

## FINANCIAL ACCOUNTING II

### Partnership Accounts II

#### Dissolution of Firm

1. Nishikanta and sashikanta were partners in a firm. They shared profits and losses equally. On 31<sup>st</sup> December, 2017 they decided to dissolve the firm. On that date their Balance Sheet stood as follows :

Liabilities	₹	Assets	₹
Sundry Creditors	32,000	Cash	1,500
Capital A/cs :		Debtors	12,500
Nishikanta	52,000	Stock	25,000
Sashikanta	30,000	Buildings	60,000
	82,000	Furniture	15,000
	1,14,000		1,14,000

The assets realized as under :

Debtors ₹ 9,000; Stock ₹ 15,000; Buildings ₹ 40,000; Furniture ₹ 12,000

The creditors were paid off at ₹ 28,000 and expenses of liquidation amounted to ₹ 5,000.

Pass the Journal Entries to close the books of the firm and prepare Realisation Account, Cash Account and Capital Account.

2. Krishna and Arjun were partners in a firm. They shared profits and losses in the ratio of 4 : 1. They decided to dissolve the firm on 31.3.2018 on which date the Balance Sheet of the same stood as follows :

Liabilities	₹	Assets	₹
Capital Accounts :		Trade Marks	1,200
Krishna	16,000	Machinery	12,000
Arjun	6,000	Furniture	400
Bank Loan	1,500	Stock-in-trade	6,000
Creditors for Goods	8,000	Debtors	9,000
Bills Payable	500	Less : Pro. for Bad Debts	400
	32,000	Cash in hand	2,800
		Advertisement	1,000
		Suspense	1,000
	32,000		32,000

The Realisation shows the following results :

- a) Debtors were realized at book value less 10%.
- b) Goodwill was sold for ₹ 1,000.
- c) Trade Marks realized ₹ 800.
- d) Machinery and Stock-in-trade were taken over by Krishna respectively for ₹ 14,400 and ₹ 3,600.
- e) An unrecorded asset estimated at ₹ 600 was sold for ₹ 200. Creditors for goods were settled at a discount of ₹ 80. The expenses of Realisation were ₹ 400.

Prepare Realisation Account, Cash Book and Capital Accounts of the partners.

3. Yesterday, Today and Tomorrow were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. They decided to dissolve their firm with effect from December 31, 2017, the Balance Sheet on which date was as follows :

Liabilities		₹	Assets		₹
Creditors		25,000	Machinery		45,000
Loan on Mortgage		20,000	Stock		20,000
Joint Life Policy Reserve		12,000	Debtors	30,000	
Capital Accounts :			Less : Provision	<u>1,500</u>	28,500
Yesterday	45,000		Joint Life Policy		15,000
Today	30,000		Patents		20,000
Tomorrow	<u>15,000</u>	90,000	Cash at Bank		<u>18,500</u>
		<u>1,47,000</u>			<u>1,47,000</u>

Additional information in connection with the dissolution was as follows :

- Joint Life Policy was surrendered and insurance company paid a sum of ₹ 18,000.
- Today took some of the Patents at ₹ 3,500. Whose book value was ₹ 5,000.
- The remaining assets realized as follows :  
Machinery ₹ 30,000; Stock ₹ 15,500; Debtors ₹ 25,500; Patents 50% of their book values.
- Liabilities were paid and discount of ₹ 1,250 was allowed by the Creditors.
- Expenses of dissolution amounted to ₹ 1,500.

Prepare the necessary Ledger Accounts to close the books of the firm.

4. A, B and C decided to dissolve their partnership when the Balance Sheet of their firm stood as follows :

Liabilities		₹	Assets		₹
Capitals :			Machinery		2,02,500
A	1,00,000		Stock		1,12,500
B	50,000		Sundry Debtors		90,000
C	<u>25,000</u>	1,75,000	Commission Receivable		5,000
A's Loan Account		50,000			
Sundry Creditors		71,350			
Bank Overdraft		<u>1,13,650</u>			
		<u>4,10,000</u>			<u>4,10,000</u>

Prepare the necessary accounts taking into consideration the following :

- Profit Sharing Ratio was 3 : 2 : 1.
- A agreed to take over part of the business for which he agreed to pay ₹ 37,500 for Goodwill, together with half of the machinery and of stock, for which he agreed to pay ₹ 1,12,500 and 60,000 respectively.
- The balance of the machinery was sold for ₹ 75,000 and that of the stock for ₹ 30,000.
- Sundry Debtors realized ₹ 87,750.
- A was allowed to retain the commissions receivable in consideration of special service rendered during the course of dissolution.

5. X, Y and Z were partners of a firm sharing profits in the ratio of 3 : 2 : 1. Their firm was dissolved on 31<sup>st</sup> March, 2018 when their Balance Sheet was :

Liabilities		₹	Assets		₹
Capital Accounts :			Machinery		1,18,560
X	1,04,000		Investments		19,500
Y	65,000		Stock		46,800
Z	<u>39,000</u>	2,08,000	Debtors		67,990
Creditors		84,500	Cash		29,250
Bills Payable		26,000	Undistributed Loss		70,200
Investment Fluctuation Fund		7,800			
Deposits Received from Sub-Contractee		10,400			
Employee's Provident Fund		<u>15,600</u>			
		<u>3,52,300</u>			<u>3,52,300</u>

X was appointed to realize the assets. In lieu of that, he was to receive a commission @ 5% on sale of assets and to bear all expenses of realization. The assets realized as – Stock ₹ 33,800; Debtors ₹ 39,000 and Investments at a loss of 25% on book value. Machinery was sold for ₹ 55,575.

The deposits made by sub-contractee were returned after adjusting ₹ 3,900. Actual expenses of realization amounted to ₹ 5,330 which he paid out of business cash account. A repairs bill of ₹ 9,360 had to be paid although this was not taking into account so far compensation paid to the employees for retrenchment ₹ 12,740.

Provident Fund was settled finally by payment of ₹ 32,500.

Prepare the Ledger Accounts and close them.

6. Anu, Binu and Chinu were partners in a firm sharing profits and losses in the ratio of 3 : 2 : 1. They were not entitled to any interest on capital. Due to persistent losses and the continued illness of Binu, the partners decided to dissolve the firm on 31<sup>st</sup> March, 2018. The accounts were closed for the last time on 31<sup>st</sup> December, 2017 on which date the Balance Sheet of the firm was as under :

Liabilities		₹	Assets		₹
Capital Accounts :			Plant & Machinery		60,000
Anu	48,000		Furniture & Fittings		12,000
Binu	<u>32,000</u>	80,000	Motor Cars		36,000
Loan Account : Anu		20,000	Stock-in-trade		50,000
Trade Creditors		70,000	Sundry Debtors		44,000
Bank overdraft		<u>40,000</u>	Capital Account : Chinu		<u>8,000</u>
		<u>2,10,000</u>			<u>2,10,000</u>

During the period of three months ended 31<sup>st</sup> March, 2018 goods to the value of ₹ 32,000 were purchased and sales amounted to ₹ 50,000. In addition to payment to trade creditors, payments made were for salaries and wages ₹ 10,000 and for general and office expenses ₹ 8,000. Drawing of each partner were ₹ 800 p.m. On 31<sup>st</sup> March, 2018 debtors, creditors and stock-in-trade were ₹ 56,000, ₹ 60,000 and ₹ 40,000 respectively. The partner sold the entire business (with all

assets and liabilities including partner's loan) as a going concern to Minu for a consideration of ₹ 84,000. Costs of dissolution amounted to ₹ 2,400 which were made by Anu.

Show the necessary entries for the dissolution of the firm and also the capital accounts of the partners, assuming that all of them are insolvent.

7. P, Q and R were partners sharing profits and losses equally. They decided to dissolve their firm on 31.3.2018 when their Balance Sheet stood as follows :

Liabilities		₹	Assets		₹
Capitals :			Machinery		40,000
P	28,000		Stock		15,000
Q	21,000		Debtors		11,000
R	<u>5,000</u>	54,000	Cash at bank		4,000
Sundry Creditors		<u>16,000</u>			
		<u>70,000</u>			<u>70,000</u>

The Machinery was sold for ₹ 28,000 and the stock realized only  $\frac{1}{3}$ rd of its book value. All the book debts proved bad. The Creditors allowed discount ₹ 500. The expenses of Realisation amounted to ₹ 3,500.

R become insolvent and nothing could be realized as surplus from his private estate. Close the books of the firm.

8. Ash, Blue and Green were partners sharing profit and losses as 2 : 2 : 1. They dissolved their firm when their Balance Sheet stood as follows :

Liabilities		₹	Assets		₹
Capitals :			Cash at bank		5,000
Ash	41,000		Sundry Assets		97,000
Blue	<u>26,000</u>	67,000	Green's Capital		8,000
Green		15,000	Profit and Loss A/c (Dr.)		5,000
General Reserve		<u>33,000</u>			
Creditors		<u>1,15,000</u>			<u>1,15,000</u>

Sundry Assets realized ₹ 90,000 and the creditors were discharged at a discount of ₹ 2,000. The expenses of dissolution amounted to ₹ 2,000. Green was declared insolvent and a final dividend of 50% was realized from his private estate. Show the necessary accounts applying the Garner vs. Murray rule.

9. A, B and C are partners in a firm. They share Profits and Losses equally. On 31<sup>st</sup> March, 2018 they decided to dissolve the partnership. The Balance Sheet of the firm as on that date stood as follows :

Liabilities		₹	Assets		₹
Creditors		50,000	Cash		12,000
Reserve Fund		15,000	Fixed assets		40,000
Capital accounts :			Debtors		20,000
A	22,000		C's Capital account		26,000
B	<u>11,000</u>	33,000			
		<u>98,000</u>			<u>98,000</u>

At the time of dissolution, C was found insolvent and therefore other partners had to bear his deficiency. Fixed assets realized ₹ 28,000 and the creditors and debtors were disposed off at a discount of 10%.

Since it is an Indian firm, the decision in the case of "Garner vs. Murray" does not apply. You are required to close the books of accounts of the firm on the basis of above information.

10. Bee, Cee, Dee and Zee are partners in a firm sharing profits and losses in the ratio 4 : 1 : 2 : 3. The following is their Balance sheet as at 31<sup>st</sup> March, 2018 (in ₹).

Liabilities		₹	Assets		₹
Creditors		3,00,000	Debtors	3,50,000	
Capital :			Less : Provision	<u>50,000</u>	3,30,000
Bee	6,20,000		Cash		1,30,000
Zee	<u>2,40,000</u>	8,60,000	Stock		2,00,000
General Reserve		2,50,000	Investments		70,000
Bank Loan		60,000	Machinery		3,10,000
			Capital :		
			Cee	2,20,000	
			Dee	<u>1,90,000</u>	4,10,000
			Preliminary Expenses		<u>50,000</u>
		<u>14,70,000</u>			<u>14,70,000</u>

On 31.03.2018, the firm is dissolved and the following points are agreed upon :

Bee is to take over 40% of debtors at 80% of book value.

Zee is to take over the stocks at 95% of the value.

Dee is to discharge the sundry creditors.

Bank to take the investment in full settlement of their loan.

Fixed assets and balance of Debtors realized ₹ 3,00,000 and ₹ 1,78,000 respectively.

Expenses of Realisation amounted to ₹ 30,000.

Cee is declared insolvent and ₹ 22,000 is realized from his estate. Prepare Realisation Account, Capital Accounts of the partners and Cash A/c in the books of the firm.

11. A and B in equal partnership. Their Balance Sheet as on the date of dissolution of their firm were as follows :

Liabilities	₹	Assets	₹
Creditors	3,200	Machinery	1,200
A's Capital	400	Furniture	300
		Debtors	500
		Stock	400
		Cash	180
		B's Drawings	1,020
	<u>3,600</u>		<u>3,600</u>

The assets were realized as under :

Machinery ₹ 600, Debtors ₹ 400, Furniture ₹ 100, Stock ₹ 300.

The expenses of Realisation amounted to ₹ 140. A's private estate is not sufficient even to pay his private debts, whereas in B's private estate there is a surplus of ₹ 140 only. Close the books of the firm.

12. Tupai, Nupai, Jogai and Madhai were partners sharing profits and losses in the ratio of  $\frac{3}{10}$ ;  $\frac{3}{10}$ ;  $\frac{2}{10}$ ;  $\frac{2}{10}$ . Following is their Balance Sheet as on December 31<sup>st</sup> 2017 :

<b>Balance Sheet</b>			
<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital A/cs :		Capital Accounts :	
Tupai                   60,000		Jogai                   48,000	
Nupai                   45,000	1,05,000	Madhai                18,000	66,000
Sundry Creditors	46,500	Furniture	12,000
Tupai's Loan	30,000	Trade Marks	21,000
		Stock	30,000
		Sundry Debtors	48,000
		Less : Pro. for Bad Debts	1,500
		Cash at bank	6,000
	1,81,500		1,81,500

The firm was dissolved and Nupai was appointed to realize the assets and pay off the liabilities. He was entitled to receive 5% commission on the amounts finally paid to other partners as Capital. He was to bear the expenses of realization.

The assets realized as follows : Sundry Debtors ₹ 33,000, Stock ₹ 24,000, Furniture ₹ 33,000, Trade Marks ₹ 12,000.

Creditors were paid off in full, in addition, a contingent liability for Bills Receivable discounted materialized to the extent of ₹ 7,500. Also there was a Joint Life Policy for ₹ 90,000. This was surrendered for ₹ 9,000. Expenses of realization amounted to ₹ 1,500, Jogai was insolvent but ₹ 11,100 was recovered from his estate.

Write up the Realisation Account, Bank Account and Capital Accounts of the partners.

13. Taana, Maana, Jaana and Raana were partners sharing profits and losses in 3 : 3 : 2 : 2. Following is their Balance Sheet as on 31.03.2018 :

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital :		Capital :	
Taana                   46,200		Jaana                   48,000	
Maana                   30,000		Furniture	12,000
Raana                   12,100	88,300	Trademark	21,000
Creditors	46,500	Stock	30,000
Reserve	30,000	Debtors	48,000
		Less : Provision	1,500
Workmen Compensation Fund	10,000	Cash at Bank	17,300
	1,74,800		1,74,800

Due to difference in opinion, the firm was dissolved on that date and Maana was appointed to realize the assets and pay off the liabilities. He was entitled to receive 5% commission on the amounts finally paid to other partners and to bear the Realisation expenses. The assets realized as follows :

Debtors ₹ 43,000; Furniture ₹ 8,000; Stock ₹ 24,000 and Trade Mark ₹ 12,000.

Creditors were paid in full. In addition, an unrecorded liability for ₹ 6,500 was also paid. Actual liability for workmen compensation amounted to ₹ 4,000. There was a Joint Life Policy for ₹ 90,000. This was surrendered for ₹ 9,000. Expenses of Realisation ₹ 1,500 paid by the firm.

Jaana is declared insolvent and ₹ 17,800 realised from him. As per partnership deed, any deficiency on account of insolvency of a partner is required to be borne by solvent partners equally.

Write up Realisation A/c, Bank A/c and Capital Accounts of the partners in the books of the firm.

14. P, Q and R are partners sharing profits and losses as 5 : 3 : 2. The business is dissolved on 31.12.2017 when the Balance Sheet stands as follows :

Liabilities	₹	Assets	₹
Capital :		Machinery	50,000
P	10,000	Car	10,000
Q	40,000	Stock	60,000
R	20,000	Debtors	45,000
Creditors	1,00,000	Bank	5,000
	1,70,000		1,70,000

Machinery and stock are sold for ₹ 25,000 and ₹ 18,000 respectively. Car is taken by Q for ₹ 12,000. Debtors realize ₹ 20,000.

Deficiency of any partner in Capital Account is to be met by other partners in profit sharing ratio. P is insolvent; R can bring in ₹ 5,000 only. Prepare the necessary accounts in the books of the firm.

15. Rimi, Simi and Rakhi were partners in a firm sharing profits and losses as 5 : 3 : 2. On March 31, 2018 their Balance Sheet was as follows :

Liabilities	₹	Assets	₹
Sundry Creditors	40,000	Furniture	8,000
Rimi's Loan	16,000	Stock	52,000
Simi's Loan	12,000	Debtors	64,000
Capitals :		Cash at Bank	4,000
Rimi	30,000		
Simi	24,000		
Rakhi	6,000		
	60,000		
	1,28,000		1,28,000

The firm was dissolved on 1<sup>st</sup> April, 1995. The assets realized were as follows :

2018	Stock (₹)	Debtors (₹)	Furniture (₹)	Expenses (₹)
April 30	12,000	10,000	3,000	1,000
June 30	12,000	10,000	-	1,600
July 31	16,000	30,000	4,000	3,000
August 31	10,000	4,000	-	1,000

Cash received was paid to the rightful claimants at the end of each month. Prepare the statement showing the distribution of cash.

16. X, Y & Z were partners sharing profits & losses as 3 : 2 : 1. The firm was dissolved on 31.12.17 when its Balance Sheet showed the following positions :

Liabilities	₹	Assets	₹
Capitals :		Buildings	2,00,000
X	2,40,000	Machinery	65,000
Y	2,60,000	Furniture	1,24,000
Z	1,80,000	Stock	2,00,000
Creditors	64,000	Outstanding & Receivables	2,71,000
Other Payables	16,000	Cash	20,000
Reserves	1,20,000		
	8,80,000		8,80,000

It was decided that : (a) Cash would be distributed as and when realized. (b) X would work as the liquidator at a consolidated remuneration of ₹ 10,000 but he would have to bear all expenses of Realisation.

The Realisation were made on different dates as follows : 31<sup>st</sup> January, 2018 ₹ 90,000; 29<sup>th</sup> February, 2018 ₹ 1,42,500 and 31<sup>st</sup> March, 2018 ₹ 3,27,500.

On completing the Realisation X ascertained that his total expenses on that account had been ₹ 2,100.

Unsold stock of the book value of ₹ 18,000 was taken over by Z at an agreed value of ₹ 10,000. Show the distribution of cash applying the surplus Capital Method.

17. Luck, Duck and Pluck were partners sharing profits and losses as 2 : 1 : 1. Their Balance Sheet as on 31.12.2017 is given below and they dissolved their partnership on that date :

Liabilities	₹	Assets	₹
Outstanding Income Tax	4,000	Sundry Assets	1,61,000
Creditors	15,000	Cash	9,000
Bank Loan (Secured by a Fixed Asset)	30,000		
Duck's Loan	11,000		
Capitals :			
Luck	40,000		
Duck	40,000		
Pluck	30,000		
	1,10,000		

1,70,000

1,70,000

The Bank could collect ₹ 25,000 out of sale of the fixed asset that was pledged. ₹ 3,000 was spent for packaging stock of materials before sale. Other assets were sold on 1<sup>st</sup> of each month as follows :

January, 2018 ₹ 12,000; February, 2018 ₹ 15,000; March, 2018 ₹ 10,000; April, 2018 ₹ 30,000; May, 2018 ₹ 36,000.

The collections were distributed as and when realized. Show the distribution.

18. Ajoy, Bijoy and Sujoy were partners sharing profits and losses as 2 : 1 : 1. The Balance Sheet as on 31.12.2017, when they dissolved their partnership was under :

Liabilities	₹	Assets	₹
Capitals :		Sundry Assets	1,85,000
Ajoy	60,000	Cash	15,000
Bijoy	50,000		
Sujoy	30,000		
Reserve			
Govt. Dues			
Bijoy's Loan			
Creditors			
	1,40,000		
	10,000		
	10,000		
	20,000		
	20,000		
	2,00,000		2,00,000

₹ 2,000 was spent for packaging of materials before sale. The Realisation were made on different dates as under :

January ₹ 15,000; February ₹ 20,000; March ₹ 30,000; April ₹ 60,000 and May ₹ 40,000.

The collections were distributed as and when realized. Show the distribution of cash collected.

### Hire Purchase and Instalment Payment System

An agreement under which goods are let on hire and under which the hirer has an option to purchase them in accordance with the terms of the agreement and includes the agreement under which :

- Possession of goods is delivered by the owner thereof to a person on condition that such person pays the agreed amount in periodical instalments :
- The property in the goods is to pass to such a person on payment of the last instalments; and
- Such a person has a right to terminate the agreement at any time before the property passes.

- S. Bros. purchased a machine on 1.1.2013 on hire purchase basis from Patel Traders, the Cash Price being ₹ 15,000. An initial payment of ₹ 2,000 is to be paid on signing the hire purchase contract and the balance is five equal instalments of ₹ 3,000 each at the end of each year. Interest is to be paid @ 5% p.a. Calculate the interests payable over the instalments.

2. On 1.4.2015 Ramanuj purchased a Gen-set from Honda Ltd. On hire purchase basis on the following terms :
  - a) The Cash Price of the Gen-set was ₹ 30,000.
  - b) ₹ 12,000 would be payable on the date of delivery, that is, 1.4.2000.
  - c) The balance would be paid by three annual instalments of ₹ 6,000 each together with interest chargeable on the remaining balance @ 6% p.a. on 31 March every year.Show the calculation of interest and the hire purchase price of the asset.
3. Dona purchased a Moving Machine from Anjali Ltd. Under hire purchase on 1.4.2014. It was agreed that ₹ 2,000 would be paid on signing the agreement on 1.4.2014. The rest would be paid by annual instalments of ₹ 2,800, ₹ 2,600, ₹ 2,400 and ₹ 2,200. It was agreed further that the instalments were inclusive of interest @ 10% per annum charged by Anjali Ltd. and these were to be paid on 31 March every year. Calculate the Cash Price of the Machine.
4. T Ltd. purchased Motor Lorries on Hire Purchase System over a period of 4 years, ₹ 24,000 being payable on delivery, on 1<sup>st</sup> January, 2014 and the balance by annual instalments of ₹ 24,000 each on 31<sup>st</sup> December each year. M Ltd. which sold the Lorries charged interest at 5% p.a. on the yearly balances. The cash value of the Lorries on delivery was ₹ 1,09,100. Depreciation @ 25% on diminishing balances was written off each year.  
Show the Journal Entries in the books of T Ltd. for all these years.  
Also show the Journal Entries in the books of M Ltd.
5. On 1.1.2013 Bandel Ltd. took delivery from Auto Ltd. of a Motor Van on hire purchase ₹ 2,000 being paid on delivery and the balance in five annual instalments of ₹ 3,000 each payable on 31<sup>st</sup> December every year. The Vendor company charged interest @ 5% p.a. on yearly balances. The Cash value of the Motor Van was ₹ 15,000.  
Bandel Ltd. provided depreciation @ 20% on the diminishing balance. Show the Journal Entries in the books of Bandel Ltd.
6. D Ltd. had purchased a machine on Hire Purchase system from H Ltd. The terms are that D Ltd. would pay ₹ 20,000 down on 1.1.2013 and 5 annual instalments of ₹ 11,000 each commencing from 1.1.2014. They charged depreciation on Machinery at the rate of 15% p.a. under diminishing balance system.  
H Ltd. had charged interest at the rate of 10 % p.a.  
Show the 'Machinery Account' and H Ltd. to record the above transactions in the books of D Ltd. till the instalments are paid off.  
Every year D Ltd's accounting year ends on December, 31.
7. Rain Ltd. purchased a Motor Van on hire purchase from storm Ltd. on 1.1.2010. The terms of payment were ₹ 23,000 on delivery, ₹ 11,700 at the end of first year, ₹ 10,800 at the end of second year and ₹ 9,000 at the end of third year including interest. Rain Ltd. charged depreciation at 10% p.a. under diminishing balance method. Assume that Storm Ltd. charged interest @ 10% p.a. on the outstanding amount at the beginning the of each year.  
Show Storm Ltd. Account and Motor Van Account in the books of Rain Ltd.
8. Modern Transpoter purchases a truck on hire purchases from Hindustan Motors for ₹ 56,000. Payment to be made as ₹ 15,000 down cash and 3 instalments of ₹ 15,000 each at the end of

each year. Rate of interest is charged at 5% p.a. Buyer depreciates assets at 10% p.a. on written down value method. Because of financial difficulties Modern Transporter after having paid the down cash and the first instalment at the end of the first year could not pay the second instalments and Hindusthan Motors took possession of the Truck.

Prepare (a) The Truck Account and (b) Seller's Account in the books of the buyer assuming that the year end on 31<sup>st</sup> December.

- 9.** Transport Company Ltd. purchased 2 Vans costing ₹ 40,000 each from Auto Distribution on 1<sup>st</sup> January, 2015 on Hire Purchase System on the following terms :  
Payment of ₹ 10,000 is to be made for each van on delivery. Remainder is to be paid in three equal instalments together with interest at 10% per annum at the end of each year. The buyer writes off 25% depreciation each year on diminishing balance method. It makes payment for the two instalments but cannot pay the final instalment. Thereupon the vendor repossess one van adjusting its value against the amount due. The repossession done on the basis of 30% depreciation on diminishing balance method. Write up the ledger accounts in the books of Transport Company Ltd.
- 10.** Arunangshu Transport Agency purchased 2 Motor Vans costing 80,000 each from Debika Auto Company on 1<sup>st</sup> January, 2015 on the hire purchase system. The terms of payment were as follows :  
Payment of ₹ 20,000 each for Motor Van on delivery. Remainder in three equal instalments together with interest @ 10% p.a. to be paid at the end of each year.  
Arunangshu Transport Agency writes off 20% depreciation each year on the diminishing balance method. Hire purchaser paid two instalments due to on 31<sup>st</sup> December, 2015 and 2016 but could not pay the final instalment.  
Debika Auto Company repossessed one Motor Van adjusting its value against the amount due. The repossession was done on the basis of 25% depreciation on the Fixed Instalment method. Write up the Ledger accounts in the books of Arunangshu Transport Agency.
- 11.** Kolkata Transport Agency purchased 2 motor vans costing ₹ 2,40,000 each from Honda Auto Company on 1<sup>st</sup> January, 2015 on the hire purchase system. The terms of payment were as follows :  
Payment of ₹ 60,000 each for motor van on delivery and the remainder in three equal instalments together with interest @ 10% p.a. to be paid at the end of each year.  
Kolkata Transport Agency writes off depreciation @ 20% p.a. each year on the diminishing balance method. The hire purchaser paid two instalments due to on 31.12.2015 and 31.12.2016, but could not pay the final instalment.  
Honda Auto Company repossessed one Motor Van adjusting its value against the amount due. The repossession was done on the basis of 25% depreciation on the Fixed Instalment method. Write up the Motor Van Account and Honda Auto Company Account in the books of Kolkata Transport Agency.
- 12.** On 1.1.2013, the Co-operative Spinning Mills Ltd. Acquired 5 machines on Hire Purchase System from Machine Distributors Ltd. The cash down price for each machine was ₹ 20,000. The Price was payable in five instalments of ₹ 4,000 each, the first being paid on signing of the contract and other instalments on each anniversary of the date of delivery and such instalments included interest charged at 5% p.a. The buyer decided to provide depreciation @ 10% p.a.

After Paying the first and two more annual instalments, the Co-operative Spinning Mills Ltd. Discontinued payment of instalments in respect of two machines and the vendors seized those two machines according to the terms of the contract. The agreement with regard to the other three machines was duly carried out.  
Show the Machinery Account, Vendors Account and Machine Surrendered Account in the books of the buyer to the end of the agreement period.

13. Seema agency purchased three Trucks from Vishal Automobiles Ltd. on 1st January, 2015 under higher purchase agreement. The cash price of each truck is ₹ 1,50,000. According to the terms and conditions of Vishal Automobiles Ltd. 10% of the cash price is to be paid on delivery and balance cash price in three equal early instalments payable at the end of each year together with interest @ 10% per annum.

Seema Agency rights of 20% depreciation on straight line method. Seema Agency paid the first and second instalment in due time but fail to pay the last instalment due to 31st December, 2017.

Vishal Automobiles Ltd. agreed to leave two trucks with Seema Agency and take back the third one, adjusting the value against amount due the returned truck being valued @ 30% depreciation on diminishing balance method.

Vishal Automobiles Ltd. sold the re-possessed truck for ₹ 45,000 in cash on 7 January, 2018 after incurring repairing expenses on ₹ 8,000. Show trucks account and Vishal Automobiles Ltd. account in the books of Seema Agency and re-possessed truck account in the books of Vishal Automobiles Ltd. to give effect to the above transactions.

### Hire Purchase Trading Account Method

#### (A) Hire Purchase Trading Accounts (at cost)

Particulars	₹	Particulars	₹
To Balance b/d :		By cash A/c (Received through Down Payment and instalments)	00
Hire purchase Stock (opening H.p. Stock at cost)	00	By Goods Repossessed A/c (instalments due but not paid)	00
Hire Purchase Debtors (opening)	00	By Balance c/d :	
To Loss on Goods Repossessed A/c	00	H.p. Stock (Closing stock at cost)	00
To Goods Sold on Hire Purchase A/c (at cost)	00	H.p. Debtors (Closing)	00
To Profit & Loss A/c	00		

#### (B) Hire Purchase Trading Accounts (at H.p. Price / Loaded Price)

Particulars	₹	Particulars	₹
To Balance b/d :		By Cash A/c (Recd. through Down Payments and Instalments)	00
*H.p. Stock (at H.p. Price)		By Goods Repossessed (instalments due but not received)	
H.p. Debtors	00	By **H.p. Stock Reserve A/c	00
To *Goods sold on Hire Purchase	00		

A/c (at H.p. Price)			
To **Closing H.p. Stock Reserve A/c (Loading included in Closing in H.p. Stock)	00	(Loading on H.p. Stock)	
To Loss on Goods Repossessed A/c	00	By **Goods Sold on Hire Purchase A/c (Loading on Goods Sold)	00
To Profit and Loss A/c	00	Balance C/d :	
		By *H.p. Stock (Closing Stock at H.p. Price)	00
		By H.p. Debtors (Closing)	00

**14.** Gupta & Co. Ltd. Sells a patent product on hire purchase terms and has the following balance on dates mentioned below :

	₹
<b>2017</b>	
Jan. 1. Stock out on hire purchase (H.P. Price)	6,000
Stock on hand (at the shop)	750
Instalments due (customers still paying)	450
Dec. 31. Stock out on hire at H.P. Price	6,900
Stock in hand (at the shop)	1,050
Instalments due (customers still paying)	750

Prepare the Trading Account for the year ending on 31<sup>st</sup> December, 2017, if cash of ₹ 12,000 is received during the year by way of instalments and gross profit is reckoned at 25% on selling price.

**15.** Decor Ltd. Supply goods on hire purchase system at a profit of 50% over the cost. The following are the transactions for the year ending December 31, 2017 :

	01.01.17	31.12.17	₹
Stock out on hire purchase at cost on :			
	60,000	48,000	
Instalments due (customers are still paying) on :			
	5,400	9,000	
Goods repossessed during the year (for instalments unpaid ₹ 900) valued at			450
Instalments realised during the year			1,17,000

Prepare the Hire-Purchase Stock Account, Hire-Purchase Debtor's Account and the Hire-Purchase Adjustment Account.

**16.** Khosla Bros, which sells products on hire purchase terms, has the following balance as on dates mentioned below :

	₹
<b>2017</b>	
Jan. 1. Stock out on hire at hire purchase prices	12,000
Stock at shop	1,500
Instalments overdue	900
Dec. 31. Stock out on hire at hire purchase price	13,800
Stock in shop	2,100
Instalments overdue	1,500

Prepare the H.P. Trading Account for the year ending on 31.12.2017, if cash ₹ 24,000 is received during the year by way of instalments and gross profit is reckoned at 25% on selling price.

### Departmental Accounts

1. Mrs. Z & Co. has two departments. They maintain separate records for each department. You are requested to prepare the Trading A/c and Profit & Loss A/c of each department and a Balance Sheet for the year ended on 31<sup>st</sup> March, 2018 on the basis of the following information :

	Dept. I	Dept. II	Other Balances
	₹	₹	₹
Opening Stock (1.4.17)	25,000	20,000	
Purchases	2,30,000	1,90,000	
Purchase Returns	2,000	1,000	
Sales	6,33,000	4,92,000	
Sales Returns	3,000	2,000	
Wages & Salaries	1,80,000	1,60,000	
Miscellaneous Charges	35,000	32,000	
Closing Stock on 31.3.18	26,000	24,000	
Sundry Debtors	-	-	1,90,000
Sundry Creditors			1,73,000
Plant & Machinery			2,40,000
Leasehold Land			80,000
Buildings			1,20,000
Furniture & Fittings			48,000
Selling Expenses and other overhead expenses			1,28,000
Cash in hand on 31.3.18			8,000
Cash at Bank on 31.3.18			1,10,000
Proprietors Capital A/c			5,00,000

Depreciation Plant & Machinery by  $33\frac{1}{3}\%$ , Building by 5% and Furniture & Fittings by 10%. All unallocated expenses are to be allocated on the basis of net sales of each department.

2. Mrs. ABC carried on business as Departmental stores in Calcutta. The partners A, B and C were in charge of Departments X, Y and Z respectively. The Partners are entitled to a remuneration equal to 50% of the profits (without taking the partners remuneration into consideration) of the respective departments of which they are in-charge and the balance of the profits are to be distributed among A, B and C in the ratio 5 : 3 : 2. The following are balance of the revenue items in the books for the year 31.3.2018 :

	Departments		
	X	Y	Z
	₹	₹	₹
Opening Stock	1,51,560	96,000	80,000
Purchase	5,62,800	3,32,400	1,77,600

Sales	7,20,000	5,40,000	3,60,000
Closing Stock	1,80,320	69,920	86,360
Other Revenue Items :			
Salaries & Wages	1,92,000		
Discount Allowed	5,400		
Advertising	9,000		
Discount Received	3,200		
Rent	43,200		
Sundry Expenses	48,600		
Depreciation on Furniture & Fittings	3,000		

(a) Prepare the Departmental Trading and Profit & Loss Account for the year ended 31.3.18.

(b) Show the distribution of profits amongst the partners after taking into account the following :

- i) Goods having a transfer price of ₹ 42,800 and ₹ 2,400 were transferred from Departments X and Y respectively to department Z. The inter-departmental transfers are made at 125% of the cost.
- ii) The various items shall be apportioned amongst the three Departments in the following proportions :

	<b>Departments</b>		
	<b>X</b>	<b>Y</b>	<b>Z</b>
	₹	₹	₹
Rent	2	2	5
Salaries	1	1	1
Depreciation	1	1	1
Discount Received	8	5	3

All other expenses : on the basis of sales (excluding inter-departmental transfers) of each department.

The opening stock of Department Z does not include goods transferred from other Departments but the Closing Stock includes ₹ 34,200 valued at the inter-departmental transfer prices.

3. The directors of Departmental Stores Limited wish to ascertain approximately, the net profits of "A", "B" and "C" departments separately for the quarter ended March 31, 2018. It is found impracticable actually to take stock on that date but an adequate system of departmental accounting is in use and the normal rates of goods profit, for the departments concerned, are 40%, 30% and 20% on turnover respectively. Indirect expenses are charged in proportion to departmental turnover.

Following are the figures for the each department :

	<b>A (₹)</b>	<b>B (₹)</b>	<b>C (₹)</b>
Stock on 1.1.2018	30,000	35,000	15,000
Purchases to March 31, 2018	35,000	37,500	23,500
Sales to March 31, 2018	60,000	50,000	30,000
Direct Expenses	10,100	7,250	3,550

Total indirect expenses for the period (including those related to other departments) were ₹ 21,000 on total sales of ₹ 4,20,000.

Prepare a statement showing gross profit, net profit after making reserve for stock at 10% in respect of each department.

4. The following purchases were made during the year 2018 by a business house having three departments

Department A	4,000 units	}	at a total cost of ₹ 4,00,000
Department B	8,000 units		
Department C	9,600 units		

Stock on 1.1.18 were – Departments : A – 480 units; B – 320 units; C – 608 units.

Sales during the year were – Departments : A – 4,080 units @ ₹ 24 each; B – 7,680 units @ ₹ 27 each; C – 9,984 units @ ₹ 30 each.

The rate of Gross Profit is the same in each case. Total departmental expenses of ₹ 48,000 were to be apportioned to the various departments in the ratio of 1 : 2 : 2.

Prepare the Departmental Trading Account.

5. You are given the following particulars of a business having three departments :

	Purchases	Opening Stock	Closing Stock
Department X	1,500 units	200 units	100 units
Department Y	1,000 units	300 units	160 units
Department Z	2,000 units	150 units	200 units

**Additional Information :**

(i) Purchases were made at a total cost of ₹ 92,000.

(ii) The percentage of Gross Profit on turnover is the same in each case.

(iii) Purchases and sales are Constant for the last 2 years.

(iv) Selling price per unit :

Department X	₹ 20
Department Y	₹ 25
Department Z	₹ 30

You are required to prepare Departmental Trading Account.

6. Silver Ltd. Has three departments and submits the following information for the year ending on 31.12.2017.

	Dept. A	Dept. B	Dept. C	Total
Purchases (units)	5,000	10,000	15,000	-
Purchases (amount)	-	-	-	8,40,000
Sales (units)	5,200	9,800	15,300	-
Selling Price per unit (₹)	40	45	50	-
Closing Stock (units)	400	600	700	-

You are required to prepare Departmental Trading Account of Silver Ltd. assuming that the rate of Gross Profit on sales is uniform in each department.

7. A Ltd. has three departments X, Y and Z. From the following particulars given by Mrs. A Ltd., compute :

(a) the value of stock as on 31 March, 2018, and (b) the departmental results.

(i)	X (₹)	Y (₹)	Z (₹)
Stock (1.4.2017)	12,000	18,000	6,000
Purchases	73,000	62,000	24,000
Actual Sales	86,250	79,700	37,300
Gross Profit on normal selling price	20%	25%	$33\frac{1}{3}\%$

(ii) During the year certain items were sold at a discount given below and these discounts were reflected in the values of sales stated above :

	Departments		
	X (₹)	Y (₹)	Z (₹)
Sales at normal price	5,000	1,500	500
Sales at actual price	3,750	1,200	300

8. O and K are two departments of Red Company of Calcutta. O department sells goods to K Department at normal market price. From the following particulars, prepare a Trading and Profit and Loss Account of the two departments for the year ended 31<sup>st</sup> March, 2018 :

	Dept. O ₹	Dept. K ₹	General ₹
Stock on April 1, 2017	12,000	Nil	
Purchases	2,76,000	24,000	
Goods from O Department	-	84,000	
Wages	12,000	19,200	
Salaries	8,000	5,000	
Stock on 31st March, 2018 at Cost Dept.	60,000	21,600	
Sales	2,76,000	1,74,000	
Stationery & Printing	2,560	1,960	
Plant & Machinery	-	14,400	
Salaries (General)			18,000
Miscellaneous Expenses			3,600
Advertisement			9,600
Bank Charges			2,400

Depreciation Plant & Machinery by 10%. The general unallocated expenses are to be apportioned in the ratio O : 3, K : 2.

9. From the following data, prepare Departmental Trading and Profit and Loss Account for the year ended December 31, 2017 :

	Departments	
	A ₹	B ₹
Opening Stock	40,000	-
Purchases from outside	2,00,000	20,000
Wages	10,000	1,000
Transfer of goods from Department A	-	50,000
Closing Stock at cost to the Department	30,000	10,000

Sales to outsiders 2,00,000      71,000

B's entire stock represents goods from Department A which transfers them at 25 % above its cost. Administrative and Selling Expenses amount to ₹ 15,000 which are to be allocated between Departments A and B in the ratio of 4 : 1 respectively. Also show the amount of provision to be made for unrealized profit.

- 10.** Modern Engineering Works carries on business with two departments : Raw Materials and Manufacturing. The finished goods are produced by the Manufacturing Department with raw material supplied from Raw materials department at selling price. Necessary particulars are furnished below :  
Prepare Departmental Trading and Profit and Loss Account for the year ending on 31<sup>st</sup> December, 2017, after allocation of expenses on reasonable basis between the two departments.

	Raw Materials Department	Manufacturing Department
	₹	₹
Opening Stock	60,000	10,000
Purchases	4,00,000	3,000
Raw materials transferred to Manufacturing Department	60,000	-
Sales	4,40,000	90,000
Manufacturing Expenses	-	12,000
Selling Expenses	800	400
Closing Stock	40,000	12,000

It is estimated that the cost of closing stock in the hands of Manufacturing Departments consists of 80 % for raw materials and 20% for manufacturing expenses. The rate of gross profit earned during the preceding year by the Raw Materials Department was 10%. Other administrative expenses are as follows :

(i) Salaries ₹ 2,500; (ii) Insurance Premium ₹ 800.

- 11.** The firm "Tantuja" has two departments – first one is "Cloth" and the second is "Tailoring". Tailoring department gets all his requirements of cloth from the cloth department at the usual selling price. From the following particulars prepare Departmental Trading Account and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2018 :

	Cloth Department	Tailoring Department
	₹	₹
Manufacturing Expenses	-	1,08,000
Selling Expenses	45,000	18,000
Stock on 1.4.17	5,40,000	72,000
Sales	36,00,000	7,20,000
Transfer of cloth to Tailoring Department	4,50,000	-
Purchases	30,60,000	45,000
Stock on 31.3.18	9,00,000	1,35,000

The stock in Tailoring Department may be assumed to consists 80% cloth and 20% other expenses. General expenses of the business for the year came to ₹ 2,07,000. In 1995 – 1996 the cloth department earned a gross profit of 30% on sales.

12. Sleek Traders has two departments A and B from the following particulars you are required to prepare Departmental Trading and Profit and Loss Account and the General Profit and Loss Account for the year ended on 31.03.2018.

	Dept. A ₹	Dept. B ₹	General ₹
Sales excluding inter-departmental transfer	4,50,000	3,75,000	
Purchases	1,70,000	1,45,550	
Stock as on 01.04.2017	22,500	1,12,500	
Salaries	52,500	40,000	
Depreciation	40,000	36,000	
Stock as on 31.03.2018 at cost to respective departments	87,500	1,02,500	
Expenses (to be apportioned on the basis of sales)			92,400
Carriage Inward			24,750
Rent and Rates (10% for General Office and 90% for Departments)			1,60,000
Legal and other General expenses (not to be apportioned)			25,800

**Other information :**

- Space occupied by department A is double the space occupied by department B.
- Inter departmental transfers during the year :
  - Department A to Department B ₹ 60,000, at cost plus 25%.
  - Department B to Department A ₹ 75,000, at normal selling price.
- Transferred goods included in stock as on 31.03.2018 :
  - In department A (out of goods transferred by department B) ₹ 20,000.
  - In department B (out of goods transferred by department A) ₹ 18,000.
- Opening stock did not include goods transferred from other department.

13. Bubbles Ltd. has three operating departments. The details of operations of each Department during 2017 had been as follows :

	Dept. I ₹	Dept. II ₹	Dept. III ₹
Sales to customers	4,00,000	6,00,000	8,00,000
Purchases from outsiders	3,00,000	4,00,000	5,00,000
Opening Stock (out of local purchase)	80,000	1,00,000	1,20,000
Transfer to Dept. III	1,35,000	-	-
Closing Stock	50,000	50,000	1,00,000
Common Expenses :			
Selling Commission	₹ 36,000		
Depreciation	₹ 45,000		
Administration Expenses	₹ 1,60,000		
Interest on Capital	₹ 90,000		

Stock of Dept. III includes 20% transfers from Dept I. Prepare Departmental Profit and Loss A/c and ascertain net profit of the Company after considering the following details :

Dept. I ₹	Dept. II ₹	Dept. III ₹
--------------	---------------	----------------

Fixed Assets Installed (₹)	3,60,000	2,00,000	1,60,000
Capital Employed (₹)	2,00,000	3,00,000	3,00,000
	$\frac{4}{10}$	$\frac{3}{10}$	$\frac{3}{10}$
Administration expenses to be shared Dept. I transfers supplies to Dept. III at normal selling price less 10%.			

14. Vijaya Ltd. has three departments I, N & K for the year ended 31.12.2017 the information is given below :

	I ₹	N ₹	K ₹
Stock on 1.1.2017	13,500	18,000	27,000
Materials consumed	36,000	54,000	-
Manufacturing expenses	22,500	45,000	-
Stock on 31.12.2017	18,000	63,000	36,000
Unrealised profit in Stock on 1.1.2017	-	4,500	6,000
Sales	-	-	1,53,000

Each department values its stocks at cost to the department concerned. Whereas Department I transferred goods to Department N at a margin of 30% above departmental cost, Department N transferred to Department K at 25% above departmental cost.

Other expenses were : Staff Remuneration ₹ 6,000; Stationery ₹ 4,500; Rent ₹ 27,000; Depreciation ₹ 18,000 and Advertising ₹ 13,500. These expenses are to be shared by the departments in the ratio of gross profits.

Prepare Departmental Trading & Profit & Loss Account.

### Investment Accounts

1. X Ltd. purchases 5,000 Debentures of ₹ 100 each of Alpha Ltd. at ₹ 110 each and pays brokerage @  $2\frac{1}{2}\%$ . What should be the cost of acquisition of the investments?
2. On 1.4.2018 Mr. X purchased 10,000 equity shares of ₹ 100 each @ ₹ 120 each from a broker who charged brokerage @ 2% X incurred 0.1% as cost of shares transfer tax. Find out the cost of Equity Shares.
3. On 31.03.2017 2500 shares of ₹ 100 each were sold through brokers at a market price of ₹ 90 each. The rate of brokerage was 2%. What were the actual sale proceeds?
4. P Ltd. purchases 300, 12% Debentures of Beta Ltd. on 1.3.2018 at ₹ 101 cum-interest. The nominal value of each debenture is ₹ 100 and interest become due on 30<sup>th</sup> June and 31<sup>st</sup> December.
5. R Ltd. sells 200, 6% Debentures of nominal value ₹ 100 each of Gama Ltd. at ₹ 102 (cum-interest) on 1.8.2018. Interest on Debentures become due on 31<sup>st</sup> March and 30<sup>th</sup> September each year.

6. Ramu purchases 400, 9% Debentures of the nominal value of ₹ 100 each of Delta Ltd. @ ₹ 97 each (ex-interest) on 1.7.2018. Interests become due on 31<sup>st</sup> March and 30<sup>th</sup> September.
7. On 15th March, O.P. Ltd. purchased ₹ 1,00,000 19% Government Stock (interest payable on 1st April, 1st July, 1st October and 1st January) at  $88\frac{1}{2}$  cum-interest. On 1st August, ₹ 20,000 stock is sold at ₹ 88 cum-interest and on 1st September ₹ 30,000 stock is sold at  $89\frac{1}{4}$  Ex-interest. On 31st December, the date of Balance Sheet, the markets price was ₹ 90.  
Show the Ledger Account of the Investment for the year ignoring Income Tax, Brokerage etc., and making appointments in months.
8. On 1.4.17, 200 6% Debentures of ₹ 100 each of Y Ltd. were held as investments by X Ltd. at a cost of ₹ 18,200. Interest is payable on 31st March.  
On 1.7.17 ₹ 4,000 such Debentures were purchased @ ₹ 98 each cum-interest.  
On 1.12.17 ₹ 6,000 such Debentures were sold at ₹ 96 each cum-interest.  
On 1.3.18 ₹ 8,000 Debentures sold @ ₹ 99 each cum-interest. On 31.3.08 X Ltd. sold ₹ 10,000 debentures at ₹ 95 each cum-interest. Prepare the Investment Account in the books of X Ltd.
9. On 1st January, 2017 X Ltd. held as investment ₹ 50,000 6% Government Stock Costing ₹ 47,000. On 31st March, a purchase of 2,00,000 same Government Stock was made ₹ 95 cum-interest. On 1st July, the company sold ₹ 1,00,000 stock @ ₹ 96. On 1st October, a further 70,000 of the Investment was sold at ₹ 98 cum-interest. The market price of the stock on 31.12.17 was ₹ 99 (ex-interest).  
Half-yearly interest is payable on 30th June and 31st December every year. Prepare the Investment Ledger of the company ignoring income tax and brokerage.
10. Mrs. Bhakat furnishes the details of her holding in 6% Bonds as-
- |      |            |  |
|------|------------|--|
| 2009 | January 1  | Opening Balance face value ₹ 60,000, Cost ₹ 50,900 |
|      | March 1    | Purchased 100 units ex-interest at ₹ 98            |
|      | July 1     | Sold 200 units ex-interest at ₹ 100                |
|      | October 1  | Purchased 50 units at ₹ 98 cum-interest            |
|      | November 1 | Sold 200 units ex-interest at ₹ 99                 |
- Mrs. Bhakat closes her books every year on December 31 and interest dates are March 31 and September 30.  
Show the Investment Account in the Books of Mrs. Bhakat applying the FIFO method for calculating Profit or Loss on Sale and valuing stocks of unsold investments.
11. Mr. Paramesh Das held 250, 10% Debentures of ₹ 100 on 1<sup>st</sup> January, 2004. The face value of each Debenture was ₹ 100. Interest on Debentures was payable on 31<sup>st</sup> December. The following were the transactions during 2004 :
- 1.4.04 Bought 400 Debentures cum-interest @ ₹ 108  
1.08.04 Bought 240 Debentures ex-interest @ ₹ 104  
1.9.04 Sold 300 Debentures cum-interest @ ₹ 111  
He paid brokerage on purchase price/ sale proceeds of Debentures @ ₹ 0.025 for a rupee and transaction tax @ ₹ 0.01 for a rupee.  
Make out the Investment Account in the books of paramesh Das applying FIFO method.

**12.** Sohini Finance Ltd. has done the following transactions in 12% State Govt. Stock between 1<sup>st</sup> September, 1992 and 30<sup>th</sup> June and 31<sup>st</sup> December. The accounting periods end on 30<sup>th</sup> June every year.

- 1.10.92 Purchase ₹ 10,000 stock @ ₹ 101.50, brokerage ₹ 1.50
- 1.10.92 Purchase ₹ 25,000 stock @ ₹ 102.50, brokerage ₹ 1.50
- 1.11.92 Sold ₹ 15,000 @ ₹ 104.50, brokerage ₹ 1.50.
- 1.11.92 Purchased ₹ 5,000 stock @ ₹ 103.50 (including brokerage).
- 15.1.93 Sold ₹ 10,000 stock @ ₹ 106.50, brokerage ₹ 1.50, Ex-interest.
- 1.3.93 Sold ₹ 4,000 stock @ ₹ 103.50, brokerage ₹ 1.50.
- 15.7.93 Purchased ₹ 15,000 stock @ ₹ 102.50, brokerage ₹ 1.50, Ex-interest.
- 31.3.94 Sold ₹ 15,000 stock @ ₹ 105.50, brokerage ₹ 1.50.
- 1.5.94 Purchased ₹ 2,000 stock @ ₹ 103.50, brokerage ₹ 1.50.

Write up Investment Account in the books of Sohini Finance Ltd., Showing the Profit and Losses on the transactions using the FIFO method. [Detailed Calculations to be shown.]

**13.** On 1<sup>st</sup> March, 1992 X. Y. Corporation Ltd. purchased ₹ 30,000 5% Government Stock at ₹ 95 cum-interest. On 1<sup>st</sup> May, 1992, the Company sold ₹ 10,000 of stock at ₹ 97 cum-interest. On 15<sup>th</sup> December, 1992, another ₹ 10,000 stock was sold at ₹ 93 in interest, On 31<sup>st</sup> December, 1992, the closing date of the financial year, the market price of the stock was ₹ 92.

Half-yearly interest is received every year as on 30<sup>th</sup> June and 31<sup>st</sup> December.

Prepare a Ledger Account in the investment ledger assuming that the stock transfer book is closed 20 days before the date of payment of interest, Ignore Income Tax & Brokerage.

**14.** From the following details , prepare the Investment Ledger of Exe Investments Pvt. Ltd., for 1998. In January 1998 :

	₹
Held 3,000 15% Debentures in Tata Oil Ltd. of ₹ 100 each at cost	2,96,000
Held 1,000 12% Preference Shares of Sun Ltd. of ₹ 100 each at cost	96,500
Held 10,000 Equity Shares of ₹ 10 each in ITC Ltd.	45,90,000

On 1<sup>st</sup> April, 1998, Purchased 20 Debentures of Tata Oil, cum-interest at ₹ 101. On 1<sup>st</sup> July, 1998 Sold 50 Preference Shares, cum-dividend at ₹ 110. On 1<sup>st</sup> September, Dividend on Preference Shares were received. On 1<sup>st</sup> October dividend on ITC shares @ 55% was received. In addition, Bonus Shares at the rate of 1 for 5 were received from ITC. On 1<sup>st</sup> October, 1998 sold 1,000 Debentures ex-interest @ ₹ 98 and 100 Preference Shares ex-dividend at ₹ 99. Interest on Debentures is received half-yearly on 1<sup>st</sup> February and 1<sup>st</sup> August.

**15.** On 15<sup>th</sup> March, 2012 AB Ltd. purchased ₹ 1,00,000, 9% Govt. Stock (interest payable on 31<sup>st</sup> March and 30<sup>th</sup> September at ₹ 88.50 cum-interests (face value ₹ 100 each). On 1<sup>st</sup> August, ₹ 20,000 stock is sold at ₹ 89 cum-interest and on 1<sup>st</sup> September ₹ 30,000 stock is sold at ₹ 89.25 ex-interest. On 31<sup>st</sup> December, the date of the Balance Sheet, the market price was ₹ 90. Show 9% Govt. Stock Account assuming investments are current investments.

**16.** Following information relate to investment of X Ltd. in shares of Flow Ltd. You are required to make out the investment in shares of Flow Ltd., Account in the Investment Ledger of X Ltd.

Ignore income tax

- i. On 1.4.2013 X Ltd. had 10,000 Equity Shares at ₹ 10 each in Flow Ltd. These shares were purchased for ₹ 1,32,000 on 7.9.2009.
- ii. On 1.8.2013 X Ltd. purchased 2,000 more shares in Flow Ltd. at a premium of ₹ 3.50 per share.
- iii. On 15.8.2013 Flow Ltd. made a Bonus Issue of fully paid share for 2 shares held. In addition on the same day right shares were issued at 2 for 3 held at a premium of ₹ 3. These shares are not to rank for dividend for the year ending 31.3.2013.
- iv. 4,000 right shares were taken by X Ltd., balance being sold at ₹ 2.50 each on 25.10.2013.
- v. On 15.1.2014 Flow Ltd. paid a dividend of 10% for the year ending 31.3.2013.
- vi. On 20.2.2014 X Ltd. sold 5,000 shares at ₹ 19 per share.

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