				
A's Capital A/c	Dr.		18750	
B's Capital A/c	Dr.		6250	
To Bank A/c				25000
(Excess Capital Credited to Current Accounts)				

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Bank A/c	18750	6250	—	By Bal. b/d	30000	160000	—
To Balance c/d	360750	180250	10000	By Reserve Fund	30000	10000	—
				By Revaluation	12000	4000	—
				By Bank	—	—	100000
				By Goodwill	37500	12500	—
	397500	186500	10000		397500	186500	10000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Sundry Creditors		408500	Cash at Bank		390000
Damages Payable		10000	B/R	30000	
Capital A/cs			Less : Provision	1500	28500
A	360750		Debtors	160000	
B	180250		Less : Provision	8000	152000
C	100000	641000	Stock		180000
			Fixtures		9000
			Land & Building		30000
		1059500			1059500

25. A and B share the profits of a business in the ratio of 5 : 3. They admit C into the firm for a 1/4th share in the profits to be contributed equally by A and B. On the date of admission of C, the Balance Sheet of the firm was as follows :

Liabilities	₹	Assets	₹
A's Capital	3,00,000	Machinery	2,60,000
B's Capital	2,00,000	Furniture	1,60,000
Workmen's Compensation Reserve	40,000	Stock	1,20,000
Bank Loan	1,20,000	Debtors	80,000
Creditors	20,000	Bank	60,000
	6,80,000		6,80,000

Terms of C's admission were as follows :

(i) C will bring ₹ 3,30,000 for his share of capital and goodwill.

(ii) Goodwill of the firm has been valued at 4 years' purchase of the average super profits of last three years. Average profits of the last three years are ₹ 2,20,000 while the normal profits that can be earned with the capital employed are ₹ 1,40,000.

(iii) Furniture is to be appreciated by ₹ 60,000 and the value of stock is to be reduced by ₹ 20,000.

Prepare Revaluation Account, Partners' Capital Accounts and the new Balance Sheet of A, B and C.

Solution 25 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Stock A/c		20000	By Furniture A/c	60000
To Profit Transferred				
To Partner's Capital A/c				
A	25000			
B	15000	40000		
		60000		60000

Partners Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Balance c/d	39000	270000	250000	By Bal. c/d	300000	200000	—
				By Workmen Compensation Reserve A/c	25000	15000	—
				By Revaluation (Profit)	25000	15000	—
				By Goodwill	40000	40000	—
				By Bank A/c	—	—	250000
	390000	270000	250000		390000	270000	250000

Balance Sheet as On 31st March, 2021

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		20000	Bank	390000
Bank Loan		120000	Debtors	80000
Capital A/cs			Stock	100000
A	390000		Furniture	220000
B	270000		Machinery	260000
C	250000	910000		
		1050000		1050000

Working Note :

1. Super Profit = Average Profit – Normal Profit

$= ₹\ 2240000 - ₹\ 140000 = ₹\ 80000$

Goodwill $=$ Super Profit $\times$ No. of Year Purchase

$= ₹\ 80000 \times 4 = ₹\ 320000$

C's Share of Goodwill $= ₹\ 320000 \times \frac{1}{4} = ₹\ 80000$

26. The following was the Balance Sheet of Ajay, Vijay and Sanjay as at 31st March, 2020 :

Liabilities		**₹**	**Assets**	**₹**
Creditors		11,000	Land & Buildings	50,000
Bills Payable		6,000	Furniture	7,500
Capital Accouns :			Stock	30,000
Ajay	40,000		Debtors	26,500
Vijay	33,500		Cash	1,500
Sanjay	25,000	98,500		
		1,15,500		1,15,500

They share profits and losses in the ratio of 6 : 5 : 3. On 1st April, 2020 they agreed to admit Surjeet into partnership and give him a share of 10 paise in a rupee on the following terms :

(i) That Surjeet should bring in ₹ 14,000 as capital.

(ii) That stock be depreciated by 10% and furniture by ₹ 900.

(iii) That a reserve of ₹ 1,300 be made for outstanding repair bill.

(iv) That the value of Land and Buildings be brought up to ₹ 65,000.

(v) That the Goodwill of the firm be valued at ₹ 8,400.

Pass necessary journal entries to record the above arrrangements and prepare the new Balance Sheet of the firm.

Solution 26 :

Journal

Date	**Particulars**	**L.F.**	**Dr. (₹)**	**Cr. (₹)**
	Revaluation A/c Dr.		5200	
	To Stock A/c		3000	
	To Furniture A/c		900	
	To O/s Repairs A/c		1300	
	(Decrease in the Value of Assets and Liabilities Created for Damages)			
	Land and Building A/c Dr.		15000	
	To Revaluation A/c			15000
	(Increase in the Value of Land and Building)			
	Revaluation A/c Dr.		9800	
	To Ajay's Capital A/c			4200
	To Vijay's Capital A/c			3500
	To Sanjay Capital A/c			2100
	(Profit on Revaluation Transferred to Partner's Capital Accounts)			
	Surjeet's Capital A/c Dr.		840	
	To Ajay's Capital A/c			360
	To Vijay's Capital A/c			300
	To Sanjay's Capital A/c			180
	(Surjeet's Share of Goodwill Credited to Old Partner's Capital Account)			
	Cash A/c Dr.		14000	
	To Surjeet Capital A/c			14000
	(Cash Brought in By Surjeet)			

Balanace Sheet

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		180000	Bank		460000
Workmen Compensation Fund		120000	Stock		135000
Current A/cs			Plant & Machinery		120000
Shashi	402000		Debtors	220000	
Annu	268000		Less : Provision	25000	145000
Vidhya	15000	820000	Land & Building		210000
		1120000			120000

Working Note :

1. Adjustment of Goodwill :

$$\text{Vidhya's Goodwill} = ₹\ 100000$$

$$\text{Shashi's Share in Goodwill} = ₹\ 100000 \times \frac{3}{5} = ₹\ 60000$$

$$\text{Annu's Share in Goodwill} = ₹\ 100000 \times \frac{2}{5} = ₹\ 40000$$

2. Distribution of Revaluation Profit :

Sashi's Share in Revaluation Profit

$$₹\ 40000 \times \frac{3}{5} = ₹\ 16000$$

Annu's Share in Revaluation Profit

$$= ₹\ 40000 \times \frac{2}{5} = ₹\ 8000$$

Partner's Capital Account

Particulars	Ajay (₹)	Vijay (₹)	Sanjay (₹)	Surjeet (₹)
To Balance c/d	44560	37300	27280	14000
	44560	37300	27280	14000

Particulars	Ajay (₹)	Vijay (₹)	Sanjay (₹)	Surjeet (₹)
By Balance b/d	40000	33500	25000	—
By Revaluation (Profit)	4200	3500	2100	—
By Surjeet's Current	360	300	180	—
By Cash A/c	—	—	—	14000
	44560	37300	27280	14000

Balance Sheet as On 31st March,2020

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Bills Payable		6000	Cash	15500
Creditors		11000	Debtors	26500
O/s Repairs		1300	Stock	27000
Capital A/s			Furniture	6600
Ajay	44560		Land & Building	65000
Sanjay	27280		Surjeet's Current	840
Surjeet	14000	123140		
		141440		141440

Working Note :

1. Distribution of Revaluation Profit

$$\text{Ajay Share} = ₹\ 9800 \times \frac{6}{14} = ₹\ 4200$$

$$\text{Vijay's Share} = ₹\ 9800 \times \frac{5}{14} = ₹\ 3500$$

$$\text{Sanjay's Share} = ₹\ 9800 \times \frac{3}{14} = ₹\ 2100$$

2. Adjustment for Goodwill

$$\text{Goodwill of the Firm} = ₹\ 8400$$

$$\text{Surjeet's Share of Goodwill} = ₹\ 8400 \times \frac{10}{100}$$

$$= ₹\ 840$$

Ajay's Share in Surjeet's Goodwill :

$$= ₹\ 840 \times \frac{6}{14} = ₹\ 360$$

Vijay's Share in Surjeet's Goodwill

$$= ₹\ 840 \times \frac{5}{14} = ₹\ 300$$

Sanjay's Share in Surjeet's Goodwill :

$$= ₹\ 840 \times \frac{3}{14} = ₹\ 180$$

27. Following is the Balance Sheet of Shashi and Annu sharing profits as 3 : 2 :

Liabilities	₹	Assets		₹
Creditors	1,80,000	Debtors	2,20,000	
General Reserve	2,50,000	*Less :* Provision for		
Workmen's Compensation		Doubtful Debts	10,000	2,10,000
Reserve	1,50,000	Land & Building		1,80,000
Capital :		Plants & Machinery		1,20,000
Shashi	1,50,000	Stock		1,10,000
Annu	1,00,000	Bank		2,10,000
	8,30,000			8,30,000

On admission of Vidhya for 1/6th share in the profits it was decided that :

(i) Provision for doubtful debts to be increased by ₹ 15,000.

(ii) Value of land and building to be increased to ₹ 2,10,000.

(iii) Value of stock to be increased by ₹ 25,000.

(iv) The liability of workmen's compensation claim was determined to be ₹ 1,20,000.

(v) Vidhya brought in as her share of goodwill ₹ 1,00,000 in cash.

(vi) Vidhya was to bring further cash of ₹ 1,50,00 for her capital.

Preparee Revaluation A/c, Capital A/cs and Balance Sheet of the new firm.

Solution 27 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Provision for Doubtful Debts A/c		15000	By Land & Building	3000
To Profit Transferred to Partner's Capital A/c			By Stock A/c	25000
Sashi	24000			
Annu	16000	40000		
		55000		55000

Particulars	Sashi (₹)	Annu (₹)	Vidhya (₹)	Particulars	Sashi (₹)	Annu (₹)	Vidhya (₹)
To Balance c/d	402000	268000	150000	By Bal. b/d	150000	100 000	—
				By G/R	150000	100000	—
				By Rev.	24000	16000	—
				By Workmen Compensation Fund A/c	18000	12000	—
				By Bank	—	—	150000
				By Goodwill	60000	40000	—
	402000	268000	150000		402000	268000	150000

Balance Sheet

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		180000	Bank		460000
Workmen Compensation Fund		120000	Plant & Machinery		120000
Current A/cs			Debtors	220000	
Sashi	402000		Less : Provision	25000	195000
Annu	268000		Land & Building		210000
Vidhya	150000	820000			
		1120000			1120000

Working Note :

1. Adjustment of Goodwill :

Vidhya's Goodwill = ₹ 100000

Shashi's Share in Goodwill = ₹ 100000 × $\frac{3}{5}$ = ₹ 60000

Annu's Share in Goodwill = ₹ 100000 × $\frac{2}{5}$ = ₹ 40000

2. Distribution of Revaluation Profit :

Sashi's Share in Revaluation Profit :

₹ 40000 × $\frac{3}{5}$ = ₹ 16000

Annu's Share in Revaluation Profit

= ₹ 40000 × $\frac{2}{5}$ = ₹ 8000

❑

5

Retirement Or Death of Partner

1. R, S and M are partners sharing profits in the ratio of 2/5 : 2/5 : 1/5 respectively. M retires and his share is taken by R and S in the ratio of 2 : 1. Calculate the new ratio.

Solution 1 :

Old Ratio of R, S and M = 2 : 2 : 1

M retires from the firm

$$\text{M's Share in the firm} = \frac{1}{5}$$

M/s Share taken by R and S in the ratio of 1 : 2

$$\text{Share taken by R} = \frac{1}{5} \times \frac{2}{3} = \frac{2}{15}$$

$$\text{Share taken by S} = \frac{1}{5} \times \frac{1}{5} = \frac{1}{15}$$

New Ratio = Old Ratio + Share Acuired From M

$$\text{R's New Share} = \frac{2}{5} + \frac{2}{15} = \frac{6+2}{15} = \frac{8}{15}$$

$$\text{S's New Share} = \frac{2}{5} - \frac{2}{15} = \frac{6+1}{15} = \frac{7}{15}$$

Therefore New Share of R and S = 8 : 7

2. Piyush, Varun and Ishan are partners sharing profits in the ratio of 1/2, 3/10 and 1/5 respectively. Varun retired from the firm and Piyush and Ishan decided to share future profits in the ratio of 3 : 2. Calculate gaining ratio of Piyush and Ishan.

Solution 2 :

Gaining Ratio = New Ratio – Old Ratio

New Ratio of Piyush and Ishan = 3 : 2

Old Ratio of Piyush, Varun and Ishan

$$= \frac{1}{2} : \frac{3}{10} : \frac{1}{5}$$

$$= \frac{10 : 6 : 4}{20} = 10 : 6 : 4$$

Thus, Old Ratio = 10 : 6 : 4 Or 5 : 3 : 2

Gaining Ratio of Piyush and Ishan =

$$\text{Piyush} = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$$

$$\text{Ishan} = \frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$$

Therefore, Gaining Ratio of Piyush and Ishan

$$= \frac{1}{10} : \frac{2}{10} = 1 : 2$$

3. The Balance Sheet of A, B and C who are sharing profits and losses in the ratio of $\frac{1}{2}, \frac{1}{3}$ and $\frac{1}{6}$ respectively, was as follows on 1-4-2019 :

Liabilities		₹	Assets	₹
Bills Payable		6,400	Cash in hand	25,650
Sundary Creditors		12,500	Bills Receivable	5,400
Capitals :	₹		Debtors	17,800
A	40,000		Stock	22,300
B	25,000		Furniture	3,500
C	20,000	85,000	Plant & Machinery	9,750
Profit & Loss A/c		4,500	Building	24,000
		1,08,400		1,08,400

A retires from business on 1-4-2019. Assets were revalued as under :

Stock ₹ 20,000; Furniture ₹ 3,000; Plant & Machinery ₹ 9,000; Building ₹ 20,000 and ₹ 850 was to be provided for doubtful debts. The goodwill of the firm was valued at ₹ 6,000 but the same will not appear as an asset in the new firm.

A was to be paid ₹ 11,500 in cash on retirement and balance in the 3 equal yearly instalments with interest at 9% p.a.

Prepare Revaluation A/c, Capital A/cs and Balance Sheet of firm on A's retirement.

Also, show A's Loan A/c.

Solution 3 :

Revaluation Accounts

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Stock	2300	By Loss Transferred		
To Furniture	500	to Partners Capital A/c		
To Plant & Machinery	750	A	4200	
To Building	4000	B	2800	
To Provision for Doubtful Debts	850	C	1400	8400
	8400			8400

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Revaluation (Loss)	4200	2800	1400	By Bal. b/d	40000	25000	20000
To A's Cap.		2000	1000	By P & L	2250	1500	750
To Bank	11500	—	—	By B's Cap.	2000	—	—
To A's Loan	29550	—	—	By C's Cap.	1000	—	—
To Bal. c/d	—	21700	18350				
	45250	26500	20750		45250	26500	20750

Balance Sheet

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Bills Payable		6400	Cash in Hand		14150
Sundry Creditors		12500	(₹ 25650 – ₹ 11500)		
Capital A/cs			Bills Receivable		5400
B	21700		Debtors	17800	
C	18350	40050	Less : Provision	850	16950
A/s Loan		29550	Stock		20000
			Furniture		3000
			Plant & Machinery		9000
			Building		20000
		88500			88500

Working Note :

1. Calculation of Adjustment of Goodwill :

Firm's Goodwill = ₹ 6000

A's Share in Goodwill = ₹ 6000 × $\frac{3}{6}$ = ₹ 3000

B's Share in A's Goodwill = ₹ 3000 × $\frac{2}{3}$ = ₹ 2000

C's Share in A's Goodwill = ₹ 3000 × $\frac{1}{3}$ = ₹ 1000

Thus Entry will be :

B's Capital	Dr.	2000	
C's Capital	Dr.	1000	
To A's Capital A/c			3000
(Adjustment For Goodwill Made)			

2. A's Loan A/c

Particulars	Amt. (₹)	Particulars	Amt. (₹)
Ist Year			
To Bank A/c		By A's Capital	29550
(₹ 9850 + ₹ 2660)	12510	By Interest + A/c	
To Balance c/d	19700	(29550 × 90%)	2660
	32210		32210
IInd Year			
To Bank A/c		By Balance b/d	19700
(₹ 9850 + ₹ 2660)	11623	By Interest A/c	
To Balance c/d	9850	(₹ 19700 × 9%)	1773
	21473		21473
IIIrd Year			
To Bank A/c	10836	By Balance b/d	9850
		By Interest A/c	886
		(₹ 9850 × 9%)	
	10836		10836

4. On 31st March, 2019 the Balance Sheet of J, K and L who were partners in a firm was as under :

Liabilities		₹	Assets	₹
Sundry Creditors		2,50,000	Building	2,60,000
Reserve Fund		2,00,000	Investment	1,10,000
Capital A/cs :	₹		K's Loan	1,00,000
J	1,50,000		Debtors	1,50,000
K	1,00,000		Stock	1,20,000
L	1,00,000	3,50,000	Cash	60,000
		8,00,000		8,00,000

K died on 1st July, 2019. The profit-sharing ratio of partners was 2 : 1 : 1. On the death of a partner, the Partnership Deed provided for the following :

(i) His share in the profits of the firm till the date of his death will be calculated on the basis of average profits of last three completed years.

(ii) Goodwill of the firm will be calculated on the basis of total profit of last two years.

(iii) Interest on loan given by the firm to a partner will be charged at the rate of 6% p.a. or ₹ 4,000, whichever is more.

(iv) Profits for the last three years were ₹ 45,000; ₹ 48,000 and ₹ 33,000.

Prepare K's Capital Account to be rendered to his executors.

Solution 4 :

K's Capital Account

Date	Particulars	Amt. (₹)	Date	Particulars		Amt. (₹)
2019 July 01	To K's Loan	10400	2019 01April	By Bal. b/d	100000	
			July 1	By J's Capital	13500 (w.n.1)	
2015 May 31	To Balance c/d	68875	July 1	By L's Capital (w.n.1)		6750
			July 1	By P & L Suspense A/c (w.n.2)		2625
			July 2	By Reserve Fund A/c ($₹ 200000 \times \frac{1}{4}$)		50000
		172875				172875

Working Note :

1. Calculation of K's Share in Goodwill

Goodwill of Firm = ₹ 48000 + ₹ 33000
= ₹ 81000

K's Shae in Goodwill = $₹ 81000 \times \frac{1}{4} = ₹ 20250$

Gaining Ratio of J & L = 2 : 1

J's Share in K's Goodwill = $₹ 20250 \times \frac{2}{3} = ₹ 13500$

L's Share in K's Goodwill = $₹ 20250 \times \frac{1}{3} = ₹ 6750$

Thus Entry will be

J's Capital A/c	Dr	13500	
L's Capital A/c	Dr	6750	
To K's Capital A/c			20250
(Adjustment Made For Goodwill)			

2. Calculation of K's Share of Loss till the date of his death :

$$\text{Average Profits of Last 3 years} = \frac{₹45000 + ₹48000 + ₹33000}{3}$$

$$= ₹\ 42000$$

$$\text{K's Share of Loss} = ₹\ 42000 \times \frac{1}{4} \times \frac{3}{12}$$

$$= ₹\ 2625$$

3. Calculation of Amount of K's Loan

K's Loan = ₹ 100 000

Interest will be

$$₹\ 100000 \times \frac{6}{100} \times \frac{3}{12} = ₹\ 1500$$

Or

₹ 4000

Whichever is higher

Thus Amount of Loan will be ₹ 100000 + ₹ 4000

= ₹ 104000

5. Riya, Siya and Tiya were partners sharing profits in the ratio of 2 : 1 : 1. On 31st March, 2019, their Balance Sheet was as under :

Liabilities	₹	**Assets**	₹
Trade Creditors	53,000	Bank	60,000
Employee's Provident Fund	47,000	Debtors	60,000
Riya's Capital	2,00,000	Stock	1,00,000
Siya's Capital	1,00,000	Fixed Assets	2,40,000
Tiya's Capital	80,000	Profit & Loss A/c	20,000
	4,80,000		4,80,000

Riya retired on 1st April, 2019. For this purpose, the following adjustments were agreed upon :

(a) Goodwill of the firm was valued at 2 years' purchase of average profits of three completed years preceding the date of retirement. The profits for the year : 2016-17 were ₹ 1,00,000 and for 2017-18 were ₹ 1,30,000.

(b) Fixed Assets were to be increased to ₹ 3,00,000.

(c) Stock was to be valued at 120%.

(d) The amount payable to Riya was transferred to her Loan Account.

Prepare Revaluation Account, Capital Accounts of the Partners and the Balance Sheet of the reconstituted firm.

Solution 5 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Profit Transferred			By Fixed Assets	60000
To Capital Accounts			By Stock A/c	20000
Riya	40000			
Siya	20000			
Tiya	20000	80000		
		80000		80000

Partner's Capital Account

Particulars	Riya (₹)	Siya (₹)	Tiya (₹)	Particulars	Riya (₹)	Siya (₹)	Tiya (₹)
To Riya's Capital	—	35000	35000	By Bal. b/d	200000	100000	80000
To P & L	10000	5000	5000	By Rev. (Profit)	40000	20000	20000
To Riya's Loan A/c	300000	—	—	By Siya's Capital	35000	—	—
To Bal. c/d	—	80000	60000	By Tiya's Capital	35000	—	—
	310000	120000	100000		310000	120000	100000

Balance Sheet as On 01st April, 2019

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Trade Creditors		53000	Bank	60000
Employee Provident Fund		47000	Detors	60000
Riya's Loan A/c		300000	Stock	120000
Capital A/c			Fixed Assets	300000
Siya	80000			
Tiya	60000	140000		
		540000		540000

Working Note :

1. Adjustment of Goodwill

Valuation of Goodwill	Amt. (₹)
Profit for 2016-17	100000
Profit for 2017-18	130000
Loss for 2018-19	(20000)
	210000

$$\text{Average Profits} = \frac{210000}{3} = 70000$$

$$\text{Goodwill} = 70000 \times 2 = ₹\ 140000$$

$$\text{Riya's Share in Goodwill} = ₹\ 140000 \times \frac{2}{4} = ₹\ 70000$$

Sacrifice Ratio of Siya and Tiya = 1 : 1

Thus Siya and Tiya share in Riya's Goodwill will be ₹ 35000 each.

6. Ram, Shyam and Mohan were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31-12-2019, their Balance Sheet was as follows :

Liabilities		₹	Assets	₹
Creditors		60,000	Bank	90,000
Bills Payable		40,000	Stock	70,000
General Reserve		30,000	Debtors	40,000
Capitals :	₹		Land and Building	5,00,000
Ram	3,00,000		Profit & Loss A/c	1,60,000
Shyam	3,00,000			
Mohan	1,30,000	7,30,000		
		8,60,000		8,60,000

Shyam died on 31-3-2020. The partnership deed provided for the following on the death of a partner :

(i) Profit sharing ratio.

(ii) Goodwill of the firm was to be valued at 2 years' purchase of the average of last 5 years. The profits for the years ending 31-12-2018, 31-12-2017, 31-12-2016 and 31-12-2015 were ₹ 50,000; ₹ 80,000; ₹ 1,10,000 and ₹ 2,20,000 respectively.

(iii) Shyam's share of profit or loss till the date of his death was to be calculated on the basis of the profit or loss for the year ending 31-12-2019.

You are required to calculate the following :

(i) Goodwill of the firm and Shyam's share of goodwill at the time of his death.

(ii) Shyam's share in the profit or loss of the firm till the date of his death.

(iii) Prepare Shyam's Capital A/c at the time of his death to be presented to his executors.

Solution 6 :

(i) Goodwill of the firms

Valuation of Goodwill

	Amt. (₹)
Profit for 31.03.2015	220000
Profit for 31.03.2016	110000
Profit for 31.03.2017	80000
Profit for 31.03.2018	50000
Loss for 31.03.2019	(160000)
	300000

Average Profits $= \frac{₹\,300000}{5}$

$= ₹\ 60000$

Value of Firms Goodwill = Average Profit × No. of Year of Purchase

$= ₹\ 60000 \times 2$

Firm's Goodwill $= ₹\ 120000$

Shyam's Share of Goodwill $= ₹\ 120000 \times \frac{2}{5} = ₹\ 48000$

(ii) Calculation of Shyam's Share in the Profit or Loss of the firm till the date of his death

Loss of year 2019 $= ₹\ 160000$

Shyam's Share in Loss $= ₹\ 160000 \times \frac{2}{5} \times \frac{3}{12}$

$= ₹\ 16000$

(iii) **Shyam's Capital Account**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Profit & Loss Suspense (Loss)	16000	By blance b/d	300000
To Profit & Loss Account	64000	By Ram's Capital (Goodwill)	32000
To Shyam's Executor A/c	280000	By Shyam's Capital (Goodwill)	16000
		By G/R	12000
	360000		360000

Working Note :

1. Sacrificing Partner's Share in decreased partner

Goodwill of Shyam = ₹ 48000

Ram's Share = ₹ 48000 × $\frac{2}{3}$ = ₹ 32000

Mohan's Share = ₹ 48000 × $\frac{1}{3}$ = ₹ 16000

7. M, N and O were partners in a firm sharing profits and losses equally. Their Balance Sheet as at 31st March, 2019 was as follows :

Liabilities		₹	Assets	₹
Capitals :	₹		Plant and Machinery	60,000
M	70,000		Stock	30,000
N	70,000		Sundry Debtors	95,000
O	70,000	2,10,000	Cash at Bank	40,000
General Reserve		30,000	Cash in hand	35,000
Creditors		20,000		
		2,60,000		2,60,000

N died on 12th June, 2019. According to the Partnership Deed, executors of the deceased partner are entitled to :

(i) Balance of partner's Capital account.

(ii) Interest on Capital @ 5% p.a.

(iii) Share of goodwill calculated on the basis of twice the average of past three years' profits and.

(iv) Share of profits from the closure of the last accounting year till the date of death on the basis of twice the average of three completed years' profits before death.

Profits for the years ended 31st March, 2017, 2018 and 2019 were ₹ 80,000, ₹ 90,000 and ₹ 1,00,000 respectively. Show the working for deceased partner's share of goodwill and profits till the date of his death. Pass the necessary journal entries and prepare N's Capital Account to be rendered to his executors.

Solution 7 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Genereal Reserve A/c Dr. To N's Capital A/c (Transfer of N's Share of General Reserve of this Capital A/c)		10000	10000
	Interest on Capital A/c Dr. To N's Capital A/c (Interest 5% Credited to N's Capital A/c Upto 12.06.2019)		700	700

M's Capital A/c Dr.			30000	
O's Captial A/c Dr.			30000	
To N's Capital A/c				60000
(Goodwill Adjusted in Gaining Ratio in 1 : 1)				
Profit & Loss Suspense A/c Dr.			12000	
To N's Capital A/c				12000
(The Transfer to N's Share of Profit to his capital A/c)				
N's Capital A/c Dr.			152700	
To N's Executor A/c				152700
(The Transfer of Amount Due To N's ExecutorA/c)				

N's Executor Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To N's Executor A/c	152700	By Balance b/d	70000
		By General Reserve	10000
		By Interest on Capital ($₹ 70000 \times \frac{5}{100} \times \frac{73}{365}$)	700
		By M's Capital A/c (Goodwill)	30000
		By O's Capital A/c (Goodwill)	30000
		By Profit & Loss ($₹ 90000 \times 2 \times \frac{73}{365} \times \frac{1}{3}$)	12000
	152700		152700

Working Notes :

1. Calculation of Goodwill
   Average Profit for 3 years

$$\frac{₹ 80000 + ₹ 90000 + ₹ 100000}{3} = ₹ 90000$$

Goodwill of the firm = Average Profit × No. of years of Purchase
= ₹ 90000 × 2 = ₹ 180000

Total N's Share in Goodwill $= ₹ 180000 \times \frac{1}{3}$
= ₹ 60000

2. Time From the date of Balance Sheet (31st March 2019) to the Date of Death (12th June 2019)
   = 30 Days of April + 31 Days of May + 12 Days of June
   = 73 Days

8. Teena and Meena were partners. The partnership deed provides :

(i) That the accounts be balanced on 31st December each year.

(ii) The profits be divided as follows :
Teena one-half, Meena one-third and carried to Reserve account one-sixth.

(iii) That in the event of death of a partner, her executor will be entitled to the following:

(a) The capital to her credit at the date of death.

(b) Her proportion of profit to date of death based on the average profits of the last three completed years.

(c) Her share of goodwill based on three years' purchase of the average profits for the three preceding completed years.

On 31st December, 2018 the Trial Balance was as under :

Particulars	Dr. (₹)	Cr. (₹)
Teena's Capital		90,000
Meena's Capital		60,000
Reserves		30,000
Bills Receivables	50,000	
Investments	40,000	
Cash	1,10,000	
Creditors		20,000
	2,00,000	2,00,000

The profits for the three years were : 2016 ₹ 4,200; 2017 ₹ 3,900 and 2018 ₹ 4,500. Meena died on 31st May, 2019. Draw up the deceased Partner's Capital A/c and Executor's A/c.

Solution 8 :

Meena's Capital Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Meena's Executor A/c	77740	By Balance b/d	60000
		By Reserves (₹ 30000 × $\frac{2}{5}$)	12000
		By P & L (w.n.1)	700
		By Teena's Capital A/c	5040
	77740		77740

Working Note :

1. Profit Sharing Ratio of Teena and Meena

$$= \frac{1}{2} : \frac{1}{3}$$

$$= \frac{3:2}{6} = 3 : 2$$

Share in Profit

$$\text{Average Profit} = \frac{\text{Total Profits}}{\text{Number of Years}}$$

$$\text{Average Profit} = \frac{₹4200 + ₹3900 + ₹4500}{3} = ₹\ 4200$$

$$\text{Share in Profit} = ₹\ 4200 \times \frac{5}{12} \times \frac{2}{5} = ₹\ 700$$

2. Share in Goodwill

$$\text{Goodwill} = \frac{₹4200 + ₹3900 + ₹4500}{3}$$

$$= ₹\ 4200 \times 3$$

$$= ₹\ 12600$$

$$\text{Share of Meena in Goodwill} = ₹\ 12600 \times \frac{2}{5}$$

$$= ₹\ 5040$$

9. P, Q and R were partners sharing profits in the ratio of 2 : 2 : 1. The firm closes its books on March 31 every year. On June 30, 2019 R died. The following information is provided on R's death :

(i) Balance in his capital account in the beginning of the year was ₹ 6,50,000.
(ii) He withdrew ₹ 60,000 on May 15, 2019 for his personal use.

On the date of death of a partner the partnership deed provided for the following :

(a) Interest on capital @ 10% per annum.
(b) Interest on drawings @ 12% per annum.
(c) His share in the profit of the firm till the date of death, to be calculated on the basis of the rate of Net Profit on Sales of the previous year, which was 25%. The Sales of the firm till June 30, 2019 were ₹ 6,00,000.

Prepare R's Capital Account on his death to be presented to his executors.

Solution 9 :

R's Capital Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
2019		2019	
June 30 To Drawings A/c	60000	Apr.1 By Balance b/d	650000
June 30 To Interest on Drawing A/c	900	June 30 By Interest on Capital	16250
June 30 To R's Executors	635350	June 30 By P & L Suspense A/c	30000
	696250		696250

Working Notes :

1. Calculation of Interest on Capital

$$₹\ 650000 \times \frac{10}{100} \times \frac{3}{12} = ₹\ 16250$$

2. Calculation of Interest on Drawings

$$₹\ 60000 \times \frac{12}{100} \times \frac{15}{12} = ₹\ 900$$

3. Calculation of his share of profit till the date of his death

$$₹\ 600000 \times \frac{1}{5} \times \frac{3}{12} = ₹\ 30000$$

10. A, B and C were partners. Their partnership deed provided that they were to share profits thus; A 26 per cent; B 34 per cent; C 40 per cent; and that if a partner died, his capital should remain in the business for a stated period at a fixed rate of interest, but that the deceased partner's share should be credited with an amount for Goodwill, based upon one and half year's purchase of average profits of the five years prior to his death, but be subject to deduction of 5 per cent from the book debts. C died, and the profits of the firm for five years were agreed at ₹ 20,000; ₹ 30,000; ₹ 15,000 (loss); ₹ 5,000 (loss); and ₹ 45,000 respectively. Book Debts stood at ₹ 90,000.

Prepare a statement showing the amount of Goodwill to be credited to C's Account and give the Journal entry in the firm's book necessary to carry out the transactions.

Solution 10 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	A's Capital A/c	Dr.		3120	
	B's Capital A/c	Dr.		4080	
	To C's Capital A/c				7200
	(Adjustment made for Goodwill)				

Working Notes :

1. Calculation of Goodwill

$$= \text{Average Profits of five years}$$

$$= \frac{₹20000 + ₹30000 + (₹15000) + (₹5000) + ₹45000}{5}$$

$$= \frac{₹75000}{5} = ₹\ 15000$$

$$\text{Goodwill} = \text{Average Profit} \times \text{No. of Years of Purchase}$$

$$= ₹\ 15000 \times 15 = ₹\ 22500$$

$$\text{Net Goodwill} = ₹\ 22500 - ₹\ 4500\ (5\%\ \text{of}\ ₹\ 90000) = ₹\ 18000$$

$$\text{C's Share in Firm's Goodwill} = ₹\ 18000 \times \frac{40}{100} = ₹\ 7200$$

$$\text{A's Share in C's Goodwill} = ₹\ 7200 \times \frac{26}{60} = ₹\ 3120$$

$$\text{B's Share in C's Goodwill} = ₹\ 7200 \times \frac{34}{60} = ₹\ 4080$$

11. A, B and C were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 31st March, 2019, their Balance Sheet was as under :

Liabilities		₹	Assets	₹
Creditors		7,000	Buildings	20,000
Reserves		10,000	Machinery	30,000
Capitals A/c :	₹		Stock	10,000
A's Capital A/c	30,000		Patents	6,000
B's Capital A/c	25,000		Debtors	8,000
C's Capital A/c	15,000	70,000	Cash	13,000
		87,000		87,000

A died on 1st October, 2019. It was agreed between his executors and the remaining partners that :

(a) Goodwill to be valued at 2 years' purchase of the average profits of the previous five years, which were, 2015 : ₹ 15,000; 2016 : ₹ 13,000; 2017 : ₹ 12,000; 2018 : ₹ 15,000 and 2019 : ₹ 20,000.

(b) Patents be valued at ₹ 8,000; Machinery at ₹ 28,000; Building at ₹ 30,000.

(c) Profits for the year 2019-20 be taken as having accrued at the same rate as that of the previous year.

(d) Interest on capital be provided at 10% p.a.

(e) A sum of ₹ 11,500 was to be paid to his executors immediately.

Prepare A's Capital A/c and his Executor's Account at the time of his death.

Solution 11 :

A's Capital Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To A's Executor A/c	61500	By Balance b/d	30000
		By Reserve	5000
		By B's Capital A/c	9000
		By C's Capital	6000
		By P & L Suspense	5000
		By Interest on Capital	1500
		By Revaluation Profit	5000
	61500		61500

A's Executors Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	11500	By A's Capital A/c	61500
To A's Executor Loan A/c	50000		
	61500		61500

Working Note :

1. Calculation of New Ratio and Sacrificing Ratio :

Old Ratio of A, B and C = 5 : 3 : 2

New Ratio of B : C = 3 : 2

Gaining Ratio = New Ratio – Old Ratio

$$B = \frac{3}{5} - \frac{3}{10} = \frac{6-3}{10} = \frac{3}{10}$$

$$C = \frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$$

Thus, gaining ratio of B and C = 3 : 2

2. Calculation of Average Profit :

$$\text{Average Profit} = \frac{₹15000 + ₹13000 + ₹12000 + ₹15000 + ₹20000}{5}$$

$$= \frac{₹75000}{5} = ₹\ 15000$$

3. Goodwill of the firm = ₹ 15000 × 2

= ₹ 30000

$$\text{A's share in firm's goodwill} = ₹\ 30000 \times \frac{5}{10}$$

= ₹ 15000

B will transfer share for goodwill to A

$$= ₹\ 15000 \times \frac{3}{5} = ₹\ 9000$$

C will transfer share for goodwill to A

$$= ₹\ 15000 \times \frac{2}{5} = ₹\ 6000$$

4. Calculation of Profit to be given to the dead partner representative till his death

$$\text{A share in profits} = ₹\ 20000 \times \frac{5}{10} \times \frac{6}{12}$$

= ₹ 3750

5. Interest on Capital

$$= ₹\ 30000 \times \frac{10}{100} \times \frac{6}{12}$$

= ₹ 1500

6. Revaluation Profit or Loss

Increase Value of Building	10000
Increased Value of Patents	2000
	12000
Decreased Value & Machinery =	2000
Profit on Revaluation =	10000

$$\text{A's Share in Profit on Revaluation} = ₹\ 10000 \times \frac{5}{10}$$

= ₹ 5000

12. A, B and C were partners sharing profits in the ratio of 5 : 3 : 2. Their Balance Sheet as on 31st March, 2020 was as under :

Liabilities		₹	Assets	₹
Capitals A/c :	₹		Land & Buildings	7,80,000
A	7,20,000		Plant	4,65,000
B	4,15,000		Furntiure	77,000
C	3,45,000	14,80,000	Stock	1,85,000
Reserve Fund		1,80,000	Debtors	1,72,000
Creditors		1,24,000	Bank	1,21,000
Expenses Outstanding		16,000		
		18,00,000		18,00,000

On this date, B retired on the following terms :

(i) Stock was valued at ₹ 1,72,000.
(ii) Furniture were found under valued by ₹ 3,000.
(iii) An amount due to a customer ₹ 10,000 was doubtful and provision was required.
(iv) Goodwill of firm was valued ₹ 2,00,000.
(v) B was paid ₹ 40,000 and balance was transferred to his Loan A/c.
(vi) A and C were to share future profits in ratio 3 : 2.

Prepare Revaluation A/c, Partners' Capital A/cs and Balance Sheet of new firm.

Solution 12 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Stock		13000	By Furniture	3000
To Provision on Debtors		10000	By Loss Transferred to Partners Capital A/c :	
A -	₹ 10000			
B -	₹ 6000			
C -	₹ 4000	20000		
		23000		23000

Partner's Capital A/c

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Revaluation (Loss)	10000	6000	4000	By Bal. b/d	720000	415000	345000
To B's Capital	20000	—	40000	By Reserve Fund	90000	54000	36000
To Bank	—	40000	—	By A/s Capital	—	20000	—
To B's Loan	—	483000	—	By C's Capital	—	40000	—
To Bal. c/d	780000	—	337000				
	810000	529000	381000		810000	529000	381000

Balance Sheet as On 31st March, 2020

Liabilities		₹	Assets		₹
A -	780000		Land & Buildings		780000
C -	337000	1117000	Plant		465000
B's Loan A/c		483000	Furniture		80000
Creditors		124000	Stock		172000
O/s Expenses		16000	Debtors	172000	
			Less Provision	10000	162000
			Bank		81000
		1740000			1740000

Working Notes :

1. Gaining Ratio of A and C

$$= \text{New Ratio} - \text{Old Ratio}$$

$$A = \frac{3}{5} - \frac{5}{10} = \frac{6-5}{10} = \frac{1}{10}$$

$$C = \frac{2}{5} - \frac{2}{10} = \frac{4-2}{10} = \frac{2}{10}$$

Therefore gaining ratio of A and C = 1 : 2

2. Adjustment of Goodwill

$$\text{Firm's Goodwill} = ₹\ 200\ 000$$

$$\text{B's Share in Firms's Goodwill} = ₹\ 200000 \times \frac{3}{10} = ₹\ 60000$$

$$\text{A will transfer to B's Goodwill} = ₹\ 60000 \times \frac{1}{3} = ₹\ 20000$$

$$\text{B will transfer to B's Goodwill} = ₹\ 60000 \times \frac{2}{3} = ₹\ 40000$$

3. Distribution of Reserve Fund

$$\text{A's Share} = ₹\ 180000 \times \frac{5}{10} = ₹\ 90000$$

$$\text{B's Share} = ₹\ 180000 \times \frac{3}{10} = ₹\ 54000$$

$$\text{C's Share} = ₹\ 180000 \times \frac{2}{10} = ₹\ 4000$$

13. Priya, Riya and Nisha were partners in a firm sharing profits in the ratio of 5 : 4 : 1. Priya died on 30th June, 2019, On 31st March, 2019 their Balance Sheet was as follows :

Balance Sheet of Priya, Riya and Nisha *as at 31st March, 2020*

Liabilities		₹	Assets	₹
Capitals :	₹		Plant and Machinery	5,60,000
Priya	1,00,000		Stock	90,000
Riya	2,00,000		Debtors	10,000
Nisha	3,00,000	6,00,000	Cash	40,000
Profits for the year 2018-19		80,000		
Bills Payable		20,000		
		7,00,000		7,00,000

According to the Partnership Deed, in addition to deceased partner's capital, his executor is entitled to :

(i) Share in profits in the year of death on the basis of average of last two years' profits. Profit for the year 2017-18 was ₹ 60,000.

(ii) Goodwill of the firm was to be valued at 2 years' purchase of average of last two years' profits.

Prepare Priya's Capital Account to presented to his executor.

Solution 13 :

Priya's Capital Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Priya's Executor A/c	218750	By Balance b/d	100000
		By Riya's Capital (Goodwill)	56000
		By Nisha's Capital (Goodwill)	14000
		By P & L Suspense	8750
		By Profit & Loss A/c	40000
	218750		218750

Working Note :

1. Calcualtion of Goodwill

Firm's Goodwill = Average Profit × No. of Years of Purchase
= ₹ 70000 × 2
= ₹ 140000

$$\text{Average Profits} = \frac{₹80000 + ₹60000}{2}$$

$$= \frac{₹140000}{2} = ₹\ 70000$$

$$\text{Riya's Share in Firm's Goodwill} = ₹140000 \times \frac{5}{10}$$

= ₹ 70000

Riya Transfer to Priya's Goodwill

$$= ₹\ 70000 \times \frac{4}{5} = ₹\ 56000$$

Nisha Transfer for Priya's Goodwill

$$= ₹\ 70000 \times \frac{1}{5} = ₹\ 14000$$

2. Profit of Last 2 years
Share of Priya in Last 2 years

$$= ₹\ 70000 \times \frac{5}{10} \times \frac{3}{12}$$

= ₹ 8750

3. Share in Profits of 2018-19

$$= ₹\ 80000 \times \frac{5}{10}$$

= ₹ 40000

14. Virad, Vishad and Rama were partners in a firm sharing profits in the ratio of 5 : 3 : 2 respectively. On 31st March, 2019, their Balance Sheet was as under :

Liabilities		₹	Assets	₹
Capitals A/c :	₹		Building	2,00,000
Virad	3,00,000		Machinery	3,00,000
Vishad	2,50,000		Patents	1,10,000
Rama	1,50,000	7,00,000	Stock	1,00,000
Reserve Fund		60,000	Debtors	80,000
Creditors		1,10,000	Cash	80,000
		8,70,000		8,70,000

Virad died on 1st October, 2019. It was agreed between his executors and the remaining partners that :

(i) Goodwill of the firm be valued at 2½ years purchase of average profits for the last three years. The average profits were ₹ 1,50,000.

(ii) Interest on Capital be provided at 10% p.a.

(iii) Profit for the 2019-20 be taken as having accrued at the same rate as that of the previous year which was ₹ 1,50,000.

Prepare Virad's Capital Account to be presented to his Executors as on 1st October, 2019.

Solution 14 :

Virad's Capital Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Virad's Executor A/c	570000	By Balance b/d	300000
		By Interest on Capital $\left(₹\,300000 \times \frac{10}{100} \times \frac{6}{12}\right)$	15000
		By Reserve Fund	30000
		By Vishad's Cap. (Goodwill)	112500
		By Rama's Cap. (Goodwill)	75000
		By P & L Suspense	37500
	570000		570000

Working Note :

1. Calculation of Adjustment of Goodwill

$$\text{Firm's Goodwill} = ₹\,150000 \times 2.5 = ₹\,375000$$

Virad's Share in Firm's Goodwill

$$= ₹\,375000 \times \frac{5}{10} = ₹\,187500$$

Vishad Transfer for Virad's Goodwill

$$= ₹\,187500 \times \frac{3}{5} = ₹\,112500$$

Rama's Transfer for Virad's Goodwill

$$= ₹\,18750 \times \frac{2}{5} = ₹\,75000$$

2. Distribution in Reserve Fund

$$₹\,60000 \times \frac{5}{10} = ₹\,30000$$

3. Share in Accrued Profit of 2019-20

$$= ₹\,150000 \times \frac{5}{10} \times \frac{6}{12} = ₹\,37500$$

15. Aman, Bhuwan and Chirag are partners in a firm, sharing profits and losses as Aman 1/3, Bhuwan 1/2 and Chirag 1/6 respectively. The Balance Sheet of the firm as at 31st March, 2020 was :

Liabilities		₹	Assets		₹
Capitals A/c :	₹		Building		5,00,000
Aman	3,00,000		Plant and Machinery		4,00,000
Bhuman	4,00,000		Furntiure		1,00,000
Chirag	2,50,000	9,50,000	Stock		2,50,000
General Reserve		2,20,000	Debtors	1,80,000	
Sundry Creditors		2,50,000	*Less* : Provision for		
Loan Payable		1,50,000	Doubtful Debts	5,000	1,75,000
			Cash in hand		85,000
			Advertisement Suspense Account		60,000
		15,70,000			15,70,000

Chirag retired on 1st April, 2020 subject to the following adjustments :

(a) Goodwill of the firm be valued at ₹ 2,40,000, Chirag's share of goodwill be adjusted into the Capital Accounts of Aman and Bhawan who will share future profits in the ratio of 3 : 2.

(b) Plant and Machinery to be reduced by 10% and Furniture by 5%.

(c) Stock to be increased by 15% and Building by 10%.

(d) Provision for Doubtful Debts to be raised to ₹ 20,000.

Pass Journal Entries to record the above transactions in the books of the firm and show the Profit & Loss Adjustment Account, Capital Account of Chirag and the Balance Sheet of the firm after Chirag's retirement.

Solution 15 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Profit & Loss Adjustment A/c		60000	
	To Plant & Machinery A/c			40000
	To Provision For Doubtful Debts A/c			15000
	To Furniture A/c			5000
	(Decrease in the Value of Assets and Increase in Value of Liabilities Transferred to Revaluation Account)			
	Stock A/c Dr.		37500	
	Fatory Building A/c Dr.		50000	
	To Profit & Loss Adjustment A/c			87500
	(Increase in the Value of Assets Transferred to Revaluation Account)			
	Profit and Loss Adjustment A/c Dr.		27500	
	To Aman's Capital A/c			9167
	To Bhuwan's Capital A/c			13750
	To Chirag's Capital A/c			4583
	(Revaluation Profit Calculated at the Time of Retirement Transferred to Old Partners Capital Accounts in Old Profit Sharing Ratio)			

	Chirag's Capital A/c Dr. To Aman's Capital A/c To Bhuwan's Capital A/c (Journal Entry Passed For Treatment of Goodwill Without Raising Goodwill Account in Gaining Ratio for Retirement of Chirag)		64000	 24000 40000
	C's Capital A/c Dr. To C's Loan A/c (Final Amount Payable to Chirag Transferred to his Loan Account)		321250	 321250
	General Reserve A/c Dr. To Aman's Capital A/c To Bhuwan's Capital A/c To Chirag's Capital A/c (General Reserve Appearing in the Last Year's Balance Sheet at the time of Retirement of C Transferred to Old Partners Capital Accounts in their Old Ratio)		220000	 73333 110000 36667

Profit and Loss Adjustment Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Plant & Machinery		40000	By Stock	37500
To Furniture		5000	By Factory Building	50000
To Provision For Doubtful Debts		15000		
To Profit Transferred to Partner's Capital A/c :				
Aman	9167			
Bhuwan	13750			
Chirag	4583	27500		
		87500		87500

Partner's Capital Account

Particulars	Aman	Bhuwan	Chirag	Particulars	Aman	Bhuwan	Chirag
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Bhuwan Cap.	24000	—	—	By Balance b/d	300000	400000	250000
To Chirag Cap.	40000	—	—	By G/R	73333	110000	36667
To Advertisement Expences	20000	30000	10000	By Rev. (Profit)	9167	13750	4583
To Chirag's Loan	—	—	321250	By Aman's Cap.	—	24000	40000
To Balance c/d	298500	517750	—				
	382500	547750	331250		382500	547750	331250

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Sundry Creditors		250000	Building		550000
Loan Payable		150000	Plant and Machinery		360000
Chirag's Loan		321250	Furniture		95000
Capital A/cs			Stock		287500
Amar's	298500		Debtor's	180000	
Bhuwan	517750	816250	Less Provision	(2000)	160000
			Add O/s Rent		16000
			Cash in Hand		85000
		1537500			1537500

Working Note :

Old Ratio of Aman, Bhuwan and Chirag

$$= \frac{1}{3} : \frac{1}{2} : \frac{1}{6} = \frac{2:3:1}{6} = 2 : 3 : 1$$

New Ratio of Aman and Bhuwan = 3 : 2

Gaining Ratio = New Ratio – Old Ratio

$$\text{Aman's Gain} = \frac{3}{5} - \frac{2}{6} = \frac{18-10}{30} = \frac{8}{30}$$

$$\text{Bhuwan Gain} = \frac{2}{5} - \frac{3}{6} = \frac{12-15}{30} = \frac{-3}{30} \text{ (Sacrifice)}$$

Goodwill of the Firm = ₹ 240000

Bhuwan will also get for Goodwill for his Sacrifice

$$= 240000 \times \frac{3}{30} = ₹\ 24000$$

$$\text{Chirag's Share of Goodwill} = ₹\ 240000 \times \frac{1}{6} = ₹\ 40000$$

Thus Aman will transfer for Goodwill of Bhuman and Chirag = ₹ 24000 + ₹ 40000 = ₹ 64000

16. X, Y and Z were in partnership sharing profits and losses in the ratio of 3 : 2 : 1. On 1st April, 2020, Y retired from the firm. On that date, their Balance Sheet was :

Liabilities		₹	Assets	₹
Trade Creditors		30,000	Cash in hand	15,000
Bills Payable		45,000	Cash at Bank	75,000
Expeneses Owing		45,000	Debtors	1,50,000
General Reserve		1,35,000	Stock 1,20,000	
Capitals A/c :			Factory Premises	2,25,000
X	1,50,000		Machinery	80,000
Y	1,50,000		Loose Tools	40,000
Z	1,50,000	4,50,000		
		7,05,000		7,05,000

The terms were :

(a) Goodwill of the firm was valued at ₹ 1,35,000.

(b) Expenses Owing to be brought down to ₹ 37,500.

(c) Machinery and Loose Tools are to be valued @ 10% less than their book value.

(d) Factory Premises are to be revalued at ₹ 2,43,000.

Show Revaluation Account, Partners' Capital Accounts and prepare the Balance Sheet of the firm after the retirement of Y.

Solution 16 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Machinery		8000	By Factory Premises	18000
To Loose Tools		4000	By Expences	7500
To Profit Transferred to Partners Capital :				
X	6750			
Y	4500			
Z	2250	13500		
		25500		25500

Partners Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Y's Capital	33750	—	11250	By Bal. b/d	150000	150000	150000
To Y's Loan	—	244500	—	By G/R	67500	45000	22500
To Bal. c/d	190500	—	163500	By Rev. (Profit)	6750	4500	2250
				By X's Cap.	—	33750	—
				By Z's Cap.	—	11250	—
	224250	244500	174750		224250	244500	174750

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Trade Creditors		30000	Cash in Hand	15000
Bills Payable		45000	Cash at Bank	75000
Expences Owing		37500	Debtors	150000
Capital A/cs			Factory Premises	243000
X -	190500		Stock	12000
Z -	163500	354000	Machinery	72000
Y's Loan A/c		244500	Lose Tools	36000
		711000		711000

Working Notes :

1. Calcualtion of Gaining Ratio :
   Gaining Ratio of X and Z will be
   Their Old Ratio = 3 : 1
2. Adjustment of Goodwill
   Firm's Goodwill = 135000
   Y's Share in Firm's Goodwill $= ₹\ 135000 \times \frac{2}{6}$
   $= ₹\ 45000$
   X will transfer for Y's Goodwill
   $= ₹\ 45000 \times \frac{3}{4} = ₹\ 33750$
   Z will transfer for Y's Goodwoll
   $= ₹\ 45000 \times \frac{1}{4} = ₹\ 11250$
3. Distribution of General Reserve :
   X's Share $= ₹\ 135000 \times \frac{3}{6} = ₹\ 67500$
   Y's Share $= ₹\ 135000 \times \frac{2}{6} = ₹\ 45000$
   Z's Share $= ₹\ 135000 \times \frac{1}{6} = ₹\ 22500$
4. Distribution of Revaluation Profit
   A's Share $= ₹13500 \times \frac{3}{6} = ₹\ 6750$
   B's Share $= ₹\ 13500 \times \frac{2}{6} = ₹\ 4500$
   C's Share $= ₹\ 13500 \times \frac{1}{6} = ₹\ 2250$

17. M, N and P are partners in a firm sharing profits in the ratio of 2 : 1 : 1 respectively. Firm closes its accounts on 31st March every year. N died on 30th September, 2020. There was a balance of ₹ 1,25,000 in N's Capital Account in the beginning of the year. In the event of death of any partner, the partnership deed provides for the following :

(i) Interest on capital will be calculated at the rate of 6% p.a.

(ii) The executor of deceased partner shall be paid ₹ 24,000 for his share of goodwill.

(iii) His share of profit till the date of death will be calculated on the basis of sales.

It is also specified that the sales during the year 2019-20 were ₹ 4,00,000. The sales from 1st April, 2020 to 30th September, 2020 were ₹ 1,20,000, the profit of the firm for the year ending 31st March, 2020 was ₹ 2,00,000.

Prepare N's Capital Account to be presented to his executors.

Solution 17 :

N's Capital Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To N's Executor A/c	179750	By Balance b/d	125000
		By Profit & Loss Suspense A/c	15000
		By M's Capital (Goodwill)	16000
		By P's Capital (Goodwill)	8000
		By Reserve Fund	12000
		By Interest on Capital	3750
	179750		179750

Working Notes :

1. Calculation of New Ratio and Gaining Rario
   Old Ratio of M, N and P = 2 : 1 : 1
   New Ratio of M and P = 2 : 1
   Gaining Ratio = New Ratio – Old Ratio

$$\text{M's Gain} = \frac{2}{3} - \frac{2}{4} = \frac{8-6}{12} = \frac{2}{12}$$

$$\text{P's Gain} = \frac{1}{3} - \frac{1}{4} = \frac{4-3}{12} = \frac{1}{12}$$

   Therefore M and P's gaining ratio = 2 : 1

2. Adjustment for Goodwill
   N's Share of Goodwill = ₹ 24000
   M will transfer for N's Goodwill

$$= ₹\ 24000 \times \frac{1}{3} = ₹\ 16000$$

   P will Transfer for N's Goodwill

$$= ₹\ 24000 \times \frac{1}{3} = ₹\ 8000$$

3. Calculation of Profit to be given to the decreased Partner's Representative
   = Chetan's Share of Profit

$$= \frac{\text{Last Year's Net Profit}}{\text{Last Years Sales}} \times \text{Current Year Sales} \times \text{Chetan's Share of Profit}$$

$$= \frac{₹200000}{₹400000} \times ₹\ 120000 \times \frac{1}{4}$$

   = ₹ 15000

4. Calculation of Interest on Capital

$$= ₹\ 125000 \times \frac{6}{100} \times \frac{6}{12} = ₹\ 3750$$

18. A, B and C were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On 31st March, 2020, their Balance Sheet was as follows :

BALANCE SHEET OF A, B, AND C *as at 31-3-2020*

Liabilities		₹	Assets		₹
Sundry Creditors		45,000	Cash at Bank		42,000
Employees Provident Fund		13,000	Debtors	60,000	
General Reserve		20,000	*Less*: Provision for		
Capitals :	₹		Doubtful Debts	2,000	58,000
A	1,60,000		Stock		80,000
B	1,20,000		Furniture		90,000
C	92,000	3,72,000	Plant and Machinery		1,80,000
		4,50,000			4,50,000

B retired on the above date and it was agreed that :

(i) Plant and Machinery was undervalued by 10%.

(ii) Provision for doubtful debts was to be increased to 15% on debtors.

(iii) Furniture was to be decreased to ₹ 87,000.

(iv) Goodwill of the firm was valued at ₹ 3,00,000 and B's share was to be adjusted through the capital accounts of A and C.

(v) Capital of the new firm was to be in the new profit sharing ratio of the continuing partners (for this purpose actual cash to be brought in or paid off, as the case may be).

Prepare Revaluation Account, Partners' Capital Account and the Balance Sheet of the reconstituted firm.

Solution 18 :

Revaluation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Provision for Doubtful Debts		7000	By Plant & Machinery	20000	
To Furniture		3000			
To Profit Transferred to Partner's Capital A/cs :					
A	4000				
B	4000				
C	2000	10000			
		20000			20000

Partners Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To B's Capital	80000	—	40000	By Bal. b/d	160000	120000	92000
To B's Loan	—	252000	—	By G/R	8000	8000	4000
To Bank	—	—	8000	By Rev. (Profit)	4000	4000	2000
To Balance c/d	100000	—	50000	By Bank	8000	—	—
				By A's Cap.	—	80000	—
				By C's Cap.	—	40000	—
	1800000	252000	98000		1800000	252000	98000

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Sundry Creditors		45000	Cash at Bank		42000
Employee Provident Fund		13000	Debtos	60000	
Capital A/cs :			Less Provision for		
			Doubtful Debts :	9000	51000
A	100000		Stock		80000
C	50000	150000	Furniture		87000
B's Loan A/c		252000	Plant and Machinery		200000
		460000			460000

Working Notes :

1. Adjustment of Goodwill :

Firm's Goodwill = ₹ 300000

B's Share in Goodwill = ₹ 300000 × $\frac{2}{5}$

= ₹ 120000

Gaining Ratio of A and C = 2 : 1

Thus ,

A;s Transfer for B's Goodwill = ₹ 120000 × $\frac{2}{3}$

= ₹ 80000

B's Transfer for B's Goodwill = ₹ 120000 × $\frac{1}{3}$

= ₹ 40000

2. Cash Brought in and Withdrawn by Partners :

A's Capital	160000
Share in General Rserve	8000
Share in Revaluation Profit	4000
	172000
Less : Share in b's Goodwill	80000
Closing Balances	92000
C's Capital	92000
Share in General Reserve	4000
Share in Revaluation Profit	2000
	98000
Less : Sharein Goodwill of B	40000
Closing Balance	58000

Closing Capital of Firm = ₹ 92000 + ₹ 58000

= ₹ 150000

Capital of New Firm should be in New Profit :

Sharing Ratio of Partners :

New Profit Sharing Ratio of A and C = 2 : 1

A's Closing Capital will be = ₹ 150000 × $\frac{2}{3}$

= ₹ 100000

C's Closing Capital will be = ₹ 150000 × $\frac{1}{3}$

= ₹ 50000

19. P, Q and R were partners in a firm sharing profits in the ratio of 7 : 2 : 1. The Balance Sheet of the firm as at 31st March, 2020 was as follows :

BALANCE SHEET OF P, Q AND R

(as at 31st March, 2020)

Liabilities		₹	Assets	₹
Capitals :	₹		Cash	90,000
P	1,40,000		Sundry Debtors	24,000
Q	40,000		Stock	14,000
R	20,000	2,00,000	Machinery	80,000
Creditors		28,000	Land and Building	1,20,000
General Reserve		40,000		
Loan from Q		60,000		
		3,28,000		3,28,000

Q retired on the above date. On Q's retirement the following was ageed upon :

(i) Land and Building were revalued at ₹ 1,88,000, Machinery at ₹ 76,000 and Stock at ₹ 10,000 and goodwill of the firm was valued at ₹ 90,000.

(ii) A provision of 2.5% was to be created on sundry debtors for doubtful debts.

(iii) The net amount payable to Q was transferred to his loan account to be paid later on.

(iv) Total capital of the new firm was fixed at ₹ 2,40,000 which will be adjusted according to their new profit sharing ratio by opening current accounts.

Prepare Revaluation Account, Partners' Capital Accounts and the Balance Sheet of reconstituted firm.

Solution 19 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Machinery		4000	By Land & Building	68000
To Stock		4000		
To Provision for Doubtful Debts		600		
To Profit Transferred to Partnership Capital A/cs :				
P	41580			
Q	11880			
R	5940	59400		
		68000		68000

Partner's Capital Account

Particulars	P	Q	R	Particulars	P	Q	R
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Q's Cap.	15750	—	2250	By Bal. b/d	140000	40000	20000
To Q's Loan	—	137880	—	By Loan from Q	—	60000	—
To Bal. c/d	210000	—	30000	By G/R	28000	8000	4000
				By P's Cap.	—	15750	—
				By Q's Cap.	—	2250	—
				By Rev. (Profit)	41580	11880	5940
				By Current	16170	—	2310
	225750	137880	32250		225750	137880	32250

Balance Sheet as On 31st March, 2020

Particulars		Amt. (₹)	Particulars		Amt. (₹)
Creditors		28000	Cash	90000	
Capital A/cs :			Sundry Debtors	24000	
P	210000		Less Provision	600	23400
R	30000	240000	Stock		10000
Q's Loan		137880	Machinery		76000
			Land and Building		188000
			P's Current		16170
			R's Current		2310
		405880			405880

Working Notes :

1. Adjustment of Goodwill

$$\text{Firms Goodwill} = ₹\ 240000$$

$$\text{Q's Share in Goodwill} = ₹\ 90000 \times \frac{2}{10} = ₹\ 18000$$

$$\text{P's Share in Q's Goodwill} = ₹\ 18000 \times \frac{7}{8} = ₹\ 15750$$

$$\text{R's Share in Q's Goodwill} = ₹\ 18000 \times \frac{1}{8} = ₹\ 2250$$

2. Distribution of General Reserve

$$\text{P's Share} = ₹\ 40000 \times \frac{7}{10} = ₹\ 28000$$

$$\text{Q's Share} = ₹\ 40000 \times \frac{2}{10} = ₹\ 8000$$

$$\text{R's Share} = ₹\ 40000 \times \frac{1}{10} = ₹\ 4000$$

3. Distribution of Revaluation Profit

$$\text{P's Share} = ₹\ 59400 \times \frac{7}{10} = ₹\ 41580$$

$$\text{Q's Share} = ₹\ 59400 \times \frac{2}{10} = ₹\ 11880$$

$$\text{R's Share} = ₹\ 59400 \times \frac{1}{10} = ₹\ 5940$$

3. Closing Capital of Partners :

$$\text{Firm's New Capital} = ₹\ 240000$$

$$\text{New Profit Sharing Ratio} = 7 : 1$$

$$\text{P's New Capital} = ₹\ 240000 \times \frac{7}{8} = ₹\ 210000$$

$$\text{R's New Capital} = ₹\ 240000 \times \frac{1}{8} = ₹\ 30000$$

4. Provision for Doubtful Debts on Debtors :

$$= ₹\ 24000 \times \frac{2.5}{100} = ₹\ 600$$

20. X, Y and Z were partners in a firm sharing profits in the ratio of $\frac{1}{2}:\frac{1}{3}:\frac{1}{6}$ respectively. The Balance Sheet of the firm as at 31st March, 2020 stood as follows :

Liabilities		₹	Assets		₹
Creditors		9,500	Cash at Bank		1,250
Bills Payable		2,500	Debtors	8,000	
Reserve Fund		6,000	*Less* : Provision for		
Capitals :			Doubtful Debts	250	7,750
X	20,000		Stock		12,500
Y	15,000		Motor Vans		4,000
Z	12,500	47,500	Machinery		17,500
			Building		22,500
		65,500			65,500

Y retired from the firm on 1st April, 2020 subject to the following conditions :

(a) Goodwill of the firm be valued at ₹ 9,000.

(b) Machinery would be depreciated by 10% and motor vans by 15%.

(c) Stock would be appreciated by 20% and Buildings by 10%.

(d) The provision for doubtful debts would be increased by ₹ 975.

(e) Liability for workmen's compensation to the extent of ₹ 825 would be created.

It was agreed that X and Z would share profits in future in the ratio of 3 : 2 respectively. You are required to prepare the Revaluation Account, Capital Accounts of the partners and the Balance Sheet of the firm after the retirement of Y.

Solution 20 :

Revaluation Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Machinery		1750	By Stock	2500
To Motor Vans		600	By Building	2250
To Provision for Doubtful Debts A/c		975		
To Liability for Workmen Compensation		825		
To Profit Transferred to Partner's Capital :				
X	300			
Y	200			
Z	100	600		
		4750		4750

Partner's Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Y's Cap.	900	—	2100	By Bal. b/d	20000	15000	12500
To Y's Loan	—	20200	—	By Reserve Fund	3000	2000	1000
To Bal. c/d	22400	—	11500	By X's Cap.	—	2100	—
				By Z's Cap.			
				By Rev. (Profit)	300	200	100
	23300	20200	13600		23300	20200	13600

Balance Sheet as On 31st March, 2020

Liabilities		Amt. (₹)	Assets		Amt. (₹)
Creditors		9500	Cash at Bank		1250
Bills Payable		2500	Debtors	8000	
Liability for Workmen Compensation		825	Less Provision	1225	6775
Capital A/cs			Stock		15000
X	22400		Motor Vans		3400
Z	11500	33900	Machinery		15750
Y's Loan		20200	Building		24750
		66925			66925

Working Note :

1. Calculation of Gaining Ratio

$$= \text{New Ratio} - \text{Old Ratio}$$

$$X = \frac{3}{5} - \frac{3}{6} = \frac{18-15}{30} = \frac{3}{30}$$

$$Z = \frac{2}{5} - \frac{1}{6} = \frac{12-5}{30} = \frac{7}{30}$$

Thus, Gaining Ratio = 3 : 7

Adjustment of Goodwill

$$\text{Firm's Goodwill} = ₹\,9000 \times \frac{2}{6}$$

$$= ₹\,3000$$

$$\text{X's Share in Y's Goodwill} = ₹\,3000 \times \frac{3}{10} = ₹\,900$$

$$\text{Z's Share in Y's Goodwill} = ₹\,3000 \times \frac{7}{10} = ₹\,2100$$

❑

6

Dissolution of Partnership Firm

1. Manoj and Nand were partners sharing profits in the ratio of 3 : 2. Pass journal entries under following situations at the time of dissolution of firm :

(i) Workmen Compensation Reserve stood at ₹ 1,00,000 and there was no liability towards Workmen Compensation.

(ii) Workmen Compensation Reserve stood at ₹ 1,00,000 and liability in respect of it was acertained at ₹ 75,000.

(iii) Workmen Compensation Reserve stood at ₹ 1,00,000 and liability in respect of it was ascertained at ₹ 1,20,000.

(iv) Workmen Compensation Reserve stood at ₹ 1,00,000 and liability in respect of it was ascertained at ₹ 1,00,000.

Solution 1 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Workmen Compensation Reserve A/c Dr. To Manoj's Capital A/c To Nand's Capital A/c (Balance of Workmen Compensation Reserve Transfer to Partner Capital A/cs)		100000	 60000 40000
(ii)	Workmen Compensation Reserve A/c Dr. To Realisation A/c (Workmen Compensation Reserve to the Extent of Liability Transferred to Realisation Account)		75000	 75000
	Workmen Compensation Reserve A/c Dr. To Manoj's Capital A/c To Nand' Capital A/c (Surplus of Workmen Compensation Resolve Transfered to Partners Capital Account in their Profit Saring Ratio)		25000	 15000 10000
	Realisation A/c Dr. To Bank A/c (Payment of Liability on Account of Workmen Compensation Reserve)		75000	 75000
(iii)	Workmen Compensation Reserve A/c Dr. To Realisation A/c (Workmen Compensation Reserve Transferred to Realisation Account)		100000	 100000
	Realisation A/c Dr. To Bank A/c (Payment of Liability on Account of Workmen Compensation)		120000	 120000
(iv)	Workmen Compensation Reserve A/c Dr. To Realisation A/c (Workmen Compensation Reserve Transfered to Realisation Account)		100000	 100000
	Realisation A/c Dr. To Bank A/c (Payment of Liability on Account of Workmen Compensation Reserve)		100000	 100000

2. (i) Expenses of realisation ₹ 8,000.
(ii) Expenses of realisation ₹ 10,000 were paid by a partner.
(iii) Realisation expenses of ₹ 12,000 were to be met by Tushar, a partner, but were paid by the firm.
(iv) Suresh, a partner, was paid remuneration of ₹ 10,000 and he was to meet all expenses.
(v) Viru, a partner, was paid remuneration of ₹ 15,000 and he was to meet all expenses. Actual Expenses amounted to ₹ 20,000 which were paid by the firm.
(vi) Realisation expenses amounting to ₹ 15,000 were paid by the firm. ₹ 10,000 were to be borne by a partner and the balance by the firm.
(vii) Gauri, a partner, was allowed a remuneration of ₹ 25,000 and he was to meet all expenses. Firm paid an expense of ₹ 5,000.

Solution 2 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr. To Bank A/c (Payment of Realisation Expences)		8000	 8000
(ii)	Realisation A/c Dr. To Partner's Capital A/c (Realisation Expences Paid By a Partner)		10000	 10000
(iii)	Tushar's Capital A/c Dr. To Bank A/c (Realisation Expences Paid By the Firm on Behalf of the Partner)		12000	 12000
(iv)	Revaluation A/c Dr. To Suresh's Capital A/c (Remuneration Allowed to Suresh)		10000	 10000
(v)	Realisation A/c Dr. Viru's Capital A/c Dr. To Bank A/c (Remuneration Allowed to Viru and Excess Expences Charged from him)		15000 5000	 20000
(vi)	Partner's Capital A/c Dr. Realisation A/c Dr. To Bank A/c (Realisation Expences Paid by the Firm, Partner's Share Debited to his Capital Account)		10000 5000	 15000
(vii)	Realisation A/c Dr. To Gauri's Capital A/c To Bank A/c (Remuneration Allowed to Gauri and Paid By the Firm Deducted Out of his Share)		25000	 20000 5000

3. Pass necessary Journal Entries on the dissolution of a partnership firm in the following cases :
(i) L, a partner, was appointed to look after the dissolution process for which he was given a remuneration of ₹10,000.
(ii) Dissolution expenses ₹ 8,000 were paid by the partner.
(iii) Dissolution expenses were ₹ 5,000.

(iv) P, a partner, was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 7,000. P agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,000 were paid by P.

(v) N, a partner, was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 9,000. N agreed to bear the dissolution expenses. Actual dissolution expenses ₹ 4,000 were paid by the firm.

(vi) Q a partner was appointed to look after the process of dissolution for which he was allowed a remuneration of ₹ 18,000. Q agreed to take over stock worth ₹18,000 as his remuneration. The stock had already been transferred to Realisation Account.

Solution 3 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr. To L's Capital A/c (Remuneration Allowed to L)		10000	 10000
(ii)	Realisation A/c Dr. To Partner's Capital A/c (Disolution Expences Paid By Partner)		8000	 8000
(iii)	Realisation A/c Dr. To Bank (Dissolution Expences Paid)		5000	 5000
(iv)	Realisation A/c Dr. To P's Capital A/c (Remuneration Allowed to P)		7000	 7000
(v)	Realisation A/c Dr. To N's Capital A/c To Bank A/c (Remuneration Allowed to it and Excess Expences Charged from him)		9000	 5000 4000
(vi)	No Entry made for this Transaction.			

4. The following is the Balance Sheet of A and B as at 31st March, 2021. The profit sharing ratios of the partners are 3 : 2.

Liabilities		₹	Assets		₹
Creditors		97,500	Land & Buildings		30,000
Capital Accounts			Motor Vehicles		18,300
A	85,000		Stock		72,800
B	63,000	1,48,000	Debtors	1,13,200	
			Less: Provision for Bad Debts	2,450	1,10,550
			Cash at Bank		13,650
		2,45,500			2,45,500

The partners decided to dissolve the firm on that date. Motor Vehicles and Stock were sold for cash at ₹ 16,950 and ₹ 77,600 respectively and all Debtors were realised in full. Land & Buildings were sold at ₹ 43,500. Creditors were paid off subject to discount of ₹ 1,700. Expenses of realisation were ₹ 1,250.

Prepare Realisation Account, Bank Account and Partners' Capital Accounts to close the books of the firm as a result of its dissolution.

Solution 4 :

Ledger Accounts

Realisation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Land & Building		30000	By Provision for Bad Debts		2450
To Motor Vehicles		18300	Bad Debts		2450
To Stock		72800	By Creditors A/c		97500
To Debtors		113200	By Bank A/c		
To Bank A/c			(Assets Realised)		
(Creditors Paid off)		95800	Motor Vehicle	16950	
To Bank			Stock	77600	
(Expences of Realisation)		1250	Land & Building	43500	138050
To Profit on Realisation :			By Bank A/c		
A	11910		(Realisation of Debtors)		113200
B	7940	19850			
		351200			351200

Partner's Capital Accounts

Particulars	A	B	Particulars	A	B
	(₹)	(₹)		(₹)	(₹)
To Bank A/c	96910	70940	By Balance b/d	85000	63000
(Final Payment)			By Realisation (Profit)	11910	7940
	96910	70940		96910	70940

Bank Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	13650	By Realisation A/c	
To Realisation		(Creditors Paid Off)	95800
(Assets Realised)	138050	By Realisation A/c	
To Realisation		(Expences of Realisation)	1250
(Realisation of Debtors)	113200	By A's Capital A/c	96910
		By B's Capital A/c	70940
	264900		264900

5. P, Q and R are partners sharing profits and losses in the ratio of 2 : 1 : 1. They decide to dissolve their firm on 31-3-2021, on that date on their Balance Sheet stands as under :

BALANCE SHEET

as at 31.3.2021

Liabilities	₹	Assets		₹
Creditors	80,000	Bank		30,000
Bills Payable	10,000	Stock		1,50,000
Loan from P	20,000	Debtors	88,000	
Reserve Fund	8,000	*Less :* Provision	8,000	80,000
Capital Accounts :		Investments		40,000
P	2,00,000	Furniture		30,000
Q	1,00,000	Machinery		90,000
R	2,000			
	4,20,000			4,20,000

The following additional information is given :

(i) Investments are taken over by P at book value.
(ii) Furniture is taken over by Q for ₹ 20,000.
(iii) Creditors were paid off at a discount of 5%.
(iv) Other assets realised as follows :

Stock	at 80%
Debtors	₹ 65,000
Machinery	at 30% less.

(v) Expenses of realisation amounted to ₹ 2,000.

Prepare the necessary ledger accounts to close the books of the firm.

Solution 5 :

Realisation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Stock		150000	By Creditors		80000
To Debtors		88000	By Bills Payable		10000
To Investments		40000	By Provision for Doubtful Debts		8000
To Furniture		30000	By P's Capital		
To Machinery		90000	(Investment Taken Over By P)		40000
To Bank A/c			By Q's Capital		
(Liabilities Paid Off)			(Furniture Taken Over By Q)		20000
Creditors	76000		By Bank A/c		
B/P	10000	86000	(Assets Realised)		
To Bank A/c			Stock	120000	
(Expences of Realisation)		2000	Debtors	65000	
			Machinery	63000	248000
			By Loss on Realisation		
			P -	40000	
			Q -	20000	
			R -	20000	80000
		486000			486000

P's Loan Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	20000	By Balance b/d	20000
	20000		20000

Partner's Capital Account

Particulars	P	Q	R	Particulars	P	Q	R
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Realisation (Investment Taken By P)	40000	—	—	By Balance b/d	200000	100000	2000
				By Bank A/c (Final Payment)	—	—	16000
To Realisation (Furniture Taken By Q)	—	20000	—	By Reserve Fund Fund	4000	2000	2000
To Realisation (Loss)	40000	20000	20000				
To Bank A/c (Final Payment)	124000	62000	—				
	204000	102000	20000		204000	102000	20000

Bank Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Balance b/d		30000	By Realisation A/c		
To Realisation			(Liabilities Paid Off)		
(Assets Realised)		248000	Creditors	76000	
To R's Capital A/c		16000	B/P	10000	86000
			By Realisation A/c		
			(Expences of Realisation)		2000
			By P's Capital A/c		124000
			By Q's Capital A/c		62000
			By P's Loan A/c		20000
		294000			294000

6. A, B and C were in partnership sharing profits in the ratio of 2 : 1 : 1. Their Balance Sheet showed the following position on the date of dissolution :

Liabilities	₹	Assets		₹
Creditors	40,000	Fixed Assets		50,000
Bills Payable	10,000	Stock		60,000
A's Loan	20,000	Debtors	30,000	
Mrs. A's Loan	16,000	*Less* : Provision	2,000	28,000
Workmen Compensation Reserve	20,000	Furniture		20,000
Capital A/c : A	40,000	Goodwill		18,000
B	20,000	Cash at Bank		10,000
C	20,000			
	1,86,000			1,86,000

I. A agreed to take over furniture at 20% less than the book value.
II. Fixed assets realised ₹ 32,000 and stock ₹ 55,000.
III. Bad Debts amounted to ₹ 5,000.
IV. Expenses of realisation were ₹ 3,000. Creditors were paid at a discount of 5%.
V. There was a claim of ₹ 6,400 for damages against the firm. It had to be paid.

Prepare necessary accounts.

Solution 6 :

Realisation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Fixed Assets		50000	By Creditors		40000
To Stock		60000	By Bills Payable		10000
To Debtors		30000	By Mr. A's Loan A/c		16000
To Furniture		20000	By Provision for Doubtful Debts		2000
To Goodwill		18000	By Bank A/c		
To Bank			(Assets Realised)		
(Expences of Realisation)		3000	Fixed Assets	32000	
To Bank A/c			Stock	55000	
(Liabilities Paid Off)			Debtors	25000	112000
Creditors	38000		By A/s Capital		
B/P	10000		(Furniture Taken Over)	16000	
Mr. A's Loan	16000	64000	By Loss on Realisation		
To Bank A/c			A	27700	
(Claim against the firm)		6400	B	13850	
			C	13850	55400
		251400			251400

A's Loan Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	20000	By Balance b/d	20000
	20000		20000

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Realisation (Furniture Taken Over By A)	16000	—	—	By Balance b/d	40000	20000	20000
To Realisation (Loss)	27700	13850	13850	By Workmen Compensation Reserver	10000	5000	5000
To Bank (Final Payment)	6300	11150	11150				
	50000	25000	25000		50000	25000	25000

Bank Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Balance b/d		10000	By Realisation (Expences of Realisation)		3000
To Realisation (Assets Realisation)			By Realisation A/c (Liabilities Paid Off)		
Fixed Assets	32000		Creditors	38000	
Stock	55000		Bills Payable	10000	
Debtors	25000	112000	Mr. A's Loan	16000	64000
			By Realisation (Claim Against the Firm)		6400
			By A's Loan A/c		20000
			By A's Capital A/c		6300
			By B's Capital A/c		11150
			By B's Capital A/c		11150
			By C's Capital A/c		
		122000			122000

7. X, Y and Z are in partnership, sharing profits and losses equally. They decided to dissolve the partnership on 31st March, 2021, at which date the Balance Sheet of the firm was as follows :

Liabilities	₹	Assets	₹
Capital A/cs :		Premises	80,000
X	90,000	Machinery	68,000
Y	60,000	Stock	40,000
Z	40,000	Sundry Debtors	30,000
Current A/cs :		Bills Receivable	36,000
X	13,000	Cash at Bank	30,000
Y	4,000	Current A/c —Z	3,000
Sundry Creditors	60,000		
Advance from X	15,000		
Advance from Y	5,000		
	2,87,000		2,87,000

The assets realised as under :
Premises 20% more; Machinery 40% less; Stock ₹ 5,000 more, Sundry Debtors and Bills Receivable at book values. Expenses of realisation amounted to ₹ 2,000. Sundry Creditors agreed to accept ₹ 57,500 in full settlement.
Show necessary ledger accounts to close the books of the firm.

Solution 7 :

Realisation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Premises A/c		80000	By Sundry Creditors A/c		60000
To Machinery A/c		68000	By Bank A/c		
To Stock A/c		40000	(Assets Realised)		
To Sundry Debtors A/c		30000	Premises	96000	
To Bills Realivables		36000	Machinery	40800	
To Bank A/c			Stock	45000	
(Expenses of Realisation)		2000	Sundry Debtors	30000	
To Bank A/c			Bills Realivables	36000	247800
(Creditors Paid Off)		57500	By Loss on Realisation		
X -	1900				
Y -	1900				
Z -	1900	5700			
		313500			313500

Advance From X Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	15000	By Balance b/d	15000
	15000		15000

Advance From Y Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	5000	By Balance b/d	5000
	5000		5000

Partner's Current Account

Particulars	X	Y	Z	Particulars	X	Y	Z
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Balance b/d	—	—	3000	By Balance b/d	13000	4000	—
To Realisation A/c (Loss)	1900	1900	1900	By Capital A/cs			
To Capital A/cs				(Transfer)	—	—	4900
(Transfer)	11100	2100	—				
	13000	4000	4900		13000	4000	4900

Partners Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Current A/cs				By Balance b/d	90000	60000	40000
(Transfer)	—	—	4900	By Current A/cs	11100	2100	—
To Bank A/c							
(Final Payment)	101100	62100	351000				
	101100	62100	35100		101100	62100	35100

Bank Account

Particulars		Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d		30000	By Realisation A/c	
To Realisation A/c			(Expences of Realisation)	2000
(Assets Realised)			By Realisation A/c	
Premises	96000		(Creditors Paid Off)	37500
Machinery	40800		By Advance From Y A/c	15000
Stock	45000		By Advance from Y A/c	5000
Sundry Debtors	3000		By X's Capital A/c	101100
Bills Receivable	36000	247800	By Y's Capital A/c	62100
			By Z's Capital A/c	35100
		277800		277800

8. The following was the Balance Sheet of X, Y and Z as at 28.2.2021 :

Liabilities		₹	Assets	₹
Creditors		30,000	Bank	32,000
Bills Payable		10,000	Debtors	48,000
G's Loan		18,000	Stock	19,000
Y's Loan		20,000	Furniture	43,000
Workmen Compensation Reserve		33,000	Land and Building	1,09,000
Capitals :			Z's Capital	20,000
X	75,000			
Y	85,000	1,60,000		
		2,71,000		2,71,000

The firm was dissolved on the above date on the following terms :

(i) Debtors realized ₹ 29,000 and creditors and bills payable were paid at a discount of 10%.

(ii) Stock was taken over by X for ₹ 17,000 and furniture was sold to *K* for ₹ 20,000.

(iii) Land and Building was sold for ₹ 2,98,000.

(iv) G's loan was paid by a cheque of the same amount.

(v) Compensation to workmen paid by the firm amounted to ₹ 15,000.

Prepare Realisation Account, Capital Accounts and Bank Account.

Solution 8 :

Realisation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Debtors		48000	By Creditors A/c		3000
To Stock		19000	By Biils Payable A/c		10000
To Furniture		43000	By Y's Loan A/c		18000
To Land & Building		109000	By Workmen Compensation		
To Bank A/c			Reserve A/c		15000
(Liabilities Paid Off)			By Bank A/c		
To Creditors	27000		(Assets Realised)		
Bills Payable	9000		Y's Loan A/c		18000
G's Laon A/c	18000	54000	Debtors	29000	
To Profit on Realisation			Land & Building	298000	
X	49667		Furniture	20000	34700
Y	49667		By X's Capital A/c		
Z	49666	149000	(Stock Taken Over By X)		17000
		437000			437000

Y's Loan Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank	20000	By Balance b/d	20000
	20000		20000

Partner's Capital Account

Particulars	X	Y	Z	Particulars	X	Y	Z
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Banalce b/d	—	—	20000	By Balance b/d	75000	85000	—
To Realisation (Stock Taken Over By X)	17000	—	—	By Workmen Compensation Reserve A/c	6000	6000	6000
To Bank A/c (Final Payment)	113667	140667	35666	By Realisation (Profit)	49667	49667	49666
	130667	140667	55666		130667	140667	55666

Bank Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Balance b/d		32000	By Realisation A/c (Laibilities Paid Off)		
To Realisation A/c (Assets Realised)			Creditors	27000	
Debtors	29000		B/P	9000	
Land & Building	298000		G's Loan	18000	54000
Furniture	20000	347000	By Realisation A/c (Workmen Compensation Paid)		15000
			By Y's Loan A/c		20000
			By X's Capital A/c		113667
			By Y's Capital A/c		140667
			By Z's Capital A/c		35666
		379000			379000

9. Anurag and Prem were partners sharing profits and losses in 2 : 1. On 31st March, 2021 their Balance Sheet was as follows :

Liabilities		₹	Assets		₹
Sundry Creditors		60,000	Bank		83,000
Mrs. Anurag's Loan		80,000	Sundry Debtors	60,000	
Anurag’s Loan		50,000	*Less* : Provision for		
Workmen’s Compensation Reserve		1,20,000	Doubtful Debts	3,000	57,000
Investment Fluctuation Reserve		10,000	Stock		1,00,000
Profit and Loss		5,000	Furniture		20,000
Capitals :			Plant		4,00,000
Anurag	3,50,000		Investments		45,000
Prem	45,000	3,95,000	Advertisement Expenses		15,000
		7,20,000			7,20,000

The firm was dissolved on the above date :

(i) Anurag took over 60% of the stock at a discount of 20%; 25% of the remaining stock was sold at a profit of 40% on cost; Remaining stock was found obsolete and realised nothing.
(ii) Firm had to pay ₹ 90,000 as compensation to workers.
(iii) Sundry Creditors took over investments in full settlement.
(iv) Sundry Debtors realised at 75% and plant realised 20% less.
(v) Prem agreed to take over the responsibility of completing dissolution work and he was given furniture as his remuneration.
(vi) Realisation expenses amounted to ₹10,000.

Prepare Realisation Account.

Solution 9 :

Realisation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Debtors A/c		30000	By Provision for Bad Debts A/c		2000
To Investments A/c		10000	By Mrs. A's Laon A/c		15000
To Stock A/c		40000	By Mr. B's Loan A/c		10000
To Truck A/c		75000	By Creditors A/c		30000
To Plant and Machinery		8000	By Bills Payable A/c		30000
To Bank A/c			By O/s Exp. A/c		5000
(Liability Paid)		12000	By Bank A/c		
To A's Capital A/c			Stock	18000	
(A's Loan)		15000	Plant and Machinery	100000	
To Bank A/c			Truck	120000	
Creditors	19800		Goodwill	25000	
Bills Payable	9900		Debtors	25000	
Mrs. B's Loan	10000		Investments	5000	293000
O/s Expences	5000	44700	By A's Capital A/c		28500
To Partner's Capital					
A's Capital	43400				
B's Capital	43400	86800			
		393500			393500

Partner's Capital A/c

Particulars	A	B	Particulars	A	B
	(₹)	(₹)	(₹)	(₹)	
To Drawings A/c	—	9400	By Balance c/d	100000	80000
To Realisation A/c	28500	—	By Realisation		
To Bank A/c	128900	114000	(Mr. A's Loan) 15000	—	
			By Realisation (Profit)	43400	43400
	158400	123400		158400	123400

Bank Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	3400	By Realisation A/c	
To Cash A/c		(Liabilities Paid)	12000
(Cash Deposit)	4200	By Realisation A/c	
To Realisation A/c		(Liabilities Paid)	44700
(Assets Revalued)	293000	By A's Capital A/c	129900
		By B's Capital A/c	114000
	300600		300600

Working Notes :

1. Discount Received on Payment to Creditors

$$₹\ 20000 \times \frac{12}{100} \times \frac{1}{12} = ₹\ 200$$

2. Discount Received on Payment to Bills Payable

$$₹\ 10000 \times \frac{12}{100} \times \frac{1}{12} = ₹\ 100$$

11. The following is the Balance Sheet of A, B and C, as at 31st March, 2021 :

Liabilities		₹	Assets		₹
Creditors		30,000	Bank		15,000
Mrs. A's Loan		20,000	Bills Receivable		12,000
Outstanding Salary		8,000	Stock		40,000
Investment Fluctuation Fund		10,000	Sundry Debtors	40,000	
Reserves		12,000	*Less* : Provision for		
Capital Accounts :			Doubtful Debts	4,000	36,000
A	60,000		Land and Buildings		50,000
B	40,000		Furniture		10,000
C	20,000	1,20,000	Typewriters		7,000
			Investments		30,000
		2,00,000			2,00,000

The profit and loss sharing ratios of the partners are 3 : 2 : 1. At the above date, partners decide to dissolve the firm. The assets realised were as follows :

(i) Bills Receivable were realised at a discount of 5%. Debtors were all good; Stock realised ₹ 32,000. Land and Buildings realised at 40% higher than the book value.
(ii) Furniture was sold for ₹ 6,000 by auction and auctioneer's commission amounted to ₹ 300.
(iii) Typewriters were taken over by A for an agreed valuation of ₹ 5,000.
(iv) Investments were sold in the open market at a price of ₹ 25,000, for which a commission of 2% was paid to the broker.
(v) Creditors agreed to accept 10% less. All other liabilities were paid off at their book value.
(vi) The firm retrenched their employees three months before the dissolution of the firm and the firm had to pay ₹ 25,000 as compensation. This liability was not appearing in the above Balance Sheet.

Close the books of the firm by preparing Realisation Account, Partner's Capital Accounts, and Bank Account.

Solution 11 :

Realisation Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Debtors A/c	40000	By Provision for Bad Debts A/c	4000
To Stock A/c	40000	By Creditors A/c	30000
To Bills Receiable A/c	12000	By Mrs. A's Loan	20000
To Land and Building	50000	By O/s Salary	8000
To Furniture A/c	10000	By Investment Fluctuation	
To Investment A/c	30000	Fund A/c	10000

To Bank A/c			By Bank A/c		
(Liability Paid)			(Assets Liability)		
Creditors	27000		Bills Receivable	11400	
Mrs A' Loan	20000		Sundry Debtors	40000	
O/s Salary	8000		Stock	32000	
Compensation	25000	80000	Land & Building	70000	
			Furniture	5700	
			Investments		
			(₹ 25000 × 2%)	24500	183600
			By A's Capital A/c		
			(Type Writers)		5000
			By Loss Transferred to Partners		
			Capital A/c		
			A's Capital	4200	
			B's Capital	2800	
			C's Capital	1400	8400
		269000			269000

Partner's Capital Account

Particulars	A	B	C	Particulars	A	B	C
	(₹)	(₹)	(₹)		(₹)	(₹)	(₹)
To Realisation				By Balance c/d	60000	40000	20000
(Typewriter)	5000	—	—	By Reserves	6000	4000	2000
To Realisation (Loss)	4200	2800	1400				
To Bank A/c	56800	41200	20600				
	66000	44000	22000		66000	44000	22000

Bank Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	15000	By Realisation A/c	
To Realisation A/c	183600	(Liabilities Paid)	80000
(Assets Realised)		By A's Capital A/c	56800
		By B's Capital A/c	41200
		By C's Capital A/c	20600
	198600		198600

12. Following is the Balance Sheet of Ramji Lal and Panna Lal as at 31st March, 2021 :

Liabilities	₹	Assets		₹
Capitals :		Goodwill		4,000
Ramji Lal	16,000	Machinery		6,000
Panna Lal	10,000	Plant		12,000
Reserves	3,600	Debtors	10,800	
Workmen Compensation Reserve	2,000	*Less :* Provision	800	10,000
Creditors	5,400	Bank		6,800
Bills Payable	2,600			
	39,600			39,600

They decided to dissolve the firm. Assets are realised as follows :

(i) Machinery 10% less than book value; Plant ₹ 12,500 and Goodwill ₹ 2,520.

(ii) Ramji Lal is to take over Debtors amounting to ₹ 6,800 at ₹ 6,000, remaining Debtors were realised for 90% of the book value.
(iii) One bill of ₹ 600 under discount having been dishonoured had to be taken up by them.
(iv) The Bill payable of ₹ 2,600 to be assumed by Panna Lal at that figure.
(v) Creditors are paid off at a discount of 10%.
(vi) An amount of ₹ 2,500 had to be paid for Workmen Compensation.
(vii) The liquidation expenses amounted to ₹ 400.

You are required to show the Realisation Account, Capital Accounts and Bank Account.

Solution 12 :

Realisation Account

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Goodwill A/c	4000	By Provision for Bad Debts A/c	800	
To Machinery A/c	6000	By Workmen Compensation Reserve A/c		2000
To Plant A/c	12800	By Creditors A/c		5400
To Debtors A/c	10800	By Bills Payable A/c		2600
To Bank A/c		By Bank A/c		
(Bills Dishonoured)	600	Machinery	5100	
To Panna Lal's Capital A/c		Plant	12500	
(BIP)	2600	Goodwill	2520	
To Bank A/c	4860	Debtors	3600	24020
(Creditors)		By Ramji Lal's Capital		
To Bank A/c		(Debtors)		6000
(Workmen Compensation)	2500	By Loss Transfered to Partner's		
To Bank A/c		Capital A/c		
(Realisation Expenses)	400	Ramji Lal	1870	
		Panna Lal	1870	3740
	44560			44560

Partner's Capital Account

Particulars	Ramji Lal	Panna Lal	Particulars	Ramji Lal	Panna Lal
	(₹)	(₹)		(₹)	(₹)
To Realisation	6000	—	By Balance b/d	16000	10000
(Debtors)			By Reserves	1800	1800
To Realisation	1870	1870	By Realisation		
(Loss)			(Bills Payable)	—	2600
To Bank A/c	9930	12530			
	17800	14400		17800	14400

Bank Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	6800	By Realisation A/c	600
To Realisation A/c		(Bills Dishonoured)	
(Assets Realised)	24040	By Realisation A/c	
		(Creditors)	4860
		By Realisation A/c	
		(Workmen Compensation)	2500
		By Realisation A/c	
		(Expences on Realisation)	400
		By Ramji Lal's Capital A/c	9930
		By Panna Lal's Capital A/c	12530
	30820		30820

13. Verma and Sharma were partners in a firm sharing profits in the ratio of 3 : 1. On 31.3.2021 their Balance Sheet was as follows :

BALANCE SHEET OF VERMA AND SHARMA

as at 31.3.2021

Liabilities		₹	Assets	₹
Capitals :	₹		Land and Building	70,000
Verma	1,20,000		Machinery	60,000
Sharma	80,000	2,00,000	Debtors	80,000
Creditors		70,000	Back	60,000
		2,70,000		2,70,000

The firm was dissolved on 1.4.2021 and the assets and liabilities were settled as follows:

(i) Creditors of ₹ 50,000 took over Land and Building in full settlement of their claim;
(ii) Remaining creditors were paid in cash;
(iii) Machinery was sold at a depreciation of 30%;
(iv) Debtors were collected at a cost of ₹ 500;
(v) Expenses of realisation were ₹ 1,700.

Pass necessary journal entries for dissolution of the firm.

Dr. **REALISATION ACCOUNT** *Cr.*

Particulars	₹	Particulars		₹
To Land & Building	70,000	By Creditors		70,000
To Machinery	60,000	By Bank A/c (Assets realised)		
To Debtors	80,000	(₹ 42,000 + ₹ 79,500)		1,21,500
To Bank A/c (Creditors paid)		By Loss transferred to		
(₹ 70,000 – ₹ 50,000)	20,000	Verma's Capital A/c	30,150	
To Bank A/c (Exp.)	1,700	Sharma's Capital A/c	10,050	40,200
	2,31,700			2,31,700

Solution 13 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2021					
01 April	Realisation A/c	Dr.		210000	
	To Land & Building A/c				70000
	To Machinery A/c				60000
	To Sundry Debtors A/c				80000
	(Assets Transferred to Realisation Account)				
	Sundry Creditors A/c	Dr.		70000	
	To Realisation A/c				70000
	(Creditors Transferred to Realisation Accounts)				
	Cash A/c	Dr.		121500	
	To Realisation A/c				121500
	(Assets Realised)				
	Realisation A/c	Dr.		20000	
	To Bank A/c				20000
	(Remaining Creditors Paid)				

Realisation A/c Dr. To Bank A.c (Realisation Expences Paid)			1700	1700
Verma's Capital A/c Dr. Sharma's Capital A/c Dr. To Realisation A/c (Loss on Realisation Transferred to Partner's Capital Account)			30150 10050	40200
Verma's Capital A/c Dr. Sharma's Capital A/c Dr. To Cash A/c (Payment made to the partners)			89850 69950	159800

Working Notes :

1. **Realisation account**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Land and Building	70000	By Sundry Creditors		70000
To Machinery A/c	60000	By Bank A/c		
To Debtors A/c	8000	(Assets Realised)		121500
To Bank A/c		By Loss		
(₹ 70000 – ₹ 50000)	20000	Transferred to Partner's		
To Bank A/c		Capital A/c		
(Realisation Expences)	17000	Verma	30150	
		Sharma	10050	40200
	231700			231700

Partner's Capital Account

Particulars	Verma	Sharma	Particulars	Verma	Sharma
	(₹)	(₹)		(₹)	(₹)
To Realisation A/c (Loss)	30150	10050	By Balance c/d	120000	80000
To Bank A/c (B/F)	89850	69950			
	120000	80000		120000	80000

14. Mala, Neela and Kala were partners sharing profits in the ratio of 3 : 2 : 1. On 1-3-2021 their firm was dissolved. The assets were realized and liabilities were paid off. The accountant prepared Realisation Account, Partner's Capital Accounts and Cash Account, but forgot to post few amounts in these accounts.

You are required to complete these below given accounts by posting correct amounts.

Dr. **REALISATION ACCOUNT** *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets :	₹		By Provision for bed debts		1,000
Machinery	10,000		By Sundry Creditors		15,000
Stock	21,000		By Sheela's Loan		13,000
Debtors	20,000		By Repairs and Renewals Reserve		1,200
Prepaid Insurance	400		By Cash—Assets sold :	₹	
Investments	3,000	54,400	Machinery :	8,000	
To Mala's Capital A/c			Stock	14,000	
—Sheela's Loan		13,000	Debtors	16,000	38,000
To Cash—Creditors paid		15,000	By Mala's Capital—Investments		2,000
To Cash—Dishonoured bill paid		5,000			
To Cash—Expenses		800			
		88,200			88,200

Dr. **CAPITAL ACCOUNT** *Cr.*

Particulars	Mala ₹	Neela ₹	Kala ₹	Particulars	Mala ₹	Neela ₹	Kala ₹
	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
To Cash	12,000	9,000		By Cash			1,000
	23,000	15,000	3,000		23,000	15,000	3,000

Dr. **CASH ACCOUNT** *Cr.*

Particulars	₹	Particulars	₹
To Balance b/d	2,800	By Realisation A/c	
To Realisation A/c		—Creditors paid	15,000
—Sale of Assets	38,000	By Dishonoured bill	5,000
To Kala's Capital A/c	1,000	By Mala's Capital A/c	12,000
		By Neela's Capital A/c	9,000
	41,800		41,800

Solution 14 :

Realisation Account

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Assets			By Provision for Bad Debts A/c		1000
Machinery	10000		By Sundry Creditors A/c		15000
Stock	21000		By Sheela's Loan A/c		13000
Debtors	20000		By Repairs and Renewals		
Prepaid Insurance	400		Reserves A/c		1200
Investments	3000	54400	By Cash A/c		
To Mala's Capital A/c			Machinery	8000	
(Sheela's Loan)		13000	Stock	14000	
To Cash A/c			Debtors	16000	38000
(Creditors)		15000	By Loss Transferred to Partner's		
To Cash A/c			Capital A/c		
(Bills Dishonoured)		5000	(Loss)		
To Cash A/c		800	Mala	9000	
(Expences)		800	Neela	6000	
			Kala	3000	18000
		88200			88200

Partner's Capital Account

Particulars	Mala ₹	Neela ₹	Kala ₹	Particulars	Mala ₹	Neela ₹	Kala ₹
To Realisation	9000	6000	3000	By Bal. b/d	10000	15000	2000
To Realisation				By Reserves	13000	—	—
(Investments)	2000	—	—	By Cash	—	—	1000
To Bank A/c	12000	9000	—				
	23000	15000	3000		23000	15000	3000

Bank Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	2800	By Realisation A/c (Creditors)	15000
To Realisation A/c (Assets Realisation)	38000	By Realisation A/c (Bills Dishonoured)	5000
To Kala's Capital A/c	1000	By Realisation A/c (Realisation Exp.)	800
		By Mala's Capital A/c	12000
		By Neela's Capital A/c	9000
	41800		41800

15. A, B and C are in partnership sharing in 4 : 3 : 3. They decided to dissolve the partnership firm. At the date of dissolution their creditors amounted to ₹ 16,800 and in the course of dissolution a contingent liability of ₹ 3,500 not brought into the accounts matured and had to be met. Their capitals stood at ₹ 12,000, ₹ 10,000 and ₹ 8,000 respectively. *B* had lent to the firm in addition to Capital ₹ 13,200. The assets realised ₹ 45,670. Prepare the Realisation Account and Partners' Capital Accounts. Also show the Bank Account.

Solution 15 :

Balance Sheet

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		16,800	Sundry Assets (Balancing Figure)	60,000
B's Loan		13,200		
Capital Accounts :				
A	12,000			
B	10,000			
C	8,000	30,000		
		60,000		60,000

Dr. **Realisation Account** Cr.

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets A/c	60,000	By Creditors A/c		16,800
To Bank A/c (Payment of Contingent Liability)	3,500	By Bank A/c (Assets realised)		45,670
To Bank A/c (Creditors paid)	16,800	By Loss on realisation :		
		A's Capital A/c	7,132	
		B's Capital A/c	5,349	
		C's Capital A/c	5,349	17,830
	80,300			80,300

Dr. **B's Loan Account** Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	13,200	By Balance b/d	13,200

Dr. **Capital Accounts** Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Realisation A/c (Loss)	7,132	5,349	5,349	By Balance b/d	12,000	10,000	8,000
To Bank A/c (Final Payment)	4,868	4,651	2,651				
	12,000	10,000	8,000		12,000	10,000	8,000

Dr. **Bank Account** Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Realisation A/c (Assets realised)	45,670	By Realisation A/c (Payment of Contingent Liability)	3,500
		By Realisation A/c (Creditors paid)	16,800
		By B's Loan A/c	13,200
		By A's Capital A/c	4,868
		By B's Capital A/c	4,651
		By C's Capital A/c	2,651
	45,670		45,670

16. A and B who were in partnership sharing profits and losses in the proportion of 4/7 and 3/7 respectively, decided to dissolve the firm as on 31st March, 2020. At the time of dissolution A's capital was ₹ 1,25,030, B's ₹ 2,070; the creditors amounted to ₹ 23,150 and cash ₹ 4,520. Remaining assets realised ₹ 1,24,910 and expenses of dissolution were ₹ 1,860 and both were solvent. Prepare the Balance Sheet as on the date of dissolution and the accounts necessary to close the books of the firm. Show the final adjustments of cash between partners.

Solution 16 :

Balance Sheet

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		23,150	Cash	4,520
Capital A/cs :			Sundry Assets	
A	1,25,030		(Balancing Figure)	1,45,730
B	2,070	1,27,100		
		1,50,250		1,50,250

Dr. **Realisation Account** Cr.

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets A/c	1,45,730	By Creditors A/c		23,150
To Cash A/c (Creditors Paid off)	23,150	By Cash A/c (Assets Realised)		1,24,910
To Cash A/c By Loss on realisation : (Expenses of realisation)	1,860	A's Capital A/c $\frac{4}{7}$	12,960	
		B's Capital A/c $\frac{3}{7}$	9,720	22,680
	1,70,740			1,70,740

Dr. **Capital Accounts** **Cr.**

Particulars	A	B	Particulars	A	B
	(₹)	(₹)		(₹)	(₹)
To Realisation A/c (Loss)	12,960	9,720	By Balance b/d	1,25,030	2,070
To Cash A/c (Final Payment)	1,12,070		By Cash A/c (Amount brought in)		7,650
	1,25,030	9,720		1,25,030	9,720

Dr. **Cash Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	4,520	By Realisation A/c (Creditors Paid off)	23,150
To Realisation A/c (Assets realised)	1,24,910	By Ralisation A/c (Expenses of realisation)	1,860
To B's Capital A/c	7,650	By A's Capital A/c	1,12,070
	1,37,080		1,37,080

17. Ashok and Kishore were in partnership sharing profits in the ratio of 3 : 1. They agreed to dissolve the firm. The assets (other than cash of ₹ 2,000) of the firm realised ₹ 1,10,000. The liabilities and other particulars of the firm on that date were as follows :

	₹	
Creditors	40,000	
Ashok's Capital	1,00,000	
Kishore's Capital	10,000	(Dr. balance)
Profit & Loss Account	8,000	(Dr. balance)
Realisation Expenses were	1,000	

Creditors were settled in full settlement at ₹ 38,000. Prepare Realisation and Cash Account.

Solution 17 :

Balance Sheet

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	40,000	Cash	2,000
Ashok's Capital	1,00,000	Profit & Loss A/c	8,000
		Kishore's Capital (Dr.)	10,000
		Sundry Assets (Balancing Fiture)	1,20,000
	1,40,000		1,40,000

Dr. **Realisation Account** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets A/c	1,20,000	By Creditors A/c		40,000
To Cash A/c (Creditors Paid off)	38,000	By Cash A/c (Assets realised)		1,10,000
		By Loss on realisation :		
To Cash A/c		Ashok's Capital A/c $\frac{3}{4}$	6,750	
(Expenses of realisation)	1,000	Kishore's Capital A/c $\frac{1}{4}$	2,250	9,000
	1,59,000			1,59,000

Dr. **Capital Accounts** Cr.

Particulars	Ashok	Kishore	Particulars	Ashok	Kishore
	(₹)	(₹)		(₹)	(₹)
To Balance b/d	10,000		By Balance b/d	1,00,000	
To Profit & Loss A/c	6,000	2,000	By Cash A/c		
To Realisation A/c			(Amount brought in)		14,250
(Loss)	6,750	2,250			
To Cash A/c					
(Final Payment)	87,250				
	1,00,000	14,250		1,00,000	14,250

Dr. **Cash Account** Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	2,000	By Realisation A/c	
To Realisation A/c		(Creditors Paid off)	38,000
(Assets realised)	1,10,000	By Realisation A/c	
To Kishore's Capital A/c	14,250	(Expenses of realisation)	1,000
		By Ashok's Capital A/c	87,250
	1,26,250		1,26,250

18. X and Y were partners in a firm sharing profits and losses in the ratio of 5 : 3. They agreed to dissolve the firm on June 30, 2020. On that date, the Capitals of X and Y were ₹ 80,000 and ₹ 40,000 respectively; the amount owed by X to the firm was ₹ 32,000 and the amount owed by the firm to Y was ₹ 25,000; the creditors amounted to ₹ 37,000 and balance at bank ₹ 10,000. The assets other than the amount owing by X to the firm realised ₹ 46,000. Realisation expenses amounted to ₹ 2,000. Prepare the Balance Sheet of the firm as on June 30, 2020 and necessary ledger accounts to close the books of the firm.

Solution 18 :

Balance Sheet *(as at June 30m 2018)*

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		37,000	Bank A/c	10,000
Y's Loan		25,000	X's Loan A/c	32,000
Capital A/cs :			Sundry Assets	
X	80,000		(Balancing Figure)	1,40,000
Y	40,000	1,20,000		
		1,82,000		1,82,000

Dr. **Realisation Account** Cr.

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets A/c	1,40,000	By Creditors A/c		37,000
To Bank A/c		By Bank A/c (Assets realised)		46,000
(Expenses of realiation)	2,000	By Loss on realisation :		
To Bank A/c (Creditors Paid off)	37,000	X's Capital A/c $\frac{5}{8}$	60,000	
		Y's Capital A/c $\frac{3}{8}$	36,000	96,000
	1,79,000			1,79,000

Dr. **Y's Loan Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	25,000	By Balance b/d	25,000
	25,000		25,000

Dr. **Capital Accounts** **Cr.**

Particulars	X	Y	Particulars	X	Y
	(₹)	(₹)		(₹)	(₹)
To X's Loan A/c	32,000		By Balance b/d	80,000	40,000
To Realisation A/c (Loss)	60,000	36,000	By Bank A/c (Amoung brought in)	12,000	
To Bank A/c (Final Payment)	4,000				
	92,000	40,000		92,000	40,000

Dr. **Bank Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	10,000	By Realisation A/c (Expenses of realisation)	2,000
To Realisation A/c (Assets realised)	46,000	By Realisation A/c (Creditors Paid off)	37,000
To X's Capital A/c	12,000	By Y's Loan A/c	25,000
		By Y's Capital A/c	4,000
	68,000		68,000

19. On 1st April, 2020, A, B and C commenced business in partnership sharing profit and losses in proportion of 1/2, 1/3 and 1/6 respectively. They paid into their Bank A/c as their capital ₹ 22,000 being ₹ 10,000 by A, ₹ 7,000 by B and ₹ 5,000 by C. During the year they drew ₹ 5,000, being ₹ 1,900 by A, ₹ 1,700 by B and ₹ 1,400 by C.

On 31st March, 2021, they dissolved their firm. A taking up stock at an agreed valuation of ₹ 5,000, B taking up furniture at ₹ 2,000 and C taking up debtors at ₹ 3,000. After paying up their creditors, there remained a balance of ₹ 1,000 at Bank. Prepare the necessary accounts showing the distribution of the cash at the Bank and of the further cash brought in by any partner as the case required.

Solution 19 :

Balance Sheet *(as at 31st March, 2018)*

Liabilities		Amt. (₹)	Liabilities		Amt. (₹)
A's Capital :			Sundry Assets		
Opening	10,000		(Balancing Figure)	17,000	
Less : Drawings	1,900	8,100			
B's Capital :					
Opening	7,000				
Less : Drawings	1,700	5,300			
C's Capital :					
Opening	5,000				
Less : Drawings	1,400	3,600			
		17,000			17,000

Dr. Realisation Account Cr.

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets A/c	17,000	By A's Capital A/c (Stock taken over)		5,000
		By B's Capital A/c (Furniture taken over)		2,000
		By C's Capital A/c (Debtors taken over)		3,000
		By Bank A/c[1] (Net assets realised)		1,000
		By Loss on realisation :		
		A's Capital A/c $\frac{3}{6}$	3,000	
		B's Capital A/c $\frac{2}{6}$	2,000	
		C's Capital A/c $\frac{1}{6}$	1,000	6,000
	17,000			17,000

Dr. Capital Accounts Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Realisation A/c (Assets taken)	5,000	2,000	3,000	By Balance b/d	8,100	5,300	3,600
To Realisation A/c	3,000	2,000	1,000	By Bank A/c (Amount brought in)			400
To Bank A/c (Final Payment)	100	1,300					
	8,100	5,300	4,000		8,100	5,300	4,000

Dr. Bank Account Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Realisation A/c (Net assets realised)	1,000	By A's Capital A/c	100
To C's Capital A/c	400	By B's Capital A/c	1,300
	1,400		1,400

Note : (1) Creditors must have been paid off out of the cash ealised on sale of assets. Hence, ₹ 1,000 is the net amount realised on the sale of assets. Entry will be :

Bank A/c	Dr.	1,000	
To Realisation A/c			1,000

20. A, B and C were partners from 1st April, 2019 with capitals of ₹ 3,00,000; ₹ 2,00,000 and ₹ 1,50,000 respectively. They shared profits in the ratio of 2 : 2 : 1. They carried on business for two years. In the first year ending on 31st March, 2020, they made a profit of ₹ 2,00,000 but in the second year ending on 31st March, 2021, a loss of ₹ 60,000 was incurred. As the business was no longer profitable they dissolved the firm on 31st March, 2021. Creditors on that date were ₹ 75,000. The partners withdrew for personal use ₹ 40,000 per partner per year. The assets realised ₹ 4,00,000. The expenses of realisation were ₹ 5,000.

Prepare Realisation Account and show your workings clearly.

Solution 20

Dr. **Capital Accounts** **Cr.**

Date	Particulars	A	B	C	Date	Particulars	A	B	C
2017		₹	₹	₹	**2016**		₹	₹	₹
March 31	To Drawings	40,000	40,000	40,000	April 1	By Bank A/c	3,00,000	2,00,000	1,50,000
March 31	To Bal. c/d	3,40,000	2,40,000	1,50,000	2017 March 31	By P & L Appro-priation A/c			
		80,000	80,000	40,000					
		3,80,000	2,80,000	1,90,000			3,80,000	2,80,000	1,90,000
2018 March 31	To Drawings	40,000	40,000	40,000	2017 April 1	By Bal. b/d	3,40,000	2,40,000	1,50,000
March 31	To P & L Appro-piration A/c	24,000	24,000	12,000					
March 31	To Bal. c/d	24,000	24,000	12,000					
		2,76,000	1,76,000	98,000					
		3,40,000	2,40,000	1,50,000			3,40,000	2,40,000	1,50,000

Following Balance Sheet will be prepared on 31st March, 2018 in order to find out the missing figure of Sundry Assets on the date of dissolution :

Balance Sheet

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Creditors	75,000	Sundry Assets (Balancing Figure)	6,25,000
Capital A/cs :			
A	2,76,000		
B	1,76,000		
C	98,000		
	6,25,000		6,25,000

Dr. **Realisation Account** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets	6,25,000	By Creditors A/c		75,000
To Bank A/c		By Bank A/c (Assets realised)		4,00,000
(Creditors paid)	75,000	By Loss transferred to :		
To Bank A/c (Expenses)	5,000	A's Capital A/c	92,000	
		B's Capital A/c	92,000	
		C's Capital A/c	46,000	2,30,000
	7,05,000			7,05,000

21. Following is the Balance Sheet of Deepak and Jyoti, who were sharing profit and losses in the ratio of 3 : 2, as at March 31, 2021 :

Liabilities		₹	Assets		₹
Creditors		38,000	Cash		1,500
Mrs. Deepak's Loan		10,000	Bank		10,000
Bank Loan		15,000	Debtors	20,000	
Capital A/cs :	₹		*Less :* Provision for		
Deepal	10,000		Doubtful Debts	1,000	19,000
Jyoti	8,000	18,000	Stock		12,000
Current A/cs :			Furniture		6,000
Deepak	2,000		Plant		30,000
Jyoti	500	2,500	P & L A/c (Dr. Balance)		5,000
		83,500			83,500

The firm was dissolved on that date and the following arrangements were made :

(i) Assets realised as follows : Debtors ₹ 18,000; Furniture ₹ 5,500, Plant ₹ 32,000.

(ii) Deepak agreed to take over stock in full settlement of his wife's loan.

(iii) Creditors were paid at 2% discount and Bank Loan was discharged along with interest due for six months @ 10% p.a. and

(iv) Expenses of realisation amounted to ₹ 1,800.

Show the necessary ledger accounts to close the books of the firm.

Solution 21 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Debtors A/c		20,000	By Provision for Bad Debts A/c		1,000
To Stock A/c		12,000	By Creditors A/c		38,000
To Furniture A/c		6,000	By Mrs. Deepak's Loan A/c		10,000
To Plant A/c		30,000	By Bank Loan A/c		15,000
To Bank A/c (Liabilities paid off) :			By Bank A/c (Assets realised) :		
Creditors			Debtors	18,000	
(Less 2% discount)	37,240		Furniture	5,500	
Bank Loan			Plant	32,000	55,500
(₹15,000 + 6 months)			By Loss on realisation :		
interest @ 10% p.a.	15,750		Deepak's Capital A/c	1,974	
Expenses of			Jyoti's Capital A/c	1,316	3,290
realisation	1,800	54,790			
		1,22,790			1,22,790

Dr. **Current Accounts** **Cr.**

Particulars	Deepak	Jyoti	Particulars	Deepak	Jyoti
	(₹)	(₹)		(₹)	(₹)
To P & L A/c			By Balance b/d	2,000	500
(Transfer of Dr.			By Capital A/c		
balance of P & L A/c)	3,000		(Balancing figure		
To Realisation A/c			transferred to Capital		
(Loss)	1,974	1,316	Accounts)	2,974	2,816
	4,974	3,136		4,974	3,136

Dr. **Capital Accounts** Cr.

Particulars	Deepak	Jyoti	Particulars	Deepak	Jyoti
	(₹)	(₹)		(₹)	(₹)
To Current A/c (Transfer from Current A/c)	2,974	2,816	By Balance b/d	10,000	8,000
To Bank A/c (Final Payment)	7,026	5,184			
	10,000	8,000		10,000	8,000

Dr. **Bank Account** Cr.

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Balance b/d	10,000	By Realisation A/c :		
To Cash A/c		Creditors paid off	37,240	
(Cash deposited into bank)	1,500	Bank Loan paid off	15,750	
To Realisation A/c		Expenses of realisation	1,800	54,790
(Assets realised)	55,500	By Deepak's Capital A/c		7,026
		By Jyoti's Capital A/c		5,184
	67,000			67,000

Hint : There will be no entry for the payment of Mrs. Deepak's Loan.

22. Mehta and Menon were partners in a firm, sharing profits and losses in the ratio of 7 : 3.

They decided to dissolve their partnership firm on 31 st March, 2021. On that date, their books showed the following ledger account balances :

	₹
Sundry Creditors	27,000
Profit and Loss A/c (Dr.)	8,000
Cash in Hand	6,000
Bank Loan	20,000
Bills Payable	5,000
Sundry Assets	1,98,000
Capital A/cs	
Mehta	1,12,000
Menon	48,000

Additional Informations :

(a) Bills Payable falling due on 31st May, 2021 were retired on the date of dissolution of the firm, at a rebate of 6% per annum.

(b) The bankers accepted the furniture (included in sundry assets) having a book value of ₹ 18,000 in full settlement of the loan given by them.

(c) Remaining assets were sold for ₹ 1,50,000.

(d) Liability on account of outstanding salary not recorded in the books, amounting to ₹ 15,000 was met.

(e) Menon agreed to take over the responsibility of completing the dissolution work and to bear all expenses of realization at an agreed remuneration of ₹ 2,000. The actual realization expenses were ₹ 1,500 which were paid by the firm on behalf of Menon.

You are required to prepare :

(i) Realisation Account, and

(ii) Partners' Capital Accounts.

Solution 22 :

Dr. Realisation Account Cr.

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets	1,98,000	By Sundry Creditors		27,000
To Cash (B/P paid)[1]	4,950	By Bank Loan		20,000
To Cash (Creditors paid)	27,000	By Bills Payable		5,000
To Cash (Outstanding Salary)	15,000	By Cash (Assets Realised)		1,50,000
To Menon's Capital A/c[2]	500	By Loss transferred to :		
To Cash[2]	1,500	Mehta's Capital A/c	31,465	
		Menon's Capital A/c	13,485	44,950
	2,46,950			2,46,950

Dr. Partner's Capital Accounts Cr.

Particulars	Mehta (₹)	Menon (₹)	Particulars	Mehta (₹)	Menon (₹)
To Profit & Loss A/c	5,600	2,400	By Balance b/d	1,12,000	48,000
To Realisation A/c	31,465	13,485	By Realisation A/c		500
To Cash	74,935	32,615			
	1,12,000	48,500		1,12,000	48,500

Note : (1) Rebate on B/P = $5{,}000 \times \frac{6}{12} \times \frac{2}{12}$ = ₹ 50

(2) Entry for remuneration and realisation expenses :

Realisation A/c	Dr.	2,000	
To Menon's Capital A/c			500
To Cash A/c			1,500

23. *X*, Y and *Z* were in partnership sharing profits and losses in the ratio of 7 : 2 : 1 and the Balance Sheet of the firm stood on 31st March, 2021, as under :

Liabilities		₹	Assets	₹
Creditors		3,142	Cash in hand	244
Provision for Depreciation			Debtors	1,746
on Machinery		4,000	Stock	3,498
Capital Accounts :			100 Shares in B Co. Ltd.	2,000
X	3,582		60 Shares in C Co. Ltd.	480
Y	2,720		Patents	7,600
Z	16,124	22,426	Machinery	6,000
			Buildings	5,000
			Goodwill	3,000
		29,565		29,568

On 31st March, 2021, it was decided to dissolve the firm on the following terms :

(i) X is to take over the buildings at ₹ 7,300.

(ii) Y, who will continue with business, to take over Goodwill, Stock and Debtors at book values, Patents at ₹ 6,500 and Machinery at ₹ 1,500. He also agreed to pay the Creditors.

(iii) Z agreed to take the shares in C Co. Ltd. at ₹ 5 each.

(iv) The shares in B Co. Ltd. to be divided in profit sharing ratio among all partner.

Show the ledger accounts to record the dissolution.

Solution 23 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Debtors A/c		1,746	By Creditors A/c		3,142
To Stock A/c		3,498	By Provision for Depreciation on Machinery A/c		4,000
To 100 Shares in B Co. Ltd. A/c		2,000	By X's Capital A/c (Building taken over)		7,300
To 60 Shares in C Co. Ltd. A/c		480	By Y's Capital A/c (Assets taken over)		
To Patents A/c		7,600	Goodwill	3,000	
To Machinery A/c		6,000	Stock	3,498	
To Buildings A/c		5,000	Debtors	1,746	
To Goodwill A/c		3,000	Patents	6,500	
To Y's Capital A/c (Creditors taken over)		3,142	Machinery	1,500	16,244
To Profit on realisation :					
X's Capital A/c $\frac{7}{10}$	364		By Z's Capital A/c (Share)		300
Y's Capital A/c $\frac{2}{10}$	104				
Z's Capital A/c $\frac{1}{10}$	52	520	By X's Capital A/c (Share)		1,400
			By Y's Capital A/c (Share)		400
			By Z's Capital A/c (Share)		200
		32,986			32,986

Dr. **Capital Accounts** **Cr.**

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Realisation A/c (Assets taken over)	7,300	16,244		By Balance b/d	3,582	2,720	16,124
To Realisation A/c (Share taken over)			300	By Realisation A/c (Creditors paid)		3,142	
To Realisation A/c (Shar taken over)	1,400	400	200	By Realisation A/c			
To Cash A/c (Final Payment)			15,676	By Cash A/c (Amount brought in)	4,754	10,678	—
	8,700	16,644	16,176		8,700	16,644	16,176

Dr. **Cash Account** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Balance b/d	244	By Z's Capital A/c	15,676	
To X's Capital A/c	4,754			
To Y's Capital A/c	10,678			
	15,676			15,676

24. Following is the balance sheet of *P, Q* and *R* who were sharing profits and losses in the ratio of 3 : 2 : 1 :

Liabilities	₹	Assets		₹
Bank Overdraft	12,000	Debtors	20,000	
Creditors	70,000	*Less* : Provision	1,200	18,800
Mrs. P's Loan	28,500	Stock		40,000
Capital Accounts :	3,000	Shares in 'A' Ltd.		30,000
P	1,20,000	Motor Car		75,000
Q	95,000	Plant		80,000
R	5,000	Advertisement Suspense A/c		84,0000
	3,27,800			3,27,800

The firm was dissolved on that date and the following arrangements were made :

I. Assets realised as follows: Debtors ₹ 15,000; Plant at 30% discount.

II. Stock was valued at ₹ 36,000 and this was taken over by P and Q equally.

III. Market value of the shares of A Ltd. is ₹ 16 per share. Half the shares were sold in the market and the balance half were taken over by P and Q in their profit sharing ratio.

IV. A creditor for ₹ 50,000 took over Motor Car in full settlement of his claim and the balance of creditors were paid at a discount of 2%.

V. Expenses of realisation amounted to ₹ 6,000. P agreed to discharge his wife's Loan.

Prepare Journal entries and Ledger accounts.

Solution 24 :

Dr. **Realisation Account** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Debtors A/c	20,000	By Provision for Bad Debts A/c		1,200
To Stock A/c	40,000	By Bank Overdraft		12,000
To 3,000 Shares in A Ltd. A/c	30,000	By Creditors A/c		70,000
To Motor Car A/c	75,000	By Mrs. P's Loan A/c		25,800
To Plant A/c	80,000	By Bank A/c		
To Bank (Bank Overdraft Paid)	12,000	(Assets realised)		
To Bank A/c[1]		Debtors	15,000	
(Creditors worth 20,000 paid		Plant	56,000	71,000
at 2% discount)	19,600	By P's Capital A/c (Stock)		18,000
To Bank A/c		By Q's Capital A/c (Stock)		18,000
(Expenses of realisation)	6,000	By Bank A/c (Shares)		24,000
To P's Capital A/c		By P's Capital A/c (Shares)		14,400
(Mrs. P's Loan taken over)	25,800	By Q's Capital A/c (Shares)		9,600
		By Loss on realisation :		
		P's Capital A/c $\frac{3}{6}$	22,200	
		Q's Capital A/c $\frac{2}{6}$	14,800	
		R's Capital A/c $\frac{1}{6}$	7,400	44,400
	3,08,400			3,08,400

Dr. **Capital Accounts** Cr.

Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Advertisement Suspense A/c	42,000	28,000	14,000	By Balance b/d	1,20,000	95,000	5,000
To Realisation A/c (Stock)	18,000	18,000		By Realisation A/c (Mrs. P's Loan)	25,800		
To Realisation A/c (Shares)	14,400	9,600		By Bank A/c (Amount brought in)			16,400
To Realisation A/c (Loss)	22,200	14,800	7,400				
To Bank A/c (Final Payment)	49,200	24,600					
	1,45,800	95,000	21,400		1,45,800	95,000	21,400

Dr. **Bank Account** Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Realisation A/c (Assets realised)	71,000	By Realisation A/c (Bank Overdraft)	12,000
To Realisation A/c (Shares sold)	24,000	By Realisation A/c (Creditors Paid)	19,600
To R's Capital A/c	16,400	By Realisation A/c (Expenses of Realisation)	6,000
		By P's Capital A/c	49,200
		By Q's Capital A/c	24,600
	1,11,400		1,11,400

Note (1) : Total Creditors are for ₹ 70,000 out of which creditors worth ₹ 50,000 took motor car in full settlement of their account. Thus remaining creditors worth ₹ 20,000 are paid off at 2% discount.

(2) Bank Overdraft is transferred to the Cr. of Realisation A/c and then paid off.

25. P, Q and R were partners in a firm sharing profits in the ratio of 1 : 2 : 2. Their Balance Sheet as at 31st March, 2021 was as follows :

BALANCE SHEET OF P, Q AND R

as at 31st March, 2021

Liabilities		₹	Assets		₹
Creditors		2,10,000	Land and Buildings		5,00,000
Bank Overdraft		50,000	Office Equipment		8,000
Q's Loan		40,000	Stock		2,00,000
Capital :	₹		Debtors	60,000	
P	1,00,000		*Less* : Provision for		
Q	2,00,000		Doubtful Debts	3,000	57,000
R	2,00,000	5,00,000	Bank		35,000
		8,00,000			8,00,000

Partners agreed to dissolve the firm on that date. You are given the following information about dissolution :

(i) One of the Debtors for ₹ 20,000 paid ₹ 12,000 in full settlement of his account and debtors of ₹ 5,000 were proved bad.

(ii) Part of the stock was sold for ₹ 20,000 (being 25% more than the book value).

(iii) Office Equipment was accepted by the creditor for ₹ 7,000 in full settlement. Another creditor of ₹ 40,000 was paid only 40% in full settlement of his account and remaining creditors accepted remaining stock in full settlement of their account.

(iv) An unrecorded asset of ₹ 20,000 was handed over to an unrecorded liability of ₹ 15,000 in full settlement.

(v) Land & Buildings were sold at a loss of 20%.

(vi) *Q's* Loan was settled by payment of ₹ 30,000.

(vii) Realistion expenses ₹ 16,000 were paid by R.

You are required to prepare the necessary accounts.

Solution 25 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Land and Buildings		5,00,000	By Creditors		2,10,000
To Office Equipment		8,000	By Bank Overdraft		50,000
To Stock		2,00,000	By Provision for Doubtful Debts		3,000
To Debtors		60,000	By Bank :		
To Bank :			Debtors		
Creditors	16,000		(12,000 + 35,000)	47,000	
Bank Overdraft	50,000	66,000	Stock	20,000	
To R's Capital A/c			Land & Buildings	4,00,000	4,67,000
(Realisation Expenses)		16,000	By Q's Loan		10,000
			By Loss on Realisation		
			transferred to :		
			P's Capital A/c	22,000	
			Q's Capital A/c	44,000	
			R's Capital A/c	44,000	1,10,000
		8,50,000			8,50,000

Dr. **Q's Loan Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	30,000	By Balance b/d	40,000
To Realisation A/c	10,000		
	40,000		40,000

Dr. **Capital Accounts** **Cr.**

Particulars	P	Q	R	Particulars	P	Q	R
	₹	₹	₹		₹	₹	₹
To Realisation				By Balanceb/d	1,00,000	2,00,000	2,00,000
(Loss)	22,000	44,000	44,000	By Realisation A/c			16,000
To Bank A/c	78,000	1,56,000	1,72,000				
	1,00,000	2,00,000	2,16,000		1,00,000	2,00,000	2,16,000

Dr. **Bank Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Balance b/d		35,000	By Realisation A/c		
To Realisation A/c			Creditors	16,000	
Debtors			Bank Ovedraft	50,000	66,000
(12,00 + 35,000)	47,000		By Q's Loan		30,000
Stock	30,000		By P's Capital A/c		78,000
Land & Buildings	4,00,000	4,67,000	By Q's Capital A/c		1,56,000
			By R's Capital A/c		1,72,000
		5,02,000			5,02,000

26. A, B and C were partners in a firm sharing profits & losses in the ratio of 2 : 2 : 1. The Balance Sheet of the firm at the date of dissolution was as follows :

Liabilities		₹	Assets	₹
Bank Overdraft		21,000	Debtors	40,000
Creditors		86,000	Stock	60,000
Provident Fund		18,000	Investments	25,000
Capital Accounts :	₹		Machinery	80,000
A	1,05,000		Prepaid Expenses	3,200
B	42,000	1,47,000	Goodwill	38,800
			C's Capital Account	25,000
		2,72,000		2,72,000

You are informed that :

(1) They appointed B to realise the assets. He is to receive 5% of the amounts realised from Debtors, Stock and Machinery, and is to bear all expenses of realisation.

(2) Bad Debts amounted to ₹ 2,000; Stock realised ₹ 36,000 and Machinery realised ₹ 46,000. There was an unrecorded asset of ₹ 10,000 which was taken over by A at ₹ 8,000.

(3) Market value of Investments was ascertained to be ₹ 20,000, and one of the creditors agreed to accept the Investments at this value. Remaining creditors were paid at a discount of ₹ 6,000.

(4) An office typewriter, not shown in the books of accounts, realised ₹ 20,000.

(5) There were outstanding expenses amounting to ₹ 6,000. These were settled for ₹ 4,500. Expenses of realisation met by B amounted to ₹ 2,000.

Prepare necessary accounts.

Solution 26 :

Dr. **Realisation Account** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Debtors A/c	40,000	By Bank Ovedraft		21,000
To Stock A/c	60,000	By Creditors A/c		86,000
To Investment A/c	25,000	By Provident Fund A/c		18,000
To Machinery A/c	80,000	By Bank A/c		
To Prepaid Expenses A/c	3,200	(Assets realised) :		
To Goodwill A/c	38,800	Debtors	38,000	
To Bank A/c (Bank Overdraft Paid)	21,000	Stock	36,000	
		Machinery	46,000	
		Office Typewriter	20,000	1,40,000

To Bank A/c			By A's Capital A/c		
Creditors Paid	86,000		(Unrecorded Asset taken over)		8,000
Less : Investments taken over	20,000		By Loss on realisation :		
			A's Capital A/c $\frac{2}{5}$	33,400	
			B's Capital A/c $\frac{2}{5}$	33,4000	
To Bank A/c			C's Capital A/c $\frac{1}{5}$	16,700	83,500
Oustanding Expenses	4,500				
Provident Fund	18,000	22,500			
To B's Capital A/c : 5% on (38,000 + 36,000 + 46,000)		6,000			
		3,56,500			3,56,500

Dr. Capital Accounts Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Balance b/d			25,000	By Balance b/d	1,05,000	42,000	
To Realisation A/c (Assets taken over)	8,000			By Realisation A/c (Commission)		6,000	
To Realisation A/c (Loss)	33,400	33,400	16,700	By Bank A/c (Amount brought in)			41,700
(Final Payment)	63,600	14,600	—				
	1,05,000	48,000	41,700		1,05,000	48,000	41,700

Dr. Bank Account Cr.

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Realisation A/c (Assets realised)	1,40,000	By Realisation A/c (Bank Overdrat)		21,000
To C's Capital A/c	41,700	By Realisation A/c (Creditors Paid)		60,000
		By Realisation A/c		
		Oustanding Expenses	4,500	
		Provident fund	18,0000	22,500
		By A's Capital A/c		63,600
		By B's Capital A/c		14,600
	1,81,700			1,81,700

27. Give journal entries in each of the following alternative cases on the dissolution of a firm :

(i) Realisation expenses paid by X on behalf of the firm.

(ii) Realisation expenses paid by the firm ₹ 1,000. However, the expenses were to be borne by partner X for which he was to be given a commission of 5% on net cash realised on dissolution. Cash realised from assets was ₹ 2,00,000 and cash paid for liabilities was ₹ 40,000.

(iii) General Reserve appearing in the balance sheet was ₹ 20,000.

(iv) Sundry Creditors amounted to ₹ 15,000. These were paid at a discount of 2%.

Solution 27 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Realisation A/c Dr. To X's Capital A/c (Realisation expenses paid by X on behalf of the firm)			
(ii)	X's Capital A/c Dr. To Bank A/c (Payment of realisation expenses by the firm on behalf of the partner)		1,000	1,000
	Bank A/c Dr. To Realisation A/c (Assets realised)		2,00,000	2,00,000
	Realisation A/c Dr. To Bank A/c (Liabilities paid off)		40,000	40,000
	Realisation A/c Dr. To X's Capital A/c (5% commission payable to X on ₹ 1,60,000 *i.e.*, on ₹ 2,00,000 less ₹ 40,000)		8,000	8,000
(iii)	General Reserve A/c Dr. To Partner's Capital A/cs (General reserve credited to partner's capital accounts in profit sharing ratio)		20,000	20,000
(iv)	Realisation A/c Dr. To Bank A/c (Payment of Creditors amounting to ₹ 15,000 at 2% discount) 14,7000		14,700	14,700

28. P and Q were partners in a firm sharing profits and losses equally. On 15th March, 2014 the firm was dissolved. The dissolution resulted in a loss of ₹ 60,000. On that date the Capital Accounts of P and Q showed credit balances of ₹ 70,000 and ₹ 50,000 respectively. There was a bank balance of ₹ 60,000.

Pass the necessary Journal Entries for (i) the transfer of loss to the Capital accounts of the partners, and (ii) making final payments to the partners.

Solution 28 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2014 March 15	P's Capital A/c Dr. Q's Capital A/c Dr. To Realisation A/c (Transfer of loss on realisation)		30,000 30,000	60,000
	P's Capital Dr. Q's Capital Dr. To Bank A/c (Final payment made to partners)		40,000 20,000	60,000

29. Gaurav, Saurabh and Vaibhav were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. They decided to dissolve the firm on 31st March, 2021. After transferring Sundry assets (other than cash in hand and cash at Bank) and third party liabilities to realisation account, the assets were realized and liabilities were paid off as follows :

(i) A machinery with a book value of ₹ 6,00,000 was taken over by Gaurav at 50% and stock worth ₹ 5,000 was taken over by a creditor of ₹ 9,000 in full settlement of his claim.

(ii) Land and building (book value ₹ 3,00,000) was sold for ₹ 4,00,000 through a broker who charged 2% commission.

(iii) The remaining creditors were paid ₹ 76,000 in full settlement of their claim and the remaining assets were taken over by Vaibhav for ₹ 17,000.

(iv) Bank loan of ₹ 3,00,000 was paid along with interest of ₹ 21,000.

Pass necessary journal entries for the above transactions in the books of the firm.

Solution 29 :

In the Books of Firm
Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Gaurav's Capital A/c Dr. To Realisation A/c (Machinery Taken Over at 50% Rate)		3,00,000	3,00,000

Note : There will be no journal entry for mutual exchange between the firm and creditors against stock.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(ii)	Bank A/c Dr. To Realisation (Land and Building Sold)		4,00,000	4,00,000
	Realisation A/c Dr. To Bank A/c (Brokerage commssion paid on sale of Land and Building @ 2% of Sale Consideration)		8,000	8,000
(iii)	Realisation A/c Dr. To Bank (Remaining creditors were paid off in full settlement)		76,000	76,000
	Vaibhav's Capital A/c Dr. To Realisation A/c (Remaining Assets were Taken Over By Vaibhav)		17,000	17,000
(iv)	Realisation A/c Dr. To Bank A/c (₹ 3,00,000 + ₹ 21,000) (Bank Loan paid along with interest there only)		3,21,000	3,21,000

30. Adiraj and Karan were partners in a firm sharing profits and losses in the ratio 3 : 2. On 31st March, 2021 the firm was dissolved. After the transfer of assets (other than cash in hand and at bank) and third party liabilities to the Realisation Account, the following information was provided :

(i) Furniture of ₹ 70,000 was sold for ₹ 68,000 by auction and auctioneer's commission amounted to ₹ 2,000.

(ii) Adiraj's loan amounting to ₹ 35,000 was settled at ₹ 37,500.

(iii) Out of the stock of ₹ 80,000, Karan took over 50% of the stock at a discount of 20% while the remaining stock was sold off at a profit of 30% on cost.

(iv) A bills receivable of ₹ 3,000 under discount was dishonoured as the acceptor had become insolvent and hence the bill had to be met by the firm.

(v) Profit and Loss Account showed a debit balance of ₹ 56,000.

(vi) Realization expenses amounted to ₹ 2,000 which were paid by Adiraj.

Pass the necessary journal entries for the above transactions on the dissolution of the firm.

Solution 30 :

In the Books of Firm
Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c	Dr.		66,000	
	To Realisation A/c				66,000
	(Furniture sold after brokerage by auction)				
(ii)	Adiraj's Loan A/c	Dr.		35,000	
	Realisation A/c	Dr.		2,500	
	To Bank A/c				37,500
	(Adiraj Loan was settled)				
(iii)	Karan's Capital A/c	Dr.		32,000	
	Bank A/c	Dr.		52,000	
	To Realisation A/c				84,000
	(Out of Stock, Karan ove 50% Stock and Reamining were sold out on Profit 30%)				
(iv)	Realisation A/c	Dr.		3,000	
	To Bank A/c				3,000
	(A B/R discounted was dishonoured and acceptor became insolvent and the bill had to be met by the firm)				
(v)	Adiraj's Capital A/c	Dr.		33,600	
	Karan's Capital A/c	Dr.		22,400	
	To P & L A/c				56,000
	(Balance of Profit and Loss Account be Distributed in Partners in their Profit Loss Sharing Ratio *i.e.*, 3 : 2)				
(vi)	Realisation A/c	Dr.		2,000	
	To Adhiraj's Capital A/c				2,000
	(Realisation Expences paid by Adhiraj)				

31. Give the necessary journal entries for the following transactions on dissolution of the firm of Aman and Rajat on 31st March, 2020, after the transfer of various assets (other than cash) and the third party liabilities to Realisation Account. They shared profits and losses in the ratio of 2 : 1.

(a) There was a bill of exchange of ₹ 10,000 under discount. The bill was received from Derek who became insolvent.

(b) Bills Payable of ₹ 30,000 falling due on 30th April, 2020 was discharged at ₹ 29,550.

(c) Creditors of ₹ 30,000 took over stock of ₹ 10,000 at 10% discount and the balance was paid to them in cash.

(d) There was an old typewriter which had been written off completely. It was estimated to realize ₹ 600. It was taken away by Rajat at 25% less than the estimated price.

(e) Aman agreed to take over the responsibility of completing dissolution at an agreed remuneration of ₹ 1,000 and to bear all realization expenses. Actual realisation expenses ₹ 800 were paid by the firm.

(f) Loss on realization was ₹ 54,000.

Solution 31 :

Books of Aman and Rajat
Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2016 March 31		₹		₹	
(a)	Realisation A/c	Dr.		10,000	
	To Bank A/c				10,000
	(Payment of a dishonoured B/R under discount)				

(b)	Realisation A/c Dr. To Bank A/c (Bills payable discharged)		29,550	29,550
(c)	Realisation A/c Dr. To Bank A/c (Creditors took over stock & balance paid in cash)		21,000	21,000
(d)	Rajat's Capital A/c Dr. To Realisation A/c (Unrecorded old typewriter taken over by Rajat)		450	450
(e)	Realisation A/c Dr. To Bank A/c To Aman's Capital A/c (Remuneration given to Aman and expenses paid by firm on his behalf)		1,000	 800 200
(f)	Aman's Capital A/c Dr. Rajat's Capital A/c Dr. To Realisation A/c (Transfer of loss on realisation in 2 : 1)		36,000 18,000	 54,000

32. Disha, Mohit and Nandan are partners. They decide to dissolve their firm. Pass necessary Journal Entries for the following after various Assets (other than Cash and Bank) and the third party liabilities have been transferred to Realisation Account :

(a) An old typewriter which was not recorded in the books was sold for ₹ 2,000 whereas its expected value was ₹ 5,000.

(b) Stock of ₹ 70,000 was taken by Disha at a discount of 30%.

(c) Total creditors of the firm were ₹ 20,000. A creditor for ₹ 2,000 was untraceable and other creditors accepted payment allowing 10% discount.

(d) Mohit paid realisation expenses of ₹ 18,000 out of his private funds, who was to get remuneration of ₹ 13,000 for completing the dissolution process and was responsible to bear all the realisation expenses.

(e) Nandan had taken a loan of ₹ 50,000 from the firm, which was paid fully by him to the firm.

(f) ₹ 12,000 was recovered from a debtor which was written off as Bad debts last year.

Solution 32 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c Dr. To Realisation A/c (Unrecorded typewriter sold for ₹ 2,000)		2,000	2,000
(b)	Disha's Capital A/c Dr. To Realisation A/c (Stock of ₹70,000 taken by Disha at a discount of 30%)		49,000	49,000
(c)	Realisation A/c Dr. To Bank A/c (Payment made to creditors)		16,200	16,200
(d)	Realisation A/c Dr. To Mohit's Capital A/c (Payment of remuneration of ₹ 13,000 for completing the dissolution process)		13,000	13,000

(e)	Bank A/c Dr. To Nandan's Loan A/c (Payment of Loan by Nandan)		50,000	 50,000
(f)	Bank A/c Dr. To Realisation A/c (₹ 12,000 recovered from a debtor which was written off as Bad Debts last year)		12,000	 12,000

33. Angad, Raman and Harshit were partners in a firm. They decided to dissolve their firm. Pass necessary journal entries for the following after various assets (other than cash and bank) and the third party liabilities have been transferred to Realisation Account :

(i) There was a stock of ₹ 90,000. Raman took over 50% of the stock at 10% discount and remaining stock was sold at 40% profit on book value.

(ii) Profit and Loss A/c was showing a debit balance of ₹ 15,000 which was distributed among the partners.

(iii) A machinery which was not recorded in the books was sold for ₹ 2,000.

(iv) Angad was paid only ₹ 5,000 (in full settlement) for his loan to the firm which amounted to ₹ 5,500.

(v) Realisation expenses amounting to ₹ 5,000 paid by Harshit.

(vi) There were 100 shares of ₹ 10 each in DCM Ltd. acquired at a cost of ₹ 1,200 which had been written off completely from the books. These shares are valued at ₹ 9 each and divided among the partners in their profit sharing ratio.

Solution 33 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Raman's Capital A/c (₹ 45,000 – ₹ 4,500) Dr. Bank A/c (₹ 45,000 + ₹ 18,000) Dr. To Realisation A/c (50% of the stock taken over by Raman at 10% discount and remaining stock sold at 40% profit)		40,500 63,000	 1,03,500
(ii)	Angad's Capital A/c Dr. Raman's Capital A/c Dr. Harish's Capital A/c Dr. To Profit and Loss A/c (Debit balance of profit and loss acount distributed)		5,000 5,000 5,000	 15,000
(iii)	Bank A/c Dr. To Realisation A/c 2,000 (Unrecorded machinery sold)		2,000	
(iv)	Angad's Loan A/c Dr. 5,500 To Bank A/c 5,000 To Realisation A/c 500 (Angad's Loan of ₹ 5,500 settled by paying only ₹ 5,000 and the profit of ₹ 5000 transferred to Realisation A/c)			
(v)	Realisation A/c Dr. To Harshit's Capital A/c (Realisation expenses paid by Harshit)		5,000	 5,000
(vi)	Angad's Capital A/c Dr. Raman's Capital A/c Dr. Harshit's Capital A/c Dr. To Realisation A/c Dr. (100 shares in DCM Ltd. written off earlier from the books now valued at ₹ 9 each and divided among the partners in their profit sharing ratio)		300 300 300 900	

34. If total assets are ₹ 12,00,000; total liabilities are ₹ 3,00,000; assets are realised at 70% and expenses on realisation are ₹ 10,000, what will be the profit or loss on realisation ?

Solution 34:

Dr. Realisation Account Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Assets	12,00,000	By Liabilities	3,00,000
To Bank (Liabilities paid)	3,00,000	By Bank (Assets realised)	8,40,000
To Bank (expenses of realisation)	10,000	By Capital A/cs (Loss on realisation)	3,70,000
	15,10,000		15,10,000

35. In a firm's Balance Sheet, Total Debtors were appearing at ₹ 5,00,000 and provision for doubtful debts appeared at ₹ 10,000. On dissolution, bad debts were ₹ 1,00,000 and the remaining. debtors were realised at 10% discount. How much amount was realised from debtors ?

Solution 35 :

Sundry Debtors	5,00,000
Less : Bad-debts	1,00,000
	4,00,000
Less : Discount (10% of 4,00,000)	40,000
Amount realised from Debtors	3,60,000

36. X and Y are partners. They decided to dissolve their firm. Pass necessary entries assuming that various assets and external liabilities have been transferred to Realisation Account :

(1) X's loan was appearing on the liabilities side of Balance Sheet at ₹ 40,000. He accepted an unrecorded asset of ₹ 60,000 in full settlement of his account.

(2) Raman, a Creditor to whom ₹ 25,000 were due to be paid, accepted an unrecorded computer of ₹ 18,000 at a discount of 10% and the balance was paid to him in Cash.

(3) Sudhir, an unrecorded creditor of ₹ 40,000 accepted an unrecorded vehicle of ₹ 20,000 at ₹ 25,000 and the balance was paid to him in Cash.

(4) There was a Contingent liability in respect of bill discounted but not matured ₹ 20,000.

(5) Furniture of ₹ 20,000 and goodwill of ₹ 30,000 were appearing in the Balance Sheet but no other information was provided regarding these two items.

Solution 36 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(1)	X's Loan A/c Dr. To Realisation A/c (X's loan settled by giving unrecorded assets)		40,000	 40,000
(2)	Realisation A/c Dr. To Bank A/c (Balance amount paid to creditor Raman)		8,800	 8,800
(3)	Realisation A/c Dr. To Bank A/c (Balance amount paid to creditor Sudhir)		15,000	 15,000
(4)	No Entry			
(5)	No Entry			

37. Michael, Jackson and John were partners in a firm sharing profits in the ratio of 3 : 1 : 1. On 31st March, 2021, they decided to dissolve their firm. On that date their Balance Sheet was as follows :

BALANCE SHEET OF MICHAEL, JACKSON AND JOHN

as at 31.3.2021

Liabilities		₹	Assets		₹
Creditors		11,500	Bank		26,000
Loan		3,500	Debtors	48,400	
Capitals :			*Less :* Provision for		
Michael	50,000		Doubtful Debts	2,400	46,000
Jackson	25,000		Stock in Trade		16,000
John	14,000	89,000	Furniture		2,000
			Sundry Assets		14,000
		1,04,000			1,04,000

It was agreed that :

(i) Michael was to take over Furniture at ₹ 2,600 and Debtors amounting to ₹ 40,000 at ₹ 34,400 and the Creditors of ₹ 10,000 were to be paid by him at this figure.

(ii) Jackson was to take over all the stock in trade at ₹ 14,000 and some of the other Sundry Assets at ₹ 28,800 (being 10% less than book value).

(iii) John was to take over the remaining Sundry Assets at 90% of the book value and assumed the responsibility for the discharge of the loan.

(iv) The remaining debtors were sold to a debt collecting agency for 50% of the book value. The expenses of dissolution ₹ 600 were paid by John.

Prepare Realisation Account, Bank Account and Partners' Capital Accounts.

Solution 37 :

Dr. **Realisation Account** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Debtors A/c	48,400	By Provision for Doubtful Debts A/c		2,400
To Debtors A/c	48,400	By Creditors A/c		11,500
To Stock in Trade A/c	16,000	By Loan A/c		3,500
To Furniture A/c	2,000	By Michaels Capital A/c		
To Sundry Assets A/c		(Furniture Took Over)		2,600
To Michael's Capital A/c		By Michael's Capital A/c		
(Creditors)	10,000	(Debtors taken over)		34,400
To John's Capital A/c		By Jackson's Capital A/c		
(Discharge of Loan)	3,500	(Stock taken over)		14,000
To John's Capital A/c	2100	By Jackson's Capital A/c		28,800
(Realisation Expenses)		(SundryAssets Taken Over)		
		By John's Capital A/c		
		(Sundry Assets Taken Over)		1,800
		By Bank A/c (Debtors)		4,200
		By Partner's Capital A/c		12,800
		Michael	—	7680
		Jackson	—	2560
		John	—	2560
	1,16,000			1,16,000

Partner's Capital Accounts

Particulars	Michael	Jackson	John	Particulars	Michael	Jackson	John
	₹	₹	₹		₹	₹	₹
To Realisation A/c (Furniture taken over)	2,600	—	—	By Balance b/d	50,000	25,000	14,000
To Realisation A/c (Stock taken over)	—	14,000	—	By Realisation A/c	10,000	—	—
To Realisation A/c (Debtors taken over)	34,400	—	—	By Realisation A/c	—	—	3,500
To Realisation A/c (Sundry Assets taken over)	—	28,800	—	By Realisation A/c	—	—	2,100
To Realisation A/c (Sundry assets taken over)	—	—	1,800	By Cash A/c (Cash brought in by partners)	—	20,360	—
To Realisation A/c (Loss on Realisation)	7,680	2,560	2,560				
To Bank A/c (Final Payment to Partners)	15,320	—	15,240				
	60,000	45,360	19,600		60,000	45,360	19,600

Bank Account

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	6,000	By Michaels Capital A/c (Payment made to Michael)	15,320
To Jackson's Capital A/c (Cash brought in by Jackson)	20,360	By John's capital A/c (Payment made to John)	15,240
To Realisation A/c (Debtors)	4,200		
	30,560		30,560

38. Srijan, Raman and Manan were partners in a firm sharing profits and losses in the ratio of 2 : 2 : 1. On 31st March, 2021 their Balance Sheet was as follows :

BALANCE SHEET OF SRIJAN, RAMAN AND MANAN

as at 31.3.2021

Liabilities		₹	Assets	₹
Capitals :	₹		Capital : Manan	10,000
Srijan	2,00,000		Plant	2,20,000
Raman	1,50,000	3,50,000	Investments	70,000
Creditors		75,000	Stock	50,000
Bills Payable		40,000	Debtors	60,000
Outstanding Salary		35,000	Bank	10,000
			Profit and Loss Account	80,000
		5,00,000		5,00,000

On the above date they decided to dissolve the firm.

(i) Srijan was appointed to realise the assets and discharge the liabilities. Srijan was to receive 5% commission on sale of assets (except cash) and was to bear all expenses of realisation.

(ii) Assets were realised as follows :

	₹
Plant	85,000
Stock	33,000
Debtors	47,000

(iii) Investments were realised at 95% of the book value.

(iv) The firm had to pay ₹ 7,500 for an outstanding repair bill not provided for earlier.

(v) A contingent liability in respect of bills receivable, discounted with the bank had also materialised and had to be discharged for ₹ 15,000.

(vi) Expenses of realisation amounting to ₹ 3,000 were paid by Srijan.

Prepare Realisation Account, Partners' Capital Accounts and Bank Account.

Solution 38 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Plant		2,20,000	By Creditors A/c		75,000
To Investments		70,000	By Bills Payable A/c		40,000
To Stock		50,000	By Outstanding Salary A/c		35,000
To Debtors		60,000	By Bank A/c		
To Bank A/c :			(Assets Realised)		
Creditors	75,000		Plant	85,000	
B/P	40,000		Stock	33,000	
Outstanding Salary	35,000	1,50,000	Debtors	47,000	
To Bank A/c :			Investments	66,500	2,31,500
Outstanding			By Loss on Realisation :		
Repair Bill	7,500		Srijan's Capital A/c	81,030	
B/R Discounted	15,000	22,500	Raman's Capital A/c	81,030	
To Srijan (Commission)			Manan's Capital A/c	40,515	2,02,575
(5% on ₹ 2,31,500)		11,575			
		5,84,075			5,84,075

Dr. **Capitla Accounts** **Cr.**

Particulars	Srijan	Raman	Manan	Particulars	Srijan	Raman	Manan
	₹	₹	₹		₹	₹	₹
To Balance b/d			10,000	By Balance b/d	2,00,000	1,50,000	
To P & L A/c	32,000	32,000	16,000	By Realisation			
To Realisation				(Commission)	11,575		
(Loss)	81,030	81,030	40,515	By Bank A/c	66,515		
To Bank A/c	98,545	36,970					
	2,11,575	1,50,000	66,515		2,11,575	1,50,000	66,515

Dr. **Bank Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	10,000	By Realisation A/c	
To Realisation A/c		(Liabilities paid)	1,50,000
(Assets Realised)	2,31,500	By Realisation A/c	22,500
To Manan's Capital A/c	66,515	By Srijan's Capital A/c	98,545
		By Raman's Capital A/c	36,970
	3,08,015		3,08,015

39. Hema and Garima were partners in a firm sharing profits in the ratio of 3 : 2. On 31st March, 2021, their Balance Sheet was as follows :

BALANCE SHEET OF HEMA AND GARIMA

as at 31st March, 2021

Liabilities			₹	Assets	₹
Creditors			36,000	Bank	40,000
Garima's Husband's Loan			60,000	Debtors	76,000
Hema's Loan			40,000	Stock	2,00,000
Capitals :	Hema	2,00,000		Furniture	20,000
	Garima	1,00,000	3,00,000	Leasehold Premises	1,00,000
			4,36,000		4,36,000

On the above date the firm was dissolved. The various assets were realised and liabilities were settled as under :

(i) Garima agreed to pay her husband's loan.

(ii) Leasehold Premises realised ₹ 1,50,000 and Debtors ₹ 2,000 less.

(iii) Half the creditors agreed to accept furniture of the firm in full settlement of their claim and remaining half agreed to accept 5% less.

(iv) 50% Stock was taken over by Hema on cash payment of ₹ 90,000 and remaining stock was sold for ₹ 94,000.

(v) Realisation expenses ₹ 10,000 were paid by Garima on behalf of firm.

Pass necessary Journal entries for the dissolution of the firm.

Solution 39 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Realisation A/c	Dr.		3,96,000	
	To Debtors A/c				76,000
	To Stock A/c				2,00,000
	To Furniture A/c				20,000
	To Leasehold Premises A/c				1,00,000
	(Assets transferred to Realisation Account)				
	Creditors A/c	Dr.		36,000	
	Garima's Husband's Loan A/c	Dr.		60,000	
	To Realisation A/c				96,000
	(Third party liabilities transferred to Realisation Account)				
	Bank A/c	Dr.		4,08,000	
	To Realisation A/c				4,08,000
	(Assets realised)				
	Realisation A/c	Dr.		17,100	
	To Bank A/c				17,100
	(Creditors paid)				
	Realisation A/c (₹ 60,000 + ₹ 10,000)	Dr.		70,000	
	To Garima's Capital A/c				70,000
	(Garima's husband loan and realisation expenses paid off by Garima)				

Realisation A/c Dr.			20,900	
To Hema's Capital A/c				12,540
To Garima's Capital A/c				8,360
(Profit on realisation distributed between the partners)				
Hema's Loan A/c Dr.			40,000	
To Bank A/c				40,000
(Hema's loan paid)				
Hema's Capital A/c Dr.			2,12,540	
Garima's Capital A/c			1,78,360	
To Bank A/c				3,90,900
(Amount paid ot partners in final settlement)				

Dr. Realisation Account Cr.

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Debtors		76,000	By Creditors A/c		36,000
To Stock A/c		2,00,000	By Garima's Husband's Loan A/c		60,000
To Furniture A/c		20,000	By Bank (Assets Realised) :		
To Leasehold Premises A/c		1,00,000	Leasehold	1,50,000	
To Bank (Creditors)		17,100	Bebtors	74,000	
To Garima Capital			Stock (90,000 + 94,000)	184,000	4,08,000
Husbands Loan	₹ 60,000				
+ Realisation Exp.	₹ 10,000	70,000			
To Profit transferred to :					
Hema's Capital A/c	12,540				
Garima's Capital A/c	8,360	20,900			
		5,04,000			5,04,000

40. A, B and C are in partnership sharing profits and losses in the proportions of 1/2, 1/3 and 1/6 respectively. On 31st January, 2021 they decide to dissolve the partnership firm and the position of the firm on this date is represented by the following Balance Sheet :

Liabilities		₹	Assets	₹
Creditors		40,000	Land and Buildings	57,000
Loan Account :	A	10,000	Stock	50,000
Capital Account :			Sundry Debtors	50,000
	A	60,000	Cash at Bank	3,000
	B	40,000		
	C	10,000		
		1,60,000		1,60,000

During the course of realisation, a liability under a suit for damages is settled at ₹ 20,000 as against ₹ 5,000 only provided for in the books of the firm.

Land and Buildings were sold for ₹ 40,000 and the Stock and Sundry Debtors realised ₹ 30,000 and ₹ 42,000 respectively. The expenses of realisation amounted to ₹ 1,200. You are required to prepare Realisation Account, Cash Account and Partners' Capital Accounts in the books of the firm.

Solution 40 :

Dr. Realisation Account Cr.

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Land and Buildings A/c	57,000	By Creditors A/c	40,000	
To Stock A/c	50,000	By Bank A/c		
To Sundry Debtors A/c	50,000	(Assets realised) :		
To Bank A/c		Land & Buildings	40,000	
(Payment of Liabilities)	20,000	Stock	30,000	
To Bank A/c (Creditors)	35,000	Sundry Debtors	42,000	1,12,000
To Bank A/c		By Loss on realisation :		
(Expenses of realisation)	1,200	A's Capital A/c $\frac{3}{6}$	30,600	
		B's Capital A/c $\frac{2}{6}$	20,400	
		C's Capital A/c $\frac{1}{6}$	10,200	61,200
	2,13,200			2,13,200

Dr. Loan From A Account Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	10,000	By Balance b/d	10,000
	10,000		10,000

Dr. Capital Accounts Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Realisation A/c				By Balance b/d	60,000	40,000	10,000
(Loss)	30,600	20,400	10,200	By Bank A/c			
To Bank A/c				(Amount			
(Final Payment)	29,400	19,600		brought in)			200
	60,000	40,000	10,200		60,000	40,000	10,200

Dr. Bank Account Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	3,000	By Realisation A/c	
To Realisation A/c		(Payment of Liabilities)	20,000
(Assets realised)	1,12,000	By Realisation A/c (Creditors)	35,000
To C's Capital A/c	200	By Realisation A/c	
		(Expenses of realisation)	1,200
		By Loan from A A/c	10,000
		By A's Capital A/c	29,400
		By B's Capital A/c	19,600
	1,15,200		1,15,200

Note (1) : Liability for damages ₹ 5,000 is already included in the Creditors appearing in the Balance Sheet. As such, Creditors will be paid ₹ 35,000 net.

41. The following is the Balance Sheet of X and Y as at 30th June, 2020 :

Liabilities	₹	Assets		₹
Sundry Creditors	20,000	Goodwill		10,000
Bills Payable	20,000	Buildings		25,000
Bank Overdraft	8,000	Plant		25,000
Outstanding Expenses	2,000	Investments		15,300
X's brother's Loan	20,000	Stock		8,700
Y's Loan	10,000	Debtors	17,000	
Investment Fluctuation Fund	2,800	*Less* : Provision	2,000	15,000
Employee's Provident Fund	1,200	Bills Receivable		10,000
General Reserve	2,000	Cash at Bank		13,000
X's Capital	20,000	Profit and Loss A/c (Dr. Balance)		4,000
Y's Capital	20,000			
	1,26,000			1,26,000

The firm was dissolved on 30th June, 2020 and the following arrangements were decided upon :

(a) X agreed to pay off his brother's loan;
(b) Debtors realised ₹ 12,000;
(c) Y took over all the investments at ₹ 12,000.
(d) Other assets realised as follows :
Plant ₹ 20,000, Building ₹ 50,000, Goodwill ₹ 6,000.
(d) Sundry Creditors and bills payable were settled at 5% discount, Y accepted Stock at ₹ 8,000 and X took over Bills Receivable at 20% discount.
(e) Realisation Expenses amounted to ₹ 2,000.

You are required to pass Journal Entries.

Solution : 41

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2018					
June 30	Realisation A/c	Dr.		1,11,000	
	To Goodwill A/c				10,000
	To Building A/c				25,000
	To Plant A/c				25,000
	To Investment A/c				15,300
	To Stock A/c				8,700
	To Debtors A/c				17,000
	To Bills Receivable A/c				10,000
	(Transfer of various assets except cash and P & L A/c to realisation A/c, at book values)				
	Provision for Bad Debts A/c	Dr.		2,000	
	Sundry Creditors A/c	Dr.		20,000	
	Bills Payable A/c	Dr.		20,000	
	Bank Overdraft A/c	Dr.		8,000	
	Outstanding Expenses A/c	Dr.		2,000	
	X's Brother's Loan A/c	Dr.		20,000	
	Investment Fluctuation Fund A/c	Dr.		2,800	
	Employee's Provident Fund A/c	Dr.		1,200	
	To Realisation A/c				76,000
	(Outside liabilities and provision transferred to Realisation A/c, at book values)				

	X's Capital A/c Dr.		2,000	
	Y's Capital A/c Dr.		2,000	
	To Profit & Loss A/c			4,000
	(Dr. balance of Profit & Loss A/c debited to partners Capital A/cs)			
	General Reserve A/c Dr.		2,000	
	To X's Capital A/c			1,000
	To Y's Capital A/c			1,000
	(General Reserve credited to partner's Capital A/cs)			
	Realisation A/c Dr.		20,000	
	To X's Capital A/c			
	(X's brother's loan taken over by X)			
	Bank A/c Dr.		12,000	
	To Realisation A/c			12,000
	(Debtors realised)			
	Y's Capital A/c Dr.		12,000	
	To Realisation A/c			12,000
	(Investments taken over by Y)			
	Bank A/c Dr.		76,000	
	To Realisation A/c			76,000
	(Amount realised on sale of Assets : Plant 20,000 Building 50,000 Goodwill 6,000 76,000)			
	Realisation A/c Dr.		38,000	
	To Bank A/c			38,000
	(Sundry Creditors and Bills Payable paid at 5% discount)			
	Realisation A/c Dr.		8,000	
	To Bank A/c			8,000
	(Bank overdraft paid off)			
	Y's Capital A/c Dr.		8,000	
	X's Capital A/c Dr.		8,000	
	To Realisation A/c			16,000
	(Stock taken ove by Y and Biils Receivable taken over by X at 20% discount)			
	Realisation A/c Dr.		3,000	
	To Bank A/c			3,200
	(Payment of outstanding expenses and Employee's Provident Fund)			
	Realisation A/c Dr.		2,000	
	To Bank A/c			2,000
	(Payment of realisation expenses)			
	Y's Loan A/c Dr.		10,000	
	To Bank A/c			10,000
	(Payment of Y's Loan)			
	Realisation A/c Dr.		10,000	
	To Bank A/c			10,000
	(Payment of Y's Loan)			

	Realisation A/c Dr.		9,800	
	To X's Capital A/c			4,900
	To Y's Capital A/c			4,900
	(Profit on realisation transferr's Capital A/cs)			
	X's Capital A/c Dr.		35,900	
	Y's Capital A/c Dr.		3,900	
	To Bank A/c			39,800
	(Final payment made to partners)			

Working Notes :

(1) Students ar advised to prepare 'Realisation A/c' in order to ascertain profit or loss on realisation.
(2) They are also advised to prepare 'Capital Accounts' to ascertain the amount of final payment.

42. A, B and C were partners in a firm sharing profits in the ratio of 5 : 3 : 2. On 1-4-2020 they decided to dissolve the firm. On that date A's Capital was ₹ 2,00,000, B's Capital was ₹ 10,000 (Dr.) and C's Capital was ₹ 25,000 (Dr.). The Creditors amounted to ₹ 80,000 and Cash balance was ₹ 12,000. The assets realised ₹ 2,00,000; Creditors were paid at a discount of 10% and the expenses of dissolution were ₹ 1,240, All partners were solvent. Prepare realisation account, partner's capital accounts and the cash account.

Solution 42 :

Books of A, B and C
Balance Sheet
as at 1.2.2018

Liabilities	Amt. (₹)	Assets	Amt. (₹)
A's Capital	2,00,000	B's Capital	10,000
Creditors	80,000	C's Capital	25,000
		Cash	12,000
		Sundry Assets (Balancing figure)	2,33,000
	2,80,000		2,80,000

Dr. **Realiation Account** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets A/c	2,33,000	By Creditors A/c		80,000
To Cash A/c (Creditors paid off)	72,000	By Cash A/c (Assets Realised)		2,00,000
To Cash A/c (Exp.)	1,240	By Loss transferred to :		
		A's Capital A/c	13,120	
		B's Capital A/c	7,872	
		C's Capital A/c	5,248	26,240
	3,06,240			3,06,240

Dr. **Capital Accounts** **Cr.**

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Bal. b/d		10,000	25,000	By Bal. b/d	2,00,000		
To Realisation A/c (Loss)	13,120	7,872	5,248	By Cash A/c (Deficit brought in)		17,872	30,248
To Cash A/c (Final Payment)	1,86,880						
	2,00,000	17,872	30,248		2,00,000	17,872	30,248

Dr. **Cash Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	12,000	By Realisation (Creditors paid off)	72,000
To Realisation A/c		By Realisation (Exp.)	1,240
(Assets realised)	2,00,000	By A's Capital A/c	1,86,880
To B's Capital A/c	17,872		
To C's Capital A/c	30,248		
	2,60,120		2,60,120

43. The partnership between *X* and Y was dissolved on March 31, 2021. On that date their respective credits to the Capitals were ₹ 1,50,000 and ₹ 10,000. ₹ 1,20,000 were due to creditors. ₹ 60,000 were due for Bank Loan and Reserve has been maintained for ₹ 20,000. X and Y shared profits in the ratio of 4 : 1. Cash balance of ₹ 18,000 was also kept in the firm. Assets realised ₹ 3,02,000. Prepare Memorandum Balance Sheet, Realisation Account; Partner's Capital Accounts and Cash Account.

Solution 43 :

Books of X and Y
Memorandum Balance Sheet
as at March 31, 2018

Liabilities			Amt. (₹)	Assets	Amt. (₹)
Capitals	X	1,50,000		Cash	18,000
	Y	10,000	1,60,000	Sundry Assets (Balancing figure)	3,42,000
Creditors			1,20,000		
Bank Loan			60,000		
Reserve			20,000		
			3,60,000		3,60,000

Dr. **Realisation Account** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets	3,42,000	By Creditors A/c		1,20,000
To Cash A/c (Creditors)	1,20,000	By Bank Loan A/c		60,000
To Cash A/c (Bank Loan)	60,000	By Cash A/c (Assets realised)		3,02,000
		By Loss Transferred to:		
		X's Capital A/c	32,000	
		Y's Capital A/c	8,000	40,000
	5,22,000			5,22,000

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	X	Y	Particulars	X	Y
	(₹)	(₹)		(₹)	(₹)
To Realisation A/c (Loss)	32,000	8,000	By Balance b/d	1,50,000	10,000
To Cash A/c			By Reserve	16,000	4,000
(Final Payment)	1,34,000	6,000			
	1,66,000	14,000		1,66,000	14,000

Dr. **Cash Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	18,000	By Realisation A/c (Creditors)	1,20,000
To Realisation A/c		By Realisation A/c (Bank Loan)	60,000
(Assets realised)	3,02,000	By X's Capital A/c	1,34,000
		By Y's Capital A/c	6,000
	3,20,000		3,20,000

44. Peter, Roberts and Sunny commenced business on 1st April, 2018 with Capitals of ₹ 60,000; ₹ 50,000 and ₹ 40,000 respectively. Profit for the first year was ₹ 48,000 while losses in the second year amounted to ₹ 12,000. Drawings per partner were ₹ 7,000 per annum.

The firm was dissolved on the first day of the third year, 1st April, 2020. Creditors on that day were ₹ 14,000 who were paid ₹ 12,500 in full and final settlement. Cash amounted to ₹ 5,000 on that date. Other assets realised ₹ 1,62,000. Expenses amounted to ₹ 3,000.

Prepare the Realisation Account.

Solution 44 :

Date	Particulars	Peter	Roberts	Sunny	Date	Particulars	Peter	Roberts	Sunny
2017		₹	₹	₹	**2016**		₹	₹	₹
March 31	To Drawings A/c	7,000	7,000	7,000	April 1	By Cash A/c	60,000	50,000	40,000
March 31	To Balance c/d	69,000	59,000	49,000	2017 March 31	By Profit & Loss Appropri-ration A/c	16,000	16,000	16,000
		76,000	66,000	56,000			76,000	66,000	56,000
2018 March 31	To Drawings A/c	7,000	7,000	7,000	2017 April 1	By Balance b/d	69,000	59,000	49,000
March 31	To Profit & Loss Appropri-ation A/c	4,000	4,000	4,000					
March 31	To Balance c/d	58,000	48,000	38,000					
		69,000	59,000	49,000			69,000	59,000	49,000

Balance Shset
as at 1st April, 2018

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Creditors		14,000	Cash	5,000
Capitals :			Sundry Assets (Balancing Figure)	1,53,000
Peter	58,000			
Roberts	48,000			
Sunny	38,000	1,44,000		
		1,58,000		1,58,000

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets		1,53,000	By Creditors		14,000
To Cash (Creditors paid)		12,500	By Cash (Assets realised)		1,62,000
To Cash (Exp.)		3,000			
To Profit transferred to :					
Peter's Capital A/c	2,500				
Robert's Capital A/c	2,500				
Sunny's Capital Ac/	2,500	7,500			
		1,76,000			1,76,000

45. A and B dissolve their partnership. Their position as at 31st March, 2021 was as follows:

	₹
A's Capital	60,000
B's Capital	40,000
Sundry Creditors	25,000
Cash at Bank	2,000

The balance of A's Loan Account to the firm stood at ₹ 20,000. The realisation expenses amounted to ₹ 800. Stock realised ₹ 40,000 and Debtors ₹ 30,000. B took a machine at the agreed valuation of ₹ 20,000. Other fixed assets realised ₹ 60,000.

Prepare necessary accounts.

Solution 45 :

Balance Sheet
(as at 31st March, 2018)

Liabilities		Amt. (₹)	Assets	Amt. (₹)
Sundry Creditors		25,000	Cash at Bank	2,000
A's Loan Account		20,000	Sundry Assets	
Capital Accounts :			(Balancing Figure)	1,43,000
A	60,000			
B	40,000	1,00,000		
		1,45,000		1,45,000

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets A/c		1,43,000	By Sundry creditors A/c		25,000
To Bank A/c :			By Bank A/c (Assets realised)		
Sundry Creditors	25,000		Stock	40,000	
Expenses on realisation	800	25,800	Debtors	30,000	
To Profit on realisation :			Other Fixed Assets	60,000	1,30,000
A's Capital A/c $\frac{1}{2}$	3,100		By B's Capital A/c		
B's Capital A/c $\frac{1}{2}$	3,100	6,200			
		1,75,000			1,75,000

Dr. Loan From A Account Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Bank A/c	20,000	By Balance b/d	20,000
	20,000		20,000

Dr. Capital Accounts Cr.

Particulars	A (₹)	B (₹)	Particulars	A (₹)	B (₹)
To Realisation A/c (Machine taken over)		20,000	By Balance b/d	60,000	40,000
To Bank A/c (Final Payment)	63,100	23,100	By Realisation A/c (Profit)	3,100	3,100
	63,100	43,100		63,100	43,100

Dr. Bank Account Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	2,000	By Realisation A/c	25,800
To Realisation A/c (Assets realised)	1,30,000	By Loan from A A/c	20,000
		By A's Capital A/c	63,100
		By B's Capital A/c	23,100
	1,32,000		1,32,000

46. The following was the Balance Sheet of Fox and Wolf as at 31st March, 2018, when they decided to dissolve the firm :

Liabilities		₹	Assets	₹
Capital :	₹		Cash at Bank	4,500
Fox	30,000		Stock	18,000
Wolf	24,000	54,000	Debtors	42,000
Creditors		88,500	Furniture	12,000
Mrs. Wolf's Loan		40,000	Machinery	1,06,500
Bills Payable		23,000	Profit & Loss A/c	22,500
		2,05,500		2,05,500

The assets realised :

Stock	₹ 10,500
Debtors	₹ 27,750
Machinery	₹ 88,500

Furniture was taken over by Fox at ₹ 7,500. Bills payable were paid in full, while creditors were settled at 2% discount. Mrs. Wolf accepted ₹ 38,500 in full settlement of her Loan Account.

There was a claim of damages against the firm for ₹ 4,000 which was settled at ₹ 2,000.

One customer, whose account was written off as bad, now paid ₹ 1,800, which is not included in ₹ 27,750 given above. Actual realisation expenses amounted to ₹ 2,100.

Prepare (a) Realisation A/c, (b) Capital Accounts of Partners, (c) Bank Account to close the Books of the firm.

Solution 46 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Stock A/c		18,000	By Creditors A/c		88,500
To Debtors A/c		42,000	By Mrs. Wolf's Loan A/c		40,000
To Furniture A/c		12,000	By Bills Payable A/c		23,000
To Machinery A/c		1,06,500	By Bank A/c		
To Bank A/c :			(Assets realised)		
Bills Payable	23,000		Stock	10,500	
Creditors	86,730		Debtors	27,750	
Mrs. Wolf's Loan	38,500		Machinery	88,500	1,26,750
Claim against the firm	2,000		By Fox's Capital A/c		
Realisation Expenses	2,100	1,52,330	(Furniture taken over)		7,500
			By Bank A/c		
			(Bad Debts recovered)		1,800
			By Loss on realisation :		
			Fox's Capital A/c $\frac{1}{2}$	21,640	
			Wolf's Capital A/c $\frac{1}{2}$	21,640	43,280
		3,30,830			3,30,830

Dr. **Capital Accounts** **Cr.**

Particulars	Fox (₹)	Wolf (₹)	Particulars	Fox (₹)	Wolf (₹)
To Profit & Loss A/c	11,250	11,250	By Balance b/d	30,000	24,000
To Realisation A/c			By Bank A/c		
(Furniture taken over)	7,500		(Amount brought in)	10,390	8,890
To Realisation A/c					
(Loss)	21,640	21,640			
	40,390	32,890		40,390	32,890

Dr. **Bank Acount** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	4,500	By Realisation A/c	1,52,330
To Realisation A/c			
(Assets realised)	1,26,750		
To Realisation A/c			
(Bad Debts recovered)	1,800		
To Fox's Capital A/c	10,390		
To Wolf's Capital A/c	8,890		
	1,52,330		1,52,330

47. Arun, Tarun and Varun shared profits in the ratio of 2 : 2 : 1. On 31.12.2021 their Balance Sheet was as follows :

Liabilities		₹	Assets	₹
Creditors		50,000	Cash	30,000
Billls Payable		30,000	Debtors	50,000
Provident fund		20,000	Stock	36,000
Investment Fluctuation Fund		8,000	Investments	20,000
Commission Received in Advance		12,000	Plant	90,000
Capitals :	₹		Profit & Loss A/c	34,000
Arun	50,000			
Tarun	60,000			
Varun	30,000	1,40,000		
		2,60,000		2,60,000

On this date the firm was dissolved. Arun was appointed to realise the assets. Arun was to receive 5% commission on the sale of assets (except cash) and was to bear all expenses of realisation.

Arun realised the assets as follows :

Stock ₹ 36,000, Debtors ₹ 45,000, Investments 80% of the book value, Plant ₹ 65,500. Expenses of realisation amounted to ₹ 5,500. Commission received in advance was returned to the customers after deducting ₹ 4,000. Firm had to pay ₹ 8,000 for outstanding wages. This liability was not provided for in the above Balance Sheet. ₹ 20,000 had to be paid for provident fund.

Prepare Realisation Account, Capital Accounts and Cash Account.

Solution 47 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Debtors A/c		50,000	By Creditors A/c		50,000
To Stock A/c		36,000	By Bills Payable A/c		30,000
To Investment A/c		20,000	By Provident Fund A/c		20,000
To Plant A/c		90,000	By Investment Fluctuation Fund A/c		8,000
To Cash A/c :			By Commission Received in Advance A/c		12,000
Commission received in Advance returned	8,000		By Cash A/c (Assets realised)		
Oustanding Wages	8,000		Stock	36,000	
Provident Fund	20,000		Debtors	45,000	
Creditors	50,000		Investments	16,000	
Bills Payable	30,000	1,16,000	Plant	65,500	1,62,500
To Arun's Capital A/c (Commission 5% of 1,62,500)		8,125	By Loss on realisation :		
			Arun's Capital A/c $\frac{2}{5}$	15,050	
			Tarun's Capital A/c $\frac{2}{5}$	15,050	
			Varun's Capital A/c $\frac{1}{5}$	7,525	37,625
		3,20,125			3,20,125

Dr. **Capital Accounts** **Cr.**

Particulars	Arun	Tarun	Varun	Particulars	Arun	Tarun	Varun
	₹	₹	₹		₹	₹	₹
To Profit & Loss A/c	13,600	13,600	6,800	By Balance b/d	50,000	60,000	30,000
To Realisation A/c (Loss)	15,050	15,050	7,525	By Realisation A/c			
To Cash A/c				(Commission)	8,125		
(Final Payment)	29,475	31,350	15,675				
	58,125	60,000	30,000		58,125	60,000	30,000

Dr. **Cash Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	30,000	By Realisation A/c	1,16,000
To Realisation A/c		By Arun's Capital A/c	29,475
(Assets realised)	1,62,500	By Tarun's Capital A/c	31,350
		By Varun's Capital A/c	15,675
	1,92,500		1,92,500

48. Arnab, Ragini and Dhrupad were partners sharing profits in the ratio of 3 : 1 : 1. On 31st March, 2021, they decided to dissolve their firm. On that date their Balance Sheet was as under :

BALANCE SHEET OF ARNAB, RAGINI AND DHRUPAD

as at 31st March, 2021

Liabilities		₹	Assets		₹
Creditors		60,000	Bank	50,000	
Arnab's Brother's Loan		95,000	Debtors	1,70,000	
Dhrupad's Loan		1,00,000	*Less* : Provision for		
Investment Fluctuation Fund		50,000	Bad Debts	20,000	1,50,000
Capitals : Arnab	2,75,000		Stock		1,50,000
Ragini	2,00,000		Investments		2,50,000
Dhrupad	1,70,000	6,45,000	Building		3,00,000
			Profit and Loss Account		50,000
		9,50,000			9,50,000

The assets were realised and the liabilities were paid as under :

(i) Arnab agreed to pay his brother's loan.

(ii) Investments realised 20% less.

(iii) Creditors were paid at 10% less.

(iv) Building was auctioned for ₹ 3,55,000. Commission on auction was ₹ 5,000.

(v) 50% of the stock was taken over by Ragini at market price which was 20% less than the book value and the remaining was sold at market price.

(vi) Dissolution expenses were ₹ 8,000. ₹ 3,000 were to be borne by the firm and the balance by Dhrupad. The expenses were paid by him.

Prepare Realisation Account, Bank Account and Partner's Capital Accounts.

Solution 48 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets :			By Provision for Bad Debts A/c		20,000
Debtors	1,70,000		By Creditors		60,000
Stock	1,50,000		By Amab's Brother's Loan A/c		95,000
Investments	2,50,000		By Investment Fluctuation Fund A/c		50,000
Building	3,00,000	8,70,000	By Bank A/c (Assets Realised) :		
To Amab's Capital A/c			Investments	2,00,000	
(Amab's Brother's Loan)		95,000	Building	3,50,000	
To Bank A/c (Creditors Paid)		54,000	Stock	60,000	6,10,000
To Dhrupad's Capital A/c			By Ragini's Capital A/c		
(Expenses) (₹ 8,000 – ₹ 5,000)		3,000	(Stock ₹ 75,000 – 20% of ₹ 75,000)		60,000
			By Loss on Realisation transferred to :		
			Amab's Capital A/c	76,200	
			Ragini's Capital A/c	25,400	
			Dhrupad's Capital A/c	25,400	1,27,000
		10,22,000			10,22,000

Dr. **Partners' Capital Accounts** **Cr.**

Particulars	Arnab	Ragini	Dhrupad	Particulars	Arnab	Ragini	Dhrupad
	₹	₹	₹		₹	₹	₹
To Profit and Loss A/c	30,000	10,000		By Balance b/d	2,75,000	2,00,000	1,70,000
To Realisation A/c (Stock)	—	60,000		By Realisation A/c (Brother's Loan)	95,000	—	—
To Realisation A/c (Loss)	76,200	25,400	25,400	By Realisation A/c (Expenses)	—	—	3,000
To Bank A/c (Final Payment)	2,63,800	1,04,600	1,37,600				
	3,70,000	2,00,000	1,73,000		3,70,000	2,00,000	1,73,000

Dr. **Bank Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	50,000	By Realisation A/c (Creditors)	54,000
To Realisation A/cs (Assets Realised)	6,10,000	By Dhrupad's Loan A/c	1,00,000
		By Arnab's Capital A/c (Final Payment)	2,63,800
		By Ragini's Capital A/c (Final Payment)	1,04,600
		By Dhrupad's Capital A/c (Final Payment)	1,37,600
	6,60,000		6,60,000

49. A, B and C sharing profits and losses in the ratio of 3 : 2 : 1 agreed to dissolve their partnership firm on 31st March, 2021. A was asked to realise the assets and pay off liabilities. He had to bear the realisation expenses for which he was promised a lump sum amount of ₹ 3,000. Their financial position on that date was as follows :

Liabilities		₹	Assets	₹
Accounts Payable		40,000	Goodwill	20,000
Mortgage Loan		30,000	Lease	75,000
Advance from B		25,000	Patents	6,000
Employees' Saving Bank		16,000	Stock	50,000
Capitals :			Accounts Receivable	25,000
A	80,000		Equipment	20,000
B	66,000	1,46,000	300 Shares in X Ltd.	36,000
			Cash	13,000
			C's Capital	12,000
		2,57,000		2,57,000

Additional Informations :

(1) Stock was valued at ₹ 40,000 and this was taken over by A and B equally. Lease realised ₹ 1,10,000; Equipments at ₹ 18,000; and Accounts Receivable at ₹ 20,000 and other assets proved valueless.

(2) Actual realisation expenses paid by A amounted to ₹ 1,800.

(3) There was an unrecorded asset of ₹ 10,000 which was taken over by A at ₹ 12,000.

(4) A bill of ₹ 3,200 due for sales tax was received during the course of realisation and this was also paid.

(5) Sunil, an old customer whose account was written off as bad in the previous year, paid ₹ 2,500 which is not included in the above stated accounts receivable.

(6) Market value of the Shares in X Ltd. is ₹ 100 per share. Half the shares were sold in the market subject to a commission of 2% and the balance half were divided by all the partners in their profit sharing ratio.

Prepare necessary ledger accounts.

Solution 49 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Goodwill A/c		20,000	By Accounts Payable A/c		40,000
To Lease A/c		75,000	By Mortgage Loan A/c		30,000
To Patents A/c		6,000	By Employee's Saving Bank A/c		16,000
To Stock A/c		50,000	By A's Capital A/c (Stock)		20,000
To Accounts Receivable A/c		25,000	By B's Capital A/c (Stock)		20,000
To Equipment A/c		20,000	By Cash A/c		
To 300 Shares in X Ltd. A/c		36,000	(Assets realised) :		
To A's Capital A/c			Lease	1,10,000	
(Amount Payable to A)		3,000	Equipments	18,000	
To Cash A/c			Accounts Receivables	20,000	1,48,000
(Liabilities paid)			By A's Capital A/c		
Sales Tax paid	3,200		(Unrecorded asset taken over)		12,000
Accounts Payable	40,000		By Cash A/c (Amount recovered)		2,500
Mortgage Loan	30,000		By A's Capital A/c (Shares)		7,500
Employee's Saving			By B's Capital A/c (Shares)		5,000
Bank	16,000	89,200	By C's Capital A/c (Shares)		2,500

		By Loss on realisation :	
		A's Capital A/c $\frac{3}{6}$ 3,000	
		B's Capital A/c $\frac{2}{6}$ 2,000	
		C's Capital A/c $\frac{1}{6}$ 1,000	6,000
	3,24,200		3,24,200

Dr. Advance From B Account Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Cash A/c	25,000	By Balance b/d	25,000
	25,000		25,000

Dr. Capital Accounts Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Balance b/d			12,000	By Balance b/d	80,000	66,000	
To Realisation A/c (Assets taken over)	20,000	20,000		By Realisation A/c	3,000		
To Realisation A/c (Unrecorded asset taken over)	12,000			By Cash A/c (Amount brought in)			15,500
To Realisation A/c (Shares taken over)	7,500	5,000	2,500				
To Ralisation A/c (Loss)	3,000	2,000	1,000				
To Cash A/c (Final Payment)	40,500	39,000					
	83,000	66,000	15,500		83,000	66,000	15,500

Dr. Cash Account Cr.

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	13,000	By Realisation A/c (Liabilities paid)	89,200
To Realisation A/c (Assets realised)	1,48,000	By Advance from B A/c	25,000
To Realisation A/c (Amount recovered from customer)	2,500	By A's Capital A/c	40,500
To Realisation A/c (Sale of Shares)	14,700	By B's Capital A/c	39,000
To C's Capital A/c	15,500		
	1,93,700		1,93,700

Hint : 1. Cash realised from sale of shares :

		₹
150 Shares @ ₹ 100 each	=	15,000
Less : 2% of 15,000	=	300
		14,700

2. There will be no entry of realisation expenses of ₹ 1,800 paid by A.

50. X, Y and Z decided to dissolve partnership. The position as at 31st December, 2018, the date of dissolution was as follows :

Liabilities		₹	Assets	₹
Creditors		20,000	Freehold Properrty	40,000
Bank Loan		5,000	Machinery	40,000
Capitals : X	70,000		Investments	16,000
Y	40,000		Stock	30,000
Z	20,000	1,30,000	Debtors	30,000
Current Accounts :			Cash	10,000
X	12,000		Loss in Business	20,000
Y	7,500	19,500	Current Account : Z	4,500
Reserve for Contingency		10,000		
Commission Received in Advance		6,000		
		1,90,500		1,90,500

They shared profits in the ratio of X : 1/2, Y. 3/10 and Z : 1/5.

X agreed to bear all realisation expenses. For this service X is paid ₹ 2,000. Actual expenses amounted to ₹ 3,200 which was withdrawn by him from the firm.

Other informations are :

(1) Assets, with the exception of investments and Cash, are sold for ₹ 1,25,100. 75% of the investments are taken over by X at 75% of their book value. He also agrees to discharge the Bank Loan. The remaining investments were taken over by Y at the market value of 120%.

(2) There were outstanding expenses amounting to ₹ 5,000. These were settled for ₹ 2,000.

(3) A B/R for ₹ 10,000 was received from a customer Mr. Surender Kumar and the bill was discounted from the bank. Surender became insolvent and 75 paise per ₹ were received from his estate.

(4) Commission received in advance was returned to the customers after deducting 60% for work done.

You are required to prepare the necessary Ledger accounts.

Solution 50 :

Dr. **Realisation Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Freehold Property A/c	40,000	By Creditors A/c	20,000
To Machinery A/c	40,000	By Bank Loan A/c	5,000
To Investment A/c	16,000	By Commission received in Advance A/c	6,000
To Stock A/c	30,000	By Cash A/c	
To Debtors A/c	30,000	(Assets realised)	1,25,100
To X's Capital A/c		By X's Capital A/c	
(Bank Loan taken over)	5,000	(Investments taken over)	9,000
To Cash A/c		By Y's Capital A/c	
(Outstanding Expenses)	2,000	(Investments taken over)	4,800
To Cash A/c		By Cash A/c	
(Payment for B/R discounted)	10,000	(Recovery from B/R discounted)	7,500

To Cash A/c (Advance commission returned)	2,400	By Loss on realisation : X's Capital A/c $\frac{5}{10}$	10,000	
To Cash A/c (Creditors paid)	20,000	Y's Capital A/c $\frac{3}{10}$	6,000	
		Z's Capital A/c $\frac{2}{10}$	4,000	20,000
	1,97,400			1,97,400

Dr. **Current Accounts** **Cr.**

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Balance b/d			4,500	By Balance b/d	12,000	7,500	
To P & L A/c (Loss in business)	10,000	6,000	4,000	By Reserve for Contingency	5,000	3,000	2,000
To Realisation A/c (Loss)	10,000	6,000	4,000	By Capital A/c (Transfer)	3,000	1,500	10,500
	20,000	12,000	12,500		20,000	12,000	12,500

Dr. **Capital Accounts** **Cr.**

Particulars	X	Y	Z	Particulars	X	Y	Z
	₹	₹	₹		₹	₹	₹
To Current A/c (Transfer)	3,000	1,500	10,500	By Balance b/d	70,000	40,000	20,000
To Cash A/c	3,200			By Realisation A/c (Amount Payable)	2,000		
To Realisation A/c (Investments)	9,000	4,800		By Realisation A/c (Bank Loan taken over)	5,000		
To Cash A/c (Final Payment)	61,800	33,700	9,500				
	77,000	40,000	20,000		77,000	40,000	20,000

Dr. **Cash Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	10,000	By X's Capital A/c (Relisation Expenses)	3,200
To Realisation A/c (Assets realised)	1,25,100	By Realisation A/c (Outstanding Expenses)	2,000
To Realisatoon A/c (Recovery from B/R dishonoured)	7,500	By Realisation A/c (Payment for B/R discounted)	10,000
		By Realisation A/c (Advance Commission returned)	2,400
		By Realisation A/c (Creditors paid)	20,000
		By X's Capital A/c	61,800
		By Y's Capital A/c	33,700
		By Z's Capital A/c	9,500
	1,42,600		1,42,600

51. A and B shared profits in the ratio of 7 : 3. They dissolved the partnership and appointed A to realise the assets. A is to receive 6% commission on the amount realised from Stock, Debtors, B/R and Shares.

The position of the firm was as follows :

Liabilities	₹	Assets	₹
Creditors	60,000	Plant and Machinery	20,000
Repairs and Renewals Reserve	4,000	Prepaid Insurance	1,200
Bank Loan	20,000	Stock	60,000
A's Capital A/c	50,000	100 Shares in D.C.M. Ltd.	5,000
B's Capital A/c	20,000	Sundry Debtors	38,000
		B/R	6,000
		Cash at Bank	8,800
		A's Drawings	5,000
		Advertisement Suspense A/c	10,000
	1,54,000		1,54,000

Additional Informations :

1. A realised the assets as follows : Full amount from Sundry Debtors and B/R except from one for ₹ 2,000 being insolvent. Stock realised ₹ 52,000; Shares in D.C.M. were sold for ₹ 60 each.
2. Half the trade creditors accepted plant and machinery at an agreed valuation of 10% less than the book value and cash of ₹ 7,000 in full settlement of their claims.
3. Remaining creditors were paid off at a discount of 10%. Expenses of realisation amounted to ₹ 700.
4. One quarter's tax amounting to ₹ 1,500 was due and had to be paid.
5. There was a contingent liability amounting to ₹ 13,000. It was settled for ₹ 6,000.
6. Bank Loan was discharged along with interest due for two months @ 18% p.a.

Prepare necessary accounts.

Solution 51 :

Dr. Realisation Account Cr.

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Plant and Machinery A/c		20,000	By Creditors A/c		60,000
To Prepaid Insurance A/c		1,200	By Repairs and Renewals Reserve A/c		4,000
To Stock A/c		60,000	By Bank Loan A/c		20,000
To 100 Shares in D.C.M. Ltd. A/c		5,000	By Bank A/c (Assets realised) :		
To Sundry Debtors A/c		38,000	Sundry Debtors	38,000	
To B/R A/c		6,000	B/R	4,000	
To Bank A/c (Liabilities Paid) :			Stock	52,000	
Creditors (7,000 + 27,000)	34,000		Shares	6,000	1,00,000
Contingent Liability	6,000		By Loss on realisation :		
Bank Loan (20,000 + 600)	20,600	60,600	A's Capital A/c $\frac{7}{10}$	10,500	
To Bank A/c (Exp. of Realisation)		700	B's Capital A/c $\frac{3}{10}$	4,500	15,000
To Bank A/c (Tax Paid)	1,500				
To A's Capital A/c (Commission : 6% of ₹ 1,00,000)		6,000			
		1,99,000			1,99,000

Dr. **Capital Accounts** **Cr.**

Particulars	A	B	Particulars	A	B
	(₹)	(₹)		(₹)	(₹)
To Drawing A/c	5,000		By Balance b/d	50,000	20,000
To Advertisement Suspense A/c	7,000	3,000	By Realisation A/c (Commission)	6,000	
To Realisation A/c (Loss)	10,500	4,500			
To Bank A/c (Final Payment)	33,500	12,500			
	56,000	20,000		56,000	20,000

Dr. **Bank Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d	8,800	By Realisation A/c (Liabilities paid : ₹ 34,000 + ₹ 6,000 + ₹ 20,600)	60,600
To Realisation A/c (Assets realised)	1,00,000	By Realisation A/c (Exp.)	700
		By Realisation A/c (Tax)	1,500
		By A's Capital A/c	33,500
		By B's Capital A/c	12,500
	1,08,800		1,08,800

52. E, F and G were partners in a firm sharing profits in the ratio of 2 : 2 : 1. On March 31, 2021, their firm was dissolved. On the date of dissolution, the Balance Sheet of the firm was as follows :

Balance Sheet *(as at March 31, 2021)*

Liabilities		₹	Assets	₹
Capitals :			G's Capital	500
E	1,30,000		Profit & Loss Account	10,000
F	1,00,000	2,30,000	Land & Building	1,00,000
Creditors		45,000	Furniture	50,000
Oustanding Expenses		17,000	Machinery	90,000
			Debtors	36,500
			Bank	5,000
		2,92,000		2,92,000

F was appointed to undertake the process of dissolution for which he was allowed a remuneration of ₹ 5,000. F agreed to bear the dissolution expenses. Assets realized as follows :

(i) The Land & Building was sold for ₹ 1,08,900.
(ii) Furniture was sold at 25% of book value.
(iii) Machinery was sold as scrap for ₹ 9,000.
(iv) All Debtors were realised at full value.

Creditors were payable on an average of 3 months from the date of dissolution. On discharging the Creditors on the date of dissolution, they allowed a discount of 5%.

Pass necessary Journal entries for dissolution in the books of the firm.

Solution 52 :

E, F and G
Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
2017				₹	₹
March 31	Realisation A/c	Dr.		2,76,500	
	To Land & Building A/c				1,00,000
	To Furniture A/c				50,000
	To Machinery A/c				90,000
	To Debtors A/c				36,500
	(Assets transferred to Realisation Account)				
March 31	Creditors A/c	Dr.		45,000	
	OutstandingExpenses A/c	Dr.		17,000	
	To Realisation A/c				1,66,900
	(Liabilities transferred to Realisation Account)				
March 31	Bank A/c	Dr.		1,66,900	
	To Realisation A/c				1,66,900
	(Amount realised from Assets :				
	Land & Building	1,08,900			
	Furniture	12,500			
	Machinery	9,000			
	Debtors	36,500			
		1,66,900)			
March 31	Realisation A/c	Dr.		59,750	
	To Bank A/c				59,750
	(Payment made to :				
	Creditors : ₹ 45,000 less 5%*	42,750			
	Oustanding Expenses	17,000			
		59,750)			
	*Discount allowed by Creditors is 5% and not 5% p.a.				
March 31	Realisation A/c	Dr.		5,000	
	To F's Capital A/c				5,000
	(Remuneration paid to F)				
March 31	E's Capital A/c	Dr.		44,940	
	F's Capital A/c	Dr.		44,940	
	G's Capital A/c	Dr.		22,470	
	To Realisation A/c (Note 1)				1,12,350
	(Loss on realisation transferred to Partner's Capital Accounts)				
March 31	E's Capital A/c	Dr.		4,000	
	F's Capital A/c	Dr.		4,000	
	G's Capital A/c	Dr.		2,000	
	To Profit & Loss A/c				10,000
	(Transfer of accumulated loss)				
March 31	Bank A/c	Dr.		24,970	
	To G's Capital A/c				24,970
	(Final payment received from G : ₹ 500 + ₹ 22,470 + ₹ 2,000)				
March 31	E's Capital A/c				
	(1,30,000 – 44,940 – 4,000)	Dr.		81,060	
	F's Capital A/c (1,00,000 + 5,000 – 44,940 – 4,000)	Dr.		56,060	
	To Bank A/c				1,37,120
	(Final payment made of E and F)				

Working Note (1) :

Dr. **Realisation A/c** **Cr.**

Particulars	Amt. (₹)	Particulars		Amt. (₹)
To Land & Building A/c	1,00,000	By Creditors A/c		45,000
To Furniture A/c	50,000	By Oustanding Exp. A/c		17,000
To Machinery A/c	90,000	By Bank (Assets realised)		1,66,900
To Debtors AC	36,500	By Realisation loss		
To Bank (Liabilities paid)	59,750	transferred to :		
To F's Capital A/c	5,000	E's Capital A/c	44,940	
		F's Capital A/c	44,940	
		G's Capital A/c	22,470	1,12,350
	3,41,250			3,41,250

53. Pass necessary Journal entries for the following transactions, at the time of dissolution of the firm :

1. Realisation Expenses ₹ 3,000 paid.
2. Realisation Expenses paid by the firm ₹ 2,000; Mr. X one of the partners has to bear these expenses.
3. Y, one of the partners, took over a machine for ₹ 20,000
4. Z, one of the partners agreed to take over the creditor of ₹ 30,000 for ₹ 20,000.
5. A, one of the partners has given loan to the firm of ₹ 10,000. It was paid back to him at the time of dissolution.
6. Profit & Loss Account balance of ₹ 50,000 appeared on the assets side of the Balance Sheet.

Solution 53 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
1.	Realisation A/c Dr. To Bank A/c (Payment of realisation expenses)		3,000	3,000
2.	X's Capital A/c Dr. To Bank A/c (Payment of realisation expenses by the firm on behalf of the partner)		2,000	2,000
3.	Y's Capital A/c Dr. To Realisation A/c (Machine taken over by Y)		20,000	20,000
4.	Realisation A/c Dr. To Z's Capital A/c (Creditors of ₹ 30,000 taken over by Z for ₹ 20,000)		20,000	20,000
5.	A's Loan A/c Dr. To Bank A/c (A's loan repaid to him)		10,000	10,000
6.	Partner's Capital A/cs Dr. To Profit & Loss A/c (Transfer of accumulated loss to partner's capital accounts)		50,000	50,000

54. P and Q share profits and losses in 5 : 3. What Journal entries would be passed for the following transactions on the dissolution of their firm, after various assets (other than cash) and third party liabilities have been transferred to Realisation Account ?

(i) Profit and Loss Account (Dr. Balance) appeared in the books at ₹ 30,000.

(ii) P was asked to look into the dissolution of the firm for which he was allowed a commission of ₹ 2,500.

(iii) Q took over part of the stock at ₹ 6,400 (being 20% less than the book value).

(iv) An unrecorded liability amounting to ₹ 10,000 was settled at ₹ 8,000.

(v) Motor Car of the book value of ₹ 80,000 taken over by Creditors of the book value of ₹ 60,000 in full settlement.

Solution 54 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	P's Capital A/c Dr. Q's Capital A/c Dr. To Profit & Loss A/c (Transfer of accumulated loss to partner's capital accounts)		18,740 11,250	 30,000
(ii)	Realisation A/c Dr. To P's Capital A/c (Commission allowed to P for dissolution proceedings)		2,500	 2,500
(iii)	Q's Capital A/c Dr. To Realisation A/c (Stock of the book value of ₹ 8,000 taken over by Q at 20% less)		6,400	 6,400
(iv)	Realisation A/c Dr. To Bank A/c (Unrecorded liability of ₹ 10,000 paid at ₹ 8,000)		8,000	 8,000
(v)	There will be no entry for an asset taken over by creditors.			

Verification of Missing Figures

Balance Sheet
as at 31st March, 2014

Liabilities	Amt. (₹)	Assets	Amt. (₹)
Capitals :		Machinery	5,60,000
Ashish	5,60,000	Stock	90,000
Neha	4,80,000	Debtors	55,000
Creditors	40,000	Bank	4,04,000
Ashish's Wife Loan	25,000		
Ashish's Loan	4,000		
	11,09,000		11,09,000

55. Ravi and Mukesh were partners in a firm sharing profit and losses equally. On 31st March, 2021 their firm was dissolved. On the date of dissolution their Balance Sheet showed stock of ₹ 60,000 and creditors of ₹ 70,000. After transferring stock and creditors to realisation account the following transactions took place :

(i) Ravi took over 40% of total stock at 20% discount.

(ii) 30% of total stock was taken over by creditors of ₹ 20,000 in full settlement.

(iii) Remaining stock was sold for cash at a profit of 25%.

(iv) Remaining creditors were paid in cash at a discount of 10%.

Pass necessary journal entries for the above transactions in the books of the firm.

Solution 55 :

In the Books of Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Ravi's Capital A/c Dr. To Realisation A/c (40% stock taken over by Ravi on 20% discount)		19,200	19,200
(ii) (iii)	No entry will be made for this transaction : Cash A/c Dr. To Realisation A/c (Remaining Stock was sold on cash on 25% profit)		22,500	22,500
(iv)	Realisation A/c Dr. To Cash A/c (Remaining creditors which was for ₹ 50,000 were paid in cash at 10% discount)		45,000	45,000

QUESTIONS BASED ON INCOMPLETE INFORMATION

(Strictly as per Sample Paper Issued by CBSE)

Problem 1.

Prakash, Kiran and Rishab are partners in a firm sharing profit and losses in the ratio of 3 : 2 : 1. They decided to dissolve the firm on 1st November, 2020. From the information given below complete Realisation A/c, Partner's Capital Accounts and Bank A/c :

Dr. **REALISATION ACCOUNT** *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets :	₹		By Creditors	27,000	
Debotrs	20,000		By Bills Payable	10,000	
Stock	25,200		By Mrs. Prakash Loan	5,000	42,000
Investments	20,000		By Bank (Assets realised)		—
Bills Receivable	8,000		By Kiran's Capital A/c		
Machinery	60,000		(Bills Receivable)		7,000
Goodwill	6,000	1,39,200	By Bank (Unrecorded Asset)		1,200
To Kiran's Capital A/c :			By Bank (Goodwill)		5,000
Bills Payable	10,000		By Loss transferred to		
Realisation Expenses	2,100	12,100	Prakash's Capital A/c	—	
To Prakash's Capital A/c :			Kiran's Capital A/c	—	
Wife's Loan	5,000		Rishab's Capital A/c	—	—
Contingent Liability					
for bill discounted	8,000	13,000			
To Bank (Creditors)		—			
		1,86,800			1,86,800

Dr. **PARTNER'S CAPITAL ACCOUNTS** *Cr.*

Particulars	Prakash ₹	Kiran ₹	Rishabh ₹	Particulars	Prakash ₹	Kiran ₹	Rishabh ₹
To Bal. b/d			6,000	By —	75,000	50,000	
To P & L A/c	9,900	—	3,300	By Realisation			
To Realisation A/c (Bills Receivable)		—		A/c (B/P and Realisation exp.)		—	

To Realisation A/c (Loss)	19,200	12,800	6,400	By RealisationA/c (Wife Loan & contingent liability)	—		
To Bank A/c (Final) Payment	—	—		By Bank A/c (Amount brought in)			—
	88,000	62,100	15,700		88,000	62,100	15,700

Dr. **BANK ACCOUNT** *Cr.*

Particulars	₹	Particulars	₹
To	—	By Realisation A/c (Creditors)	—
To	—	By Prakash's Capital A/c	—
	—	By Kiran's Capital A/c	35,700
To	—		
To	—		
To Rishabh's Capital A/c	—		
	1,17,100		1,17,100

Problem 1 :

Dr. **Realisation Account** **Cr.**

Particulars		Amt. (₹)	Particulars		Amt. (₹)
To Sundry Assets :			By Creditors	27,000	
Debtors	20,000		By Biils Payable	10,000	
Stock	25,200		By Mrs. Prakash Loan	5,000	42,000
Investments	20,000		By Bank (Assets realised) (Bal. Fig.)		93,200
Bills Receivable	8,000		By Kiran's Capital A/c (Bills Receivable)		7,000
Machinery	60,000		By Bank (Unrecorded Asset)		1,200
Goodwill	6,000	1,39,200	By Bank (Goodwill)		5,000
To Kiran's Capital A/c			By Realisation Loss transferred to :		
Bills Payable	10,000		Prakash's Capital A/c	19,200	
Realisation Expenses	2,100	12,100	Kiran's Capital A/c	12,800	
To Prakash's Capital A/c			Rishab's Capital A/c	6,400	38,400
Wife's Loan	5,000				
for bill discounted	8,000	13,000			
To Bank (Creditors) (Balancing Figure)		22,500			
		1,86,800			1,86,800

Dr. **Partner's Capital Accounts** **Cr.**

Particulars	Prakash ₹	Kiran ₹	Rishabh ₹	Particulars	Prakash ₹	Kiran ₹	Rishabh ₹
To Bal. B/d			6,000	By Balance b/d	75,000	50,000	
To P & L A/c	9,900	6,600	3,300	By Realisation A/c (B/P and Realisation exp.)		12,100	
To Realisation A/c (Bills Receivable)		7,000		By Realisation A/c (Wife Loan & contingent liability)	13,000		
To Realisation A/c (Final Payment)	58,900	35,700		By Bank A/c (Amount brought in)	15,700		
	88,000	62,100	15,700		88,000	62,100	15,700

Dr. **Bank Account** **Cr.**

Particulars	Amt. (₹)	Particulars	Amt. (₹)
To Balance b/d (Bal. Figure)	2,000	By Realisation A/c (Creditors)	22,500
To Realisation A/c		By Prakash's Capital A/c	58,900
(Assets Realised)	93,200	By Kiran's Capital A/c	35,700
To Realisation A/c			
(Unrecorded Assets)	1,200		
To Realisation A/c			
(Goodwill realised)	5,000		
To Rishab's Capital A/c	15,700		
	1,17,100		1,17,100

Problem. 2

A ans B decided to dissolve their firm on 1st January, 2021. From the information given below complete the Realisation A/c, Capital A/c and the Bank A/c :

Dr. **REALISATION ACCOUNT** *Cr.*

Particulars		₹	Particulars		₹
To Sundry Assets :			By Sundry Liabilities :		
Stock A/c	6,000		Creditors A/c	38,000	
Debtors A/c	19,000		Mrs. A's Loan A/c	10,000	
Furniture A/c	4,000		Mr.s B's Loan A/c	15,000	63,000
Plant A/c	28,000		By A's Capital A/c		
Investment A/c	10,000	67,000	(Investments taken over)		—
To A's Capital A/c			Stock	5,000	
(Mrs. A's loan taken over)		10,000	Debtors	18,500	
To		—	Furniture	4,500	
To		—	Plant	25,000	53,000
			By Loss on realiation		
			transferred to :		
			A's Capital A/c 3/5	—	—
			B's Capital A/c 2/5	—	—
		—			—

Dr. **CAPITAL ACCOUNTS** *Cr.*

Particulars	A	B	Particulars	A	B
	₹	₹		₹	₹
To Profit and Loss A/c	4,500	—	By	—	—
To Realisation A/c	8,000		By Reserve	3,000	—
To Realisation A/c (loss)	—	—	By	—	
To	6,540				
	—	10,000		—	—

Dr. **BANK ACCOUNT** *Cr.*

Particulars	₹	Particulars	₹
To	—	By Realisation A/c	
To	—	(Creditors and B's Loan)	52,000
		By Realisation A/c	
		(Expenses of realisation)	1,600
		By	—
		By	—
	—		—

Problem 2 :

Dr. **Realisation Account** **Cr.**

Particulars		₹	Particulars		₹
To Sundry Assets :			By Sundry Liabilities :		
Stock A/c	6,000		Creditors A/c	38,000	
Debtors A/c	19,000		Mrs. A's Loan A/c	10,000	
Furniture A/c	4,000		Mrs. B's Loan A/c	15,000	63,000
Plant A/c	28,000		By A's Capital A/c		
Investments A/c	10,000	67,000	(Investments taken over)	8,000	
To A's Capital A/c			By Bank A/c		
(Mrs. A's loan taken over)		10,000	(Assets realised)		
To Bank A/c			Stock	5,000	
(Creditors and B's Loan paid off)		52,000	Debtors	18,500	
To Bank A/c			Furniture	4,500	
(Expenses of realisation)			Plant	25,000	53,000
		1,600	By Loss on realisation		
			A's Capital A/c $\frac{3}{5}$	3,960	
			B's Capital A/c $\frac{2}{5}$	2,640	6,600
		1,30,600			1,30,600

Dr. **Capital Accounts** **Cr.**

Particulars	A	B	Particulars	A	B
	(₹)	(₹)		(₹)	(₹)
To Profit and Loss A/c	4,500	3000	By Balance b/d	10,000	8,000
To Realisation A/c			By Reserve	3,000	2,000
(Investments)	8,000		By Realisation A/c		
To Realisation A/c			(Mrs. A's Loan)	10,000	
(Loss)	3,960	2,640			
To Bank A/c					
(Final Payment)	6,540	4,360			
	23,000	10,000		23,000	10,000

Dr. **Bank Account** **Cr.**

Particulars	₹	Particulars	₹
To Balance b/d	11,500	By Realisation A/c (Creditors and B's Loan)	52,000
To Realisation A/c (Assets realised)	53,000	By Realisation A/c (Expenses of realisation)	1,600
		By A's Capital A/c	6,540
		By B's Capital A/c	4,360
	64,500		64,500

Working Notes :

8. Profit sharing ratio given in Realisation A/c is $\frac{3}{5} : \frac{2}{5}$. Hence, if A's share in Reserve is ₹ 3,000, then B's share will be ₹ 2,000.

10. A's sharein Profit & Loss A/c is ₹ 4,500, hence B's share will be 4,500 × $\frac{5}{3} \times \frac{2}{5}$ = ₹ 3,000.

11. Dr. side of A's Capital A/c will be totalled first and the balancing figure will be 'By Balance b/d' ₹ 10,000.

13. Balancing figure on Dr. side of B's Capital A/c will be 'To Bank A/c' ₹ 4,360.

14. Balancing figure on Cr. side of B's Capital A/c will be 'By Balance b/d' ₹ 8,000.

15. Balancing Figure in Bank A/c will be 'To Balance b/d' ₹ 11,500.

Problem 3.

A, B and C are partners sharing profits and losses in the ratio of 3 : 2 : 1. They decided to dissolve their firm on 1st Jan., 2021. Complete the Realisation Account, Loan Account, Capital Accounts and Bank Account from the information given below :

Dr. **REALISATION ACCOUNT** *Cr.*

Particulars		₹	Particulars		₹
To Sudnry Assets :			By Sundry Liabilities :		
Stock A/c	59,400		Provision for		
Debtors A/c	57,000		Bad Debts A/c	3,000	
Plant and			Creditors A/c	46,200	
Machinery A/c	1,31,100	2,47,500	Bills Payable A/c	10,800	60,000
To Bank A/c			By		—
(Liabilities paid off)		—	By Bank A/c		
To		—	(Assets realised)		
			Stock	45,000	
			Goodwill	12,000	
			Debtors	34,200	
			Plant and Machinery	90,000	
			By Loss on realisation transferred to :		
			A's Capital A/c	—	
			B's Capital A/c	—	
			C's Capital A/c	9,450	—
		—			—

Dr. **LOAN FROM A ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To	—	By Balance b/d	—
	—		—

Dr. **CAPITAL ACCOUNTS** Cr.

Particulars	A ₹	B ₹	C ₹	Particulars	A ₹	B ₹	C ₹
To	—	—	—	By	—	—	—
To Bank A/c (Final Payment)	—	—	—	By Workmen Compensation Reserve	—	3,000	—
				By Bank A/c (Amount brought in)	—	3,900	—
	—	18,900	—		64,500	—	61,500

Dr. **BANK ACCOUNT** Cr.

Particulars	₹	Particulars	₹
To Balance b/d	—	By Realisation A/c (Liabilities Paid)	—
To Realisation A/c (Sale of unrecorded asset)	15,000	By Realisation A/c (Exp.)	2,400
To	—	By Loan from A A/c	57,000
To	—	By	—
		By	—
	—		—

Solution Problem 3 :

Dr. **Realisation Account** **Cr.**

Particulars		₹	Particulars		₹
To Sundry Assets :			By Sundry Liabilities :		
Stock A/c	59,400		Provision for Bad Debts A/c	3,000	
Debtors A/c	57,000		Creditors A/c	46,200	
Plant and Machinery	1,31,100	2,47,500	Bills Payable A/c	10,800	60,000
To Bank A/c (Liabilities paid off)		63,000	By Bank A/c (Sale of unrecorded asset)		15,000
To Bank A/c		2,400	By Bank A/c (Assets realised) :		
			Stock	45,000	
			Goodwill	12,000	
			Debtors	34,200	
			Plant and Machinery	90,000	1,81,200

Particulars	₹	Particulars	₹
		By Loss on realisation : A's Capital A/c $\frac{3}{6}$ 28,350 B's Capital A/c $\frac{2}{6}$ 18,900 C's Capital A/c $\frac{1}{6}$ 9,450 56,700	
	3,12,900		3,12,900

Dr. Loan From A Account Cr.

Particulars	₹	Particulars	₹
To Bank A/c	57,000	By Balance b/d	57,000
	57,000		57,000

Dr. Capital Accounts Cr.

Particulars	A	B	C	Particulars	A	B	C
	₹	₹	₹		₹	₹	₹
To Realisation A/c (Loss)	28,350	18,900	9,450	By Balance b/d	60,000	12,000	60,000
To Bank A/c (Final Payment)	36,150	—	52,050	By Workmen Compensation Reserve	4,500	3,000	1,500
				By Bank A/c (Amount brought in)	—	3,900	—
	64,500	18,900	61,500		64,500	18,900	61,500

Dr. Bank Account Cr.

Particulars	₹	Particulars	₹
To Balance b/d	10,500	By Realisation A/c (Liabilities Paid)	63,000
To Realisation A/c (Sale of unrecorded assets)	15,000	By Realisation A/c (Exp.)	2,400
To Realisation A/c (Assets realised)	1,81,200	By Loan from A A/c	57,000
To B's Capital A/c	3,900	By A's Capital A/c	36,150
		By C's Capital A/c	52,050
	2,10,600		2,10,600

Working Notes :

(6) First of all, Cr. side of Realisation A/c will be completed and the total of Cr. side ₹ 3,12,900 will be put on Dr. side and the missing figure on Dr. side will be 'Liabilities paid off' ₹ 63,000.

(12) Cr. side of Bank A/c will be completed and the total of Cr. side ₹ 2,10,600 will be put on Dr. side and the missing figure will be the opening balance of ₹ 10,500.

❑

7 Issue and Forfeiture of Shares

1. The authorised capital of Prashant Ltd. is ₹ 50,00,000 divided into 25,000 shares of ₹ 200 each. Out of these, the company issued 12,000 shares of ₹ 200 each at a premium of 10%. The amount per share was payable as follows :

₹ 60 on application

₹ 70 on allotment (including premium)

₹ 20 on first call and balance on final call

Public applied for 11,000 shares. All the money was duly received.

Prepare an extract of Balance Sheet of Prashant Ltd. as per Schedule III Part I of the Companies Act, 2013 disclosing the above information. Also prepare 'Notes to Accounts' for the same.

Solution 1 :

An Extract of Balance Sheet of Prashant Ltd.
as on......

Particulars	Note No.	Current year	Previous year
I. Equity And Liabilties :			
1. Share holder's Funds			
(a) Share Capital	1.	22,00,000	
(b) Reserves and Surplus	2.	2,20,000	
		24,20,000	
II. Assets :			
1. Current Assets			
(a) Cash and Cash Equivalents	3.	24,20,000	
		24,20,000	

Notes to Accounts :

Particulars	Amount (₹)
1. Share Capital	
Authorised Capital	
Authorised Capital :	
25,000 equity shares of ₹ 200 each	50,00,000
Issued Capital :	
12,000 equity shares of ₹ 200 each	24,00,000
Subscribed and Fully paid up capitals :	
11,000 shares of ₹ 200 each	22,00,000
2. Reservesand Surplus :	
Securities Premium Reserve	
11,000 Shares of ₹ 20 each	2,20,000
3. Cash and Cash Equivalents	
Cash at Bank	24,20,000

2. On first April, 2020, Monika Ltd. was formed with an authorised capital ₹ 50,00,000 divided into 1,00,000 equity shares of ₹ 50 each. The company issued prospectus inviting applications for 90,000 shares. The issue price was payable as under :

On Application : ₹ 25
On Allotment : ₹ 10
On Call : Balance amount
The issue was fully subscribed and the company allotted shares to all the applicants. The company did not make the call during the year.
Show the following :
(a) Share capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013.
(b) Also prepare 'Notes to Accounts' for the same.

Solution 2 :

In th Books of Monika Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application for 90,000 Shares received)		22,50,000	 22,50,000
	Share Application A/c Dr. To Share Capital A/c (Share Application Money Transferred to Share Capital Account)		22,50,000	 22,50,000

Extract of Balance Sheet of Monika Ltd.
as on ....

Particulars	Note No.	Current year	Previous year
I. Equity And Liabilties :			
1. Share holders Funds			
(a) Share Capital	1		22,50,000
			22,50,000

Notes to Accounts :

Particulars	Amt. (₹)
1. Share Capital	
100,000 Equity Share of ₹ 50 each	50,00,000
Issued Capital :	45,00,000
90,000 Shares of ₹ 50 each	
Subscribed Capital :	
90,000 Shares of ₹ 50 each	45,00,000
(a) Subscribed but not fully paid up capital :	
90,000 shares of ₹ 35 each	
(b) Subscribed fully and paid up capital :	
90,000 shares of ₹ 25 each	22,50,000

3. On first April, 2020, Hellowear Ltd. was formed with an authorised capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹10 each. The company issued prospectus inviting applications for 1,80,000 equity shares. The company received applications for 1,70,000 equity shares. During the first year, ₹ 8 per share was called. Chetan holding 2,000 shares and Nirmesh holding 4,000 shares did not pay the first call of ₹ 2 per share. Nirmesh's shares were forfeited after the first call and later on 3,000 of the forfeited shares were re-issued at ₹ 6 per share, ₹ 8 called-up.

Show the following :

(a) Share Capital in the Balance Sheet of the company as per Schedule III, Part I of the Companies Act, 2013.

(b) Also prepare 'Notes to Accounts' for the same.

Solution 3 :

Balance Sheet of Hellowean Ltd.

as on ....

Particulars	Note No.	Current year	Previous year
I. Equity And Liabilities :			
1. Share holder's Funds			
(a) Share Capital	1.	13,54,000	
(b) Reserves & Surplus	2.	12,000	
2. Non Current Liabilities			
3. Current Liabilities			
		13,66,000	
II. Assets :			
1. Non Current Assets			
2. Current Assets			
(a) Cash and Cash Equivalents	3.	13,66,000	
		13,66,000	

Notes to Accounts :

Particulars		Amt. (₹)
1. Share Capital		
Authorised Capital :		
2,00,000 equity share of ₹ 10 each		20,00,000
Issued Capital :		
1,80,000 Equity Sahres of ₹10 each		18,00,000
Subscribed, called up and paid up Capital :		
1,69,000 Equity shares of ₹ 8 each	13,52,000	
Less : Calls in arrears		
(on 2,000 equity shares @ ₹ 2 per shares)	4000	
Add : Share forfeiture (on 1,000 equity shares)	6,000	13,54,000
2. Reserves and Surplus		
Capital Reserves		12,000
3. Cash and Cash Equivalents		
Cash at Bank		13,66,000

4. Nitesh Ltd. was registered with an authorised capital of ₹ 5,00,000 divided into 50,000 equity shares of ₹10 each. Since the economy was in robust shape, the company decided to offer to the public for subscription of 30,000 equity shares of ₹10 each at a premium of ₹ 20 per share. Applications for 28,000 shares were received and allotment was made to all the applicants. All calls were made and duly received except the final call of ₹ 2 per share on 200 shares. Show the 'Share Capital' in the Balance Sheet of Nitesh Ltd. as per Schedule III of the Companies Act, 2013. Also prepare 'Notes to Accounts' for the same.

Solution 4 :

Balance Sheet of Nitesh Ltd.
as on ....

Particulars	Note No.	Current year	Previous year
I. Equity And Liabilities :			
1. Share holder's Funds			
(a) Share Capital	1.	2,79,600	
		2,79,600	

Notes to Accounts :

Particulars		Amt. (₹)
1. Share Capital		
Authorised Share Capital		
50,000 Shares of ₹ 10 each		5,00,000
Issued Share Capital :		
30,000 Shares of ₹ 10 each		3,00,000
Subscribed share capital :		
(a) Subscribed and fully paid up :		
27,800 shares of ₹ 10 each fully called up	2,7,8,000	
(b) Subscribed but not fully paid up		
200 shares of ₹ 10 each	2,000	
Less Cells in arrears	(400)	2,79,600

5. Bata Ltd. was registered with an Authorised Capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each. The Company offered 1,50,000 equity shares for subscription to public and applications were received for 1,40,000 equity shares. The directors called ₹ 9 per share upto 3first March and the money called was duly received.

Show the Share Capital in the Balance Sheet of the Company together with notes to accounts.

Solution 5 :

Balance Sheet of Bata Ltd.
as on..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Shareholders Funds :			
(a) Share Capital	1.	12,60,000	
		12,60,000	

Notes to Accounts :

Particulars	Amt. (₹)
1. Share Capital	
Authorised Capital	
2,00,000 Equity Shares of ₹ 10 each	20,00,000
Issued Capital :	
1,50,000 equity shares of ₹ 10 each	15,00,000
Subscribed and Fully paid up capital :	
1,40,000 equity shares of ₹ 10 each, called up ₹ 9	12,60,000

6. On first April, 2020, Divya Ltd. was formed with an authorized capital of ₹ 60,00,000 divided into 3,00,000 equity shares of ₹ 20 each. Out of these, 50,000 shares were issued to the vendors as fully paid-up for purchase of office premises. The directors offered 1,20,000 shares to the public and called-up ₹ 10 per share and received the entire called-up amount on these shares.

Show the share capital in the Balance Sheet of the company as per Schedule III and also prepare 'notes to accounts'.

Solution 6 :

Balance Sheet of Divya Ltd.

as on ....

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Share holders Funds :			
(a) Share Capital	1.		22,00,000
			22,00,000

Notes to Accounts :

1. Share Capital :	
Authorised Capital :	
3,00,000 equity shares of ₹ 20 each	60,00,000
Issued Capital :	
1,70,000 equity shaers of ₹ 20 fully paid	34,00,000
Subscribed Capital :	
(a) Subscribed and Fully paid up Capital 50,000 equity shares of ₹ 20 each	10,00,000
(b) Subscribed but not fully paid up Capital 1,20,000 equity shares of ₹ 20 each ₹ 10 called up	12,00,000
	22,00,000

7. Newton Ltd. issued 50,000 shares of ₹ 10 each payable as follows :

₹ 3 on Application; ₹ 3 on Allotment

₹ 2 on First Call; ₹ 2 on Final Call.

All the shares were subscribed and allotted. Give Journal entries and show the Share Capital in the Balance Sheet assuming that all sums have been duly received. Expenses on issue of shares amounted to ₹ 10,000.

Solution 7 :

In the Books of Newton Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Money received for 50,000 shares @ ₹ 3 per share on applicmation)		1,50,000	1,50,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Application money transfer to share capital)		1,50,000	1,50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Allotment money due of 50,000 shares @ ₹ 3 per share)		1,50,000	1,50,000

	Bank A/c Dr. To Equity Share Allotment A/c (Allotment Money Received)		1,50,000	1,50,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First Call Money Due of 50,000 Shares of @ ₹ 2 per share)		1,00,000	1,00,000
	Book A/c Dr. To Equity Share First Call A/c (First Call Money Received)		1,00,000	1,00,000
	Equity Share Second and Find Call A/c Dr. To Equity Share Capital A/c (Final Call Money Due of 50,000 Shares @ ₹ 2 per share)		1,00,000	1,00,000
	Bank A/c Dr. To Equity Share Second and Final Call A/c (Final Call Mony Received)		1,00,000	1,00,000
	Issue of Share Expenses A/c Dr. To Bank A/c (Expenses on Issue of Share Paid)		10,000	10,000

Balance Sheet of Newton Ltd.
as on..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Sare holder's Funds :			
(a) Share Capital	1	5,00,000	
		5,00,000	

Notes to Accounts :

1. Share Capital
   Issued Capital :
   50,000 Equity shares of ₹ 10 each — 5,00,000.

8. Manvika Ltd. is registered with an authorized capital of ₹ 1,00,00,000 divided into 1,00,000 equity shares of ₹ 100 each. The company issued 50,000 shares at a premium of ₹ 40 per share. Prateek holding 500 shares did not pay the final call of ₹ 25 per share. His shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the Company as per Schedule III Part I of the Companies Act, 2013. Also prepare Notes to Accounts.

Solution 8 :

Balance Sheet of Manvika Ltd.
as on ....

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Share holder's Funds :			
(a) Share Capital	1		49,90,000
(b) Reserves and Surplus	2		20,00,000
			69,90,000

II. Assets :			
Current Assets			
Cash and Cash Equivalents	3		69,90,000
			69,90,000

Notes to Accounts :

Particulars		Amt. (₹)
1. Share Capital		
Authorised Share Capital :		
1,00,000 Shares of ₹ 100 each		1,00,00,000
Issued Share Capital :		
50,000 Equity Shares of ₹ 100 each		50,00,000
Subscribed, Called up and paid up share capital :		
49,500 shares of ₹ 100 each	49,50,000	
Add Share Forfieted	40,000	49,90,000
(500 Shares × ₹ 80 each)		
2. Reserves & Surplus		
Securities Premium Reserve		
(50,000 Shares @ ₹ 40 each)		20,00,000
3. Cash and Cash Equivalents		
Cash at Bank		69,90,000

9. Deepak Ltd. issued ₹ 40,00,000 equity shares of ₹ 10 each out of its registered capital of ₹ 10,00,00,000. The amount payable on these shares was as follows :

On application – ₹ 2 per share

On allotment – ₹ 2 per share

On first call – ₹ 3 per share

On second and final call – ₹ 3 per share

All calls were made and were duly received, except the second and final call on 1,000 shares held by Ravindra. These shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts'.

Solution 9 :

Balance Sheet of Deepak Ltd.

As on.......

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Share holders Funds :			
(a) Share Capital	1		39,97,000
(b) Reserves and Surplus			39,97,000
II. Assets :			
1. Current Assets			
Cash and Cash Equivalents	2		39,97,000
			39,97,000

Notes to Accounts :

Particulars		Amt. (₹)
1. Share Capital		
Authorised Share Capital :		
10,00,000 Shares of ₹ 10 each		1,00,00,000
Issued Share Capital :		
4,00,000 Shares of ₹ 10 each		40,00,000
Subscribed, Called up and paid up Share Capital :		
3,99,000 Shares of ₹ 10 each	39,90,000	
Add : Shares Forfeited		
(1000 Share of ₹ 7 per share)	7000	39,97,000
2. Cash and Cash Equivalents		
Cash at Bank		39,97,000

10. Prarthna Ltd. issued a prospectus inviting applications for 10,000 shares of ₹ 100 each payable as : ₹ 40 on application, ₹ 30 on allotment, ₹ 20 on first call and ₹ 10 on final call. Applications were received for all the shares issued. Allotments were made to all applicants. All dues were cleared timely. Expenses on issue of shares amounted to ₹ 10,000. Pass necessary journal entries, show ledger accounts and the Balance Sheet of the company.

Solution 10 :

In the Books of Prathna Ltd.
Journal Entriers

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application money received)		4,00,000	4,00,000
	Share Application A/c Dr. To Share Capital A/c (Application money transferred to share capital account)		4,00,000	4,00,000
	Share Allotment A/c Dr. To Share Capital A/c (Allotment Money Due on 10,000 Shares @ ₹ 30 per share)		3,00,000	3,00,000
	Bank A/c Dr. To Share Allotment A/c (Allotment Money Received)		3,00,000	3,00,000
	Share First Call A/c Dr. To Share Capital A/c (First Call Money Due on 10,000 Shares @ ₹ 20 per shares)		2,00,000	2,00,000
	Bank A/c Dr. To Share First Call A/c (Share First Call Money Received)		2,00,000	
	Share Second & final Call A/c Dr. To Share Capital A/c (Share Second and Final Call Money Due on 10,000 Shares @ ₹ 10 per share)		1,00,000	1,00,000
	Bank A/c Dr. To Share Second and Final Call A/c (Share Second Call Money Received)		1,00,000	1,00,000
	Share issue expences A/c Dr. To Bank A/c (Expences paid on issue of shares)		10,000	10,000

Ledger Accounts

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
2018			(₹)		2018		(₹)
	To Balance c/d		10,00,000		By Share Application A/c		4,00,000
					By Share Allotment A/c		3,00,000
					By Share First Call A/c		2,00,000
					By Share Second Call A/c		1,00,000
			10,00,000				10,00,000

Share Application Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Capital A/c		4,00,000		By Bank A/c		4,00,000
			4,00,000				4,00,000

Share Allotment Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Capital A/c		4,00,000		By Bank A/c		4,00,000

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Capital A/c		3,00,000		By Bank A/c		3,00,000
			3,00,000				3,00,000

Share First Call Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Capital A/c		2,00,000		By Bank A/c		2,00,000
			2,00,000				2,00,000

Share Second and Final Call Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Bank A/c		10,000		By Securities Premium Reserve A/c (B/P)		10,000
			10,000				10,000

Balance Sheet of Prathna Ltd.
as on........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Share holders Funds :			
(a) Share Capital	1	10,00,000	
(b) Reserves & Surplus	2	(10,000)	
II. Assets :			
Current Assets		9,90,000	
Cash and Cash Equivalents	3	9,90,000	
		9,90,000	

Notes to Accounts :

	Particulars	Amt. (₹)
1.	Share Capital Authorise Share Capital 10,000 Shares @ ₹ 100 each	10,00,000
	Issued Share Capital 10,000 Share @ ₹ 100 each	10,00,000
	Subscribed Capital Subscribed and Fully Paid up Capital 10,000 Shares @ ₹ 100 each	10,00,000
2.	Reserves and Surplus Securities Premium Reserve Issue of Share Expences	(10,000)
3.	Cash and Cash Equivalents Cash at Bank	9,90,000

11. Vandna Ltd. Company issued 20,000 shares of ₹ 100 each payable as under : ₹ 20 on application; ₹ 30 on allotment; ₹ 30 on first call and ₹ 20 on final call. All shares were subscribed and the money due on shares was received. Give journal entries and prepare Cash Book.

Solution 11 :

In the Books of Vandana Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application Money Received)		4,00,000	4,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Application Money Transferred to Share Capital A/c)		4,00,000	4,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Money Due of 20,000 Shares @ ₹ 30 per Share)		6,00,000	6,00,000

	Bank A/c Dr. To Equity Share Allotment A/c (Allotment Money Received)		6,00,000	6,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First Call Money Due on 20,000 Shares @ ₹ 30 per share)		6,00,000	6,00,000
	Bank A/c Dr. To Equity Shares First Call A/c (Share First Call Money Received)		6,00,000	6,00,000
	Equity Share Final Call A/ Dr. To Equity Share Capital A/c (Final Call Money Due on 20,000 Shares @ ₹ 20 per share)		4,00,000	4,00,000
	Bank A/c Dr. To Equity Share Final Call A/c (Share Final Call Money Received)		4,00,000	4,00,000

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Equity Share Appliation A/c		4,00,000		By Balance c/d		20,00,000
	To Equity Share Allotment A/c		6,00,000				
	To Equity Share First Call A/c		6,00,000				
	To Equity Share Final Call A/c		4,00,000				
			20,00,000				20,00,000

12. Pinky Associates issued 20,000 equity shares of ₹ 100 each at a premium of ₹ 10 per share. The amount was payable as follows : ₹ 30 on application, ₹ 40 on allotment (including premium), ₹ 20 on first call and ₹ 20 on second and final call. Pass necessary journal entries and prepare the Balance Sheet.

Solution 12 :

In the Books of Pinky Associates
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application Money Received)		6,00,000	6,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Share Application Money Transferred to Shares Capital Account)		6,00,000	6,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment money due for 20,000 shares @ ₹ 40 per share including premium ₹ 10 per share)		8,00,000	6,00,000 2,00,000

	Bank A/c Dr. To Equity Share Allotment A/c (Allotment Money Received)		8,00,000	8,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First call Money Due For 20,000 Shares @ ₹ 20 per share)		4,00,000	4,00,000
	Bank A/c Dr. To Equity Share firtst call A/c (Share First Call Money Received)		4,00,000	4,00,000
	Equity Share Second and final Call A/c Dr. To Equity Share Capital A/c (Second Call Money due on 20,000 Share @ ₹ 20 per share)		4,00,000	4,00,000
	Bank A/c Dr. To Equity Share Second and Final Call A/c (Share Second Call Money Received)		4,00,000	4,00,000

Balance Sheet of Pinky Associates
as on............

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Share holders Funds :			
(a) Share Capital	1	20,00,000	
(b) Reserve & Surplus	2	2,00,000	
		22,00,000	
II. Assets			
1. Current Assets			
Cash and Cash Equivalents		22,00,000	
		22,00,000	

Notes to Accounts :

Particulars	Amt. (₹)
1. Share Capital	
Issued Capital :	
20,000 Shares of ₹ 100 eacg	20,00,000
2. Reserves & Surplus	
Securities Premium Reserve	2,00,000
3. Cash and Cash Equivalents	
Cash at Bank	22,00,000

13. Ruchika Ltd. invited applications for issuing 5,00,000 equity shares of ₹ 10 each at premium of ₹ 3 per share. The whole amount was payable on application. The issue was fully subscribed.

Pass necessary journal entries.

Solution 13 :

In the Books of Ruchika Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Application Money Received)		65,00,000	65,00,000

	Equity Share Application and allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Application Money Transferred to Share Capital Account and Securities Premium Account)		65,00,000	 50,00,000 15,00,000

14. Radha Ltd. issued 50,000 Equity Shares of ₹ 10 each at a premium of ₹ 4 per share and 2,000, 6% Preference Shares of ₹ 100 each at par payable as follows :

	Equity Shares	*Pref. Shares*
	₹	₹
On Application	3.50	30
On Allotment	6.50 (including premium)	20
On First Call	2	25
On Final Call	2	25

All these shares were fully subscribed, called-up and paid. Record these transactions in journal and cash book.

Solution 14 :

In the Books of Radha Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Application A/c Dr. 6% Preference Share Application A/c Dr. To Equity Share Capital A/c To 6% preference share capital A/c (Application Money Transferred to Share Capital Account)		1,75,000 60,000	 1,75,000 60,000
	Equity Share Allotment A/c Dr. 6% Preference Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c To 6% Preference Share Capital A/c (Allotment money due)		3,25,000 40,000	 1,25,000 2,00,000 40,000
	Equity Share First Call A/c Dr. 6% Preference share first call A/c Dr. To Equity share capital A.c To 6% Preference share capital A/c (First call money due)		1,00,000 50,000	 1,00,000 50,000
	Equity Share Second & Final Call A/c Dr. 6% Preference Share Second & Final Call A/c Dr. To Equity Share Capital A.c To 6% Preference Share Capital A/c (Second and final Call Amount Due)		1,00,000 50,000	 1,00,000 50,000

Bank Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Equity Share Application A/c		1,75,000		By Balance c/d		9,00,000
	To 6% Preference share Application A/c		60,000				
	To Equity share Allotment A/c		3,25,000				

To 6% Preference Share Allotment A/c		40,000			
To Equity Share First Call A/c		1,00,000			
To 6% Preference Share First Call A/c		50,000			
To Equity Share Second & Final Call A/c		1,00,000			
To 6% Preference Share Second & Final Call A/c		50,000			
		9,00,000			9,00,000

15. Sushila Ltd. issued 40,000 equity shares of ₹ 10 each at a premium of ₹ 1 per share. Amounts were payable as follows :

₹ 2.50 on Application; ₹ 4.50 on Allotment (including premium); ₹ 2 on First Call and ₹ 2 on Final Call.

Applications were received for 38,500 shares.

Give Journal Entries assuming that all sums have been received on due dates.

Solution 15 :

In the Books of Sushila Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Money received on 38,500 shares @ ₹ 2.50 per share on application)		96,250	 96,250
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Share Application Money Transferred to Share Capital Account)		96,250	 96,250
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment Money Due for 38,500 Shares with Securities Premium Reserve)		1,73,250	 134,750 38,500
	Bank A/c Dr. To Equity Share Allotment A/c (Allotment Money Received)		1,73,250	 1,73,250
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First Call Money Due on 38,500 @ ₹ 2 per share)		77,000	 77,000
	Bank A/c Dr. To Equity Share First Call A/c (Share Second & Final Call Money Due on 38,500 Share @ ₹ 2 per share)		77,000	 77,000
	Equity Share second Call A/c Dr. To Equity Share Capital A/c (First Call Money Due on 38,500 @ ₹ 2 per share)		77,000	 77,000

Bank A/c Dr.		77,000	
To Equity Share Final A/c			77,000
(Final call money receirved)			

Balance Sheet of Sushila Ltd.
As on..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Shareholder's Funds :			
(a) Share Capital	1	3,85,000	
(b) Reserves & Surplus	2	38,500	
		4,23,500	
II. Assets :			
1. Current Assets			
Cash and Cash Equivalents	3	4,23,500	
		4,23,500	

Notes to Accounts :

1.	Share Capital : Issued Capital : 40,000 Equity Shares of ₹ 10 each Full paid up	4,00,000
	Issued, Subscribed and Fully paid up Capital : 38,500 equity shares of ₹ 10 each	3,85,000
2.	Reserves and Surplus Securities Premium Reserve	38,500
3.	Cash and Cash Equivalents Cash at Bank	4,23,500

16. Lovesh Ltd. purchased machinery of ₹ 9,90,000 from Sukhlal Ltd. The payment to Sukhlal Ltd. was made by issuing equity shares of ₹ 100 each. Pass the necessary Journal entries in the books of Lovesh Ltd. for purchase of machinery and the issue of shares when:

(i) Shares were issued at par.
(ii) Shares were issued at 25% premium.

Solution 16 :

In the Books of Lovesh Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr.		9,90,000	
	To Sukhlal Ltd.			9,90,000
	(Machinery Purchased from Sukhlal)			
	Sukhlal Ltd. A/c Dr.		9,90,000	
	To Equity Share Capital A/c			9,90,000
	(Share issued to Sukhlal Ltd., 9900 at par)			
(ii)	If Shares were issued at 25% premium :			
	Sukhlal Ltd. A/c Dr.		9,90,000	
	To Equity Share Capital A/c			7,92,000
	To Securities Premium Resereve A/c			1,98,000
	(Issue of Share @ Premium of 25%)			

Working Note :

$$\text{Calculation of No. of Shares} = \frac{\text{Value of Assets}}{\text{Price of Share (including premium)}}$$

$$= \frac{9,90,000}{125} = 7,920 \text{ Shares}$$

17. Pass journal entries for the following :

(i) X Ltd. Purchased Land and Building from R. Sundram for ₹ 5,00,000 payable in fully paid shares of ₹ 100 each at a premium of 25%.

(ii) Y Ltd. decided to issue 2,000 shares of ₹ 100 each to the Unit Trust of India as underwriting commission.

Solution 17 :

(i) **In the Books of X Ltd.**

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Land and Building A/c	Dr.		5,00,000	
	To R. Sundaram A/c				5,00,000
	(Land and Building Purchased)				
	R. Sundaram's A/c	Dr.		5,00,000	
	To Share Capital A/c				4,00,000
	To Securities Premium Reserve A/c				1,00,000
	(Issue of Shares at a Premium of 25%)				

(ii) **In the Books of Y Ltd.**

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Underwriting Commission A/c	Dr.		2,00,000	
	To Unit Trust of India A/c				2,00,000
	(Underwriting Commission Due)				
	Unit Trust of India A/c	Dr.		2,00,000	
	To Share Capital A/c				2,00,000
	(Issue of 2,000 Shares of ₹ 100 each for Underwriter)				

18. Kamal Kishore Ltd. issued 20,000 shares of ₹ 10 each. Journalise the transactions when shares are issued at : (i) par, and (ii) 10% premium.

Solution 18 :

(i) When issue of Share of Par :

In the Books of Kamal Kishore Ltd.

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		2,00,000	
	To Equity Share Application and Allotment A/c				2,00,000
	(Appliction Money Received)				
	Equity Share Application and Allotment A/c	Dr.		2,00,000	
	To Equity Share Capital A/c				2,00,000
	(20,000 Shares issued @ ₹ 10 per share)				

(ii) Issue of Share at 10% premium

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application and Allotment A/c 2,20,000 (Application Money Received)		2,20,000	
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Share Application Money Transferred to Share Capital with Security Premium)		2,20,000	 2,00,000 20,000

19. Ramakant Ltd. issued 80,000 shares of ₹ 100 each at ₹ 20 premium per share payable as ₹ 50 on application and allotment (including premium), ₹ 50 on first call and ₹ 20 on final call. All the shares were applied for and fully subscribed. Journalise the above transactions.

Solution 19 :

In The Books of Ramakant Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Appliction and Allotment A/c (Application and Allotment Money Received)		40,00,000	 40,00,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment and Application Money Due for 80,000 Shares @ ₹ 50 per Share including Premium @ ₹ 20 per share)		40,00,000	 24,00,000 16,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First Call Money Due For 80,000 shareees @ ₹ 50 per share)		40,00,000	 40,00,000
	Bank A/c Dr. To Equity Share First Call A/c (Share First Call Money Received)		40,00,000	 40,00,000
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Final Call Money Due for 80,000 Shares @ ₹ 20 per share)		1,600,000	 1,600,000
	Bank A/c Dr. To Equity Share Final Call A/c (Share Second Call Money Reserved)		16,00,000	 16,00,000

20. Krishna Ltd. issued 70,000 equity shares of ₹ 100 each payable as : ₹ 10 on application, ₹ 20 on allotment, ₹ 30 on first call and ₹ 40 on final call. Journalise the above transactions, prepare ledger accounts of the company assuming that all the shares have been applied for in full and all the sums have been fully recovered.

Share issue expenses amounted to ₹ 5,000. Promoters were also issued 5,000 equity shares as fully paid-up.

Solution 20 :

In the Books of Krishna Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application Money Received)		7,00,000	7,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Application Money Transferred to Share Capital Account)		7,00,000	7,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Allotment Money Due for 70,000 Shares @ ₹ 20 per share)		14,00,000	14,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Share Allotment Money Received)		14,00,000	14,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Share First Call Money Due for 70,000 Shares @ ₹ 30 per Share)		21,00,000	21,00,000
	Bank A/c Dr. To Equity Share First Call A/c (Share First Call Money Received) Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Share Final Call Money Due on 70,000 Shares @ ₹ 40 per share)		21,00,000 28,00,000	21,00,000 28,00,000
	Bank A/c Dr. To Equity Share Final Call A/c (Share Final Call Money Received)		28,00,000	28,00,000
	Share Issue Expenses A/c Dr. To Bank A/c (Issue of Share Expenses Paid)		5,000	5,000
	Incorporation cost A/c Share Capital A/c (Share issue to promotes)		5000	5000

In the Books of Krishna Ltd.
Ledger Accounts
Bank Account

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
	To Equity Share Application A/c		7,00,000		By Share Issue Expenses		5,000
	To Equity Share Allotment A/c		14,00,000		By Balance c/d		69,95,000
	To Equity Share First Call A/c		21,00,000				
	To Equity Share Final Call A/c		28,00,000				
			70,00,000				70,00,000

Equity Share Application Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Equity Share Capital A/c		7,00,000		By Bank A/c		7,00,000
			7,00,000				7,00,000

Equity Share Allotment Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Equity Share Capital A/c		14,00,000		By Bank A/c		14,00,000
			14,00,000				14,00,000

Equity Share First Call Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Equity Share Capital A/c		21,00,000		By Bank A/c		21,00,000
			21,00,000				21,00,000

Equity Share Final Call Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Equity Share Capital A/c		28,00,000		ByBank A/c		28,00,000
			28,00,000				28,00,000

Share Issue Expenses Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Bank A/c		5,000		By Balance A/c		5,000
			5,000				5,000

Equity Share Capital Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Balance c/d		70,05,000		By Equity Share Application A/c		7,00,000
					By Equity Share Allotment A/c		14,00,000
					By Equity Share First Call A/c		21,00,000
					By Equity Share Final Call A/c		28,00,000
					By Incorporation Costs A/c		5,000
			70,05,000				70,05,000

Incorporation Costs Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Equity Share Capital A/c		5,000		By Balance c/d		5,000
			5,000				5,000

21. Laxmi Ltd. issued 50,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share, payable as follows : ₹ 2 on application; ₹ 5 including premium on allotment and balance on first and final call.

Share issue expenses ₹ 5,000. In addition to above shares, 1,000 equity shares, were issued to the promoters at par in consideration of their remuneration. Pass journal entries and prepare the Balance Sheet assuming that all the money was duly received.

Solution 21 :

In the Books of Laxmi Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Shares Application A/c (Application Money Received)		1,00,000	 1,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Application Money Transferred to Capital Account)		1,00,000	 1,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Secutiries Premium Reserve A/c (Application Money Due for 50,000 Shares @ ₹ 5 per share Including Premium ₹ 2 per share)		2,50,000	 1,50,000 1,00,000
	Bank A/c Dr. To Equity Share Allotment A/c (Allotment Money Received)		2,50,000	 2,50,000
	Equity Share final Call A/c Dr. To Equity Sharee Capital A/c (Share Final Call Money Due for 50,000 Shares @ ₹ 5 per share)		2,50,000	 2,50,000
	Bank A/c Dr. To Equity Share Final Call A/c (Share Final Call Money Received)		2,50,000	 2,50,000
	Share Issue Expenses A/c Dr. To Bank A/c (Share issue expenses paid)		5,000	 5,000
	Incorporation Cost A/c Dr. To Equity Share Capital A/c (Share issued to Promoters)		10,000	 10,000
	Securities premium reserve A/c Dr. To Share issue expenses A/c (Share issue expenses written off against securities premium reserve)		5,000	 5,000

Balance Sheet of Sushila Ltd.
As on..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Share Holder's Fund :			
(a) Share Capital	1	5,10,000	
(b) Reserves & Surplus	2	95,000	
		6,05,000	
II. Assets :			
Non Current Assets			
Tangible Assets	3	10,000	
Current Assets			
Cash and Cash Equivalents	4	5,95,000	
		6,05,000	

Notes to Accounts :

Particulars	Amt. (₹)	
1. Issued Capital :		
50,000 equity shares @ ₹ 10 each		5,00,000
5000 Shares @ ₹ 10 each		10,000
(Issued to Promoters)		5,10,000
2. Reserves and Surplus :		
Securities Premium Reserve	1,00,000	
Less : Share Issue Expenses	5,000	95,000
3. Tangible Assets :		
Goodwill (Incorporation Cost)		10,000
4. Cash and Cash Equivalents :		
Cash at Bank	6,00,000	
Less : Share issue expense	5000	5,95,000

22. Hari Ltd. purchased furniture for ₹ 3,00,000 from Narayan Ltd. ₹ 1,00,000 were paid by drawing a Promissory Note in favour of Narayan Ltd. The balance was paid by issue of Equity Shares of ₹ 10 each at a premium of 25%.

Pass necessary Journal Entries in the books of Hari Ltd.

Solution 22 :

In the Books of Hari Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
			(₹)	(₹)
	Furniture A/c Dr. To Narayan ltd. (Furniture Purchased)		3,00,000	 3,00,000
	Narayan Ltd. A/c Dr. To Bills Payable A/c (Amount paid by drawing a promissory note)		1,00,000	 1,00,000
	Narayan Ltd. A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (For Remaining Balance Issue of Equity Shares at A Premium of 25%, ₹ 10 each)		2,00,000	 1,60,000 40,000

Working Note :

Calculation of No. of Equity Shares to Be Issued :

$$\text{No. of Equity Shares} = \frac{\text{Purchase Consideration}}{\text{Issue Price}}$$

$$= \frac{₹2,200,000}{₹125} = 16,000 \text{ Shares}$$

23. Shanti Ltd. purchased sundry assets with ₹ 6,00,000 by issuing equity shares of face value ₹ 100 each to Asha Ltd. Journalise the transaction in the books of Shanti Ltd.

Solution 23 :

In the Books of Shanti Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
				(₹)	(₹)
	Sundry Assets A/c	Dr.		6,00,000	
	To Asha Ltd.				6,00,000
	(Assets Purchased)				
	Asha Ltd. A/c	Dr.		6,00,000	
	To Equity Share Capital A/c				6,000
	(Issue of Equity Shares @ ₹ 100 each)				

Working Note :

Calculation of No. of Equity Shares to be issued :

$$\text{No. of Equity Shares} = \frac{₹6,00,000}{₹100}$$

$$= 6000 \text{ Shares}$$

24. Nutan Ltd. purchased assets worth ₹ 5,25,000 for which payment was made by issuing equity shares of the face value of ₹ 100 each at a premium of 5%. Journalise the above transactions.

Solution 24 :

In the Books of Nutan Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
				(₹)	(₹)
	Assets A/c	Dr.		5,25,000	
	To Vendor A/c				5,25,000
	(Assets Purchased)				
	Vendor A/c	Dr.		5,25,000	
	To Equity Share Capital A/c				5,00,000
	To Securities Premium Reserve A/c				25,000
	(Equity Share Issued @ ₹ 100 Each at a Premium of 5%)				

Working Note :

Calculation of No. of Equity Shares to be issued :

$$\text{No. of Equity Shares} = \frac{₹5,25,000}{₹105}$$

$$= 5000 \text{ Shares}$$

25. Abha Ltd. issued shares for ₹ 20,00,000 divided into shares of ₹ 10 each at a premium of ₹ 5 per share, payable as under :

On Application	₹ 4 per share
On Allotment	₹ 6 (including premium of ₹ 3)
On First and Final Call	Balance

Excess application money was to be adjusted against allotment and first and final call and the money on rejected applications was to be returned.

The issue was oversubscribed to the extent of 80,000 shares and the allotment was made as follows :

Applicants of 1,00,000 shares were allotted 30% shares, applicants for 10,000 shares were rejected and the remaining applicants were given full allotment.

All the money was duly received. Give journal entries.

Solution 25 :

In the Books of Abha Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		11,20,000	
	To Share Application A/c			11,20,000
	(Money Received for 2,80,000 Shares @ ₹ 4 per share on application)			
	Share Application A/c Dr.		11,20,000	
	To Share Capital A/c			8,00,000
	To Share Allotment A/c			1,80,000
	To Calls in advance A/c			1,00,000
	To Bank A/c			40,000
	(Application Money Transfer to Capital Account and Excess Amount Adjusted)			
	Share Allotment A/c Dr.		12,00,000	
	To Share Capital A/c			6,00,000
	To Securities Premium Reserve A/c			6,00,000
	(Allotment Money Due with Securities Premium)			
	Bank A/c Dr.		10,20,000	
	To Share Allotment A/c			10,20,000
	(Allotment Money Received)			
	Share First and Final Call A/c Dr.		10,00,000	
	To Share Capital A/c			6,00,000
	To Securities Premium Reserve A/c			4,00,000
	(First and Final Call Money due on 2,00,000 Shares @ ₹ 2 per share)			
	Bank A/c Dr.		9,00,000	
	Calls to Advance A/c Dr.		1,00,000	
	To Equity Share First and Final Call A/c			10,00,000
	(First Call Money Received)			

Working Note :

Calculation of Access Money

70,000 Share @ ₹ 4 per share = ₹ 2,80,000

Less : Adjustment in Allotment

30,000 share @ ₹ 6 each = ₹ 1,80,000

Amount Transferred to Calls in Advance = 1,00,000

26. Abraham Ltd. invited applications for 5,000 shares of ₹ 100 each. The amount is payable as follows :

On Application : ₹ 20 per share
On Allotment : ₹ 30 per share
On First Call : ₹ 20 per share
On Second and Final Call : ₹ 30 per share

Applications were received for 8,000 shares. Applications for 1,000 shares were rejected and *pro-rata* allotment was made to the remaining applicants.

All calls were made and duly paid except :

(i) Ishu, the holder of 200 shares paid the two calls with allotment.

(ii) Hariram, the holder of 300 shares failed to pay the first and second call money.

Pass necessary journal entries to record the above transactions.

Solution 26 :

In the Books of Abraham Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		1,60,000	
	To Share Application A/c			1,60,000
	(Money Received for 8,000 shares @ ₹ 20 per share on application)			
	Share Application A/c Dr.		1,60,000	
	To Share Capital A/c			1,00,000
	To Share Allotment A/c			40,000
	To Bank A/c			20,000
	(Application Money Transferred to Capital Account and Excess Money Adjsuted)			
	Share Allotment A/c Dr.		1,50,000	
	To Share Capital A/c			1,50,000
	(Allotment Money Due)			
	Bank A/c Dr.		1,20,000	
	To Share Allotment A/c			1,10,000
	To Calls in Advance A/c			10,000
	(Allotment Money Received)			
	Share First Call A/c Dr.		1,00,000	
	To Share Capital A/c			1,00,000
	(First Call Money Due on 5000 shares @ ₹ 20 per share)			
	Bank A/c Dr.		90,000	
	Calls in Advance A/c Dr.		4,000	
	Calls in Arrears A/c Dr.		6,000	
	To Equity Share first call A/c			
	(First Call Money Received)			
	Share Second And Final Call A/c Dr.		1,50,000	
	To Share Capital A/c 1,50,000			
	(Second and Final Call Due on 5,000 Shares @ ₹ 30 each)			
	Bank A/c Dr.		1,35,000	
	Calls in Arrear A/c Dr.		9,000	
	Calls in Advance A/c Dr.		6,000	
	To Share Second and Final Call A/c			1,50,000
	(Second and Final Call Money Received)			

27. On October 1, 2020, Sushant Ltd. offered 1,00,000 shares of ₹ 10 each payable as follows:

On Application	₹ 3 per share
On Allotment (November 1, 2020)	₹ 2 per share
On First Call (December 1, 2020)	₹ 3 per share
On Second and Final Call (One month after first call)	₹ 2 Per share

Applications were received for 1,25,000 shares on October 15, 2020. Applications for 1,20,000 shares were allotted 1,00,000 shares and the remaining applications were rejected.

Give journal entries assuming that all amounts have been received and the company maintains a combined account for application and allotment.

Solution 27:

In the Books of Sushant Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020 15 Oct.	Bank A/c Dr. To Share Application Allotment A/c (Application Money Received on 1,25,000 shares @ ₹ 3 per share)		3,75,000	 3,75,000
02 Nov.	Share Application and Allotment A/c Dr. To Share Capital A/c (Transfer of Application Money @ ₹ 3 and Allotment Money due @ ` 2 on 1,00,000 Shares)		5,00,000	 5,00,000
01 Nov.	Share Application and Allotment A/c Dr. To Bank A/c (Application Money Refunded on Repeated Applications on 5,000 Shares @ ₹ 3)		15,000	 15,000
01. Nov.	Bank A/c Dr. To Share Application and Allotment A/c (Balance of Allotment Money Received)		1,40,000	 1,40,000
01 Dec.	Share First Call A/c Dr. To Share Capital A/c (First Call Due on 1,00,000 Shares @ ₹ 3 each)		3,00,000	 3,00,000
01 Dec.	Bank A/c Dr. To Share First Call A/c (Amount Recived on First Call)		3,00,000	 3,00,000
2021 01 Jan.	Share Second and Final Call A/c Dr. To Share Capital A/c (Second and FinalCall Due on 1,00,000 Shares @ ₹ each)		2,00,000	 2,00,000
01 Jan.	Bank A/c Dr. To Share Second and Final Call A/c (Amount Received on Second and Final Call)		2,00,000	 2,00,000

Working Note:

	₹
Amount due on Allotment (1,00,000 Shares @ ₹ 2 each)	2,00,000
Less : Excess received on Application	(60,000)
(20,000 shares @ ₹ 3 each)	1,40,000

28. Vinod and Co. offers 10,000 shares of ₹ 10 each to the public for subscription at ₹ 12 per share. Money is payable as follows :

₹ 3 on application, ₹ 5 on allotment (including premium) and ₹ 4 on call.

Applications were received for all the shares. All allottees pay the money due on shares when called-up.

Pass necessary journal entries and prepare Cash Book.

Solution 28 :

In the Books of Vinod & Co.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Money Received on Application)		30,000	 30,000
	Share Application A/c Dr. To Share Capital A/c (Application Money Transferred to Share Capital Account)		30,000	 30,000
	Share Allotment A/c Dr. To Share Capital 30,000 To Securities premium Reserve A/c (Allotment Money due on 10,000 shares @ ₹ 5 per share including premium ₹ 2 per share)		50,000	 20,000
	Bank A/c Dr. To Share Allotment A/c (Allotment Money Receive)		50,000	 50,000
	Share Call A/c Dr. To Share Capital A/c (Call Money Due on 10,000 Shares @ ₹ 4 per share)		40,000	 40,000
	Bank A/c Dr. To Share Call A/c (Share Call Money Received)		40,000	 40,000

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c		30,000		By Balance c/d		1,20,000
	To Share allotment A/c		50,000				
	To Share Call A/c		40,000				
			1,20,000				1,20,000

29. Yathart Ltd. offered 25,000 shares of ₹ 25 each to the public payable as : ₹ 10 on application and ₹ 5 on allotment and balance on first call and final call equally.

All shares were applied for and duly accepted. The entire sum due was timely received except a holder of 500 shares who failed to pay both the calls. Pass necessary journal entries to record above transactions by opening Calls-in-Arrears Account in the company's books and show how the share capital will appear in the company's Balance Sheet.

Solution 29 :

In the Books of Talhart Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		2,50,000	
	To Share Application A/c				2,50,000
	(Application Money Received)				
	Share Application A/c	Dr.		2,50,000	
	To Share Capital A/c				2,50,000
	(Share Application Money Transferred to Share Capital A/c)				
	Share Allotment A/c	Dr.		1,25,000	
	To Share Capital A/c				1,25,000
	(Allotment Money Due on 25,000 Shares @ ₹ 5 per share)				
	Bank A/c	Dr.		1,25,000	
	To share Allotment A/c				1,25,000
	(Allotment Money Received)				
	Share First Call A/c	Dr.		1,25,000	
	To Share Capital A/c				1,25,000
	(Share First Call Money Due on 25000 Shares @ ₹ 5 per share)				
	Bank A/c	Dr.		1,22,500	
	Calls in Arrears A/c	Dr.		2,500	
	To Share First Call A/c				1,25,000
	(Share first call money received except 500 shares)				
	Share Final Call A/c	Dr.		1,25,000	
	To Share Capital A/c				1,25,000
	(Share Final Call Money Due on 25000 @ ₹ 5 per share)				
	Bank A/c	Dr.		1,20,500	
	Calls in Arrears A/c	Dr.		2,500	
	To Share Final Call A/c				1,25,000
	(Share Final Call Money Received, except holder of 500 Shares)				

Balance Sheet of Yathart Ltd.
As on ....

Particulars	Note No.	Current year (₹)	Previous year (₹)
I. Equity And Liabilities :			
1. Share holder's Funds :			
(a) Share Capital	1	6,20,000	
		6,20,000	
II. Assets :			
Current Assets			
Cash and Cash Equivalents	2	6,20,000	
		6,20,000	

Notes to Accounts :

	Particulars		Amt. (₹)
1.	Share Capital Authorised Capital : 25000 Shares @ ₹ 25 each		6,25,000
	Issued Subscribed Capital : Subscribed and Fully Paid Up Shares : (25000 @ ₹ 25 each)		6,25,000
	Less : Calls in Arrears (On First and Final Call) (500 Shares @ ₹ 10 each)	(500)	6,20,000
2.	Cash and Cash Equivalents Cash at Bank		6,20,000

30. Nagaur Ltd. issued 35,000 shares of ₹ 100 each to be payable as : ₹ 25 on application, ₹ 35 on allotment, ₹ 25 on first call and ₹ 15 on final call (six months after first call). Applications were received for all the shares in full and all the calls were duly made and paid-up. However, a shareholder with a holding of 1,500 shares failed to pay the first call on the due date. Later on, he paid the entire amount due on first call with second call amount due. Pass the journal entries for the above transactions without opening Calls-in-Arrears Account in the books of the company.

Solution 30 :

In the Books of Nagaur Ltd.

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
			(₹)	(₹)
	Bank A/c Dr. To Share Application A/c (Application Money Received)		7,75,000	8,75,000
	Share Application A/c Dr. To Share Capital A/c (Share Application Money Transferred to Share Capital A/c)		8,75,000	8,75,000
	Share Allotment A/c Dr. To Share Capital (Allotment Money Due on 35,000 Shares @ ₹ 35 each)		12,25,000	12,25,000
	Bank A/c Dr. To Share Allotment A/c (Share Allotment Money Received)		12,25,000	12,25,000
	Share First Call A/c Dr. To Share Capital A/c (Share First Call Money Due on 35,000 Shares @ ₹ 25 each)		8,75,000	8,75,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share First Call A/c (Share First Call Money Received)		8,37,500 37,500	8,75,000
	Share Second and Final Call A/c Dr. To Share Capital A/c (Share Second Call Money Due on 35,000 Shares @ ₹ 15 each)		5,25,000	5,25,000
	Bank A/c Dr. To Share Second and Final Call A/c To Calls in Arrears A/c (Share Second Call Money Received on 35000 Shares @ ₹ 15 each and Share First Call Money on 1500 Shares @ ₹ 25 each)		5,62,500	5,25,000 37,500

31. Shobha Ltd. was registered with a capital of 10,000, 5% preference shares of ₹ 100 each and 50,000 equity shares of ₹ 10 each. The company issued 60% of the preference shares payable as ₹ 30 per share on application; ₹ 25 per share on allotment and the remaining on first and final call. 40,000 equity shares were issued payable as ₹ 2 on application, ₹ 4 on allotment and the remaining on the first and final call. All the amount due on the shares was paid but 300 preference shares were not paid on final call.

Pass necessary journal entries in the books of the company.

Solution 31 :

In the Books of Company
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		2,60,000	
	To Equity Share Application A/c			80,000
	To Preference Share Application A/c			1,80,000
	(Application Money Received on Equity and Preference Shares)			
	Equity Share Application A/c Dr.		80,000	
	Preference Share Application A/c Dr.		1,80,000	
	To Equity Share Capital A/c			80,000
	To Preference Share Capital A/c			1,80,000
	(Application Money Received to Share Capital Account)			
	Equity Share Allotment A/c Dr.		1,60,000	
	Preference Share Allotment A/c Dr.		1,50,000	
	To Equity Share Capital A/c			1,60,000
	To Preference Share Capital A/c			1,50,000
	(Allotment Money due on 6,000 preference shares @ ₹ 25 per share and 40,000 equity shares @ ₹ 4 per share)			
	Bank A/c Dr.		3,10,000	
	To Equity Share Allotment A/c			1,60,000
	To Preference Share Allotment A/c			1,50,000
	(Allotment Money Received on Equity Shares and Preference Shares)			
	Equity Share First Call A/c Dr.		1,60,000	
	Preference Share Final Call A/c Dr.		2,70,000	
	To Equity Share Capital A/c			1,60,000
	To Preference Share Capital A/c			2,70,000
	(First Call Money Due on 40,000 Equity Shares @ ₹ 4 per share and 6000 preference shares @ ₹ 45 per share)			
	Bank A/c Dr.		4,16,500	
	Calls in Arrears A/c Dr.		13,500	
	To Equity Share Final Call A/c			1,60,000
	To Preference Share Final Call A/c			2,70,000
	(Equity Share Final Call and Preference Share Final Call Money Received, Except 300 Preference Shares @ ₹ 45 per share)			

32. M/s Govindam Brothers made the first call of ₹ 15 on its 50,000 equity shares on April 1, 2020. Poonam, a shareholder with a holding of 750 shares paid along with the aforesaid call the amount of ₹ 20 due on each share as the final call. Pass necessary journal entries by opening the Calls-in-Advance Account.

Solution 32 :

In the Books of M/s Govindam Bros.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020 Apr 1	Equity Share First Call A/c Dr. To Equity Share Capital (Shares First Call Due on 50,000 Equity Shares @ ₹ 15 per Shares)		7,50,000	 7,50,000
Apr 1	Bank A/c Dr. To Equity Share First Call A/c To Calls in Advance A/c (Share First Call Received with Calls in Advance of 750 Shares @ ₹ 20 per Share)		7,65,000	 7,50,000 15,000

33. Kamna Ltd. was registered with an authorised capital of ₹ 10,00,000 divided into 10,000 shares of ₹ 100 each. The Company offered 5,000 of these shares to the public, which were payable ₹ 25 per share on application, ₹ 50 per share on allotment and the balance three months later. Applications for 7,100 shares were received on which the directors allotted as follows :

Applications for 4,000 Shares	Full
Applications for 3,000 Shares	1,000
Applications for 100 Shares	Nil

₹ 1,85,000 was realised on account of allotment money (excluding the amount carried from application money) and ₹ 1,15,000 on account of call. The Directors decided to forfeit those shares on which allotment money was overdue.

Show the entries in the company's books.

Solution 33 :

In the Books of Kama Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Money Received on Application)		1,77,500	 1,77,500
	Share Application A/c Dr. To Share Capital A/c To Share Capital A/c To Bank A/c (Application Money Transfer to Capital Account and Extra Refund]		1,77,500	 1,25,000 50,000 2,500
	Share Allotment A/c Dr. To Share Capital A/c (Allotment Money Due)		2,50,000	 2,50,000
	Bank A/c Dr. To Share Allotment A/c (Allotment Money Received)		1,85,000	 1,85,000
	Share First and Final Call A/c Dr. To Share Capital A/c (First Call Money Due on 5,000 shares @ ₹ 25 per share)		1,25,000	 1,25,000
	Bank A/c Dr. To Share First and Final Call A/c (First Call Money Received)		1,15,000	 1,15,000

	Share Capital A/c Dr. To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (300 Share Forfeiture for Non Payment of Allotment and First Call)		30,000	 15,000 7,500 7,500

Working Note :

Calculation of Number of Shares :

	₹
Total Amount Due on Allotment (50000 Shares @ ₹ 50 per share)	2,50,000
Less : Application Received	50,000
(₹ 3,000 – ₹ 1,000) @ ₹ 25 per share)	2,00,000
Less : Allotment Amount Received	1,85,000
Amount Not Received on Allotment	15,000

34. Gauri Ltd. issued 10,000 shares of ₹ 100 each. During the year only ₹ 80 were called payable as follows :

On Application	₹ 25
On Allotment	₹ 20
On first Call	₹ 20
On second Call	₹ 15

Amounts were received as follows :

On 8,000 shares the full amount called

On 1,200 shares ₹ 65 per share

On 500 shares ₹ 45 per share

On 300 shares ₹ 25 per share

The directors forfeited those shares on which less than ₹ 65 per share were received. Show entries in the Cash Book and Journal and show the Share Capital in the Balance Sheet.

Solution 34 :

In the Books of Gauri Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application Money Received)		2,50,000	 2,50,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c (Application Money Transferred to Share Capital Account)		2,50,000	 2,50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Allotment Money Due on Shares)		2,00,000	 2,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Amount Due on First Call)		2,00,000	 2,00,000
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Amount Due on Final Call)		1,50,000	 1,50,000

Equity Share Capital A/c Dr.			64,000	
To Equity Share Allotment A/c (300 × 20)			6,000	
To Equity Share First Call A/c (800 × 20)			16,000	
To Equity Share Final Call A/c (800 × 15)			12,000	
To Share Capital A/c Dr.			64,000	
To Equity Share Allotment A/c (300 ×20)				6,000
To Equity Share First Call A/c (800 × 20)				16,000
To Equity Share Final Call A/c (800 ×15)				12,000
To Share Forfeiture A/c				30,000
(800 Shares Forfeited for Non-Payment of First and Final Call)				

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Equity Share Application A/c		250,000		By Balance c/d		7,48,000
	To Equity Share Allotment A/c		1,94,000				
	To Equity Share First Call A/c		1,84,000				
	To Equity Share Final Call A/c		1,20,000				
			7,48,000				7,48,000

Balance Sheet of Kamna Ltd.
as on...........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Share Holder's Funds :	1	7,48,000	
(a) Share Capital			

Notes to Accounts :

Particulars		Amount (₹)
1. Share Capital		
Issued Capital :		
10,000 Equity Shares @ ₹ 100 each		10,00,000
Subscribed and fully paid up capital :		
9,200 equity shares @ ₹ 100 each		
₹ 80 called up	7,36,000	
Less : Calls in Arrears	(18,000)	
	7,18,000	
Add : Share Forfeiture	30,000	7,48,000

35. To provide employment to the youth and to develop Baramula district of Jammu and Kashmir, Mastermind Ltd. decided to set-up a power plant. For raising funds, the company decided to issue 8,50,000 equity shares of ₹ 10 each at a premium of ₹ 2.5 per share. The whole amount was payable on application. Applications for 20,00,000 shares were received. Applications for 3,00,000 shares were rejected and shares were allotted to the remaining applicants on *pro-rata* basis.

Pass necessary journal entries for the above transactions in the books of the company and identify any two values which the company wants to propagate.

Solution 35 :

In the Books of Master Mind Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Entry Share Application And Allotment A/c (Amount Received on 20,00,000 Equity Shares @ ₹ 10 each at a premium of ` 8.5 per share)		250,00,000	250,00,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Bank A/c (Application Money is Transferred to Share Capital and Excess Amount Refunded)		250,00,000	85,00,000 21,25,000 14,375,000

The following are the two values that Master Mind Ltd.wants to Propagate :
1. Employment apportunities in the backward areas.
2. Value of equality by allotting shares on pro-rata basis to 17,00,000 shareholders.

36. Bata Ltd. issued 50,000 equity shares of ₹ 100 each payable as : on application and allotment ₹ 25 per share, on first call ₹ 30 per share and balance on final call. Applications were received for 80,000 shares and *pro-rata* allotment was made to all the applicants. Excess application money was adjusted on the sums due on first call. When the first call was made a shareholder who had applied for 4,000 shares did not pay the call money. Journalise the above transactions.

Solution 36 :

In the Books of Bata Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Application and Allotment Money Received)		20,00,000	20,00,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c (Share Application Money Transferred to Share Capital Account and the Excess Amount Adjusted to Allotment Money)		20,00,000	12,50,000 7,50,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Share First Call Amount Due on 50,000 Shares @ ₹ 30)		15,00,000	15,00,000
	Bank A/c Dr. To Equity Share First Call A/c (Share First Call Amount Received Except A Shareholder of 4,000 Shares)		7,12,500	7,12,500
	Equity Share Final Call A/c Dr. To Equity Share Capital A/c (Share Second Call Amount Due on Shares @ ₹)		22,50,000	22,50,000
	Bank A/c Dr. To Equity Share Final Call A/c (Share Second Call Money Received Shares)		20,70,000	20,70,000

	Equity Share Capital A/c Dr.		4,00,000	
	To Equity Share First Call A/c			1,20,000
	To Equity Share Final Call A/c			1,80,000
	To Share Forfeiture A/c			1,00,000
	(Unpaid 4000 shares are forefeited of Non-payment First and Final Call)			

Working Notes :

1. Calculation of First Call Money not Paid by a Shareholder :
Number of Shares Allotted to Shareholder

$$= \frac{50,000\,\text{Shares}}{80,000\,\text{Shares}} \times 4000\ \text{Shares}$$

$$= 2500\ \text{Shares}$$

First Call Money not paid by shareholder :

Amount Due on First Call (2500 Shares × ₹ 30 per share)	7,50,000
Less : Excess Application Money Adjsuted on First Call [(4000 – 2500) × ₹ 30]	37500
	37500

2. Calculation Total Amount received on First Call :

Total Amount Due on First Call	15,00,000
Less : Excess Application Money Adjusted on Allotment	7,50,000
Amount Received on First Call	7,50,000
Less : First Call Money not paid by a Shareholder (Working Note)	37,500
Amount Received on First Call	7,12,500

37. Ganpat Ltd. with an authorised capital of ₹ 6,00,000 invited applications for 50,000 shares of ₹ 10 each payable as : ₹ 3 on application, ₹ 3 on allotment, ₹ 2 on first call and ₹ 2 on final call. There was oversubscription and applications were received for 86,000 shares.

Allotment was made as follows :

To applicants of 25,000 shares—25,000 shares

To applicants of 6,000 shares— Nil

To applicants of 55,000 shares—25,000 shares

Excess money on application was adjusted against the sums due on allotment and the calls. All amounts due were subsequently received. Pass journal entries to record the above transactions.

Solution 37 :

In the Books of Ganpat Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		2,58,000	
	Share Application A/c Dr.			2,58,000
	(Application Money Received)			
	Share Application A/c Dr.		2,58,000	
	To Share Capital A/c			1,50,000
	To Share Allotment A/c			75,000
	To Calls in Advance A/c (B/F)			15,000
	To Bank A/c			18,000
	(Application Money Transferred to Share Capital Account)			

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Allotment A/c Dr. To Share Capital A/c (Allotment Money Due)		1,50,000	 1,50,000
	Bank A/c Dr. To Share Allotment A/c (Share Allotment Money Received)		75,000	 75,000
	Share First Call A/c Dr. To Share Capital A/c (Share First Call Money Due)		1,00,000	 1,00,000
	Bank A/c Dr. To Share First Call A/c (Share First Call Money Received)		85,000	 85,000
	Share Second & Final Call A/c Dr. To Share Capital A/c (Share Second and Final Call Money Due)		1,00,000	 1,00,000
	Bank A/c Dr. To Share Second & Final Call A/c (Share Second & Final Call Money Received)		1,00,000	 1,00,000

38. Girdharilal Ltd. issued 75,000 shares of ₹ 100 each payable as ₹ 25 on application (first April, 2020), ₹ 30 on allotment (first June, 2020), ₹ 15 on first call (first September, 2020) and ₹ 30 on final call (first February, 2021).

Applications were received for 1,60,000 shares and the allotment was made as under:

To applications of 25,000 shares — full

To applications of 10,000 shares — Nil

To applicants of 1,25,000 shares — 50,000 shares

Excess money received on application was utilised towards allotment and subsequent calls.

Give journal entries to record the above transactions, assuming all the sums of money were duly received.

Solution 38:

In the Books of Girdhari Lal Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application Money Received)		40,00,000	 40,00,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Calls in Advance A/c (B/F) To Bank A/c (Application Money Transferred to Share Capital Account)		40,00,000	 18,75,000 15,00,000 3,75,000 2,50,000
	Share Allotment A/c Dr. To Share Capital A/c (Share Allotment Money Due)		22,50,000	 22,50,000
	Bank A/c Dr. To Share Allotment A/c (Share Allotment Money Received)		7,50,000	 7,50,000

Share First Call A/c Dr. To Share Capital A/c (Share Final Call Money Due)		11,25,000	11,25,000
Bank A/c To Share First Call A/c (Share First Call Money Received)		750,000	7,50,000
Share Second & Final Call A/c Dr. To Share Capital A/c (Second & Final Call Money Due)		22,50,000	22,50,000
Bank A/c Dr. To Share Second & Final Call A/c (Share Second & Final Call Money Received)		22,50,000	22,50,000

39. Akanksha Ltd. offered 22,000 equity shares of ₹ 100 each to the public at a premium of ₹ 20 per share. The amount per share was payable as ₹ 25 on application; ₹ 60 (including premium) on allotment; and the balance on first and final call. 20,000 shares were subscribed by the public. All calls were made. A shareholder holding 1,000 shares failed to pay the first and final call money. His shares were forfeited. Show 'Share Capital' in the Balance Sheet of Akanksha Ltd. Also, prepare 'Notes to Accounts'.

Solution 39 :

Balance Sheet of Akansha Ltd.
as on ....

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities : 1. Shareholder's Funds (a) Share Capital	1	19,65,000	

Notes to Accounts :

Particulars		Amount (₹)
1. Share Capital		
Issued Capital :		
22,000 Equity Shares of ₹ 100 each		22,00,000
Subscribed and Fully paid up Capital :		
19,000 equity shares of ₹ 100 each	19,00,000	
Add : Forfeited Shares	65,000	19,65,000

40. Vidhata Ltd. issued ₹ 40,00,000 equity shares of ₹ 10 each out of its registered capital of ₹ 10,00,00,000. The amount payable on these shares was as follows :

On application	₹ 2.5 per share
On allotment	₹ 2 per share
On first call	₹ 3 per share
On second and final call	₹ 2.5 per share

All calls were made and were duly received, except the second and final call on 2,500 shares held by Pooran Singh. These shares were forfeited.

Present the 'Share Capital' in the Balance sheet of the company as per Schedule III Part I of the Companies Act, 2013. Also prepare 'Notes to Accounts'.

Solution 40 :

Balance Sheet of Vidhata Ltd.
as on..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funds			
(a) Share Capital	1	39,93,750	

Notes to Accounts :

Particulars		Amount (₹)
1. Share Capital		
Authorised Capital :		
10,00,00,000 Equity Shares of ₹ 10 each		10,00,00,000
Issued Capital :		
4,00,000 Equity Shares of ₹ 10 each		40,00,000
Subscribed and Fully paid up capital :		
4,00,000 Equity Shares of ₹ 10 each	40,00,000	
Less : Calls in Arrears	(6,250)	39,93,750
(2500 Shares @ ₹ 2.5 each)		

41. On first April, 2020, Lavendar Ltd. was formed with an authorised capital of ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each. The company issued prospectus inviting applications for 1,50,000 equity shares. The company received applications for 1,40,000 equity shares. During the first year, ₹ 7 per share were called. Sushil holding 4,000 shares and Meghraj holding 3,000 shares did not pay the first call of ₹ 2 per share. Meghraj's shares were forfeited after the first call and later on 1,800 of the forfeited shares were re-issued at ₹ 5 per share, ₹ 7 called-up.

Show the following :

(a) Share Capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013.

(b) Also prepare 'Notes to Accounts' for the same.

Solution 41 :

Balance Sheet of Lavendan Ltd.
as on................

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funds :			
(a) Share Capital	1	9,69,600	

Notes to Accounts :

1. Share Capital		
Authorised Capital :		
2,00,000 Shares ₹ 10 each		20,00,000
Issued Capital :		
1,50,000 Equity Shares of ₹ 10 each		15,00,000
Subscribed, Called up and Paid up Capital :		
1,38,800 Shares @ ₹ 7 per share 9,71,600		
Less : Calls in arrears 8000		
(4000 equity shares @ ₹ 2 per share)		
Add : Share Forfeited	6,000	9,69,600
(1200 Shares @ ₹ 5 per share)		
2. Reserve and Surplus		

42. Black Board Limited issued 20,000 shares of ₹ 100 each. The due amount was received except for 500 shares on which ₹ 75 per share was received. These 500 shares were forfeited and 350 shares were reissued for ₹ 60 each fully paid-up.

Show the Share Forfeiture Account and the Balance Sheet as at closing date.

Solution 42 :

Share Forfeiture Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Capital A/c		12,000		By Share Capital A/c		37,500
	To Capital Reserve A/c		10,500		(500 × ₹ 75)		37,500
	To Balance c/d		15,000				
			37,500				37,500

Working Note :

Calculation of Amount Transfer to Capital Reserve

Profit on 500 shares (500 × ₹ 75)	22,500
Less : Discount on Reissue (350 × 40)	12,000
Gain on reissue transferred to Capital Reserve	10,500

Balance Sheet of Black Board Ltd.

as on..................

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Sareholder's Funds			
(a) Share Capital	1	19,95,000	
(b) Reserve and Surplus	2	10,500	
		20,05,500	
II. Assets :			
Current Assets			
Cash and Cash Equivalents	3	20,05,500	
		20,05,500	

Notes to Accounts :

(1)	Share Capital		
	Equity Shares of ₹ 199 Each Fully Paid up		....
	Issued Capital :		
	20,000 Equity Shares of ₹ 100 each		20,00,000
	Subscribed and fully paid up capital :		
	19,800 equity shares of ₹ 100 each	19,80,000	
	Add : Forfeited Shares	15,000	19,95,000
(2)	Reserves and Surplus		
	Capital Reserve		10,500
(3)	Cash and Cash Equivalents		
	Cash at Bank		20,05,500

43. Bandhu Limited issued ₹ 10,00,000 new capital divided into ₹ 100 shares at a premium of ₹ 20 per share, payable as under : on application ₹ 10 per share; on allotment ₹ 40 per share (including premium of ₹ 10 per share); on first and final call balance.

Overpayments on applications were to be applied towards sums due on allotment and first and final call. Where no allotment was made, money was to be refunded in full. The issue was oversubscribed to the extent of 13,000 shares. Applicants for 12,000 shares were allotted only 2,000 shares and applicants for 3,000 shares were sent letters of regret and application money was returned to them. All the money due was duly received. Give Journal entries to record the above transactions (including cash transactions) in the books of the company.

Solution 43 :

In the Books of Bandhu Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (23000 × ₹ 10) Dr. To Share Application A/c (Share Application Money received on 23,000 Shares @ ₹ 10 each)		2,30,000	 2,30,000
	Share Application A/c Dr. To Share Capital A/c (10,000 × 10) To Share Allotment A/c (2,000 × ₹ 40) To Calls in Advance A/c To Bank A/c (3000 × ₹ 10) (Share application of 23,000 shares transferred to share capital)		2,30,000	 100,000 80,000 20,000 30,000
	Share Allotment A/c (10,000 × ₹ 40) Dr. To Share Capital A/c (10,000 × ₹ 30) To Securities Premium resolve A/c (10,000 × ₹ 10) (Allotment Money Due)		4,00,000	 3,00,000 1,00,000
	Bank A/c (4,00,000 – 80,000) Dr. To Share Allotment A/c (Allotment Money Received)		3,20,000	 3,20,000
	Share First & Final Call A/c (10,000 × ₹ 70) Dr. To Share Capital A/c (10,000 × ₹ 60) To Securities Premium Resolve A/c (₹ 10,000 × ₹ 10) (First and Final Call Money Due)		7,00,000	 6,00,000 1,00,000
	Bank A/c (700,000 –20,000) Dr. Calls in Advance A/c Dr. To Share First & Final Call A/c (First & Final Call Money Received)		6,80,000 20,000	 7,00,000

44. Aquafair Ltd. issued ₹ 20,00,000 new capital divided into ₹ 100 shares at a premium of 10% payable as : ₹ 20 on application, ₹ 40 on allotment (including premium) and the balance on first and final call.

Excess payment on application was to be applied towards sums due on allotment and first and final call. Where no allotment was made, money was to be refunded in full. The issue was oversubscribed to the extent of 15,000 shares. Applications for 5,000 shares were rejected, while applicants for15,000 shares were allotted 5,000 shares. All the money was duly received. Journalise the above transactions (including cash transactions) in the books of the company.

Solution 44 :

In the Books of Aquafair Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Share Application Money Received)		7,00,000	 7,00,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Application Money Transferred to Share Capital Account)		7,00,000	 4,00,000 2,00,000 1,00,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment Money Due)		8,00,000	 6,00,000 2,00,000
	Bank A/c Dr. To Share Allotment Allotment Money Received i.e. ₹ 8,00,000 – ₹ 2,00,000		6,00,000	 6,00,000
	Share First and Final Call A/c Dr. To Share Capital A/c (Share First and Final Call Money Due)		10,00,000	 10,00,000
	Bank A/c Dr. To Share First and Final Call A/c (Money Received on Share Firt and Final Call)		10,00,000	 10,00,000

45. Aayush Limited issued ₹ 10,00,000 new capital, divided into ₹ 100 per share at a premium of ₹ 20 per share, payable as ₹ 10 on application, ₹ 50 on allotment (including premium ₹ 10), ₹ 60 on first and final call (including premium ₹ 10).

Overpayments on applications were to be applied towards due on allotment and over payments on application exceeding sums due on allotment were to be returned. Where no allotment was made money was to be returned in full. The issue was oversubscribed and applications were received for 23,000 shares. Applications for 12,000 shares were allotted only 1,000 shares and applications for 2,000 shares were rejected. All the money due on allotment and first and final call was duly received. Pass journal entries.

Solution 45 :

In the Books of Aayush Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application Money Received)		3,30,000	 3,30,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c To Calls in Advance A/c To Bank A/c (Application Money Transferred to Share Capital Account)		3,30,000	 1,00,000 50,000 1,60,000 20,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment Money Due)		5,00,000	 4,00,000 1,00,000

	Bank A/c Dr. To Share Allotment A/c (Allotment Money Received i.e. ₹ 5,00,000 – ₹ 50,000)		4,50,000	4,50,000
	Share First and Final Call A/c Dr. To Share Capital A/c To Securities Premium A/c (First and Final Call Money Due)		6,00,000	5,00,000 1,00,000
	Bank A/c Dr. Calls in Adance A/c Dr. To Share First and Final Call A/c (First and Many Call Money Received)		4,80,000 1,20,000	6,00,000

46. Omkar Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 1 per share payable as follows :

₹ 3 on Application
₹ 4 on Allotment (including premium)
₹ 2 on first Call
Balance when required.

Applications were received for 46,000 shares and all of these were accepted. Directors did not make the final call. A shareholder holding 800 shares did not pay the amount due on first call. These shares were forfeited and re-issued at ₹ 7 per share, ₹ 8 per share paid.

Pass Cash Book and Journal Entries.

Solution 46 :

In the Books of Omkar Ltd.
Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c		1,38,000		By Balanc c/d		4,18,000
	To Share Allotment A/c		1,84,000				
	To Share First Call A/c		90,400				
	To Share Capital A/c		5,600				
			4,18,000				4,18,000

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr. To Share Capital A/c (Share Application Amount Transferred to Share Capital Account)		1,38,000	1,38,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment Money Due)		1,84,000	1,38,000 46,000
	Share First Call A/c Dr. To Share Capital A/c (First Call Amount Due)		92,000	92,000
	Share Capital A/c Dr. To Share First Call A/c To Share Forfeiture A/c (800 Share forfeited from payment of first call)		6,400	1,600 4,800

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share forfeiture A/c To Share Capital A/c (400 Shares re-issued)	Dr.		800	 800
	Share Forfeiture A/c To Capital Reserve A/c (Transfer of Profit on reissue of 800 shares)	Dr.		4,000	 4,000

47. Give journal entries for forfeiture and re-issue of shares :

(a) Priya Ltd. forfeited 500 shares of ₹ 100 each, ₹ 75 called-up, issued at 10% premium (to be paid at the time of allotment) for non-payment of a first call of ₹ 20 per share. Out of these, 200 shares were re-issued as ₹ 75 paid-up for ₹ 60 per share.

(b) Pratigya Ltd. forfeited 300 shares of ₹ 100 each, ₹ 75 called-up, issued at 10% premium (to be paid at the time of allotment) for non-payment of allotment money of ₹ 30 per share (including premium) and first call of ₹ 20 per share. Out of these, 100 shares were re-issued as fully paid-up in such a way that ₹ 3,100 were transferred to capital reserve.

Solution 47 :

(a) In the Books of Priya ltd.

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c To Share First Call A/c To Share Forfeiture A/c (500 shares forefeited)	Dr.		37,500	 10,000 27,500
	Bank A/c Share Forfeiture A/c To Share Capital A/c (200 Shares @ ₹ 75 per share reissued)	Dr. Dr.		12,000 3,000	 15,000
	Share Forfeiture A/c To Capital Reserve A/c (Balance Transferred to Capital Reserve Account)	Dr.		8,000	 8,000

Working Note :

Total Amount forfeited for 500 shares	₹ 27,500
Amount forfeited 200 shares $= \frac{₹ 27,500}{500} \times 200$	₹ 11,000
Less : Loss on reissue	(₹ 3,000)
	₹ 8,000

(b) **In the Books of Pratigya Ltd.**

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Securities Premium Reserve A/c To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (300 Shares Forfeited)	Dr. Dr.		22,500 22,500	 9,000 6,000 10,500
	Bank A/c Share Forfeiture A/c To Share Capital A/c (100 Shares @ ₹ 96 per share reissued)	Dr. Dr.		9,600 400	

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance Transferred to Capital Reserve Account)		3,100	 3,100

Working Note :

Total amount forfeited for 500 shares	10,500
Amount forfeited for 100 shares	
$\frac{₹10500}{300} \times 100 = 3500$	
Less : Loss on issue	(400)
Capital Reserve	3,100

48. Journalise the following :

(a) Shobhna Ltd. forfeited 400 shares of ₹ 100 each, issued at a premium of ₹ 5 per share (to be paid at the time of allotment) for non-payment of a first call of ₹ 20 per share. The second and final call of ₹ 20 has not yet been called. Out of these, 100 shares were re-issued on fully paid-up for ₹ 110 per share.

(b) Ruchika Ltd. forfeited 700 shares of ₹ 100 each, issued at a premium of ₹ 5 per share for non-payment of allotment money of ₹ 35 per share (including premium) and first call of ₹ 20 per share. The second and final call of ₹ 20 has not yet been called. 500 of these shares were re-issued as ₹ 80 paid-up for ₹ 92 per share.

Solution 48 :

(a) In the Books of Shobhna Ltd.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. To Share First Call A/c To Share Forfeiture A/c (400 Shares Forfeited)		32,000	 8,000 24,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (100 Shares @ ₹ 110 per share reissued)		11,000	 10,000 1,000
	Share forfeited A/c Dr. To Capital Reserve A/c (Balance Transferred to Capital Reserve Account)		6,000	 6,000

(b) **In the Books of Ruchika Ltd.**

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (700 Shares Forfeited)		56,000 3,500	 24,500 14,000 21,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (500 Shares @ ₹ 92 per share reissued)		46,000	 40,000 6,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance Transferred to Capital Reserve Account)		15,000	 15,000

49. Ritika Ltd. forfeited 200 shares of ₹ 10 each issued at a premium of ₹ 2 per share for the non-payment of allotment of ₹ 3 per share (including premium). The first and final call of ₹ 4 per share has not been made yet. 50% of forfeited shares were re-issued at ₹ 8 per share as fully paid-up. Pass necessary journal entries for the forfeiture and re-issue of shares.

Solution 49 :

In the Books of Ritika Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (200 × ₹ 6) Dr. Securities Premium A/c (200 × ₹ 2) Dr. To Share Forfeiture A/c (200 × ₹ 5) To Calls in Arrears A/c (200 × ₹ 3) (200 Shares of ₹ 10 each on which ₹ 8 had called including premium of ₹ 2, Forfeited for the non payment of allotment ₹ 3 including premium ₹ 2)		1,200 400	 1,000 600
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (100 Shares of ₹ 10 each reissued at ₹ 8 per share fully paid up)		800 200	 1,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Amount of Share Forfeiture of 100 reissued shares transferred to Capital Reserve Account)		300	 300

Working Notes :

1. Application ₹ 5
   Allotment ₹ 3 (₹ 1+ 2)
   First and Final Call ₹ 4
   ₹ 12 (10 + 2)

   Called up = Application Money + Allotment Money
   = ₹ 5 + ₹ 3 (₹ 2 including premium)
2. Share Forfeiture of Re issued Shares
   Share Forfeiture (Cr.) ₹ 5 per share
   (at the time of forfeiture)
   Share Forfeiture (Dr.)₹ 2 per share
   Balance in Share Forfeiture (Cr.) ₹ 3 per share
   (After reissue)
3. Capital Reserve

$$= \frac{\text{Amount of Share for Forfeiture}}{\text{Total Share for Forfeited}} \times \text{(Shares reissued – Loss on re-issued of Forfeited Shares)}$$

$$= \frac{1000}{200} \times 100 - 100 \times 2$$

$$= 500 - 200 = 300$$

50. Divyanshu Ltd. forfeited 200 equity shares of ₹ 10 each issued at a premium of ₹ 2 per share, for non-payment of allotment money of ₹ 5 per share (including premium), first call of ₹ 4 and final call of ₹ 1. Out of these, 100 equity shares were reissued at ₹ 13 per share as fully paid up. Give journal entries in the books of the company for recording forfeiture and reissue of shares.

Solution 51 :

In the Books of Divyanshu Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (200 × 10) Dr.		2000	
	Securities Premium Reserve A/c (200 × 2) Dr.		400	
	To Share Forfeiture A/c (200 × 2)			400
	To Share Allotment A/c (200 × 5)			1000
	To Share First Call A/c (200 × 4)			800
	To Share Final Call A/c (200 × 1)			200
	(200 Share Forfieted Due to Non-payment of Allotment, Money and Calls Money)			
	Bank A/c (100 × ₹ 13) Dr.		9300	
	To Share Capital A/c			1000
	To Securities Premium Reserve A/c			800
	(100 Shares Reissued @ ` 13 per Share)			
	Share Forfeiture A/c		200	
	To Capital Reserve A/c			200
	(Profit on reissue transferred to Capital Reserve A/c)			

Working Note :

Amount Transferred to Capital Reserve in Respect of Share Forfeiture = ₹ 400 × $\frac{100 \text{ Shares}}{200 \text{ Shares}}$ = ₹ 200

51. Sudha Ltd. forfeited 3,000 shares of ₹ 100 each (₹ 90 called-up) for the non-payment of the allotment money of ₹ 60 per share including ₹ 30 per share as premium. Out of these 2,000 shares were reissued to Ramakant at ₹ 60 per share as ₹ 80 called-up. Journalise the above transactions in the books of Sudha Ltd.

Solution 51 :

In the Books of Vishwa Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. (400 × ₹ 8)		8,000	
	To Share Forfeiture A/c (100 × ₹ 5)			5,000
	To Share First Call A/c (100 × ₹ 30)			3000
	(100 Share Forfeited Due to Non Payment of Money)			
	Bank A/c (100 × ₹ 70) Dr.		7,000	
	Share forfeiture A/c (1000 × ₹ 10) Dr.		1,000	
	To Capital Reserve A/c			8000
	(100 Share were reissued)			
	Share Forfeiture A/c (5000 – 1000) Dr.		4000	
	To Capital Reserve A/c			4000
	(Balance of Share Forfeiture Transferred to Capital Reserve Account)			

52. Vishwa Ltd. forfeited 100 equity shares of ₹ 100 each issued at a premium of 50% (to be paid at the time of allotment) on which first call money of ₹ 30 per share was not received; final call of ₹ 20 is yet to be made. These shares were subsequently reissued at ₹ 70 per share at ₹ 80 paid-up. Give journal entries regarding forfeiture and reissue of shares.

Solution 52 :

In the Books of Nandita Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c (100 × 80) Dr. To Equity Share First Call A/c (100 × 30) To Share Forfeited A/c (800 Equity Shares Forfeited For Non-payment of Final Call)		8,000	 3,000 5,000
	Bank A/c Dr. (100 × 70) Share Forfeiture A/c Dr. (100 × 10) To Share Capital A/c (100 × ₹ 80) (100 Forfeited Shares were reissued)		7000 1000	 8000
	Share forfeiture A/c Dr. To Capital Reserve A/c (Balance of Share Forfeiture Transferred to Capital Reserve Account)		4,000	 4,000

53. Nandita Ltd. forfeited 800 shares of ₹ 10 each issued at a premium of 10% for the non-payment of the first call of ₹ 3 per share. The final call of ₹ 2 per share was not made. Out of the forfeited shares, 450 equity shares were reissued as fully paid for ₹ 3,500. Pass necessary journal entries.

Solution 53 :

In the Books of Nandita Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c Dr. To Equity Share First Call To Share Forfeture A/c (800 Shares Forfeited for Non-payment of Final Call)		6400	 2,400 4,000
	Bank A/c Dr. Share forfeiture A/c Dr. To Share Capital A/c To Securities Premium A/c (450 Shares are reissued @ ₹ 110 per share)		3500 1450	 4,500 450
	Share Forfeited A/c Dr. To Capital Reserve A/c (Profit on Reissue of 450 Shares Transferred to Capital Reserve)		2,250	 2,250

Working Note :

Amount Forfeited in respect of 450 shares

$$= 4,000 \times \frac{450}{800} = ₹\ 2,250$$

54. The Directors of a Company forfeited 200 equity shares of ₹ 10 each issued at a premium of ₹ 3 per share, for the non-payment of the first call money of ₹ 3 per share. The final call of ₹ 2 per share has not been made. Half of the forfeited shares were reissued at ₹ 1,000 as fully paid. Record Journal entries for the forfeiture and reissue of shares.

Solution 54 :

In the Books of Company
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. To Share First Call A/c (200 Share Forfieted for Non-payment of Final Call Money)		1,600	 1,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c To Securities Premium A/c (100 Shares are reissued @ ₹ 13 each)		1,000 300	 1,000 300
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on reissue of 100 shares transferred to Captial Reserve A/c)		500	 500

Working Note :

Amount Transferred to Capital Reserve in respect of 100 shares = ₹ 1,000 × $\frac{100}{200}$ = ₹ 500

55. Saga Ltd. invited applications from public for 5,00,000 equity shares of ₹ 10 each issued at ₹ 11 per share. The payment was to be made as follows : ₹ 3 on Application; ₹ 4 on Allotment including premium, and ₹ 4 on call.

Applications for 6,50,000 shares were received. Allotment of shares was made as follows : (i) 100% shares of applicants of 4,00,000 shares; (ii) 50% shares to applicants of 2,00,000 shares, (iii) No allotment to applicants of 50,000 shares.

Narendra to whom 500 shares were allotted under category (i) paid full amount due on shares along with allotment money. Another shareholder holding 1,000 shares failed to pay the amount due on call. His shares were forfeited and 800 of these shares were subsequently re-issued as fully paid-up @ ₹ 8 per share.

Pass the journal entries.

Solution 55 :

In the Books of Sagar Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Money received on Application)		19,50,000	 19,50,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Application Money Transferred to Capital Account and Remaining Balance Adjusted)		19,50,000	 15,00,000 3,00,000 1,50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Receive A/c (Allotment Money Due on 500,000 Shares)		20,00,000	 15,00,000 5,00,000

Bank A/c Dr. To Equity Share Allotment A/c To Calls in Advance A/c (Allotment Money Received)		17,02,000	17,00,000 2,000
Equity Share First Call A/c Dr. To Equity Share Capital A/c (First Call Money Due)		20,00,000	20,00,000
Bank A/c Dr. Calls in Advance A/c Dr. To Equity Share First Call A/c (First Call Money Received)		19,94,000 2,000	19,96,000
Equity Share Capital A/c Dr. To Equity Share First Call A/c To Share Forefeiture A/c (1,000 Shares Forfeited)		10,000	4,000 6,000
Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (800 Share Reissued at ` 8 per Share)		6,400 1,600	8,000
Share Forfeited A/c Dr. To Capital Reserve A/c (Balance Amount Transferred to Capital Reserve Account)		3,200	3,200

Balance Sheet of Sagar Ltd.
as on............

Particulars	Note No.	Current year (₹)	Previous year (₹)
I. Equity and Liabilities :			
1. Shareholder's Funds			
(a) Share Capital	1	49,99,200	
(b) Reserves and Surplus	2	5,03,200	
		55,02,400	
II. Assets :			
Current Assets			
Cash and Cash Equivalents	3	55,02,400	
		55,02,400	

Notes to Accounts :

	Particulars		Amount (₹)
(1)	Share Capital		
	Issued Capital :		
	5,00,000 Equity Shares of ₹ 10 each fully paid		50,00,000
	Subscribed and Fully paid up Capital :		
	4,99,800 Shares of ₹ 10 each	49,98,000	
	Add : Forfeited Shares	1,200	49,99,200
(2)	Reserves and Surplus		
	Capital Reserve		3,200
	Securities Premium Reserve		5,00,000
			5,03,200
(3)	Cash and Cash Equivalents		
	Cash at Bank		55,02,400

Working Note :

1. Calculation of Allotment :

	Share Demanded	Share Allotted
	4,00,000	4,00,000
	2,00,000	1,00,000
	50,000	Nil
	6,50,000	5,00,000

2. Extra money received from Application :
A Applicant demand 2,00,000 shares allotted 1,00,000
Shares = 1,00,000 × ₹ 3 = ₹ 3,00,000

56. Aquaguard Ltd. invited applications for issuing1,00,000 equity shares of ₹ 10 each at a premium of ₹ 6 per share. The amount was payable as follows :

On Application	₹ 4 per share (including ₹ 2 premium)
On Allotment	₹ 5 per share (including ₹ 2 premium)
On First Call	₹ 4 per share (including ₹ 2 premium)
On Second and Final Call	Balance Amount.

The issue was fully subscribed.

Karan, the holder of 400 shares did not pay the allotment money and Kunal, the holder of 1,000 shares paid his entire share money alongwith allotment money. Karan's shares were forfeited immediately after allotment. Afterwards first call was made. Keshav, a holder of 300 shares failed to pay the first call money and Rakesh a holder of 600 shares paid the second call money also alongwith first call. Keshav's shares were forfeited immediately after the first call. Second and final call was made afterwards. The whole amount due on second call was received.

All the forfeited shares were re-issued at ₹ 9 per share as fully paid-up.

Pass necessary Journal Entries for the above transactions in the books of the company.

Solution 56 :

In the Books of Aquaguard Ltd.

as on ....

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		4,00,000	
	To Share Application A/c				4,00,000
	(Money Received Application)				
	Share Application A/c	Dr.		4,00,000	
	To Share Capital A/c				2,00,000
	To Securities Premium Received A/c				2,00,000
	(Application money transferred to Capital Account)				
	Share Allotment A/c	Dr.		5,00,000	
	To Share Capital A/c				3,00,000
	To Securities Premium Reserve A/c				2,00,000
	(Allotment Money Due)				
	Bank A/c	Dr.		5,05,000	
	To Share Allotment A/c				4,98,000
	To Calls in Advance A/c (1000 × ₹ 7)				7,000
	(Allotment Money Received)				
	Share Capital A/c	Dr.		2,000	
	Securities Premium Reserve A/c	Dr.		800	
	To Share Allotment A/c				2,000
	To Forfeited Shares A/c				800
	(400 Shares Forfeited)				

	Share First CAll A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (First Call Money Due)		3,98,400	 1,99,200 1,99,200
	Bank A/c Dr. To Calls in Advance A/c (Second Call Money Received in Advance)		1,800	 1,800
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share First Call A/c To Share Forfeiture A/c (300 Shares Forfeited)		2,100 600	 1,200 15,000
	Share Second and Final Call A/c Dr. To Share Capital A/c (Second and Final Call Due)		2,97,900	 2,97,900
	Bank A/c Dr. Calls in Advance A/c Dr. To Share Second and Final Call A/c (Amount Received from Second and Final Call)		2,93,100 4,800	 2,97,900
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (700 Share Reissued at ₹ 9 per share)		6,300 700	 7,000
	Share forfeiture A/c Dr. To Capital Reserve A/c (Balance Account Transferred to Capital Reserve Account)		1,600	 1,600

57. Suhani Ltd. forfeited 1,000 shares of ₹ 10 each (₹ 8 called-up) for the non-payment of the allotment money of ₹ 5 per share including ₹ 2 as premium. Of these, 800 shares were reissued to S at ₹ 7 per share as ₹ 8 called-up.

Journalise the above transactions in the books of Suhani Ltd.

Solution 57 :

In the Books of Suhani Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. (1000 × ₹ 8) Securities Premium A/c Dr. (1000 × ₹ 2) To Share Forfeiture A/c (10,000 – 5,000) To Share Allotment A/c (1000 × ₹ 5) (1,000 Share Forfeited Due to Non-payment of Money)		8,000 2,000	 5,000 5,000
	Bank A/c Dr. (800 × ₹ 7) Share Forfeiture A/c Dr. (800 × ₹ 1) To Share Capital A/c (800 Forfeited Shares were reissued)		5,600 800	 6,400
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on 800 Transferred to Capital Reserve Account)		3,200	 3,200

Working Note :

Calculation of amount transferred to Capital Reserve A/c :

Profit 1,000 Shares	5,000
Profit on 1 Share = $\frac{5000}{1000}$ = ₹ 5	
Profit on 800 Shares = 800 × ₹ 5 =	4,000
Less : Loss on Reissue	800
Transferred to Capital Reserve	3,200

58. M/s Hanuman and Co. forfeited 300 shares of Varun who had applied for 500 shares, on account of non-payment of allotment money ₹ 5 (₹ 2 premium) and first call ₹ 2. Only ₹ 3 per share was received with application. Out of of these 200 shares were reissued to Avdesh as fully paid shares for ₹ 8 per share excluding premium. Give Journal entries relating to forfeiture and reissue of shares.

Solution 58 :

In the Books of M/s Hanuman and Co.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (300 × 10) Dr. Securities PremiumA/c (300 × 2) To Share Allotment A/c (300 × 5) 15000 To Share First Call A/c (300 × 2) 600 To Share Forfeiture A/c (300 × 5) 1500 (300 Shares Forfeited)		3,000	 600
	Bank A/c (200 × ₹ 8) Dr. Share forfeiture A/c (200 × 3) To Share Capital A/c (200 × ₹ 10) (200 Shares Reissued)		1600 400	 2000
	Share forfeiture A/c Dr. To Capital Rserve A/c (Profit Transferred to Capital Reserve)		600	 600

Working Note :

Calculation of Amount Transferred to Capital Reserve :

Share Profit on 200 shares = $\frac{1500}{300} \times 200$

	= ₹ 1000
Less : Loss on reissue	400
Transferred Capital Reserve	600

59. Social Service Ltd. had an authorised capital of ₹ 5,00,000 divided into equity shares. It issued 50,000 shares of ₹ 10 each at par. The amount payable was as follows : ₹ 1 on application, ₹ 3 on allotment, ₹ 3 on first call and ₹ 3 on final call. The company did not make final call. Gyan, a holder of 5,000 shares, failed to pay allotment and first call money. Directors forfeited his shares and immediately reissued the forfeited shares @ ₹ 8 per share as ₹ 7 paid up.

Pass journal entries in the books of the company and prepare the operning Balance Sheet.

Solution 59 :

In the Books of Social Service Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application Money Received)		50,000	 50,000
	Share Application A/c Dr. To Share Capital A/c (Application Money Received)		50,000	 50,000

	Share Application A/c Dr. To Share Capital A/c (Application Money Transferred to Share Capital Account)		50,000	50,000
	Share Allotment A/c Dr. To Share Capital A/c (Share Allotment Money Due on 50,000 Shares @ ₹ 3 each)		1,50,000	1,50,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c (Share Allotment Money Received)		1,35,000 15,000	1,50,000
	Share First Call A/c Dr. To Share Capital A/c (First Call Money Due on 50,000 Shares @ ₹ 3 each)		1,50,000	1,50,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share First Call A/c (Share First Call Money Received)		1,35,000 15,000	1,50,000
	Share Capital A/c Dr. To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c (5000 Shares Forfeited Due to Non-payment of Money)		35,000	5,000 15,000 15,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (5,000 Shares reissued @ ₹ 8 each)		40,000	35,000 5,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance of Share Forfeiture Transferred to Capital Reserve)		5,000	5,000

Balance Sheet
as at ....

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Shareholder's Funds :			
(a) Share Capital	1	3,50,000	
(b) Reserves and Surplus	2	10,000	
		3,60,000	
II. Assets :			
Current Assets			
Cash and Cash Equivalents	3	3,60,000	
		3,60,000	

Notes to Accounts :

	Particulars	Amount (₹)
1.	Share Capital :	
	Authorised Capital	
	50,000 Shares @ ₹ 10 each	5,00,000
	Issued Capital :	
	50,000 Sares @ ₹ 10 each	5,00,000
	Subscribed Capital :	
	Subscribed & Fully paid up	—
	— —	
	Subscribed but not fully paid up	
	45,00,000 Shares @ ₹ 100 each, ₹ 7 called up	3,50,000
		3,50,000
2.	Reserves and Surplus	
	Securities Premium Reserve	5,000
	Capital Reserve	51,000
		10,000
3.	Cash and Cash Equivalents Cash at Bank	3,60,000

60. Sujata Ltd. invited applications for issuing 75,000 equity shares of ₹ 10 each. The amount was payable as follows :

On application and allotment – ₹ 4 per share.

On first call – ₹ 3 per share

On second and final call – balance.

Applications for 1,00,000 shares were received. Shares were allotted to all the applicants on *pro-rata* basis and excess money received with applications was transferred towards sums due on first call. Rekha who was allotted 750 shares failed to pay the first call. Her shares were immediately forfeited. Afterwards the second call was made. The amount due on second call was also received except on 1,000 shares, applied by Riya. Her shares were also forfeited. All the forfeited shares were reissued to Daya for ₹ 9,000 as fully paid-up. Pass necessary journal entries in the books of Sujata Ltd. for the above transactions.

Solution 60 :

In the Books of Sujata Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application and Allotment A/c (Amount Received on Application for 1,00,000 Shares)		4,00,000	4,00,000
	Equity Share Application and Allotment A/c Dr. To Equity Share Capital A/c To Equity Share First Call A/c (Amount of Application Transferred to Share Capital and Excess Money is Adjusted in First Call Account)		4,00,000	3,00,000 1,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Amount Due on the First Call)		2,25,000	2,25,000

	Bank A/c Dr. (₹ 2,25,000 – ₹1,00,000 – ₹1,250) To Equity Share First Call A/c (Amount Received on the First Call)		1,23,750	 1,23,750
	Equity Share Capital A/c To Equity Share Fofeiture A/c To Equity Share First Call A/c (Share Forfeited)		Dr.	5,250 4,000 1,250
	Equity Share Second and Final Call A/c Dr. To Equity Share Capital A/c (Amount Due on Second and Final Call After Share Forfeited)		2,22,750	 2,22,750
	Bank A/c Dr. (₹ 2,22,750 – ₹ 2,250) To Equity Share Second and Final Call A/c (Amount Received on Second and Final Call)		2,20,500	 2,20,500
	Equity Share Capital A/c Dr. To Equity Share Forfeiture A/c To Equity Share Second and Final Call A/c (Riya's Share Forfeited Final Call A/c)		7,500	 5,250 2,250
	Bank A/c Dr. Equity Share Forfeiture A/c Dr. To Equity Share Capital A/c (Forfeited Shares Reissued at 9000 shares Fully Paid Up)		9,000 6,000	 15,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Excess Amount of Forfeiture Transferred Capital Reserve)		3,250	 3,250

Working Notes :

1. Calculation of Amount not received on First Call :

   Shares Applied by Rekha = $\frac{100,000}{75,000} \times 750 = 1000$ Shares

   Amount received on 1,000 shares of ₹ 4 each = ₹ 4,000
   Amount Transferred on 1,000 shares capital A/c =
   $750 \times y$ = ₹ 3,000
   Excess money received on application and allotment = ₹ 1000
   Amount due on First CAll @ ₹ 3each = ₹ 2,250
   Amount not received on First Call = ₹ 1250 (₹ 2,250 – ₹ 1,000)

2. Calculation of Amount not received on Second Call :

   Shares Allotted to Riya = $\frac{75,000}{1,00,000} \times 1000 = 750$ Shares

   Amount received on Second Call = ₹ 2,250 (₹ 750 × 3)

61. Journalise the following transactions in the books of Diya Ltd. :
200 shares of ₹ 10 each issued at a premium of ₹ 5 each payable with allotment were forfeited for the non-payment of allotment money of ₹ 8 per share including premium. The first and final call on these shares at ₹ 3 per share was not made. The forfeited shares were re-issued @ ₹ 12 per share as fully paid-up.

Solution 61 :

In the Books of Diya Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	Dr.		1,400	
	Securities Premium Reserve A/c	Dr.		1,000	
	To Share Allotment A/c				1,600
	To Share Forfeiture A/c				800
	(200 Share Forfeited for Non-payment of Allotment Money)				
	Bank A/c	Dr.		2,400	
	To Share Capital A/c				2,000
	To Securities Premium Reserve A/c				400
	(200 Forfeited Shares Reissued @ ₹ 12 per share)				
	Share Forfeited A/c	Dr.		800	
	To Capital Reserve A/c				800
	(Balance of Share Forfeited Amount Transferred to Capital Reserve Account)				

62. All India Ltd. forfeited 2,000 shares of ₹ 10 each, fully called-up, on which they had received only ₹ 14,000.50 of the forfetied shares were reissued for ₹ 9 per share as fully paid-up.

Pass necessary journal entries for forfeiture and re-issue of shares. Also prepare Share Forfeiture account.

Solution 62 :

Ln the Books of All India Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c	Dr.		20,000	
	To Calls in Arrears A/c				6,000
	To Share Forfeiture A/c				14,000
	(2,000 Shares Forfeited)				
	Bank A/c	Dr.		450	
	Shares Forfeited A/c	Dr.		50	
	To Share Capital A/c				500
	(50 Forfeited Shares Reissued @ ₹ 9 per Share)				
	Share Forfeited A/c	Dr.		300	
	To Capital Reserve A/c				300
	(Balance of Share Forfeited Amount Transferred to Capital Reserve A/c)				

Working Note :

Number of Share Forfeited (2000 × 7) = ₹	14,000
Forfeited Amount on 50 Shares = $\frac{₹14,000}{2,000} \times 50 =$ ₹	350
Less : Loss on issue	50
Transferred to Capital Reserve A/c	300

63. Mangalam Ltd. offered 25,000 shares of ₹ 100 each payable as ₹ 25 on application, ₹ 20 on allotment, ₹ 30 on first call and the balance on final call.

Applications were received for 40,000 shares out of which shares were allotted to the applicants for 35,000 shares on a *pro-rata* basis. All shareholders paid the allotment money excepting Manav who was allotted 500 shares. These shares were forfeited immediately. The first call was made thereafter.The forfeited shares were re-issued @ ₹ 78 per share ₹ 75 paid-up. The final call was not made.

Prepare Cash Book and pass journal entries.

Solution 63 :

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c		10,00,000		By Share Capital A/c		1,251,000
	To Share Allotment A/c		2,45,000		By Balance c/d		18,94,000
	To Share First Call A/c		7,35,000				
	To Share Capital A/c		37,500				
	To Securities Premium Reserve A/c		1,500				
			20,19,000				20,19,000

In the Books of Mangalam Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr.		8,75,000	
	To Share Capital A/c			6,25,000
	To Share Allotment A/c			2,50,000
	(Share Application Amount Transferred to Share Capital Account)			
	ShareAllotment A/c Dr.		5,00,000	
	To Share Capital A/c			5,00,000
	(Allotment Money Due)			
	Share Capital A/c Dr.		22,500	
	To Share Allotment A/c			5,000
	To Share Forfeiture A/c			17,500
	(500 Share Forfeiture For Non-payment of First Call)			
	Share First CallA/c Dr.		7,35,000	
	To Share Capital A/c			7,35,000
	(First Call Money Due)			
	Share Forfeiture A/c Dr.		17,500	
	To Capital Reserve A/c			17,500
	(Transfer Profit on Reissue of 200 Shares)			

Working Note :

A. Share Applied 3,5000 and Share Allotted 25,000

$$500 \text{ Shares Applied for } = \frac{35{,}000}{25{,}000} \times 500 = 700 \text{ Shares}$$

Extra Shares = 700 – 500 = 200 Shares

B. Allotment Amount Due = 500 Shares × ₹ 20
= ₹ 10,000
Less : Extra Amount Received = ₹ 5,000
Amount Not Due on Allotment = ₹ 5,000

64. Astha Ltd. invites applications for 50,000 equity shares of ₹ 10 each payable as follows:

On Application	₹ 3
On Allotment	₹ 4
On First Call	₹ 2
On Final Call	Balance

Applications were received for 70,000 shares. Allotments were made on the following basis :

(i) To applicants for10,000 shares — in full.

(ii) To applicants for 60,000 shares — 40,000 shares

Excess money paid on application was utilised towards sums due on allotment money. Anuj who was allotted 1,000 shares out of the group applying for 60,000 shares failed to pay allotment money and money due on calls. These shares were forfeited. 600 forfeited shares were re-issued as fully paid on receipt of ₹ 8 per share.

Prepare Cash Book and journal entries in the books of company.

Solution 64:

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c		2,10,000		By Balance c/d		4,00,300
	To Share Allotment A/c		1,37,500				
	To Share First Call A/c		98,000				
	To Share Capital A/c		49,000				
	To Securities Premium Reserve A/c		4,800				
			4,99,300				4,99,300

In The Books of Astha Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c	Dr.		2,10,000	
	To Share Capital A/c				1,50,000
	To Share Allotment A/c				1,50,000
	(Share Application Amount Transferred to Share Capital A/c)				
	Share Allotment A/c	Dr.		2,00,000	
	To Share Capital A/c				2,00,000
	(Allotment Moneey Due)				
	Share First Call A/c	Dr.		1,00,000	
	To Share Capital A/c				1,00,000
	(First Call Miney Due)				
	Share Final Call A/c	Dr.		50,000	
	To Share Capital A/c				50,000
	(First Call Money Due)				
	Share Capital A/c	Dr.		10,000	
	To Share Allotment A/c				2,500
	To Share First Call A/c				2,000
	To Share Final Call A/c				1,000
	To Share Forfeiture A/c				4,500
	(1000 Shares Forfeited For Non-payment)				

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Forfeiture A/c To Share Capital A/c (Transfer of Profit on Reissue of 600 Shares)	Dr.		1,200	 1,200
	Share Forfeiture A/c To Capital Reserve A/c (Balance Transferred to Capital Reserve Account)	Dr.		1,500	 1,500

Working Note :

$$\text{Forfeited Amount on 600 Shares} = \frac{₹4,500}{1,000} \times 600$$
$$= ₹\,2,700$$

Less : Loss on Reissue 1,200

Capital Reserve = 1,500

65. R Ltd. issued for public subscription 60,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share, payable as under : ₹ 4 on Application; ₹ 5 on Allotment (including premium), ₹ 2.50 on First Call and ₹ 2.50 on Final Call.

Applications were received for 75,000 equity shares. The shares were allotted *pro-rata* to the applicants for 70,000 shares, the remaining applications being rejected. Money over-paid on applications was utilised towards sums due on allotment.

Mohit, to whom 1,200 shares were allotted failed to pay allotment and calls money and Rohit, to whom 1,800 shares were allotted failed to pay two calls. These shares were subsequently forfeited after the final call was made. All the forfeited shares were sold to Purshottam as fully paid-up for ₹ 11 per share.

Prepare Cash Book and journal entries required to record the above transactions.

Solution 65 :

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c		3,00,000		By Share Application A/c		20,000
	To Share Allotment A/c		2,54,800		By Balance c/d		8,52,800
	To Share First Call A/c		1,42,500				
	To Share Final Call A/c		1,42,500				
	To Share Capital A/c		16,200				
	To Securities Premium Reserve A/c		300				
			8,72,800				8,72,800

In the Books of R Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c To Share Capital A/c To Share Allotment A/c (Share Application Money Transferred to Share Capital Account)	Dr.		2,80,000	 2,40,000 40,000
	Share Allotment A/c To Share Capital A/c To Securities Premium Reserve A/c (Allotment Amount Due on 60,000 Shares @ ₹ 2 per share with ₹ 4 premium)	Dr.		3,00,000	 60,000 2,40,000

Share First Call A/c	Dr.		1,50,000	
To Share Capital A/c				1,50,000
(First Call Money Due)				
Share Final Call A/c	Dr.		1,50,000	
To Share Capital A/c				1,50,000
(First Call Money Due)				
Share Capital A/c	Dr.		30,000	
Securities Premium Reserve A/c	Dr.		4,800	
To Share Allotment A/c				5,200
To Share First Call A/c				7,500
To Share Final Call A/c				7,500
To Share Forfeiture A/c				14,600
(3,000 Shares Forfeited For Non-payment)				
ShareForfeiture A/c	Dr.		14,600	
To Capital Reserve A/c				14,600
(Balance Transferred to Capital Reserve Account)				

Working Notes:

A. Share Applied 60,000 and Share Allotted 70,000

1200 Shares Applied for = $\frac{70,000}{60,000} \times 1,200 = 1,400$ Shares

Extra Shares = 1400 – 1200 = 200 Shares

Extra Application Money Received = 200 × ₹ 4 = 800

B. Allotment Amount Due on 1,200 Shares =
1200 × ₹ 5 = ₹ 6,000
Less : Extra Received on Application From Shares
= ₹ 800
Amount not Received on Allotment = ₹ 5,200

C. Allotment Amount due on 60,000 Shares

= 60,000 Shares × ₹ 5 =	₹ 3,00,000
Less : Extra Received on Application From Shares =	₹ 40,000
Amount Due on Allotment =	₹ 2,60,000
Less : Amount not Received on Allotment =	₹ 5,200
Net Amount Received = ₹	2,54,800

66. M/s Vivek and Sons issued a prospectus inviting applications for 60,000 shares of ₹ 10 each at a premium of 30% payable as follows : On Application ₹ 3.50; On Allotment ₹ 5.50 (including premium) : On First Call ₹ 2 and on Second Call ₹ 2.

Applications were received for 95,000 shares and allotment was made *pro-rata* to applicants of 80,000 shares. Money over-paid on applications were employed on account of sums due on allotment.

Raj, to whom 1,500 shares were allotted failed to pay the allotment money and on his subsequent failure to pay the First Call his shares were forfeited Hari, the holder of 2,400 shares failed to pay the two calls and his shares were forfeited after the Second Call. Of the shares forfeited, 3,000 shares were sold to Govind as fully paid, Govind paying ₹ 8.50 per share, the whole of Hari's share being included.

Give journal entries and prepare Bank Account.

Solution 66 :

In the Books of M/s Vivek & Sons
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Money Received on Application)		3,32,50	 3,32,500
	Share application A/c Dr. To Share Capital A/c To Share Allotment A/c To Bank A/c (Application Money Transfer to Capital Account)		3,32,500	 2,10,000 70,000 52,500
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment Money Due)		3,30,000	 1,50,000 1,80,000
	Bank A/c Dr. To Share Allotment A/c (Allotment Money Received)		2,53,500	 2,53,500
	Share First Call A/c Dr. To Share Capital A/c (First Call Money Due)		1,20,000	 1,20,000
	Bank A/c Dr. To Share First Call A/c (First Call Money Received)		112,200	 1,12,200
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Allotment A/c To Share First Call A/c To Share Forfeiture A/c (1,500 Shares Forfeited For Non-payment of Allotment, First Call and Second Call Money)		12,000 4,500	 6,500 3,000 7,000
	Share Second Call A/c Dr. To Share Capital A/c (Second Call Money Due)		1,17,000	 1,17,000
	Bank A/c Dr. To Share Second Call A/c (Amount Received on Second Call)		1,12,200	 1,12,200
	Share Capital A/c Dr. To Share First Call A/c To Share Second Call A/c To Share Forfeiture A/c (2400 Shares Forfeited For Non-payment of Second Call Money)		24,000	 4,800 4,800 14,400
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (3,000 shares reissued @ ₹ 8.50 per share)		25,500 4,500	 30,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance Amount Transferred to Capital Reserve Account)		12,700	 12,700

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c		3,32,500		By Share Application A/c		52,500
	To Share Allotment A/c		2,53,500		By Balance c/d		7,83,400
	To Share First Call A/c		1,12,200				
	To Share Second Call A/c		1,12,200				
	To Share Capital A/c		25,500				
			8,35,900				8,35,900

Balance Sheet of M/s Vivek & Sons
as on..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funds :			
(a) Share Capital	1	5,95,200	
(b) Reserve and Surplus	2	1,88,200	
		7,83,400	
II. Assets :			
Current Assets	3	7,83,400	
Cash and Cash Equivalents		7,83,400	

Notes to Account :

	Particulars		Amount (₹)
(1)	Share Capital		
	Issued Capital :		
	60,000 Equity Shares of ₹ 10 each		60,0000
	Subscribed and Fully paid Capital :		
	59,1000 Shares of ₹ 10 each	5,91,000	
	59,100 Shares of ₹ 10 each	4,200	5,95,200
	Add : Forfeited Shaes		
(2)	Reserve and Surplus		
	Capital Reserve	12,700	
	Securities Premium Reserve	1,75,500	1,88,200
(3)	Cash and ash Equivalents		
	Cash at Bank		7,83,400

Working Notes :

1. Shares Applied 80,000 and Shares Allotted 60,000

$$\text{400 Share Applied For} = \frac{80,000}{60,000} \times 1500 = 2,000 \text{ Shares}$$

Extra Shaes = 2,000 – 1,500 = 500 Shares

Extra Application Money Received = 500 × ₹ 3.50
= ₹ 1750

2. Allotment Amount Due on 1,500 Shares
= 1500 × ₹ 5.50
= ₹ 8.250

Less : Extra Received on Application
From Shares = (₹ 1,750)

Amount not received on Allotment = 6.500

3. Allotment amount due on 60,000 shares
= 60,000 Shares × ₹ 5.50
= ₹ 3,30,000
Less : Extra Received on Application
From Shares = (₹ 70,000)
Amount Due on Allotment = ₹ 2,60,000
Less : Amount not received on allotment (₹ 6.500)
Net Amount received on Allotment = ₹ 2,53,500

67. Balveer Ltd. invited applications for issuing 10,000 equity shares of ₹ 50 each at a premium of ₹ 100 per share. The amount was payable as follows :

On application – ₹ 75 per share (including ₹ 50 premium)

On allotment – The balance

The issue was fully subscribed. Tapasya holding 400 shares paid her entire share money at the time of application. Another shareholder Ragini holding 300 shares did not pay the allotment money. Her shares were forfeited. The forfeited shares were later on reissued for ₹ 90 per share as fully paid-up.

Pass necessary journal entries for the above transactions in the books of the company.

Solution 67 :

In the Books of Balveer Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Amount Received on An Application for 10,000 Shares Alongwith First Call Money on 400 Shares)		7,80,000	 7,80,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Securities Premium A/c To Calls in Advance A/c (Amount of Application Transferred to Share Capital and Securities Premium)		2,80,000 30,000	 2,50,000 5,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Amount Due on Allotment)		7,50,000	 2,50,000 5,00,000
	Bank A/c Dr. (₹ 750,000 – ₹ 30,000 – ₹ 22,500) 6,97,500 Calls in Advances A/c Dr. To Equity Share Allotment A/c (Amount Received on Share Allotment)		 30,000	 7,27,500
	Equity Share Capital A/c Dr. Securities Premium A/c Dr. To Equity Share Forfeiture A/c To Equity Share Allotment A/c (300 Shares Forfeited)		15,000 5,000	 7,500 22,500
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Forfeited Shares were reissued for ` 90 Fully paid up)		2,7,000	 15,000 12,000
	Equity Share Forfeiture A/c Dr. To Capital Reserve A/c (Excess Amount on Forfeiture is Transferred to Capital Reserve)		7,500	 7,500

Working Note :

1. Calculation of Amount Received on Application :
   Application amount received on 10,000 shares = 7,50,000
   Shareholders of 400 shares paid in advance
   (400 × 75) = ₹ 30,000
   Totall Amount = ₹ 7,80,000

68. Raja Ltd. invited applications for issuing 20,000 equity shares of ₹ 10 each at par. The amount was payable as follows :

On Application : ₹ 3 per share
On Allotment : ₹ 4 per share
On First and Final Call : Balance Amount

The issue was oversubscribed by three times. Applications for 20% shares were rejected and the money was refunded. Allotment was made to the remaining applicants as follows :

Cateogry	No. of Shares Applied	No. of Shares Allotted
I	30,000	15,000
II	18,000	5,000

Excess money received with applications was adjusted towards sums due on allotment. Money in excess to sums due on allotment was adjusted towards sums due on first and final all and any money in excess to sums due on first and final call was refunded. Shweta, a shareholder who had applied for 600 shares, failed to pay the remaining allotment money and her shares were immediately forfeited. Shweta belonged to Category I.

Afterwards the first and final call was made. Vishal, who had applied for 400 shares, failed to pay the first and final call. Vishal also belonged to Category I.

Shares of Vishal were also forfeited after the first and final call.The forfeited shares were reissued at ₹ 12 per share as fully paid-up.

Pass necessary journal entries for the above transactions in the books of Raja Ltd.

Solution 68 :

In the Books of Raja Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr. (60,000 × 3)		1,80,000	
	To Share Application A/c				1,80,000
	(Received Application Money on 1,50,000 Shares)				
	Share Application A/c	Dr.		1,80,000	
	To Share Capital A/c				60,000
	To Share Allotment A/c				65,000
	To Share First and Final Call A/c				15,000
	To Bank A/c				40,000
	(Transfer of Application Money to Share Capital)				
	Share Allotment A/c	Dr. (20,000 × 4)		80,000	
	To Share Capital A/c				80,000
	(Allotment Money Due on 20,000 Shares)				
	Bank A/c	Dr.		14,700	
	To Share Allotment A/c				14,700
	(Allotment Money Received)				
	Share Capital A/c	Dr. (300 × 7)		2,100	
	To Share Allotment A/c				300
	To Share Forfeiture A/c				1,800
	(300 Shares Forfeited for Non-payment of Allotment Money)				

Share First and Final Call A/c Dr.		59,100	
To Share Capital A/c			50,100
(Call Money Due on 19,700 Shares)			
BankA/c Dr.		58,500	
To Share First and Final Call A/c			58,500
(Call Money Received)			
Share Capital A/c Dr.		2,000	
To Share First and Final Call A/c			600
To Share Forfeiture A/c			1,400
(200 Shares forfeited For Non-payment of Call Money)			
Bank A/c Dr.		6,000	
To Share Capital A/c			5,000
To Securities Premium Reserve A/c			1,000
(Reissue of 500 Shares @` 12 per share)			
Share Forfeiture A/c Dr.		3,200	
To Capital Reserve A/c			3,200
(Profit on Reissue Transferred to Capital Reserve Account)			

Working Notes :

1. Computation Table

Categories	Shares Applied	Shares Allotted	Money Recieved on Application @ ₹ 3 each	Money Transferred to share capital @ ₹ 3 each	Excess Application Money	Amount Adjusted on Allotment	Amount Adjusted on First Call	Money Refunded
I	30,000	15,000	90,000	45,000	45,000	45,000	—	—
II	18,000	5,000	54,000	15,000	39,000	20,000	15,000	4,000
III	12,000	—	36,000	—	—	—	—	36,000
	60,000	20,000	1,80,000	60,000	84,000	65,000	15,000	40,000

2. Shares Allotment to Vishal :

$$\frac{15,000}{3,000} \times 400 = 200 \text{ Shares}$$

Amount not paid by Vishal on First and Final Call :

Amount received on Application	1,200
Less : Actual Transferred to Share Capital	(600)
Excess Received on Application	600
Amount due on Allotment	800
Less : Excess Adjustment	(600)
Amount to be Received on Allotment	200

3. Shares Allotment to Vishal :

$$\frac{15,000}{3,000} \times 400 = 200 \text{ Shares}$$

Amount not paid by Vishal on First and Final Call :

Amount received on Application	1,200
Less : Actual Transferred to Share Capital	(600)
Excess Received on Application	600
Amount due on Allotment	800
Less : Excess Adjustment	(600)
Amount to be Received on Allotment	200

4. Shares Allotment to Vishal :

$\frac{15,000}{3,000} \times 400 = 200$ Shares

Amount not paid by Vishal on First and Final Call :

Amount received on Application	1,200
Less : Actual Transferred to Share Capital	(600)
Excess Received on Application	600
Amount due on Allotment	800
Less : Excess Adjustment	(600)
Amount to be Received on Allotment	200

Note : The above table shows that excess money is fully exhausted on Application and Allotment, which mean that call money is fully unpaid i.e. ₹ 600 (200 × 3)

69. Tripathi Ltd. company offered for public subscription 10,000 shares of ₹ 10 each at ₹ 11 per share. Money was payable as follows :

On application ₹ 3 per share; on allotment ₹ 4 per share (including premium) and on first and final call ₹ 4 per share. Applications were received for 12,000 shares and the Directors made *pro-rata* allotment.

Harish, an applicant for 120 shares, could not pay the allotment and call moneys. Sushil, a holder of 200 shares, failed to pay the call money. All these shares were later on forfeited. Out of the forfeited shares, 150 shares (the whole of Harish, shares being included) were reissued at ₹ 9 per share as fully paid-up. Pass journal entries.

Solution 69 :

In the Books of Tripathi Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (12,000 × 3) Dr. To Share Application A/c (Application Money Received on 12,000 Shares @ ₹ 3 per Share)		36,000	 36,000
	Share Application A/c Dr. To Share Capital A/c (10,000 × 3) To Share Allotment A/c (2000 × 3) (Transfer of Application Money to Share Capital Account on 10000 Shares and the Balance to the Allotment Account)		36,000	 30,000 6,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Money Due on Allotment @ ₹ 4 per share on 10,000 shares including ` 2 on Account of Share Premium)		40,000	 30,000 10,000
	Bank A/c Dr. To Share Allotment A/c (w.n.1) (Money Received on Share Allotment)		33,660	 33,660
	Share First and Final Call A/c To Share Capital A/c (Call Money Due on 10,000 Shares @ ₹ 4 per share)		40,000	 40,000
	Bank A/c Dr. To Share First and Final Call A/c (Call Money Received on 9,700 Shares)		38,800	 38,800

Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Allotment A/c To Share First and Final Call A/c To Share Forfeiture A/c (w.n.3) (Forfeiture of 300 Shares)		3,000 100	340 1,200 1,560
Bank A/c Dr. (150 × 9) Share Forfeiture A/c Dr. (150 × 1) To Share Capital A/c (150 × 10) (Reissue of 150 forfeited Shares)		1,350 150	1500
Share forfeiture A/c Dr. To Capital reserve A/c Dr. (Profit on Forfeiture and Reissue of 150 forfeited Shares Transferred)		510	510

Share Forfeiture Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Capital A/c		150		By Share Capital A/c		1560
	To Capital Reserve A/c		510				
	To Balance c/d		900				
			1,560				1,560

Working Notes :

Number of Shares Allotted to Harish

$$= 120 \times \frac{10,000}{12,000} = 100 \text{ Shares}$$

1. Amount received on Allotment has been Calcualted as follows : ₹

Total money due on 10,000 shares @ ₹ 4 per share		40,000
Less :	Application money received on 2000 shares adjusted against allotment money	(6,000)
	Net amount due on Allotment	34,000
Less :	Amount Due from an applicant not received for 120 shares who was allotted only 100 shares = $\frac{100}{10,000} \times 34000$	(340)
Amount Received on Allotment		33,660

2. Securities Premium Account has been debited only with ₹ 100 relating to 100 shares allotted to Harish from whom the allotment money (including premium) has not been received.
3. Share forfeited account represents the money received on forfeited shares excluding share premium. This has been worked out as follows : ₹

Harish has paid application money @ ₹ 3 per share on 120 shares (120 × 3)	360
Sushil has paid for capital @ ₹ 6 per share on 200 shares in (application and allotment money excluding premium) 200 × 6	1200
Total Amount Received.	1560

4. Amount received from Harish on 100 shares forfeiture which have been reissued — 360

Amount received from Sushil on 50 shares Forfeited which have been reissued $\left(\frac{50}{200} \times 1200\right)$	
Total Amount received on 150 shaes which have been forfeited and later reissued	300
	600
Less : Discount on reissue of forfeited shares (150 × 1)	150
Amount of Capital Profit Transferred to Capital Reserve	510

70. Kunal Ltd. invited applications for issuing 3,20,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows :
On Application ₹ 3 per share (including premium ₹ 1 per share)
On Allotment ₹ 5 per share (including premium ₹ 2 per share)
On First and Final Call – Balance.
Applications for 4,00,000 shares were received. Applications for 40,000 shares were rejected and application money refunded. Shares were allotted on *pro-rata* basis to the remaining applicants. Excess money received with applications was adjusted towards sums due on allotment. Manmohan holding 800 shares failed to pay the allotment money and his shares were immediately forfeited. Afterwards final call was made Ram who had applied for 2,700 shares failed to pay the final call. His shares were also forfeited. Out of the forfeited shares 1,500 shares were reissued at ₹ 8 per share as fully paid-up. The reissued shares included all the forfeited shares of Manmohan.

Pass necessary journal entries for the above transactions in the books of the company.

Solution 70 :

In the Books of Kunal Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		12,00,000	
	To Equity Share Application A/c				12,00,000
	(Amount Received on Application)				
	Equity Share Application A/c	Dr.		12,00,000	
	To Equity Share Capital A/c				6,40,000
	To Securities Premium Reserve A/c				3,20,000
	To Equity Share Allotment A/c				1,20,000
	To Bank A/c				1,20,000
	(Application Money Transferred to Capital Account)				
	Equity Share Allotment A/c	Dr.		16,00,000	
	To Equity Share Capital A/c				9,60,000
	To Securities Premium Reserve A/c				6,40,000
	(Allotment Money Due)				
	Bank A/c	Dr.		14,76,300	
	Calls in Arrears A/c	Dr.		3,700	
	To Equity Share Allotment A/c				14,80,000
	(Allotment Money Received)				
	Equity Share Capital A/c	Dr.		4,000	
	Securities Premium Reserve A/c	Dr.		1,600	
	To Calls in Arrears A/c				3,700
	To Equity Share Capital A/c				1,900
	(Manmohan's 800 Shares Forfeited for Non-payment of Allotment)				
	Equity Share First and Final Call A/c	Dr.		22,34,400	
	To Equity Share Capital A/c				15,96,000
	To Securities Premium Reserve A/c				6,38,400
	(First Call Money Due)				
	Equity Share Capital A/c	Dr.		24,000	
	Securities Premium Reserve A/c	Dr.		4,800	
	To Calls in Arrears A/c				16,800
	To Share Forfeiture A/c				12,000
	(2,400 Shares reissued @ ` 8 per share)				
	Share Forfeiture A/c	Dr.		2,400	
	To Capital Reserve A/c				2,400
	(Balance Amount Transferred to Capital Reserve Account)				

Working Note :

1. Share Applied 3,60,000 and shares allotted	3,20,000
400 shares applied for = $\frac{3,60,000}{3,20,000} \times 900$ = 800 shares	
Extra Shares = 600 – 500 = 100 shares	
Extra Application money received = 100 × ₹ 3 = ₹	300
2. Allotment money due on 800 shares = 800 × ₹ 5 = ₹ 4,000	
Less : Extra received on application from shares = ₹	300
Amount not received on allotment	3,700
3. Allotment money due on 3,20,000 shares (₹ 3,20,000 × ₹ 5)	16,00,000
Less : Extra received on application from shares	1,20,000
Amount Due on Allotment	14,80,000
Less : Amount not reeived on Allotment	3,700
Net Amount received on Allotment	14,76,300

71. Hindustan Steel Ltd. invited applications for 50,000 equity shares of ₹ 10 each at a premium of ₹ 4 per share. The amount was payable as follows :

On Application	₹ 4 (including premium ₹ 2)
On Allotment	₹ 6 (including premium ₹ 2)
On First and Final Call	Balance

Applications for 60,000 shares were received. Allotment was made to all the applicants on *pro-rata* basis. Excess application money was adjusted towards sums due on allotment. Ram, to whom 500 shares were allotted, failed to pay allotment and call money. Shyam, to whom 1,000 shares were allotted, failed to pay the call money. These shares were forfeited. Out of the forfeited shares 1,200 shares (including all shares of Shyam) were re-issued at 10% discount as fully paid-up.

Pass the necessary journal entries in the books of the company by operning 'Calls-in-Arrears A/c' wherever necessary.

Solution 71 :

In the Books of Hindustan Steel Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		2,40,000	
	(Application Money Received)				
	Share Application A/c	Dr.		2,60,000	
	To Share Capital A/c				1,00,000
	To Securities Premium Reserve A/c				1,00,000
	To Share Allotment A/c				60,000
	(Application Money Transferred to Share Capital Account)				
	Shre Allotment A/c	Dr.		3,00,000	
	To Share Capital A/c				2,00,000
	To Securities Premium A/c				1,00,000
	(Allotment Money Due on 50,000 @ ₹ 6 per share including premium @ ₹ 2 per share)				
	Bank A/c	Dr.		2,57,400	
	Calls in Arrears A/c	Dr.		2,600	
	To Share Allotment A/c				2,60,000
	(Allotment Money Received)				

	Share First and Final Call A/c Dr.		2,00,000	
	To Share Capital A/c			2,00,000
	(Money Due on Call on 50,000 Shares @ ₹ 4 per share)			
	Bank A/c Dr. (48,500 × ₹ 4)		1,94,000	
	Calls in Arrears A/c Dr.		6000	
	To Share First and Final Call A/c			2,00,000
	(Application Money Received on 48,500 Share)			
	Share Capital A/c Dr.		15,000	
	Securities Premium A/c Dr.		1000	
	To Share Allotment A/c			2,600
	To Share First and Final Call A/c			6,000
	To Share Forfeiture A/c			7,400
	(Forfeiture of 1500 Shares)			
	Bank A/c Dr. (1200 × 9)		10,800	
	Share Forfeiture A/c Dr. (1200 × 1)		12,000	
	To Share Capital A/c (1200 × 10)			12,000
	(Reissue of 1200 Forfeited Shares)			
	Share Forfeiture A/c DR.		5,360	
	To Capital Reserve A/			5,360
	(Profit on Forfeiture and Reissue of 1200 Shares Transferred)			

Share Forfeiture Account

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Capital A/c		1200		By Share Capital A/c		15,000
	To Capital Reserve A/c		5360				
	To Balance c/d		39,800				
			15,000				15,000

Working Notes :

1. Amount Received on allotment has been calculated as follows : ₹

Total money due on 50,000 shares @ ₹ 6 per shares	3,00,000
Less : Application money received on 10,000 shares adjsuted	(40,000)
Net Amount due on Allotment	2,60,000
Less : Amount due from an applicant not received for 500 shares who was allotted only $\left[\frac{500}{50,000} \times 2,60,000\right]$	(2,600)
	2,57,400

2. Share Applied 60,000 and share allotted 50,000 Ram applied for = $\frac{60,000}{50,000} \times 500$

   = 600 shares
   Extra Shares = 600 – 500 = 100 shares
   Extra Application money received = 100 × ₹ 4 = 400

3. Allotment Amount Due on 500 shares 500 × ₹ 6 = 3,000
   Less : Extra received on Application from shares 400
   Amount not received on Allotment 2,600

72. Aarti Ltd. issued a prospectus inviting applications for 2,00,000 shares of ₹ 10 each at a premium of ₹ 6 per share, payable as follows :

On Application	₹ 5 (including premium ₹ 2)
On Allotment	₹ 5 (including premium ₹ 2)
On first Call	₹ 3 (including premium ₹ 1)
On second and Final Call	₹ 3 (including premium ₹ 1)

Applications were received for 2,60,000 shares and *pro-rata* allotment was made to the applicants for 2,50,000 shares. Excess money paid on applications for these shares was utilised towards allotment.

Suraj, who *applied* for 1,000 shares, failed to pay the allotment money and his shares were forfeited after due on allotment.

Bhola, who applied for 1,500 shares, failed to pay the two calls and his shares were also forfeited.

Of the shares forfeited, 1,800 shares were re-issued as fully paid-up for ₹ 15 per share, the whole of Bhola's shares being included. Prepare Cash Book and Journal.

Solution 72 :

In the Books of Aarti Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c	Dr.		12,50,000	
	To Share Capital				6,00,000
	To Securities Premium Reserve A/c				4,00,000
	To Share Allotment A/c				2,50,000
	(Shares Application Amount Transferred to Share Capital Account)				
	Share Allotment A/c	Dr.		10,00,000	
	To Share Capital A/c				6,00,000
	To Securities Premium Reserve A/c				4,00,000
	(Allotment Money Due)				
	Share Capital A/c	Dr.		4,800	
	Securities Premium Reserve A/c	Dr.		1,600	
	To Share Allotment A/c				3,000
	To Share Forfeiture A/c				3,400
	(800 Shares Forfeited for Non-payment of Allotment Money)				
	Share First Call A/c	Dr.		5,97,600	
	To Share Capital A/c				3,98,400
	To Securities Premium Reserve A/c				1,99,200
	(First Call Money Due)				
	Share Second and Final Call A/c	Dr.		5,97,600	
	To Share Capital A/c				3,98,000
	To Securities Premium Reserve A/c				1,99,200
	(Second and Final Call Money Due)				
	Share Capital A/c	Dr.		12,000	
	Securities Premium Reserve A/	Dr.		2,400	
	To Share First Call A/c				3,600
	To Share Second and Final Call A/c				3,600
	To Share Forfeiture A/c				7,200
	(1200 Shares Forfeited for Non-payment)				
	Share Forfeiture A/c	Dr.		9,750	
	To Capital Reserve A/				9,750
	(Balance Transferred to Capital Reserve Account)				

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c		13,00,000		By Share Application A/c		20,000
	To Share Allotment A/c		7,47,000		By Balance c/d		32,12,000
	To Share First Call A/c		5,94,000				
	To Share Final Cal A/c		5,94,000				
	To Share Capital A/c		18,000				
	To Securities Premium Reserve A/c		9,000				
			32,62,000				32,62,000

Balance Sheet of Aarti Ltd.
as on................

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funds :			
(a) Share Capital	1	19,98,850	
(b) Reserve and Surplus	2	12,13,150	
		32,12,000	
II. Assets :			
Current Assets			
Cash and Cash Equivalents	3	32,12,000	
		32,12,000	

Notes to Accounts :

Particulars		Amount (₹)
1. Share Capital :		
Issued Capital		
2,00,000 Equity Share of ₹ 10 each fully paid		20,00,000
Subscribed and Fully paid up capital :		
59,100 Shares of ₹ 10 each	19,98,000	
	850	19,98,850
2. Reserve and Surplus		
Capital Reserve		9,750
Securities Premium Reserve		12,03,400
		12,13,150
3. Cash and Cash Equivalents		
Cash at Bank		32,12,000
		32,12,000

Working Notes :

1. Share Applied 2,50,000 and Shares allotted 2,00,000

   1,200 Shares Applied For = $\frac{2,00,000}{2,50,000} \times 1000 =$ 800 shares

   Extra Shares = 1000 – 800 = 200 Shares

   Extra applicatio money received = 200 × ₹ 5 = ₹ 1,000

2.	Allotment Amount Due on 800 Shares = 800 × ₹ 5 =	₹ 4,000
	Less : Extra received on application from shares	(₹ 1,000)
	Amount not received on Allotment	₹ 3,000
3.	Allotment Money Due on 2,00,000 shares = ₹ 2,00,000 × 5=	10,00,000
	Less : Extra received on application =	(₹ 2,50,000)
	From Shares	7,50,000
	Amount Due on Allotment	
	Less : Amount not received on Allotment	(3,000)
	Net Amount received on Allotment	7,47,000

73. Aastha Ltd. invited applications for issuing 75,000 equity shares of ₹ 10 each at a premium of ₹ 5 per share. The amount was payable as follows :

On application and allotment — ₹ 9 per share (including premium)

On first and final call — the balance amount.

Applications for 3,00,000 shares were received. Applications for 2,00,000 shares were rejected and money refunded. Shares were allotted on *pro-rata* basis to the remaining applicants. The first and final call was made. The amount was duly received except on 1,500 shares applied by Vijay. His shares were forfeited. The forfeited shares were re-issued at a discount of ₹ 4 per share.

Excess application and allotment money can be utilised for calls.

Pass necessary journal entries for the above transactions in the books of Aastha Ltd.

Solution 73 :

In the Books of Aastha Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		27,00,000	
	To Share Application and Allotment A/c			27,00,000
	(Application Money Received on 3,00,000 Shares)			
	Shae Application and Allotment A/c Dr.		27,00,000	
	To Share Capital A/c			3,00,000
	To Securities Premium Reserve A/c			3,75,000
	To Share First & Final Call A/c			2,25,000
	To Bank A/c			18,00,000
	(Application Money Transferred to Capital Account and Remaining Amount Adjusted)			
	Shae First & Final Call A/c Dr.		4,50,000	
	To Share Capital A/c			4,50,000
	(First Call Money Due)			
	Bank A/c Dr.		2,21,625	
	To Share First & Final Call A/c			2,21,625
	(First Call Money Received)			
	Share Capital A/c Dr.		11,250	
	To share First & Final Call A/c			3,375
	To Forfeited Shares A/c			7,875
	(1,125 Shares Forfeited for Non-payment of First & Final Call)			
	Bank A/c Dr.		6,750	
	Forfeited Shares A/c			4,500
	To Share Capital A/c			11,250
	(Shares Reissued on Discount)			
	Forfeited Shares A/c Dr.		3,375	
	To Capital Reserve A/c			3,375
	(Balance Amount Transferred to Capital Reserve Account)			

Working Notes :

1. Shares applied 1,00,000 and shaes allotted 75,000

   1500 shares applied for = $\frac{75,000}{1,00,000} \times 1500 =$ 1125 Shares

   Extra Shares = 1500 – 1125 = 375 Shares

   Extra Application Money Received = 375 × ₹ 9 = ₹ 3,375

2. Allotment amount due on 1,125 shares

= 1,125 × ₹ 6 =	₹ 6,750
Less : Extra Received on Application from Shares =	₹ 3,375
Amount not received on Allotment =	₹ 3,370

3. Allotment money due on 75,000 shares

= 75000 × ₹ 6 =	₹ 4,50,000
Less : Extra received on application from shares = (₹ 2,25,000)	
Amount Due on Allotment =	₹ 2,25,000
Less : Amount not received on Allotment (₹ 3,375)	
Net Amount Received on Allotment	₹ 2,21,625

74. Prachi Limited issued for public subscription of 1,20,000 equity shares of ₹ 10 each at a premium of ₹ 2 per share payable as under :

On application ₹ 3 per share; on allotment (including premium) ₹ 5 per share; on first call ₹ 2 per share; on second and final call ₹ 2 per share.

Applications were received for 1,60,000 shares. Allotment was made on *pro-rata* basis. Excess money on application was adjusted against the amount due on allotment.

Ramavtar, to whom 4,800 shares were allotted, failed to pay for the two calls. These shares were subsequently forfeited after the second and final call was made. All the shares forfeited were reissued to Manohar as fully paid at ₹ 7 per share.

Record journal entries in the books of the company to record these transactions relating to share capital.

Solution 74 :

In the Books of Prachi Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application money received for 1,60,000 shares @ ₹ 3 per share)		4,80,000	 4,80,000
	Share Application A/c Dr. To Equity Share Capital A/c To Share Allotment A/c (Application for 1,20,000 shares @ ₹ 3 per share transferred to share capital account and remaining amount adjusted to allotment)		4,80,000	 3,60,000 1,20,000
	Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Allotment Due on 1,20,000 Shares @ ₹ 5 per share including ₹ 2 securities premium)		6,00,000	 3,60,000 2,40,000
	Book A/c Dr. To Share Allotment A/c (Share Allotment For 1,20,000 Shares @ ₹ 5 per share Received)		4,80,000	 4,80,000

	Share First Call A/c Dr. To Equity Share Capital A/c (First Call Due on 1,20,000 Shares @` 2 per share)		2,40,000	 2,40,000
	Bank A/c Dr. To Share First Call A/c (First Call Received on 1,15,200 Shares @₹ 2 per share and 4,800 Shares Failed to Pay)		2,30,400	 2,30,400
	Share Final Call A/c Dr. To Equity Share Capital A/c (Final Call Due on 1,20,000 Shares @₹ 2 per share)		2,40,000	 2,40,000
	Bank A/c Dr. To Share Final Call A/c (Final Call Money Receivedon 1,15,200 Shares @₹ 2 per share and 4,800 shares failed to pay)		2,30,400	 2,30,400
	Equity Share Capital A/c Dr. (4,800 ×10) To Share First Call A/c (4,800 × 2) To Share Final Call A/c (4,800 × 2) To Share Forfeiture A/c (4,800 × 6) (4,800 Shares Forfeited for the Non-payment of First Call and Final Call)		48,000	 9,600 9,600 28,800
	Bank A/c Dr. Share Forfeiture A/c Dr. To Equity Share Capital A/c (4,800 shares reissued @₹ 7 per share, fully paid up)		33,600 14,400	 48,000
	Share Fforfeiture A/c Dr. To Capital Reserve A/c (Share Forfeiture Balance of 4,800 Shares Transferred to Capital Reserve Account)		14,400	 14,400

Balance Sheet of Prachi Ltd.

as on..............

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funds :			
(a) Share Capital	1	12,00,000	
(b) Reserves and Surplus	2	2,54,400	
		14,54,400	
II. Assets :			
Current Assets :			
Cash and Cash Equivalents	3	14,54,400	
		14,54,400	

Share Capital A/c Dr.	6,000	
To Share Forfeiture A/c		2,400
To Share First Call A/c		1,800
To Share Second Call A/c		1,800
(600 Shares Forfeited)		

Bank A/c	Dr.	7,200	
Share Forfeiture A/c	Dr.	800	
To Share Capital A/c			8,000
(800 Shares Reissued @ ₹ 9 each)			
Share Forfeiture A/c	Dr.	2,000	
To Capital Reserve A/c			2,000
(Profit on Reissue Transferred to Capital Reserve)			

Balance Sheet of Khusi Ltd.
as on ....

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholders Funds :			
(a) Share Capital	1	1,98,800	
(b) Reserve and Surplus	2	60,800	
		2,59,600	
II. Assets :			
Current Assets			
Cash and Equivalents	3	2,59,600	
		2,59,600	

Notees To Accounts :

Particulars		Amount (₹)
1. Share Capital		
Authorised Share Capital :		.....
..........Shares of ₹10 each		
Issued Share Capital :		
20,000 Sharees of ₹ 10 each		2,00,000
Subscribed, Called up and Paid up Share Capital :		
19,800 Shares of ₹ 10 each	1,98,000	
Add : Share Forfeiture		
(200 × 4)	800	1,98,800
2. Reserve and Surplus		
Securities Premium	58,800	
Capital Reserve	2,000	60,800
3. Cash and Cash Equivalents		
Cash at Bank		2,59,600

Working Notes :

1. Calculation of unpaid amount on Allotment by Rahul :

Shares applied by Rahul = $\frac{30,000}{2,000} \times 400 = 600$

Money Received on Application (600 × 2)	1,200
Less : Adjusted on Application (400 × 2)	(800)
Excess Amount Received	400
Amount Due on Allotment (400 × 5)	2,000
Less : Excess Amount Received	(400)
Amount unpaid on Allotment	1,600

2. Calculation of Amount Transferred to Capital Reserve :

Amount Forfeited on Rahul's 400 Shares (600 × 2)		1,200
Amount Forfeited on Alex's 400 Shares	(400 × ₹ 4)	1,600
Total Credit balance in share forfeiture		2,800
Less : Discount allowed on 800 shares reissued		800
Amount to be Transferred to Capital Reserve		2,000

75. Khushi Limited issued a prospectus inviting applications for 20,000 equity shares of ₹ 10 each at a premium of ₹ 3 per share payable as follows :

With application ₹ 2; on allotment (including premium) ₹ 5; on first call ₹ 3; on second call ₹ 3.

Applications were received for 30,000 shares and allotment was made on *pro-rata* basis. Money overpaid on applications was adjusted to the amount due on allotment.

Rahul, whom 400 shares were allotted, failed to pay the allotment money and the first call, and his shares were forfeited after the first call. Alex, whom 600 shares were allotted, failed to pay for the two calls and hence, his shares were forfeited.

Of the shares forfeited, 800 shares were reissued to Satya Prakash as fully paid for ₹ 9 per share, the whole of Rahul's shares being included.

Record journal entries in the books of the company and prepare the Balance Sheet.

Solution 75 :

In the Books of Khushi Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application Money Received on 30,000 shares @ ₹ 2 per share)		60,000	 60,000
	Share Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Application money received transferred to share capital and adjusted on allotment)		60,000	 40,000 20,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment Money due on 20,000 shares @ ₹ 5 per share including premium of ₹ 3 per share) (100,000 – 20,000 – 1,600)		1,00,000	 40,000 60,000
	Bank A/c Dr. To Share Allotment A/c (Allotment Money Received)		78,400	 78,400
	Share First Call A/c Dr. To Share Capital A/c (Share First CAll due on 20,000 Shares @ ₹ 3 per share)		60,000	 60,000
	Bank A/c Dr. (60,000 – 1200 – 1800) To Share First Call A/c (First Call Money Received)		57,000	 57,000
	Share Capital A/c Dr. Share Premium A/c Dr. To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c (400 Shares Forfeited)		2,800	 1,200 1,200 1,600 1,200

	Share Second Call A/c Dr. To Share Capital A/c (Final Call Money Due on 19,600 Shares @ ₹ 3 per share)		58,800	58,800
	Bank A/c Dr. (58800 – 1,800) To Share Second Call A/c (Second Call Money Received) 3000 × ₹ 25		57,000	57,000

Profit on Forfeiture of 2500 Shares of Deepak Deepak has paid application @ ₹ 25 and allotment @ ₹ 25 (Excluding Premium) Hence, profit on 2500 shares of Deepak = 2500 × ₹ 50	1,25,000
Amount Transferred to Capital Reserve	2,00,000

76. Patanjali Ltd. issued for public subscription 65,000 equity shares of ₹ 100 each at a premium of ₹ 10 per share payable as :

On application ₹ 25, on allotment ₹ 35 (including premium), on first call ₹ 40 and on final call ₹ 10. Applications were received for 1,20,000 shares.

Allotment was made *pro-rata* to the applicants for 78,000 shares, the remaining applications being refused. Money overpaid on applications was utilised towards sums due on allotment. Surendra, to whom 2,500 shares were allotted, did not pay the allotment and calls money. Deepak, to whom 3,000 shares were allotted, failed to pay both the calls. The shares of Surendra and Deepak were forfeited after the final call. 5,000 shares of the forfeited shares were reissued @ ₹ 130 per share as fully paid-up. The reissued shares included all of Surendra's shares. Use Calls-in-Arrears Account.

Pass necessary journal entries in the books of the company to record the above transactions.

Solution 76 :

In the Books of Patanjali Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application Money Received for 1,20,000 Shares @ ₹ 25 each)		30,00,000	30,00,000
	Equity Share Application A/c Dr. To Equity Share Capital A/c To Equity Share Allotment A/c To Bank A/c (Share Application of 65,000 shares transferred to share capital, ₹ 3,25,000 adjusted on Allotment and remaining ₹ 10,30,000 refunded)		30,00,000	16,25,000 13,25,000 10,50,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Share Allotment Due on 65,000 Shares @ ₹35 each including ₹ 10 premium)		22,75,000	16,25,000 6,50,000
	Bank A/c Dr. To Equity Share Allotment A/c (Allotment Money Received on All Shares Except on 25000 Shares)		18,75,000	18,75,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (First Call due on 65,000 Shares @ ₹ 40 per share)		26,00,000	26,00,000

	Bank A/c Dr.		23,80,000	
	To Equity Share First Call A/c			23,80,000
	(First Call Received on 59500 Share and Holders of 5,500 Failed to Pay it)			
	Equity Share Second and Final Call A/c Dr.		6,50,000	
	To Equity Share Capital A/c			6,50,000
	(Second and Final Call Due on 65,000 Shares @ ₹ 10 each)			
	Bank A/c Dr.		5,95,000	
	To Equity Share Second and Final Call A/c			5,95,000
	(Second and Final Call received on 59,500 Shares and Holders of 5500 Shares Failed to Pay it)			
	Equity Share Capital A/c Dr.		2,50,000	
	Securities Premium A/c Dr.		25,000	
	To Share Forfeiture A/c			75,000
	To Equity Share Allotment A/c			75,000
	To Equity Share First Call A/c			1,00,000
	To Equity Share Second and Final Call A/c			25,000
	(2500 Shares need by Surendra Forfeited for Non-payment Amount Due including Premium)			
	Equity Share Capital A/c Dr.		3,00,000	
	To Equity Share Forfeiture A/c			1,50,000
	To Equity Share First Call A/c			1,20,000
	To Equity Share Second and Final Call A/c			30,000
	(3000 Shares held by Deepak forfeited for non-payment of amount due)			
	Bank A/c Dr.		6,50,000	
	To Equity Share Capital A/c			5,00,000
	To Securities Premium Reserve A/c			1,50,000
	(5000 Shares of ₹ 100 each reissued at ₹ 130 per share fully paid up)			
	Share Forfeiture A/c Dr.		2,00,000	
	To Capital Reserve A/c			2,00,000
	To Capital Reserve A/c			2,00,000
	(Balance in share forfeiture transferred to capital reserve)			

Writing Notes :

Surendra's Share :

Number of Shares applied by Surendra = $\frac{78000}{65000} \times 2500$

= 3000 Shares

Money Received Application (3000 Shares @ ₹ 25 each)		75,000
Less :	Application Money Transferred to Share Capital (2500 × ₹ 25)	62500
	Excess Money on Application	12500
	Share Allotment Due (2500 × ₹ 35)	87,500
Less :	Excess Money on Application	12,500
	Calls in Arrears on Allotment	75,000

Shaer Allotment :	
Share Allotment Due (65,000 × 35)	22,75,000
Less : Excess Money on Application	3,25,000
	19,50,000
Less : Calls in Arrears By Surendra Money Received on Allotment	75,000
	18,75,000
Share First Call :	
Share First Call Due (65000 × ₹ 40)	26,00,000
Less : Calls in Arrears by Surendra and Deepak (5,500 × ₹ 40)	2,20,000
Money Received on First Call	23,80,000
Share Second and Final Call :	
Share Final Call Due (65,000 × ₹ 10)	6,50,000
Less : Calls in Arrears by Surendra and Deepak (5500 × ₹ 10)	55,000
Money Received or Second and Final Call	5,95,000
Capital Reserve :	
5000 reissued shares include 2500 shares of Surendra and the Balance 25000 shares of Deepak Profit forfeiture if 2500 shares of Surendra	75,000
(Since Surendra has applied for 3000 shares and has paid application money of ₹ 25 per share, profit on forfeiture will be)	

Note to Accounts :

	Particulars		Amount (₹)
1.	Share Capital		
	Authorised Share Capital :		
	......Shaes of ₹ 10 each		....
	Issued Share Capital :		
	1,20,000 shares of ₹ 10 each		12,00,000
	Subscribed, Called up and paid up share capital :		
	1,20,000 shares of ₹ 10 each		12,00,000
2.	Reserves and Surplus		
	Securities Premium	2,40,000	
	Capital Reserve	14,400	2,54,400
3.	Cash and Cash Equivalents		
	Cash and Bank		14,54,400

77. Silver Sky Ltd. issued a prospectus inviting applications for 40,000 shares of ₹ 10 each at a premium of ₹ 8 per share, payable as follows :

On Application	₹ 6 (including ₹ 2 premium)
On Allotment	₹ 5 (including ₹ 2 premium)
On First Call	₹ 4 (including ₹ 2 premium)
On Second and Final Call	₹ 3 (including ₹ 2 premium)

Applications were received for 80,000 shares and *pro-rata* allotment was made on the applications for 70,000 shares. It was decided to utilise excess application money towards the sums due on allotment.

Jay, to whom 1,200 shares were allotted, failed to pay the allotment money and on his subsequent failure to pay the first call his shares were forfeited.

Veeru, who applied for 3,500 shares failed to pay the two calls and on his such failure, his shares were also forfeited.

Of the shares forfeited, 2,500 shares were reissued as fully paid-up for ₹ 9 per share, the whole of of Veeru's shares being included. Prepare Cash Book and Journal entries.

Solution 77 :

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c (80,000 × ₹ 6)		4,80,000		By Share Application A/c (10,000 × ₹ 3)		60,000
	To Share Allotment A/c (Working Note)		58,200		By Balance c/d		7,21,500
	To Share First Call A/c		1,10,200				
	To Share Second and Final Call A/c		1,10,400				
	To Share Capital A/c		22,500				
			7,81,500				7,81,500

In the Books of Silver Sky Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr.		4,20,000	
	To Share Capital A/c			1,60,000
	To Securities Premium A/c			50,000
	To Share Allotment A/c			1,80,000
	(Share Application Money of 40,000 Shares Transferred to Share Capital and Securities Premium @ ₹ 4 and ₹ 2 each Respectively and ₹ 2,10,000 Adjusted on Allotment)			
	Share Allotment A/c Dr.		2,40,000	
	To Share Capital A/c			1,60,000
	To Securities Premium A/c			80,000
	(Allotment Due on 40,000 Shares @ ₹ 5 each including ₹ 2 Premium)			
	Share First Call A/c Dr.		1,20,000	
	To Share Capital A/c			40,000
	To Securities Premium A/c			80,000
	(First Call Due on 40,000 Shares at ₹ 4 each including ₹ 2 Premium)			
	Share Capital A/c Dr. (1200 × 9)		10,800	
	Securities Premium A/c Dr.		4,000	
	To Share Forfieture A/c			9,6000
	To Share Allotment A/c			1800
	To Share First Call A/c			3,600
	(1200 Shares Forfeited For Non-payment of Allotment Money)			
	Share Second and Final Call A/c Dr.		1,16,400	
	To Share Capital A/c			38,800
	To Securities Premium Reserve A/c			77,600
	(First Call Money Due)			
	Share Capital A/c Dr.		20,000	
	Securities Premium Reserve A/c		8,0000	
	To Share First Call A/c			
	To Share Second and Final Call A/c			6,000
	To Share Forfeiture A/c			16,000
	(3,500 Share Forfeited For Non-payment of Calls Money)			

	Share Forfeiture A/c Dr. To Share Capital A/c (2,500 Shaes Reissued on ` 1 Loss)		2500	2500
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance Transferred to Capital Reserve Account)		17,500	17,500

Working Note :

1. Shares applied 70,000 and Shares Allotted 40,000

   1200 Shares Allotted For = $\frac{70,000}{40,000} \times 1200 = 2100$ Shares

   Extr Shares = 2100 – 1200 = 900 Shares

   Extra Application Money Received = 900 × ₹ 6 = ₹ 5,400

B. Allotment Amount Due on 1200 Shares = 1200 × ₹ 6 = 7,200

   Less : Extra received on application from shares 5400

   Amount not received on Allotment 18000

   C. Allotment amount due on 40,000 sharees

   = 40,000 × ₹ 6 = ₹ 2,40,000

   Less : Extra received on application

   from shares 1,80,000

   Amount Due on Allotment 60,000

   Less : Amount not received on allotment 1,800

   Net Amount received on Allotment 58,200

2. Shares has applied for 3500 shares

   Therefore he must have been allotted

   $\left[\frac{40,000}{70,000} \times 3,500\right] = 200$ Shares

   Hence, he was not paid first and second call money.

   As such first call money will be received on

   40,000 – 12,000 shares of Jay and 2000 shares of Veeru = 36, 800 shares

   Second Call Money will also be received on 36,800 shares.

3. Securities premium Reserve related to shares of Jay is :

   1200 shares × ₹ 2 on allotment 2,400

   Add : 1200 shares × ₹ 2 on first call 2,400

   4,800

   Out of this amount, ₹ 600 is already received as excess application money. As such the balance of ₹ 4,200 has been debited in the entry of forfeiture of shares.

4. 2500 shares have been reissued which include 2000 shares of Veeru and balance 500 of Jay :

   Forfeited Amount on 500 shares of Jay

   $\left(\frac{9600}{1200} \times 500\right)$ 4,000

   Forfeited amount on 2000 shares of Veeru 16,000

   20,000

   Less : Loss on reissued of 2500 shares @ ₹ 1 each 2,500

   Transferred Capital Reserve 17,500

78. Maharaja Ltd. issued shares of ₹ 100 each at a premium of 40% payable as follows :

On Application	₹ 50
On Allotment	₹ 70 (including premium)
On First and Final Call	₹ 20

Seeta, who applied for 700 shares and to whom 400 shares were allotted on *pro-rata* basis did not pay allotment and her shares were immediately forfeited. Pass entry for forfeiture of shares.

Solution 78 :

In the Books of Maharaja Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. (400 × ₹ 80) Securities Premium Reserve A/c Dr. To Share Forfeiture A/c To Share Allotment A/c (w.n.2) (400 shares forfeited due to non payment of money)		32,000 13,000	 32,000 13,000

Working Note :

1. Calculation of excess application money :
   Number of applied shares = 700 shares
   Numbe of allotted shares = 400 shares
   Excess Application = 700 – 400 = 300 shares
   Excess application money = 300 × ₹ 50 = 15,000
2. Calculation of amount not received on allotment :

Amount due on allotment (400 × ₹ 70)	28,000
Less : Excess application money (w.n.1)	15,000
Amount not received on Allotment	13,000

79. JKJ Ltd. was established with an authorised capital of ₹ 10,00,000 divided into shares of ₹ 10 each. Out of these 10,000 shares were issued as fully paid-up being the payment of machinery purchased. 32,000 shares were issued and subscribed for by the public payable as ₹ 4 on application, ₹ 2 on allotment, ₹ 2 on first call and ₹ 2 on final call. The amounts received in resperct of these shares were as follows :

On 24,000 shares full amount

On 5,000 shares ₹ 8 per share

On 2,000 shares ₹ 6 per share

On 1,000 shares ₹ 4 per share

The directors forfeited 3,000 shares on which less than ₹ 8 per share has been paid and reissued to Saroj at ₹ 8 per share as fully paid.

Pass journal entries in the books of the company for the record of the above transactions.

Solution 79 :

In the Books of JKJ Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Building A/c Dr. To Vendor's A/c (Machinery Purchase)		1,00,000	 1,00,000
	Vendor's A/c Dr. To Share Capital A/c (10,000 Shares issued to rendor as fully paid up)		1,00,000	 1,00,000
	Bank A/c Dr. To Share Application A/c (Application Money Received)		1,28,000	 1,28,000
	Share Application A/c Dr. To Share Capital A/c (Application money transferred to share capital account)		1,28,000	 1,28,000
	Share Allotment A/c Dr. To Share Capital A/c (Allotment Money Due)		64,000	 64,000

Bank A/c Dr. To Share Allotment A/c (Allotment Money Received on 31,000 Shares)		62,000	62,000
Share First Call A/c Dr. To Share Capital A/c (Share First Call Money Due)		64,000	64,000
Bank A/c Dr. To Share First Call A/c (First Call Money Received on 29,000 Shares)		58,000	58,000
Share Second and Final call A/c Dr. To Share Capital A/c (Share Second Call Money Due)		64,000	64,000
Bank A/c Dr. To Share Second and Final Call A/c (Share Second Call Money Received on 24,000 shares)		48,000	48,000
Share Capital A/c Dr. To Share Forfeiture A/c To Share Allotment A/c To Share First Calll A/c To Share Second and Final CAll A/c (3000 Shares Forfeited and Final Call A/c 6,000 Payment of Money)		30,000	 16,000 2,000 6,000 6,000
Bank A/c Dr. (3000 × 8) Share Forfeiture A/c Dr. (3000 × 2) To Share Capital A/c (3,000 Shares reissued @ ₹ 3 per share)		24000 6000	 30,000
Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit Transferred to Capital Reserve)		10,000	10,000

Balance Sheet of JKJ Ltd.
as on..............

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity And Liabilities :			
1. Share Holder's Funds			
(a) Share Capital	1	6,04,000	
(b) Reserves and Surplus	2	10,000	
II. Assets :			
Current Assets			
Cash and Cash Equivalents	3	3,20,000	
Fixed Assets	4	1,00,000	

Notes to Accounts :

Particulars		Amount (₹)
1. Share Capital :		
Authorised Capital :		
10,000 Shares @ ₹ 10 each	10,00,000	
Issued Capital :		
42,000 Shares @ ₹ 10 each	4,20,000	
Subscribed Capital :		

Subscribed and Fully paid up 32,000 Shares @ ₹ 10 each allotted To Vendor for purchase consideration to building	3,20,000	
Subscribed but not fully paid up 29,000 shares @ ₹ 10 each	2,90,000	
Less : Call is arrears	(14,000)	
	2,74,000	
Add : Share Forfeiture	10,000	2,84,000
		6,04,000

80. Johny Ltd. has an authorised capital of ₹ 5,00,000 divided into shares of ₹ 20 each. Out of these 9,000 shares were issued as fully paid in payment of assets purchased. 16,000 shares subscribed by the public and during the first year ₹ 10 per share was called-up, payable as ₹ 4 on application, ₹ 2 on allotment, ₹ 2 on first call and ₹ 2 on second call. the amounts received in resperct of these shares were as follows :

On 12,000 shares — full amount

On 2,500 shares — ₹ 8 per share

On 1,000 shares — ₹ 6 per share

On 500 shares — ₹ 4 per share.

The directors forfeited 1,500 shares on which less than ₹ 8 per share had been paid. Pass journal entries recording the above transactions and set out the capital as it would apperar in the Balance Sheet at the end of the first year.

Solution 80 :

In the Books of Johny Ltd.
Journal of Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Assets A/c Dr. To Vendor's A/c (Assets Purchased)		1,80,000	1,80,000
	Assets A/c Dr. To Share capital A/c (9,000 Shares issued to Vendor as fully paid up)		1,80,000	1,80,000
	Bank A/c Dr. To Share Application A/c (Share Application Money Due)		64,000	64,000
	Share Application A/c Dr. To Share Capital A/c (Application Money Transferred to Share Capital Account)		64,000	64,000
	Share Allotment A/c Dr. To Share Capital A/c (Share Allotment Money Due)		32,000	32,000
	Bank A/c Dr. To Share Allotment A/c (Allotment Money received on 15,500 shares)		31,000	31,000
	Share First Call A/c Dr. To Share Capital A/c (Share First Call Money Due)		32,000	32,000
	Bank A/c Dr. To Share First Call A/c (First Call Money Received on 14,500 Shares)		29,000	29,000

	Share Second and Final Call A/c Dr. To Share Capital A/c (Share Second Call Money Due)		32,000	 32,000
	Bank A/c Dr. To Share Second and Final Call A/c (Share Final Call Money Received on 12,000 Shares)		24,000	 24,000
	Share Capital A/c Dr. To Share Forfeiture A/c To Share Allotment A/c To Share First Call A/c To Share Second Call A/c (1500 shares forfeited due to non-payment of money)		15,000	 8,000 1,000 3,000 3,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance Transferred to Capital Reserve)		8,000	 8,000

Balance Sheet of Johny Ltd.
as on..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funds :			
(a) Share Capital	1	3,20,000	
(b) Reserves and Surplus	2	8,000	
		3,28,000	
II. Assets :			
Fixed Assets	3	1,80,000	
Currest Assets	4	1,48,000	
Cash and Cash Equivalents		3,28,000	

Notes to Accounts :

	Particulars		Amount (₹)
	Authorised Capital		
	25000 shares @ ₹ 20 each		5,00,000
	Issued Capital		
	17,000 shares @ ₹ 10 each		1,70,000
	Subscribed Capital		
	9000 Shares @ ₹ 10 each		1,70,000
	Subscribed Capital		
	9000 shares @ ₹ 20 each		1,80,000
	16,000 shares @ ₹ 8 each	1,28,000	
	Less : Calls in Arrears (8,000)	1,20,000	
			3,00,000
2.	Reserves and Surplus		
	Capital Reserve		8,000
			8,000
3.	Tangible Assets		
	Assets		1,80,000
4.	Cash & Cash Equivalents		
	Cash at Banks		1,48,000

81. Pixel Ltd. issued 15,000 shares of ₹ 10 each payable as follows :
On application ₹ 2.50, on allotment ₹ 2.50, on first call ₹ 1, on final call ₹ 4.
All the amounts were received except the following :
Kailash, holder of 700 shares, has not paid the allotment, first call and final call.
Mohit, holder of 450 shares, has not paid first call and final call.
Himanshu, holder of 150 shares, has not paid final call.
All the above shares were forfeited and reissued to Narendra in the following manner: Shares of Kailash @ ₹ 8 each, shares of Mohit @ ₹ 7 each, shares of Himanshu @ ₹ 6 each as fully paid.
Pass journal entries regarding forfeiture and reissue of shares.

Solution 81 :

In the Books of Pixels Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		37,500	
	To Share Application A/c				37,500
	(Share Application Money Received)				
	Share Application A/c	Dr.		37,500	
	To Share Capital A/c				37,500
	(Application Money Transferred to Share Capital A/c)				
	Share Allotment A/c	Dr.		37,500	
	To Share Capital A/c				37,500
	(Allotment Money Due)				
	Bank A/c	Dr.		35,750	
	Calls in Arrears A/c				1,750
	To Share Allotment A/c				37,500
	(Allotment money received on shares except holder of 700 shares)				
	Share First Call A/c	Dr.		15,000	
	To Share Capital A/c				15,000
	(Share First Call Money Due)				
	Bank A/c	Dr.		13850	
	Calls in Arrears A/c	Dr.		1150	
	To Share First Call A/c				15,000
	(Share First Call Money received on shares except holdrs of 11,50 shaes)				
	Share Second and Final Call A/c	Dr.		60,000	
	To Share Capital A/c				60,000
	(Share Second Call Money Due)				
	Bank A/c	Dr.		54,800	
	Calls in Arrears A/c	Dr.		5,200	
	To Share Second and Final Call A/c				60,000
	(Second Call Money received on shares @ except holders of 1300 shares)				
	Share Capital A/c	Dr.		13,000	
	To Share Forfeiture A/c				4,900
	To Calls in Arrears A/c				8,100
	(1300 shares forfeited due to non payment of money)				
	Bank A/c	Dr.		9,650	
	Share Forfieture A/c	Dr.		3,350	
	To Share Capital A/c				13,000
	(Shares issued to shareholders)				
	Share Forfeiture A/c	Dr.		1550	
	To Capital Reserve A/c				1,550
	(Profit transferred to capital reserve)				

Working Note :

Calculation of amount transferred to Capital Reserve :

Kailash	= [700 Shares × (2.50 + 80) – 10]	
	= (700 Shares × ₹ 0.50)	
	=	₹ 350
Mohit	= [450 Shares × (₹ 2.50 + ₹ 2.50 + ₹ 7 – ₹ 10)]	
	= (450 Shares × ₹ 2)	900
Himanshu	= [150 Shares × (₹ 2.50 + ₹ 2.50 + ₹ 6 + ₹ 1 – ₹ 10)]	
	=1505 Shares × ₹ 2	300
		1,550

82. Natraj Ltd. is registered with an authorized capital of ₹ 1,00,00,000 divided into 1,00,000 equity shares of ₹ 100 each. The company issued 60,000 shares at a premium of ₹ 40 per share. A shareholder holding 800 sharesdid not pay the final call of ₹ 25 per share. His shares were forfeited.

Present the 'Share Capital' in the Balance Sheet of the Company as per Schedule III Part I of the Companies Act, 2013. Also prepare notes to accounts.

Solution 82 :

Balance Sheet of Natraj Ltd.

as on.........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shaerholder's Funds			
(a) Share Capital	1	59,80,000	
(b) Reserves and Surplus	2	24,00,000	
		83,80,000	
II. Assets :			
Current Assets			
Cash and Equivalents	3	83,80,000	
		83,80,000	

Notes to Accounts :

	Particulars		Amount (₹)
1.	Share Capital		
	Authorised Share Capital :		
	1,00,000 shares of ₹ 100 each		1,00,00,000
	Issued Share Capital :		
	60,000 equity shares of ₹ 100 each		60,00,000
	Subscribed, called up and paid up		
	Share Capital :		
	59,200 shares of ₹ 100 each	5,920,000	
	Add : Shares Frfeited		
	(800 Shares × ₹ 75)	60,000	59,80,000
2.	Reserves and Surplus		
	Securities Premium		
	(60,000 × ₹ 40)		24,00,000
3.	Cash and Cash Equivalents		
	Cash at Bank		83,80,000

83. On first April, 2020, Sonata Ltd. was formed with an authorized capital of ₹ 1,00,00,000 divided into 2,00,000 equity shares of ₹ 50 each. The company issued prospectus inviting applications for 1,80,000 shares. The issue price was payable as under :

On Application	:	₹ 15
On Allotment	:	₹ 20
On Call	:	Balance amount

The issue was fully subscribed and the company allotted shares to all the applicants. All money was received except allotment on 5,000 shares. The company did not make the call during the year.

Show the following :

(a) Share capital in the Balance Sheet of the company as per Schedule III Part I of the Companies Act, 2013.

(b) Also prepare 'Notes to Accounts' for the same.

Solution 83 :

In the Books of Sonata Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application for 1,80,000 shares received @ ₹ 15 per share)		27,00,000	27,00,000
	Share Application A/c Dr. To Share Capital A/c (Share Application Money Transferred to Share Capital Account)		27,00,000	27,00,000
	Share Allotment A/c Dr. To Share Capital A/c (Share Allotment Money Due on 1,75,000 Shares @ ₹ 20 each)		35,00,000	35,00,000

Balance Sheet of Sonata Ltd.
as on.........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funds			
(a) Share Capital	1	62,00,000	
		62,00,000	

Notes to Accounts :

Particulars		Amount (₹)
1. Share Capital		
Authorised Capital :		
2,00,000 Equity Shares of ₹ 50 each		1,00,00,000
Issued Capital :		
1,80,000 equity shares of ₹ 50 each		90,00,000
Subscribed Capital :		
1,80,000 shares of ₹ 50 each		90,00,000
Called and paid up capital :		
1,80,000 shares of ₹ 35 each	63,00,000	
Less : Calls in Arrears		
(5,000 × ₹ 20)	(1,00,000)	62,00,000

84. Alankar Ltd. purchased machinery costing ₹ 17,00,000 from Manisha Ltd. Alankar Ltd. paid 20% of the amount by cheque and for the balance amount issued equity shares of ₹ 100 each at a premium of 25%.

Pass necessary Journal Entries for the above transactions in the books of Alankar Ltd. Show your working notes clearly.

Solution 84 :

In the Books of Alankar Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr.		17,00,000	
	To Manisha Ltd.			17,00,000
	(Machinery purchased from Manisha Ltd.)			
	Manisha Ltd. A/c Dr.		3,40,000	
	To Bank A/c			3,40,000
	(Partial Amount paid by Cheque)			
	Manisha Ltd. A/c Dr.		13,60,000	
	To Equity Share Capital A/c			10,88,000
	To Securities Premium Reserve A/c			2,72,000
	(10,880 equity shares of ₹ 100 each at a premium of ₹ 25 per share)			

Working Note :

$$\text{Number of Shares} = \frac{₹13,60,000}{₹100 + ₹25} = 10,880 \text{ Shares}$$

85. Radhamohan Ltd. purchased a running business from Vipasha Ltd. for a sum of ₹ 22,00,000 by issuing 20,000 fully paid equity shares of ₹ 100 each at a premium of 10%. The assets and liabilities consisted of the following :

Machinery ₹ 7,00,000, Debtors ₹ 2,50,000, Stock ₹ 5,00,000, Building ₹ 11,50,000 and Bills Payable ₹ 2,50,000.

Pass necessary Journal entries in the books of Radhamohan Ltd. for the above transactions.

Solution 85 :

In the Books of Radha Mohan Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr.		7,00,000	
	Debtors A/c Dr.		2,50,000	
	Stock A/c Dr.		5,00,000	
	Building A/c Dr.		11,50,000	
	To Bills Payable A/c			2,50,000
	To Vipasha Ltd.			22,00,000
	To Capital Reserve A/c (B/F)			1,50,000
	(Business purchased from Vipasha Ltd.)			
	Vipasha Ltd. A/c Dr.		22,00,000	
	To Equity Share Capital A/c			20,00,000
	To Securities Premium Reserve A/c			2,00,000
	(20,000 equity shares of ₹ 100 each at a premium of 10%)			

Working Note :

$$\text{Number of Shares} = \frac{₹22,00,000}{₹100 + ₹10} = 20,000 \text{ Shares}$$

86. Journalise the following transactions in the books of Shaurya Ltd. :

(i) 200 shares of ₹ 10 each issued at a premium of ₹ 5 per share payable with allotment were forfeited for the non-payment of allotment money of ₹ 9 per share including premium. The first and final call of ₹ 3 per share were not made. The forfeited shares were re-issued at ₹ 14 per share as fully paid-up.

(ii) 800 shares of ₹ 10 each issued at par were forefeited for the non-payment of final call of ₹ 2 per share. These shares were reissued at ₹ 8 per share as fully paid-up.

Solution 86 :

In the Books of Shaurya Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Share Capital A/c Dr. (200 ×₹ 7) Securities Premium Reserve A/c Dr. (200 × ₹ 5) 1,000 To Share Forfeiture A/c (200 × 3) To Share Allotment A/c (200 × ₹ 9) (200 shares forfeited due to non-payment of money)		14,00	 600 1800
	Bank A/c (200 × ₹ 14) Dr. To Share Capital A/c (200 × 10) To Securities Premium Reserve A/c (200 × 4) (200 forfeited shares were reissued @ ₹ 14 each)		2800	 2000 800
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance of Share Forfeiture Transferred to Capital Reserve Account)		600	 600
(ii)	Share Capital A/c Dr. (800 × ₹ 10) To Share Forfeiture A/c (800 × ₹ 8) To Final Call A/c (800 × ₹ 2) (800 shares forfeited due to non-payment of final call)		8,000	 6,400 1,600
	Bank A/c Dr. Share Fofeiture A/c Dr. To Share Capital (800 shares reissued @ ₹ 8 each)		6,400 1,600	 8,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance of Share Fofeiture Account Transferred to Capital Reserve Account)		4,800	 4,800

87. Micromax Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as : ₹ 3 on application, ₹ 5 including premium on allotment and the balance in equal instalments over two calls. Applications were received for 92,000 shares and the allotment was done as under :

Samiksha, Applicants of 40,000 shares — Allotted 30,000 Shares
Noor, Applicants of 40,000 shares — Allotted 20,000 Shares
Priyanshi, Applicants of 12,000 shares — Nil

Bunty, who had applied for 2,000 shares (Category A) did not pay any money other than application money.

Sidhhartha, who was allotted 800 shares (Category B) paid the call money due along with allotment.

All other allottees paid their dues as per schedule.

Pass necessary journal entries in the books of Micromax Ltd. to record the above.

Solution 87 :

In the Books of Micromax Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application Money Received on 92,000 Shares @ ₹ 3 each)		2,76,000	 2,76,000
	Share Application A/c Dr. To Share Capital A/c (50,000 × 3) To Bank A/c (12,000 × 3) To Share Allotment A/c (B/F) (Share Application Money of 50,000 Shares of ₹ 3 each Transferred to Share Capital, ₹ 90,000 Adjusted on Allotment and ₹ 36,000 Refunded)		2,76,000	 1,50,000 36,000 90,000
	Share Allotment A/c Dr. (50,000 × 5) To Share Capital A/c (50,000 × 3) To Securities Premium A/c (50,000 × 2) (Share Allotment Due on 50,000 Shares ₹ 5 per share including premium ₹ 2)		2,50,000	 1,50,000 1,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c To Calls in Advance A/c (Allotment money received for 48,500 shaers along with calls in advance ₹ 3,200 and 1500 shares failed to pay the allotment money)		1,57,200 6,000	 1,60,000 3,200
	Share First Call A/c (50,000 × ₹ 2) To Share Capital A/c 1,00,000 (First Call Due on 50,000 Shares @ ₹ 2 each)		1,00,000	
	Bank A/c Dr. Calls in Advance A/c Dr. (800 × ₹ 2) Calls in Arrears A/c Dr. (1500 × 2) To Share First Call A/c (First Call Money Received on 47,700 shares, calls in advance of 800 shares adjusted and 1500 failed to pay it)		95,400 1,600 3,000	 1,00,000
	Share final Call A/c Dr. To Share Capital A/c (Final Call Money due on 50,000 Shares @ ₹ 2 each)		1,00,000	 1,00,000
	Bank A/c Dr. Call in Advance A/c Dr. Calls in Arrears A/c Dr. To Share Final Call A/c (First Call Money received on 47,700 shares, cals in advance of 800 shares adjusted and 1500 failed to pay it)		95,400 1,600 3,000	 1,00,000

Working Notes :

1. Issued Capital 50,000 shares of ₹ 10 each of a premium of ₹ 2. Applied shaers 92,000.

Allotment made as :

Applied	Allotted
40,000	30,000
40,000	20,000
12,000	Nil
92,000	50,000

Allotment payable as :

Application	₹ 3	
Allotment	₹ 5	(3 + 2)
First Call	₹ 2	
Final Call	₹ 2	
	₹ 12	(10 + 2) per share

2. **Bunty's Shares :**

Numver of Shares Allotted to Bunty = $\frac{30,000}{40,000} \times 2,000$

= 1,500 Shares

Money received on Application (2000 shares × ₹ 3)		₹ 6,000
Less :	Application Money Transferred to Share Capital (1500 shares × ₹ 3)	(₹ 4,500)
	Excess money on Application	₹ 1,500
	Share Allotment Due (1500 shares × ₹ 5)	₹ 7,500
Less :	Excess money on application	₹ 1,500
	Calls in Arrears on Allotment	₹ 6,000

3. **Sidhartha's Shares :**

Number of Shares Applied by Sidhartha = $\frac{40,000}{20,000} \times 800$

= 1600 Shares

Calls in Advance received from Sidhartha

= 800 Shares × ₹ 4 = ₹ 3,200

4. **Share Allotment :** ₹

Share Allotment due (50,000 Shares × ₹ 5)		2,50,000
Less :	Excess money on Application	(90,000)
		1,60,000
Less :	Calls in Arrears on Bunty's Share	(6,000)
Add :	Calls in Advance received from Sidhartha (800 shaes × ₹ 4)	3,200
Money received on Allotment along with calls-in-advance		1,57,200

5. **Share First Call**

		₹
Share First Call due (50,000 shares × ₹ 2)		1,00,000
Less :	Calls in Arrears on bunty's share (1500 shares × ₹ 2)	(3,000)
Less :	Calls in advance already received from Sidhartha (800 shares × ₹ 2)	(1,600)
Money Received on First Call		95,400

6. **Share Final Call**

		₹
Share Final Call due (50,000 shares × ₹ 2)		1,00,000
Less :	Calls in Arrears on Bunty's Share (1500 shares × 2)	(3,000)
Less :	Calls in Advance Already received from Sidhartha (800 shares × ₹ 2)	(1,600)
	Money received on Second Final Call	95,400

88. The Centro Ltd. forfeited 300 shares of ₹ 10 each issued at 20% premium (to be paid at the time of allotment) for non-payment of allotment money of ₹ 4 per share (including premium), first call of ₹ 3 per share and final call of ₹ 2 per share. Out of these, 200 shares were re-issued as fully paid-up at a discount of ₹ 3 per share. Journalise.

Solution 88 :

In the Books of Centro Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c (300 × ₹ 10) Dr. Securities Premium Reserve A/c Dr. (300 × ₹ 2) To Share Forfeited A/c To Share Allotment A/c (300 × ₹ 4) To Share First Call A/c (300 × ₹ 3) To Share Final Call A/c (300 × ₹ 2) (300 Shares Forfeited for Non-payment of Money)		3,000	600 900 12,00 900 600
	Bank A/c Dr. (200 × 7) Share Forfeiture A/c Dr. (200 × 3) To Share Capital A/c (200 × ₹ 10) (Shares Reissue at a discount of ₹ 3 pr share)		1400 600	 2,000

89. Sagar Ltd. forfeited 800 shares of ₹ 20 each issued at a premium of ₹ 2 per share to Namrata (₹ 18 called-up) on which she did not pay first call of ₹ 4. Out of these, 300 shares were re-issued @ ₹ 15 per share as ₹ 18 paid-up. Journalise.

Solution 89 :

In the Books of Sagar Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. To Share Final Call A/c To Share Forfeiture A/c (Shares Forfeited for non-payment of 800 shares)		14,400	 3,200
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (300 Shares reissued for discount of ₹ 3 per share)		4,500 900	 5,400
	ShareForfeiture A/c Dr. To Capital Reserve A/c (Balance Amount Transferred to Capital Reserve Account)		3,300	 3,800

90. Nirmala Ltd. forfeited 1,000 shares of ₹ 20 each issued at a premium of ₹ 2 per share to Varun (₹ 18 called-up) on which he did not pay allotment of ₹ 6 (including premium) and first call of ₹ 4. Give Journal Entries for forfeiture and re-issue in the following cases :

(i) 600 shares were re-issued to Rajeev at ₹ 14 per share as ₹ 18 paid-up; (ii) 200 shares to Madhu as fully paid-up for ₹ 24 per share; and (iii) 200 shares to Neha as fully paid-up for ₹ 10 per share at different intervals of time.

Solution 90 :

In the Books of Nirmala Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. Securities Premium Reserve A/c Dr. To Share Allotment A/c To Share Final Call A/c To Share Forfeiture A/c (Share Forfeited for Non-payment of 800 shares)		18,000 2,000	 6,000 4,000 10,000

(i)	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (600 Shares reissued for discount of ₹ 4 per share)		8,400 2,400	 10,800
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance Amount Transferred to Capital Reserve Account)		3,300	 3,300
(ii)	Bank A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (200 Shares reissued as fully paid up ₹ 24 per share)		4,800	 4,000 800
	Share Forfeiture A/c Dr. 2,000 To Capital Reserve A/c (Transfer of Profit on 200 reissued shares to Capital Reserve Account)			 2,000
(iii)	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (200 Shares issued to on a as fully paid up for ₹ 10 per share)		2,000 2,000	 4,000

91. Sangeeta Limited forfeited 1,000 shares of ₹ 10 each (₹ 8 called-up) issued at a premium of ₹ 2 per share to Suman, for non-payment of allotment money of ₹ 5 per share (including premium). Out of these, 800 shares were re-issued to Goyal as ₹ 8 called for ₹ 7 per share. Give the necessary Journal entries relating to forfeiture and re-issue of shares.

Solution 91 :

In the Books of Sangeeta Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. (1000 × 8) Securities Premium Reserve A/c Dr. (1000 × 2) To Share Allotment A/c (1000 × 5) To Share Forfeiture A/c (1,000 Shares Forfeited for non-payment of allotment money of ₹ 5 per share including premium of ₹ 2)		8,000 2,000	 5,000 5,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (Reissue of 800 shares of Goyal for ₹ 7 per shares as ₹ 8 called up)		5,600 800	 6,400
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Transfer on profit on reissue of 800 shares to Capital Reserve Account)		3,200	 3,200

92. Parvati Ltd. forfeited 100 shares of ₹ 10 each issued at 20% premium (to be paid at the time of allotment) on which first call money of ₹ 3 was not received; the final call money of ₹ 2 is not yet called. These shares were subsequently re-issued at ₹ 7 per share as ₹ 8 paid-up. Give necessary journal entries regarding forfeiture and re-isued of shares.

Solution 92 :

In the Books of Parvati Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. (100 × ₹ 8) To Share First Call A/c (100 × ₹ 3) To Shae Forfeiture A/c (100 × ₹ 5) (100 Shares of ₹ 10 each Forfeited for non-payment of First Call Money of ₹ 3)		800 300	 500
	Bank A/c Dr. Share Forfeiture A/c Dr. To Share Capital A/c (100 Forfeited Shares reissued @ ₹ 7 per share @ ₹ 8 paid up)		700 100	 800
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on Reissue of 100 Shares Transferred to Capital Reserve Account)		400	 400

93. Menna Ltd. forfeited 2,000 shares of ₹ 10 each issued at 20% premium (to be paid at the time of allotment) on which allotment money of ₹ 4 (including premium) and first call money of ₹ 3 was not received; the final call money of ₹ 2 is not yet called. 1,500 of these shares were re-issued as fully paid for ₹ 7 per share. Journalise.

Solution 93 :

In the Books of Meena
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. (2000 × ₹ 8) Securities Premium Reserve A/c Dr. (2000 × ₹ 2) To Share Allotment A/c (2000 × ₹ 4) To Share First Call A/c (2000 × ₹ 3) To Share Forfeiture A/c (2000 × ₹ 3) (200 Shares of ` 10 each, issued @ 20% Premium Forfeited for Non-payment of Allotment and First Call Money)		16,000 4,000	 8,000 6,00 6,000
	Bank A/c Dr. Share Forfeiture A/c Dr. To Sare Capital A/c (1500 of the Forfeited Shaers reissued as Fully paid ₹ 7 per share)		10,500 4,500	 15,000

94. Sohan Lal Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as : ₹ 3 on application, ₹ 4 on allotment (including premium), ₹ 2 on first call and the remaining on second and final call.

Applications were received for 75,000 shares and a *pro-rata* allotment was made to all the applicants. All moneys due were received except allotment and first call from Priya who applied for 1,200 shares. All his shares were forfeited. The forfeited shares were reissued for ₹ 9,600. Final call was not made. Pass the necessary journal entries.

Solution 94 :

In the Books of Sohan Ltd.
as on..........

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		2,25,000	
	To Equity Share Application A/c			2,25,000
	(Application Money Received on 75000 Shares @ ₹ 3 per share)			
	Equity Share Application A/c Dr.		2,25,000	
	To Equity Share Capital A/c			1,50,000
	To Equity Share Allotment A/c			75,000
	(Application money adjusted)			
	Equity Share Allotment A/c Dr.		2,00,000	
	To Equity Share Capital A/c			1,00,000
	To Securities Premium Reserve A/c			1,00,000
	(Money due on Allotment 50,000 Shares @ ₹ 4 per shaes)			
	Bank A/c Dr.		1,23,000	
	To Equity Share Allotment A/c			1,23,000
	(Amount Received on 800 shaers Allotted to Priya)			
	Equity Share First Call A/c Dr.		1,00,000	
	To Equity Share Capital A/c			1,00,000
	(Amount Due on First Call 50,000 Shares @ ₹ 2 per share)			
	Bank A/c Dr.		98,400	
	To Equity Share First Call A/c			98,400
	(First Call Received Except on 800 Shaes @ ₹ 2 per share)			
	Equity Share Capital A/c Dr. (800 × ₹ 7)		5,600	
	Securities Premium Reserve A/c Dr.		1,600	
	To Equity Share Allotment A/c			2,000
	To Equity Share First and Final Call A/c			1,600
	To Equity Share Forfeiture A/c			3,600
	(Forfeiture of 800 Shaes for Non-payment of Allotment and First Call Money)			
	Bank A/c Dr.		9,600	
	To Equity Share Capital A/c			5,600
	To Securities Premium Reserve A/c			4,000
	(800 Shares Reissued at ₹ 7 paid up)			
	Shae Forfeited A/c Dr.		3,600	
	To Capital Reserve A/c			3600
	(Balance of Share Forfeiture Transferred to Capital Reserve Account)			

Working Notes :

1. A's Priya has applied for 1200 shares, she must have been allotted = $1200 \times \frac{50,000}{70,000}$ = 800 shares

   Excess Application money received from Priya
   12000 shaes – 800 shares= 400 shaers × ₹ 3 = ₹ 1200
2. Amount due from Priya an Allotment
   = 800 shaers × ₹ 4 = ₹ 3,200
   Less : Excess received from Priya on Application ₹ 1,200

   Amount not received from Priya 2,000

3. Total Amount Due on Allotment	
50000 shaes × ₹ 4 =	2,00,000
Less : Excess Amount Received on Application	(75,000)
Amount Due	1,25,000
Less : Amount not received from Priya on Allotment	(2,000)
Net Amount Received on Allotment in Cash	1,23,000

95. Aaditya Ltd. invited applications for 50,000 Equity Shares of ₹ 10 each, payable ₹ 3.50 on application; ₹ 5 on allotment (including premium ₹ 2.50); and ₹ 4 on first and final call. The company received applications for 65,000 shares. It was decided :

(a) to refuse allotment to the applicants for 5,000 shares;
(b) to allot in full to the applicants for 20,000 shares;
(c) to allot balance of the available shares *pro-rata* among the other applicants; and
(d) to utilise the excess application money in part payment of allotment money.

All the money due was received except from Abhishek to whom shares had been allotted on *pro-rata* basis. He failed to pay allotment and call money and his 300 shares were forfeited. These shares were re-issued at ₹ 9 per share as fully paid.
Give journal entries to record the above transactions in the books of the company.

Solution 95 :

In the Books of Aaditya Ltd.
as on.........

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		2,27,500	
	To Shae Application A/c			2,27,500
	(Amount Received on Application 65,000 Shares @ ₹ 3.50 each)			
	Share Application A/c Dr.		2,27,500	
	To Share Capital A/c			1,75,000
	To Share Allotment A/c			35,000
	To Bank A/c			17,500
	(Transfer of Application Money to Share Capital Account for 50,000 Shares @ ₹ 3.50 to Share Allotment Account on 10,000 Shares @ ₹ 3.50 and Money Refunded on 5,000 shares @ ₹ 3.50 each)			
	Share Allotment A/c Dr.		2,50,000	
	To Share Capital A/c			1,25,000
	To Securities Premium Reserve A/c			1,25,000
	(Money Due on Allotment @ ₹ 5 including Premium of ₹ 2.50 each)			
	Bank A/c Dr.		3,13,850	
	To Share Allotment A/c			2,13,850
	(Amount Received on 49700 Shares)			
	Share First & Final Call A/c		2,00,000	
	To Share Capital A/			2,00,000
	(Amount Due on First and Final Call)			
	Bank A/c Dr.		1,98,800	
	To Share First and Final Call A/c			1,98,800
	(Amount Received on 49,700 Shares)			
	Share Capital A/c Dr.			
	Securities Premium Reserve A/c Dr.		3,000	
	To Share Allotment A/c			750
	To Share First and Final Call A/c			1,150
	To Share Forfeiture A/c			1,400
	(300 Shares of Forfeited for Repayment of Allotment Money and First and Final Call Money)			

	Bank A/c Dr.		2,700	
	Share Forfeiture A/c Dr.		300	
	To Share Capital A/c			3,000
	(300 Shares Reissued @ ` 9 as Fully paid)			
	Share Forfeiture A/c Dr.		1,100	
	To Capital Reseve A/c			1,100
	(Profit on 300 Reissue Transferred to Capital Reserve Account)			

Working Note :

1. Scheme of Allotment :

Shares Applied	Shares Allotted
5,000	Nil
20,000	20,000
40,000	30,000
65,000	50,000

2. Shareholder holding 300 share must hae applied for

$$= \frac{40,000}{30,000} \times 300 = 400 \text{ Shares}$$

Excess Application Money Received from him	
400 Shares – 300 Shaes = 100 Shares × ₹ 3.50 =	₹ 1500
Less : Excess Received on these shares on Application =	₹ 360
Amount not received on Allotment	₹ 1,150

3. Total Amount due on Allotment

50,000 Shaes × ₹ 5 =	2,50,000
Less : Excess Received on Application	35,000
Amount due	2,15,000
Less : Amount not received on Allotment	1,150
Net Amount Received on Allotment in Cash	2,13,850

96. Vandana Ltd. invited applications for issuing 1,00,000 shares of ₹ 10 each at a premium of ₹ 4 per share payable as follows :

On Application	₹ 4 (including premium ₹ 2)
On Allotment	₹ 4 (including premium ₹ 2)
On First and Final Call	₹ 6

Applications were received for 1,30,000 shares and *pro-rata* allotment was made to all applications as follows :

(i) Applicants for 80,000 shares were allotted 60,000 shares, and

(ii) Applicants for 50,000 shares were allotted 40,000 shares.

Abhishek, who belonged to the first category and was allotted 900 shares failed to pay the allotment and call money.

Saleem, who belonged to the second category and who applied for 1,000 shares also failed to pay the allotment and call money. Their shares were forfeited and 1,400 of the forfeited shares were re-issued @ ₹ 9 per share as fully paid. Re-issued shares included whole of Saleem's shares.

Prepare Cash Book, journal entries and an operning Balance sheet.

Solution 96 :

Cash Book

Date	Particulars	L.F.	Amount	Date	Particulars	L.F.	Amount
			(₹)				(₹)
	To Share Application A/c		5,20,000		By Balance c/d		13,97,600
	To Share Allotment A/c		2,75,200				
	To Share First and Final Call A/c		5,89,800				
	To Share Capital A/c		12,6000				
			13,97,600				13,97,600
	To Balance b/d		13,97,600				

In the Books of Vandana Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Application A/c Dr.		5,20,000	
	To Share Capital A/c			2,00,000
	To Securities Premium Reserve A/c			2,00,000
	To Share Allotment A/c			1,20,000
	(Amount received on Share Appliction Transferred to Share Capital Account, Securities Premium Reserve Account, and Share Allotment Account)			
	Share Allotment A/c Dr.		4,00,000	
	To Share Capital A/c			2,00,000
	To Securities Premium Reserve A/c			2,00,000
	(Amount Due on Allotment)			
	Share First and Final Call A/c Dr.		6,00,000	
	To Share Capital A/c			6,00,000
	(Amount Due on First & Final Call)			
	Share Capital A/c Dr.		17,000	
	Securities Premium Reserve A/c Dr.		3,400	
	To Share Allotment A/c			4,800
	To Share First & Final Call A/c			10,200
	To Share Forfeiture A/c			5,400
	(900 Shares of Abhishek and 800 Shares of Saleem Forfeited for Non-payment of Allotment & First and Final Call)			
	Share Forfeiture A/c Dr.		1,400	
	To Share Capital A/c			1,400
	(1400 of the Frfeiture Shares reissued @ ₹ 9 per share as fully paid)			
	Share Fofeited A/c Dr.		3,000	
	To Capital Reserve A/c			3,000
	(Profit on reissued of 1400 Shares Transferred to Capital Reserve Account)			

Balance Sheet of Vandana Ltd.
as on..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Share holder's Funds :			
(a) Share Capital	1	9,98,000	
(b) Reserves & Surplus	2	3,99,600	
		13,97,600	
II. Assets :			
Current Assets			
Cash and Cash Equivalents	3	13,97,600	
		13,97,600	

Notes to Accounts :

Particulars		Amount (₹)
1. Share Capital :		
Authorised Capital :		
1,00,000 Equity Shares of ₹ 10 each		10,00,000
Issued Capital :		
1,00,000 Equity Shares of ₹ 10 each		10,00,00
Subscribed and Fully paid up Capital :		
99,700 Shares of ₹ 10 each	9,97,000	
Add : Share Forfeiture	1,000	9,98,000
2. Reserves And Surplus :		
Securities Premium Reserve Account		3,96,600
Capital Reserve		3,000
		3,99,600
3. Cash and Cash Equivalents		
Cash at Bank		13,97,600

Working Notes :

1. Calculation of Amount received on Allotment
   Abhishek is allotted 900 shares which means he must have Applied for

$$= 900 \times \frac{80,000}{60,000} = 1200 \text{ Shares}$$

Excess Received from Abhishek on Application	
(1200 – 900 Shares) × ₹ 4 =	12,00
Amount due from Abhishek on Allotment	
900 Shares × ₹ 4 =	3,600
Less : Excess recieved from hin on Application	(1,200)
Amount not received from Abhishek on Allotment	2,400

2. Saleem has applied for 1,000 shares. Hence he is allotted

$$1,000 \times \frac{40,000}{50,000} = 800 \text{ Shares}$$

   Excess received from Saleem on Application

	(100 – 800 Shares) × ₹ 4 =		800
	Amount due from Saleem on Allotment		
	800 shares × ₹ 4 =		3,200
Less :	Excess received from him on applications		(800)
	Amount due from Saleem on Allotment		2,400

3.	Total amount due on Allotment on 1,00,000			
		Shares @ ₹ 4 each		4,00,000
	Less :	Excess received on Applications		(1,20,000)
		Amount Due		2,80,000
	Less :	Amount not received from Abhishek on Allotment	2400	
		Amount not received from Slaeem on Allotment	2400	(4,800)
		Net amount received in cash on Allotment		2,75,200

4. 14,00 reissued shares included 800 shares of Saleem and Balance 600 shares of Abhishek. Abhishek has applied for 1200 shares. He has paid application money of ₹ 4 per share

	(1200 × ₹ 4)	4,800
Less :	Adjustment for premium due on Application on 900 shares Allotted to him (900 × ₹ 2)	(1,800)
	Profit on Forfeiture of 900 shares of Abhishek	3,000

Profit on 600 reissue shares of Abhishek

$$\frac{3000}{900} \times 600 = ₹\,2000$$

5. Saleem has applied for 1,000 shares. He has paid Application money of ₹ 4 per share

	(1000 × ₹ 4)	4,000
Less :	Adjustment for premium due on Application of 800 shares allotted (800 × ₹ 2)	1,600
	Profit on Forfeiture of 800 shares of Saleem	2,400

6. Total Profit on Forfeiture of 600 shares of Abhishek and 800 shares of Saleem

	= 2000 + 2400 =	4,400
Less :	Loss on reissue of 1400 shares @ ₹ 1 each	1,400
	Amount transferred to Capital Reserve Account	3,000

97. Shobha Ltd. issued 60,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as : ₹ 3 on application, ₹ 5 (including premium) on allotment and the balance on first and final call. Applications were received for 82,000 shares. The Directors resolved to allot as follows :

(A) Applicants of 30,000 shares	20,000 shares
(B) Applicants of 50,000 shares	40,000 shares
(C) Applicants of 2,000 shares	Nil

Anand, who had applied for 900 shares in category (A), and Aruna, who was allotted 600 shares in category (B) failed to pay the allotment money. Calculate the amount received on Allotment.

Solution 97 :

			₹
Total Amount Due on Allotment			
(including premium) (60,000 shares × ₹ 5)			3,00,000
Less :	(i)	Excess Application money received in Category A (30,000 shares – 20,000 shares) × ₹ 3	(30,000)
	(ii)	Excess Application Money received in Category B (50,000 shares – 40,000 shares) × ₹ 3	(30,000)

(iii) Anand, who applied for 900 shares must have allotted = $\frac{20,000}{30,000} \times 900 = 600$ shares

Excess Received from Anand on Applications = (900 shares – 600 shares) × ₹ 3 =	₹ 900	
Amount due from him on Allotment = 600 shares × ₹ 5 =	3,000	
Less : Excess Received from him on Application	(900)	(2,100)

(iv) Aruna, who was allotted 600 shares must have applied for

$\frac{50,000}{40,000} \times 600 = 750$ shaes

Excess received from Aruna on Application = (750 shares – 600 shares) × ₹ 3 = ₹ 450		
Amount due from hin on Allotment (600 shares × ₹ 5)	3,000	
Less : Excess received from her on Application	(450)	(25,50)
Net Amount Received on Allotment		2,35,350

98. Sharda Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows :
₹ 3 on Application
₹ 6 on Allotment (including premium) and
₹ 3 on Call.
Applications were received for 75,000 shares and *pre-rata* allotment was made as follows : To the applicants of 40,000 shares, 30,000 shares were issued and for the rest 20,000 shares were issued. All moneys due were received except the allotment and call money from Krishna who had applied for 1,200 shares (out of the group of 40,000 shares). All his shares were forfeited. The forfeited shares were re-issued for ₹ 7 per share as fully paid-up. Pass necessary journal entries for the above transactions.

Solution 98 :

In the Books of Sharda Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application money received @ ₹ 3 per shares on 75,000 shares)		2,25,000	 2,25,000
	Shares Application A/c Dr. To Share Capital A/c To Share Allotment A/c (Application Money Transferred to Share Capital Account and Excess Money Adjsuted)		2,25,000	 150,000 75,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c (Allotment due on 50,000 shares @ ₹ 6 per share including premium ₹ 2 per share)		3,00,000	 2,00,000 1,00,000
	Bank A/c Dr. To Share Allotment A/c (Allotment Miney Received)		2,20,500	 2,20,500
	Share First and Final Call A/c Dr. To Share Capital A/c (First & Final Call due on 50,000 Shares @ ₹ 3 per share)		1,50,000	 1,50,000

	Bank A/c	Dr.		1,47,300	
	To Share First & Final Call A/c				1,47,300
	(First and Final Call received Except on 900 Shares)				
	Share Capital A/c	Dr.		9,000	
	Securities Premium Reserve A/c	Dr.		1800	
	To Share allotment A/c				4,500
	To Share Firt & Final Call A/c				2700
	To Share Forfeiture A/c				3,600
	(Share Forfeiture of 900 Shares)				
	Bank A/c	Dr.		6,300	
	Shae Forfeiture A/c	Dr.		2,700	
	To Share Capital A/c				9,000
	(Reissue of 900 shares @ ₹ 7 each)				
	Share Forfeiture A/c	Dr.		900	
	To Capital Reserve A/c				900
	(Balance of Share Forfeiture Transferred to Capital Reserve Account)				

Working Notes :

1. Excess Amount received from Krishna on Application :
   Krishna has applied for = 1200 shares

   He must have allotted = $\frac{30,000}{40,000} \times 1200 = 900$ shares

   Excess Application money received from Krishna
   = (200 shares – 900 shares) × ₹ 3 = ₹ 900
2. Amount not received on Allotment.

Amount due from Krishna on Allotment	
(900 shares × ₹ 6)	5,400
Less : Excess received from Krishna on Application	(900)
Net Amount due from Krishna which has not been received on Allotment	4500

3. Allotment money received :

Total Amount due on Allotment	
50,000 shares × ₹ 6 =	3,00,000
Less : Excess amount received on Application	
25,000 shares × ₹ 3	(75,000)
Amount due on Allotment	2,25,000
Less : Amount not received on Allotment	(4,500)
Total Amount Received on Allotment	2,20,500

99. Meera Ltd. had an authorized capital of 2,00,000 equity shares of ₹ 10 each. The company offered to the public for subscription 1,00,000 shares. Applications were received for 97,000 shares. The amount payable on application was ₹ 2 per share, ₹ 4 was payable each on allotment and first and final call. Pholding 600 shares failed to pay the allotment money. His shares were forfeited. The company did not make the first and final call.

Present the share capital in the Balance Sheet of the company as per Schedule III of the Companies Act, 2013. Also prepare Notes to Accounts.

Solution 99 :

Balance Sheet of Meena Ltd.
as on.........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funds			
(a) Share Capital	1	5,79,600	

Notes to Accounts :

Particulars		Amount (₹)
1. Share Capital		
Authorised Capital :		
2,00,000 Equity Shares of ₹ 10 each	20,00,000	
Issued Capital :		
1,00,000 Equity Shares of ₹ 10 each	10,00,000	
Subscribed Capital :		
Subscribed but not fully paid up :		
96,400 shares of ₹ 10 each, ₹ 6 Called up		
Add : Shares Forfeited	1,200	5,79,600

100. Shyam Anukampa Ltd. invited applications for issuing 50,000 equity shares of ₹ 10 each. The amount was payable as follows :

On Application	:	₹ 2 per share
On Allotment	:	₹ 2 per share
On First Call	:	₹ 3 per share
On Second and Final Call	:	Balance amount

Applications for 70,000 shares were received. Applications for 10,000 shares were rejected and the application money was refunded.

Shares were allotted to the remaining applicants on a *pro-rata* basis and excess money received with applications was transferred towards sums due on allotment and calls, if any.

Pooja, who applied for 600 shares, paid his entire share money with application. Babita, who had applied for 6,000 shares, failed to pay the allotment money and his shares were immediately forfeited. These forfeited shares were re-issued to Rama for ₹ 20,000; ₹ 4 per share paid-up. The first call money and the second and final call money was called and duly received.

Pass necessary journal entries for the above transactions in the books of Shyam Anukampa Ltd. Open Calls-in-Advance Account and Calls-in-Arrears Account wherever necessary.

Solution 100 :

In the Books of Shyam Anukampa Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (70,000 × ₹ 2) + (600 × ₹ 8) Dr.		1,44,800	
	To Shae Application A/c			1,44,800
	(Application Money Received on 70,000 Shares @ ₹ 2 per share and Advance Amount @ ₹ 8 on 600 Shares)			

Particulars		L.F.	Dr.	Cr.
Equity Shares Application A/c	Dr.		1,44,800	
To Equity Share Capital A/c (50,000 × ₹ 2)				1,00,000
To Equity share Allotment A/c (19,800 + 1000)				20,800
To Bank A/c				21,000
To Calls in Advance A/c (500 × ₹ 6)				3,000
(Application money adjsuted)				
Equity Share Allotment A/c	Dr.		1,00,000	
To Equity Share Capital A/c				1,00,000
(Allotment Money Due)				
Bank A/c	Dr. (79200 – 8,000)		71,200	
Callsto Arrears A/c	Dr. (w.n.2)		8,000	
To Equity Share Allotment A/c				79,200
(1,00,000 – 20,800)				
(Allotment Money Received Except 5000 Shares)				
Equity Share Capital A/c	Dr. (5000 × ₹ 4)		20,000	
To Share Forfeiture A/c (6,000 × ₹ 2)				12,000
To Calls in Arrears A/c				8,000
(5,000 Shares Forfeited Due to Non-payment of Allotment Money)				
Bank A/c	Dr.		20,000	
To Equity Share Capital A/c				20,000
(5,000 Forfeited Shaers Reissued for ₹ 20,000)				
Share Forfeiture A/c	Dr.		12,000	
To Capital Reserve A/c				12,000
(Profit on Reissue Transferred to Capital Reserve Account)				
Equity Share First Call A/c	Dr.		1,50,000	
To Equity Share Capital A/c				1,50,000
(Share First Call Money Due)				
Bank A/c	Dr. (150,000 – 1500)		1,48,500	
Calls in Advance A/c	Dr. (500 × ₹ 3)		1500	
To Equity Share First Call A/c				1,50,000
(First Call Money Received)				
Equity Share Second and Final Call A/c	Dr.		1,50,000	
To Equity Share Capital A/c				1,50,000
(Second and Final Call Money Due)				
Bank A/c	Dr.		148,50	
Calls in Advance A/c	Dr.		1500	
To Equity Share Second and Final Call A/c				1,50,000
(Second Call Money Received)				

Working Notes :

1. Analysis of Receipt of Application Money :

Category	Shares Applied	Shaes Allotted	Excess Money	Adjustment on Allotment	First Call	Final Call	Refund
1.	10,000	Nil	10000 × 2 = 20,000	Nil	—	—	20,000
2.	59,400	49,500	9,900 × 1 = ₹ 19800	₹ 19,800	—	—	—
3.	600	500	100 × ₹ 10 = 1,000	500 × ₹ 2 = 1,000	500 × ₹ 3 = 1500	500 × ₹ 3 = 1500	100 × ₹ 10 = ₹ 1000
Total	70,000	50,000	—	20,800	₹ 1,500	₹ 1,500	₹ 21,000

₹ 3,000

2. Calcualtion of Allotment Money not paid by Babita :

Number of Shares allotted for Babita = $\frac{50,000}{60,000} \times 6,000 = 5000$ Shares

Application money received on shares (6000 × ₹ 2)	12,000
Less : Application Money due on Allotment Shares (5000 × ₹ 2)	10,000
Excess application money adjusted on Allotment	2,000
Allotment money due on Allotted shares (5000 × ₹ 2)	10,000
Less : Excess Application Money2,000	
Allotment Money Due but not Received	8,000

101. Sulochna Ltd. invited applications for issuing 2,00,000 equity shares of ₹ 10 each at a premium of 25% payable with application. Applications for 4,50,000 shares were received. Applications for 1,00,000 shares were rejected and money refunded. *Pro-rata* allotment was made to the remaining applicants. The amount per share was payable as follows :

On Application : ₹ 4 per share including premium

On Allotment : ₹ 3.50 per share

Balance on first and Final Call.

Excess application money received with applications was adjusted with sums due on allotment.

Application money in excess of sums due on allotment, if any, was refunded. Raman, who had applied for 7,000 shares failed to pay allotment money. His shares were forfeited immediately after allotment. Afterwards the first and final call was made.

Kunal, who had applied for 10,500 shares, failed to pay the first and final call. His shares were also forfeited. All the forfeited shares were reissued at ₹ 11.50 per share as fully paid-up, to Asha.

Pass necessary journal entries for the above transactions in the books of Sulochna Ltd. by opening calls-in-arrears account.

Solution 101 :

In the Books of Sulochna Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Shae Application A/c (Application Money Received)		1,80,000	 1,80,000
	Equity Shar Application A/c Dr. To Equity Share Capital A/c To Securities Premium Reserves A/c To Equity Share Allotment A/c To Bank A/c (100,000 × ₹ 4) (Share application Money Transferred to Share Capital Account and Excess Money Refunded)		18,00,000	 3,00,000 5,00,000 6,00,000 4,00,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c (Allotment money due on 2,00,000 equity shares @ ₹ 3.50 per share)		7,00,000	 7,00,000

	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share Allotment A/c (Allotment Money Received)			98,000 2,000	1,00,000
	Equity Share First Call A/c Dr. To Equity Share Capital A/c (Share First Call Money Due)			5,00,000	5,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Equity Share First Call A/c (Share First Call Money Received)			2,13,750 11,250	2,25,000
	Equity Share Capital A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (Share Forefiture)			60,000	30,000 30,000
	Bank A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Shares reissued on premium i.e. @₹ 11.50 per share)			1,15,000	1,00,000 15,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Balance of Shae Forfeiture Transferred to Capital Reserve Account)			48,000	48,000

Working Notes :

1. Raman, who had applied for 7,000 share

   he must have allotted = $7000 \times \dfrac{2,00,000}{3,50,000}$ = 4000 shares

   Raghu Applied for 7000 shares but Raman get only 4000 shares.

Excess Application money = (7000 shares – 4,000 shares) × ₹ 6.5 =	₹ 19,500
Less : Allotment money received =	(14,000)
Excess money received on application	5,500
First Call Money due (4,000 shares × ₹ 2.5)	10,000
Less : Excess money received on Application	(5,500)
Calls in Arrears	4,500

2. Kunal, who had applied for 10,500 shares

   he must have been allotted = $10500 \times \dfrac{2,00,000}{3,50,000}$ = 6,000 shares

   Kunal applied for 10,500 shares but Kunal get 6000 shares

Application money received on 10,500 shares	₹
(10,000 shares × ₹ 6.5)	68,250
on 6,000 shares (600 shares × ₹ 6.5)	39,000
Excess money on application	29,250
Less : Allotment money due (6000 shares × ₹ 3.5)	21,000
Excess money received	8,250
First Call Money Due on 6,000 shares (6000 shares × ₹ 2.5)	15,000
Less : Excess money received on Application 8,250	
Calls in Arrears on Kunal's share	6,750

102. Nivedita Ltd. invited applications for issuing 80,000 equity shares of ₹ 50 each at a premium of 20%. The amount was payable as follows :

On Application	: ₹ 20 per share (including premium ₹ 5)
On Allotment	: ₹ 15 per share (including premium ₹ 5)
On First Call	: ₹ 15 per share
On Second and Final Call	: Balance amount

Applications for 1,20,000 shares were received. Applications for 20,000 shares were rejected and *pro-rata* allotment was made to the remaining applicants.

Raghav, holding 4,000 shares failed to pay the allotment money. Afterwards the first call was made. Raghav paid allotment money along with the first call. Salman who had applied for 2,500 shares failed to pay the first call money. Salman's shares were forfeited and subsequently reissued to Gopal for ₹ 60 per share, ₹ 50 per share paid-up. Final call was not made.

Pass necessary journal entries for the above transactions in the books of Nivedita Ltd. by operning calls-in-arrears account.

Solution 102 :

In the Books of Nivedita Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Share Application A/c (Application money received on 1,20,000 shares)		24,00,000	 24,00,000
	Shaer Application A/c Dr. To Share Capital A/c To Securities Premium Reserve A/c To Share Allotment A/c To Bank A/c (Application money adjusted and excess money on 20,000 shares refunded)		24,00,000	 12,00,000 4,00,000 4,00,000 4,00,000
	Share Allotment A/c Dr. To Share Capital A/c To Securities Premium A/c (Allotment due on 80,000 shares)		12,00,000	 8,00,000 4,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share Allotment A/c (Allotment money received and excess money on application adjusted)		7,60,000 40,000	 8,00,000
	Share First Call A/c Dr. To Share Capital A/c (Call money due)		12,00,000	 12,00,000
	Bank A/c Dr. Calls in Arrears A/c Dr. To Share First Call A/c (First Call money received)		11,70,000 30,000	 12,00,000
	Bank A/c Dr. To Calls in Arrears A/c (Allotment money received on 4,000 Shares)		40,000	 40,000
	Shae Capital A/c Dr. To Share Forfeiture A/c To Callin Arrears A/c (Salman's Share Forfeited)		80,000	 50,000 30,000

	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (Salman's Share reissued for ₹ 60 per share and ₹ 50 paid up)		1,20,000	 1,00,000 20,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Amount Transferred on share reissued)		50,000	 50,000

Working Note :

1. Computation Table :

Categories	Shares Applied	Shares Allotted	Money Received on Application @ ₹ 20	Money Trans-ferred to Share Capital @ ₹ 15	Money Transferred to Securities Premium @ ₹ 5	Allotment due @ ₹ 15	Excess on Application	Refund
I	20,000	Nil	4,00,000	—	—	—	—	4,00,000
II	1,00,000	80,000	20,00,000	12,00,000	4,00,000	12,00,000	4,00,000	—
Total	1,20,000	80,000	24,00,000	12,00,000	4,00,000	12,00,000	4,00,000	4,00,000

103. Ganesham Ltd. issued 40,000 Equity Shares of ₹ 10 each at a premium of ₹ 2.50 per share. The amount was payable as follows :

On Application : ₹ 2 per share

On Allotment : ₹ 4.50 per share (including premium)

On Call : ₹ 6 per share

Owing to heavy subscription the allotment was made on *pro-rata* basis as follows :

(a) Applicants for 20,000 shares were allotted 10,000 shares.

(b) Applicants for 56,000 shares were allotted 14,000 shares.

(c) Applicants for 48,000 shares were allotted 16,000 shares.

It was decided that excess amount received on applications would be utilized on allotment and the surplus would be refunded.

Sameer, to whom 1,000 shares were allotted, who belong to category (a), failed to pay allotment money. His shares were forfeited after the call.

Pass the necessary Journal entries in the books of Ganesham Ltd. for the above transactions.

Solution 103 :

In the Books of Ganeshan Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Equity Share Application A/c (Application money received on 1,24,000 shares @ ₹ 2 per share)		2,48,000	 2,48,000
	Equity Share Application A/c Dr. To Equity Share Cpital A/c To Equity Share Allotment A/c To Bank A/c (Application money received and excess money adjusted)		2,48,000	 80,000 1,47,000 21,000
	Equity Share Allotment A/c Dr. To Equity Share Capital A/c To Securities Premium Reserve A/c (Allotment money due)		1,80,000	 80,000 1,00,000

	Book A/c Dr. To Equity Share Allotment A/c (Allotment money received *i.e.*, 1,80,000 – 1,47,000 – 2,500)		30,500	30,500
	Equity Share First and Final Call A/c Dr. To Equity Share Capital A/c (First and Final Call money due)		2,40,000	2,40,000
	Bank A/c Dr. To Equity Share First and Final Call A/c (First and Final Call money reeived on shares except 1,000 shares)		2,34,000	2,34,000
	Equity Share Capital Dr. (1000 × 10) Securities Premium A/c Dr. (1000 ×2.5) To Share Forfeiture A/c (w.n.) To Equity Share Allotment A/c (w.n.) To Equity Share First and Final Call A/c (1000 × 6) (1,000 shares forfeited due to non-payment of allotment and call money)		10,000 2,500	 4,000 2,500 6,000

Working Notes :

1. No. of Shaes Allotted to Sameer= 1,000 shares

   Shares Applied by Sameer = $\frac{1,000}{10,000} \times 20,000 = 2000$ shares

2. Allotment money due but not received :

	₹
Application money received from Sameer (2000 shares × ₹ 2)	4,000
Less : Amount utilised on Application (1,000 shares × ₹ 2)	(2,000)
Excess Application Money	2,000
Amount due on Allotment (1000 shares × ₹ 4.50)	4,500
Less : Excess money on Application (2,000)	
Amount not received by Sameer on Allotment =	2,500

2. Analysis Table :

Shares Applied	Shares Allotted	Application money received at @ ₹ 2 per share	Application money transferred to share capital account	Excess Application money	Share Allotment due	Amount utilised on Allotment	Excess Amount Refunded
20,000	10,000	20,000 × ₹ 2 = 40,000	10,000 × 2 =20,000	20,000	10,000 × ₹ 4.5 = 45,000	20,000	—
56,000	14,000	56,000 × ₹ 2 = 1,12,000	14,000 × ₹ 2 = 28,000	84,000	14,000 × ₹ 4.50 = 63,000	63,000	21,000
48,000	16,000	48,000 × ₹ 2 = 96,000	16,000× ₹ 2 = 32,000	64,000	16,000 × ₹ 4.50 = 72,000	64,000	—
1,24,000 Shares	40,000 Shares	₹ 2,48,000	₹ 80,000	₹ 1,68,000	₹ 1,80,000	₹ 1,47,000	₹ 21,000

104. (i) Varsha Ltd. forfeited 1,000 Equity Shares of ₹ 10 each issued at a premium of ₹ 2 per share for non-payment of allotment money of ₹ 5 per share including premium. The final call of ₹ 2 per share was not yet called on these shares. Of the forfeited shares 800 shares were reissued at ₹ 12 per share fully paid-up. The remaining shares were reissued at ₹ 11 per share as fully paid-up.

(ii) Dhanshree Ltd. forfeited 7,000 equity shares of ₹ 100 each for the non-payment of first call of ₹ 30 per share. These shares were issued at a premium of ₹ 30 per share. The second and final call of ₹ 20 per share was not yet made. The forfeited shares were re-issued at ₹ 80 per share as fully paid-up.

(iii) Sudha Ltd. forfeited Ravi's shares who has applied for 600 shares and was allotted 400 shares failed to pay allotment money of ₹ 4 per share including premium of ₹ 2 on which he had paid application money of ₹ 2 only. Pass necessary journal entries for the forfeiture of shares by opening calls in arrear account.

Solution 104 :

(i) In the Books of Varsha Ltd.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr. Securities Premium A/c Dr. To Share Forfeiture A/c To Calls in Arrears A/c (1000 Shares of ₹ 10 each issued at a premium of ₹ 2 per share forfeited for non-payment of allotment money of ₹ 5 including premium Final Call of ₹ 2 not yet made)		8,000 2,000	 5,000 5,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c 1,600 (800 shares reissued @ ₹ 12 fully paid up)		9,600	 8,000
	Bank A/c Dr. To Share Capital A/c To Securities Premium A/c (200 shares reissued @ ₹ 11 paid up)		2,200	 2,000 200
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on Reissue Transferred to Capital Reserve Account)		5,000	 5,000

(ii) In the Books of Dhanshree Ltd.

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c (7000 × ₹ 80) Dr. To Share Forfeited A/c (7000 × ₹ 50) To Share First Call A/c (7000 × ₹ 30) (700 Shaer Forfeited Due to Non-payment of First Call Money)		5,60,000	 3,50,000 2,10,000
	Bank A/c Dr. (7000 × 80) Share Forfeiture A/c (7000 × 20) To Share Capital A/c (7000 × 100) (7000 Shares reissued at ₹ 80 per share)		5,60,000	 1,40,000 7,00,000
	Share Forfeited A/c Dr. To Capital Reserve A/c (Balance of Share Forfeiture Transferred to Capital Reserve Account)		2,10,000	 2,10,000

(iii) **In the Books of Sudha Ltd.**

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Equity Share Capital A/c Securities Premium A/c To Share Forfeiture A/c To Calls in Arrears A/c (400 Shares Forfeited)		Dr. Dr. 1,200 1,200	1,600 800

105. Akshat Ltd. issued shares of ₹ 50 each at a premium of 20% payable as follows :

On Application	₹ 15
On Allotment	₹ 25 (including premium)
On First and Final Call	₹ 20

Kaveri, who applied for 2,500 shares and to whom 1,000 shares were allotted on *pro-rata* basis, did not pay allotment and first and final call and her shares were forfeited. Pass entry for forfeiture of shares.

Solution 105 :

In the Books ofAkshat Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Share Capital A/c Dr.		37,500	
	Securities Premium A/c Dr.		2,500	
	To Share Forfeiture A/c			30,000
	To Share Allotment A/c			2,500
	To Share First and Final Call A/c			7,500
	(Shares Forfeiture For Non-payment of Allotment and First Call Money)			

Working Note :

1. Calculation of excess application money :
   Number of Shares Applied = 2,500 Shares
   Number of Shaers Allotted = 1,000 Shares
   Excess Application = 2,500 – 1,000 = 1,500 Shares
   Excess Application Money = 1,500 Shares × ₹ 15 = ₹ 22,500
2. Calculation of Amount not received on Allotment :
   Amount due on Allotment = 1000 × ₹ 25 = 25,000
   Allotment = 1000 × 15 = 15,000
   Premium = 1000 × ₹ 10 = 10,000
   Less : Excess Money Received on Application (Working Note 1) 22,500
   Amount not received on Allotment = 2,500

106. Manvi Ltd. issued 50,000 shares of ₹ 10 each at a premium of ₹ 2 per share payable as follows :

₹ 3 on application

₹ 6 on allotment (including premium), and

₹ 3 on call.

Applications were received for 75,000 shares and a *pro-rata* allotment was made as follows: To the applicants of 40,000 shares, 30,000 shares were issued and for the rest 20,000 shares were issued. All money due was received except the allotment and call money from Vipul, who had applied for 1,200 shares (out of the group of 40,000 shares). All his shares were forfeited. The forfeited shares were reissued for ₹ 7 per share as fully paid-up. Pass necessary Journal entries for the above transactions.

Solution 106 :

In the Books of Manvi Ltd.
as on ....

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c (75000 Shares × ₹ 3) Dr.		2,25,000	
	To Share Appication A/c			2,25,000
	(Application Money Received)			

	Share Application A/c Dr. (75000 × 3) To Share Capital A/c (50,000 × 3) To Share Allotment A/c (25,000 × 3) (Application Money Transferred to Share Capital Account and Excess Money Advised to Allotment)		2,25,000	 1,50,000 75,000
	Share Allotment A/c (50,000 × 6) Dr. To Share Capital A/c (50,000 × 4) To Securities Premium A/c (50,000 × 2) (Allotment Money Due on 50,000 Shares)		30,00,000	 2,00,000 1,00,000
	Bank A/c Dr. To Share Allotment A/c (Allotment Money Receive 3,00,000 – 75,000 – 4,500)		2,20,500	 2,20,500
	Share First and Final Call A/c Dr. (50,000 × ₹ 3) To Share Capital A/c (First and Final Call Money Due)		1,50,000	 1,50,000
	Bank A/c Dr. To Share First and Final Call A/c (First Final Call Money Received *i.e.*, 1,50,000 – 2,700)		1,47,300	 1,47,300
	Share Capital A/c (900 × 10) Dr. Securities Premium Reserve A/c Dr. (900 × 2) To Share Forfeiture A/c (w.n.) To Share First and Final Call A/c (900 × ₹ 3) (900 Shares Forfeited For Non-payment of Allotment and Call Money)		9,000 1,800	 3,600 2,700
	Bank A/c (900 × ₹ 8) Dr. Share Forfeiture A/c (900 × ₹ 2) Dr. To Share Capital A/c (900 × ₹ 10) (900 Shares reissued for ₹ 8 per share)		7,200 1,800	 9,000
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on Reissue Transferred to Capital Reserve)		1,800	 1,800

Working Notes :

1. No. of Shares Applied by Vipul = 1200 shares

   No. of Shares Alloted to Vipul = $\frac{1200}{40,000} \times 30,000 = 900$ Shares

2.

Particulars	Amount (₹)
Application money received from Vipul (1200 shares × ₹ 3)	3,600
Less : Amount utilised on Application (900 shares × ₹ 3)	2,700
Excess Application Money	900

3.

Amount due on Allotment (900 shares × ₹ 6)	5,400
Less : Excess Application money Adjusted	(900)
Amount not received by Vipul on Allotment	4,500

107. Girdhari Ltd. made an issue of 1,00,000 equity shares of ₹ 10 each at a premium of 30% payable as follows :

On Application	₹ 3.50 per share
On Allotment	₹ 6.50 per share
On First and Final call	Balance

Applications were received for 2,00,000 equity shares and the directors made *pro-rata* allotment. Vansh, who had applied for 1,600 shares did not pay the allotment and final call money. With the result his shares were forfeited and 60% of them were reissued at ₹ 8 per share as fully paid-up.

Pass necessary journal entries for the mentioned transactions in the books of the company.

Solution 107 :

In the Books of Girdhari Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		7,00,000	
	To Share Application A/c				7,00,000
	(Application Money Received)				
	Share Application A/c	Dr.		7,00,000	
	To Share Capital A/c				3,50,000
	To Share Allotment A/c				3,50,000
	To Bank A/c				
	(Application Money Transferred to Share Capital Account)				
	Share Allotment A/c	Dr.		6,50,000	
	To Share Capital A/c				6,50,000
	(Allotment money due on 1,00,000 shares @ ₹ 6.50 per share)				
	Bank A/c	Dr.		2,97,600	
	Calls in Arrears A/c	Dr.		2,400	
	To Share Allotment A/c				3,00,000
	(Allotment Money Received)				
	Share First and Final Call A/c	Dr.		3,00,000	
	To Share Capital A/c				3,00,000
	(First and Final Call Money Due)				
	Bank A/c	Dr.		2,97,600	
	Calls in Arrears A/c	Dr.		24,000	
	To Share First & Final Call A/c				3,00,000
	(Money Received on First and Final Call)				
	Equity Share Capital A/c	Dr.		8,000	
	Securities Premium Reserve A/c	Dr.		2,400	
	To Share Forfeiture & First Call A/c				2,400
	To Forfeiture Share A/c				5,600
	To Share Allotment A/c				2,400
	(1600 Shares Forfeited)				

	Bank A/c (480 × 8) Dr. Share Forfeiture A/c (480 × 2) Dr. To Equity Share Capital A/c (60% Shares issued on Loss)		3,840 960	 4,800
	Share Forfeiture A/c Dr. To Capital Reserve A/c (Profit on Reissue Transferred to Share Forfeiture Account)		2,400	 2,400

Working Notes:

1. Profit on Forfeiture of shares transferred to Capital Reserve Account :

$\frac{₹\,5,600}{1600\,\text{shares}} \times 960 = ₹$	3,360
Less : Loss on reissue ₹	960
Transferred to Capital Reserve	2400

2. Amount nor received on Allotment : ₹

Amount reserved on Application (1600 × 3.5)	5,600
Less : Amount used on Application (800 × 3.5)	(2,800)
Excess Amount Received on Application	2,800
Amount Due on Allotment (800 × 6.5)	5,200
Transferred to Capital (800 × 3.5)	2,800
Securities Premium Reserve (800 × 3)	2,400
Amount not received (5200 – 2800)	2,400

❑

8 Company Accounts—Issue of Debentures

1. Pratibha Ltd. issued 2,000, 15% debentures of ₹ 100 each at Par, payable as follows : ₹ 25 on Application; ₹ 25 on Allotment and ₹ 50 on First and Final Call.

Application were received for 3,000 debentures. Applications for 1,600 debentures were accepted in full. Applications for 600 debentures were allotted 400 debentures and the rest were rejected. All moneys due were received except final call on 100 debentures. Pass necessary journal entries.

Solution 1 :

In the Books of Pratibha Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		75,000	
	To 15% Debentures A/c				75,000
	(Application Money Received)				
	15% Debenture Application A/c	Dr.		75,000	
	To 15% Debentures A/c				50,000
	To 15% Debenture Allotment A/c				5,000
	To Bank A/c				20,000
	(Application Money Transferred)				
	15% Debenture Allotment A/c	Dr.		50,000	
	To 15% Debentures A/c				50,000
	(Allotment Money Due)				
	Bank A/c	Dr.		45,000	
	To 15% Debenture Allotment A/c				45,000
	(Allotment Money Received)				
	15% Debentures First & Final Call A/c	Dr.		1,00,000	
	To 15% Debentures A/c				1,00,000
	(First and Final Call Due)				
	Bank A/c	Dr.		95,000	
	To 15% Debentures First & Final Call A/c				95,000
	(First and Final Call Money Received)				

2. Hindustan Ltd. issued 10,000, 13% Debentures of ₹ 100 each, payable as follows : ₹ 20 on application, ₹ 30 on allotment and ₹ 50 on first and final call.

All the debentures were applied. Raman, the holder of 300 debentures paid the entire amount on his holding on allotment whereas Vijay, the holder of 200 debentures failed to pay the allotment and final call. Pass entries.

Solution 2 :

In the Books of Hindustan Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		2,00,000	
	To 13% Debenture Application A/c				2,00,000
	(Application Money Received)				

	13% Debenture Application A/c Dr. To 13% Debentures A/c (Application Money Transferred)		2,00,000	2,00,000
	13% Debenture Allotment A/c Dr. To 13% Debentures A/c (Allotment Money Due)		3,00,000	3,00,000
	Bank A/c Dr. To 13% Debenture Allotment A/c To Calls in Advane A/c (Allotment money received, call reeceived in advance)		3,09,000	2,94,000 15,000
	13% Debenture First & final Call A/c Dr. To 13% Debentures A/c (First and Final Call Due)		5,00,000	5,00,000
	Bank A/c Dr. Calls in Advance A/c Dr. To 13% Debenture First & Final Call A/c (First & final Call Money Received, Calls in Advance on 300 Debentures of Raman Prevously Received Now Adjsuted)		4,75,000 15,000	4,90,000

3. Narayan Ltd. issued 1,25,000, 12% Debentures of ₹ 100 each at a premium of 10% payable as ₹ 35 on application and the balance on allotment. All the money due on allotment was called and duly received. Record necessary journal entries when premium money is included in :

(i) application money, and (ii) allotment money. Show the Balance Sheet of the company.

Solution 3 :

In the Books of Narayan Ltd.
Journal Entries

(i) When Premium Money is included in Application Money :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application A/c (Application money received)		56,25,000	56,25,000
	12% Debenture Application A/c Dr. To 12% Debentures A/c To Securities Premium A/c (Application Money Transfer)		56,25,000	43,75,000 12,50,000
	12% Debenture Allotment A/c Dr. To 12% Debenutres A/c (Debenture Allotment Money due on 1,25,000 debentures @ ₹ 65 per debenture)		81,25,000	81,25,000
	Bank A/c Dr. To 12% Debentures Allotment A/c (Allotment Money Received)		81,25,000	81,25,000

(ii) When Premium Money is included in Allotment Money :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debentures Application A/c (Application Money received)		43,75,000	43,75,000
	12% Debenture Application A/c Dr. To 12% Debentures A/c (Application Money Transfer)		43,75,000	43,75,000

	12% Debenture Allotment A/c Dr. To 12% Debenture A/c To Securities Premium A/c (Debenture Allotment Money Due on 1,25,000 Debentures @₹ 75 per debenture including` 10 per debenture as securities premium)		93,75,000	 81,25,000 12,50,000
	Bank A/c Dr. To 12% Debentures Allotment A/c (Allotment money received on 1,25,000 debentures @₹ 75 per debenture)		93,75,000	 93,75,000

4. Aarti Ltd. issued 30,000, 6% Debentures of ₹ 100 each at 5% discount, redeemable at par after 5 years, payable at ₹ 30 on application and the balance on allotment. The whole issue was subscribed and all money was duly received.

Pass necessary journal entries in the books of Aarti Ltd. and prepare the Balance Sheet.

Solution 4:

In the Books of Aarti Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 6% Debenture Appliction A/c (Application Money Received)		9,00,000	 9,00,000
	6% Debenture Application A/c Dr. To 6% Debentures A/c (Application Money Transfer)		9,00,000	 9,00,000
	6% Debenture Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 6% Debentures A/c (Debenture Allotment Money Due on 30,000 Shares @ ₹ 70 per debenture including discount of ₹ 5 per debenture)		19,50,000	 21,00,000
	Bank A/c Dr. To 6% Debenture Allotment A/c (Allotment Money received)		19,50,000	 19,50,000
	Statement of Profit and Loss A/c Dr. To Discount on issue of Debentures A/c (1/5th of Discount on issue of debentures write off)		30,000	 30,000

Balance Sheet
as at..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Shareholder's Funs :			
Share Capital			
Reserve and Surplus	1		(30,000)
2. Non Current Liabilities :			
Long Term Borrowings	2		30,00,000
			29,70,000

II. Assets:			
1. Non-Current Assets			
Other Non Current Assets	3		90,000
2. Current assets			
Cash and Cash Equivalents	4		28,50,000
Other Current Assets	5		30,000
			29,70,000

Notes to Accounts :

(1)	Reserves and Surplus		
	Balance in Statement of Profit & Loss		(30,000)
(2)	Long Term Borrowings		
	6% Debentures		30,00,000
(3)	Other Non Current Assets		
	3/5th of Discount on Issue of Debentures		90,000
(4)	Cash and Cash Equivalents		
	Cash at Bank	2	28,50,000
(5)	Other Current Asset		
	1/5th of Discount on issue of Debentures		30,000

5. Chetnya Ltd. invited applications for issuing 500, 12% debentures of ₹ 100 each at a discount of 5%. These debentures were redeemable after three years at par. Applications for 600 debentures were received. *Pro-rata* allotment was made to all the applicants.

Pass necessary journal entries for the issue of debentures assuming that the whole amount was payable with application.

Solution 5:

In the Books of Chetanya Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		57,000	
	To Debenture Application and Allotment A/c			57,000
	(Application and Allotment Money received on 600 Debentures)			
	Debenture Application and Allotment A/c Dr.		57,000	
	Discount on issue of Debentures A/c Dr.			
	To 12% Debentures A/c			50,000
	To Bank A/c			9,5000
	(Application and Allotment Money Transferred to Debenture Account)			

6. Sonata Ltd. invited applications for issuing 10,000; 12% Debentures of ₹ 100 each at a premium of ₹ 55 per debenture. The full amount was payable on application.

Applications were received for 13,500 debentures. Applications for 3,500 debentures were rejected and application money was refunded. Debentures were allotted to the remaining applications.

Pass necessary Journal entries in the books of Sonata Ltd. for the above transactions.

Solution 6 :

In the Books of Sonata Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Debenture Application and Allotment A/c (Application and Allotment Money received on 13,500, 12% Debentures)		20,92,500	 20,92,500
	Debenture Application and Allotment A/c Dr. To 12% Debentures A/c To Securities Premium A/c To Bank A/c (10,000, 12% Debentures issued at a premium of 55 and Excess Money Refunded)		20,92,500	 10,00,000 5,50,000 5,42,500

7. Perfectionist Ltd. are the manufacturers of woollen. Woolen of the company are exported to many countries. The company decided to distribute woollens free of cost to five villages of Kashmir Valley destroyed by the recent floods. It also decided to employ 100 young persons from these villages in their newly established factory at Solan in Himachal Pradesh. To meet the requirements of funds for starting its new factory, the company issued 50,000 equity shares of ₹ 10 each and 2,000 8% debentures of ₹ 100 each to the vendors of machinery purchased for ₹ 7,00,000.

Pass necessary journal entries for the above transactions in the books of the company. Also identify any one value which the company wants to communicate to the society.

Solution 7 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr. To Vendor A/c (Machinery Purchased)		7,00,000	 7,00,000
	Vendor A/c Dr. To Equity Share Capital A/c To 8% Debentures A/c (Issued 5,00,000 equity shares of ₹ 100 each and 2000, 8% Debentures of ₹ 100 each to the Vendor)		70,00,000	 50,00,000 2,00,000

8. Mahima Ltd. purchased assets worth ₹ 2,70,000 from Simran Ltd. and settled the deal by issuing 3,500, 10% Debentures of ₹ 100 each at a discount of 10%. Record the transaction by passing necessary journal entries.

Solution 8 :

Journal entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c Dr. To Vendor's A/c (Assets purchased from Vendor)		3,50,000	 3,50,000
	Vendor's A/c Dr. To 10% Debentures A/c (Allotment of Debentures to Vendor as purchase consideration)		3,50,000	 3,50,000

9. Daksh Ltd. purchased net assets worth ₹ 5,00,000 on April 1, 2020, ₹ 1,50,000 were paid immediately while the balance was paid by the issue of ₹ 4,00,000, 15% Debentures by Daksh Ltd. Pass necessary journal entries to record the above transactions.

Solution 9 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Sudnry Assets A/c Dr. Goodwil A/c Dr. To Vendor A/c (Assets Purchased from Vendor)		5,00,000 50,000	 5,50,000
	Vendor A/c Dr. To 15% Debentures A/c To Bank (15% Debentures issued and Balance paid by Bank)		5,50,000	 4,00,000 1,50,000

10. Darshika Ltd. purchased computers and Related Equipments of ₹ 4,10,000 from M/s Technology Mart. 50% of the amount was paid to Technology Mart by accepting a bill of exchange and for the balance, company issued 9% debentures of ₹ 100 each at a premium of 25% in favour of Technology Mart.

Pass necessary journal entries in the books of Darshika Ltd. for above transactions.

Solution 10 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Computer A/c Dr. To Vendor A/c (Computer Purcahsed)		4,10,000	 4,10,000
	Vendor A/c Dr. To 9% Debenture A/c To Security premium A/c To Bills Payable (1640 Equity Share issued and a Bill of Exchange Accepted)		4,10,000	 1,64,000 41,000 2,05,000

Calculation of No. of Equity Shares

$$= \frac{\text{Purchase Consideration}}{\text{Issue Price}} = \frac{₹2,05,000}{₹125} = 1640 \text{ shares}$$

11. Trishna Ltd. issued 5,000, 12% Debentures of ₹ 100 each, payable as follows : ₹ 10 on application, ₹ 15 on allotment, ₹ 30 on first call and ₹ 45 on second and final call. A person who holds 500 debentures paid the amount of first and second calls with allotment. Another person who is holding 100 debentures failed to pay the amount due on allotment. He, however, pays this amount alongwith the first call money. Pass journal entries.

Solution 11 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debentures A/c (Application money received on 5000 debentures @ ₹ 10 per debenture)		50,000	 50,000
	12% Debenture Application A/c Dr. To 12% Debentures A/c (Application money transferred)		50,000	 50,000
	12% Debenture Allotment A/c Dr. To 12% Debentures A/c (Allotment money due)		75,000	 75,000

	Bank A/c Dr. To 12% Debentures Allotment A/c To Calls in Advance A/c (Allotment Money Received, Call received in Advance)		1,03,500	 73,500 30,000
	12% Debenture First Call A/c Dr. To 12% Debentures A/c (First Call due)		1,50,000	 1,50,000
(i)	Bank A/c Dr. Calls in Advance A/c Dr. To 12% Debentures First Call A/c (First Call money received after adjusting the advance of First call @ ₹ 30 per debenture on 400 debentures)		1,38,000 1,20,000	 1,50,000
(ii)	Bank A/c Dr. To 12% Debentures Allotment A/c (Repeat of arrears of Allotment in respect of 100 debentures)		1,500	 1,500
	12% Debentures Second & Final Call A/c Dr. To 12% Debentures A/c (Second and Final Call due on 5,000 debentures @ ₹ 45 per debentures)		2,25,000	 2,25,000
	Bank A/c Dr. Calls in Advance A/c Dr. To 12% Debentures Second & Final Call A/c (Second Cal Money Received)		2,07,000 1,8000	 2,25,000

12. Sashikala Ltd. issued 5,000, 12% Debentures of ₹ 100 each at a premium of ₹ 5 payable as follows :

On Application	₹ 30 (including premium)
On Allotment	₹ 40
On First and Final Call	The balance amount

Applications were received for 6,000 debentures and allotment was made *pro-rata* to all applicants. All the moneys were duly received. Pass necessary journal entries.

Solution 12 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 12% Debenture Application A/c (Application money received)		1,80,000	 1,80,000
	12% Debenture Application A/c Dr. To 12% Debentures A/c To Securities Premium Reseve A/c To 12% Debenture Allotment A/c (Transfer Application money to 12% Debentures A/c and the excess money to Allotment A/c)		1,80,000	 1,25,000 25,000 30,000
	12% Debenture Allotment A/c Dr. To 12% Debentures A/c (Allotment Money Due)		2,00,000	 2,00,000
	Bank A/c Dr. To 12% Debenture Allotment A/c (Allotment Money Received)		1,70,000	 1,70,000
	12% Debenture First & Final Call A/c Dr. To 12% Debentures A/c (First and Final Call Due)		1,75,000	 1,75,000
	Bank A/c Dr. To 12% Debentures First & Final Call A/c (First and Final Call Money Received)		1,75,000	 1,75,000

13. Veena Ltd. issued 8,000, 13% Debentures of ₹ 100 each at a discount of 5% payable as follows :

On Application	₹ 25
On Allotment	₹ 25
On First and Final Call	The balance amount

Public applied for 6,000 debentures. All the moneys were duly received. Expenses on issue of debentures amounted to ₹ 20,000. Company decided to write off all capital losses in the first year itself.

Pass journal entries (for first year only).

Solution 13 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		1,50,000	
	To 13% Debenture Application A/c				1,50,000
	(Application Money Received)				
	13% Debenture Application A/c	Dr.		1,50,000	
	To 13% Deentures A/c				1,50,000
	(Transfer Application Money)				
	13% Debenture Allotment A/c	Dr.		1,50,000	
	Discount on issue of Debentures A/c	Dr.		30,000	
	To 12% Debentures A/c				1,80,000
	(Allotment Money Due)				
	Bank A/c	Dr.		1,50,000	
	To 13% Debenture Allotment A/c				1,50,000
	(Allotment Money Received)				
	13% Debentures First & Final Call A/c	Dr.		2,70,000	
	To 13% Debentures A/c				2,70,000
	(First and Final Call Due)				
	Bank A/c	Dr.		2,70,000	
	To 13% Debentures First & Final Call A/c				2,27,000
	(First and Final Call Money Received)				
	Expences on Issue A/c	Dr.		20,000	
	To Bank A/c				20,000
	(Expences paid on issue of Debentures)				
	Statement of Profit & Loss A/c	Dr.		10,000	
	To Discount on issue of Debentures A/c				6,000
	To Expences on issue A/c				4,000
	(1/5th of Discount on issue of Debentures and 1/5th of Expences on issue written off)				

14. On 1st April, 2020, Mahindra Ltd. issued 15,000, 9% debentures of ₹ 100 each at a discount of 7%, redeemable at a premium of 10% after 10 years. The company closes its books on 31st March every year. Interest on 9% debentures is payable on 30th September and 31st March every year. The rate of tax deducted at source is 10%.

Pass necessary journal entries for the issue of 9% debentures and debentures' interest for the year ended 31st March, 2021. Ignore writing off Discount/Loss on issue of debentures.

Solution 14 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020 01 Apr.	Bank A/c (15000 × 93) Dr. To Debenture Application and Allotment A/c (Received Application Money on 15000 Debentures)		13,95,000	13,95,000
	Debenture Application and Allotment A/c Dr. Discount on Issue of Debentures A/c (15000 × 7) Dr. Loss on issue of debentures A/c (15000 ×10) Dr. To 9% Debentures A/c (₹ 15000 ×100) To Premium on Redemption of Debentures A/c (₹ 15,000 × 10) 1,50,000 (Application Money Transferred to Debenture Account)		13,95,000 1,05,000 1,50,000	15,00,000
30 Sept.	Debenture Interest A/c (₹ 15,00,000 × 9% × 6/12) Dr. To Debenture holders A/c To TDS Payable A/c (Interest Due)		67,500	6,0750 6,750
2021 Mar. 31	Debenture Interest A/c (₹ 15,00,000 × 9/100 × 6/12) Dr. (₹ 15,00,000 × 9/100 × 6/12) To Debenture holders A/c To TDS Pyable A/c (Interest Due)		67,500	6,0750 6,750
Mar 31.	Debenture holders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Interest paid)		6,0750 6,750	67,500
Mar 31.	Statement of Profit & Loss A/c Dr. To Bank A/c (₹ 15,00,000 × $\frac{9}{100}$) (Interest Transferred to Profit and Loss Account)		1,35,000	1,35,000

15. On 1.4.2020, Suhani Ltd. issued 3,000, 9% debentures of ₹ 100 each at a discount of 6%, redeemable at a premium of 10% after five years. The company closes its books on 31st March every year. Interest on 9% debentures is payable on 30th September and 31st March. Rate of tax deducted at source is 10%.

Pass necessary journal entries for the issue of 9% debentures and interest for the year ended 31st March, 2021.

Solution 15.

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
01 Apr.	Bank A/c (₹ 3000 × 94) Dr. To Debenture Appliation and Allotment A/c (Received application money on 3000 debentures)		2,82,000	2,82,000
01 Apr.	Debentures application and allotment A/c Dr. Discount on issue of debentures A/c (₹ 3000 × 6) Dr. Loss on Issue of Debentures A/c (₹ 3000 × 10) Dr. To 9% Debentures A/c (3000 × 100) To Premium on Redemption of Debentures A/c (3000 ×10) (Application Money Transferred to Debentures Account)		2,82,000 18,000 30,000	3,00,000 30,000

30 Sept.	Debenture Interest A/c Dr. To Debenture holder's A/c To TDS Payable A/c (Interest Due)		13,500	 12,150 1,350
30 Sept.	Debenture holders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Interest Paid)		12,150 1350	 13,500
2021 Mar 31.	Debenture Interest A/c Dr. To Debenture holders A/c To TDS Payable A/c (Interest Due)		13,500	 12,150 1,350
Mar 31.	Debenture holders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Interest Paid)		12,150 1,350	 13,500
Mar. 31	Statement of Profit and Loss A/c Dr. To Debenture Interest A/c (Interest Transferred to Profit and Loss Account)		27,000	 27,000

16. Keshav Ltd., issued 365, 9% Debentures of ₹ 1,000 each on 4-3-2021.
Pass necessary Journal entries for the issue of debentures in the following situations :
(a) When debentures were issued at par redeemable at a premium of 10%.
(b) When debentures were issued at 6% discount redeemable at 5% premium.
Ignore writing off loss on issue of debentures.

Solution 16: (a)

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 9% Debenture Application and Allotment A/c (Application Money Received)		3,65,000	 3,65,000
	9% Debentures Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Application Money Transfer to Debenture Account, issued at par, but redeemable at premium of 10%)		3,65,000 36,500	 3,65,000 36,500

(b) Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 9% Debenture Application and Allotment A/c (Appliction Money Received)		3,43,100	 3, 43,100
	9% Debentures Application and Allotment A/c Dr. Loss on issue of Debentures Ac Dr. To 9% Debentures A/c To Premium on Redemption of Debentures A/c (Application Money Transferred to Debenture Account, issued at 6% Discout, but redeemable at a premium of 5%)		3,43,100 40,150	 3,65,000 18,250

Working Note :

Calculation of Loss on Issue of Debentures :

	Amount (₹)
Loss on issue of Debentures	
6% Discount on issue of debentures (365 × 60)	21,900
5% Premium on redemption (375 × 50)	18,250
	40,150

17. Pass necessary Journal entries for the issue of 7% debentures in the following cases :
(i) 100 debentures of ₹ 100 each issued at ₹ 105 each repayable at ₹ 100 each.
(ii) 100 debentures of ₹ 100 each issued at ₹ 100 each repayable at ₹ 105 each.
(iii) 100 debentures of ₹ 100 each issued at ₹ 105 each repayable at ₹ 108 each.
Ignore writing off loss on issue of debentures.
Solution 17 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
Case (i)	Bank A/c	Dr.		10,500	
	To Debenture Application and Allotment A/c				10,500
	(Application Money Received)				
	Debentures Appliction and Allotment A/c	Dr.		10,500	
	To 7% Debentures A/c				10,000
	To Securities Premium Reserve A/c				500
	(Application money transfer to debenture account, issue of 100, 7% Debentures of ₹ 100 each @ ₹ 105 each)				
Case (ii)	Bank A/c	Dr.		10,000	
	To Debenture Application and Allotment A/c				10,000
	(Application Money Received)				
	Debenture Application and Allotment A/c	Dr.		10,000	
	Loss on issue of Debenture A/c	Dr.		500	
	To 7% Debentures A/c				10,000
	To Premium on Redemption of Debentures A/c				500
	(Application money transfer to debenture account, issue of 100 debentures 7% of ₹ 100 each at ₹ 105 each)				
Case (iii)	Bank A/c	Dr.		10,500	
	To Debenture Application and Allotment A/c				10,500
	(Application Money Received)				
	Debentures Application and Allotment A/c	Dr.		10,500	
	Loss on Issue of Debentures A/c	Dr.		800	
	To 7% Debentures A/c				10,000
	To Securiteis Premium Reserve A/c				500
	To Premium on Redemption of Debenture A/c				800
	(Application money transfer to Debenture account, issue of 100, 7% Debentures at ₹ 105 repayable @ ₹ 108)				

18. Pass necessary journal entries and prepare 9% Debentures Account for the issue of 7,500, 9% Debentures of ₹ 50 each at a discount of 6%, redeemable at a premium of 10%.
Solution 18 :

Journal

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		3,52,000	
	To 9% Debenture Application and Allotment A/c				3,52,000
	(Application Money Received)				
	9% Debenture Application and Allotment A/c	Dr.		3,52,500	
	Loss on issue of Debenture A/c Dr.			60,000	
	To 9% Debentures A/c				3,75,000
	To Premium on Redemption of Debentures A/c				3,75,000
	(Application money transferred to Debenture Account, issue of 7500, 9% Debentures of ₹ 50 each redemption at a premium of 10%)				

19. On 1-4-2020, Richie Rich Ltd. issued 500, 9% Debentures of ₹ 500 each at a discount of 4%, redeemable at a premium of 5% after three years.

Pass necessary Journal Entries for the year ended 31-3-2021 assuming that interest is payable on 30th September and 31st March and the rate of tax deducted at source is 10%. The company closes its books on 31st March every year.

Solution 19 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
2020	Bank A/c To Debenture Application and Allotment A/c (Application money received)		2,40,000	 2,40,000
01 Apr.	Debenture Application and Allotment A/c Dr. Loss on issue of debenture A/c Dr. To 9% Debentures A/c To Premium on redemption of debenture (Appliction money transferred to debenture account, issue of debenture at 4% discount and redeemable at 5% premium)		2,40,000 22,500	 2,50,000 1,500
Sept. 30	Interest on Debenture A/c Dr. To Debentureholder A/c To TDS Payable A/c (Half yearly interst due on debentures and tax deducted at source)		11,850	 10,125 1125
Sept 30.	Debenture holders A/c Dr. TDS Payable A/c Dr. To Bank A/c (Interest paid and TDs Deposit in Govt. Account)		10125 1125	 11250
2021 31 Mar.	Intersection Debenture A/c Dr. To Debenture holder A/c To TDS Payable A/c (Half Yearly interst due on Debentures and Tax deducted at source)		11,250	 10,125 1,125
Mar 31.	Debenture holder A/c Dr. TDS Payable A/c Dr. To Bank A/c (Interest paid and TDS Deposited in Govt. Account)		10,125 1,125	 11,250
Mar. 31	Satement of Profit and Loss A/c Dr. To Interest on Debenture A/c (Interest Transferred to Statement of Profit and Loss)		22,500	 22,500

20. Saksham Ltd. issued on 1st April, 2020, 20,000, 9% Debentures of ₹ 100 each at 4% discount redeemable after four years at a premium of ₹ 5. All the debentures were subscribed. During the year ended 31st March, 2021, the company incurred a loss of ₹ 70,000. It has balance of ₹ 1,50,000 in General Reserve.

Pass the Journal entries for issue of debentures and writing off Loss on Issue of Debentures.

Solution 20 :

In the Books of Saksham Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Debenture Application and Allotment A/c (Application money received)		19,20,000	 19,20,000

	Discount on issue of Debentures A/c Dr.		1,80,000	
	To 9% Debentures			20,00,000
	To Premium on redemption of Debentures A/c			1,00,000
	(Application money transferred to debenture account, issue of debentures at 4% discount and redeemable at premium of ₹5)			
	General Reserve A/c Dr.		1,50,000	
	Statement of Profit & Loss A/c Dr.		30,000	
	To Loss on issue of Debentures A/c			1,80,000
	(Loss on issue of Debenture Settled Agaisnt Reserves and Losses)			

21. On 1st April, 2020, Aquarium Ltd. issued 8,000, 8% Debentures of ₹ 250 each at a premium of 5% and redeemable at a premium of 4% after 4 years. According to the terms of issue, ₹ 100 was payable on application and balance on allotment. Record necessary entries regarding issue of debentures and writing off loss on issue of debentures.

Solution 21 :

In the Books of Aquarium Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr.		21,00,000	
	To Debenture Application and Allotment A/c			21,00,000
	(Application Money Received)			
	Debenture Application and Allotment A/c Dr.		21,00,000	
	Discount on issue of Debentures A/c Dr.		80,000	
	To 8% Debentures A/c			20,00,000
	To Securities Premium Reserve A/c			80,000
	To Premium on Redemption of Debentures A/c			1,00,000
	(Application money transferred to Debenture Account, issue of Debentures at 5% premium and redeemable @ 4% premium)			

22. Mukti Ltd. purchases furniture costing ₹ 2,20,000. It was agreed that the purchase consideration be paid by issue of 15% debentures of ₹ 100 each. Assume debentures have been issued : (i) at par, and (ii) at a premium of 10%.

Give necessary journal entries.

Solution 22 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Furniture A/c Dr.		2,20,000	
	To Vendor A/c			2,20,000
	(Furniture purchased)			
(i)	Vendor's Ltd. A/c Dr.		2,20,000	
	To 15% Debentures A/c			2,20,000
	(Debentures Issued 22,000 @ ₹ 100 each at par)			
(ii)	Vendor's Ltd. A/c Dr.		2,20,000	
	To 12% Debentures A/c			2,00,000
	To Securities premium reserve A/c			20,000
	(Debenture issued 2000 @ ₹ 100 each at 10% premium)			

Working Note :

$$\text{Number of Debenture Issued} = \frac{\text{Purchase Consideration}}{\text{Price of Shares}}$$

$$= \frac{2,20,000}{₹110} = 2,000 \text{ Shares}$$

23. Garima Ltd. purchased machinery costing ₹ 1,35,000. It was agreed that the purchase consideration be paid by issuing 12% debentures of ₹ 100 each. Assume debentures have been issued, (i) at par, and (ii) at a discount of 10%.

Give necessary journal entries. Ignore writing off discount on issue of debentures.

Solution 23 :

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Machinery A/c Dr. To Vendor A/c (Machinery Purchased)		1,35,000	 1,35,000
(i)	Vendor's Ltd. A/c Dr. To 12% Debentures A/c (Debentures issued 1350 @ ₹ 100 each at par)		1,35,000	 1,35,000
(ii)	Vendor's Ltd. A/c Dr. Discount on Issue of Debentures Dr. To 12% Debentures A/c (Debentures issued 1500 @ ₹ 100 each at discount 10%)		1,35,000	 15,000 1,50,000

Working Note :

$$\text{Number of Debentures issued} = \frac{\text{Purchase Consideration}}{\text{Price of Shares}}$$

$$= \frac{₹1,35,000}{90} = 1500 \text{ Shares}$$

24. Pass necessary Journal entries relating to the issue of debentures for the following :

(a) Issued ₹ 28,000; 10% Debentures of ₹ 100 each at a premium of 15% redeemable at par.

(b) Issued ₹ 30,000; 10% Debentures of ₹ 100 each at a premium of 10% and redeemable at a premium of 15%.

(c) Issued ₹ 80,000; 10% Debentures of ₹ 100 each at par repayable at a premium of 10%.

Solution 24 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c (280 × 115) Dr. To Debenture Application and Allotment A/c (Application money received)		32,200	 32,200
	Debenture Application and Allotment A/c Dr. To 10% Debentures A/c To Securities Premium Reserve A/c (280, 10% Debentures issued at a premium of 15%)		32,200	 28,000 4,200
(b)	Bank A/c Dr. To Debentures Application and Allotment A/c (Application Money Received)		33,000	 33,000
	Debenture Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 10% Debentrues A/c To Securities Premium Reserve A/c To Premium on Redemption of Debentures A/c (300, 10% Debentures issued at ₹ 100 premium of 10% and redemable at a premium of 15%)		33,000 4,500	 30,000 3,000 4,500

(c)	Bank A/c Dr. To Debenture Application and Allotment A/c 80,000 (Application Money Received)		80,000	
	Debenture Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 10% Debentures A/c To Premium on Redemption of Debentures A/c (800, 10% Debentures issued at Par and Redemable at a Premium of 10%)		80,000 8,000	 80,000 8,000

25. Sushmita Ltd. issued 75,000, 12% Debentures of ₹ 100 each on the basis of the following conditions :

(i) Debentures issued at par, redeemable at par.
(ii) Debentures issued at discount of 5% and redeemable at par, at the end of 5 years.
(iii) Debentures issued at premium of 10% and redeemable at par, at the end of 5 years.
(iv) Debentures issued at par and redeemable at a premium of 10%, at the end of 10 years.
(v) Debentures issued at a discount of 5% and redeemable at a premium of 10%, at the end of 5 years.
(vi) Debentures issued at a premium of 10% and redeemable at a premium of 5%, at the end of 10 years.

Pass necessary journal entries to record the above mentioned cases at the time of issue of debentures.

Solution 25 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Received)		75,00,000	 75,00,000
	Debenture Application and Allotment A/c Dr. To 12% Debentures A/c (75000, 12% Debentures issued at par and redeemable at par)		75,00,000	 75,00,000
(ii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Receied)		71,25,000	 71,25,000
	Debenture Application and Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 12% Debentures A/c (75,000, 12% Debentures issued at Discount of 5% and Redeemable at Par)		71,25,000 3,75,000	 75,00,000
(iii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Received)		82,50,000	 82,50,000
	Debenture Application and Allotment A/c Dr. To 12% Debentures A/c To Securities Premium A/c (75000, 12% Debentures issued at premium of 10% and redeeamble at par)		82,50,000	 75,00,000 75,00,000
(iv)	Bank A/c Dr. To Debentures Application and Allotment A/c (Application Money Received)		75,00,000	 75,00,000

	Debentures Application and Allotment A/c Dr. Loess on issue of Debentures A/c Dr. To 12% Debentures A/c (75,000, 10% Debentures issued at par and redeamble At a premium of 5%)		75,00,000 7,50,000	 7,50,000
	Bank A/c Dr. To Debenture Application and Allotment A/c (Appliction money received)		71,25,000	 71,25,000
	Debenture Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 12% Debentures A/c To Premium on Redemption of Debentures A/c (75,000, 12% Debentures issued at a discount of 5% and redeemable at a premium of 10%)		71,25,000 11,25,000	 75,00,000 7,50,000
(vi)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Received)		82,50,000	 82,50,000
	Debenture Application and Allotment A/c Dr. Loss on issue of debentures A/c Dr. To 12% Debentures A/c To Securities Premium A/c To Premium on Redemption of Debentures A/c (75000, 12% Debentures issued at a Premium of 10% and Redeemable at a Premium of 5%)		82,50,000 3,75,000	 75,00,000 7,50,000 3,75,000

26. Give journal entries for issue of debentures in the following cases :

(a) 400 debentures issued at ₹ 950 each, repayable at ₹ 1,000 each.

(b) 400 debentures issued at ₹ 1,050 each, repayable at ₹ 1,000 each.

(c) 400 debentures issued at ₹ 1,000 each, repayable at ₹ 1,050 each.

(d) 400 debentures issued at ₹ 950 each, repayable at ₹ 1,050 each.

The face value of each debentures is ₹ 1,000.

Ignore writing off Discount/Loss on issue of debentures.

Solution 26 :

Journal

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Received)		3,80,000	 3,80,000
	Debenture Application and Allotment A/c Dr. Discount on issue of debentures A/c Dr. To Debentures A/c (Application Money Transferred to Debenture Account, issued at a Discount of 5% and Redeemable at par)		3,80,000 20,000	 4,00,000
(b)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Mone Received)		4,20,000	 4,20,000
	Debenture Application and Allotment A/c Dr. To Debentures A/c To Securities Premium Reserve A/c (Application Money Transferred to Debenture Account, issued at premium 5% and redeemable at par)		4,20,000	 4,00,000 20,000

(c)	Bank A/c Dr. To Debenture A/cand Allotment A/c (Application Money Received)		4,00,000	4,00,000
	Debenture Application and Allotment A/c Dr. Loss on issue of debenture A/c Dr. To Debentures A/c To Premium on Redemption of Debentures A/c (Application money transferred to debenture account, issued at par anad repayable at a premium of 5%)		4,00,000 20,000	 4,00,000 20,000
(d)	Bank A/c To Debenture Application and Allotment A/c (Application Money Received)		880,000	3,80,000
	Debenture Application and Allotment A/c Dr. Loss on issue of Debenture A/c Dr. To Debentures A/c To Premium on Redemption of Debentures A/c (Application money transferred to debenture account issued at a discount of 5% and repayable at premium of 5%)		3,80,000 40,000	 4,00,000 20,000

27. Pass journal entries for the following transactions in the books of Ishant Ltd. :

(i) Purchased machinery for ₹ 8,00,000 payable as to ₹ 2,30,000 in cash and the balance by issue of 9% Debentures of ₹ 100 each at a premium of 20%.

(ii) Issued 9% debentures of ₹ 80,000 as collateral security to a Bank who has advanced a loan of ₹ 1,00,000 to the company for a period of 5 years.

(iii) Paid half yearly interest on ₹ 1,50,000, 9% Debentures.

(iv) Issued ₹ 3,50,000, 9% Debentures at a discount of 6% redeemable at a premium of 7%.

Solution 27 :

In the Books of Ishant Ltd.
Jouranl Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Machinery A/c Dr. To Vendor A/c (Machinery Purchased)		8,00,000	 8,00,000
	Vendor A/c Dr. To Cash A/c To 9% Debentures A/c To Securities Premium Reserve A/c (Partial Payment made by Cash and for Balance by issue of 4750, 9% Debentures at a premium of 20%)		8,00,000	 2,30,000 4,75,000 95,000
(ii)	Bank A/c Dr. To Bank Loan A/c (Loan taken from bank second by the issue of Debentures)		80,000	 80,000
	Debenture Suspense A/c Dr. To 9% Debentures A/c (Issue of 9% Debentures as Collectral Security)		80,000	 80,000
(iii)	Debenture interest A/c Dr. To 9% Debentures A/c (Interest on 9% Debentrues paid for 6 months)		6,750	 6,750
(iv)	Bank A/c Dr. To 9% Debentures Application and Allotment A/c (Application Money received)		3,29000	 3,29,000
	9% Debentures Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr.		3,29,000 45,500	

28. Florida Ltd. raised a bank loan of ₹ 10,00,000 and issued by way of collateral security 10,000, 12% Debentures of ₹ 100 each. The Company further issued to public 15,000, 12% Debentures of ₹ 100 each at 2% discount payable ₹ 30 on application, ₹ 18 on allotment, ₹ 20 on first call and the balance a month later. The public applied for 20,000 debentures. Applications for 12,000 debentures were accepted in full, applications for 4,000 debentures were allotted 3,000 debentures and the remaining applications were rejected. All amounts were duly received. Prepare journal entries.

Solution 28 :

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Bank Loan A/c (Loan Amount Received)		10,00,000	 10,00,000
	Debentures Suspense A/c Dr. To 12% Debentures A/c (Debentures issued as collecteral securities)		10,00,000	 10,00,000
	Bank A/c Dr. To 12% Debentures Application A/c (Application Money Received)		6,00,000	 6,00,000
	12% Debenture Application A/c Dr. To 12% Debentures A/c To 12% Debentures Allotment A/c To Bank A/c (Application Money Received)		6,00,000	 4,50,000 30,000 1,20,000
	12% Debentures Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 12% Debentures A/c (Allotment Amount Due)		2,70,000 30,000	 3,00,000
	Bank A/c Dr. To 12% Debentures Allotment A/c (Allotment amount received)		2,40,000	 2,40,000
	12% Debentures First Call A/c Dr. To 12% Debentures A/c (First Call Amount Due)		3,00,000	 3,00,000
	Bank A/c Dr. To 12% Debentures First Call A/c (First Call Amount Received)		3,00,000	 3,00,000
	12% Debentures Second Call A/c Dr. To 12% Debentures A/c (Second Call Amount due)		4,50,000	 4,50,000
	Bank A/c Dr. To 12% Debentures Second Call A/c (Second Call Amount Received)		4,50,000	 4,50,000

Balance Sheet as at.........

Particulars	Note No.	Current year (₹)	Previous year (₹)
I. Equity and Liabilities :			
No. Current Liabilities			
(a) Long Term Borrowings	1	25,00,000	
		25,00,000	

II. Assets :			
Other Current/Non Current Assets			
1. Unmortized Expenses	2	30,000	
Current Assets			
1. Cash and Cash Equivalents	3	24,70,000	
		25,00,000	

Notes to Accounts :

	Particulars		Amount (₹)
(1)	Long Term Borrowings,		
	25,000, 12% Debentures of ₹ 100 each	25,00,000	
	Less : Debentures Suspense Account	(10,00,000)	15,00,000
	Bank Loan		10,00,000
			25,00,000
(2)	Unmortized Expenses :		
	Discount on issue of Debentures		30,000
(3)	Cash and Cash Equivalents :		
	Cash at Bank		24,70,000
			25,00,000

29. Pass necessary Journal Entries relating to the issue of debentures for the following :

(i) Issued ₹ 4,00,000, 9% debentures of ₹ 100 each at a premium of 8% redeemable at 10% premium.

(ii) Issued ₹ 6,00,000, 9% debentures of ₹ 100 each at par, repayable at a premium of 10%.

(iii) Issued ₹ 10,00,000, 9% debentures of ₹ 100 each at a premium of 5%, redeemable at par.

Solution 29 :

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr.		4,32,000	
	To Debentures Application & allotment A/c			4,32,000
	(Amount Received on Application)			
	Debenture Application & Allotment A/c Dr.		4,32,000	
	Loss on issue of Debentures A/c Dr.		40,000	
	To 9% Debentures A/c			4,00,000
	To Securities Premium Reserve A/c			32,000
	To Premium of Redemption of Debentures A/d			40,000
	(Application Money Transferred to Debenture Account, issued at Premium of 8% and Redeemable at 10%)			
(ii)	Bank A/c Dr.		6,00,000	
	To Debenture Application And Allotment A/c			6,00,000
	(Amount Received on Application)			
	Debenture Application &Allotment A/c Dr.		6,00,000	
	Loss on issue of debentures A/c Dr.		60,000	
	To 9% Debentures A/c			6,00,000
	To Premium on Redemption of debentures A/c			60,000
	(Application money transferred to Debenture Account, repayable at premium of 10%)			

(iii)	Bank A/c Dr. To Debenture Application & Allotment A/c (Amount received on Application)		10,50,000	10,50,000
	Debenture Application & Allotment A/c Dr. To 9% Debentures A/c 10,00,000 To Securities Premium Reserve A/c 50,000 (Appliation money transferred to debenture Account, issued at premium 5% and redeemable at par)		10,50,000	

30. Give the journal entries at the time of issue of debentures in the following cases :

(i) Issued ₹ 5,00,000, 12% debentures at par and redeemable at par after 5 years.

(ii) Issued ₹ 8,00,000, 11% debentures at 6% discount, redeemable at par after 4 years.

(iii) Issued ₹ 10,00,000, 14% debentures at 5% premium, redeemable at par after 4 years.

(iv) Issued ₹ 20,00,000, 12% debentures at par, redeemable at 5% premium after 3 years.

(v) Issued ₹ 12,00,00, 13% debentures at 4% discount, redeemable at 6% premium after 3 years.

Ignore writing off discount/loss on issue of debentures.

Solution 30 :

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To 12% Debenture Application & Allotment A/c (Amount Received on Application)		5,00,000	5,00,000
	12% Debenture Application & Allotment A/c Dr. To 12% Debentures A/c (Application money transferred to debenture Account, issued at par and redemption at par)		5,00,000	5,00,000
(ii)	Bank A/c Dr. To 11% Debenture Application & Allotment A/c (Amount received on application)		7,52,000	7,52,000
	11% Debenture Application & Allotment A/c Dr. Discount on issue of Debenturs A/c Dr. To 11 % Debentures A/c (Application Money Transferred to Debenture Account, issued at a discount of 6% and redeemed at par)		7,52,000 48,000	8,00,000
(iii)	Bank A/c Dr. To 14% Debentures Application & Allotment A/c (Amount Received on Application)		10,50,000	10,50,000
	14% Debenture Application & Allotment A/c Dr. To 14%% Debentures A/c To Securities, premium reserve A/c (Application money transferred to debenture Account, issued at discount of 5% and Redemption at par)		10,50,000	10,00,000 50,000
(iv)	Bank A/c Dr. To 12% DebenturesApplication & Allotment A/c (Application Money Received)		20,00,000	20,00,000
	12% Debenture Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 12% Debentures A/c To Securities Premium Reserve A/c		20,00,000 1,00,000	20,00,000 1,00,000

(v)	Bank A/c Dr. To 13% Debentures Application & Allotment A/c (Application Money Received)		11,52,000	11,52,000
	13% Debenture Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To 18% Debentures A/c To Premium on Redemption of Debentures A/c (Application money transferred to debenture Account, issued at par and Redemption at premium of 5%)		11,52,000 1,20,000	12,00,000 72,000

31. (a) Journalise the following transactions at the time of issue of debentures; Vipin Ltd. issued ₹ 90,000, 12% debentures of ₹ 100 each at a discount of 5% redeemable at 110%.

(b) Usman Ltd. issued ₹ 80,000, 11% debentures of ₹ 100 each at a premium of 5% redeemable at a premium of 10%.

Ignore writing off loss on issue of debentures.

Solution 31 :

In the Books of Vipin Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c Dr. To 12% Debenture Application and Allotment A/c (Application Money Received)		85,500	85,500
	12% Debentures Appliction and Allotment A/c Dr. To 12% Debentures A/c To Premium on Redemption of Debentures A/c (Application Money Transferred to Debenture Account, issued at 5% Discount and Redeemed at 10% Premium)		13,500	90,000 9,000
(b)	Bank A/c Dr. To 11% Debentrue Application and Allotment A/c (Application Money Received)		84,000	84,000
	11% Debenture Application and Allotment A/c Dr. Loss on issue of Debenture A/c Dr. To 11% Debentures A/c To Securities Premium Reserve A/c To Premium on Redeption of Debentures A/ (Application money transferred to debentures Account, issued at 5% premium and redemption at 10% premium)		84,000 8,000	80,000 4,000 8,000

32. A company issues the following debentures :

(a) 10,000, 12% debentures of ₹ 100 each at par but redeemable at a premium of 5% after 5 years;

(b) 10,000, 12% debentures of ₹ 100 each at a discount of 5%, but redeemable at a premium of 5% after 5 years;

(c) 5,000, 12% debentures of ₹ 100 each at a premium of 10% but redeemable at par after 5 years;

(d) 1,000, 14% debentures of ₹ 100 each issued to a supplier of machinery costing ₹ 95,000, the debentures are repayable after 5 years; and

(e) 300, 13% debentures of ₹ 100 each as a collateral security to a bank who has advanced a loan of ₹ 25,000 to the company for a period of 5 years.

Pass the Journal entries to record the issue of debentures.

Ignore writing off discount/loss on issue of debentures.

Solution 32 :

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(a)	Bank A/c Dr.		10,00,000	
	To 12% Debenture Application and Allotment A/c			10,00,000
	(Application Money Received)			
	12% Debenture Application and Allotment A/c Dr.		10,00,000	
	Loss on issue of Debentures A/c Dr.		50,000	
	To 12% Debentures A/c			10,00,000
	To Premium on Redemption of Debentures A/c			50,000
	(Application money Transferred to Debenture Account; issued at par and rdeemed at a premium of 5%)			
(b)	Bank A/c Dr.		9,50,000	
	To 12% Debenture Application and Allotment A/c			9,50,000
	(Application money received)			
	12% Debenture Application and Allotment A/c Dr.		9,50,000	
	Loss on issue of Debentures A/c Dr.		1,00,000	
	To 12% Debentures A/c			10,00,000
	To Premium Redemption of Debentures A/c			50,000
	(Application money Transferred to Debenture Account, issued at Discount 5% and Redemption at Premium of 5%)			
(c)	Bank A/c Dr.		5,50,000	
	To 12% Debenture Application and Allotment A/c			5,50,000
	(Application money received)			
	12% Debenture Application and Allotment A/c Dr.		5,50,000	
	To 12% Debentures A/c			5,00,000
	To Securities Premium Reserve A/c			50,000
	(Application Money Transferred to Debenture Account, issued at 10% Premium)			
(d)	Machinery A/c Dr.		95,000	
	To Vendor's A/c			95,000
	(Machinery Purchased)			
	Vendor's A/c Dr.		95,000	
	Discount on issue of Debentures A/c Dr.		5,000	
	To 14% Debentures A/c			1,00,000
	(1000 Debentures issued at ₹ 100 each for purchase consideration)			
(e)	Bank A/c Dr.		25,000	
	To Bank Loan A/c			25,000
	(Loan Taken from Bank Secured by the Issue of ₹ 30,000 Debentures)			
	Debenture Suspense A/c Dr.		30,000	
	To 13% Debentures A/c			30,000
	(Issue of Debentures as collecteral securities)			

33. Show by means of journal entries how would you record the following issues :

(i) Mohan Ltd. issues ₹ 5,00,000, 13% Debentures at a discount of 8% redeemable at par.

(ii) Gopal Ltd. issues ₹ 6,00,000, 12% Debentures at a discount of 6% redeemable at a premium of 7%.

(iii) Beena Ltd. purchased plant and machinery for ₹ 8,00,000 payable as to ₹ 2,30,000 in cash and the balance by an issue of 10% Debentures of ₹ 100 each at a discount of 5%.

(iv) Arvind Ltd. issued 500, 11% Debentures of ₹ 100 each as a collateral security to a Bank who has advanced a loan of ₹ 45,000 to the Company for a period of 7 years.

(v) Deepa Ltd. issued ₹ 2,20,000 Debentures to a creditor for ₹ 2,00,000 Capital Expenditure in satisfaction of his claim.

Ignore writing off Discount/Loss on issue of debentures.

Solution 33 :

In the Books of Mohan Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		4,00,000	
	To 13% Debentures Application and Allotment A/c				4,60,000
	(Amount received on Application)				
	13% Debenture Application and Allotment A/c	Dr.		4,60,000	
	Discount on issue of Debentures A/c	Dr.		40,000	
	To 13% Debentures A/c				5,00,000
	(Application Money Transferred to Debenture Account, issue of Debentures Discount and Redeemable at par)				

Balance Sheet
as at..........

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Non Current Liabilities			
(a) Long Term Borrowings	1	5,00,000	
		5,00,000	
II. Assets :			
1. Other Current/Non-current Assets			
Unmortized Expenses	2	40,000	
2. Current Assets			
Cash and Cash Equivalents	3	4,60,000	
		5,00,000	

Notes to Accounts :

	Particulars	Amount (₹)
(1)	Long Term Borrowings :	
	13% Debentures	5,00,000
(2)	Unmortized Expenses:	
	Discount on issue of Debentures	40,000
(3)	Cash and Cash Equivalents	
	Cash and Bank	4,60,000

(ii) **In the Books of Gopal Ltd.**

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		5,64,000	
	To 12% Debenture Application and Allotment A/c				5,64,000
	(Application Money Received)				
	12% Debenture Application and Allotment A/c	Dr.		5,64,000	
	Loss on issue of Debentures A/c	Dr.		40,000	
	To 12% Debentures A/c				6,00,000
	To Premium on Redemption of Debentures A/c				42,000
	(Application moeny transferred to Debenture Account, issue of Debentures @ 6% Discount and Redeemable at 70% premium)				

Balance Sheet of Gopal Ltd.
As at..............

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Non Current Laibilities			
(a) Long Term Borrowings	1	6,00,000	
(b) Other Long Term Liabilities	2	42,000	
		6,42,000	
II. Assets :			
1. Other Non-Current/Current Assets			
Unmortized Expenses	3	78,000	
Cash and Cash Equivalents	4	5,64,000	
		6,42,000	

Notes to Accounts :

	Particulars	Amount (₹)
(1)	Long Term Borrowings	
	12% Debentures	6,00,000
(2)	Other Long Term Liabilities	
	Premium on Redemption of Debentures	42,000
(3)	Unmortized Expenses	
	Discount on issue of Debentures	78,000
(4)	Cash and Equivalents	
	Cash at Bank	5,64,000

(iii) **In the Books of Beena Ltd.**

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Plant and Machinery A/c	Dr.		8,00,000	
	To Vendor's A/c				8,00,000
	(Plant and Machinery Purchased)				
	Vendor's A/c	Dr.		2,30,000	
	To Bank A/c				2,30,000
	(Part Payment Made in Cash)				
	Vendor's A/c	Dr.		5,70,000	
	Discount on Debentures A/c	Dr.		30,000	
	To 10 % Debentures A/c				6,00,000
	(6,000 Debentures of ₹ 100 issued at 5% Discount)				

Balance Sheet of Beena Ltd. As at..........

Particulars **Note No.** **Current year Previous year**

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Non Current Liabilities			
(a) Long Term Borrowings	1	6,00,000	
		6,00,000	
II. Assets :			
1. Non Current Assets			
Other Long Term Liabilities	2	8,00,000	
2. Other Current/Non Current Assets	3	30,000	

Notes to Accounts :

Particulars	Amount (₹)
1. Long Term Borrowings	
10% Debentures, 6000 @ ₹ 100 each	6,00,000
2. Other Long Term Liabilities	
Plant and Machinery	8,00,000
3. Umortized Expenses	
Discount on Issue of Debentures	30,000

(iv) **In the Books of Arvind Ltd.**

Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		45,000	
	To Bank Loan A/c				45,000
	(Loan Taken From Bank)				
	Debenture Substence A/c	Dr.		50,000	
	To 11% Debentures A/c				50,000
	(Issue of Debentures As Collateral Securities)				

Balance Sheet of Arvind Ltd. Asat..............

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Non Current Liabilities			
(a) Long Term Borrowings	1	45,000	

Notes to Accounts :

Particulars		Amount (₹)
(1) Long Term Borrowings		
11% Debentures	50,000	
Less : Debenture Suspense Account	(50,000)	—
Bank Loan		45,000
		45,000

(v) **In the Books of Deepa Ltd.**

Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Fixed Assets A/c Dr. To Vendor's A/c (Assets Purchased)		2,00,000	 2,00,000
	Vendor's A/c Dr. Discount on issue of Debentures A/c Dr. To Debentures A/c (Debentures issued to Vendor's @ Discount)		2,00,000	 20,000 2,20,000

Balance Sheet of Deepa Ltd. As at.............

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
1. Non Current Liabilities			
(a) Long Term Borrowings	1	2,20,000	
		2,20,000	
II. Assets :			
1. Non Current Assets			
Fixed Assets	2	2,00,000	
2. Other Current Assets			
Unauthorised Expenses	3	20,000	
		2,20,000	

Notes to Accounts :

	Particulars	Amount (₹)
(1)	Long Term Borrowings	
	Debentures	2,20,000
(2)	Fixed Assets	
	Fixed Assets	2,00,000
(3)	Unauthorized Expenses	
	Discount on issue of Debentures	20,000

34. On 1st April, 2020 Information Ltd. issued 5,00,000, 8% Debentures of ₹ 100 each at a discount of 6% redeemable at a premium of 10% after four years. The amount was payable as follows :

On application – ₹ 50 per debenture

On allotment – Balance after discount

Record the necessary journal entries for the issue of debentures in the books of the company. Ignore writing off Discount/Loss on issue of debentures.

Solution 34 :

In the Books of Z Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To 8% Debenture Application A/c (Application Money Received on 5,00,000 Debentures of ₹ 50 each)		2,50,00,000	 2,50,00,000

	8% Debenture Application A/c Dr. To 8% Debentures A/c (Application Money Transferred to Debenture Account)		2,50,00,000	2,50,00,000
	8% Debenture Allotment A/c Dr. Loss on Issue of Debenture A/c Dr. To 8% Debentures A/c To Premium on Redemption of Debentures A/c (Debentures issued at 6% Discount and Redeemable at 10% premium, Amount due @ ₹ 44 each on 5,00,000 Debentures)		2,20,00,000 80,00,000	2,50,00,000 50,00,000
	Bank A/c Dr. To 8% Debenture Allotment A/c (Allotment Money Received)		2,20,00,000	2,20,00,000

35. Satnam Ltd. issued 2,000, 6% debentures of ₹ 100 each at a discount of 10% on 1st April, 2019 redeemable at par after four years. All the debentures were subscribed. The company has a balance of ₹ 12,000 in Securities Premium Reserve. The company decided to use securities premium reserve for writing off the loss and also decided to write off the remaining discount in the first year itself.

Pass the Journal entries for issue of debentures and writing off the discount. Also prepare Discount on Issue of Debentures Account.

Solution 35 :

In the Books of Satnam Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c Dr. To Debenture Application & Allotment A/c (Application Money Received)		1,80,000	1,80,000
	Debenture Application & Allotment A/c Dr. Discount on issue of Debenture A/c Dr. To 6% Debentures A/c Dr. (Allotment and Application Money Due)		1,80,000 20,000	1,80,000
	Securities Premium A/c Dr. 12,000 Statement of Profit & Loss A/c Dr. To Discount on issue of Debentures A/c (Write off Discount on issue of Debentures)		8,000	20,000

Discount on Issue of Debentures Account

Date	Particulars	L.F.	Amount (₹)	Date	Particulars	L.F.	Amount (₹)
	To 6% Debentures A/c		20,000		By Securities Premium A/c		12,000
					By Statement of Profit & Loss A/c		8,000
			20,000				20,000

36. Karma Company purchased assets of the book value of ₹ 10,45,000 from Sudhir and Co. It was agreed that the purchase consideration be paid by issuing 14% Debentures of ₹ 100 each. Assume debentures have been issued (i) at par, (ii) at a premium of 10%, and (iii) at a discount of 5%.

Give necessary journal entries in the books of Karma Company.

Discount on issue of debentures is to be written off in the first year itself.

Solution 36 :

In the Books of Karna Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		10,45,000	
	To Vendor's A/c				10,45,000
	(Assets Purchased)				
(i)	Vendor's A/c	Dr.		10,450,000	
	To 14% Debentures A/c				10,45,000
	(Issue of 10450 Debentures of ₹ 100 each at par)				
(ii)	Vendor's A/c	Dr.		10,45,000	
	Discount on issue of Debentures A/c	Dr.		55,000	
	To 14% Debentures A/c				11,00,000
	(11,000 Shaes issued debentures @ 5% Discount)				
(iii)	Vendor's A/c	Dr.		10,45,000	
	To 14% Debentrures A/c				9,50,000
	To Securities Premium Reserve A/c				95,000
	(9,500 Debentures issued at 10% premium)				

Working Note :

(i) 11,000 Debentures of ₹ 100 each at 5% Discount Calcualted as follows :

$$\frac{₹10,45,000}{₹95} = 11,000 \text{ Debentures}$$

(ii) 9,500 Debentures of ₹ 100 each at 10% premium, Calculated as follows :

$$\frac{₹10,45,000}{₹110} = 9,500 \text{ Debentures}$$

37. Rohini Ltd. bought assets for ₹ 5,50,00,000 and assumed liabilities worth ₹ 1,26,00,000 from Pawan Ltd. and issued 8% Debentures of ₹ 500 each at a premium of 6%. Record necessary entries in the books of Rohini Ltd.

Solution 37 :

In the Books of Rohini Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		5,50,00,000	
	To Sundry Liabilities A/c				1,26,00,000
	To Silver Ltd. A/c			4,24,00,000	
	(Assets and Liabilities Purchased)				
	Silver Ltd. A/c	Dr.		4,24,00,000	
	To 8% Debentures A/c				4,00,00,000
	To Securities Premium Reserve A/c				24,00,000
	(Issue of 80,000 Debentures of ₹ 500 each at a discount of 6%)				

38. Krishna Ltd. took over Assets of ₹ 8,50,000 and Liabilities of ₹ 1,50,000 of Girdhari Ltd. at an agreed price of ₹ 7,20,000. The purchase consideration was discharged by issuing 12% debentures of ₹ 100 each at a premium of 20%. Give journal entries in the books of Krishna Ltd.

Solution 38 :

In the Books of Krishna Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		8,50,000	
	Goodwill A/c	Dr.		20,000	
	To Sundry Liabilities A/c				1,50,000
	To Girdhari Ltd. A/c			7,20,000	
	(Assets and Liabilities Purchased)				
	Girdhari Ltd. A/c	Dr.		7,20,000	
	To 12% Debenture A/c				6,00,000
	To Securities Premium Reserve A/c				1,20,000
	(Issue of 6,000 Debentures of ₹ 100 each at 20% Premium)				

39. Vishwa Ltd. purchased Assets of the book value of ₹ 12,00,000 and Liabilities of ₹ 2,20,000 of Himanshi Ltd. for a purchase consideration of ₹ 9,40,000. The purchase consideration was discharged by the issue of debentures of ₹ 500 each at a discount of 6%. Pass journal entries in the books of Vishwa Ltd. Company writes off all capital losses in the first year itself. Ignore writing off Discount/Loss on issue of debentures.

Solution 39 :

In the Books of Vishwa Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		12,00,000	
	To Sundry Liabilities A/c				2,20,000
	To Capital Reserve A/c				40,000
	To Vendor Company A/c				9,40,000
	(Assets and Liabilities Purchsed)				
	Vendor Company's A/c	Dr.		9,40,000	
	Discount on issue of Debenture A/c	Dr.		60,000	
	To Debentures A/c				10,00,000
	(Issue of 2,000 Debentures of ₹ 500 each at 6% Discount)				

40. Sheetal Limited purchased a running business from Madhuri Limited for a sum of ₹ 25,00,000, payable ₹ 4,00,000 by cheque and for the balance issued 8% Debentures of ₹ 100 each at 5% premium.

The assets and liabilities consisted of the following :

	₹
Land and Buildings	9,00,000
Plant and Machinery	8,00,000
Patents	40,000
Sundry Debtors	7,00,000
Stock	5,00,000
Sundry Creditors	1,20,000

Record necessary journal entries in the books of Sheetal Limited.

Solution 40 :

In the Books of Sheetal Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Land and Building A/c	Dr.		9,00,000	
	Plant and Machinery A/c	Dr.		8,00,000	
	Patents A/c	Dr.		40,000	
	Sundry Debtors's A/c	Dr.		7,00,000	
	Stock A/c	Dr.		5,00,000	
	To Sundry Creditors A/c				1,20,000
	To Madhuri Ltd.				25,00,000
	To Capital Reserve (F/F)				3,20,000
	(Assets and Liabilities Purchased)				
	Madhuri Ltd.'s A/c	Dr.		4,00,000	
	To Bank A/c				4,00,000
	(Part Payment Made By Cheque)				
	Madhuri Ltd.'s A/c Dr.			21,00,000	
	708 % Debentures A/c			20,00,000	
	To Securities Premium Reserve A/c				1,00,000
	(Balance of ₹ 21,00,000 Discharge by issue of 20,000 Debentures at a premium of 5%)				

41. Kaushal Limited took a loan of ₹ 30,00,000 from a bank against primary security worth ₹ 40,00,000 and issued 35,000, 6% debentures of ₹ 100 each as a collateral security. The company again after one year took a loan of ₹ 50,00,000 from bank against Plant as primary security and deposited 60,000, 6% debentures of ₹ 100 each as collateral security. Record necessary journal entries. How will you show the issue of debentures and bank loan in the balance sheet of the company.

Solution 41 :

In the Books of Kaushal Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Bank A/c	Dr.		30,00,000	
	To Bank Loan A/c				30,00,000
	(Loan Obtained from Bank Secured by Primary Securities worth ₹ 40,00,000 and ₹ 35,00,000, 6% Debentures as Collected Securities)				
	Debenture Suspense A/c	Dr.		35,00,000	
	To 6% Debentures A/c				35,00,000
	(Issue of ₹ 35,00,000 Debentures as Colleteral Securities for a Loan of ₹ 30,00,000 from the Bank)				
	Bank A/c	Dr.		50,00,000	
	To Bank Loan A/c				50,00,000
	(Loan Obtained from Bank Secured by Plant as Primary Security and ₹ 60,00,000, 6% Debentures As Collectral Security)				
	Debenture Suspense A/c	Dr.		60,00,000	
	To 6% Debentures A/c				60,00,000
	(Issue of ₹ 60,00,000 Debentures as Colleteral Security for a Loan of ₹ 50,00,000 from the Bank)				

Extract of Balance Sheet of Kaushal Ltd.
As at..............

Particulars	Note No.	Current year	Previous year
		(₹)	(₹)
I. Equity and Liabilities :			
Non Current Liabilities			
Long Term Borrowings	1	80,00,000	

Notes to Accounts :

	Particulars		Amount (₹)
(1)	Long term Borrowings		
	6% Debentures	95,00,000	
	Less : Debenture Suspense Account	(95,00,000)	—
	Bank Loan		80,00,000
	(On Primary Security worth ₹ 40,00,000 and Plant and Colleteal Security of Debentures of ₹ 95,00,000)		

42. Sunita Ltd. made the following issue of 6% debentures :

(i) For cash at 90%, 6,000 debentures of ₹ 100 each.

(ii) 1,100 debentures of ₹ 100 each to a creditor regarding machinery costing ₹ 1,00,000.

(iii) To bank for a loan of ₹ 7,00,000 as collateral security 10,000 debentures of ₹ 100 each.

Pass Journal entries for first year only. All capital losses are to be written off in the first year itself. Ignore writing off Discount/Loss on issue of debentures.

Solution 42 :

In the Books of Sunita Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Received)		5,40,000	5,40,000
	Debenture Application and Allotment A/c Dr. Discount on issue of Debentures A/c Dr. To 6% Debentures A/c (Transfer of Application to Debenture Account issued @ 10% Discount)		5,40,000 60,000	6,00,000
(ii)	Machinery A/c Dr. To Vendro's A/c (Purchase of Machinery)		1,00,000	1,00,000
	Vendor's A/c Dr. Discount on issue of Debentures A/c Dr. To 6% Debentures A/c (Debenture issued to Vendor @ Discount)		1,00,000 10,000	1,10,000
(iii)	Bank A/c Dr. To Bank Loan A/c (Loan Taken Secured by the issue of ₹ 10,00,000 Debentures)		7,00,000	7,00,000
	Debenture Suspense A/c Dr. To 6% Debentures A/c (Issue of Debentures as Colleteral Securiteis)		10,00,000	10,00,000
	Statement of P & L A/c Dr. To Discount on issue of Debentures A/c (Transfer of 1/5th of Discount to Statement of Profit & Loss)		14,000	14,000

Balance Sheet
As at..........

Particulars	Note No.	Current year (₹)	Previous year (₹)
I. Equity and Liabilities :			
1. Shareholder's Funds :			
Share Capital			
Reserve & Surplus	1	(14,000)	
2. Non Current Liabilities			
Long Term Borrowings	2	14,10,000	
		13,96,000	
II. Assets :			
1. Non Current Assets	3	1,00,000	
Fixed Assets	4	48,000	
2. Current Assets			
Cash and Cash Equivalents	5	12,40,000	
Other Current Assets	6	14,000	
		13,96,000	

Notes to Accounts :

	Particulars	Amount (₹)
(1)	Reserves and Surplus	
	Balance in Statement of Profit & Loss	(14,000)
(2)	Long Term Borrowings:	
	6% Debentures	17,10,000
	Less : Debenture Suspense Account	10,00,000
		7,10,000
	Bank Loan	7,00,000
		14,10,000
(3)	Fixed Assets	
	Machinery	1,00,000
(4)	Other Non Current Assets	
	Discount on issue of Debentures	42,000
(5)	Cash and Cash Equivalents	
	Cash at Bank	12,40,000
(6)	Other Current Assets	
	Discount on issue of Debentures	14,000

43. Sugna Ltd. issued 30,000, 10% Debentures of ₹ 100 each as collateral security for a loan of ₹ 24,00,000 from Axis Bank. The company was unable to repay the loan on which interest payable was ₹ 6,00,000 as on 31st March, 2021.

Axis Bank, on 31st March, 2021, exercised the right vested in it by way of debentures being issued as collateral security.

Pass Journal entries in the books of Sugna Ltd. on 31st March, 2021.

Solution 43 :

In the Books of Sugna Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
March 31	10% Debentures A/c Dr.		30,00,000	
	To Debenture Suspense A/c			30,00,000
	(Debentures issued as Colleteral Securities Reversed)			
March 31	Loan from Axis Bank A/c Dr.		24,00,000	
	Outstanding Interest A/c Dr.		6,00,000	
	To 10% Debentures A/c			30,00,000
	(Conversion of Debentures issued as colleteral security into Debentures Liability)			

44. Fortune Ltd. purchased machinery from Tata Ltd. Payment to Tata Ltd. was made as follows :

(i) By issuing 10,000 equity shares of ₹ 10 each at a premium of 20%.
(ii) By issuing 1,000, 9% debentures of ₹ 100 each at a discount of 5%.
(iii) Balance by giving a bank draft of ₹ 37,000.

Pass necessary journal entries in the books of Fortune Ltd. for the purchase of machinery and payment to Tata Ltd.

Solution 44 :

In the Books of Fortune Ltd.
Journal Entries

Date	Particulars	L.F.	Dr. (₹)	Cr. (₹)
(i)	Machinery A/c Dr.		2,52,000	
	To Tata Ltd. A/c			2,52,000
	(Purchase a Machinery From Tata Ltd.)			
(ii)	Tata Ltd. A/c Dr.		1,20,000	
	To Equity Share Capital A/c			1,00,000
	To Security Premium Reserve A/c			20,000
	(Partial Payment made by issue of 10,000 equity shares of ₹ 10 each at ₹ 12 each)			
(iii)	Tata Ltd. A/c Dr.		95,000	
	Discount on issue of Debenture A/c Dr.		5,000	
	To 9% Debentures A/c			1,00,000
	(Partial Payment made by issue of ₹ 1,00,000 debentures at 5% discount)			
(iv)	Tata Ltd. A/c Dr.		37,000	
	To Bank Draft A/c			37,000
	(Bank Draft Accepting and Made Full Payment)			

Working Note :

Purchase Consideration :

	₹
(i) 10,000 equity shares @ ₹ 12 each	1,20,000
(ii) 21,000 Debentures @ ₹ 95 eacj	95,000
(iii) Banl Draft	37,000
	2,52,000

45. Dimple Ltd. purchased assets of the books value of ₹ 4,00,000 and took over the liabilities of ₹ 50,000 from Sunil Ltd. It was agreed that the purchase consideration, settled at ₹ 3,80,000, be paid by issuing debentures of ₹ 100 each.

What journal entries will be made in the following three cases, if debentures are issued : (a) at par, (b) at discount of 10%, (c) at premium of 10% ? It was agreed that any fraction of debentures be paid in cash.

Solution 45 :

In the Books of Dimple Ltd.
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
	Sundry Assets A/c	Dr.		4,00,000	
	Goodwill A/c	(B/F)		30,000	
	To Sundry Liabilities				50,000
	To Sunil Ltd.				30,000
	(Assets and Liabilities Took Over By Dimple Ltd.)				
(i)	Sunil Ltd. A/c	Dr.		3,80,000	
	To Debentures A/c				3,80,000
	(Issue of 3,800 Debentures of ` 100 each at par)				
(ii)	Sunil Ltd. A/c	Dr.		3,80,000	
	Discount on Issue of Debentures A/c	Dr.		4,222	
	To Debenturers A/c				4,22,220
	(Issue of 4222 Debentures @ 5% Discount)				
(iii)	Sunil Ltd. A/c	Dr.		3,80,000	
	To Debentures A/c				3,45,400
	To Securities Premium Reserve A/c				34,540
	(Issue of 3,454 Debentures @ at 10% premium)				

Working Notes :

(i) 4,222 Debentures of ₹ 100 each at 5% discount calculated as below :

$$\frac{3,80,000}{90} = 4222 \text{ Debentures}$$

(ii) 3454, Debentures of ₹ 100 each at 10% premium calculated as below :

$$\frac{3,80,000}{110} = 3454 \text{ Debentures}$$

46. Journalise the following transactions :

(i) 400 debentures issued at ₹ 960 each, repayable at ₹ 1,000 each.
(ii) 400 debentures issued at ₹ 1,040 each, repayable at ₹ 1,000 each.
(iii) 400 debentures issued at ₹ 1,000 each, repayable at ₹ 1,060 each.
(iv) 400 debentures issued at ₹ 960 each, repayable at ₹ 1,060 each.

(The face value of each debenture is ₹ 1,000.)

Ignore writing off Discount/Loss on issue of debentures.

Solution 45 :

In the Books of...
Journal Entries

Date	Particulars		L.F.	Dr. (₹)	Cr. (₹)
(i)	Bank A/c	Dr.		3,84,000	
	To Debenture Application and Allotment A/c				3,84,000
	(Application Money Received)				
	Debenture Application and Allotment A/c	Dr.		3,84,000	
	Discount on issue of Debentures A/c	Dr.		16,000	
	To Debentures A/c				4,00,000
	(Application Money Transferred to Debenture Acount, issued at Discount of 4% and Redeemed at par)				

(ii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Received)		4,16,000	4,16,000
	Debenture Application and Allotment A/c Dr. To Debentures A/c To Securities Premium Reserve A/c (Application Money Transferred to Debenture Account, issued at Premium 4% and redeemed at par)		4,16,000	4,00,000 16,000
(iii)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Received)		4,00,000	4,00,000
	Debenture Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To Debentures A/c To Premium on Redemption of Debentures A/c (Application Money Transferred to Debenture Account, issued at par and repayable at a premium of 6%)		4,00,000 24,000	4,00,000 24,000
(iv)	Bank A/c Dr. To Debenture Application and Allotment A/c (Application Money Received)		3,84,000	3,84,000
	Debenture Application and Allotment A/c Dr. Loss on issue of Debentures A/c Dr. To Debentures A/c To Premium Redemption of Debentures A/c (Application Money Transfered to Debenture Account, Debenture issued at a Discount of 6% and redeemable at a premium of 6%)		3,84,000 40,000	4,00,000 24,000

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