

Contents

UNIT 4 TPAC, 1932

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4. Financial statements analysis 18/11/23

1. Comparative Balance sheet :- means it is like a statement of assets & liabilities, Comparative of one year to another year.

It is prepared only in the vertical form of balance sheet.

⇒ Format of Comparative Balance sheet of - - - - - for the year ended 31/12 - - -

Liabilities.	Year		↑/↓ Amount	% age.
	P.Y	A.Y		
<u>Share holders fund :-</u>				
Share capital	xxx	xxx	xxx	xxx
Preference share capital	xxx	xxx	xxx	xxx
Reserves & surplus	xxx	xxx	xxx	xxx
P&L A/c for the year	xxx	xxx	xxx	xxx
General Reserve	xxx	xxx	xxx	xxx
Reserve fund	xxx	xxx	xxx	xxx
Total share holders fund (A)	xxx	xxx	xxx	xxx
<u>Current Liabilities :-</u>				
Sundry creditors	xxx	xxx	xxx	xxx
Bills payable	xxx	xxx	xxx	xxx
Bank order draft	xxx	xxx	xxx	xxx
Total C. liabilities (B)	xxx	xxx	xxx	xxx
<u>Secured loan :-</u>				
Debentures	xxx	xxx	xxx	xxx
Long term loans	xxx	xxx	xxx	xxx
Total Secured loan (C)	xxx	xxx	xxx	xxx
Total Liabilities (A+B+C)	xxx	xxx	xxx	xxx

Assets.	Years		↑/↓ Amount	% age
	P.Y	A.Y		
<u>Fixed Assets :-</u>				
Land & Building	xxx	xxx	xxx	xxx
Plant & machinery	xxx	xxx	xxx	xxx
Furniture	xxx	xxx	xxx	xxx
Good will	xxx	xxx	xxx	xxx
Motor car	xxx	xxx	xxx	xxx
Patents	xxx	xxx	xxx	xxx
Total (P.A)	xxx	xxx	xxx	xxx
<u>Current Assets :-</u>				
Cash in hand	xxx	xxx	xxx	xxx
Cash @ bank	xxx	xxx	xxx	xxx
Sundry Debtors	xxx	xxx	xxx	xxx
Bills Receivable	xxx	xxx	xxx	xxx
Closing stock	xxx	xxx	xxx	xxx
short term investment	xxx	xxx	xxx	xxx
Debtors				
• loose tools	xxx	xxx	xxx	xxx
• Total Current Assets (A+B)	xxx	xxx	xxx	xxx
Total Assets (A+B)	xxx	xxx	xxx	xxx

Problems

① A Company & B Company produces glass manufacture for the year ended 31/12/2020 and 31/12/2021.

Liabilities	31/12/20	31/12/21	Assets	31/12/20	31/12/21
Share capital	2,00,000	3,00,000	L & Buildi	2L	3L
Debenture	2.5L	3L	P & machin	1L	75K
Reserves & Surplus	50K	1L	Cash	50K	1L
creditors	1L	1.5L	Stock	1L	2.5L
Bills payable	50K	75K	Debtors	2L	2L
	6.5L	9.25L		6.5L	9.25L

Ans:- Comparative BIS of A Co & B Co AS on 31/12/2020 & 2021.

$\frac{\text{Difference Amt} \times 100}{\text{Previous Year}}$
 $\frac{5000}{100,000} \times 100 = 5\%$
 $\frac{75000}{2,100,000} \times 100 = 3.57\%$

Liabilities	31/12/20	31/12/21	↑/↓ Amt	% age.
<u>Share holders fund:-</u>				
Share capital	2,00,000	3,00,000	1,00,000	50%
Reserves & Surplus	50,000	1,00,000	50,000	100%
Total S.h.f (A)	2,50,000	4,00,000	1,50,000	60%
<u>Secured loan:- Debenture (B)</u>	2,50,000	3,00,000	50,000	20%
<u>Current liabilities:-</u>				
Creditors	1,00,000	1,50,000	50,000	50%
Bills payable	50,000	75,000	25,000	50%
Total cu (C)	1,50,000	2,25,000	75,000	50%
Total liabilities (A+B+C)	6,50,000	9,25,000	2,75,000	42-30%
<u>Assets:- fixed Assets</u>				
land & Building	2,00,000	3,00,000	1,00,000	50%

Plant & machinery	1,00,000	75,000	25,000	-25%
Total f. A (A)	3,00,000	3,75,000	75,000	25%
<u>Current Assets:-</u>				
Debtors	2,00,000	2,00,000	-	-
Stock	1,00,000	2,50,000	1,50,000	150%
Cash	50,000	1,00,000	50,000	100%
Total (C.A) (B)	3,50,000	5,50,000	2,00,000	57.14%
Total (A+B)	6,50,000	9,25,000	2,75,000	42.30%

② The Balance sheet of Sri Gopal and Co. Ltd for the year 2019 & 2020 are given below.

Particulars	31-12-2019	31-12-2020
<u>Liabilities:-</u>		
Equity share capital	2,00,000	2,50,000
10% Preference share capital	2,00,000	1,50,000
Reserve fund	80,000	1,00,000
PEI Account	1,00,000	1,50,000
12% Debentures	2,00,000	3,00,000
Creditors	1,00,000	1,20,000
Bank overdraft	50,000	20,000
Total liabilities	9,30,000	10,90,000
<u>Assets:-</u>		
Building	3,00,000	3,20,000
machinery	1,50,000	1,80,000
furniture	40,000	35,000
Investment	1,00,000	1,00,000

Stock	1,50,000	2,00,000
Debtors	1,00,000	1,20,000
Cash at Bank	90,000	85,000
	9,30,000	10,90,000

Ans:- Comparative B/S of Sri Gopal & Co $\frac{\text{difference Amt}}{P.Y} \times 100$
 as on 31/12/2019 & 2020

Liabilities	31/12/19	31/12/20	↑/↓ Amt	% age.
Equity share capital	2,00,000	2,50,000	50,000	25%
10% Preference share-c	2,00,000	1,50,000	(-) 50,000	(-) 25%
Reserve fund	80,000	1,00,000	20,000	25%
P&L Account	1,00,000	1,50,000	50,000	50%
12% Debentures	2,00,000	3,00,000	1,00,000	50%
Creditors	1,00,000	1,20,000	20,000	20%
BOD	50,000	20,000	(-) 30,000	60%
Total Liabilities	9,30,000	10,90,000	1,60,000	17.20%
<u>Assets:-</u>				
Building	3,00,000	3,20,000	20,000	6.67%
machinery	1,50,000	1,80,000	30,000	20%
furniture	40,000	35,000	(-) 5,000	(-) 12.5%
Investments	1,00,000	1,50,000	50,000	50%
Stock	1,50,000	2,00,000	50,000	33.33%
Debtors	1,00,000	1,20,000	20,000	20%
Cash @ bank	90,000	85,000	(-) 5,000	(-) 5.56%
Total	9,30,000	10,90,000	1,60,000	17.20%

③
18/12/20

Comparative B/s of X Co. Ltd. as on 2019 & 2020

Liabilities	2019	2020	↓/↑ Amt	% age
Equity share capital	12,00,000	16,00,000	4,00,000	33.3%
Reserves & Surplus	6,60,000	4,44,000	(-) 2,16,000	(-) 32.73%
Debentures	4,00,000	6,00,000	2,00,000	50%
Long term loans on mortgage	3,00,000	4,00,000	1,00,000	33.3%
Bills payable	1,00,000	90,000	(-) 10,000	(-) 10%
Sundry creditors	2,00,000	2,40,000	40,000	20%
Other current liabilities	10,000	20,000	10,000	100%
Total Liabilities.	28,70,000	33,94,000	5,24,000	18.25%
<u>Assets:-</u>				
Land & Building	7,40,000	5,40,000	2,00,000	27%
Plant & machinery	8,00,000	12,00,000	4,00,000	50%
Furniture & fixtures	40,000	50,000	10,000	25%
Other fixed assets	50,000	60,000	10,000	20%
Cash in hand & bank	40,000	1,60,000	1,20,000	300%
Bills Receivable	3,00,000	1,80,000	1,20,000	40%
Sundry debtors	4,00,000	5,00,000	1,00,000	25%
Stock	5,00,000	7,00,000	2,00,000	40%
Prepaid Expenses	—	4,000	(-) 4,000	—
Total Assets	28,70,000	33,94,000	5,24,000	18.25%

④ Comparative B/S of Global Exports as on 31/3/2019 & 2020

Liabilities	31/3/2019	31/3/2020	↑/↓ Amount	% age.
Share capital	12,00,000	10,00,000	(-) 2,00,000	(-) 16.7%
Reserves & surplus	20,000	25,000	(+) 5,000	25%
Secured loans	45,000	30,000	(-) 15,000	(-) 33.3%
unsecured loans	2,00,000	2,50,000	50,000	25%
Current liabilities	1,25,000	1,50,000	25,000	20%
Total liabilities	15,90,000	14,55,000	(-) 1,35,000	(-) 8.5%
<u>Assets:-</u>				
Fixed Assets Building	3,00,000	3,55,000	(+) 45,000	(-) 15%
machinery	4,90,000	3,25,000	(-) 1,65,000	(-) 33.7%
Current Assets stock	3,00,000	3,75,000	75,000	25%
Debt	2,50,000	3,00,000	50,000	20%
Cash	2,50,000	2,00,000	(-) 50,000	(-) 20%
Total Assets	15,90,000	14,55,000	(-) 1,35,000	(-) 8.5%

⑤ Comparative B/S of J.K. Ltd as on 31-3-2019 & 31-3-20

Liabilities	31/3/2019	31/3/2020	↑/↓ Amt	% age.
Share capital	1,00,000	1,25,000	25,000	25%
Reserved & surplus	20,000	25,000	5,000	25%
3% Debentures	45,000	30,000	(-) 15,000	(-) 33.3%
long term Borrowings	2,00,000	2,50,000	50,000	25%
Creditors	1,25,000	1,50,000	25,000	20%
Bills payable	45,000	50,000	5,000	11.1%
Bank over draft	12,500	15,000	2,500	20%
Total liabilities	5,47,500	6,45,000	97,500	17.80%

<u>Fixed assets</u>				
Building	75,000	1,50,000	75,000	100%
Furniture	2,00,000	2,10,000	40,000	20%
<u>Current assets</u>				
Stock	1,00,000	35,000	(-)65,000	(-)65%
Debtors	40,000	1,00,000	60,000	150%
Cash	1,32,500	1,20,000	(-)12,500	(-)9.4%
Total Assets	5,47,500	6,45,000	97,500	17.80%

② Comparative Income Statement

Format of Comparative Income Statement
for the year ended 31/12/- - -

Particulars	Previous year	Current year	↑/↓ amount	% age.
Sales/Revenue from operations	xxx	xxx	xxx	xxx
Other Income	xxx	xxx	xxx	xxx
Total Income (A)	xxx	xxx	xxx	xxx
<u>Less:- Expenses</u>				
Employee benefit charges	xxx	xxx	xxx	xxx
Sundry charges	xxx	xxx	xxx	xxx
Bad debts	xxx	xxx	xxx	xxx
Depreciation	xxx	xxx	xxx	xxx
Interest paid	xxx	xxx	xxx	xxx
Total Expense (B)	xxx	xxx	xxx	xxx

Earning before tax EBT (A-B)	xxx	xxx	xxx	xxx
Less:- Tax paid	xxx	xxx	xxx	xxx
Earning after Tax	xxx	xxx	xxx	xxx

Problems:-

① Prepare Comparative Income Statement with the help of the following information.

Particulars	2019	2020
Sales	10,00,000	16,00,000
Cost of goods sold	75% of sales	80% of sales
Indirect Exp _s	40% of G/P 1,00,000	30% of G/P 76,000
Income Tax	55% of PBT	50% of PBT

Sol:- Comparative Income Statement for the year ended 2019 & 2020

Particulars	2019	2020	↑/↓ Amt	% age.
Sales	10,00,000	16,00,000	6,00,000	60%
Less:- COGS 75%, 80%	7,50,000	12,80,000	5,30,000	70%
Gross profit	2,50,000	3,20,000	70,000	28%
Less:- Indirect Exp _s 40% & 30%	1,00,000	96,000	(-)40,000	(-4)%
Profit Before Tax (PBT)	1,50,000	2,24,000	74,000	49.33%
Less:- Income Tax @ 55% 50%	82,500	1,12,000	29,500	35.75%
Profit After Tax	67,500	1,12,000	44,500	65.92%

③ Common sized Income Statement :-

Is the statement of analysis as base Percentage of sales (100%) to be calculated remaining items by the sales is called Common size Income statement.

$\frac{\text{Given amount}}{\text{Sales}}$

Format of Common size Income statement. = %

Particulars	Year/Val	% age	Year/Value	% age
Sales/ Revenue from operation	xxx	100%	xxx	100%
Other Incomes	xxx	xxx	xxx	xxx
Total Income (A)	xxx	xxx	xxx	xxx
<u>Expenses-</u>				
Administrative Expenses	xxx	xxx	xxx	xxx
Selling Expenses	xxx	xxx	xxx	xxx
Sundry Expenses	xxx	xxx	xxx	xxx
Employee benefit Expenses	xxx	xxx	xxx	xxx
Interest paid	xxx	xxx	xxx	xxx
Total Expenses (B)	xxx	xxx	xxx	xxx
Profit before tax (PBT) (A-B)	xxx	xxx	xxx	xxx
(less) :- Tax paid	xxx	xxx	xxx	xxx
Profit after tax (PAT)	xxx	xxx	xxx	xxx

① following is the details of Uday & Company as on 31/3/2019 and 31/3/2020. you are required to prepare the Common size income statement.

Particulars	31/3/19	31/3/20.
Sales	3,50,000	4,50,000
COGS	2,75,000	4,00,000
Operating Expenses	11,000	22,500
Office Expenses	4,500	15,000
Selling Expenses	2,500	3,000
Distribution Expenses	1,250	1,000
financial Expenses	10,000	12,500
Tax rate	35%	35%

Ans Common-size income statement of Uday & Co for the year ended 31/3/19 & 2020.

Particulars	31/3/19	% age	31/3/20	% age.
Sales	3,50,000	100%	4,50,000	100%
(-) COGS	2,75,000	78.6%	4,00,000	89%
Gross profit (A)	75,000	21.43%	50,000	11.11%
Expenses:-				
Operating expenses	11,000	3.14%	22,500	5%
Office	4,500	1.28%	15,000	3.33%
Selling	2,500	0.71%	3,000	0.67%
Distribution	1,250	0.35%	1,000	0.22%
financial	10,000	2.85%	12,500	2.7%
Total Expenses (A-B)	29,250	8.35%	54,000	12%
Profit before tax	45,750	13.07%	4000	0.88%
(-) Tax @ 35%	16,013	4.57%	1,400	0.31%
Profit After Tax	29,737	8.49%	2,600	0.57%

② Following is the details of Gallant Limited as on 31/3/2019 and 31/3/2020 you are required to prepare Common Size income statement.

Particulars	31/3/2019	31/3/2020.
Sales	45,00,000	72,00,000
COGS	22,50,000	36,00,000
Operating Expenses	1,25,000	24,50,000
Interest on loan	50,000	1,00,000
Depreciation	1,75,000	1,00,000
Advertisement Expenses	45,000	75,000
distribution Expenses	10,000	—
Tax rate	35%	35%

Ans: Common size income Statement of Gallant Ltd for the year ended 31/3/2019 & 2020.

Particulars	31/3/2019	% age	31/3/20	% age.
Sales	45,00,000	100%	72,00,000	100%
(-) COGS	22,50,000	50%	36,00,000	50%
Gross profit (A)	22,50,000	50%	36,00,000	50%
<u>Expenses:-</u>				
Operating Expenses	1,25,000	2.78%	24,50,000	34.02%
Interest on loan	50,000	1.11%	1,00,000	1.38%
Depreciation	1,75,000	3.89%	1,00,000	1.38%
Advertisement	45,000	1%	75,000	1.04%
distribution Expenses	10,000	0.22%	—	—
Total Expenses (B)	4,05,000	9%	27,25,000	37.84%
Profit before Tax (A-B)	18,45,000	41%	8,75,000	12.15%
less:- Tax 35%	6,45,750	14.35%	3,06,250	4.25%

Profit After Tax	11,99,250	26.65%	5,68,750	7.89%
Percentage = $\frac{\text{Given amt}}{\text{Sales}} \times 100$				

③ Following is the statement of Ganesh limited as on 31/3/2020 and 31/3/2021.

Particulars	31/3/2020.	31/3/2021
Sales	10,00,000	20,00,000
COGS	5,00,000	10,00,000
Operating Expenses	10,000	25,000
distribution	5,000	15,000
<u>Advt</u>	20,000	40,000
Tax paid	25%	25%

A:- Common size income statement of Gmesh Limited for
the year ended 31/3/2020 & 31/3/2021

Particulars	2020	% age	2021	% age.
Sales	10,00,000	100%	20,00,000	100%
(-) Cost of goods sold	5,00,000	50%	10,00,000	50%
-Gross profit (A)	5,00,000	50%	10,00,000	50%
<u>Expenses-</u>				
Operating Expenses	10,000	1%	25,000	1.25%
distribution Expenses	5,000	0.5%	15,000	0.75%
Advertisement Expenses	20,000	2%	40,000	2%
Total Expenses (B)	35,000	3.5%	80,000	4%
* Profit before Tax (PBT) (A-B)	4,65,000	46.5%	9,20,000	46%
(-) Tax paid @ 25%	1,16,250	11.62%	2,30,000	11.5%
Profit After Tax (PAT)	3,48,750	34.89%	6,90,000	34.5%

Q) from the following information, of the year 31/3/2020 & 31/3/2021. Show the common size income statement

Particulars	31/3/20	31/3/21
Sales	₹, 25,000	2,50,000
Other Income	10,000	20,000
COGS	30,000	40,000
O. Expenses	40,000	40,000
depreciation	25,000	25,000
Interest paid	30,000	40,000
Income tax	40,000	60,000

Ans

Particulars	2020	% age	2021	% age
Sales	2,25,000	100%	2,50,000	100%
Other income	10,000	—	20,000	—
(-) CoGS	30,000		40,000	
Net sales	2,35,000	100%	2,70,000	100%
(-) CoGS	30,000	12.76%	40,000	14.81%
Gross profit (A)	2,05,000	87.43%	2,30,000	85.18%
<u>Less Expenses</u>				
Operating Expenses	40,000	17.02%	40,000	14.81%
depreciation	25,000	10.63% 10.63%	25,000	9.25%
Interest paid	30,000	12.76%	40,000	14.81%
Total Expenses (B)	95,000	40.42%	1,05,000	38.89%
Profit before Tax (A-B)	1,10,000	46.80%	1,25,000	46.29%
Less:- Tax paid	40,000	17.02%	60,000	22.22%
P.A.T →	70,000	29.78%	65,000	24.07%

$$\frac{10,000}{10,00,000} \times 100$$

$$\frac{10,000}{10,00,000} \times 100$$

Comparative Income Statement

② from the following details prepare C.I.S
2020 - 2021

Particulars	2020	2021
Sales	₹,00,000	3,00,000
(-) CoGS	50,000	1,00,000
Gross profit	1,50,000	2,00,000
(-) <u>Expenses</u>		
Operating	20,000	30,000
Financing	10,000	12,000
Interest on loan	5,000	10,000
Tax paid @ 10%		

Ans:-

Particulars	2020	2021	Diff	%age.
Sales	2,00,000	3,00,000	1,00,000	50%
(-) CoGS	50,000	1,00,000	50,000	100%
Gross profit	1,50,000	2,00,000	50,000	33.33%
(-) operating	20,000	30,000	10,000	50%
financing	10,000	30,000	20,000	20%
In 'bn loan	5,000	10,000	5,000	100%
Total Ex	35,000	52,000	17,000	48.57%
PBT (A-B)	1,15,000	1,48,000	33,000	28.69%
(-) Tax 10%	11,500	14,800	3,300	28.69%
PAT	1,03,500	1,33,200	29,700	28.69%

Common Size Balance Sheet

The Balance sheet contains of assets & liabilities of a particular date but in this common size balance sheet to ascertain the percentage by the total.

① from the following balance sheet of R & S company as on 31/3/2019. Prepare Common Size Balance sheet.

Particulars	R Co	S Co.
<u>Liabilities:-</u>		
equity share capital	2,50,000	3,00,000
12% debentures	50,000	1,50,000
10% pref share capital	2,00,000	3,00,000
Reserves & Surplus.	90,000	1,20,000
divident	60,000	70,000
Sundry creditors	1,50,000	3,50,000
B.O.D	-	1,10,000
Total →	8,00,000	14,00,000
<u>Assets:-</u>		
Land & Building	80,000	1,20,000
P & M	3,00,000	6,25,000
Investment	1,00,000	2,00,000
stock	1,75,000	1,75,000
Sundry debtors	75,000	1,45,000
Cash	70,000	1,35,000
Total →	8,00,000	14,00,000

ans:- Common Size Balance sheet of
as on 31/3/2019

R G & S G
Given Amt
Total

Particulars	R G	S G	R G %	S G %
<u>Liabilities:-</u>				
Equity share capital	2,50,000	3,00,000	31.25%	21.42
12% debentures	50,000	1,50,000	6.25%	10.71
10% Preference share	2,00,000	3,00,000	25%	21.42
Reserve & surplus	90,000	1,20,000	11.25%	8.57
Dividend	60,000	70,000	7.5%	5%
Sundry creditors	1,50,000	3,50,000	18.75%	25%
BOD	-	1,10,000	-	7.85%
Total →	8,00,000	14,00,000	100%	100%
<u>Assets:-</u>				
L & B	80,000	1,20,000	10%	8.57%
P & m	3,00,000	6,25,000	37.5%	44.65%
Investments	1,00,000	2,00,000	12.5%	14.28%
Stock	1,75,000	1,75,000	21.87%	12.5%
Sundry debtors	75,000	1,45,000	9.38%	10.35%
Cash	70,000	1,35,000	8.75%	9.64%
Total →	8,00,000	14,00,000	100%	100%
$\frac{\text{Given Amount}}{\text{Total}} \times 100\%$				

② From the following particulars of Shanthi Company and Smitha Company. for the year and as on 31/3/2020 Prepare Common Size Balance sheet.

Particulars	Shanthi	Smitha	Shan(%)	Smitha Co(%)
<u>Liabilities:-</u>				
Share capital	5,00,000	10,00,000	45.45%	45.45%
Debenture	2,00,000	4,00,000	18.18%	18.18%
Reserves	1,00,000	2,00,000	9.09%	9.09%
Profit & loss A/c	50,000	1,00,000	4.54%	4.54%
Sundry creditors	1,50,000	3,00,000	13.63%	13.63%
Bills payable	1,00,000	2,00,000	9.09%	9.09%
a Total →	11,00,000	22,00,000	100%	100%
<u>Assets:-</u>				
Land & Building	2,00,000	4,00,000	18.18%	18.18%
P&M	1,00,000	2,00,000	9.09%	9.09%
Good will	3,00,000	6,00,000	27.27%	27.27%
Investments	1,50,000	3,00,000	13.63%	13.63%
Bills Receivable	50,000	1,00,000	4.54%	4.54%
Stock	3,00,000	6,00,000	27.27%	27.27%
Total	11,00,000	22,00,000	100%	100%

③ Common Size Balance sheet following is the
Balance sheet Shashi & Kiran Company 31/3/2020.

Particulars	Shashi Co	Kiran Co	S %	K %
<u>Liabilities:-</u>				
Equity share capital	1,00,000	1,50,000	25%	21.
12% debentures	50,000	1,00,000	12.5%	14.
10% Preference share capital	1,00,000	1,25,000	25%	17.8
Reserves & Surplus	50,000	60,000	12.5%	8.5
Dividend	25,000	35,000	6.25%	5%.
Sundry creditors	75,000	2,05,000	18.75%	29.2
B.O.D	—	25,000	—	3.5%
Total	4,00,000	7,00,000	100%	100%
<u>Assets:-</u>				
Land & Building	40,000	60,000	10%	8.57
Plant & machinery	1,50,000	3,12,500	37.5%	44.64
Investments	50,000	1,00,000	12.5%	14.28%
stock	75,000	1,00,000	18.75%	14.28%
sundry debtors	50,000	60,000	12.5%	8.57%
cash	35,000	67,500	8.75%	9.64%
	4,00,000	7,00,000	100%	100%

IV. Trend percentage or trend analysis:-

Trend analysis is changes in the financial positions of the concern and it is horizontal analysis and percentages ascertained by the previous year as a base year profit or production position of the concern is called trend analysis.

① From the following information interpret the result of operation from the trend values.

$$\frac{\text{Current year}}{\text{Base year}} \times 100$$

Particulars	Base year			
	2017	2018	2019	2020
Sales	100	90	120	150
(Less) COGS	60	60	70	80
Gross profit	40	30	50	70
(Less) operating expenses	10	10	15	20
Operating profit	30	20	35	50
(Less) Taxes	15	10	17.5	25
Profit After Tax	15	10	17.5	25

Ans:- Computation of trend analysis.

Particulars	2017	%	2018	(%)	2019	(%)	2020	(%)
Sales	100	100%	90	90%	120	120%	150	150%
(-) COGS	60	100%	60	100%	70	116.6%	80	133.3%
Gross profit	40	100%	30	75%	50	125%	70	175%
(Less) O. E	10	100%	10	100%	15	150%	20	200%
O.P	30	100%	20	66.6%	35	116.6%	50	166.6%
(Less) Taxes	15	100%	10	66.6%	17.5	116.6%	25	166.6%
PAT	15	100%	10	66.6%	17.5	116.6%	25	166.6%

② from the following information, compute the trend ratios use 2017 as base amount in lakhs of ₹ for the year ended.

Particulars	2017		2018		2019		2020	
Net Sales	200	100%	190	95%	240	120%	260	130%
(-) COGS	120	100%	117.8	98.16%	139.2	116%	145.6	121.33%
Gross profit	80	100%	72.2	90.25%	100.8	126%	114.4	143%
(less) operating Expense	20	100%	19.4	97%	22	110%	24	120%
Net O.P	60	100%	52.8	88%	78.8	131.33%	90.4	150.67%

③ from the following is the details of MTR Ltd as 2018, 2019, 2020 required to prepare trend analysis of percentage.

Particulars	2018 (%)		2019 (%)		2020 (%)	
Sales	1,00,000	100%	2,25,000	225%	2,75,000	275%
(-) COGS	75,000	100%	1,50,000	200%	1,50,000	200%
Gross profit	25,000	100%	75,000	300%	1,25,000	500%
(-) O.E						
Office Ex	5000	100%	27,500	550%	35,000	700%
Selling Expenses	2500	100%	15,000	600%	22,500	900%
D. Expenses	1000	100%	2500	250%	3000	300%
(-) N.O.E						
Interest on loan	3000	100%	7000	23.3%	15000	500%
Net profit	6000	100%	13,000	216.6%	24,500	408.3%

1. Final Accounts of Partnership Firm

1) Meaning of partnership :- Under section 4 of the "Indian partnership act" of, 1932. It means "two or more partners agreed, contribute the capital to the business among sharing the profits or losses equally. carried on by all, any of them and acting for all".

2) Types of partners :-

There are 2 types of partners are :-

① Active partner :-

② Sleeping partner.

3) Partnership deed :-

Partnership deed is an written agreement, all the partners should sign in the agreement as per the "Indian stamped" act, of 1889.

4) Contents of partnership deed :-

① Name of the partners.

② Name & addresses of the partners.

③ Nature of the business.

④ Name of the firm or business.

⑤ sharing profits or losses details.

⑥ Introducing the capital of all the partners

⑦ partners salary or commission, if any.

④ Location of business.

⑤ Types of capitals-

① fixed capital: means does capital will be fixed, It does not changes from year to year

② fluctuating capital: It means does changes from year to year.

⑥ Profit and loss appropriation Accounts

It is an account of revenue, It includes Interest on capital, interest on partners drawings, If any partners salary or Commission and remaining balance is transferred to partners capital a/c as per their ratio.

⑦ format of P&L Appropriation A/c

Dr Exp & loss			Income & gain		
Particulars	₹	₹	Particulars	₹	Amt.
To Interest on capital			By Net pro b/d		xxx
A	xxx		By interest on drawings		
B	xxx	xxx	A	xxx	
To Salary/ Commission		xxx	B	xxx	xxx
Partners capital A/c (ratio)					
A	xxx				
B	xxx				
		xxx			xxx

① Madhu & Suma commenced their business with capital investment of ₹ 40,000 and ₹ 30,000 respectively on 1st April 2021. They agreed to share the profit on the ratio 3:2 for the year ending 31-3-22 they earned profit ₹ 12,000 before allowing.

a) Interest on capital @ 5% P.a 3

b) Interest on drawings @ Madhu ₹ 150, Suma 100.

c) Annual salary to Suma 3,000

d) Partners drawing :- Madhu 7,000

Suma 5,000

- you are required to prepare profit & loss appropriation of the firm.

Ans:- P&L Appropriation A/c of Madhu & Suma.

Particulars	₹	Amt	Particulars	Amt	Amt
To Interest on Capital			By Net profit b/d		12,000
Madhu :- 40,000 × 5%	₹ 2,000		By Interest & drawings		
Suma :- 30,000 × 5%	1,500	3,500	A :- Madhu	150	
To Suma's Salary A/c		3,000	B :- Suma	100	250
To Partners Capital (3:2)		5,750			
Madhu (5,750 × $\frac{3}{5}$)	3,450				
Suma (5,750 × $\frac{2}{5}$)	2,300				
		12,950			12,250

② Prakash & Praveen commenced a business in Partnership with the capital of ₹ 50,000 & 40,000. on 1st April 2021. They agreed to share P&L in ratio 3:2 for the year 31st March 2022. They earned profit 18,000 before allowing

a) Interest on capital @ 5% P.a

b) Interest on drawing Prakash 300, Praveen 500.

c) Yearly salary for Praveen ₹ 5,000.

d) drawings Prakash 8,000 & Praveen 10,000

(A) P&L loss appropriation A/c of Prakash & Praveen

Dr

Cr

Particulars	₹	Amt	Particulars	₹	Amt
To Interest on Capital			By Net profit b/d		18,000
Prakash :-			By Interest on drawings		
(50,000 × 5%)	2,500		Prakash	300	
Praveen			Praveen	500	800
(40,000 × 5%)	2,000	4,500			
To Praveen salary		5,000			
To partner capital (3:2)		9,300			
Prakash :-					
(9,300 × 3/5)	5,580				
Praveen :-					
(9,300 × 2/5)	3,720				
		18,800			18,800

21,000



③ Ashwini, Rashmi & Manjula are partners.

Ratio 5:3:2

Capital :- 50,000 (A), 30,000 (R), 20,000 (M)

Interest on capital 12% P.A.

Interest on drawing @ 15%.

Rashmi salary 750 per month $\rightarrow 750 \times 12$ 4

Drawings :- 8000, 7000, 5000 and interest on drawings
800, 700, 500.

39,000 profit before adjustments.

Ans) Profit & loss appropriation A/c

Particulars	₹	Amt	Particulars	Amt	Amt.
<u>Interest on capital :-</u>			By Net profit b/d		39,000
Ashwini :- (50,000 x 12%)	6,000		By Interest on Drawings :-		
Rashmi :- (30,000 x 12%)	3,600		Ashwini :-	800	
Manjula :- (20,000 x 12%)	2,400	12,000	Rashmi :-	700	
			Manjula :-	500	2,000
To Rashmi Salary (750 x 12)		9,000			
To Partners capital (5:3:2)		20,000			
Ashwini :- (50,000 x 5/10)	10,000				
Rashmi :- (30,000 x 3/10)	6,000				
Manjula :- (20,000 x 2/10)	4,000				
		41,000			41,000

Practical Problems

① Prasad & Vinod sharing 2:3 ratio on 1st Jan 2003

Capital ₹ 40,000 & 50,000

Interest on capital 6% P.a

Interest on drawing 4% P.a

Vinod Commission ₹ 2400

Interest on drawing ₹ 200, 150.

Profit 14,000 Year 31st Dec. 2003

Ans P&I Appropriation A/c of Prasad & Vinod.

Dr

Cr

Particulars	₹	Amt	Particulars	₹	Amt.
<u>To Interest on Capital</u>			By Net profit b/d		14,000
Prasad (40,000 × 6%)	2,400		<u>By Interest on drawing</u>		
Vinod (50,000 × 6%)	3,000	5,400	Prasad :-	200	
			Vinod :-	150	
To Vinod Commission		2,400			350 350
<u>To Partners capital (2:3)</u>		6,550			
Prasad (6,550 × 2/5)	2,620				
Vinod (6,550 × 3/5)	3,930				
		14,350			14,350

② Sharada & Nalini are partners / 31st Dec

Capitals :- 40,000 & 60,000.

Ratio :- 3:2

Profit :- 42,000

Interest on Capital at 5% P.a.

Salary to Sharada per month 500 X 12.

Interest on drawings 260, 390.

Ans: Profit & Loss Appropriation A/c of Sharada & Nalini

Dr

Particulars	₹	Amt	Particulars	₹	Amt
To Interest on Capital:-			By Net profit b/d		42,000
Sharada:- (40,000 X 5%)	2,000		By Interest on drawings:-		
Nalini:- (60,000 X 5%)	3,000	5,000	Sharada	260	
			Nalini	390	650
To Sharada Salary (500 X 12)		6,000			
To Partners Capital in (3:2) ratio		31,650			
Sharada:- (31,650 X 3/5)	18,990				
Nalini:- (31,650 X 2/5)	12,660				
		42,650			42,650

③ A, B & C are partners.

Ratio Equally. where Capital :- 60,000 Each.

On 31-3-2021.

Profit :- 32,000.

Interest on drawing :- 4000, 3000, 2000

Interest on capital @ 10% P.a.

Partner A Salary Rs 500 x 12 = 6000

Partner C Commission ₹ 6000 P.a.

④ Partners drawing 20,000, 15,000, 10,000.

④ P & A Appropriation A/c

Particulars	₹	Amt	Particulars	₹	Amt
<u>To I.O.C :-</u>			By Net profit b/d		32,000
A :- (60,000 x 10%)	6000		By I.O.D A	4000	
B :- (60,000 x 10%)	6000		B	3000	
C :- (60,000 x 10%)	6000	18,000	C	2000	9000
To A Salary. (500 x 12)		6000			
To C Commission		6000			
To Partners capital (1:1:1)		11,000			
A :- 3,666.6	3,666				
B :- 3,666	3,666				
C :-	3,666				

Q) Ramesh & Suresh, are partners
 Ratio = 2:1
 Capital :- 20,000 & 10,000 on 31.3.20.

Profit :- 18,000.

I.O.C :- 6% P.a.

I.O.D :- 600, 400

Salary Ramesh :- 8000 P.a

Suresh Commission = $100 \times 12 = 1200$.

Q

To I.O.C				By Net profit b/d	
Ramesh (20,000 x 6%)	1200				12,000
Suresh (10,000 x 6%)	600			By I.O.D Ramesh	600
				Suresh	400
					1000
		1800			
To Ramesh Salary		8000			
To Suresh Commission (100 x 12)		1200			
To Partners (cash) Capital :-		8000			
Ramesh :-	5,333.33				
Suresh :-	2,666.67				
		19,000			19,000

(5) X and Y are partners.

Ratio :- 4:3 $\frac{4}{7}, \frac{3}{7}$

Capital :- 40,000, 30,000

I.O.C :- @ 8% P.a

Drawings :- 10,000, 8,000 and the same being of I.O.D of ₹ 1000, 800

X-Salary :- 5,000 P.a.

Y-Commission :- 100 Per.m '100 X 12'

finally profit ₹ :- 18,200

(Ans) Profit & loss appropriation a/c.

Dr

C

To I.O.C :-			By Profit b/d		18,200
X :- (40,000 X 8%)	2400		By I.O.D		
Y :- (30,000 X 8%)	3200	5600	X	1000	
To 'X' Salary		5000	Y	800	1800
To 'Y' Commission (100 X 12)		1200			
To Partners capital (4:3)		8,200			
X :- (8,200 X $\frac{4}{7}$)	4,685.7				
Y :- (8,200 X $\frac{3}{7}$)	3,514.2				
					20,000

II. Problems based on final accounts of a Partnership.

① Preparation of A/c's :-

i) Trading A/c :- It means to ascertain the gross profit or gross loss of the year.

ii) PEI A/c :- It means to ascertain the net profit or net loss of the year.

iii) Balance sheet :- It is like a statement of assets and liabilities of a particular date.

i) Format of trading A/c for the year ended 31/3/...

Particulars	₹	Amt	Particulars	₹	Amt
To opening stock		xxx	By sales	xxx	
To purchases	xxx		(-) S.R & N-S	xxx	xxx
(-) P.R & N-P	xxx	xxx	By closing		xxx
To wages		xxx	By gross loss		xxx
To carriage Inwards		xxx	(Transf to PEI A/c)		
To eps & water		xxx			
To freight charges		xxx			
To: Import duty		xxx			
To Gross Profit					
Cr. PEI A/c					
direct expenses of factory		xxx			xxx

① Prepare trading A/c for the year ending 31/3/21

- ① opening stock ₹ 1,00,000
- ② closing stock ₹ 1,50,000
- ③ Purchases ₹ 52,000
- ④ Purchase Returns ₹ 2000
- ⑤ Sales - ₹ 1,83,000
- ⑥ Sales Returns = ₹ 3000
- ⑦ wages ₹ 5000
- ⑧ freight charges ₹ 2000

① Trading A/c for the year ending 31/3/21

Particulars	₹	Amt	Particulars	₹	amt.
To opening stock		1,00,000	By sales	1,83,000	
To Purchases	52,000		(-) S.R	3000	1,80,000
(-) P.R	2000	50,000			
To wages		5000	By closing stock		1,50,000
To freight charges		2000			
To Gross profit		1,73,000			
<u>Tran. Bal.</u>					
		3,30,000			3,30,000

② Prepare trading A/c for the year ending 31/3/20.

- ① opening stock - 80,000
- ② closing stock - 90,000
- ③ Purchases - 40,000
- ④ Sales - 90,000
- ⑤ Gas & water - 10,000
- ⑥ freight charges - 5000

Particulars	Amt.	Particulars	Amt.
To opening stock	80,000	By Sales	90,000
To Purchases	40,000	By closing stock	90,000
To Gas & water	10,000		
To freight charges	5000		
To gross profit Trgt. P&L.	45,000		
	18,00,000		18,00,000

Q) Prepare trading A/c for the year ending 31/3/22

- ① Stock on 1-4-21 - ₹ 10,000
- ② Stock on 31-3-22 - ₹ 25,000
- ③ wages - 1000
- ④ G & W - 2000
- ⑤ freight charges - 3000
- ⑥ Purchases - 15,000
- ⑦ P.R - 1,000
- ⑧ Sales - 40,000
- ⑨ S.R - 2,000

Ans: Trading A/c for year ending 31/3/22

Dr			Cr		
Particulars	₹	₹	Particulars	₹	₹
To opening stock		10,000	By Sales	40,000	
To Purchases	15,000		(-) S.R	<u>2,000</u>	38,000
(-) P.R	<u>1,000</u>	14,000	By closing stock		25,000
To G & W		2000			
To f.c		3000			
To wages		10,000			
To $\frac{G.P.}{tr}$ to P&L A/c		33,000			
		63,000			63,000

① Prepare trading a/c 31-3-2019.

① Opening stock - 90,000

② Purchases less returns - 35,000

③ sales less returns - 54,000

④ wages - 6000

⑤ carriage inwards - 4000

⑥ Gross profit for year - 38,000

⑦ sales - find closing stock value.

Ans Trading A/c for the year 31/3/2019.

Particulars	₹	Amt	Particulars	₹	Amt.
To opening stock		90,000	By Sales		54,000
To P. less R's		35,000	By closing stock		1,19,000
To wages		600	(Bal. fig).		
To carriage inwards		4000			
To Gross profit for year		38,000			
		1,73,000			1,73,000

⑤ Prepare trading a/c 31/3/2019.

① Opening stock - 40,000

② Purchases - 30,000

③ sales - 60,000

④ wages - 10,000

⑤ G & W - 5,000

⑥ import duty - 8000

⑦ Gross profit - 25% on sales.

find closing stock.



Particulars	Amt	Amt	Particulars	Amt	Amt
To opening stock		40,000	By Sales		60,000
To Purchases		30,000	By closing stock		48,000
To wages		10,000			
To G & W		5,000			9
To Import duty		8,000			
To Gross profit (60,000 × 25%)		15,000			
		<u>1,08,000</u>			<u>1,08,000</u>

III. Format of P&L A/c for the year ended

31/31 - Indirect Expenses of Office. Indirect Incomes & Losses or

Particulars <small>payments</small>	Amt	Particulars <small>Receipts</small>	Amt
To Salary	xxx	By Gross b/d (Trat from trading A/c)	xxx
" General charges	xxx	" Interest on Investment	xxx
" Travelling expenses	xxx	" Bad debts Recovered	xxx
" Carriage outwards	xxx	" Commission Received	xxx
" Printing & Stationery	xxx	" Interest Received	xxx
" Bad debts	xxx	" Rent Received	xxx
" Sg. Expenses	xxx	" Net loss c/d Shared in Ratio	
" Dep on Assets	xxx		
" Audit fees	xxx		
" Manager Salary	xxx		
" Interest paid	xxx		
" Discount allowed	xxx		
" Rent & Tax paid	xxx		
" Net profit c/d Ratio	xxx		
	<u>xxx</u>		<u>xxx</u>

Q. A & B are partners are equally. Prepare P & L A/c for year ended 31/3/2021.

- ① Gross profit b/d = 85,000 Cr
- ② Salary = 10,000 Dr
- ③ Bad debts = 5000 Dr
- ④ Sundry Income = 3500 Cr
- ⑤ General Expenses = 2,500 Dr
- ⑥ Carriage outward = 1000 Dr
- ⑦ Discount allowed = 1200 Dr
- ⑧ Discount Received = 1500 Cr
- ⑨ Interest on investment = 2200 Cr
- ⑩ Printing & stationery = 800 Dr
- ⑪ Commission Received = 4500 Cr
- ⑫ Depreciation on furniture = 1000 Dr

Particulars	Dr	Particulars I & R	Cr
To Salary	10,000	By Gross profit b/d	85,000
" Bad debts	5000	" Sundry Income	3500
" General Expens	2,500	" Discount Received	1500
" Carriage outward	1000	" I.O.I	2,200
" Discount allowed	1200	" Commission Received	4500
" Printing & stationery	800		
" Depreciation on furniture	1000		
" Net profit	75,200		
A: 37,500			
B: 37,500			
	96,700		96,700

② $\times \frac{3}{5}$ for the year ending 31/3/20. Prepare P&L A/c

- ① Gross profit b/d - 52,000
- ② Insurance - 3200
- ③ Discount - 1000
- ④ Sundry Receipt - 2200
- ⑤ Tax paid - 1400
- ⑥ Salary - 4500
- ⑦ Rent paid - 1500
- ⑧ Commission Received - 2600
- ⑨ Bad debts Recovered - 1100
- ⑩ Travelling Expenses - 1700
- ⑪ Postal charges - 400
- ⑫ Audit fees - 1500

Dr

Cr

Particulars	Amts	Particulars	Amts
To Insurance	3200	By Gross profit b/d	52,000
To Discount	1000	By Sundry Receipt	2200
To Tax paid	1400	By Commission	
To Salary	4500	Received	2600
To Rent paid	1500	By Bad debts	
" Travelling Expen	1700	Recover	1100
" Postal charges	400		
Audit fee	1500		
N/P (3:2)	42,700		
X :- $(42,700 \times \frac{3}{5})$			
Y :- $(42,700 \times \frac{2}{5})$			
X :- 25,620			
Y :- 17,080			
	57,900		57,900



③ Prepare P&I A/c of Ravi & chandra is equally for the year ended 31/3/2022.

① Salary - 2140

② Carriage outward - 890

③ Commission Received - 2180

④ Bad debts - 1240

⑤ General charges - 2500

⑥ Printing & stationery - 1250

⑦ Gross profit - 18,500

⑧ P&I A/c of R & C for year ended 31/3/22

Particulars	Amt	Particulars	Amt
To salary	2140	By Gross profit	18,500
π carriage outward	890	By Commission Received	2180
Bad debts	1240		
General charges	2500		
Printing & stationery	1250		
N/P (1:1) Ravi: 6330 chandra: 6330	12,660		
	<u>20,680</u>		<u>20,680</u>

④ Sharing profit & losses 2:1. for the year ended 31/12/2019. Pr

- ① Gross profit - 25,800
- ② Sundry Income - 2000
- ③ " Expenses - 3000 Dr
- ④ Salary paid - 6500 Dr
- ⑤ Bad debts - 2500 Dr
- ⑥ Bad debts Recoverd - 5000 Cr
- ⑦ office Expenses - 2000
- ⑧ Income tax paid - 4000
- ⑨ General Expenses - 1500
- ⑩ Interest paid - 1400
- ⑪ discount allowed - 2000

① A
Dr

Particulars	Amt	Particulars	Amt
To sundry Expenses	3000	By gross profit	25,800
To Salary	6500	By Sundry Income	2000
To Bad debts	2500	By B.d Recoverd	5000
To office Expens	2000		
To Income tax	4000		
To General Exp	1500		
To Interest paid	1400		
To discount allowed	2000		
To N/p. (2:1) R : 6,600 S : 3,300	9,900		
	32,800		32,800

Liabilities (SRSUC)		Assets (FICMP)	
<u>I. Share Capital</u>		<u>I) Fixed Assets</u>	
Issued capital	xxx	Land & Building	xx
called up capital	xxx	Plant & machinery	xx
(-) calls in arrears	xxx	furniture	xx
Paid up capital	xxx	Good will	xx
Share premium	xxx	Trade mark	xx
forfeiture shares	xxx	Patents.	xxx
<u>II. Reserves & Surplus</u>		<u>II. Investments</u>	
Reserve fund	xxx	Short term	xxx
General Reserve	xxx	Invested by Companies.	xxx
sinking fund	xxx	<u>III. Current Assets & Advan</u>	
N/P or profit for year	xxx	cash in hand	xxx
<u>III. Secured loan</u>		cash @ bank	xxx
debenture.	xxx	Sy. Debtors.	xxx
<u>IV. Unsecured loan</u>		B/P	xxx
Short term	xxx	closing stock	xxx
Long term	xxx	Prepaid items.	xxx
Any other	xxx	loan given to Employee	xxx
loan from Employee	xxx	Loose tools.	xxx
<u>V. Current Liabilities,</u>		<u>IV miscellaneous Expenditure</u>	
<u>Provisions</u>		Preliminary Expenses	xxx
Sy. creditors	xxx	<u>V P&L A/c (loss if any)</u>	
B/P Payable	xxx	loss for the year.	xxx
B.O.D	xxx		
Provision for taxation	xxx		
for proposed dividend	xxx		
for final dividend	xxx		
out standing items.	xxx		

Q Under what heading for the following items shown in the balance sheet.

i) Plant & machinery - ~~fixed~~ assets.

ii) Good will - fixed assets.

iii) Preliminary Expenses - miscellaneous expenditure

iv) debenture - Secured loan

v) loose tools, - Current assets and loan advances.

Items | under what heading.

②	Items	
1.	Sundry creditors	Current liabilities & Provision
2.	Trade mark	fixed assets
3.	B.O.D	Current liabilities & Provision
4.	Cash in hand	Current Assets & loan & advances
5.	loan	Unsecured loan.
6.	Patents.	fixed assets.

Key points

① Each and every adjustment should be take in twice.

② outstanding amount always 'Add'.

③ Prepaid amount always 'less' or advance are always 'less' only.

① On 31st/3/2022 The trial balance of A & B shd as follows they share profits & losses in the ratio of 3:2. Balance sheet, Trading & P&L A/c after considering adjustments given.

Particulars	Dr	Par	Cr
Cash in hand B/S	2000	A's capital B	2,00,000
A's drawings B/S (-)	10,000	B's capital B	1,50,000
B drawings B/L)	5000	Commission P&L	1,00,000 1,000
* L & B B/S (-)	<u>1,10,000</u>	Sales T.	6,80,000
* Salaries P&L	18,000	Purchase returns T	15,000
dis Count P&L	2000	Sundry creditors B	67,000
Sundry debtors B/S	80,000	Bills payable B	19,000
Rent & taxes, P&L	14,000		
Opening stock T	20,000		
* wages (+) T	60,000		
P&L Stationery P	4000		
Furniture B/S	35,000		
(* P&L m) B/S & P&L	80,000		
Sales return T	6000		
Purchases T	6,50,000		
Insurance P&L	9000		
Bills Receivable B/S	26,000		
	11,32,000		11,32,000

wages
Ad = Pre par 100
(-)

Adjustments

- ① closing stock as 31-3-2022 was valued 50,000 T & B/S
- ② Provide outstanding wages 5,000, outstanding Salary 6000 T & B/S

3) Provide capital account

Ans:- Trading A/c of A & B for the year ended 31/3/22.

Particulars	Amt	Amt	Particulars	Amt	Amt.
To opening stock		20,000	By Sales	6,80,000	
To Purchases	6,50,000		(-) Returns	6,000	6,74,000
(-) Returns	15,000	6,35,000	By closing Stock		50,000
To wages	60,000				
(+) outstanding	5,000	65,000			
To Gross profit Transf. to P&L		4,000			
		7,24,000			7,24,000
To Salaries	18,000		By -Gross profit b/d		4,000
(+) outstanding	6,000	24,000	By Commission		1,000
To dis Count		2,000	By Net loss (3%)		61,500
To Rent & taxes		14,000	A = $61,500 \times \frac{3}{5}$	36,900	
To Printing & Stationery		4,000	B = $61,500 \times \frac{2}{5}$	24,600	
To P & m	80,000				
(-) depreciation $80,000 \times 10\%$		8,000			
To dep on buil @ 5% 1,10,000		5,500			
To Insurance		9,000			
		66,500			66,500

Balance sheet of A & B as on 31/3/2022 -

Liabilities	Amt	Amt	Assets	Amt	Amt
A capital	2,00,000		cash in hand		3000
(-) drawings	10,000		land & Building	1,10,000	
(-) Net loss	36,000	1,53,100	(-) Depreciation	5,500	1,04,5
B capital	1,50,000		Sundry debtors		89,000
(-) drawings	5,000		furniture		35,000
(-) Net loss	24,600	1,20,400	Plant & machinery	80,000	
Sundry creditors		67,000	(-) Depreciation	8,000	72,000
Bills payable		19,000	Bills Receivable		26,000
Outstand wages		5000	Closing stock		50,000
Outstand salary		6000			
		370,000			3,70,000
		<u>3,70,500</u>			<u>3,70,500</u>

Returns Dr Cr
10,000 10,000

② M & R Partners. as on 31/12/2022.

Particulars	DY	CY
open stock of ^{T, B/S} Raw materials	20,000	-
Purchase of raw material	1,20,000	-
Import duties T	20,000	-
Wages T & B/S (A)	20,000	-
Sales returns T	7,000	-
*Salaries P & B/S (A)	10,000	-
Bad debts P & I	3,000	-
discount P & I	2000	-
*Insurance P & I & B (A)	3000	-
*Stationery P & I & B (A)	2000	-
*Rent & Taxes P & I & B (A)	1,000	-
*Furniture P & B/S (A)	30,000	-
*land & Building P & B/S (A)	70,000	-
*machinery P & B/S (A)	80,000	-
Trade mark B/S (A)	40,000	-
Sundry debtors B/S (A)	30,000	-
Investment B/S (A)	20,000	-
Bills Receivable B/S (A)	7000	-
cash @ Bank B/S (A)	2000	-
Sales T	-	2,50,000
Purchase Return T	-	2000
Discount P & I	-	2000
Interest on Investment P & I	-	1000
B/P B/S (A)	-	9000

Sundry creditors B/S(D)

10,000

Capitals (B/S(L))

M

1,00,000

R

1,00,000

Current A/c B/S(L)

M

6,500

R

6,500

4,87,000

4,87,000

Adjustment

1) closing stock - 40,000 T&B

2) outstanding ^{P&B/S} salary, ^{T&B/S} wages, ^{P&B/S} Insurance

2000, 500, 30

3) Advance stationery, ^{P&B/S} Rent & ^{P&B/S} Taxes 300, 400

4) depreciation @ 5% on machinery, and ₹ 2000 for land & Building, @ 10% on furniture. P&B/S



Trading A/c of M and R for the year 31/12/22

Dr	Particular	Amt	Amt	Particular	Amt	Amt.
	To open stock		20,000	By Sales	2,50,000	...
	To purchase	1,20,000		(-) Returns	7,000	2,43,000
	(-) Returns	2,000	1,18,000	By closing stock		40,000
	To Import duties		20,000			
	To wages	20,000				
	(+) outstanding	500	20,500			
			1,78,500			
	To Gross profit Transf. P&L		1,04,500			
			2,83,000			2,83,000
	To Salaries	10,000		By Gross profit		1,04,500
	(+) outstanding	2,000	12,000	By Discount		2,000
	To Bad debts		3,000	By Interest on Invest.		1,000
	To dis Count		2,000			
	To Insurance	3,000				
	(+) outstanding	300	3,300			
	To stationery	2,000				
	(-) Advance	300	1,700			
	To Rent & Taxes	1,000				
	(-) Advance	400	600			
	To Dep furniture $30,000 \times 10\%$		3,000			
	To machinery $80,000 \times 5\%$		4,000			
	To I & B		2,000			
	Net profit (1:1)		75,900			
	M & R :- 37,950 27,950		1,07,500			1,07,500

Balance sheet of M & K

Liabilities	Amt	Amt	Assets	Amt	Amt
<u>Capitals</u>			Furniture	30,000	
M		1,00,000	(-) Dep.	3000	27,000
R		1,00,000			
<u>Net profit</u>			L & B	70,000	
M		37,950	(-) Dep	2000	68,000
R		37,950			
<u>Current A/c</u>			P & M	80,000	
M		6500	(-) Dep	4000	76,000
R		6500			
Sundry creditors		10,000	Investments		20,000
Bills payable		9000	Sundry debtor		30,000
<u>outstanding items</u>			Trade mark		40,000
Outstanding salary		2000	B/R		7000
wages		500	Cash @ Bank		2000
Insurance		300	Repaid items		
Stationery		300	Advances		
R & Taxes		400	Stationery		300
			R & Taxes		400
			Closing stock		40,000
		3,10,700			
					3,10,700

③ following is the trial balance of A & B Partners.
 are equal As on 31/12/20.

Particulars	Dr	Cr.
<u>Capital</u>		
A	-	40,000
B	-	40,000
Stock on 1/1/2020	51,000	-
Purchase & Sales	2,20,000	3,30,000
S. Returns	3,800	-
General Expenses P/L	1,800	-
• wages +	12,000	-
• Salaries +	18,700	-
• Travelling Expenses P/L	3,200	-
• Advertisement P/L	1,550	-
• Rent & Taxes + P/L	4,900	-
• Discount Received P/L	-	2,200
• Bank Interest P/L	850	-
• Bad debts P/L	2500	-
Buildings +	95,000	-
• Plant & machinery +	98,000	-
• Sundry debtors & creditors +	45,000	55,500
• Loan	-	25,000
• Cash	1,400	-
• Reserve fund	-	23,000
• Preliminary Expenses	11,000	-

Debit

55,000

5,70,700

5,70,700

Adjustments

- ① Stock on 31/12/2020 - 90,000
- ② Depreciate building by 10% and plant and machinery 20%.
- ③ Reserve for doubtful debts @ 5% on debtors.
- ④ outstanding salary & wages of ₹ 500, 1000.
- ⑤ Prepaid Rent ₹ 400.

Ans:- Trading & Profit & loss A/c for the year ended 31/12/20

Dr			Cr		
Particular	Amt	Amt	Particular	Amt	Amt.
To open stock		51,000	By Sales	3,30,000	
To purchase		2,20,000	(-) Returns	3,800	
To wages	18,000	18,000	By closing stock		90,000
(+) outstanding	1000	13,000			
		284,000			
To Gross profit		1,32,000			
<u>Trade P&L</u>		4,16,000			4,16,000
To general <u>Expn</u>		1,800	By Gross profit		1,32,000
To salary	18,700		b/d		
(+) outstanding	500	19,200			
To travelling		3,200			
Expenses					
To Advertise		1,550			
ment					

To Rent & Taxes	4,900		By discount Received	2,200
(-) Prepaid rent	400	4,500		
To Bank Interest		850		
To Bad debts		2,500		
To Dep Building 95,000 X 10%		9,500		
To Dep P&I 98,000 X 20%		19,600		
To R.d.d 45,000 X 5%		2,250		
To Net profit A & B (1:1) 34,725 34,725 -		69,450		
		1,34,400		1,34,400

Balance of A&B as on 31/12/20

Liabilities	Amt	Amt	Assets	Amt	Amt.
Capital			Building	95,000	
A	40,000		(-) Dep. 10%	9,500	85,500
B	40,000	80,000	Plant & machinery	98,000	
(-) Net profit			(-) Dep. 20%	19,600	78,400
A	34,725		Sundry debtors	45,000	
B	34,725	69,450	(-) R.d.d 5%	2,250	42,750
Reserve fund		23,000	Cash		1,400
debenture		55,000	Reserve fund		
outstanding salary		500	Preliminary exp		11,000
wages		1000	Closing stock		90,000
loan		25,000	Rent		400
Creditors		55,500			
		3,09,450			3,09,450

④ x and y partners sharing 2:1. as on 31/12/2020

Particulars	Dr	Particulars	Cr
Opening Stock	15,000	Capitals	
Purchase	1,50,000	x	50,000
Rent (cr)	25,000	y	50,000
Wages (cr)	50,000	Sales	3,20,000
Land (cr)	1,00,000	Commission Received	3,000
Machinery (cr)	51,000	Creditors	38,000
Debtors	105,000		
Furniture	25,000		
	4,61,000		4,61,000

Adjustments

- ① closing stock - 30,000 N/A
- ② Rent in advance - 2000, outstanding wages - 2000
- ③ Depreciation on land & machinery @ 10% each.

Dr			Cr		
Particulars	Amt	Amt	Particulars	Amt	Amt
To opening stock		15,000	By sales		3,20,000
To purchase		1,50,000	By closing stock		30,000
To wages	50,000	53,000			
(+) outstanding	3000	47,000			
		2,18,000			
To Gross profit <i>(trans. to P&L)</i>		1,39,000			
		3,50,000			3,50,000
To Rent	25,000		By gross profit		1,39,000
(-) advance	2000	23,000	By Commission		1,32,000
To Dep on land 1,00,000 X 10%		10,000	Received		3,000
To Dep on mach 51,000 X 10%		5,100			
To Net profit c/d(?)		38,100			
X:- 96,900 X 2/3	64,600	96,900			
Y:- 96,900 X 1/3	32,300				
		1,35,000			1,35,000

Balance sheet of X and Y as on. 31/3/2017.

Liabilities	Amt	Amt	Asset	Amt	Amt.
Capital			land	1,00,000	
X:-	50,000		(-) Dep	10,000	90,000
(+) N. Profit	64,600	1,14,600	machinery	51,000	
Y:-	50,000		(-) Dep	5,100	45,900
(+) N. profit	32,300	82,300	Debtors		45,000
Creditors		38,000	furniture		25,000
Rent wages		3000	Closing stock		30,000
			Rent		2000
		2,37,900			2,37,900

⑤ From following Trial Balance Manjunath Brothers
 Prepare final a/c of Ramesh & Suresh in ratio of
 1:1 for year ended 31/3/2022:

Particulars	Debit	Credit
Land & Building * B/S	50,000	-
- Purchases T	1,10,000	-
- Stock on 1/4/2021 T	40,000	-
• Returns T (-)	1,500 (SR)	2,500 (P.R)
• wages * T	10,000	-
• Salaries P	9,000	-
• Office Expenses P	2,400	-
• Carriage inwards T	1,200	-
• Carriage outwards P	2,000	-
• Discount P	750	1,200
• Bad debts P	1,200	-
sales Capital * B	-	1,30,000
• Sales T	-	2,05,000
• Insurance * P	1,500	-
• Commission P	-	1,500
• plant and machinery * B	50,000	-
• furniture * B	10,000	-
• Bills / R B	20,000	-
• Sundry debtors * B	40,000	-
• Sundry creditors B	-	25,000
• cash in hand B	1,500	-
• cash @ bank B	4,500	-
• office equipment (P&T) * B	12,000	-

Bills payable B.

3,67,550

2,350
3,67,550

Adjustments

- ① closing stock - 60,000 (T & B/S)
- ② outstanding wages - 2000, Rent - 3000
- ③ Dep land & Building @ 5%, Plant & mach 10%, office equipment, furniture at 10%. (P&I B/S)
- ④ Create a Reserve on @ 5% on debtors for doubtful debts.
- ⑤ Insurance premium ^{Pre} paid - 200
- ⑥ provide interest on capital @ 5%.

A) Trading & P&I A/c of Ramesh & Suresh for year ended 31/3/22
Dr Cr

Particulars	Amt	Amt	Particulars	Amt	Amt
To stock		40,000	By sales	2,05,000	
To purchases	1,10,000		(-) Returns	1,500	2,03,500
(-) Returns	2,500	1,07,500	By closing Stock		60,000
To wages	10,000				
+) O. w	2000	12,000			
To carriage inwards		1,200			
		1,60,700			
To Gross profit. Tral P&I.		1,02,800			
		2,63,500			2,63,500

Particulars	Amount	Amount	Particulars	Amount
To Salaries		9,000	By Commission	1,500
To office exp		2,400	By Discount	1,200
To Carriage o.t		2,000	By Gross profit	1,02,80
To Discount		750		
To Bad debts		1,200		
To Insurance		1,500		
To outstanding Rent		3,000		
To Dep on @ 5 50,000 X 5%		2,500		
To Dep P&M 50,000 X 10%		5,000		
To Dep on fur 10,000 X 10%		1,000		
To Dep of eq 12,000 X 10%		1,200		
To doubt. b. debts 40,000 X 5%		2,000		
To Insurance.	1,500			
(-) Prepaid	200	1,300		
To I.O.C 1,30,000 X 5%		6,500		
To Net profit.		37,850		
(111) Ramesh Suresh.	33,825	67,650		
	33,825			

From the following trial balance of Khushi & Rishi
 one partner in firm sharing P&L in ratio of 8:2.
 as on 31/3/2020

Particulars	Debit	Credit
<u>Capitals (Rs)</u>		
Khushi	-	1,50,000
Rishi	-	1,00,000
<u>Drawings (Rs)</u>		
Khushi	3000	-
Rishi	2000	-
<u>Stock on 1-4-2019 (₹)</u>	45,000	-
<u>Purchase & Sales (₹)</u>	2,00,000	3,00,000
<u>Returns (₹)</u>	2,000 (S)	3,000 (P)
<u>wages (₹) *</u>	5,000	-
<u>Carriage Inwards (₹)</u>	3,000	-
<u>Gas & water (Rs)</u>	1,000	-
<u>Salary (Rs) *</u>	10,000	-
<u>General Exp (Rs)</u>	2000	-
<u>Preliminary Exp (Rs) *</u>	10,000	-
<u>audit fees (Rs)</u>	6000	-
<u>Postage & Telegram (Rs)</u>	1000	-
<u>Commission (P & I)</u>	-	6000
<u>Land Building</u>	20,000	-

Sundry creditors	-	80,000
Sundry debtors	35,000	-
Bills (B/S)	9,000 (A)	6,000 (C)
Furniture (B/S)*	20,000	-
Good will	29,000	-
Cash	15,000	-
Base tools	37,000	-
Investments	75,000	-
Trade mark	25,000	-
	5,66,000	7,25,000
	6,45,000	6,45,000

Adjustments

- ① closing stock is valued at ₹ - 65,000
 - ② write off preliminary expenses - ₹ 2,000 (P/B/S)
 - ③ Provide for Bad debts of - 1,000 and Reserve for doubtful debts at 10%.
 - ④ Depreciate land & building, furniture @ 10% & 15% respectively.
 - ⑤ outstanding Salary - 1000, and prepaid wages 500.
- Prepare final accounts of partnership firm,

Trading & P&I A/c of Khushi & Kushi

Dr

Particulars	Amnt	Amnt	Particulars	Amnt	Amnt
To opening stock		45,000	By sales	3,00,000	
To purchases	2,00,000		(-) Returns	20,000	2,78,000
(-) Return	3,00,000	1,97,000	By closing stock		65,000
To wages	5,000				
(-) Prepaid	500	4,500			
To carriage inwards		3,000			
To Gas & water		1,000			
To Gross profit Tray P&I	2,50,500	1,12,500			
		3,63,000			3,63,000
To Salary	10,000		By Gross profit B/d		1,12,500
(+) O.S.	1000	11,000	By Commission		6000
To -General Expenses		5,000			
To preliminary		2000			
To Audit fees		6000			
To postage & Telegram		1000			
To Bad debts		1000			
To d.f.d. 10%		3,400			
35,000 x 10% (- 1000)					
To Dep Land Bui		5,000			
50,000 x 10%					
To furniture		3,000			
20,000 x 15%		31,400			

debtors
(-) Bad debts
and calculate
P.B.D

Net profit	81,000	
3:2		
Kushi: $81,000 \times \frac{3}{5}$	48,660	
Rushi: $81,000 \times \frac{2}{5}$	32,440	
	1,18,500	1,18,500

Balance of Partnership firm as on 31/3/2020

Liabilities	Amt	Amt	Assets	Amt	Amt.
Capitals			Preliminary Expenses	12,000	
Khushi	1,50,000		(-) write off	2000	10,000
Rushi	1,80,000		land & Building	50,000	
(-) Drawings	3000		(-) Dep	5000	45,000
(+) Net profit	48,660	1,95,660	furniture	20,000	
			(-) Dep	3000	17,000
Rushi	1,80,000		Sundry debtors	35,000	
(-) Drawings	2,000		(-) prov. Bad	1000	
(+) Net profit	32,440	2,10,440		34,000	
			(-) RBP	3,400	30,600
Sundry creditors		80,000	Good will		29,000
Bills payable		6,000	Cash		15,000
Outstanding salary		1000	Loose tools		37,000
			Investments		75,000
			Trade mark		25,000
			Closing stock		65,000
			Prepaid wages		500
			Bills Receivable		9,000

manoj and partners in the ratio of 4:5. as on
31/3/2021.

Particulars	Debit	Credit
• Capital • Manoj	-	40,000
• Manoj	-	70,000
• Sundry creditors	-	30,000
• Sundry debtors	25,000	-
• Salary	4,000	-
• Rent paid (P)	5,000	-
• General Expenses (P)	7,000	-
• Interest Received	-	4,000
• Purchase & Sales	P (49,000)	S (79,000)
• Returns	2,000 (S)	2,000 (P)
• B/R & B/P	6,000 (A)	6,000 (D)
• Wages	4,000	-
• Carriage Inwards	2,000	-
• Carriage outwards (P)	3,000	-
• Cash in hand (P)	5,000	-
• Furniture	20,000	-
• B.O.D	-	5,000
opening stock (P)	25,000	-

Debtors (B/S)	10,000	10,000
building (B/S)	30,000	-
plant (B/S)	15,000	-
Investments (P.A.) (B/S)	12,000	-
loan (B/S)	-	6,000
	<u>2,08,000</u>	<u>2,08,000</u>

Adjustments

- ① closing stock - 40,000
- ② R.B.D - is provided @ 10% on debtors.
- ③ Depreciate Building & furniture by 20% P.A.
- ④ outstanding salary - 1000.
- ⑤ Prepaid wages - 300

(A) Trading A/c of Vinay & Manoj for year ended 31/3/20

Particular	Amt	Amt	Particular	Amt	Amt
To opening stock		24,000	By sales	55,000	
To Purchase	45,000		(-) Returns	2000	53,000
(-) Returns	2000	43,000	By closing stock		40,000
To wages	4000				
(-) Prepaid	300	3,700			
To carriage Inwards		2000			
To Gross Profit		20,300			
Tray. P.E.1					
		<u>93,000</u>			<u>93,000</u>

Q) A/c of manoj & Vinay

Dr

Cr

Particulars	Amt	Amt	Particulars	Amt	Amt
To salary	9,000		By Interest Rec		4,000
(+) O.S.	1000	10,000	By Gross profit		20,300
To Rent paid		5,000	By Net loss 4:5		9,200
To General Expn		3,000	Vinay: $9,200 \times \frac{4}{9}$	4089	
To carriage out		3,000	manoj: $9,200 \times \frac{5}{9}$	5,111	
To R.B.D $25,000 \times 10\%$		2,500			
To Building Dep $30,000 \times 20\%$		6,000			
To furniture $20,000 \times 20\%$		4000			
		<u>33,500</u>			
		33,500			
		24,200			
					<u>33,500</u>
					<u>24,300</u>

Balance sheet as on 31/3/21

Liabilities	Amt	Amt	Assets	Amt	Amt
Capital			Cash in hand		5000
Vinay	40,000		Sundry debtors	25,000	
(-) N.L	4089	35,911	(-) R.B.D	2,500	22,500
manoj	50,000		Bills Receivable		4000
(-) N.L	5,111	44,889	furniture	20,000	
Sundry credi		30,000	(-) Dep	4000	16,000
Bank payable		6000	Building	30,000	
BoD		5,000	(-) Dep	6000	24,000
Debentures		10,000	Plant		15,000

Loan outstanding salary	6,000	Investments	12,000
	1,000	Repaid wages	300
		closing stock	40,000
	1,32,000		1,32,000

8) Rajesh & Mahesh are partners in a firm sharing P&I Equally 1:1. As on 31/3/22.

Particulars	Dr	Cr
① Capital		
Rajesh	-	50,000
Mahesh	-	50,000
② Drawings		
Rajesh	2,000	-
Mahesh	1,000	-
- Purchase & Sales (P)	₹ 50,000	₹ 60,000
- Returns (r)	1000 (S.A)	2000 (P.R)
- Bills B/S	3000 (A)	5000 (L)
- opening stock (T)	45,000	-
- wages (T)	12,000	-
- Salary (P&I)	15,000	-
- Commission (P&I)	-	6,000
- Rent Received (P&I)	-	3000
- Creditors (B/S)	-	15,000
- Debtors (B/S)/P&I	12,000	

cash (B/s)	5,000	-
Prepaid (P&B/s)	20,000	-
Furniture (P&B/s)	10,000	-
loan (B/s)	8,000	8,000
Loose tools (B/s)	7,000	-
Good will (B/s)	16,000	-
	<u>1,99,000</u>	<u>1,99,000</u>

Adjustments

- ① outstanding salary - 2000 £, Pre paid wages - 1000
- ② closing stock - 62,000
- ③ Dep P&M and furniture @ 10%, each.
- ④ P. D. @ 5% on debtors

Trading and P&L A/c of Rajesh and Mahesh for ended

31/3/22

cr

Particulars	Amt	Amt	Particulars	Amt	Amt.
to opening stock.		45,000	By Sales.	60,000	
to purchase	50,000		(-) Returns	1000	59,000
-) Returns	2000	48,000	By closing stock		62,000
to wages	12,000				
-) Prepaid	1000	11,000			
to Gross profit		1,01,000			
Trading P&L.		17,000			
		1,21,000			1,21,000
to Salary	15,000		By gross profit b/d		17,000
+) O.S	2000	17,000	By Commission		6,000
to P.D.D 5%			By Rent Received		3000
12,000 X 5%		600			
to plant & mac					
20,000 X 10%		2000			
to furniture					
10,000 X 10%		1,000			
		20,600			
to Net profit 1:1		5,400			
Rajesh :- 5,400 X 1/2	2,700				
Mahesh :- 5,400 X 1/2	2,700				
		26,000			26,000

Balance sheet of Rajesh & Mahesh as 31/3/22

Liabilities	Amt	Amt	Assets	Amt	Amt
Capital			Debtors	12,000	
Rajesh	50,000		(-) P.D.D	600	11,400
(-) Drawings	2000		Cash		5000
(+) N. profit	2,700	50,700	P & M	20,000	
Mahesh	50,000		(-) Dep	2000	18,000
(-) Drawings	1000		Furniture	10,000	
(+) N. profit	2,700	51,700	(-) Dep	1000	9,000
Bills payable		5000	Lease tools		7000
Creditors		15,000	Good will		16,000
Loan		8,000	Closing stock		62,000
Outstanding Salary		2000	Bills Receivable		3000
		1,32,400	Prepaid		1000
		1,32,400			1,32,400

8) From the following trial of Prakash & Akash are partners 1:1 for year ended 31/3/20.

Particulars	Dr	Cr
Purchase & Sales -		
Returns -	80,000 (P)	1,00,000 (S)
*Debtors & Creditors	(S.R) 5000	(P.R) 4000
Capital -	* 40,000	,55,000 (U)
Prakash	-	60,000
Akash	-	60,000

* Plant & machinery	30,000	-
* Furniture	15,000	-
- Bills payable	-	10,000
- Bills Receivable	5,000	-
* Salary	12,000	-
- Rent Received	-	6000
- Interest paid	2000	-
* Preliminary Expenses (P.E.)	6,000	-
- Commission Received	-	8000
- Cash in hand	10,000	-
- Investment	5,000	-
- Debenture	-	15,000
* Good will	28,000	-
- General Expenses	15,000	-
- Audit fees	25,000	-
Trade mark	40,000	-
Opening Stock		
	<u>3,18,000</u>	<u>3,18,000</u>

Adjustments

- ① Closing Stock - 85,000
- ② write off preliminary ex - 2000
- ③ - P.D.D 10% on debtors
- ④ Depreciate furniture, P&M by 20% each, P.A.
- ⑤ Appreciate Good will by 10%.
- ⑥ salary due - 1000.

Dr

Particulars	Amt	Amt	Particulars	Amt	Amt
To opening Stock		40,000	By Sales	1,00,000	
To purchase	80,000		(-) Returns	5,000	95,000
(-) Returns	4,000	76,000	By Closing Stock		25,000
To Gross profit <u>Tray P&L</u>		64,000			
		1,80,000			1,80,000
To Salary	12,000		By Gross profit		64,000
(+) out standing	1,000	13,000	By Rent Received		6,000
To Interest Paid		2,000	By Commission Received		8,000
To General Expens		15,000	By Appreciation on Good will		8,000 2,800
To Audit fee		25,000	$28,000 \times 10\%$		
To P.B.D $40,000 \times 10\%$		4,000			
To Dep P&L $30,000 \times 20\%$		6,000			
To furniture $15,000 \times 20\%$		3,000			
To preliminary		2,000			
To Netprofit (1:)		10,800			
P: 5	5,400				
A: 5	5,400				
		80,800			80,800

Balance sheet of Prakash and Akash as 31/3/20

Assets	Liability	Amt	Amt	Assets	Amt	Amt
<u>Capitals</u>				Debtors	40,000	
Prakash		60,000		(-) P.D.D	4,000	36,000
Akash		60,000	1,20,000	Plant & machineries	30,000	
				(-) dep.	6,000	24,000
Net profit				furniture	15,000	
Prakash		5,400		(-) dep	3,000	12,000
Akash		5,400	10,800	Bills Receivable		5,000
				Preliminary Expenses	6,000	
Creditors			55,000	(-) write off	2,000	4,000
Bills payable			10,000	Cash in hand		10,000
Debenture			15,000	Investment		5,000
Outstanding salary			1,000	Good will	28,000	
			2,11,800	(+) Appreciation	2,800	30,800
				Closing stock		85,000
						2,11,800
						2,11,800

Valuation of Good will

Meaning of Good will :- Good will is a good name reputation, sound collection, Earning of a Super Profit and it is intangible asset.

How Good will is Earned :-

1. Good will of a business is earned by the business, unit by delivering, good quality of Product or services.
2. Truthfulness of the business man.
3. Good relationship with employees, superiority of the technicals, know how efficiently of the management.

Features of Good will :-

Good will is an intangible asset it cannot be seen or touched.

- 2) It is a real asset but not a fictitious assets.
- 3) Good will is subject the fluctuations.
- 4) It always exists with business but it cannot exist by it self.

Types of Good will :-

There are 2 types of good will

- 1) Purchased
- 2) Non-purchased.

need for valuation of good will

1. In case of sole trading concern
2. In case of partnership firm.
3. In case of Joint stock company
4. methods of valuation of good will

There are 4 types valuation of good will.

1. Average profits method
2. Capitalisation method
3. Super profit.
4. Annuity method.

Average profit method

It can be classified into 2 categories on

a) simple Average profit method: It can be calculate of the years profit will be fluctuate from year to year.

$$\text{Average Profit} = \frac{\text{Total No. of years Profit}}{\text{No. of years}}$$

27,000
48,000
47,500
45,000
18,000

55,000
2,000

b) weighted Average profit: It can be calculate the weight and to know profit of the years increasing by ye. every year. And it will not fluctuate and it will count of the weighted years.

$$= \frac{\text{Total product}}{\text{No. of weights}}$$

Income $\rightarrow (-)$
Expense/Loss $\rightarrow (+)$

Key points

- 1) Income or profits it should be added, but instead of add (-) / less.
- 2) Expenses or losses should be (-) but instead of less we have to [add (+)]

Problems

Format of adjusted average profit

Particulars	Amnt.
Profit (As per the year)	xxx
<u>Add</u> :- All Expenses & losses not likely to occur	xxx
<u>less</u> :- All expenses and losses expected to occur in future	xxx
<u>Add</u> :- All profits likely to come	xxx
<u>less</u> :- profit not likely to arise in future	xxx
<u>Add</u> :- over valuation of opening stock	xxx
<u>less</u> :- under valuation of closing stock	xxx
<u>Add</u> :- undervaluation of closing stock	xxx
<u>less</u> :- overvaluation of opening stock	xxx
Adjusted profit	xxx

$$\Rightarrow \text{Adjusted average profit} = \frac{\text{Total profit of the year}}{\text{No. of years profits.}}$$

\Rightarrow Calculations of Good will

Add - Good will = Adj. average profit \times No. of year Purchase,
 $= 10,000 \times 2$

① Past 5 where as follows.

2018 - ₹ 40,000 (including abnormal profit ₹ 5000) less

2019 - ₹ 50,000 (after charging abnormal loss ₹ 10,000)

2020 - ₹ 45,000 (excluding ₹ 5000 Insurance premium)

2021 - ₹ 60,000

2022 - ₹ 80,000 (including profit on sale of building 30,000)

Calculate Good will at 2 yrs purchase of A.P.

Particulars	2018	2019	2020	2021	2022
(Profit as per Q)	40,000	50,000	45,000	60,000	80,000
<u>Add:-</u> Abnormal loss	—	10,000	—	—	—
	40,000	60,000	45,000	60,000	80,000
<u>less:-</u> Abnormal profit	5,000	—	—	—	—
Insurance premium	—	—	5,000	—	—
Sales of Building	—	—	—	—	30,000
	35,000	60,000	40,000	60,000	50,000

$$\text{Adjusted profit} = \frac{\text{Total adjusted profit}}{\text{No. of years profit}}$$

$$= \frac{2,45,000}{5 \text{ years}}$$

$$= \boxed{49,000}$$

$$\text{Good will} = \text{Adjusted profit} \times \text{No. of years purchase}$$

$$= 49,000 \times 2 \text{ years}$$

$$= \boxed{98,000}$$

② Arun purchased a Business from Balan on 1/4/2022.
Profits earned by Balan for the preceding years
2019-2020 :- 50,00,000, 2020-21 - 60,00,000
2021-22 :- 54,00,000.

① Profit of 2021-22 is reduced by 3,00,000 due to stock destroyed, by fire, and profit of 2021 included non recurring income ₹ 2,00,000.

② The stock is not Insured and it is not Prudent to insure the stock in future.

③ The Insurance premium is estimated at ₹ 5,00,000 Per annum.

④ Arun at the time of purchase business was employed as manager as with reny limited at the monthly salary of ₹ 1,00,000.

He tense to replace the manager of the business who is at present paid salary of ₹ 75,000 Per month.



The Good will is estimated at 2 years purchase of the Average profit. Calculate the value of Good will.

Particulars	2019-20	20-21	21-22
Profit (As per Question)	50,00,000	60,00,000	54,00,000
Add: stock destroyed	-	-	3,00,000
Total (A)	50,00,000	60,00,000	57,00,000
Less: Non-Recurring Income	-	2,00,000	-
Insurance	50,000	50,000	50,000
manager - Remuneration (1,00,000 - 75,000)	25,000	25,000	25,000
Total (B)	75,000	2,75,000	75,000
Total Adjusted profit (A-B)	49,25,000	57,25,000	56,25,000

$$\text{Adjusted profit} = \frac{\text{Total adjusted profit}}{\text{No. of years profit}}$$

$$= \frac{1,62,75,000}{3 \text{ years}}$$

$$= \boxed{54,25,000}$$

Calculation of Good will :-

$$\text{Good will} = \text{Adjusted profit} \times \text{No. of year purchase}$$

$$= 54,25,000 \times 2 \text{ years}$$

$$= \text{₹ } 1,08,50,000$$

$$= \boxed{1,08,50,000}$$

③ Rakesh and Company decided to purchase a business the profits for last 4 years were as follows.

2019 - 1,20,000

2020 - 1,50,000

2021 - 1,44,000

2022 - 1,38,000

The business was looked after by management.

Remuneration from alternative employment if not engaged with business comes with 18,000 per.A.

Calculate good is valued on basis 3 yrs Purchase of the average profit.

Particulars	2019	2020	2021	2022
Profit	1,20,000	1,50,000	1,44,000	1,38,000
(-) Remuneration	18,000	18,000	18,000	18,000
Total	1,02,000	1,32,000	1,26,000	1,20,000

$$\text{Adjusted average profit} = \frac{\text{Total profit}}{\text{No. of year profit}}$$

$$= \frac{4,80,000}{4 \text{ yrs}} = \boxed{1,20,000}$$

$$\text{Good will} = \text{Adj Avg profit} \times \text{No. of years Purchase}$$

$$= 1,20,000 \times 3 \text{ yrs}$$

$$= \boxed{3,60,000}$$

Q) Ganesh and co decided to purchase business, its profit for the yr last 4 yrs.

2019 - 40,000

2020 - 50,000

2021 - 48,000

2022 - 46,000

The business was looked after by the mangmt Remuneration from alternative if not engage comes to 6000 p.a find out of good will on the 3yrs.

Sol:- Calculation of Average profit:-

$$\text{Average profit} = \frac{\text{Total profit}}{\text{No. of year profit}}$$

$$= \frac{40,000 + 50,000 + 48,000 + 46,000}{4 \text{ years.}}$$

$$= \frac{1,84,000}{4 \text{ yrs}}$$

$$= 46,000 - 6000 = 40,000$$

$$= \boxed{40,000}$$

Calc. Good will:-

Adjusted profit x purchase years

$$= 40,000 \times 3 \text{ years}$$

$$= \boxed{1,20,000}$$

⑤ Nishbal limited proposed to purchase business of Nishanth Ltd. for this purpose, Goodwill is agreed to be valued at 2yrs of the weighted avg profit of past 3yrs.

The profits and weights to be used on 2018 - ₹ 46,000, 2019 - ₹ 56,000, 2020 - ₹ 45,000.

It is ascertained that the closing stock of 2019 was overvalued by ₹ 7000. (-)

Or required to calculate the value of Goodwill

Assuming that ₹ 10,000 should be provided to mgmt expenses, as remuneration.

Ans:-

Particulars	2018	2019	2020
Profit	46,000	56,000	45,000
(-) over valued closing stock	-	7,000	-
	46,000	49,000	45,000
(-) mgmt expenses	10,000 10,000	10,000	10,000
	36,000	39,000	35,000

Cal of weighted avg p

Year	Profit	weight	Product
2018	36,000	1	36,000
2019	39,000	2	78,000
2020	35,000	3	1,05,000
		<u>6</u>	<u>2,19,000</u>

$$\frac{2,19,000}{6} = 36,500$$

Cal good will:-

$$\text{G.W} = \text{weighted avg profit} \times \text{No. of yrs pur}$$

$$= 36,500 \times 2 \text{ yrs}$$

$$= \boxed{73,000}$$

⑥ Mr. Vivek purchased a business for 2 years

Profit for 3 years.

2018 - ₹ 50,000.

2019 - ₹ 40,000

2020 - ₹ 30,000

Calculate the good will.

Calculation of profit:-

$$\frac{\text{Total profit}}{\text{Total No. of years.}}$$

$$= \frac{1,20,000}{3 \text{ yrs.}}$$

$$\text{Avg. pr.} = \boxed{40,000}$$

Calculation of good will:-

$$= \text{Avg profit} \times \text{No. of years purchased}$$

$$= 40,000 \times 2$$

$$= \boxed{80,000}$$

Calculate the value of good will for purchase of '3 yrs' & profit for 4 yrs as follows.

2017 - ₹ 40,000

2018 - ₹ 30,000

2019 - ₹ 50,000

2020 - ₹ 40,000

Calculation of ^{Avg profit} (good will) :- $\frac{\text{Total profit}}{\text{No. of yrs}}$

$$= \frac{1,60,000}{4 \text{ yrs}}$$

$$= 40,000$$

Good will = Avg profit \times yrs pers

$$= 40,000 \times 3$$

$$= 1,20,000$$

⑧ Alpha Company purchasing a business for 2 yrs, and 5 yrs of profit is given below.

1st yr - ₹ 50,000, 2nd - 40,000, 3rd yr - 20,000

4th yr = 30,000 5th = 20,000.

cal Avg profit = $\frac{\text{Total profit}}{\text{No. of yrs}}$

$$= \frac{1,60,000}{5}$$

$$= 32,000$$

Good will = Avg profit \times No. of yrs pers

$$= 32,000 \times 2 = 64,000$$

Super Profit Method :- (1) Calculation method.

$$\text{Average profit} = \frac{\text{Total profit}}{\text{No. of years}} = \text{xxx}$$

less :- Managerial Remuneration / Govt bonds /

Interest on Investment = xxx

Total = xxx

(2) Calculation of Capital Employed

2019 - 30,000

Assets	xxx
less:- Liabilities	xxx
	xxx

less :- Half of the year profit

(Current year profit - Managerial Remuneration / Government bonds / In. o. Investment Amt x 1/2)

$$30,000 - 10,000 - 20,000 \times \frac{1}{2} = \text{xxx}$$

Capital Employed = xxx

(3) Calculation of Normal Profit :-

$$NP = CE \times \text{Normal Rate of Return}$$

(4) Calculation of Super Profit :-

$$S.P = AP - NP$$

(5) Calculation of Goodwill :-

$$GW = \text{Super profit} \times \text{No. of year purchase.}$$

① Balance sheet of 31/12/2012, is as under.

Liabilities	Amt	Assets	Amt.
Equity share capital of ₹ 10 each	10,00,000	fixed assets	8,00,000
General reserve	4,00,000	Invest (6% g.b)	2,00,000
P&A A/c	2,00,000	Current asset	8,00,000
Current liabilities	2,00,000		
	18,00,000		18,00,000

① Net profit after taxation - 2010 :- ₹ 2,60,000
 2011 :- ₹ 2,50,000
 2012 :- ₹ 3,00,000

② Normal rate of return is 15% NRR

③ Current assets are to be taken as ₹ 8,20,000.

④ calculate the good will under 5 yrs pur of Super profit.

Ans:- Super profit method:-

$$\text{Calculation of Average profit} = \frac{\text{Total profit}}{\text{Total No. of years}}$$

$$= \frac{2,60,000 + 2,50,000 + 3,00,000}{3 \text{ yrs}}$$

$$= \frac{8,10,000}{3 \text{ yrs}}$$

$$\begin{aligned}
 &= 2,70,000 \\
 \text{less: - Government bonds} &= 12,000 \\
 &= \underline{2,58,000} \\
 \text{Total Average P} &= 2,58,000
 \end{aligned}$$

② calc of capital employed.

$$\begin{aligned}
 \text{Current Assets} &= 8,20,000 \\
 \text{(+) Fixed assets} &= 8,00,000 \\
 &= \underline{16,20,000}
 \end{aligned}$$

$$\text{less: - Current Liabilities} = \underline{2,00,000}$$

$$= 14,20,000$$

$$\text{less: - half of year profit.} \\
 \text{Curn.y.p - Gov. b} = 1,44,000$$

$$= (3,00,000 - 12,000)$$

$$= 2,88,000 \times \frac{1}{2}$$

$$\text{Capital emp.} = \underline{12,76,000}$$

③ calculation of Normal profit:-

$$NP = CE \times \text{Normal rate of return}$$

$$= 12,76,000 \times 15\% = \underline{1,91,400}$$

④ calculation of Super profit:-

$$Sp = \text{Average profit} - \text{Normal profit}$$

$$= 2,58,000 - 1,91,400 = 66,600$$

⑤ calculation of Good will:-

$$= \text{Super profit} \times \text{No. of years purchased.}$$

$$= 66,600 \times 5 \text{ yrs} = \underline{3,33,000}$$

Liabilities	Amt	Assets	Amt
Equity share of ₹ 10 each	2,50,000	Fixed Assets	2,00,000
General reserve	1,00,000	Investments (5% govt bonds)	50,000
P&A	50,000	Current Assets	2,00,000
Current liabilities	50,000		
	4,50,000		4,50,000
① Net profit After taxation		2019 - 65,000	
		2020 - 62,500	
		2021 - 75,000	

② Normal rate of return 10%

③ Current Assets are ₹ 2,10,000

Calculate the value of Good will 4 yrs purchase of Super profit.

Ans:- Super profit method

$$\text{① calculation of avg profit} = \frac{65,000 + 62,500 + 75,000}{3 \text{ yrs}}$$

$$= \frac{2,02,500}{3}$$

$$= 67,500$$

$$= 2,500$$

less:- Government bonds
(50,000 × 5% = 2,500)

Total Avg Profit = 65,000

3) Calc of Capital Employed

Current Assets	=	₹, 10,000
(+) fixed assets	=	₹, 00,000
		<hr/>
		₹, 10,000
<u>(less -)</u> :- Current liabilities	=	₹, 00,000
		50,000
		<hr/>
		₹, 20,000
		3,60,000

Iss :- half of Y.P.

(Current Y.P. - Govt)

(75,000 - 2,500)

$$\text{Capital Employed} = \frac{36,250}{3,23,750}$$

3) Calc of Normal profit :-

$$NP = CE \times NRR$$

$$= 3,23,750 \times 10\%$$

$$NP = \boxed{32,375}$$

4) Calc Super profit :-

$$SP = \text{Avg profit} - NP$$

$$= 65,000 - 32,375$$

$$SP = \boxed{32,625}$$

5) Calc Goodwill :-

$$\text{Good will} = SP \times \text{No. of years purchased.}$$

$$= 32,625 \times 4 \text{ yrs}$$

$$\text{Good will} = \boxed{1,30,500}$$

③ Balance sheet of standard Co. Ltd as on 31.3.24 is

Liabilities	Amt	Assets	Amt
10,000 equity shares of ₹ 100 each	10,00,000	Fixed Assets	10,00,000
6,000 (15% preference) Shares of 100 each	6,00,000	Stock	3,50,000
General reserve	80,000	Debtors	4,50,000
P/L A/c	1,60,000	Cash @ bank	2,00,000
<u>Sundry creditors</u>	1,60,000		
	20,00,000		20,00,000

① The Profit of the company (before providing for taxation at 40%) and the rate of dividend declared in respect of the past 5 financial yrs.

2017-18 :-	3,70,000	- 8%
2018-19 :-	4,10,000	- 10%
2019-20 :-	4,40,000	- 12%
2020-21 :-	4,30,000	- 15%
2021-22 :-	4,60,000	- 15%

You are required to find out value of Goodwill at 5 yrs purchase of Super profit of Company.

D Super profit method:-

Calc of Avg profit :- $\frac{\text{Total profit}}{\text{No. of yrs}}$

$= 3,70,000 + 4,10,000 + 4,40,000 + 4,30,000 + 4,60,000$

$= 21,10,000$

(-) Tax @ 40% = $\frac{8,44,000}{12,66,000 / 5yrs}$

T.Avp. = $\boxed{2,53,200}$

③ Cal of Capital Employed:-

Assets = 20,00,000
 (-) Cl :- Creditors = 1,60,000
 = 18,40,000

less:-

(-) 1/2 of Curr y.P
 $(4,60,000 \times 40\% - 1,84,000)$

$= 2,76,000 \times 1/2 = 1,38,000$
 = 17,02,000

③ Cal of Capital Employed :- Normal profit:-

$Np = CE \times NRR$
 $= 17,02,000 \times 12\%$

$= 8 + 10 + 12 + 15 + 15$
 $= \frac{50}{4} = 12.5\%$

$NP = \boxed{2,04,240}$

④ Cal of Super profit:-

$Sp = Avp - NP$
 $= 2,53,200 - 2,04,240$
 $= 48,960$

(b) Cal of ~~4000~~ amt.

$$\begin{aligned}
 \text{GP} &= \text{Sp} \times \text{No. of yrs purchase} \\
 &= 48,960 \times 5 \text{ yrs}
 \end{aligned}$$

$$\text{GP} = 2,44,800$$

(c) Balance sheet of standard ltd, as on 31-03-2022.

Liabilities	Amt	Assets	Amt.
Share capital		fixed assets	10,00,000
10,000 equity shares of 100 each	10,00,000	Stock	3,50,000
6,000 (15% Preference Shares of ₹ 100 each)	6,00,000	Debtors	4,50,000
General Reserve	20,000	Cash @ Bank	2,00,000
P/L A/c	1,60,000		
Sundry creditors	1,60,000		
	20,00,000		20,00,000

The profits of the company (before providing for taxation at 38.5%) and the rate of dividend declared in respect of past yrs.

- 2016-17 :- 2,70,000 - 8%
- 2017-18 :- 3,10,000 - 10%
- 2018-19 :- 3,40,000 - 12%
- 2019-20 :- 3,30,000 - 15%
- 2020-21 :- 3,60,000 - 15%

$$\begin{aligned}
 &8+10+12+15+15 \\
 &\frac{60}{5} = 12\%
 \end{aligned}$$

You are required to find out the value of good will of 5 yrs purchase of super profit of company.

$$= 2,70,000 + 3,10,000 + 3,40,000 + 3,30,000 + 3,60,000$$

$$= 16,10,000$$

1) Tax 38.5% = 6,19,850

9,90,150 / 5 yrs

TAV.P = 1,98,030

2) Cal Capital Employed:-

Assets = 20,00,000

:- Creditors = 1,60,000

18,40,000

1/2 of year profit

(Cur.Y.P - (3,60,000 x 38.5% - 1,38,600

= 2,21,400 x 1/2 = 1,10,700

Capital Employed :- 17,29,300

2,21,400

3) Calculation of Normal profit:-

Np = CE x Normal Rate of return.

= 17,29,300 x 12%

NP = 2,07,516

4) Calculation of Super profit:-

SP = AV.P - NP

= 1,98,030 - 2,07,516

= -9,486 (loss)

5) Calculation of Good will:-

GD = SP x No. of yrs purchase

=

9,486 x 5

= -47,430

⑥ Balance sheet of Standard Ltd, as on 31-03-2012 :-

Liabilities	₹	Assets	₹
Share capital	10,00,000		

Weighted Average Profit Method:-

① Star Company Ltd as on 31/3/2012 is as follows

The profit for four years were 2009 - 30,000

2010 - 40,000

2011 - 25,000

2012 - 60,000

Before ^{after} taking the tax at 25% on profit.

The total Assets of Rupees 18,00,000, &

current liabilities of ₹ 3,00,000.

The NRR is 15%.

Calculate ① the value of Good will of Super

Profit of 3yrs purchase.

② (Calc) Annuity value of sp is ₹ 3.78

Calculation of weighted average profit

Year	Profit	Weight	Total product
2009	30,000	1	30,000
2010	40,000	2	80,000
2011	50,000	3	1,50,000
2012	60,000	4	2,40,000
		<u>10</u>	<u>5,00,000</u>

$$\frac{5,00,000}{10} = 50,000$$

Calculation of Capital Employed:

Assets	=	8,00,000
(-) CL	=	<u>3,00,000</u>
	=	15,00,000

1/2 of Current Year profit

$$(2,40,000 \times \frac{1}{2}) = 1,20,000$$

Capital Employed = 13,80,000

Calculation of Normal Profit:

$$\begin{aligned} NP &= 10\% \text{ NRE} \\ &= 13,80,000 \times 10\% \\ &= \boxed{1,38,000} \end{aligned}$$

Calculation of Super Profit:

$$\begin{aligned} SP &= \text{W.A. Profit} - NP \\ &= 50,000 - 1,38,000 \\ &= \boxed{(-) 1,38,000} \end{aligned}$$

② calculate the value of good will for 3 yrs
Purchase of 5 yrs profit, where as follows.

2016 :- 40,000

2017 :- 55,000

2018 :- 70,000

2019 :- 80,000

2020 :- 90,000

① The NRR is 5%.

② capital employed is ₹ 9,20,000.

calculation of ^{wk} Average profit

year	Profit	weight	product
2016	40,000	1	40,000
2017	55,000	2	110,000
2018	70,000	3	210,000
2019	80,000	4	320,000
2020	90,000	5	450,000
		<u>15</u>	<u>11,30,000</u>

③ Capital emp

$$\frac{11,30,000}{15} = 75,333$$

② Capital employed :- 9,20,000

$$\text{③ } Np = CE \times NRR$$

$$= 9,20,000 \times 5\%$$

$$= 46,000$$



④ Cal of weighted avg profit:-

year	Profit	weight	product
2006	25,000	1	25,000
2007	35,000	2	70,000
2008	50,000	3	1,50,000
2009	60,000	4	2,40,000
		<u>10</u>	<u>4,85,000</u>

10/2/21

$$= \frac{4,85,000}{10}$$

$$= 48,500.$$

② Cal capital employed

$$\begin{aligned} \text{Assets :- PA} &= 1,50,000 \\ \text{CA} &= 1,00,000 \\ \hline &2,50,000 \end{aligned}$$

c-) Current liabilities

$$\begin{aligned} \text{Creditors} &60,000 \\ \text{B/P} &\frac{20,000}{1,70,000} = \frac{80,000}{1,70,000} \end{aligned}$$

c-) 1/2 year profit.

$$\begin{aligned} (2,40,000 \times \frac{1}{2}) &= \frac{1,20,000}{50,000} \\ \text{Capit e :-} & \end{aligned}$$

③ Normal profit:-

$$\begin{aligned} \text{NP} &= \text{CE} \times \text{NRR} \\ &= 50,000 \times 8\% \\ &= 4000 \end{aligned}$$

④ Super profit:-

$$\begin{aligned} \text{SP} &= \text{WAVP} - \text{NP} \\ &= 48,500 - 4000 \\ &= 44,500 \end{aligned}$$

5) $GP = SP \times \text{No. of years purchase}$
 $= 44,500 \times 3 \text{ yrs}$
 $= 1,33,500$

① $AVP = \frac{No.}{T}$

6) annuity method:
 $Am = SP \times \text{Annuity value}$
 $= 24,500 \times 2.09$
 $= 93,000$

② CG

③ $SP \times A$
 ④ $NP = CE \times NRR$
 ⑤ $GP = SP \times No.$
 ⑥ $SP = AVP - NP$

7) From the following information, calculate the value of Good will for Reliance Ltd by Super profit method.

Average capital employed in business :- 6,00,000
 Net profit of the firm for past 3 yrs were
 ₹ 1,07,600, ₹ 90,700, 1,12,500

1) NRR of Interest expected from capital having regard to the risk involved at 12%.

2) Fair Remuneration to firm for their services ₹ 12,000 per annum.

3) Sundry Assets of firm ₹ 7,00,000 7,54,752

4) Sundry liabilities ₹ 31,329.

5) 8 yrs purchase of Super profit as Good will.

① cal weighted Avg profit:-

Average profit = $\frac{\text{Total profit}}{\text{No. of yrs.}}$
 $= \frac{1,07,600 + 90,700 + 1,12,500}{3}$

$= \frac{3,10,800}{3} = 1,03,600$

(-) Fair Remuneration $\frac{12,000}{3} = 4,000$
 $= 1,03,600 - 4,000 = 99,600$

② Capital employed:- 6,00,000

③ Cal. Normal profit:-

$$\begin{aligned} NP &= CE \times NRR \\ &= 6,00,000 \times 12\% \\ &= 72,000 \end{aligned}$$

④ Cal of Super profit:-

$$\begin{aligned} Sp &= AVP - NP \\ &= 91,600 - 72,000 \\ &= 19,600 \end{aligned}$$

⑤ Good will:-

$$\begin{aligned} GP &= Sp \times \text{No. of yrs purchase} \\ &= 19,600 \times 8 \text{ yrs} \\ &= 1,56,800. \end{aligned}$$

ISSUE OF SHARES

Meaning :- "Share is a the value of certainty". And the profit (and) or any loss among dividend into the share holders is called share.

Types of shares :-

there are two types of shares are

- 1) Equity share
- 2) Preference share.

① Equity share :- Equity shares are not priority of the share holder and having a voting rights there are 5 types of share capital.

- ① Authorised capital
- ② Issued capital
- ③ subscribed capital
- ④ called up capital
- ⑤ Paid up capital.

② Preference share capital :-

It means first priority of the preferring all share holders in respect of payment of dividend during the existence of the company.

Types of preference share :-

It can be classified into types of shares are

1. Cumulative preference share.
2. Non-Cumulative preference.
3. Participating preference share.
4. non-participating preference share.
5. Convertible preference share
6. Non-convertible preference share.
7. Redeemable preference share.
8. Irredeemable preference share.

Features of shares :-

1. Limited liability for share holders.
2. Loss absorption for other investors and other creditors.
3. Uncertain returns.
4. Right to participate in the control and management.
5. An attraction of person's having limited income.

Issue of share :-

1. Issue of share @ par :- Equal to their face value.
2. Issue of shares at premium :- higher than the face value of shares.
3. Issue of shares at discount

Issue of prospectus.

It means to collect capital from the public a public company issues a document is called the prospectus.

1) Pro rate allotment :-

It means proportionately allotment pro rate basis, that allotment on every application is made in the ratio which the total number of shares to be allotted on the basis have to the total no. of share applied for in all such application.

2) calls in Advance.

3) calls in arrears.

Problems :-

1. A company Ltd issued 50000 ordinary share of ₹ 100 each the amount was payable as follows.

₹ 10 on application

₹ 50 on allotment

₹ 40 on first & final call.

all the shares were subscribed and the amount was dully received.

Post Journal entry.

Raising - the Share Capital	Per share	Equity Share Capital (Cr)	Bank A/c (Dr)
Eq. sh. Application	10	5,00,000 ⁽¹⁾ Cr (A/c)	5,00,000 ⁽¹⁾ (Payable)
Eq. sh. - Allotment	50	25,00,000 ⁽³⁾ Due	25,00,000 ⁽⁴⁾ Rec
Eq. sh. ₹ ₹ final call	40	20,00,000 ⁽⁵⁾ Due	20,00,000 ⁽⁶⁾ Received

Journal entries in the books of A Co Ltd.

Sl. No	Particulars	Dr (₹)	Cr (₹)
1	Bank A/c - - - - - Dr To Eq. sh. Application A/c (Being the 50,000 share of ₹ 10 on Application payable)	5,00,000 -	- 5,00,000
2	Eq. sh. Application A/c - - - Dr To Eq. sh. Capital A/c (Being the Application money Transferred)	5,00,000 -	- 5,00,000
3	Eq. sh. Allotment A/c - - - - - Dr To Eq. sh. Capital A/c (Being the Allotment money due).	25,00,000 -	- 25,00,000
4	Bank A/c - - - - - Dr To Eq. sh. Allotment A/c (Being the Allotment money Received).	25,00,000 -	- 25,00,000

5.	Eq. sh first & final A/c - Dr To Eq. sh capital A/c (Being the first and final call money due)	-	20,00,000
6.	Bank A/c - - - - - Dr To Eq. sh first & final A/c (Being the first & final call money received)	20,00,000	-
		-	20,00,000

① Shashi company Ltd issued 10,000 equity share of ₹ 10 each, for public subscription, the amount payable as follows

- ① ₹ 3 on application
- ② ₹ 5 on allotment.
- ③ ₹ 2 on first & final call.

all the share were subscribed & duly received.

Shashi Co Ltd 10,000 shares of ₹ 10 each.

Raising Share Capital	Par share	Eq. Sh. capital (Cr)	Eq. Bank A/c Dr
Eq. Sh. Application	3	30,000 (1) Trf	30,000 (1) Payble
Eq. Sh. Allotment	5	50,000 (2) due	50,000 (2) Rec
Eq. Sh. fir & final call	2	20,000 (3) due	20,000 (3) received

Sl. No.	Particulars	Dr (₹)	Cr (₹)
1.	Bank A/c To by the application (Being the amount of ₹ 1000 application money)	10,000	
2.	By the application a/c To by the capital a/c (Being the application money received)		10,000
3.	By the statement of To by the capital a/c (Being the statement bank)		10,000
4.	Bank A/c To by the statement (Being the statement bank)	10,000	
5.	Bank A/c To by the capital a/c (Being the amount of ₹ 1000)	10,000	
6.	By the capital a/c To by the bank A/c (Being the amount of ₹ 1000)		10,000

Issue of shares at premium.

① Karnataka Company Ltd issued 10,000 eq. shares of ₹ 10 each, at the premium of ₹ 5 per share and payable is as follows.

- i) ₹ 1 on application ii) ₹ 7 on allotment. ^{include premium}
- iii) ₹ 7 on first & final call.

all the shares were subscribed and the money duly received pass Journal entries.

Journal entries in the books of Karnataka co Ltd

Sl.No	Particulars	H/F	Dr (₹)	Cr (₹)
1.	Bank A/c ----- Dr To Eq. sh. Application A/c (Being 10,000 shares of ₹ 1 on application paid)		10,000	10,000
2.	Eq. sh Application A/c -- Dr To eq. sh capital A/c (Being the Application money transferred)		10,000	10,000
3.	Eq. sh Allotment A/c --- Dr To Eq. sh capital A/c To Eq. sh premium A/c (Being the Allotment due of ₹ 5).		70,000	70,000
4.	Bank A/c ----- Dr To eq. sh Allotment A/c (Being the Allotment money received).		70,000	70,000

5	eq. sh for & final call A/c --- DR To eq. sh capital A/c (Being the & final call money due)	10,000	—
		—	70,000
6.	Bank A/c --- DR To eq. sh for & final (Being the & final call mny Received)	70,000	—
		—	70,000

② Good luck Company Ltd issued 10,000 Shares of ₹100 each at premium of 10% payable as follows.

- ① ₹ 30 on application
- ② ₹ 60 on allotment (including premium) and Bal on first
- ③ and final call.

all the shares were subscribed & the money duly received.

Pass Journal entries.

① Good luck. com Ltd Journal entries :

$$\begin{array}{r}
 10,000 \\
 \times 30 \\
 \hline
 300000 \\
 \hline
 3,00,000
 \end{array}$$

Sl.No	Particulars	UP	Dr (₹)	Cr (₹)
1	Bank A/c --- DR To eq. sh Application A/c (Being the 10,000 shares of ₹ 30 on application payable)		3,00,000	—
			—	3,00,000
2.	Eq. sh Application A/c --- DR To Eq. sh capital A/c (Being the Application money transferred)		3,00,000	—
			—	3,00,000.

<p>Eq. Sh Allotment A/c To Eq. Sh Capital A/c To premium A/c (Being the Allotment due of 10 ₹).</p>	<p>— —</p>	<p>5,00,000 1,00,000</p>
<p>Bank A/c - - - - - or To Eq. Sh Allotment (Being the Allotment Received).</p>	<p>6,00,000 —</p>	<p>— 6,00,000</p>
<p>Eq. Sh first & final A/c - - - - - or To Eq. Sh Capital A/c (Being the first & final call Amt due).</p>	<p>2,00,000 —</p>	<p>— 2,00,000</p>
<p>Bank A/c - - - - - or To Eq. Sh first & final call A/c (Being the first & final call money Received).</p>	<p>2,00,000 —</p>	<p>— 2,00,000</p>

③ Aditya cmpny ltd 10,000 shares issued ₹ 10 each @ premium of ₹ 5 per share, payable is as follows.

① ₹ 1 on application

② ₹ 8 on allotment (include premium)

③ ₹ 6 on first & finally call

This share fully subscribed and money duly received except first & final call money on 1000 shares. $(60,000 - 1000 \times 6 = 54,000)$

Journal entries in books of Aditya cmpny ltd

Sl.No	Particulars	4F	Dr (₹)	Cr (₹)
1	Bank A/c ----- Dr To eq. sh Application A/c (Being 10,000 shares on 1 on application transferred payable)		10,000 —	— 10,000
2.	eq. sh Application A/c --- Dr To eq. share capital A/c (Being the Application money transferred)		10,000 —	— 10,000
3.	eq. sh Allotment A/c --- Dr To eq. sh capital A/c To eq. sh premium A/c (Being the allotment due of ₹ 5)		80,000 — —	— 30,000 50,000

4.	Bank A/c - - - - - DR To eq. sh allotment A/c (Being money Received)	80,000 -	- 80,000
5.	eq. sh first & final call A/c - CR To eq. sh capital A/c (Being the 1st & 2nd callm due)	60,000 -	- 60,000
6.	Bank A/c - - - - - DR To eq. sh I & final call A/c (Being the first & final call money Received).	54,000 -	- 54,000

Issue of shares at discount:-

① Uday Company Ltd Issued 10,000 equity shares of ₹ 10 each @ discount of 10% per share.

- ① ₹ 1 on application
- ② ₹ 2 on allotment
- ③ ₹ 3 on first call
- ④ ₹ 3 on final call.

100,000,000
17,50,000

Pass necessary Journal entries.

Sl. No	Particulars	DR	Dr (₹)	Cr (₹)
1.	Bank A/c - - - - - DR To eq. sh application A/c (Being the 10,000 shares on ₹ 1 on application Payable).		10,000 -	- 10,000

2.	eq. sh application A/c - - - - - DR To eq. sh. capital A/c (Being the application money transferred)	-	10,000
3.	eq. sh. allotment A/c - - - - - DR eq. sh discount A/c - - - - - DR To eq. sh capital A/c (Being the allotment & discount due that 1 Rs discount)	20,000 10,000 -	- - 30,000
4.	Bank A/c - - - - - DR To eq. sh allotment A/c (Being the allotment money Received).	30,000 -	- 30,000
5.	eq. sh first call A/c - - - - - DR To eq. S. capital A/c (Being the eq. sh first call money due)	30,000 -	- 30,000
6.	Bank A/c - - - - - DR To eq. sh first call A/c (Being the first call money Received)	30,000 -	- 30,000
7.	eq. sh final call A/c - - - - - DR To eq. sh capital A/c (final call money due)	30,000 -	- 30,000
8.	Bank A/c - - - - - DR To final call A/c (Being final call money received)	30,000 -	- 30,000

Janavi company has 1000 shares of 100 each. @ discount of ₹ 10 per share the amount was to be paid as follows.

① on application ₹ 10

② on allotment ₹ 30

③ on first call ₹ 30

④ on final call ₹ 20 ($41,00,000 - 500 \times 20 = 3,90,000$)

all the shares were subscribed and money duly received expect the final call on 500 shares. In Book of Janavi company Ltd

No	Particulars	Dr (₹)	Cr (₹)
1.	Bank A/c ----- Dr To P.S. share on application A/c (Being the 20,000 P.S. on 10-App Payable)	2,00,000 —	— 2,00,000
2.	P.S. Application A/c ----- Dr To P.S. capital A/c (Being the application money transferred)	2,00,000 —	— 2,00,000
3.	Preference share allotment A/c - Dr Re-share discount A/c - Dr To P.S. capital A/c (Being the allotment due of ₹ 10 discount).	6,00,000 2,00,000 —	— — 8,00,000
4.	Bank A/c ----- Dr To P.S. allotment A/c (Being the allotment money received).	8,00,000 —	— 8,00,000

5	Pre share first call A/c - Dr To P.S. Capital A/c (Being the P.S. first call money due)	6,00,000 -	- 6,00,000
6	Bank A/c - - - - - Dr To P.S. first call A/c (Being the first call money received)	6,00,000 -	- 6,00,000
7	Pre share final call A/c - Dr To P.S. Capital A/c (Being the final call money due)	4,00,000 -	- 4,00,000
8	Bank A/c - - - - - Dr To Pre-sh. final call A/c (Being the pre-sh. final call A/c received) but 500 shares were not <u>received</u>	3,90,000 -	- 3,90,000

③ Teja company Ltd Issued 5000 equity shares of ₹ 10 each and @ discount of 1 per share. and Payable is as follows.

- ① on application ₹ 2
- ② on allotment ₹ 3
- ③ on first & final call ₹ 4 (~~20,000~~ - 400 = 16)

of the shares money subscribed and money duly received except 100 shares from first and final call.

NO	Particulars	4P	DR (₹)	CR (₹)
1.	Bank A/c ----- DR To e.s. application A/c (Being the 5000 share of ₹ each on Application payable)		10,000 —	— 10,000
2.	eq. sh. Application A/c ----- DR To eq. sh. capital A/c (Being the e.s. Application money Received)		10,000 —	— 10,000
3.	eq. sh. Allotment A/c ----- DR eq. sh. Discount A/c ----- DR To eq. sh. capital A/c (Being the Allotment money due but ₹ 1 on discount).		15,000 5,000 —	— — 20,000
4.	Bank A/c ----- DR To eq. sh. Allotment A/c (Being allotment money Received)		20,000 —	— 20,000
5.	first & final call A/c ----- DR To eq. sh capital A/c (Being the first & final call money due)		20,000 —	— 20,000
6.	Bank A/c ----- DR To first & final call A/c (Being the first & final call money Received except 100 shares).		19,600 —	— 19,600

Forfeited Shares

It means cancellation of shares of a company when the share holder fails to pay the shares money then cancelled of shares ownership of the company, is called forfeited shares.

Format of forfeited shares Journal entries:-

Sl. No	Particulars	Dr (₹)	Cr (₹)
1.	Equity share capital A/c --- Dr $\left[\begin{array}{l} \text{No. of shares} \\ \text{forfeited} \end{array} \times \begin{array}{l} \text{face value of} \\ \text{shares} \end{array} \right]$ To non-payment of 1 st & final Call $\left[\begin{array}{l} \text{No. of shares} \\ \text{forfeited} \end{array} \times \begin{array}{l} \text{value of} \\ \text{shares} \end{array} \right]$ <small>face value - forfeited</small> To forfeited shares A/c $\left[\begin{array}{l} \text{No. of shares} \\ \text{forfeited} \end{array} \times \begin{array}{l} \text{Remaining} \\ \text{bal of shares} \end{array} \right]$	XXXX — —	— XXX XXX
2.	Bank A/c (Re-Issue of x Shares @ Re Issue Price) --- Dr $\left[\begin{array}{l} \text{Re-Issue of} \\ \text{Shares} \end{array} \times \begin{array}{l} \text{Discount} \\ \text{Price} \\ \text{Per share} \end{array} \right]$ <small>face value - Re-Issue Price = Discount</small> To equity share capital A/c	XXX XXX —	— — XXX
3.	Forfeited shares A/c --- Dr To capital Reserve A/c	XXX —	— XXX

D Gupta Company Limited issued 10,000 equity shares of ₹ 100 each. The company is payable on application ₹ 40, on allotment ₹ 30, and first and final call ₹ 30.

800 shares were forfeited from first & final call. The company shares are re-issued as fully paid and re-issue ₹ of 80 per share.

Pass necessary Journal entries.

Ans: Journal entries in the books of Gupta Co. Ltd

Sl. No	Particulars	Dr (₹)	Cr (₹)
1.	Equity share capital A/c (800 × 100) — Dr To first & final call A/c (800 × 30) To forfeited shares A/c (800 × 70)	80,000 — —	— 24,000 56,000.
	(Being the 10,000 shares of ₹ 100 each, but non-payment of first & final call 800 shares of ₹ 30 each).		
2.	Bank A/c (800 × 80) — — — — Dr Forfeited shares A/c (800 × 20) — Dr To Equity share capital A/c	64,000 16,000 —	— — 80,000
	(Being the 800 shares were re-issued and price of ₹ 80.		
3.	Forfeited shares A/c — — — — Dr To Capital Reserve A/c	20,000 —	— 40,000
	(Being the amount transferred to Capital Reserve A/c)		

3. Zurai Co. Ltd issued 5000 equity shares of ₹ 10 each. for non-payment of first & final shares 600 of Rs 3 per share.

Re-Issue of shares as fully and price of ₹ 9.

Pass Journal entries.

Ans:- Journal entries in book of Zurai Co. Ltd

1.	Equity share capital A/c (600 x 10) Dr To 1st final call A/c (600 x 3) To forfeited shares A/c (600 x 7) (Being the 5,000 share of ₹ 10 each but non-payment of ₹ 1 final call of ₹ 3 each)	6000 — —	— 1,800 4,200
2.	Bank A/c (600 x 9) --- Dr forfeited A/c (600 x 1) --- Dr To equity share capital A/c (Being the 600 shares were re-issued and re-issue price of ₹ 9)	5,400 600 —	— — 6,000
3.	forfeited share A/c --- Dr To capital Reserve A/c (Being the amount transferred to capital Reserve A/c.)	3,600 —	— 3,600

On 2000 shares on 5 per share from Mr. Shiva
 the director. forfeited these share, the as fully paid
 @ ₹ 7 per share. Pass necessary Journal entries.

$2000 \times 7 = 14000$

1.	equity share capital A/c (2000 x 10) -- Dr To of final A/c (2000 x 3) To forfeited shares (2000 x 7) (Being the 2000 shares of ₹ 10 each but non payment of final call of ₹ 3 each).	₹ 20,000 — —	— 6,000 14,000
2.	Bank A/c (2000 x 7) -- Dr forfeited A/c (2000 x 3) To equity share capital A/c (Being the 2000 shares were re-issued and re issue price of ₹ 7).	14,000 6000 —	— — 20,000
3.	forfeited share A/c --- Dr To Capital Reserve A/c. (Being the amount transferred to capital Reserve A/c.)	8000 —	— 8000



1) Jay Co. Ltd forfeited 200 shares of ₹ 10 each, ₹ 7 called up, on which mahesh had paid application and allotment money of ₹ 5 per share. of this 150 are Re-issued to mahesh as fully paid for ₹ 6 per share.

Ans:-			
1.	Equity share A/c (200 x 10) - DR	2000	-
	To Application & allotment (200 x 5)	-	1000
	To forfeited A/c (200 x 2)	-	400
	(Being the 200 shares 10 each but Application & Allotment of 5)		
2.	Bank A/c (150 x 6) - - DR	900	-
	forfeited A/c (150 x 1) - DR	150	-
	To Equity share A/c	-	1050
	(Being the 150 shares were Re-issued for 6).		
	forfeited share A/c - - DR	250	-
	To capital reserve A/c	-	250
	(Being the Amount transferred to capital Reserve A/c)		

5) Sunlight Co Ltd Issued 5000 shares of ₹ 10 each.
 and payable is as follows on application ₹ 4 on
 allotment ₹ 3 on final call ₹ 3.
 all the shares were subscribed, duly received
 except final call 400 shares forfeited. This
 shares are re-issued as same as fully paid
 of ₹ 8 per share.

$$400 \times 3 = 1200$$

1.	Bank A/c - - - - - DR To eq. sh application A/c (Being the share 5000 for 10 each and ₹ 4 on application payable).	20,000 -	- 20,000 .
2.	eq. sh application A/c - - - - - DR To eq. sh capital A/c (Being the application A/c transferred).	20,000 -	- 20,000 .
3.	eq. sh allotment A/c - - - - - DR To eq. sh capital A/c (Being the allotment mny due).	15,000 -	- 15,000
4.	Bank A/c - - - - - DR To eq. sh allotment A/c (Being the allotment mny received)	15,000 -	- 15,000
5.	eq. sh. final call A/c - - - - - DR To eq. sh capital A/c (Being the final call mny due).	15,000 -	- 15,000



6. Bank A/c - - - - - DR 13,800 -
 To $\frac{1}{2}$ of final call A/c - - - - - 13,800
 (Being the final call mny received expect 400 shares).

7. Equity share capital A/c (400x10) DR 4000 -
 To $\frac{1}{2}$ of final call (400x3) - - - - - 12,000
 To forfeited A/c (400x7) - - - - - 2800
 (Being the 500 for 10 each but first & final call 3)

8. Bank A/c - DR (400x8) 3200 -
 forfeited A/c - - DR (400x2) 800 -
 (1 To equ share A/c - - - - - 4000
 (Being the 400 shares re Issued for ₹8)

$$\begin{array}{r} 3200 \\ + 800 \\ \hline 4000 \end{array}$$

9. forfeited A/c - - DR 2000 -
 To capital Reserve A/c - - - - - 2000
 (Being the am transfered to capital Reserved).

Shakti Co. Ltd was formed in the share capital of ₹ 5,00,000 in shares of ₹ 100 each, issued Public 4000 shares, Payable as follows.

₹ 20 on application.

₹ 40 on allotment including ₹ 10 premium.
30,

₹ 25 on first call.

₹ 25 second & final call.

the Company received application for 6000 shares & directors rejected and refunded Exces application money. Directors didnot make second & final call, when first call was paid, 1 share holder, holding 500 shares. failed to pay the first call mny. and another share holder holding 600 shares. also failed to pay first call mny. These shares were forfeited and reissued at ₹ 60 Per share.

Journal entries in Pass Journal entries.

Shakti Co. Ltd Issued 6000 shares of 100 each, 1*

Sl.No	Particulars	₹	DR	Cr
1.	Bank A/c — — DR To e.q.s. Application (Being the 6000 shares of 100 each)		1,20,000	— 1,20,000
2.	e.q.s. A/c — — DR To e.q.c. A/c (4000 × 20) (Being the To bank A/c refunded (6000 × 20) (Being the 1000 shares of 100 each)		1,20,000	— 1,20,000 80,000 40,000

3)	eq. sh. allotment A/c To eq. sh. capital A/c To eq. sh. premium A/c (Being the allotment due but 10% premium)	— — —	1,20,000 40,000
4)	Bank A/c — — — — DR To eq. sh. allotment A/c (Being the allotment mny received)	1,60,000 —	— 1,60,000
5)	eq. sh. first call A/c — — — — DR To eq. c. A/c (Being the first call due)	1,50,000 —	— 1,50,000
6)	Bank A/c — — — — DR To eq. c. A/c (Being the first call mny received)	1,50,000 —	— 1,50,000
7)	Second & final call A/c — — — — DR To eq. c. A/c (Being the 2 nd & final mny due)	1,50,000 —	— 1,50,000
8)	Bank A/c — — — — DR To eq. c. A/c (Being the 2 nd & final call mny received)	1,50,000 —	— 1,50,000

<p>⑪ e.s. capital A/c Dr (1100x25) To ϕ call (1100x25) To forfeited A/c (1100x75)</p> <p>(Being the 1100 shares are forfeited for ϕ call are for).</p>	<p>— —</p>	<p>27,500 82,500</p>
<p>⑫ Bank A/c Dr (1100x60) Dr Forfeited A/c (1100x40) Dr To e. q. s. capi A/c.</p> <p>(Being the re-issued of 1100 shares of ₹ 60 each)</p>	<p>66,000 44,000 —</p>	<p>— — 1,10,000</p>
<p>⑬ forfeited shares A/c — Dr To CR A/c</p> <p>(Being the amt transfer to CR A/c).</p>	<p>38,500 —</p>	<p>— 38,500</p>

3. Final Accounts of Joint Stock Company

⇒ Meaning of Company:- According to the Companies Act of 1956, it means "Company is an association of a person, created by law, having a separate legal entity. Perpetual succession and Common seal".

⇒ Share:- Share is a share in the share capital of a Company.

⇒ Types of Company:- There are 3 types of Company as
1. Government Company 2. Public Company 3. Private Company

① Government Company:- It means at least 51% share held by the Company is called Government Company.

② Public Company:- It means minimum share of at least fully or partially of the shares held by the Company is called public Company.

③ Private Company:- It means 20,000 to 5 cr of the authorized capital of the Company.

⇒ Interim dividend:- It means the divisible profits declared by annual (or) general body meeting of the directors. Twice in a year of the profit.

→ Types of dividend:- There are two types of dividend.

1. Proposed dividend
2. Final dividend.

→ Preparation of Joint Stock Company Accounts:-

- ① Statement of Profit & loss
- ② Balance sheet.

⇒ Format of statement of Profit & loss for the year ended 31/3/xxv

Particulars	₹	₹
Sales/Revenue from operation		xxx
<u>Add:- Any other Income</u>		xxx
		xxx
<u>less:- Operating Expenses:-</u>		
Salary & wages	xxx	
Bad debts	xxx	
Printing & stationery	xxx	
Travelling Expenses	xxx	
Depreciation & Amortisation	xxx	
Interest allowed/paid	xxx	
		xxx
		xxx
<u>Add:- Operating Incomes</u>		
Sales & fixed Asset	xxx	
I. on. Investment	xxx	
Discount Received	xxx	
Interest Received	xxx	
		xxx
Profit/Loss of the year.		xx

Raj Company Ltd for the year ended 31/3/21
 following details are given below.

- ① Sales - 5,00,000
 - ② CoGS - 2,00,000
 - ③ Employee benefit Expenses - 40,000
 - ④ office and administration Expens - 20,000
 - ⑤ Interest paid - 6,000
 - ⑥ Sundry Income - 20,000
 - ⑦ Rent Received - 5,000
 - ⑧ Tax paid - @ 50% on EBT
- Raj cmpny ltd. for year ended 31/3/21.

Particulars	Amt	Amt.
Sales	5,00,000	
(+) Cost of goods sold	2,00,000	3,00,000
<u>Gross profit</u>		
<u>Less:- operating Expenses</u>		
Office and Administration	20,000	
E.B.E expenses	40,000	
Interest paid	6,000	
		66,000
		<u>2,34,000</u>
<u>Add:- Sundry Income</u>	20,000	
Rent Received	5,000	
		25,000
<u>Earning Before tax.</u>		<u>2,59,000</u>
(-) Tax paid 50%		(-) 1,29,500
<u>Profit of the year. →</u>		<u>1,29,500</u>

2) Prepare income statement of Srinivas Ltd for the period 31/3/2020 from the following information.

1) Revenue from sales — ~~8,700~~ 8,78,240

2) COGS — 5,97,400

3) operating expenses

1,04,600

Selling Expenses — 1,04,600

Administrative — 49,000

Interest Expenses — 9,400

Tax burden — 52,000

Particulars	Amt	Amt -
Revenue from sales	8,78,240	—
(-) COGS	5,97,400	—
	<hr/>	2,80,840
Gross profit		
less:- <u>operating expense</u>		
Selling Expenses	1,04,600	
Administrative	49,000	
I. Ex	9,400	1,63,000
	<hr/>	<hr/>
E. B. T.		1,17,840
(-) Tax burden		52,000
		<hr/>
Profit		65,840
		<hr/>