

| | | Dr. | Cr. |
|------|--|------------|------------|
| | | ₹ | ₹ |
| (iv) | Profit & Loss Adjustment Account .. Dr. To Kabir To Suspense Account The Sales Book for the month of April, 1999 was overcast by ₹ 100. It was also found that a sale of ₹ 456 to Kabir was entered in the Sales Book as ₹ 645 (i.e., ₹ 189 in excess) from where he was debited with ₹ 615 (₹ 159 in excess). The position corrected now by the entry given above. | 289 | 159 130 |
| (v) | Profit & Loss Adjustment Account .. Dr. To Machinery Account Machinery Account now credited with the book value on 1st April, 2012 of the machine sold on 1st Sept., 2011 for ₹ 8,500 but the sale wrongly entered in the Sales Day Book. | 7,000* | 7,000* |
| (vi) | Machinery Account .. Dr. Suspense Account .. Dr. To Profit & Loss Adjustment Account For the amount of freight ₹ 460 on machine charged previously to Freight Account, as ₹ 640, instead of Machinery Account; error now rectified after taking into account depreciation on ₹ 460 for 6 months i.e., ₹ 23. | 437 180 | 617 |
| | Capital Account .. Dr. To Profit & Loss Adjustment Account The balance in the Profit & Loss Adjustment Account transferred to Capital Account. | 9,222 | 9,222 |

*Due to the error, ₹ 1,000 was provided on 31st March, 2012 as depreciation on machine, bringing down the book value of the machine sold from ₹ 8,000 to ₹ 7,000.

| Dr. | | Profit & Loss Adjustment Account | | Cr. | |
|------|----------------------|----------------------------------|------|-----------------------------|-------|
| | | ₹ | | | ₹ |
| (ii) | To Ram Lal | 450 | (vi) | By Machinery Account | 437 |
| | To Suspense Account | 2,100 | | By Suspense Account | 180 |
| (iv) | To Kabir | 159 | | By Capital Account—transfer | 9,222 |
| | To Suspense Account | 130 | | | |
| (v) | To Machinery Account | 7,000 | | | |
| | | 9,839 | | | 9,839 |

| Dr. | | Suspense Account | | Cr. | |
|-------|---------------------------------|------------------|------|---------------------------------|-------|
| | | ₹ | | | ₹ |
| (i) | To Basu | 2,000 | (ii) | By Profit & Loss Adjustment A/c | 2,100 |
| (iii) | To G. Gupta | 50 | (iv) | By Profit & Loss Adjustment A/c | 130 |
| (vi) | To Profit & Loss Adjustment A/c | 180 | | | |
| | | 2,230 | | | 2,230 |

Problem No. 8

A firm found that its trial-balance on March 31, 2012 did not agree. The difference was transferred to the Capital Account. Find out the amount and its nature from the following errors that were discovered in April, 2012 :—

- (a) While carrying forward the figure of ₹ 459 in the account of Yusuf, a creditor, from one page to another it was written as 495 on the debit side.
- (b) Sale of office furniture, ₹ 760, was entered in the Sales Book as ₹ 670 and was posted in the account of the purchaser on the credit side.

- (c) Cash received, ₹ 400, from M. Ray was debited to the account of N. Ray in the personal ledger.
 (d) Customs Duty, ₹ 2,500, paid on plant and equipment was debited to Customs Duty Account as ₹ 250.
 (e) The totals of the discount columns in the Cash Book, ₹ 260 (debit side) and ₹ 110 (credit side) were not posted in the ledger.

Give correcting entries in a way not to affect the profit or loss for the year ended 31st March, 2010. It should be noted that the firm has the practice of creating a provision for doubtful debts at the rate of 5% of the total of debit balances in personal accounts. Also all the fixed assets were subjected to depreciation @ 10% p.a. of the original cost irrespective of the period of use in the year concerned.

Solution :

| JOURNAL | | Dr. | Cr. |
|---------|--|--------------|--------------|
| (a) | Suspense Account .. Dr. To Yusuf Credit given to Yusuf to rectify error committed while carrying forward his account from page..... to the next. | 954 | 954 |
| (b) | Profit & Loss Adjustment Account .. Dr. Purchaser .. Dr. To Furniture Account To Suspense Account For the amount of sale of Office Furniture of ₹ 760 (less 10% depreciation)* entered in the Sales Book as ₹ 670 and posted therefrom to the credit of the purchaser's account; errors now rectified. | 594 1,430 | 684 1,340 |
| (c) | Suspense Account .. Dr. To M. Ray To N. Ray Removal of wrong debit to N. Ray and giving credit to M. Ray for the amount of cash received from him. | 800 | 400 400 |
| (d) | Plant & Equipment Account .. Dr. To Suspense Account Customs duty, ₹2,500, paid on plant and equipment was debited to Customs Duty Account as ₹ 250; error now rectified, taking into account depreciation @ 10%. | 2,250 | 2,250 |
| (e) | Profit & Loss Adjustment Account .. Dr. To Suspense Account The net discount ₹ 150, not posted in the books; error now rectified. | 150 | 150 |
| | Provision for Doubtful Debts Account .. Dr. To Profit & Loss Adjustment Account Provision for doubtful debts no longer required—@ 5% of ₹ 535, effect of entries (a), (b) and (c) : Provision required on ₹ 760 but excess provision created last year on ₹ 1295. | 27 | 27 |
| | Suspense Account .. Dr. To Capital Account The balance in Suspense Account transferred to Capital Account as was done in the previous year. | 1,986 | 1,986 |
| | Capital Account .. Dr. To Profit & Loss Adjustment Account Balance in the Profit & Loss Adjustment Account transferred to Capital Account. | 717 | 717 |

*In the absence of information needed, it has been assumed that the cost of office furniture sold was ₹ 760.

Working Notes:

| Dr. | | Suspense Account | | Cr. | |
|---------------------------------|-------|-------------------------------------|--|-----|-------|
| | ₹ | | | | ₹ |
| (a) To Yusuf | 954 | (b) By Purchaser | | | 1,340 |
| (c) To M. Ray | 400 | (d) By Plant & Equipment Account | | | 2,250 |
| To N. Ray | 400 | (e) By Profit & Loss Adjustment A/c | | | 150 |
| To Capital Account —transfer | 1,986 | | | | |
| | 3,740 | | | | 3,740 |

| Dr. | | Profit & Loss Adjustment Account | | Cr. | |
|--------------------------|-----|--|--|-----|-----|
| | ₹ | | | | ₹ |
| (b) To Furniture Account | 594 | (f) By Provision for Doubtful Debts Account | | | 27 |
| (e) To Suspense Account | 150 | By Capital Account —transfer of balance | | | 717 |
| | 744 | | | | 744 |

Problem No. 9

From the following particulars ascertain, by means of a statement the balance that would appear in the Pass Book of Mr. Ramachandra as at 31st March, 2012 :—

| | | |
|--|----|---------|
| (1) Overdraft as per Cash Book on 31st March, 2012 | .. | ₹ 7,190 |
| (2) Interest on overdraft for 6 months ending 31st March, 2012 | .. | 460 |
| (3) Bank charges for the above period | .. | 70 |
| (4) Cheques drawn but cashed by the customers after 31st March, 2012 | .. | 11,270 |
| (5) Cheques paid into the Bank but cleared after 31st March, 2012 | .. | 7,510 |
| (6) A bill receivable (discounted with the bank in February) dishonoured on March 31, 2012 | .. | 5,000 |

Also show the amount at bank that will figure in the balance sheet.

Solution :

Bank Reconciliation statement of Mr. Ramachandra as on 31st March, 2012

| Particulars | Plus items | Minus items |
|--|------------|-------------|
| | ₹ | ₹ |
| (1) Overdraft as per Cash Book | | 7,190 |
| (2) Interest on overdraft | | 460 |
| (3) Bank charges | | 70 |
| (4) Cheques drawn but not yet presented | 11,270 | |
| (5) Cheques paid into the bank but not yet cleared | | 7,510 |
| (6) Dishonoured bill receivable | | 5,000 |
| Overdraft as per Pass Book | 8,960 | |
| | 20,230 | 20,230 |

Calculation of bank overdraft to figure in the balance sheet :—

| | |
|--|---------|
| Overdraft as already appearing | ₹ 7,190 |
| Add : Interest on overdraft | 460 |
| Bank charges | 70 |
| Bill receivable dishonoured | 5,000 |
| Overdraft to figure in the balance sheet | 12,720 |

Problem No. 10

From the following particulars, ascertain the balance that would appear in the Cash Book of B. Bomanji, as at 31st March, 2012 before and after making the necessary adjustments :—

| | ₹ |
|---|--------|
| (1) Overdraft as per Pass Book on 31st March, 2012 | 13,880 |
| (2) Interest on overdraft for six months ending 31st March, 2012 (not yet entered in Cash Book) | 1,240 |
| (3) Bank charges for the above period (not yet entered in the Cash Book) | 60 |
| (4) Cheques drawn but not cashed by the recipients prior to 1st April, 2012. These include a cheque for ₹ 1,000 which had been issued on 30th March, 2012 in cancellation of a cheque issued earlier on 28th February, 2012 | 13,300 |
| (5) Cheques paid into the Bank, but not cleared before 1st April, 2012 | 4,340 |
| (6) A Bill receivable (discounted with the Bank in February) dishonoured on 31st March, 2012. | 10,000 |

Solution :

Bank Reconciliation Statement of Mr. B. Bomanji as on 31st March, 2012

| Particulars | Plus items | Minus items |
|---|---------------|----------------|
| Overdraft as per Pass Book | ₹ | ₹ |
| (i) Interest on overdraft | 1,240 | 13,880 |
| (ii) Bank charges | 60 | |
| (iii) Cheques drawn (effective) but not yet presented for payment | | 12,300 |
| (iv) Cheques deposited but not yet cleared | 4,340 | |
| (v) Dishonoured bill receivable | 10,000 | |
| Overdraft as per Cash Book | 10,540 | |
| | 26,180 | 26,180 |

To the overdraft as per Cash Book, items (i), (ii) and (v) have to be added. After adjustment, therefore, the overdraft as per Cash Book will be ₹ 21,840.

Problem No. 11

From the following information supplied by Mr. Anil, prepare his bank reconciliation statement as on 31st March, 2012 after amending the cash book on that date :

| | ₹ |
|--|--------|
| (1) Bank overdraft as per cash book | 16,500 |
| (2) Cheques issued but not presented for payment | 8,750 |
| (3) Cheques deposited but not collected | 10,500 |
| (4) Cheque recorded in the bank column of the cash book but not sent to the bank for collection | 2,000 |
| (5) Bank charges debited in the bank statement | 250 |
| (6) A bill for ₹ 3,000 (discounted with the bank in February, 2012) dishonoured on 31st March, 2012 and noting charges paid by the bank | 30 |
| (7) Premium on the life policy of Anil paid by the bank as per standing instructions | 1,800 |

Solution :

| Dr. | Cash Book (Bank columns only) | | Cr. |
|----------------|-------------------------------|--|--------|
| To Balance c/d | ₹ | | ₹ |
| | 21,580 | By Balance b/d | 16,500 |
| | | By Bank Charges | 250 |
| | | By Acceptor of bill | 3,030 |
| | | By Drawings Account (Premium on life insurance policy paid) | 1,800 |
| | 21,580 | | 21,580 |
| | | By Balance b/d | 21,580 |

Bank Reconciliation Statement At 31st March, 2012.

| Particulars | Plus items | Minus items |
|---|------------|-------------|
| | ₹ | ₹ |
| Overdraft as per cash book | | 21,580 |
| Cheques issued but not yet presented for payment | 8,750 | |
| Cheques deposited with Bank but not yet collected | | 10,500 |
| Cheques recorded in cash book but not sent to bank for collection | | 2,000 |
| | 8,750 | 34,080 |

Overdraft as per pass book = ₹ 34,080 – ₹ 8,750 = ₹ 25,330

Problem No. 12

On 31st March, 2012 the Cash Book of Basu showed an overdraft of ₹ 17,000 with Bank of India. This balance did not agree with the balance as shown by the Bank Pass Book; and you find that Basu had paid into the Bank on 26th March, four cheques for ₹ 10,100, ₹ 12,000, ₹ 6,000 and ₹ 8,000. Of these, the cheque for ₹ 6,000 was credited by the Bank in April, 2012. Basu had issued on 24th March cheques for ₹ 35,000. Out of these, cheques for ₹ 27,000 had been presented and paid while one cheque for ₹ 1,000 was returned for conversion into a bearer cheque. This was done, the amount is included in the figure of ₹ 35,000. The others were not yet presented.

You also find that on 31st March 2012, the Bank had debited Basu with ₹ 1,400 for interest, and ₹ 120 for bank charges, but Basu had not recorded these amounts in the books. Total of a page on the debit side of the Cash Book, ₹ 9,670 was carried to the next page as ₹ 6,790.

It was also found that the total of one page on the payments side of the Cash Book was ₹ 5,670 but it was written on the next page as ₹ 7,650.

You are required to prepare a Bank Reconciliation Statement as at 31st March, 2012 and ascertain the balance as per the Bank Pass Book.

Solution :

Bank Reconciliation Statement of Mr. Basu as on 31st March, 2012.

| Particulars | Plus items | Minus items |
|--|------------|-------------|
| | ₹ | ₹ |
| Overdraft as per Cash Book | | 17,000 |
| Cheques deposited but not yet credited by the Bank | | 6,000 |
| Cheques issued but not yet presented for payment | 7,000 | |
| Interest on overdraft | | 1,400 |
| Bank charges | | 120 |
| Short carry forward of a total on the debit side | 2,880 | |
| Excess carry forward of the total on the credit side | 1,980 | |
| Overdraft as per Pass Book | 12,660 | |
| | 24,520 | 24,520 |

Problem No. 13

Reconcile the following :—

Cash Book (Bank Columns only)

| 2011 | | | ₹ | 2011 | | | ₹ |
|------|----|------------------------|--------|------|----|------------------------|--------|
| Aug. | 1 | To Balance <i>bfd.</i> | 7,000 | Aug. | 4 | By Drawings Account | 2,500 |
| | 10 | To Sharad | 1,000 | | 7 | By Rent Account | 2,400 |
| | 13 | To Anand | 5,000 | | 13 | By Kiran | 4,000 |
| | 16 | To Sat Pal | 1,800 | | 27 | By Mohan | 1,200 |
| | 28 | To Gyan | 3,200 | | 28 | By Raman | 1,600 |
| | 30 | To Babu | 6,000 | | 29 | By Radhey | 1,800 |
| | 31 | To Om | 4,200 | | 31 | By Mahesh | 1,100 |
| | | | | | 31 | By Balance <i>cfid</i> | 13,600 |
| | | | 28,200 | | | | 28,200 |

Bank Pass Book

| Date | Particulars | Debit | Credit | Dr. or Cr. | Balance |
|-------|-------------|-----------------------|--------|------------|---------|
| 2011 | ₹ | ₹ | ₹ | | |
| Sept. | 1 | By Balance <i>bfd</i> | | Cr. | 2,900 |
| | 1 | By Dividend | | Cr. | 3,300 |
| | 3 | To Cheque—Raman | 1,600 | Cr. | 1,700 |
| | 3 | By Cheque—Gyan | | Cr. | 4,900 |
| | 7 | To Cheque—Mahesh | 1,100 | Cr. | 3,800 |
| | 7 | To Cheque—Rent | 2,400 | Cr. | 1,400 |
| | 8 | By Cheque—Ramesh | | Cr. | 1,500 |
| | 8 | By Cheque—Babu | | Cr. | 7,500 |
| | 10 | By Cheque—Om | | Cr. | 11,700 |
| | 10 | To Cheque—Drawings | 1,500 | Cr. | 10,200 |

Solution :

Bank Reconciliation Statement as on 31st August, 2011

| Particulars | Plus items | Minus items |
|--|------------|-------------|
| Balance as per Cash Book | ₹ 13,600 | ₹ |
| Cheques deposited but not cleared in August : | | |
| Gyan | | ₹ 3,200 |
| Babu | | 6,000 |
| Om | | 4,200 |
| | | 13,400 |
| Cheques issued but not presented for payment in August : | | |
| Raman | | 1,600 |
| Mahesh | | 1,100 |
| | | 2,700 |
| Balance as per Pass Book | | 2,900 |
| | 16,300 | 16,300 |

Problem No. 14

Prepare a Bank Reconciliation Statement as at 30th September, 2011 from the following entries in the Bank Columns of the Cash Book and the corresponding Pass Book.

Cash Book (Bank Columns only)

| 2011 | | | ₹ | 2011 | | | ₹ |
|-------|----|------------------------|-------|-------|----|---------------------|-------|
| Sept. | 1 | To Balance <i>bfd.</i> | 8,000 | Sept. | 4 | By Drawings Account | 700 |
| | 3 | To Raj Kumar | 2,200 | | 8 | By Sunder | 3,300 |
| | 8 | To Rameshwar | 1,500 | | 12 | By Salary Account | 2,800 |
| | 15 | To Ram Nath | 3,400 | | 16 | By Shyam | 1,700 |

(Contd.)