

2011		₹	2011		₹
Sept. 22	To Rakesh	2,600	Sept. 18	By Suresh	4,200
27	To Ravi	100	21	By Suraj	2,000
29	To Rup Narain	350	26	By Swatantra	1,100
			29	By Commission Account	100
			30	By Balance <i>cfld</i>	2,250
		18,150			18,150

Bank Pass Book

Date	Particulars	Debit	Credit	Balance
2011		₹	₹	₹
Sept. 1	By Balance <i>b/fd</i>			Cr. 8,000
4	To Cheque—Drawings	700		Cr. 7,300
5	By Cheque—Raj Kumar		2,200	Cr. 9,500
10	To Cheque—Sunder	3,300		Cr. 6,200
11	By Cheque—Rameshwar		1,500	Cr. 7,700
12	To Cheque—Salary	2,800		Cr. 4,900
17	To Cheque—Shyam	1,700		Cr. 3,200
20	By Cheque—Rakesh		2,600	Cr. 5,800
29	By Dividend Received		900	Cr. 6,700
	To Bank Charges	15		Cr. 6,685
	To Electricity Bill	60		Cr. 6,625
	To Cheque—Commission	100		Cr. 6,525

Solution :

Bank Reconciliation Statement as on 30th September, 2011

Particulars	Plus items	Minus items
Balance as per Cash Book	₹ 2,250	₹
Cheques deposited but not yet cleared :		
Ram Nath		₹ 3,400
Ravi		100
Rup Narain		350
Collection charges and electricity charges recorded in Bank Pass Book only		75
Cheques issued but not yet presented for payment :		
Suresh		₹ 4,200
Suraj		2,000
Swatantra		1,100
Dividend directly collected by the Bank	₹ 900	
Balance as per Pass Book		₹ 6,525
	10,450	10,450

Problem No. 15

Perfect Private Limited has two accounts with Ever Bank Limited. The accounts were known as "Account I" and "Account II". As at March 31, 2012, the date of closing of the accounts, the Accounts Books reflected the following—

Account I—₹ 1,25,000 (Dr.)

Account II—₹ 1,11,250 (Cr.)

The accountant failed to tally the balance with the Pass Book and the following information was available—

- The Bank has charged interest on Account II, ₹ 11,375, and credited interest in Account I, ₹ 1,250. These were not recorded by the Accountant.
- ₹ 12,500 drawn on March 10, 2012 from Account I was recorded in the Books in Account II.
- Bank charges of ₹ 150 and ₹ 1,125 for Account I and Account II were not recorded in the Books.

- (d) A deposit of ₹ 17,500 in Account I was wrongly entered in Account II in the Books.
 (e) Two cheques of ₹ 12,500 and ₹ 13,750 deposited in Account I, but entered in Account II in the Books, were dishonoured. The entries for dishonoured cheques were made in Account II.
 (f) Cheques issued for ₹ 1,50,000 and ₹ 15,000 respectively from Account I and II respectively were not presented until April 5, 2010.
 (g) Cheques deposited, ₹ 1,25,000 and ₹ 1,17,500, in Account I and II respectively, were credited by Bank only on April 3, 2010.

You are required to prepare the Bank Reconciliation Statement, for Account II and, in this respect, state the amount to be shown in the Balance Sheet.

Solution :

Bank Reconciliation Statement for Account II as at March 31, 2012

Overdraft, corrected, as per Accounts Books	₹
Add: Cheques deposited but not yet credited	1,28,750
	1,17,500
	2,46,250
Less: Cheques issued but not yet presented	15,000
Overdraft as per Bank Statement	2,31,250

Overdraft to be shown in the Balance Sheet is ₹ 1,28,750.

Working Notes:

(i) Rough Reconciliation Statement for Account II

Particulars	Plus Items	Minus Items
	₹	₹
Overdraft as per Accounts Books		1,11,250
Interest charged by bank but not yet entered in the Books		11,375
Wrong entry for withdrawal on 10.3.2010	12,500	
Bank charges not recorded in the Books		1,125
Wrong entry for deposit		17,500
Cheques issued but not yet presented	15,000	
Cheques deposited but not yet credited		1,17,500
Overdraft as per Pass Book	2,31,250	
	2,58,750	2,58,750

(ii) No adjustment is required in respect of item (e) in the problem.

(iii) Adjustment of Bank "Balance" in the Accounts Books:

Bank Overdraft as per Accounts Books at present	₹
Add: Interest and Bank Charges to be recorded in the Books	1,11,250
Entry for deposit to be rectified	12,500
	17,500
	1,41,250
Less: Entry for withdrawal to be rectified	12,500
Overdraft to be shown in the Balance Sheet	1,28,750

Problem No. 16

On 31st October, 2011 the petty cashier at Hoffmans left in mysterious circumstances, taking the petty cash box and its contents with him.

The petty cash book was last written up to 30th September 2011 at which date the balance carried down was ₹ 2,540. On that date the accountant had noted that there was ₹ 650 cash in the box.

You ascertain that, prior to 30th September 2011, vouchers for ₹ 470 had not been entered and that there was a traveller's float outstanding of ₹ 320 and ₹ 400 had been loaned by the cashier to wages department. The debit side of the petty cash book had been overcast by ₹ 100.

During the month ended 31st October 2011, the following transactions took place :

- (1) Cash was drawn from the bank totalling ₹ 7,430.
- (2) The traveller claimed expenses amounting to ₹ 760 and increased his float to ₹ 400.
- (3) Petty cash payments totalling ₹ 4,720 were made in addition to (2) above.
- (4) Wages department repaid the loan.
- (5) A payment entered on a voucher as ₹ 430 should have stated ₹ 340. You establish that the amount overpaid had been refunded by the claimant to the petty cashier.
- (6) The sales manager took out a float for ₹ 1,000 in cash.
- (7) A cheque was cashed for ₹ 750 by the manager. The cheque was banked on 29th October.

You are required to draft a memorandum to the manager, incorporating your calculation of the petty cashier's defalcation.

Solution :

Statement Showing Defalcation Made by the Petty Cashier

	₹
Prior to October 1, 2011, Working Note (i)	1,320
Petty Cash Balance on 31st October, 2011, Working Note (ii)	1,260
Defalcation	2,580

Working Notes:

(i) Correct petty cash balance as on 30th September, 2011 and defalcation prior to 30-9-2011:

	₹	₹
Balance shown in the books on 30-9-2011		2,540
Less: Vouchers not entered	470	
Overcasting of the debit side	100	570
		1,970
Less: Actual balance in hand		650
Defalcation prior to October 1, 2011		1,320

(ii) **Petty Cash Account for October 1, 2011**

	₹		₹
To Balance in hand <i>b/fd</i>	650	By Travelling Expenses	760
To Bank (Amount drawn)	7,430	By Travelling Float (Increase)	80
To Wages Deptt. (Loan)	400	By Petty Cash Payments	4,720
To Petty Cash Payments (Refund)	90	By Float to Sales Manager	1,000
		By Bank (Cheque cashed)	750
		By Balance in hand	1,260
	8,570		8,570

Redrafting of trial balance after rectification of errors

Problem No. 17

The trial balance of M/s G & G Co. Ltd. on 1st April, 2011 was follows :

	Dr.	Cr.
	₹	₹
Fixed assets	1,75,291	46,240
Bank overdraft		27,291
Purchases ledger balances	640	1,42,592
Sales ledger balances	71,754	
Equity share capital		10,000
Wages		2,497
P.F. and E.S.I. dues		12,420
Expense accruals and repayments	6,925	7,400
Profit and loss account		27,240
Stocks	20,870	
Cash in hand	200	
	2,75,680	2,75,680

You are provided with the following information regarding transactions which took place during the year ended 31st March, 2012:

- (1) Fixed assets costing ₹ 27,209 with a written down value of ₹ 1,500 were scrapped.
 (2) 'Purchases' included in the purchases ledger totalled ₹ 5,97,291 and comprised the following :

	₹
Raw materials	4,48,201
Establishment charges	15,410
Sundries	2,437
Manufacturing expenses	<u>1,31,243</u>

In addition to the above, there were returns of ₹ 27,240 all relating to raw materials, and discounts received ₹ 2,400. The debit balance on the purchase ledger was repaid by the supplier.

- (3) Sales included in the sales ledger totalled ₹ 8,40,729 and comprised the following :

	₹
Manufactured goods	7,65,020
Plant and machinery	<u>75,709</u>

The plant and machinery cost ₹ 90,000 with a net book value of ₹ 70,000. Returns totalled ₹ 6,901 all relating to manufactured goods. There were contras during the year between the sales and purchases ledgers totalling ₹ 27,094.

- (4) Petty cash is maintained on an imprest system with a balance of ₹ 200. Expenses paid during the year were :

	₹
Sundries	275
Manufacturing	958
Distribution	<u>2,707</u>

- (5) Details relating to wages paid are as follows:

	₹
Gross wages	2,94,207
Employer's P.F. and E.S.I.	29,205
P.F. and E.S.I. deducted	<u>29,205</u>

During the year payments to P.F. and E.S.I. authorities totalled ₹ 61,362.

- (6) Bad debts totalling ₹ 7,205 were written off during the year.

(7) The stock had been damaged by flood on 1st April 2011 and written off. Compensation of ₹ 16,000 had been paid by the insurance company.

- (8) Closing balances on purchases and sales ledgers total ₹ 1,39,205 and ₹ 84,291 respectively.

You are required to prepare a trial balance as on 31st March, 2012.

Solution :

Trial Balance of M/s. G and G as on March 31, 2012

	Dr. ₹	Cr. ₹
Fixed Assets and Provision for Depreciation Account	58,082	531
Fixed Assets Scrapped Account	1,500	
Profit and Loss Account, Opening Balance		27,240
Bank Account (Overdraft)		97,907
Purchases Ledger Balances		1,39,205
Sales Ledger Balances	84,291	
Share Capital Account		10,000
P.F. & E.S.I. Dues Account		9,468
Cash Account	200	
Discount Received Account		2,400
Raw Material Purchases Account	4,20,961	
Establishment Charges Account	15,410	
Sundries Account	2,712	
Manufacturing Expenses Account	1,31,726	
Distribution Expenses Account	2,707	
Sales Account		7,58,119
Profit on Sale of Machinery Account		5,709
Loss of Stock Account	4,870	
Wages Account	3,20,915	
Bad Debts Account	7,205	
	<u>10,50,579</u>	<u>10,50,579</u>

Working Notes :

Ledger Accounts					
Fixed Assets					
Dr.		₹			Cr.
1.4.2011	To Balance <i>b/fd</i>	1,75,291			₹
			31.3.2012	By Fixed Assets Scrapped Account	27,209
				By Fixed Assets Sold Account	90,000
				By Balance <i>c/d</i>	58,082
		1,75,291			1,75,291
1.4.2012	To Balance <i>b/d</i>	58,082			

Provision for Depreciation Account					
Dr.		₹			Cr.
	To Fixed Assets Scrapped Account (₹ 27,209 – ₹ 1,500)	25,709	1.4.2011	By Balance <i>b/fd</i>	₹ 46,240
	To Fixed Assets Sold Account (₹ 90,000 – ₹ 70,000)	20,000			
31.3.2012	To Balance <i>c/d</i>	531			
		46,240			46,240
			1.4.2012	By Balance <i>b/d</i>	531

Fixed Assets Scrapped Account					
Dr.		₹			Cr.
	To Fixed Assets Account (Cost)	27,209	31.3.2012	By Provision for Depreciation A/c	₹ 25,709
		27,209		By Balance <i>c/d</i>	1,500
1.4.2012	To Balance <i>b/d</i>	1,500			27,209

Fixed Assets Sold Account					
Dr.		₹			Cr.
	To Fixed Assets Account (Cost)	90,000		By Provision for Depreciation Account	₹ 20,000
	To Profit on Sale	5,709		By Sales Ledger Control Account (Sale Proceeds)	75,709
		95,709			95,709

Profit & Loss Account					
Dr.		₹			Cr.
			1.4.2012	By Balance <i>b/fd</i>	₹ 27,240

Bank Account					
Dr.		₹			Cr.
	To Purchases Ledger Control Account	640	1.4.2011	By Balance <i>b/fd</i>	₹ 27,291
	To Insurers (Claim for Stock)	16,000		By (Petty) Cash Account	3,940
	To Sales Ledger Control Account	7,86,992		By Wages Account	2,65,002
31.3.2012	To Balance <i>c/d</i>	97,907		By P.F. and E.S.I. Dues Account	61,362
		9,01,539		By Purchases Ledger Control Account	5,43,944
			1.4.2012	By Balance <i>b/d</i>	9,01,539
					97,907

Dr.		Purchases Ledger Control Account (Sundry Creditors)		Cr.	
1.4.2011	To Balance <i>b/fd</i>	₹ 640	1.4.2011	By Balance <i>b/fd</i>	₹ 1,42,592
	To Raw Material Purchases Account (Returns)	27,240		By Raw Materials Account	4,48,201
	To Discount Received Account	2,400		By Establishment Charges Account	15,410
	To Sales Ledger Control Account (contra)	27,094		By Sundries Account	2,437
	To Bank (Balancing Figure)	5,43,944		By Manufacturing Expenses A/c	1,31,243
31.3.2012	To Balance <i>c/d</i>	1,39,205		By Bank	640
		7,40,523			
			1.4.2012	By Balance <i>b/d</i>	1,39,205

Dr.		Sales Ledger Control Account (Sundry Debtors)		Cr.	
1.4.2011	To Balance <i>b/fd</i>	₹ 71,754		By Purchase Ledger Control Account (contra)	27,094
	To Sales Account	7,65,020		By Sales (Returns) Account	6,901
	To Fixed Assets Account	75,709		By Bad Debts Account	7,205
				By Bank (Balancing Figure)	7,86,992
			31.3.2012	By Balance <i>c/d</i>	84,291
		9,12,483			
1.4.2012	To Balance <i>b/d</i>	84,291			9,12,483

Dr.		Share Capital Account		Cr.	
31.3.2012	To Balance <i>c/d</i>	₹ 10,000	1.4.2011	By Balance <i>b/fd</i>	₹ 10,000
			1.4.2012	By Balance <i>b/d</i>	10,000

Dr.		Wages Outstanding Account		Cr.	
1.4.2011	To Wages Account—transfer	2,497	1.4.2011	By Balance <i>b/fd</i>	2,497

Dr.		P.F. and E.S.I. Dues Account		Cr.	
31.3.2012	To Bank	₹ 61,362	1.4.2011	By Balance <i>b/fd</i>	₹ 12,420
	To Balance <i>c/d</i>	9,468		By Wages Account	58,410
		70,830			70,830
			1.4.2012	By Balance <i>b/d</i>	9,468

Dr.		Prepaid Expenses Account*		Cr.	
1.4.2011	To Balance <i>b/fd</i>	₹ 6,925	1.4.2011	By Manufacturing Expenses A/c—transfer	₹ 6,925

* Presumed to pertain to Manufacturing Expenses.

Dr. Outstanding Expenses Account* Cr.

1.4.2011	To Manufacturing Expenses Account—transfer	₹ 7,400	1.4.2011	By Balance <i>bfd</i>	₹ 7,400
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Dr. (Opening) Stock Account Cr.

1.4.2011	To Balance <i>bfd</i>	₹ 20,870		By Bank (Compensation)	₹ 16,000
				By Loss of Stock Account	4,870
		20,870			20,870

Dr. Cash Account Cr.

1.4.2011	To Balance <i>bfd</i>	₹ 200		By Sundries Account	₹ 275
	To Bank (Petty Cash Expenses)	3,940		By Manufacturing Expenses A/c	958
			31.3.2012	By Distribution Expenses A/c	2,707
		4,140		By Balance <i>c/d</i>	200
1.4.2012	To Balance <i>b/d</i>	200			4,140

Dr. Discount Received Account Cr.

				By Purchases Ledger Control Account	₹ 2,400
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Dr. Raw Material Purchases Account Cr.

	To Purchases Ledger Control Account	₹ 4,48,201		By Purchases Ledger Control Account (Returns)	₹ 27,240
				By Balance to appear in Trial Balance	4,20,961
		4,48,201			4,48,201

Dr. Establishment Charges Account Cr.

	To Purchases Ledger Control Account	₹ 15,410			
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Dr. Sundries Account Cr.

	To Purchases Ledger Control Account	₹ 2,437			
	To Cash Account	275			
		2,712			

* Presumed to pertain to Manufacturing Expenses.