

# ACCOUNTING PROCESS

## SOLUTIONS

### ANSWER TO Q.NO.1:

Particulars	Dr.	Rs.	Rs.
Bank Account To Capital Account (Being capital introduced by Shri Mohan)	Dr.	50,00,000	50,00,000
Cash Account To Bank Account (Being cash deposited in Bank)	Dr.	25,000	25,000
Furniture Account To Bank Account (Being Furniture purchased vide CM No....)	Dr.	12,00,000	12,00,000
Purchases Account To Bank Account (Being goods purchased vide CM No....)	Dr.	4,00,000	4,00,000
Purchases Account To M/s Ram Narain Bros. (Being goods purchased vide Bill No.....)	Dr.	10,00,000	10,00,000
Bank Account To Sales Account (Being goods sold vide CM No....)	Dr.	6,00,000	6,00,000
Ramesh To Sales Account (Being goods sold vide Bill No....)	Dr.	13,00,000	13,00,000
Bank Account To Ramesh (Being cash received against Bill No....)	Dr.	13,00,000	13,00,000
Rent Account To Bank Account (Being rent paid for the month of .....)	Dr.	1,00,000	1,00,000
Salary Account To Bank Account (Being salary paid to Mr..... for the month of .....)	Dr.	22,000	22,000
Bank Account To Interest Account (Being interest received from..... for the period .....)	Dr.	2,20,000	2,20,000



**ANSWER TO Q.NO.2:****Journal**

Date	Particulars	Nature of Account	L.F.	Debit (Rs.)	Credit (Rs.)
Dec. 1	Bank Account Dr. To Capital Account (Being commencement of business)	Personal A/c Personal A/c		4,00,000	4,00,000
Dec. 3	Cash Account Dr. To Bank Account (Being cash withdrawn from the Bank)	Real A/c Personal A/c		2,000	2,000
Dec. 5	Purchases Account Dr. To Bank Account (Being purchase of goods for cash)	Real A/c Personal A/c		15,000	15,000
Dec. 8	Bank Account Dr. To Sales Account (Being goods sold for cash)	Personal A/c Real A/c		16,000	16,000
Dec. 10	Furniture Account Dr. To Bank Account (Being purchase of furniture, paid by cheque)	Real A/c Personal A/c		2,500	2,500
Dec. 12	Arvind Dr. To Sales Account (Being sale of goods)	Personal A/c Real A/c		2,400	2,400
Dec. 14	Purchases Account Dr. To Amrit (Being purchase of goods from Amrit )	Real A/c Personal A/c		10,000	10,000
Dec. 15	Amrit Dr. To Purchases Returns Account (Being goods returned to Amrit)	Personal A/c Real A/c		500	500
Dec. 16	Bank Account Dr. Discount Account Dr. To Arvind (Being cash received from Arvind in full settlement and allowed him Rs. 100 as discount)	Personal A/c Nominal A/c Personal A/c		2,300 100	2,400
Dec. 18	Drawings Account Dr.	Personal A/c		1,000	



	To Purchases Account (Being withdrawal of goods for personal use)		Real A/c			1,000
Dec. 20	Drawings Account To Cash Account (Being cash withdrawal from the business for personal use)	Dr.	Personal A/c Real A/c		2,000	2,000
Dec. 24	Telephone Expenses Account To Bank Account (Being telephone expenses paid)	Dr.	Nominal A/c Personal A/c		110	110
Dec. 26	Amrit To Bank Account To Discount Account (Being cash paid to Amrit and he allowed Rs. 50 as discount)	Dr.	Personal A/c Personal A/c Nominal A/c		9,500	9,450 50
Dec. 31	Stationery Expenses Rent Account Salaries Account To Bank Account (Being expenses paid)	Dr. Dr. Dr.	Nominal A/c Nominal A/c Nominal A/c Personal A/c		200 5,000 2,000	7,200
Dec. 31	Advertisement Expenses Account To Purchases Account (Being distribution of goods by way of free samples)	Dr.	Nominal A/c Real A/c		2,000	2,000

**ANSWER TO Q.NO.3:**

2017 April	Explanation	Accounts Involved	Nature of Accounts	How affected	Debit (Rs. in 000)	Credit (Rs. in 000)
1.	Rs. 5,000 cash invested in business	Bank and R's Capital	Asset Capital	Increased Increased	5,000	5,000
2.	Purchased furniture for Rs. 1,200	Furniture and Bank	Asset Asset	Increased Decreased	1,200	1,200
3.	Paid Rs. 1,100 to employee for salary	Salary & Bank	Expense Asset	Increased Decreased	1,100	1,100
4.	Paid Rent Rs. 1,150	Rent & Bank	Expense Asset	Increased Decreased	1,150	1,150
5.	Received interest Rs. 2,000	Cash & Interest	Asset Income	Increased Increased	2,000	2,000



**ANSWER TO Q.NO.5:**

Dr.			Cr.		
Stationery Account					
Date	Particulars	Rs.	Date	Particulars	Rs.
1.1.2015	To Balance b/d	480	31.12.2015	By Balance c/d	2,560
5.4.2015	To Bank A/c	800			
15.11.2015	To Five Star Stationery Mart A/c	1,280			
		<b><u>2,560</u></b>			<b><u>2,560</u></b>

**ANSWER TO Q.NO.7:**

**JOURNAL**

Date 2017	Particulars	L.F.	Dr. Amount	Cr. Amount
April 1	Bank Account Dr. To Capital Account (Being the amount invested by Ramesh in the business as capital)	1 4	10,00,000	10,00,000
April 3	Purchases Account Dr. To Bank Account (Being goods purchased for cash)	7 1	50,000	50,000
April 5	Cash Account Dr. To Bank Account (Being cash withdrawn from bank)	5 1	10,000	10,000
April 13	Krishna Dr. To Sales Account (Being goods sold to Krishna on credit)	9 11	1,50,000	1,50,000
April 20	Purchases Account Dr. To Shyam (Being goods bought from Shyam on credit)	7 10	2,25,000	2,25,000
April 24	Bank Account Dr. Discount Account Dr. To Krishna (Being cash received from Krishna and discount allowed to him)	1 12 9	1,45,000 5,000	1,50,000



April 28	Shyam To Bank Account To Discount Account (Being cash paid to Shyam and discount allowed by him)	Dr.   	10 1 12	2,25,000	2,15,000 10,000
April 30	Bank Account To Sales Account (Being goods sold for cash)	Dr.  	1 11	8,00,000	8,00,000
April 30	Rent Account Salaries Account To Bank Account (Being the amount paid for rent and salary)	Dr. Dr.  	15 14 1	50,000 1,00,000	1,50,000
				<b>27,60,000</b>	<b>27,60,000</b>

**ANSWER TO Q.NO.8:**

Transaction	ACCOUNTS INVOLVED	NATURE	DEBIT OR CREDIT	Journal Entry
Started business with capital of Rs.50,00,000	Bank account Capital account	Personal Personal	Debit (Receiver) Credit (giver)	Bank A/c Dr. To Capital A/c
Wages and salaries paid	Wages/salaries Bank	Nominal Personal	Debit (expense) Credit (giver)	Wages/ Salaries Dr. To Bank A/c
Rent received	Bank Rent	Personal Nominal	Debit (Receiver) Credit (income)	Bank A/c Dr. To Rent A/c
Purchases made on credit	Purchases Creditor	Nominal Personal	Debit (expense) Credit (giver)	Purchases A/c Dr. To Creditor A/c
Goods sold and payment received in cheque	Bank Sales	Personal Nominal	Debit (Receiver) Credit (gains)	Bank A/c Dr. To Sales A/c

**ANSWER TO Q.NO.9:**

**Cash Account**

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 1	To Balance b/d		8,000	Jan.1	By Purchases A/c		3,800
Jan. 4	To Vijay		1,980	Jan. 8	By Plant A/c		300
Jan. 15	To Rahim		300	Jan. 31	By Balance c/d		7,180
Jan. 18	To Sales A/c		1,000				
			11,280				11,280



### Vijay

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 1	To Balance b/d		2,000	Jan.4	By Cash c/d		1,980
					By Discount A/c		20

### Purchases Account

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 1	To Cash		3,800				
Jan. 1	To cash Discount		200	Jan.31	By Balance c/d		4,000
			4,000				4,000

### Discount Account

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 4	To Vijay		20	Jan. 1	By Purchases A/c		200
Jan. 31	To Balance c/d		180	Jan.31			
			200				200

### Plant Account

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 8	To Mukesh		5,000	Jan. 31	By Balance c/d		5,300
Jan. 8	To Cash A/c		300				
			5,300				5,300

### Mukesh

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 31	To Balance c/d		5,000	Jan. 8	By Plant A/c		5,000
			5,000				5,000

### Sales Account

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 31	To Balance c/d		1,600	Jan. 12	By Rahim		600
Jan. 8	To Cash A/c			Jan. 18	By Cash A/c		1,000
			1,600				1,600



**Rahim**

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 12	To Sales A/c		600	Jan. 15	By Cash A/c		300
Jan. 8	To Cash A/c			Jan. 15	BY Bad Debts A/c		300
			600				600

**Bad Debts Account**

Date	Particulars	L.F.	(Rs.)	Date	Particulars	L.F.	(Rs.)
Jan. 15	To Rahim		300	Jan. 31	By Balance c/d		300
			300				

**ANSWER TO Q.NO.11:**

**Trial Balance of Anuradha Traders as on 31.03.2016**

S.NO.	Particulars	L.F.	Debit balances Rs.	Credit balances Rs.
1.	Purchases		1,50,000	
2.	Sales return		1,000	
3.	Discount allowed		2,000	
4.	Expenses		10,000	
5.	Trade receivables		75,000	
6.	Investments		15,000	
7.	Cash at bank and in hand		37,000	
8.	Insurance paid		2,500	
9.	Capital			1,00,000
10.	Sales			1,66,000
11.	Trade payables			25,000
12.	Interest received on investments			1,500
	<b>Total</b>		<b><u>2,92,500</u></b>	<b><u>2,92,500</u></b>



**ANSWER TO Q.NO.12**

**Corrected Trial Balance of Mr. Singhania as on 31st March, 2016**

<b>S.NO.</b>	<b>Particulars</b>	<b>L.F.</b>	<b>Debit balances Rs.</b>	<b>Credit balances Rs.</b>
1.	Singhania's Capital			1,556
2.	Singhania's Drawings		564	
3.	Leasehold premises		750	
4.	Sales			2,750
5.	Due from customers		530	
6.	Purchases		1,259	
7.	Purchases returns			264
8.	Loan from Bank			256
9.	Trade payables			528
10.	Trade expenses		700	
11.	Cash at Bank		226	
12.	Bills payable			100
13.	Salaries and Wages		600	
14.	Inventory (1.4.2015)		264	
15.	Rent and rates		463	
16.	Sales return		98	
	<b><u>TOTAL</u></b>		<b><u>5,454</u></b>	<b><u>5,454</u></b>

Reasons:

1. Due from customers is an asset, so its balance will be a debit balance.
2. Purchases return account always shows a credit balance because assets go out.
3. Balance in Creditors Account is a liability, so its balance will be a credit balance.
4. Bills payable is a liability, so its balance will be a credit balance.
5. Inventory (opening) represents assets, so it will have a debit balance.
6. Sales return account always shows a debit balance because assets





**Answer to Question No: 13**  
**Trial Balance as on 30th June, 2017**

<b>Heads of Accounts</b>	<b>Debit Rs.</b>	<b>Credit Rs.</b>
Provision for Doubtful Debts	–	200
Bank overdraft	–	1,654
Capital	–	4,591
Trade payables	–	1,637
Trade receivables	2,983	–
Discount Received	–	252
Discount allowed	733	–
Drawings	1,200	–
Office furniture	2,155	–
General Expenses	829	–
Purchases	10,923	–
Returns Inward	330	–
Rent & Rates	314	–
Salaries	2,520	–
Sales	–	16,882
Inventory	2,418	–
Provision for Depreciation on Furniture	–	364
Suspense A/c (balancing figure)	<u>1,175</u>	
<b>Total</b>	<b><u>25,580</u></b>	<b><u>25,580</u></b>



**ANSWER TO Q.NO.14:****Purchase Book**

<b>Date</b>	<b>Particulars</b>	<b>Gross Amount</b>	<b>Trade Discount</b>	<b>Net Price</b>	<b>Sales Tax</b>	<b>Freight</b>	<b>Total Amount</b>
4 April	Ajay Enterprises 100 Doz chappal @ Rs. 120 per Doz - Rs. 12,000  200 Doz Palki Leather Chappal @ Rs. 300 per Doz - Rs. 60,000  Less trade discount @ 10%	72,000	7,200	64,800	6,480	150	71,430
15 April	Balaji Traders, Delhi 50 Doz Max Shoes @ Rs. 400 per Doz - Rs. 20,000  100 pair Sports shoes @ Rs. 140 per pair - Rs. 14,000  Less trade discount @ 10%	34,000	3,400	30,600	3,060	200	33,860
April 28	Tripti Industries, Bahadurgarh 40 pair Leather shoes @ Rs. 400 per pair - Rs. 16,000  100 DOZ Rosy Hawai Chappal @ Rs. 180 per DOZ - Rs. 18,000  Less trade discount @ 10%	34,000	3,400	30,600	3,060	100	33,760
		<b><u>1,40,000</u></b>	<b><u>14,000</u></b>	<b><u>1,26,000</u></b>	<b><u>12,600</u></b>	<b><u>450</u></b>	<b><u>1,39,050</u></b>

**Ledgers**

Dr.		Purchases A/c			Cr.
2011		Rs.			Rs.
April 30	To amount as per purchase book	1,38,600			
<b>Freight A/c</b>					
2011		Rs.			
April 30	To amount as per purchase book	450			
<b>Ajay Enterprises</b>					
					Rs.
			April 4	By purchase A/c	71,280
				By Freight A/c	150
<b>Balaji Traders</b>					
					Rs.
			April 15	By purchase A/c	33,660
				By Freight A/c	200
<b>Tripati Industries</b>					
					Rs.
			April 28	By purchase A/c	33,660
				By Freight A/c	100

**Purchase Account will be debited by net price and sales tax because sales tax is a part of cost of goods purchased.**



**ANSWER TO Q.NO.15:**

**Purchase Returns Book**

Date 2016	Debit Note No.	Name of supplier	L.F.	Amount
Jan. 4	101	Goyal Mills, Surat		5,000
Jan. 16	102	Mittal Mills, Bangalore		13,000
<b>Jan. 31</b>		<b>Purchases Returns Account (Cr.)</b>		<b>18,000</b>

In purchase return account this total of 18,000 shall be shown on the credit side.

**ANSWER TO Q.NO.16:**

Dr.		Cash Book		Cr.	
Date 2016	Receipts	Amount Rs.	Date 2016	Payments	Amount Rs.
Jan. 1	To Balance b/d	1,200	Jan. 07	By Rent A/c	30
Jan. 5	To Ram A/c	300	Jan. 10	By Shyam A/c	700
Jan. 8	To Sales A/c	300	Jan. 27	By Furniture A/c	200
			Jan. 31	By Salaries A/c	100
			Jan. 31	By Balance c/d	770
		<b><u>1,800</u></b>			<b><u>1,800</u></b>
<b>2016</b>					
Feb. 1	To Balance b/d	770			

(i) In the simple cash book only the cash receipts and cash payments are recorded.

(ii) The total of debit side is always greater than the total of credit side since the payment cannot exceed the available cash.



**ANSWER TO Q.NO.18:**

**Petty Cash Book**

Receipt Rs.	Date 2016	Particulars	Total	Conve -yance	Carta -ge	Statio -nery	Postage Telegram	Wages	Sundries
100	Jan.1	To Cash							
	2	By Conveyance	.50	.50					
		By Cartage	2.50		2.50				
	3	By Postage Telegrams	5.00				5.00		
		By Wages	6.00					6.00	
	4	By Stationery	4.00			4.00			
		By Conveyance	2.00	2.00					
	5	By Repairs to Furniture	15.00						15.00
		By Conveyance	1.00	1.00					
		By Cartage	4.00		4.00				
	6	By Postage Telegrams	7.00				7.00		
	6	By Conveyance	3.00	3.00					
	6	By Cartage	3.00		3.00				
	6	By Stationery	2.00			2.00			
	6	By General Expenses	5.00						5.00
			<b>60.00</b>	<b>6.50</b>	<b>9.50</b>	<b>6.00</b>	<b>12.00</b>	<b>6.00</b>	<b>20.00</b>
		By Balance c/d	<b>40.00</b>						
<b>100</b>			<b>100</b>						
40.00		To Balance b/d							
60.00	8	To Cash							



**ANSWER TO Q.NO.19:**

**Journal Entries**

	<b>Particulars</b>		<b>L.F.</b>	<b>Dr. Rs.</b>	<b>Cr. Rs.</b>
(i)	Suspense Account To Profit and Loss Adjustment A/c (Correction of error by which Purchase Account was over debited last year- Rs.4,593 carried forward instead of Rs.4,539)	Dr.		54	54
(ii)	Profit & Loss Adjustment A/c Customer's Account To Suspense Account (Correction of the entry by which (a) Sales A/c was over credited by Rs.180 (b) customer was credited by Rs.753 instead of being debited by Rs.573)	Dr. Dr.		180 1,326	1,506
(iii)	Suspense Account To Profit & Loss Adjustment A/c (Correction of error by which Returns Inward Account was debited by Rs.510 instead of Returns Outwards Account being credited by Rs. 510)	Dr.		1,020	1,020
(iv)	Suspense Account To C. Dass To G. Dass (Removal or wrong debit to G. Dass and giving credit to C. Dass from whom cash was received).	Dr.		1,240	620 620
(v)	Customer's Account To Profit & Loss Adjustment A/c (Rectification of the error arising from non- preparation of invoice for goods delivered)	Dr.		840	840
(vi)	Profit & Loss Adjustment A/c Inventory Account To Customer's Account (The Customer's A/c credited with Rs.1,000 for goods not yet purchased by him; cost of the goods debited to inventory and "Profit" debited to Profit & Loss Adjustment Account)	Dr Dr.		200 800	1,000
(vii)	Profit & Loss Adjustment A/c To Capital Account (Transfer of P & L Adjustment A/c balance to the Capital A/c)	Dr.		1,534	1,534



**ANSWER TO Q.NO.20:**

**Journal of Mr. A**

DATE	PARTICULARS		L.F.	DR. RS.	CR. Rs.
2015 (I)	Mrs. Mala Mr. Lala To Suspense A/c (Correction of error by which a sale of Rs. 2,300 to Mr. Lala was posted to the Credit of Mrs. Mala)	Dr.		2,300 2,300	4,600
(ii)	Profit and Loss Adjustment A/c To Suspense A/c (Rectification of omission to post the total of Returns Inward Book for July, 2010)	Dr.		1,240	1,240
(iii)	(a) Machinery A/c Suspense A/c To Profit & Loss Adjustment A/c (Correction of error by which freight paid for a machine Rs. 5,600 was posted to Freight Account at Rs. 6,500 instead of capitalising it)	Dr. Dr.		5,600 900	6,500
(iv)	Suspense A/c To Profit & Loss Adjustment A/c (Correction of wrong carry forward of total in the purchase Account to the next page Rs. 65,590 instead of Rs. 56,950)	Dr.		8,640	8,640
(v)	Mr. Mehta To Plant & Machinery A/c To Profit & Loss Adjustment A/c (Correction of omission of a sale of machine on credit to Mr. Mehta for Rs. 9,000 )	Dr.		9,000	6,750 2,250

**Comments**

The Suspense Account will now appear as shown below:

Dr.		Suspense Account			Cr.
Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
2015	To Profit and Loss Adjustment A/c	900	2014	By Balance b/d	830
	To Profit and Loss		Oct. 1	By Sundries	2,300



	Adjustment A/c	8,640		Mrs. Mala Mr. Lala	2,300
				By Profit and Loss Adjustment A/c	1,240
				By balance c/d	2,870
		<b>9,540</b>			<b>9,540</b>

Since the Suspense Account still shows a balance, it is obvious that there are still some errors left in the books

**ANSWER TO Q.NO.22:**

Computing opening capital: (All figure in Rs.' 000 )

Closing capital - profits earned during the year

= 35,000 - 5,000

= 30,000

Assets = liabilities + capital

Therefore, opening assets (A) = 12,000 + 30,000

= 42,000

Computation of liabilities at the end of the year:

Total liabilities including capital = 50,000

Less: closing capital = (35,000)

Liabilities at the end of the year (C) = 15,000

Also assets at the end of the year (B) = closing capital + liabilities at the end of the year

= 35,000 + 15,000

= 50,000

**ANSWER TO Q.NO.23:**

	Particulars		Dr.	Cr.
(i)	Suspense Account	Dr.	6,160	
	To Return Outward A/c			6,160
(ii)	Suspense Account	Dr.	2,640	
	To Discount Allowed Account			1,320





	To Discount Received Account			1,320
(iii)	Suspense Account	Dr.	10,000	
	To Sales Account			10,000
(iv)	Suspense Account	Dr.	270	
	To Customer Account			270
(v)	Suspense Account	Dr.	1,500	
	To Vehicle Account			1,200
	To Profit on Sale of Vehicle Account			300
(vi)	Telephone Charges Account	Dr.	560	
	To Outstanding Expenses Account			560
(vii)	Bad Debts Account	Dr.	1,560	
	To Trade receivables Account			1,560
	Provision for Doubtful Debts Account	Dr.	164	
	To Profit and Loss Account			164
(viii)	Loose Tools Account	Dr.	1,200	
	To Purchases Account			1,200
(ix)	Drawings Account	Dr.	1,960	
	To Purchases Account			1,960

1. Bad debts will be debited in the profit and loss account.
2. Provision @ 10% of Rs.21,560 i.e. 2,156; Excess provision Rs.164 (2320 - 2156 = 164).

**ANSWER TO Q.NO.24:**

S.No.	Increase (+) / Decrease (-) / No Change (0) in Assets	Reasons
(a)	+	Furniture has been purchased making it an increase in assets and also it being purchased on credit it increases liability and there is no outflow of assets like cash or bank.



(b)	+	Cash has flowed in for services provided making it an increase in assets.
(c)	+	Here with goods sold there is a decrease in inventory (assets) but given there is an increase in debtors there will be a net increase in assets. Though if goods are sold at cost it will result in no change whereas sale at below cost will result in decrease in assets.
(d)	-	Here cash has been withdrawn from business resulting in decrease in assets and capital.
(e)	0	Only hiring of employee has been done resulting in no change in assets.
(f)	-	Outflow of goods has resulted in decrease in assets while money owed to creditors reduce on the liability side.
(g)	-	Here both assets and liabilities reduce by same amounts meaning a decrease in assets.
(h)	0	Only a purchase agreement has been entered into with no transaction taking place yet.

**ANSWER TO Q.NO.25:**

**Calculation of missing figures:**

**Trade Receivable Balance (B)** = Sales- Amount received during the year  
= Rs. (15,55,000 - 15,00,000) = **Rs. 55,000.**

Assets = Capital + Liabilities

If total liabilities is 14,15,000, Therefore, balance of assets is also Rs.14,15,000

So, total assets:

Total Assets	14,15,000
Less: Machinery	(12,00,000)



Less: Inventory	(60,000)
Less: Bank	(80,000)
Less: Receivables	(55,000)
<b><u>Cash (A)</u></b>	<b><u>20,000</u></b>

**Computation of Closing Capital (D):**

Opening Capital	10,00,000
<i>Add:</i> Introduced during the year	1,00,000
<i>Less:</i> Loss incurred during the year	(35,000)
Closing Capital	<b>10,65,000</b>

So, Loan amount (C) = Total Liabilities - Closing Capital - Trade Payables  
 = Rs. (14,15,000 - 10,65,000 - 1,00,000) = **Rs. 2,50,000**

**ANSWER TO Q.NO.29:**
**Journal Entries in the books of Mr. Roy**

Date	Particulars	Dr.	Cr.
(1)	Motor Vehicles Account Dr. To Profit and Loss Adjustment A/c (Purchase of scooter wrongly debited to conveyance account now rectified Rs. 3,000 less 10% depreciation)	2,700	2,700
(2)	Suspense Account Dr. To Profit & Loss Adjustment A/c (Purchase Account overcast in the previous year now rectified)	10,000	10,000
(3)	Profit & Loss Adjustment A/c Dr. To P's Account (Credit purchase from P Rs. 2,000, entered as sales last year; now rectified)	4,000	4,000
(4)	B's Account Dr. To A's Account (Amount received from A wrongly posted to the account of B; now rectified)	1,000	1,000
(5)	Suspense Account Dr. To C's Account (Rs. 500 received from C wrongly debited to his account; now rectified)	1,000	1,000

(6)	Trade receivables To Suspense Account (Rs. 500 due by Q not taken into trial balance; now rectified)	Dr.	500	500
(7)	R's Account To Profit & Loss Adjustment A/c (Sales to R omitted last year; now adjusted)	Dr.	2,000	2,000
(8)	Suspense Account To Profit & Loss Adjustment A/c (Excess posting to purchase account last year, Rs. 2,593, instead of Rs. 2,395, now adjusted)	Dr.	198	198
(9)	Profit & Loss Adjustment A/c To Roy's Capital Account (Balance of Profit & Loss Adjustment A/c transferred to Capital Account)	Dr.	10,898	10,898
(10)	Roy's Capital Account To Suspense Account (Balance of Suspense Account transferred to the Capital Account)	Dr.	10,698	10,698

**Profit and Loss Adjustment Account  
(Prior Period Items)**

	Rs.		Rs.
To P	4,000	By Motor Vehicles A/c	2,700
To Roy's Capital (transfer)	10,898	By Suspense A/c	10,000
		By R	2,000
		By Suspense Account	198
	<b><u>14,898</u></b>		<b><u>14,898</u></b>

**Suspense Account**

	Rs.		Rs.
To Profit & Loss Adjustment Account	10,000	By Trade Receivables (Q)	500
To C	1,000	By Roy's Capital Account (Transfer)	10,698
To Profit & Loss Adjustment Account	198		
	<b><u>11,198</u></b>		<b><u>11,198</u></b>



**ANSWER TO Q.NO.30:****Journal Entries**

	<b>Particulars</b>	<b>L.F.</b>	<b>Rs.</b>	<b>Rs.</b>
(a)	Cash Account Dr. To D. Das (Being the amount received)		100	100
(b)	Returns Inward Account Dr. To Suspense Account (Being the mistake in totalling the Returns Inward Book corrected)		100	100
(c)	Furniture Account Dr. To Purchases Account (Being the rectification of mistake by which purchase of furniture was entered in Purchases book and hence debited to Purchases Account)		300	300
(d)	Furniture Account Dr. To Wages Account (Being the wages paid to workmen for making show-cases which should be capitalised and not to be charged to Wages Account)		375	375
(e)	Suspense Account Dr. To Creditors (personal) Account (Being the mistake in crediting the Trade payables Account less by Rs. 7, now corrected)		7	7
(f)	P.C. Joshi Dr. To Allowances Account (Being the cheque of P.C. Joshi dishonoured, previously debited to Allowances Account)		200	200
(g)	Drawings Account Dr. To Miscellaneous Expenses (Being the motor cycle purchased for Mr. Dutt debited to his Drawings Account instead of Miscellaneous Expenses Account as previously done by mistake)		1,000	1,000
(h)	Returns Inward Account Dr. To Debtors (Personal) Account (Correction of the omission to record return of goods by customers)		100	100



(i)	Singh & Co. To Suspense Account (Being the correction of mistake by which the account of Singh & Co. was credited by Rs. 200 instead of being debited)	Dr.		400	400
-----	--	-----	--	-----	-----

Dr.		Suspense Account		Cr.	
Date	Particulars	Amount	Date	Particulars	Amount
2015		Rs.	2015		Rs.
Dec.31	To Difference in Trial Balance	493	Dec. 31	By Returns Inwards A/c	100
Dec.31	To Trade Payables A/c	7	Dec.31	By Singh & Co.	400
		<u>500</u>			<u>500</u>

**ANSWER TO Q.NO.31:**

**Nature of Account**

Sl. No.	Title of Account	Traditional Approach	Accounting Equation Approach
a	Rent Outstanding	Personal	Liability
b	Closing Inventory	Real	Asset
c	Sales	Real	Revenue
d	Bank Fixed Deposit	Personal	Asset
e	Cash	Real	Asset
f	Bad Debts	Nominal	Expense
g	Capital	Personal	Capital
h	Sales Tax Payable	Personal	Liability
i	Trade receivables	Personal	Asset
j	Depreciation	Nominal	Expense
k	Drawings	Personal	Drawings



**ANSWER TO Q.NO.32:**

**Journal**

Particulars	L.F.	Debit Rs.	Credit Rs.
Cash Account To Capital Account (Being commencement of business)	Dr.	20,000	20,000
Purchase Account To Y (Being purchase of goods on credit)	Dr.	4,000	4,000
Y To Cash (Being payment of cash to Y)	Dr.	2,000	2,000
Z To Sales (Being goods sold to Z)	Dr.	4,000	4,000
Cash Account To Z (Being cash received form Z)	Dr.	6,000	6,000
Purchase Account To Y (Being payment of goods from Y)	Dr.	4,000	4,000
Y To Cash Account (Being payment of cash to Y)	Dr.	2,000	2,000
Z To Sales Account (Being goods sold to Z)	Dr.	4,000	4,000
Cash Account To Z (Being cash received from Z)	Dr.	2,000	2,000
<b>TOTAL</b>		<b>48,000</b>	<b>48,000</b>

Dr.			Cr.		
Cash Account					
Date	Particulars	Rs.	Date	Particulars	Rs.
	To Capital A/c	20,000		By Y	2,000
	To Z	6,000		By Y	2,000
	To Z	2,000		By Balance c/d	24,000
		<b>28,000</b>			<b>28,000</b>



Dr.			Capital Account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
Jan. 31	To Balance c/d	20,000		By Cash A/c	20,000			
		<b>20,000</b>			<b>20,000</b>			
			Feb. 1	By Balance b/d	20,000			

Dr.			Purchase Account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
	To Y	4,000	Jan 31.	By Balance c/d	8,000			
	To Y	4,000						
		<b>8,000</b>			<b>8,000</b>			
Feb.1	To Balance b/d	8,000						

Dr.			Y's Account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
	To Cash	2,000		By Purchases	4,000			
	To Cash	2,000		By Purchases	4,000			
Jan. 31	To Balance c/d	4,000						
		<b>8,000</b>			<b>8,000</b>			
				By Balance b/d	4,000			

Dr.			Z's Account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
	To Sales	4,000		By Cash A/c	6,000			
	To Sales	4,000		By Cash A/c	2,000			
		<b>8,000</b>			<b>8,000</b>			

Dr.			Sales Account			Cr.		
Date	Particulars	Rs.	Date	Particulars	Rs.			
Jan. 31	To Balance c/d	8,000		By Z	4,000			
				By Z	4,000			
		<b>8,000</b>			<b>8,000</b>			
			Feb.1	By Balance b/d	8,000			





**ANSWER TO Q.NO.34:**

- (a) 12,50,000
- (b) 2,25,000
- (c) 75,000
- (d) 59,80,000

These have been solved using the Accounting Equation:

Assets = Capital + Liabilities

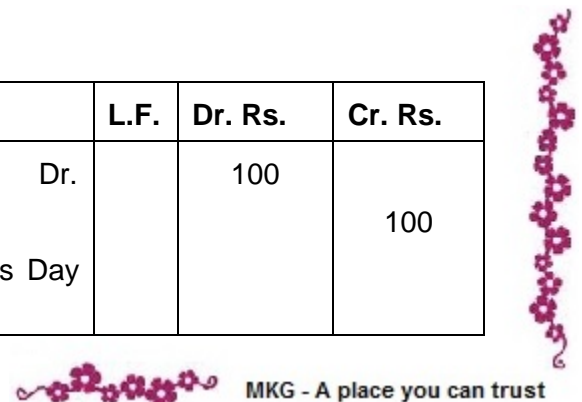
**ANSWER TO Q.NO.35:**

**Petty Cash Book**

Date 2015	Receipts	Amount Rs.	Payment	Total Amount Rs.	Stationery Rs.	Travelling Rs.	Misc Exps. Rs.	Repair Rs.
Sept. 7	To Balance b/d	134.90	By Stationery	49.80	49.80			
	To Reimbursemen	365.10	By Misc. Expenses	20.90			20.90	
			By Repairs	156.70				156.70
			By Travelling	68.50		68.50		
			By Stationery	71.40	71.40			
			By Misc. Expenses	6.30			6.30	
			By Repairs	48.30				48.30
				421.90	121.20	68.50	27.20	205.00
			By Balance c/d	78.10				
		<b>500.00</b>		<b>500.00</b>				

**ANSWER TO Q.NO.36:**

	Particulars	L.F.	Dr. Rs.	Cr. Rs.
(a)	Suspense Account <span style="float: right;">Dr.</span> To Sales Account (Being the correction arising from under- casting of Sales Day Book)		100	100



(b)	Return Inward Account To Green & Co (Being the recording of unrecorded returns)	Dr.		150	150
(c)	Suspense Account To Gupta & Co. (Being the correction of the error by which Gupta & Co. was debited instead of being credited by Rs. 250).	Dr.		500	500
(d)	Furniture Account To Purchases Account (Being the correction of recording purchase of furniture as ordinary purchases)	Dr.		1,000	1,000
(e)	Red & black To Discount Account (Being the recording of discount omitted to be recorded)	Dr.		15	15
(f)	Discount Account To Suspense Account (Being the correction of omission of the discount allowed from Cash Book customer's account already posted correctly).	Dr.		18	18

**ANSWER TO Q.NO.37:**

**Journal**

	Particulars	L.F.	Dr. Rs.	Cr. Rs.
(1)	Furniture A/c To Purchases A/c (Correction of wrong debit to Purchases A/c for furniture purchased)	Dr.	500	500
(2)	Repairs A/c To Building A/c (Correction of wrong debit to building A/c for repairs made)	Dr.	50	50
(3)	Drawings A/c. To Trade Expenses A/c (Correction of wrong debit to Trade Expenses A/c for cash withdrawn by the proprietor for his personal use)	Dr.	100	100
(4)	Rent A/c To Landlord's Personal A/c (Correction of wrong debit to landlord's A/c for rent paid)	Dr.	100	100



(5)	Salaries A/c To Clerk's (Personal) A/c Correction of wrong debit to Clerk's personal A/c for salaries paid)	Dr.	125	125
(6)	Shaw & Co. To Shah & Co. (Correction of wrong credit to Shaw & Co. Instead of Shah & Co.)	Dr.	100	100
(7)	Typewriter A/c To Office Expenses A/c (Correction of wrong debit to Office Expenses A/c for purchase of typewriter)	Dr.	700	700

**ANSWER TO Q.NO.38:**

1. The Purchases Account should receive another debit of Rs.100 since it was debited short previously: "To Undercasting of Purchases Book for the month of --- Rs.100."
2. Due to this error the Returns Inward Account has been posted short by Rs. 50 : the correct entry will be: "To Undercasting of Returns Inward Book for the month of --- Rs.50."
3. The omission of the debit to the Depreciation Account will be rectified by the entry: "To Omission of posting on Rs. 250".
4. The excess debit will be removed by a credit in the Salaries Account by the entry: "By double posting on Rs. 75".
5. Rs.1,500 should have been debited to the Bills Receivable Account and not credited. To correct the mistake, the Bills Receivable Account should be debited by Rs. 3,000 by the entry: "To Wrong posting of B/R received on Rs. 3,000"
6. The rectification entry will be: "To Wrong posting Rs. 36".
7. Due to this error, the discount account has been debited short by Rs. 25. The required entry is : "To Omission of discount allowed to Satish on Rs. 25."

**ANSWER TO Q.NO.39:**

**Trial balance as on.....**

1.	Capital Account	-	4,00,000
2.	Computer Account	25,000	-
3.	Air conditioner and furniture Account	1,00,000	-
4.	Fixed deposits Account	2,00,000	-
5.	Salaries Account	8,00,000	-
6.	Fees received Account	-	12,00,000
7.	Traveling expenses Account	1,50,000	-
8.	Rent and office expenses Account	2,40,000	-
9.	Cash Account	1,80,000	-
10.	Bank overdraft Account	-	95,000
	<b>Total</b>	<b>16,95,000</b>	<b>16,95,000</b>



**ANSWER TO Q.NO.44:****Trial balance as on.....**

S.NO.	NAME OF ACCOUNT	DEBIT BALANCE (Rs.)	CREDIT BALANCE (Rs.)
1.	Cash account	3,180	-
2.	Capital account	-	10,000
3.	Bank account	6,900	-
4.	Purchases account	725	-
5.	Sales account	-	950
6.	Krishna's account	-	-
7.	Salary outstanding account	-	5
8.	Rent account	150	-
	<b><u>Total</u></b>	<b><u>10,955</u></b>	<b><u>10,955</u></b>

**ANSWER TO Q.NO.50:****Trial balance as on.....**

S.NO.	NAME OF ACCOUNT	DEBIT BALANCE (Rs.)	CREDIT BALANCE (Rs.)
1.	Capital account	-	12,000
2.	Furniture account	2,000	-
3.	Sales account	-	50,000
4.	Purchases account	30,000	-
5.	Debtors account	10,000	-
6.	Creditors account	-	5,000
7.	Expenses account	19,300	-
8.	Cash account	5,700	-
	<b><u>Total</u></b>	<b><u>67,000</u></b>	<b><u>67,000</u></b>

Calculations: Capital = Cash + Furniture = 10,000

Cash account: Opening balance = 10,000 + Cash sales = 5,000 + Received from debtors = 35,000

Less: cash purchases = 10,000 Less: payment to creditors = 15,000 Less: expenses paid = 19,300

