

ANSWER KEY

FOUNDATION ACCOUNTING

DATE: 10.04.2024

Answer 1(A)

- (i) **True:** Legal fee paid to acquire any property is **part of the cost of that property**. It is incurred to **possess the ownership right of the property and hence a capital expenditure**.
- (ii) **False:** Abnormal amounts of wasted materials, labour or other production overheads expenses **are generally not included in the costs of inventories**.
- (iii) **False:** Imprest system **part of petty cash book. It is not part of single column cash book**.
- (iv) **True:** The Cinema Hall could **not be started without license**. Expenditure incurred to obtain the license is **pre-operative expense which is capitalised. Such expenses are amortised over a period of time**.
- (v) **False : Useful life is either**
 - i. The period over which a **depreciable assets is expected to be used by the enterprises**.
 - ii. The **number of production or similar units expected** to be obtained from the use of asset by the enterprise.
- (vi) **False:** The rationale behind the opening of a suspense account **is to avoid delay in the preparation of financial statements**.

Answer 1(b)

Fundamental Accounting Assumptions: Fundamental accounting assumptions underlie the preparation and presentation of financial statements. They are usually **not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed**. The Institute of Chartered Accountants of India issued Accounting Standard (AS) 1 on 'Disclosure of Accounting Policies' according to which the following have been generally accepted as fundamental accounting assumptions:

1. **Going concern:** The enterprise is normally **viewed as a going concern, i.e. as continuing operations for the foreseeable future**. It is assumed that the enterprise **has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the operations**.
2. **Consistency:** It is assumed that **accounting policies are consistent from one period to another**.
3. **Accrual:** Guidance Note on 'Terms used in Financial Statements' defines **accrual basis of accounting as "the method of recording transactions by which revenue, costs, assets and liabilities are reflected in the accounts in the period in which they accrue."** The accrual 'basis of accounting' includes considerations relating to **deferrals, allocations, depreciation and amortization**. Financial statements prepared on the accrual basis inform users **not only of past events involving the payment and receipt of cash but also of obligations to pay cash in future and of resources that represent cash to be received in the future**. Hence, they provide the type of information about past transactions and other events that is most useful to users in making

economic decisions. Accrual basis is also referred to as mercantile basis of accounting.

Answer 1(c)

S. No.		Debit (₹)	Credit (₹)
1	Commission A/c Dr. To Interest Received (Correcting wrong entry of interest received into commission account)	4,500	4,500
2	M/s Sobhag Traders A/c Dr. To Suspense A/c (Being credit sale of ₹ 2,760 posted as ₹ debiting M/s Sobhag Traders A/c less by 90, rectified)	90	90
3	Drawing A/c Dr. To Machinery A/c (Correction of wrong debit to machinery account for purchase of air-conditioner for	35,000	35,000
4	Return Inward A/c Dr. To Debtors (Personal) A/c (Correction of omission to record return of goods by customers)	5,000	5,000

Answer 2(a)

Profit and Loss Adjustment Account

	₹		₹
To Advertisement (samples)	80,000	By Net profit	8,00,000
To Sales (goods approved in April to be taken as April sales)	2,00,000	By Electric fittings	30,000
To Adjusted net profit	16,80,000	By Samples	80,000
		By Stock (Purchases of March not included in stock)	5,00,000
		By Sales (goods sold in March wrongly taken as April sales)	4,00,000
		By Stock (goods sent on approval basis not included in stock)	1,50,000
	<u>19,60,000</u>		<u>19,60,000</u>

Calculation of value of inventory on 31st March, 2017

	₹
Stock on 31 st March, 2017 (given)	7,50,000
Add: Purchases of March, 2017 not included in the stock Goods lying with customers on approval basis	5,00,000
	<u>1,50,000</u>
	<u>14,00,000</u>

Answer 2(b)

RECTIFICATION ENTRIES

	Particulars	Dr.	Cr.
		Amount	Amount
		₹	₹
(i)	Returns inward account	Dr. 2,575	
	Sales account	Dr. 1,725	
	To Purchases account		2,575
	To Returns outward account		1,725
	(Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified)		
(ii)	Drawings account		
	To Purchases account	Dr. 3,500	
	(Being goods withdrawn for own consumption included in purchases, now rectified)		3,500
	Plant and machinery account	Dr. 450	
	To Wages account		450
	(Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified)		
(iv)	Advertisement expenses account	Dr. 825	
	To Purchases A/c		825
	(Being free samples distributed for publicity out of purchases, now rectified)		

Trading and Profit and Loss Account of Mr. XYZ for the year ended 31st March, 2017

Dr.

Cr.

		Amount			Amount
		₹	₹		₹
To	Opening stock		32,250	By	Sales
To	Purchases	1,53,100			2,13,575
	Less: Purchase return	<u>1,725</u>	1,51,375		Less: Sales return
To	Carriage inward		1,125		<u>2,575</u>
To	Wages		11,715	By	Closing stock
To	Gross profit c/d		1,39,535		$\left(₹ 80,000 \times \frac{100}{80} \times \frac{100}{80} \right)$
					1,25,000

		<u>3,36,000</u>			<u>3,36,000</u>
To	Salaries	22,550	By	Gross profit b/d	1,39,535
To	Rent	4,300	By	Bad debts recovered	450
To	Advertisement expenses	4,175			
To	Printing and stationery	1,250			
To	Bad debts	1,100			
To	Carriage outward	1,350			
To	Provision for doubtful debts				
	5% of ₹ 1,20,000	6,000			
	Less: Existing provision	<u>3,200</u>			
		2,800			
To	Provision for discount on Debtors				
	2.5% of ₹ 1,14,000	2,850			
	Less: Existing provision	<u>1,375</u>			
		1,475			
To	Depreciation:				
	Plant and machinery	3,000			
	Furniture and fittings	<u>1,025</u>			
		4,025			
To	Office expenses	10,160			
To	Interest on loan	3,000			
To	Net profit (Transferred to capital account)				
		<u>83,800</u>			
		<u>1,39,985</u>			<u>1,39,985</u>

Balance Sheet of Mr. XYZ as on 31st March, 2017

	Amount		Amount
Liabilities	₹	Assets	₹
Capital account	65,000	Plant and machinery	20,000
Add: Net profit	<u>83,800</u>	Less: Depreciation	<u>3,000</u>
	1,48,800	Furniture and fittings	10,250
Less:	<u>11,500</u>	Less: Depreciation	<u>1,025</u>
Drawings			9,225
Bank overdraft	80,000	Closing stock	1,25,000
Sundry creditors	47,500	Sundry debtors	1,20,000
Payable salaries	2,450	Less: Provision for doubtful debts	6,000
		Provision for bad debts	<u>2,850</u>
			1,11,150
		Prepaid rent	300
		Cash in hand	1,450
		Cash at bank	<u>3,125</u>
	<u>2,67,250</u>		<u>2,67,250</u>

Answer 3(a)**Bank Reconciliation Statement as on 30th Sept 2018**

Balance as per Cash Book			49,350
Add : Cheques deposited in the bank but no cleared			
(Rs. 1,300 + Rs. 250)		1,550	
Payments made by Bank on our behalf but not entered in the Cash Book			
Interest	320		
Premium	160		
Second call	600	1080	
Cheques issued against A/c No. 2 but wrongly debited by the Bank to this A/c		300	2,930
Overdraft as per Pass Book			52,280
Less : Cheques issued but not presented for payment		3,700	
Crossed Cheque issued to Abdul not presented for Payment		750	
Amounts collected by Bank on our behalf but not entered in the Cash Book			
Dividend	150		
Insurance claim	800		
	950		
(-) Bank Commission	15	935	
Amount paid in A/c No. 2 credited by the Bank wrongly to this A/c		500	(5,885)
			46,395

Answer 3(b)**Journal Entries in the Books of Mr. A**

Date		Particulars	L.F.	Dr. Amount ₹	Cr. Amount ₹
2017					
August	1	Bills Receivable A/c	Dr.	10,000	
		To B			10,000
		(Being the acceptance received from B to settle his account)			
August	1	Bank A/c	Dr.	9,800	
		Discount A/c	Dr.	200	
		To Bills Receivable			10,000
		(Being the bill discounted for ₹ 9,800 from bank)			
November	4	B	Dr.	10,000	
		To Bank Account			10,000
		(Being the B's acceptance is to be renewed)			

November	4	B	Dr.	240	
		To Interest Account			240
		(Being the interest due from B for 3 months i.e., $8000 \times 3/12 \times 12\% = 240$)			
November	4	Cash A/c	Dr.	2,240	
		Bills Receivable A/c	Dr.	8,000	
		To B			10,240
		(Being amount and acceptance of new bill received from B)			
December	31	B A/c	Dr.	8,000	
		To Bills Receivable A/c			8,000
		(Being B became insolvent)			
December	31	Cash A/c	Dr.	3,200	
		Bad debts A/c	Dr.	4,800	
		To B			8,000
		(Being the amount received and written off on B's insolvency)			

Answer 3(c)

Journal Entries

			(₹)	(₹)
1-1-2020	Bank A/c	Dr.	9,00,000	
	Discount/Loss on Issue of Debentures A/c	Dr.	1,50,000	
	To 12% Debentures A/c	Dr.		10,00,000
	To Premium on Redemption of Debentures A/c			50,000
	(For issue of debentures at discount redeemable at premium)			
30-6-2020	Debenture Interest A/c	Dr.	60,000	
	To Debenture holders A/c			54,000
	To Tax Deducted at Source A/c			6,000
	(For interest payable)			
	Debenture holders A/c	Dr.	54,000	
	Tax Deducted at Source A/c	Dr.	6,000	
	Debenture Interest A/c	Dr.		60,000
	To Debenture holders A/c			54,000
	To Tax Deducted at Source A/c			6,000
31-12-2020	(For interest payable)			
	Debenture holders A/c	Dr.	54,000	
	Tax Deducted at Source A/c	Dr.	6,000	
	To Bank A/c			60,000
	(For payment of interest and tax)			
	Profit and Loss A/c	Dr.	1,20,000	
	To Debenture Interest A/c			1,20,000
	(For transfer of debenture interest to profit and loss account at the end of the year)			

Profit and Loss A/c To Discount/Loss on issue of debenture A/c (For proportionate debenture discount and premium on redemption written off, i.e., $1,50,000 \times 1/5$)	Dr.	30,000	30,000
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OR

Answer 3(c)

Determination of Capital balances of Mr. Aman on 31.3.2018 and 31.3.2019

	31.3.2018	31.3.2019
	Rs.	Rs.
Assets	16,65,000	28,40,000
Less: Liabilities	(4,13,000)	(5,80,000)
Capital	<u>12,52,000</u>	<u>22,60,000</u>

Determination of Profit by applying the method of the capital comparison

	Rs.
Capital Balance as on 31-3-2019	22,60,000
Less: Fresh capital introduced (matured life insurance policy amount)	<u>(50,000)</u>
	22,10,000
Add: Drawings (Rs. 32,000 × 12)	<u>3,84,000</u>
	25,94,000
Less: Capital Balance as on 1.4.2018	<u>(12,52,000)</u>
Profit	13,42,000
Income declared	<u>9,12,000</u>
Suppressed Income	<u>4,30,000</u>

The Income-tax officer's contention that Mr. Aman has not declared his true income is correct. Mr. Aman's true income is in excess of the disclosed income by Rs. 4,30,000.

Note:

- Closing capital is increased due to fresh capital introduction, so it is deducted.
- Closing capital was reduced due to withdrawal by proprietor; so it is added back.

Answer 4(a)

1. Realisation Account

Particulars	₹	Particulars	₹
To Sundry Assets A/c (Transfer)		By Sundry Creditors A/c	20,000
		(transfer)	80,000
		By Mortgage loan	
- Premises	1,20,000	By Cash (Assets Realized)	
- Furniture	40,000	- Premises	90,000
- Stock	1,00,000	- Furniture	16,000
- Sundry Debtors	40,000	- Stock	60,000
To Cash (Creditors Paid)	32,000	- Sundry Debtors	24,000
(20,000+12,000)			1,90,000
To Cash (Expenses)	4,000	By Loss trfd to Capital (3:2:1:1)	

To Cash (Mortgage Loan)	80,000		
		- A	54,000
		- B	36,000
		- C	18,000
		- D	18,000
Total	4,16,000	Total	4,16,000

2. Partners' Capital Account

Particulars	A	B	C	D	Particulars	A	B	C	D
To Bal. b/d	-	-	10,000	12,000	By Bal. b/d	1,00,000	60,000	-	-
To Realization (Loss)	54,000	36,000	18,000	18,000	By Gen. Res.	24,000	16,000	8,000	8,000
To C's A/c (Loss 13:8)	11,143	6,857	-	-	By Cap. Res. (in 3:2:1:1)	6,000	4,000	2,000	2,000
To Cash	1,18,857	73,143	-	-	By Cash (Realn. Loss)	54,000	36,000	-	18,000
(Bal. Fig.)					By A's A/c	-	-	11,143	-
					By B's A/c	-	-	6,857	-
					By Cash (b/f)	-	-	-	2,000
Total	1,84,000	1,16,000	28,000	30,000	Total	1,84,000	1,16,000	28,000	30,000

1. Cash Account

Receipts	₹	Payment	₹
To balance b/d	8,000	By Realization (Creditors)	32,000
To Realization A/c (Assets realized)	1,90,000	By Realization A/c (Expenses)	4,000
To Capital A/c (Cash brought in to make good realization loss		By Realization A/c (Loan)	80,000
- A	54,000	By A's Capital A/c (Final Settlement)	1,18,857
- B	36,000	By B's Capital A/c (Final Settlement)	73,143
- D	18,000		
To D's Capital A/c (amt. received)	2,000		
Total	3,08,000	Total	3,08,000

Working Notes:-

- i. **Capital ratio for calculation of distribution of loss of insolvency between partner A & B :-**

Particular	A	B
Opening Balance	1,00,000	60,000
GR	24,000	16,000
CR	6,000	4,000
Capital Ratio (13:8)	1,30,000	80,000

- ii. D will not share in loss of C because it has already debit balance.

Answer 4(b)

Date	Particulars	Amount Dr. Rs.	Amount Cr. Rs.
1.5.2020	Bank A/c Dr. To Debenture Application A/c 1,50,000 (Application money received on debentures @ Rs. 100 each)	1,50,00,000	1,50,00,000
1.6.2020	Debenture Application A/c Dr. Underwriters A/c Dr. To 15% Debentures A/c (Allotment of 1,50,000 debentures to applicants and 50,000 debentures to underwriters)	1,50,00,000 50,00,000	2,00,00,000
	Underwriting Commission Dr. To Underwriters A/c (Commission payable to underwriters @ 2% on Rs. 2,00,00,000)	4,00,000	4,00,000
	Bank A/c Dr. To Underwriters A/c (Amount received from underwriters in settlement of account)	46,00,000	46,00,000
01.06.2020	Debenture Redemption Investment A/c To Bank A/c Dr. (200,000 X 100 x 15% X 40%) (Being Investments made for redemption purpose)	12,00,000	12,00,000
30.9.2020	Debenture Interest A/c To Bank A/c Dr. (Interest paid on debentures for 4 months @ 15% on Rs. 2,00,00,000)	10,00,000	10,00,000
31.10.2020	15% Debentures A/c Dr. To Equity Share Capital A/c To Securities Premium A/c (Conversion of 60% of debentures into shares of Rs. 60 each with a face value of Rs. 10)	1,20,00,000	20,00,000 1,00,00,000
31.3.2021	Debenture Interest A/c To Bank A/c Dr. (Interest paid on debentures for the half year) (Refer working note below)	7,50,000	7,50,000

Working Note:

Calculation of Debenture Interest for the half year ended 31st March, 2021:

On Rs. 80,00,000 for 6 months @ 15% = Rs.6,00,000

On Rs. 1,20,00,000 for 1 months @ 15% = Rs. 1,50,000

Rs.7,50,000**Answer 5(a)****In the books of M/s. JP Wires Co.****Machinery Account**

Date	Particulars	Amount Rs.	Date	Particulars	Amount Rs.
1.1.2017	To Bank A/c	3,20,000	31.12.2017	By Depreciation A/c	96,000
	To Bank A/c	80,000		(Rs.80,000+ Rs. 16,000)	
	(Erection charges)		31.12.2017	By Balance c/d	4,64,000
1.7.2017	To Bank A/c	1,60,000		(Rs.3,20,000+ Rs.1,44,000)	
		<u>5,60,000</u>			<u>5,60,000</u>
01.01.18	To Balance b/d	4,64,000	31.12.2018	By Depreciation A/c	1,12,000
				(Rs.80,000+ Rs. 32,000)	
			31.12.2018	By Balance c/d	3,52,000
				(Rs.2,40,000+Rs. 1,12,000)	
		<u>4,64,000</u>			<u>4,64,000</u>
01.01.19	To Balance b/d	3,52,000	01.07.2019	By Bank A/c	1,60,000
30.9.19	To Bank A/c	60,000		By Profit and Loss A/c	40,000
				(Loss on Sale - W.N.)	
			31.12.2019	By Depreciation A/c	75,000
				(Rs. 40,000 + Rs. 32,000 + Rs. 3,000)	
				By Balance c/d	1,37,000
				(Rs. 80,000 + Rs. 57,000)	
		<u>4,12,000</u>			<u>4,12,000</u>
01.01.20	To Balance b/d	1,37,000	31.12.2020	By Depreciation A/c	20,550
				(Rs. 12,000 + Rs. 8,550)	
				By Balance c/d	1,16,450
				(Rs. 68,000 + Rs. 48,450)	
		<u>1,37,000</u>			<u>1,37,000</u>

Working Notes:**Book Value of machines (straight line method)**

	Machine I	Machine II	Machine III
	Rs.	Rs.	Rs.
Cost	4,00,000	1,60,000	60,000
Depreciation for 2017	<u>80,000</u>	<u>16,000</u>	
Written down value as on 31.12.2017	<u>3,20,000</u>	<u>1,44,000</u>	
Depreciation for 2018	<u>80,000</u>	<u>32,000</u>	
Written down value as on 31.12.2018	<u>2,40,000</u>	<u>1,12,000</u>	
Depreciation for 2019	<u>40,000</u>	<u>32,000</u>	
Written down value as on 31.12.2019	<u>2,00,000</u>	<u>80,000</u>	
Sale proceeds	<u>1,60,000</u>		
Loss on sale	<u>40,000</u>		

Answer 5(b)**In The Books of Aarav Nirav and Purav****Revaluation A/c**

Particulars	₹	Particulars	₹
To RDD	3,250	By building	10,000
To Machinery	6,750	By Loss on revaluation	
To Stock	9,000	Aarav	4,500
		Nirav	3,000
		Purav	1,500
	<u>19,000</u>		<u>9,000</u>
			19,000

Partners Capital A/c

Particulars	Aarav	Nirav	Purav	Particulars	Aarav	Nirav	Purav
To Loss on Revaluation	4,500	3,000	1,500	By Balance b/d	80,000	50,000	35,000
To cash			59,500	By General Reserve	30,000	20,000	10,000
To Purav capital	9,600	6,400		By Aarav, Nirav capital			16,000
To Balance c/d	1,30,900	85,600		By Cash	35,000	25,000	
	<u>1,45,000</u>	<u>95,000</u>	<u>61,000</u>		<u>1,45,000</u>	<u>95,000</u>	<u>61,000</u>

Cash A/c

Particulars	₹	Particulars	₹
To Balance b/d	12,500	By Purav's Capital	59,500
To Aarav's Capital	35,000		
To Nirav's Capital	25,000	By Balance c/d	13,000
	<u>72,500</u>		<u>72,500</u>

Balance Sheet as on 1st April 2020

Liabilities		₹	Assets		₹
Capital : Aarav	1,30,900		Building		60,000
Nirav	85,600	2,16,500	Machinery		60,750
Trade Creditors		50,000	Debtors	65,000	
			Less: RDD	3,250	61,750
			Stock		71,000
			Cash in hand		13,000
		2,66,500			2,66,500

Working note :**Valuation of Goodwill**

31st March 2018 ₹ 39,000

31st March 2019 ₹ 50,000

31st March 2020 ₹ 55,000

Total ₹ 1,44,000

Average profit = 1,44,000/3

= 48,000

Goodwill = 2 years purchase

= 2 x 48,000 = ₹ 96,000

Purav's share = 1/6th = 96,000/6 = 16,000

Journal entry for adjustment of goodwill

Aarav capital A/c Dr. 9,600

Nirav capital Dr. 6,400

To Purav capital 16,000

Answer 6(a)**Bar Trading Account****For the year ending on 31st March, 2011**

Particulars		Rs.	Particulars	Rs.
To Bar Stock (Opening)		14,220	By Bar Sales	1,54,290
To Bar Purchases		1,35,690	By Bar Stock (closing)	19,890
To Wages	10,990			
Less: O/s for 09-10	(210)			
	10,780			
Add: O/s for 10.11	230	11,010		
To Profit t/f to income and expenditure A/c		13,260		
		1,74,180		1,74,180

Income and Expenditure Account For the year ending on 31st March, 2011

Expenditure	(₹)	(₹)	Income	(₹)
To salaries and wages	13,650		By Subscriptions	36,680
Less: O/s of 09-10	(330)		Less: O/s of 09-10	(790)
Add: O/s of 10-11	410	13,730	Add: O/s of 10-11	980
To Lighting & Heating	3,720		Add: Adv. of 09-10	140
Less: O/s of 09-10	(310)		Less: Adv. of 10-11	(260)
Add: O/s of 10-11	440		By Room Hire	1,460
	3,850		By Income from investments	3,150
Add: Opening stock (coal)	400		By Bar Trading A/c [Profit from Bar Room]	13,260
Less: Closing Stock (Coal)	(570)	3,680		
To Rates & Insurance	2,870			
Add: Prepaid of 09-10	620			
Less: Prepaid of 10-11	(730)	2,760		
To Miscellaneous Exp.	3,030			
Less: O/s of 09-10	(90)			
	2,940			
Add: O/s of 10-11	530	3,470		
To Depreciation :				
Furniture ₹(800 + 450)		1,250		
Premises		1,500		
To Office Expenses	4,250			
Add: Opening Stock (Stationery)	560			
Less: Closing Stock (Stationery)	650			
	4,150			
Less: O/s of 09-10 (Telephone Bills)	(290)			
Add: O/s of 10-11 (Telephone bills)	370	4,230		
To Excess of income over expenditure		24,000		
		54,620		54,620

Balance Sheet as at 31st March, 2011

Liabilities	(₹)	(₹)	Assets	(₹)	(₹)
Salaries and wages due		410	Bank Balance :		
Creditors for bar supplies		13,250	Current A/c	2,230	
Advance subscription		260	Deposit A/c	8,510	10,740
			(3,000+5,000+510)		
Telephone bill outstanding		370	Investments	30,000	
Electricity bill outstanding		440	Add: New purchases	14,000	
Repairs A/c outstanding		530		44,000	
Bar wages due		230	Less: Sale	(3,280)	40,720
Capital fund :			Furniture :		
Opening balance	87,530		13 years old		Nil
Add: Surplus	<u>24,000</u>	1,11,530	6 years old	8,000	
			Less: Depreciation	(4,800)	3,200
			New Furniture	9,000	
			Less: Depreciation	(450)	8,550
			Outstanding		980
			Stock of stationery		650
			Stock of coal		570
			Rates & insurance prepaid		730
			Debtors for bar sales		490
			Stock of bar supplies		19,890
			Freehold premises	60,000	
			Less: Acc. dep.	(19,500)	40,500
		<u>1,27,020</u>			<u>1,27,020</u>

Working Notes:

(i)

Creditors for Bar Purchases Account

(i)

Creditors for Bar Purchases Account

Particulars	₹	Particulars	₹
To Cash A/c	1,34,610	By Balance b/d	12,170
To Balance c/d	13,250	By Bar trading A/c	
		(Purchases) (bal. fig.)	<u>1,35,690</u>
	<u>1,47,860</u>		1,47,860

(ii)

Debtors for bar taking Account

Particulars	₹	Particulars	₹
To Balance b/d	120	By Cash A/c (collections	1,53,920
To Bar Trading A/c (Sales)	1,54,290	from debtors)	
		By Balance c/d	490
	<u>1,54,410</u>		<u>1,54,410</u>

(iii)

Balance Sheet as at 31st March, 2010

Liabilities	(₹)	Assets	(₹)	(₹)
Salaries and wages due	330	Bank Balance :		
Creditors for bar supplies	12,170	Current A/c		3,360
Subscription in advance	140	Deposit A/c		5,000
Outstanding:		Investment		30,000
Telephone Bill	290	Stock of bar supplies		14,220
Electricity Bill	310	Furniture		
Repairs A/c	90	12 year old	10,000	
Bar Wages	210	Less: Depreciation	(10,000)	Nil
Capital Fund (Bal. Fig.)	87,530	5 years old	8,000	
		Less: Depreciation	(4,000)	4,000
		Subscriptions due		790
		Stock of stationery		560
		Stock of coal		400
		Rates & insurance prepaid		620
		Debtors for bar sales		120
		Freehold Premises	60,000	
		Less: Acc. dep.	(18,000)	42,000
	<u>1,01,070</u>			<u>1,01,070</u>

Answer 6(b)**Siddhartha Trading Co. Ltd.****Journal Entries**

2011			Dr.	Cr.
July, 1	6% Redeemable preference share capital A/c	Dr.	2,00,000	
	Premium on redemption of preference shares A/c	Dr.	20,000	
	To Preference shareholders a/c			2,20,000
	(Being amount due on redemption of 20,000, 6% preference shares of Rs. 10 each at a premium of 10%)			
July, 1	Bank A/c (E.S. Application A/c)	Dr.	1,92,000	
	To Equity share capital A/c			1,60,000
	To Securities premium A/c			32,000
	(Being issue of 16,000, equity shares of Rs. each at a premium of Rs. 2 per share for redeeming 6% preference shares)			
July, 1	Cost of issue A/c	Dr.		
	To Bank A/c			

	(Being expenses incurred on issue of equity shares)		6,000	6,000
July, 1	Securities premiums A/c To Cost of issue A/c (Being amount of premium utilized for providing writing off cost of issue)	Dr.	6,000	6,000
July, 1	Profit and Loss A/c To Premium on redemption of preference shares A/c (Being amount of PL utilized for providing premium on redemption)	Dr.	20,000	20,000
July, 1	Profit and Loss A/c To Capital redemption reserve A/c (Being amount provided out of profit and loss account for redeeming preference shares which could not be redeemed out of fresh issue of shares)	Dr.	40,000	40,000
Oct, 1	Preference shareholder A/c To Bank A/c (Being payment of amount due on redemption of preference shares)	Dr.	2,20,000	2,20,000
Oct, 1	Capital redemption reserve A/c Securities premium A/c To Bonus to equity shareholders A/c (Being amount required for issue of 9,200 bonus shares of Rs. 10 each @ 1 share for every 5 equity shares held on October 1 provided out of various reserves utilizing the minimum of revenue reserves)	Dr. Dr.	40,000 52,000	92,000
	Bonus to equity shareholders A/c To Equity share capital A/c (Being issue of 9,200 equity shares of Rs. 10 Each as fully paid bonus shares)	Dr.	92,000	92,000