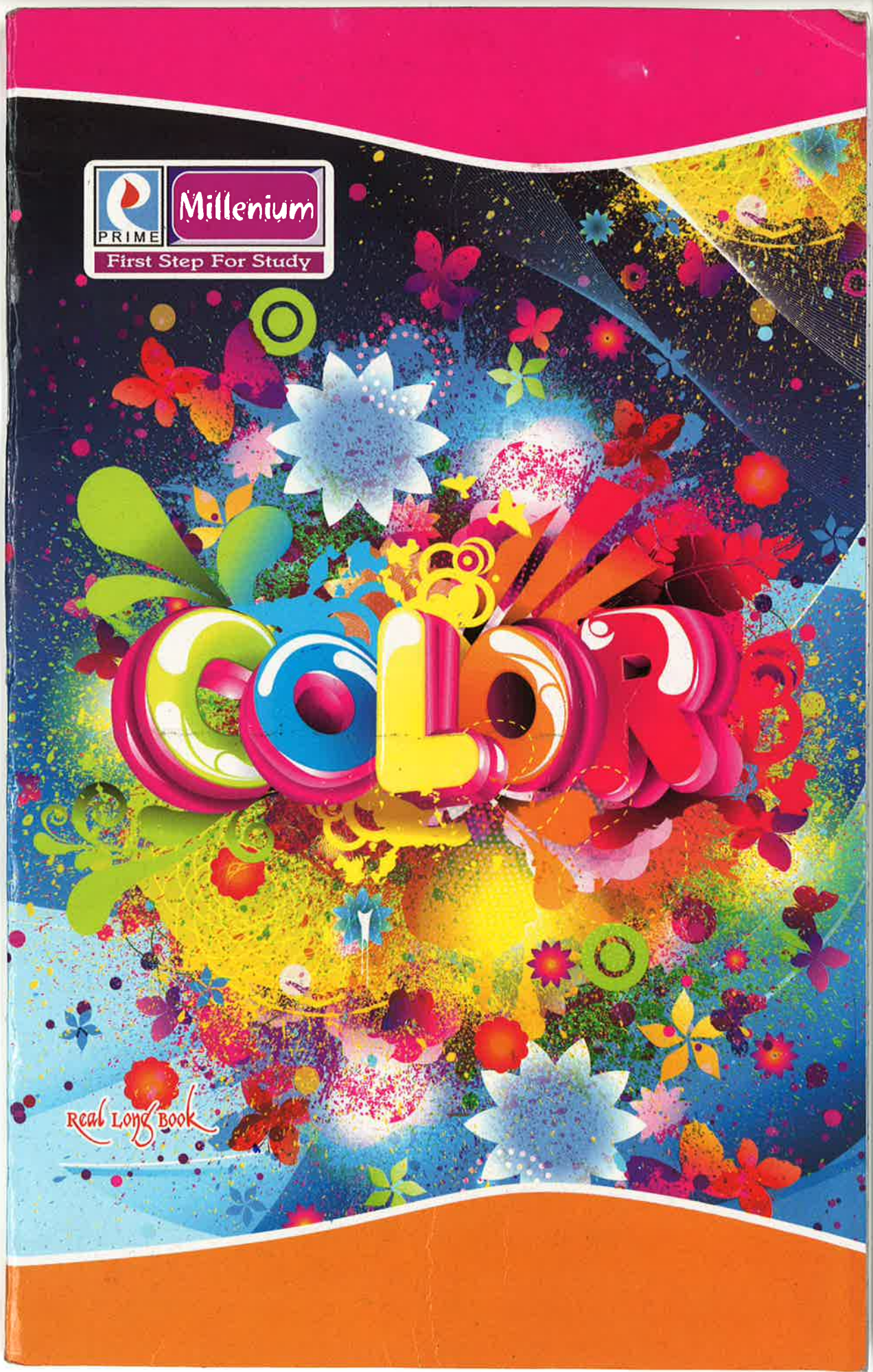


Harshit Gor
Financial Accounting



COLOR

Real Long Book



Trial Balance	Debit	Credit
Capital		8,25,000
Cash	1590	
Bank Balance	47940	
Opening Stock	243000	
Purchases	376860	
Sales		948000
Return Inwards	13515	
Return Outwards		4620
Manufacturing Expenses	79710	
Manufacturing Wages	198150	
Salaries	22875	
Commission Paid	48150	
Rent, Rates & Taxes	3150	
Insurance	1050	
General Expenses	21300	
Discount Received		8670
Discount Paid	19245	
Bad Debts	4200	
Bank Charges	1305	
Building	150000	
Machinery	255000	
Debtors	425955	
Creditors		147645
Investments	45000	
Provision to Bad Debts		36000
Repairs	24090	
Interest Received		12150
	<u>1,982,085</u>	<u>1,982,085</u>

Note :- Closing Stock :- 1,71,000

* Cash → Current Asset
Receipt → Asset

Stock in Trial Balance: [Opening Stock]

Returns Inwards → Return Goods

Purchase Inwards → " "

Solⁿ :-

Schedule 1 :- Sales

Sales :- 9,48,000

Less

Returns (-) 13,515

∴ Net Sales 9,34,485

Schedule 2 : Purchases

Opening Stock : 2,43,000

(+) Purchases : 3,76,860

6,19,860

(-) Return Purchases : 4,620

6,15,240

(+) Man. Expenses 79,710

(+) Man. Wages 1,98,150

8,93,100

(-) Closing Stock 1,71,000

7,22,100

∴ Gross Profit : Schedule 1 - Schedule 2.
 : 934485 - 722100
 : 2,12,385

Schedule 3 : Expenditures

Salaries	22875
(+) Commission Paid	48150
(+) Rent	3150
(+) Insurance	1050
(+) Gen Expenses	21300
(+) Bad Debts	19245
(+) Discount Allowed	4200
(+) Repairs	24090
(+) Bank charges	1305
	<u>1,45,365.</u>

Schedule 4 : Other Incomes.

Interest Received	12150
(+) Discount Received	8670
	<u>20,820.</u>

∴ Net Profit → Gross Profit 2,12,385
 (+) Other Incomes 20,820
2,33,205
 (-) Expenditures 1,45,365
 ∴ Net Profit 87,840.

Balance Sheet

	8,25,000
(+) Net Profit	87,840
	9,12,840

Liability

Capital	8,25,000
(+) Net Profit	87,840
	9,12,840

Current Liability

Debtors	1,47,645

Total Liability : 9,12,840 + 1,47,645

= 10,60,485

Assets:

Fixed Assets

Building	1,50,000
Machinery	2,55,000
	4,05,000

Current Asset

Debtors	4,25,955
(-) Provision to Bad Debts	36,000
	3,89,955
(+) Cash Balance	1590
(+) Bank Balance	47940
(+) Closing Stock	1,71,000

(+) Investment 45,000
6,55,485.

∴ Current + Fixed Assets
= 6,55,485 + 4,05,000 = 10,60,485

20/6/14

Share Capital :- Source of funds from people.

For Company → Liability; Long term; permanent.

Bonus Shares: Amount given in terms of dividends from surplus.

Trade Payables: Creditors / Suppliers.

Capital WIP → Not a ready asset.

Inventories: i) Raw Materials.
ii) WIP stocks.
iii) Finished Goods.

Trade Receivables: Debtors.

Profit Before Tax → Total Revenue
- Total Expenses.

Accounting Principles that were not followed

- | | |
|------------------|----------------------|
| 1) Consistency. | 6) Business Entity. |
| 2) Conservatism | 7) Materiality. |
| 3) Realization. | 8) Money Measurement |
| 4) Accrual. | 9) Business Entity. |
| 5) Conservatism. | 10) Cost. |

Journal Entry:

1)

Date	Particulars	Debit	Credit
14/04/13	Cash A/c	Dr. 1,00,000	
	To Capital A/c.		1,00,000
	[Being capital inform of cash].		
15/04/13	Purchase A/c	Dr. 20,000	
	To Cash A/c.		20,000
	[Being goods purchased from Sachin]		
16/04/13	Cartage A/c	Dr. 200	
	To Cash A/c.		200
	[Being cartage purchased]		

21/4/13	Cash A/c	Dr.	30,000	
	To Sales A/c			30,000
	[Being Sales of goods]			
22/4/13	Kiran A/c	Dr.	20,000	
	To Sales A/c			20,000
	[Credit sales to Kiran]			
23/4/13	Purchase A/c	Dr.	7000	
	To Cash A/c			7000
	[Being goods purchased]			
24/4/13	Cash A/c	Dr.	30,000	
	To Loan A/c	Dr.		30,000
	[Loan from vijay]			
25/4/13	Office Equipment A/c	Dr.	23,000	
	To Cash A/c			23,000
29/4/13	Drawing A/c	Dr.	4000	
	To Cash A/c			4000
	[]			
30/4/13	Salaries A/c	Dr.	2500	
	To Rent A/c			5000
	To Cash A/c			7500
	[Being salary & Rent paid]			
	Total			

Posting of Accounts [Ledger].

Cash A/c

Dr.		Cr.	
Date	Particulars JF Amount	Date	Particulars JF Amount
	To Capital A/c	15/4/13	By Purchase A/c
	1,00,000		20,000
	To Sales A/c	16/4/13	By Carriage A/c
	30,000		200
	To Vijay A/c	23/4/13	By Purchase A/c
	30,000		7000
		25/4	By Equipment A/c
			23000
		30/4	By Salaries
			2500
		30/4	By Rent A/c
			5000
		29/4	By Drawing A/c
			4000
			<u>61,700</u>
			By Balance
			98300
			<u>1,60,000</u>
			<u>1,60,000</u>

Purchase A/c

15/4/13	To Cash A/c	20,000	By Balance	27,000
23/4/13	To Cash A/c	7,000		
		<u>27,000</u>		<u>27,000</u>

Capital A/c

Dr	To Balance	1,00,000	14/4/13	By Cash	1,00,000
				A/c	

1,00,000

1,00,000

Sales A/c

Dr	To Balance	50,000	21/4/13	By Cash	30,000
				By Kiran	20,000

50,000

50,000

Kiran A/c

22/4/13	To Sales A/c	20,000		By Balance	20,000
---------	--------------	--------	--	------------	--------

20,000

20,000

Office Equipment A/c

25/4/13	To Cash A/c	23000		By Balance	23000
---------	-------------	-------	--	------------	-------

23,000

23,000

Salaries A/c

30/4/13	To Cash A/c	2500	By Balance	2500
		<u>2500</u>		<u>2500</u>

Rent A/c

30/4/13	To Cash A/c	5000	By Balance	5000
		<u>5000</u>		<u>5000</u>

Drawings A/c

29/4/13	To Cash A/c	4000	By Balance	4000
		<u>4000</u>		<u>4000</u>

Loan A/c

	Bo Balance	30,000	24/4/13 By Cash A/c	30,000
		<u>30,000</u>		<u>30,000</u>

Cartage A/c

16/4/13	To Cash A/c	200	By Balance	200
		<u>200</u>		<u>200</u>

Trial Balance.

	Debit	Credit
Cash	98300	
Purchase	27000	
Capital		1,00,000
Sales		50,000
Debtors	20,000	
Office Equipment	23,000	
Salaries	2,500	
Rent	5,000	
Drawing	4,000	
Loan		30,000
Cartage	200	
	<u>1,80,000</u>	<u>1,80,000</u>

2)

Date	Particulars	Debit	Credit
1/1/14	Goods Alc Dr.	70,000	
	Furniture Alc Dr.	5,000	
	Cash Alc Dr.	15,000	
	Equipment Alc Dr.	10,000	
	To Capital Alc		1,00,000
	[Being capital invested in business.]		
10/1/14	Cash Alc Dr.	5000	
	To Sales Alc		5000
	[Being sales of goods to Bittu]		

12/01/14	Jogi Alc	Dr.	30,000	
	To Sales Alc.			30,000
	[Being goods sold to Jogi on credit]			
15/01/14	Cash Alc.	Dr.	20,000	
	To Jogi Alc.			20,000
	[Being cash recd. from Jogi]			
16/01/14	Purchase Alc.	Dr.	30,000	
	To Avi Alc.			30,000
	[Being purchases from Avi]			
18/01/14	Avi Alc	Dr.	10,000	
	To Purchase Ret ⁿ Alc			10,000
	[Goods returned to Avi]			
18/01/14	Avi Alc	Dr.	20,000	
	To cash Alc			20,000
	[Being cash paid to Avi]			
21/01/14	Cash Alc	Dr.	10,000	
	To Jogi Alc			10,000
	[Being amount paid by Jogi]			
23/01/14	Purchase Alc	Dr.	20,000	
	To cash Alc			20,000
	[Being goods purchased for cash]			

31/01/14

Rent Alc. Dr. 2,000

To Cash Alc 2,000

	2,47,000
	2,47,000

Posting of Journal Entries.

Accounts:- Goods Alc, Cash Alc, Capital Alc, Jogi Alc, Furniture Alc, Equipment Alc, Sales Alc, Purchase Alc, Avi Alc, Purchase Return Alc, Rent Alc.

Cash Alc

Dr.	Date	Particulars	JF	Amount	Cr.	Date	Particulars	JF	Amount
	1/1/14	To Capital Alc		15,000		18/1/14	By Avi Alc		20,000
		To Sales Alc		5,000		23/1/14	By Purchase		20,000
		To Jogi Alc		20,000		31/1/14	By Rent Alc		2,000
		To Jogi Alc		10,000			By Balance		8,000
				50,000					50,000

Goods Alc

	1/1/14	To Capital Alc		70,000		By Balance	70,000
				70,000			70,000

Equipment Alc.

	1/1/14	To Capital Alc.		10,000		By Balance	10,000
				10,000			10,000

Dr		Furniture A/c		Cr
1/1/14	To Capital A/c	5000	By Balance	5000
		<u>5000</u>		<u>5000</u>

Capital A/c				
		1/1/14	By Goods A/c	70,000
		1/1/14	By Equipment A/c	10,000
		1/1/14	By Furniture A/c	5000
		1/1/14	By Cash A/c	15000
	By Balance		<u>1,00,000</u>	
			<u>1,00,000</u>	<u>1,00,000</u>

Sales A/c				
		10/1/14	By Cash A/c	5000
		12/1/14	By Trigi A/c	30,000
	To By Balance		<u>35000</u>	
			<u>35,000</u>	<u>35,000</u>

Purchase A/c				
	16/1/14	To Avi A/c	30,000	
	23/1/14	To cash A/c	20,000	By Balance
			<u>50,000</u>	<u>50,000</u>

Purchase Returns A/c

To Balance	10,000	12/1/14 By Avi A/c	10,000
	<u>10,000</u>		<u>10,000</u>

Rent A/c

31/1/14 To Cash A/c	2000	By Balance	2000
	<u>2000</u>		<u>2000</u>

Jogi A/c

12/1/14 To Sales A/c	30,000	15/1/14 By Cash A/c	20,000
		21/1/14 By Cash A/c	10,000
	<u>30,000</u>		<u>30,000</u>

Avi A/c

18/1/14 To Purchase A/c	10,000	16/1/14 By Purchase	30,000
12/1/14 To Cash A/c	20,000		
	<u>30,000</u>		<u>30,000</u>

Trial Balance

	Debit	Credit
Cash	8000	
Goods	70,000	
Equipment	10,000	
Furniture	5,000	

	Debit	Credit
capital		1,00,000
Sales		35,000
Purchases	50,000	
Purchase Returns		10,000
Rent	2000	
	<u>1,45,000</u>	<u>1,45,000</u>

Balance Sheet

(I) Income [Sales]

Sales 35,000

(II) Direct Expenses

Purchases 50,000
 (-) Returns 10,000
40,000

Gross Profit (I - II) = (35000 - 40000)
 = (5000)

* Its a gross loss

(III) Expenditures

Rent 2000
2000

Net Profit ((I - II) - III)
 (5000) - 2000
 = -7000

∴ Net loss → 7000

(V) Liabilities.

Capital 1,00,000

(-) Net Loss 70,000

93,000

(VI) Assets

Goods 70,000

Equipment 10,000

Furniture 5000

cash 8000

93,000

(3) Problem 3.

Journal Entries.

01/10/13

Purchase A/c Dr. 1,00,000

To Vijay A/c 1,00,000

[Being purchases from vijay]

02/10/13

Navin A/c Dr. 40,000

To sales A/c 40000

[Being sales of goods to navin]

02/10/13

Vasu A/c Dr. 60,000

To sales A/c 60,000

[Being sales to vasu]

03/10/13

Sales Return A/c Dr. 15000

To Vasu A/c 15000

[Being goods returned by vasu]

22/10/13	Bank A/c. Dr.	2,50,000	
	To Capital A/c		2,50,000
	[Being amount recd deposited in Bank]		
23/10/13	Machinery A/c Dr.	2,00,000	
	To cash A/c		2,00,000
	[Being purchase of machinery]		
26/10/13	Cruti A/c Dr.	50,000	
	To sales A/c		50,000
	[Being sales of goods to Cruti]		
29/10/13	Sales Return A/c Dr.	20,000	
	Bank A/c Dr.	20,000	
	Cash A/c Dr.	10,000	
	To Cruti A/c		50,000
	[Being Cruti returned goods, paid amount by chq & cash]		
30/10/13	Salaries A/c Dr.	4000	
	To Cash A/c		4000
31/10/13	Drawings A/c Dr.	5000	
	To BANK A/c		5000
	[Being amount withdrawn for personal use]		
		<u>9,58,050</u>	<u>9,58,050</u>

(4) Problem 4

1/4/14	Cash A/c	Dr.	50,000	
	To Capital A/c			50,000
	(Being commencement of Business)			
12/4/14	Roy A/c	Dr.	13,000	
	To Cash A/c			13,000
	(Being amount paid to Roy)			
13/4/14	Cash A/c	Dr.	5000	
	To Thomas A/c			5000
	(Being amount recd from Thomas)			
14/4/14	Purchase A/c	Dr.	30,000	
	To Cash A/c			30,000
	(Being purchase of goods for cash)			
15/4/14	Davis A/c	Dr.	20,000	
	Sales A/c			20,000
	(Being sales of goods to Davis)			
16/4/14	Purchase A/c	Dr.	20,000	
	To Thomas A/c			20,000
	(Being purchase from Thomas)			
19/4/14	Sundry Expenses	Dr.	1000	
	To Cash A/c			1000
	(Being expense made)			

19/4/14	Coolie Alc Dr.	250	
	To cash Alc		250
	[Being charges paid to coolie]		
20/4/14	Cash Alc Dr.	18500	
	Discount Alc	1500	
	To Davis Alc		20000
	[Being payment recd from Davis & discount allowed of 1500/-]		
25/4/14	Drawings Alc Dr.	2000	
	To cash Alc		2000
	[Being ₹ withdrawn from Business to pay Home Rent]		
		1,61,250	1,61,250

⑤ Problem 5

14/1/14	Cash Alc Dr.	2,00,000	
	To capital Alc		2,00,000
	[Being commencement of business]		
15/1/14	Furniture Alc Dr.	10,000	
	Motor car Alc Dr.	75000	
	To capital Alc		85000
	[Being assets invested in business]		

16/1/14	Purchase A/c	Dr.	50000	
	To cash A/c			50000
	[Being purchases made]			
17/1/14	Wages A/c	Dr.	2000	
	To cash A/c			2000
	[Being wages paid]			
18/1/14	Purchase A/c	Dr.	10,000	
	To Amin A/c			10,000
	[Being purchase of goods from Amin]			
19/1/14	Cash A/c	Dr.	60,000	
	To sales A/c			60,000
	[Being sales for cash]			
20/1/14	Bank A/c	Dr.	150000	
	To cash A/c			150000
	[Being amount deposited in Bank]			
23/1/14	Drawings A/c	Dr.	10000	
	Office Exp A/c		25000	
	To Bank A/c			25000
	[Being amount withdrawn for personal & office expenses]			
29/1/14 30/1/14	Cash A/c	Dr.	25000	
	Export A/c	Dr.	25000	
	Sales A/c			50000
	[Being sales of goods exported]			

and cash need of 25,000]

6,32,000 6,32,000

26/7/14 Final Accounts Problem.

Solution :-

Schedule 1 :- Sales.

Sales	90,000
(-) Returns	<u>2,000</u>
	88,000
(+) Free samples	<u>400</u>
	<u>88,400</u>

Schedule 2 :- Cost of Goods Sold.

Opening Stock	31,000
Purchases	45,000
(-) Returns	<u>4,000</u>
	72,000
(+) Wages	22,000
(+) Outstanding wages	<u>400</u>
	94,400
(+) Power & fuel	1,200
(+) Carriage Inwards	<u>1,400</u>
	97,000
(-) Closing Stock	<u>20,000</u>
	<u>77,000</u>

$$\begin{aligned} \therefore \text{Gross Profit} & \text{ [Schedule 1 - Schedule 2]} \\ & = 88400 - 77000 \\ & = \underline{\underline{11,400}} \end{aligned}$$

Note:- $\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$

Schedule 3: Statement of Expenditures

Discount	1200	
Office Repairs	200	
Carriage Outward	1300	
Office Expenses	300	
Insurance	1300	} 1200
(-) Prepaid Insurance	100	
Salaries	11,000	} 11,800
(+) Outstanding Salaries	800	
Bad Debts	400	
Office Rent	1200	
Advertisement } free samples }	400	
Depreciation		
[10% of 40,000 + 23000 + 5000 + 3000]	7100	
	<u>25,100</u>	

Schedule 4: Statement of Income

Misc. Receipts	1500
Discount	800
	<u>2300</u>

$$\begin{aligned} \therefore \text{Net Profit} &= [\text{Gross Profit} + \text{Income} - \text{Expenditure}] \\ &= 11400 + 2300 - 25100 \\ &= (11400) \end{aligned}$$

\therefore Its a net loss of 11,400/-

Schedule 5 : Liabilities.

Share capital	1,00,000
(-) Net Profit/loss	<u>11,400</u>
	88,600
(+) loans	<u>25,000</u>
	<u>1,13,600</u>

Current Liabilities.

Creditors	40,000
Outstanding Expenses	<u>12,00</u>
	41,200
	<u><u>1,54,800</u></u>

Schedule 6 :- Assets.

Goodwill		14000
Machinery	40000	
(-) Depreciation	4000	36000
Furniture	23000	
(-) Depreciation	2300	20,700
Vehicles	5000	
(-) Depreciation	500	4500

	Office Equipments	3000	
(-)	Depreciation	300	2700
			<hr/>
			77,900
	Current Assets		
	Debtors		35000
(-)	Provision Debt		1200
			<hr/>
			33,800
	Cash & Bank Balance		23000
	Closing Stock		20000
	Prepaid Insurance		100
			<hr/>
			76,900

Assets = Fixed assets + current assets

$$= 77900 + 76900$$

$$= \underline{\underline{154800}}$$

03/08/14

Depreciation

PAGE NO.

DATE.

Assets are classified as fixed assets and current assets. Fixed assets are used to derive benefits for more than one accounting period. Since fixed assets are used to generate periodic revenue, an appropriate proportion of the cost of fixed assets which is believed to be used needs to be charged as costs. This is as per the matching concept of accounting. Such appropriate proportion cost of fixed asset charged periodically is called depreciation.

In common terms, depreciation denotes decrease in value, but in accounting it means decrease in book value of a fixed asset, since fluctuations is concerned with market price while depreciation is concerned with historical cost. The characteristics are as follows :-

- i) Related to fixed assets only.
- ii) It is fall in the book value of an asset.
The fall in the book value is due to.
 - a) Wear & Tear & usage of asset.
 - b) Influx time or passage of time.
 - c) obsolescence or
 - d) Expiration of legal rights.

When it comes to accounting for natural resources like ores in mines, oil wells, quarries; the word depreciation is referred to as depletion. When it comes to depreciation of intangible assets like copyrights, patents etc depreciation is replaced by Amortization

One needs to provide depreciation to ascertain the true and fair value of financial position to ascertain actual cost of production, to comply statutory requirements, to accumulate funds to replace old assets.

The 3 factors relating to depreciation

- i) Historical cost of fixed assets
- ii) Expected useful life of fixed assets
- iii) Estimated residual value or salvage value

There are various methods of depreciation but most used are:

SLM & WDV or Reducing Balance Method.
The former SLM method is required to be followed as per company's Act and WDV by Income Tax Act.

One needs to provide depreciation to ascertain the true results of operations, to present true and fair value of financial position to ascertain actual cost of production, to comply statutory requirements, to accumulate funds to replace old assets.

The 3 factors relating to depreciation

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There are various methods of depreciation but most used are:

SLM & WDV or Reducing Balance Method.

The former SLM method is required to be followed as per company's Act and WDV by Income Tax Act.

Problems on Depreciation:

① On Jan 1, 2011 X.Ltd purchased a second hand machine for Rs. 52000 and spent Rs. 2000 as shipping & forwarding charges, Rs. 5000 on import duty; 500Rs on carriage charges; Rs. 1500 as repairs; 500Rs on installation charges; Rs. 400 as brokerage; Rs. 100 for unpad. The machine is expected life of 20 years, at the end of which its estimated scrap value is Rs. 2000. On 30th September, 2011 minor repairs of Rs. 2000 were carried out on machine. On 1st July, 2013, the machine was sold for Rs. 30,600. The comp. follows the calendar

year as its accounting period. Record the transactions [SLM method]. Assume cash balance of Rs. 80,000/- from 2010.

Sol:-

$$\text{Cost of Machine} = 52000 + 2000 + 5000 + 500 + 1500 + 500 + 400 + 100$$

$$= 62,000$$

$$(-) \text{ Salvage value} \quad 2,000$$

$$\underline{60,000}$$

Estimated life = 20 years.

$$\text{Depreciation} = \frac{\text{Cost of Machine} - \text{Salvage value}}{\text{Expected life}}$$

$$\therefore \text{Depreciation} = \boxed{\text{Rs. 3000}}$$

$$2011:- \quad \text{Cost of Machine} \rightarrow 62,000$$

$$(-) \text{ Depreciation} \quad \underline{3000}$$

$$\underline{59,000}$$

$$2012:- \quad 59,000$$

$$- 3,000$$

$$\underline{56,000}$$

$$2013:- \quad 56000 - 3000 \times \frac{6}{12} = \boxed{1500}$$

$$= 56000 - 1500 = \boxed{54500}$$

{ ∴ M/c was sold on 1st July }

Machine sold for Rs. 30,600

$$\therefore \text{Loss} \rightarrow 54500 - 30600 = \boxed{23,900}$$

Journal Entries.

[For 2011]

1/1/11	Machinery A/c	Dr.	52,000	
	To Cash A/c			52,000

1/1/11	Shipping A/c	Dr.	2000	
	Import Duty A/c	Dr.	5000	
	Carriage A/c	Dr.	500	
	Repairs A/c	Dr.	1500	
	Installation A/c	Dr.	500	
	Brokerage A/c	Dr.	400	
	Transport A/c	Dr.	100	
	To cash A/c			10,000

30/9/11	Repairs A/c	Dr.	2000	
	To cash A/c			2000

[Being Repairs charges on Machinery]

~~31/12/11~~

1/1/11	Machinery A/c	Dr.	10,000	
	To Shipping A/c			2000
	To Import Duty A/c			5000
	To carriage A/c			500
	To Repairs A/c			1500
	To Installation A/c			500

	To Brokerage Alc	400
	To Transport Alc	100

31/12/11	Depreciation Alc. Dr.	3000
	To Machinery Alc	3600

[For 2012]

31/12/11	Depreciation Alc. Dr.	3000
	To machinery Alc	3000

[For 2013]

1/7/13	Depreciation Alc. Dr.	1500
	To Machinery Alc	1500

1/7/13	Cash Alc. Dr.	30600
	To Machinery Alc	30600
	[Being sale of machinery]	

1/7/13	Loss on Sale Alc Dr.	23900
	To Machinery Alc	23900
	[Being loss booked on sale of machinery]	

Machinery A/c 2011

Dr.						Cr.
Date	Particulars	Amount	Date	Particulars	Amount	
1/1/11	To Cash A/c	52000	31/12/11	By Depr. A/c.	3000	
"	To Ship. A/c	2000		By Bal. c/d	59000	
"	To Imp. Duty A/c	5000				
"	To carriage A/c	500				
"	To Repairs A/c	1500				
"	To Instal. A/c	500				
"	To Brokerage A/c	400				
"	To Iron Pad A/c	100				
		<u>62,000</u>				<u>62,000</u>

Machinery A/c 2012

1/1/12	To Bal. c/d	59000	31/12	By Depr. A/c.	3000	
			31/12	By Bal. c/d	56000	
		<u>59000</u>				<u>59000</u>

Machinery A/c 2013

	To Bal b/f	56000	1/7/13	By Depr.	1500	
				By cash A/c	30600	
				By loss on Sale A/c	23900	
		<u>56000</u>				<u>56000</u>

Cash Alc | 2011

Dr.				Cr.	
	To Bal c/f	80,000	1/1	By machinery Alc	52,000
			"	By ship Alc	2,000
			"	By Imp Alc	5,000
			"	By Carriage Alc	500
			"	By Repairs Alc	1,500
			"	By Instal Alc	500
			"	By Brokerage Alc	400
			"	By Iron Pad Alc	100
			30/9/11	By Repairs Alc	2,000
				By Bal c/d	16,000
		<u>80,000</u>			<u>80,000</u>

Similarly all alc's can be prepared.

Q 2) H. Ltd imported the m/c on 1st July 2011 for 1,28,000/- and paid 64,000/- as custom duty and 48,000/- as installation charges. They purchased on 1st Jan 2012 a machine for Rs. 80,000/- On 1st July 2013, one-third of imported m/c was sold for Rs. 27,840/- and to replace that another machine was purchased for Rs. 40,000/- Depreciation rate is 20% SLM method. Show m/c alc for calendar year 2011, 2012, 2013.

Solution :-

Cost of Machine: $128,000 + 64,000 + 48,000$

$$= 2,40,000$$

Depreciation $\rightarrow 20\%$ of $2,40,000 = \boxed{48,000}$

Machine 2 :- Cost $\rightarrow 80,000$

Depr @ $20\% \rightarrow \boxed{16,000}$

Machine 3: cost $\rightarrow 40,000$

Depr @ $20\% \rightarrow \boxed{8000}$

2011 :-

Depreciation on Machine 1 for 6 months

$$\therefore 240000 \times \frac{20}{100} \times \frac{6}{12} \rightarrow \boxed{24000}$$

2012

Depreciation on Machine 1 for full year

$$\therefore 24000 \times \frac{20}{100} = \boxed{48000}$$

Depreciation on Machine 2 for full year

$$\therefore 80000 \times \frac{20}{100} = \boxed{16,000}$$

2013

Machine 1 :-

$\frac{1}{3}$ of machine = $\boxed{80,000}$

Depreciation for 6 months on a part that is sold $\rightarrow 80,000 \times \frac{20}{100} \times \frac{6}{12} \rightarrow \boxed{8000}$

(+) Depr. of remaining 2 parts for full year.
 $160,000 \times \frac{20}{100} \rightarrow \boxed{32,000}$

Machine 2

Full year depr @ 20%.

$$\therefore = 20\% \text{ of } 80,000 = \boxed{16,000}$$

Machine 3

Half year depreciation on 40000/-

$$\therefore 40000 \times \frac{20}{100} \times \frac{6}{12} = \boxed{4,000}$$

Machinery A/c. $\frac{1}{3}^{\text{rd}}$ part

$$\text{Value of } \frac{1}{3}^{\text{rd}} \text{ part} \rightarrow \frac{1}{2} \text{ yr} + \text{full yr} + \frac{1}{2} \text{ yr}$$

$$80,000 - \boxed{8,000 + 16,000 + 8,000}$$

$$= \underline{48,000}$$

Machine's part sold for 27,840.

$$\therefore \text{Loss} \rightarrow 48,000 - 27,840$$

$$= \boxed{20,160}$$

Machinery A/c

2011

Dr.

1/7/11 To Cash A/c	1,28,000	31/12 By Depr. A/c	24,000
To Import A/c	64,000	By Bal c/d	2,16,000
To Instal A/c	48,000		

2,40,000

2,40,000

Machinery A/c 2012

1/1/12	To Bal b/f	2,16,000	31/12	By Depr. A/c	48,000
1/1/12	To Cash A/c	80,000	31/12	By Depr. A/c	16,000
			31/12	By Bal c/f	2,32,000
		2,96,000			2,96,000

Machinery A/c 2013

1/1/13	By Bal b/f	2,32,000	1/7/13	By Cash A/c	27,840
1/7/13	To Cash A/c	40,000	1/7/13	By Depr. A/c	8,000
			1/7/13	By Loss A/c	20,160
			31/12/13	By Depr. A/c	16,000
			31/12/13	By Depr. A/c	4,000
			31/12/13	By Depr. A/c	32,000
			31/12/12	By Bal c/f	1,64,000
		2,72,000			2,72,000

~~7/8/14~~

① X. Ltd depreciates its machinery @ 10% p.a. under SLM method. On Jan 1, 2011, Rs. 9,60,000 debited of m/c account. During 2011 part of machinery purchased on Jan 1, 2009 for Rs. 80,000 was sold for Rs. 45,000 on July 1, 2011 and new m/c at cost of 1,00,000 was purchased and installed on the same date. Installation charges were Rs. 8,000. No other purchases were made during 2009-2010. Prepare m/c account in ledger of X. Ltd

for year 2011.

Date	Particulars	L/F	Debit	Credit
1/7/11	Cash A/c Dr.		45,000	
	To machinery A/c			45,000
	[Sale of machinery]			
1/7/11	Loss on Sale A/c Dr.		15,000	
	To Machinery A/c			15,000
	[Loss on Sale]			
1/7/11	Depreciation A/c Dr.		4,000	
	To Machinery A/c			4,000
1/7/11	Machinery A/c Dr.		1,50,000	
	To Cash A/c			1,50,000
1/7/11	Installation A/c Dr.		8,000	
	To Cash A/c			8,000
1/7/11	Machinery A/c Dr.		8,000	
	To Installation A/c			8,000
31/12/11	Depreciation A/c Dr.		7,900	
	To machinery A/c			7,900
	[Depr. of m/c purc. for (1,50,000 + 8,000)]			

31/12/11 Depreciation A/c Dr. 11,2000
To machinery A/c 11,2000

Notes:-

01/01/2009. 80,000 x
(-) Depr. 8000 x - 10% of x

01/01/10 72000
(-) Depr. 8000 x - 0.1x - 0.1x = 9,60,000

01/01/11 64000 9,60,000
(-) Depr. 4000 - 64,000
∴ 01/07/11 60,000 8,96,000

$$x - 0.1x - 0.1x = 9,60,000$$

$$x - 0.2x = 9,60,000$$

$$\therefore 0.8x = 9,60,000$$

$$\therefore x = 12,00,000.$$

$$[12,00,000 - 80,000] = 11,20,000$$

2011

	11,20,000	12,00,000
	<u>1,12,000</u>	<u>1,20,000</u>
	10,08,000	10,80,000
(-)	<u>1,12,000</u>	<u>1,20,000</u>
	8,96,000	9,60,000
	1,58,000	9,60,000
-	<u>7900</u>	<u>1,12,000</u>
	1,50,100	8,48,000

Machinery A/c

Date	Particulars	Amt	Date	Particulars	Amt
	To Bal c/f	9,60,000	1/1/11	By cash	45000
	To cash A/c	1,52,000		By depr.	4000
	To Instal. A/c	8000		By Loss	15000
				By Dep.	7900
				By Dep.	112,000
				By Bal	9,34,000
		<u>11,18,000</u>			<u>11,18,000</u>

WDV Method

On Jan 1, 2011, X Ltd purchased a machine for Rs. 58000 and spent Rs. 2000 on installation. On July 1, 2013 this machine was sold for Rs. 28600. Prepare m/c account for 2011, 2012, 2013 as per WDV method @ 10% depreciation.

Cost of Machine $\rightarrow 58000 + 2000 = 60,000$.

(-) Depreciation $\rightarrow 10\%$ of 60,000
 $= 6000$

WDV of machine $\rightarrow 54000$

Jan, 2012.

WDV of m/c $\rightarrow 54000$

(-) Depreciation $\rightarrow 5400$
 48600.

Jan 2013 \rightarrow WDV of machine $\rightarrow 48600$

Harshit Gor
Financial Accounting

1/1 Dr of m/c \rightarrow 48600

(-) Depreciation for 6 months \rightarrow $48600 \times \frac{10}{100} \times \frac{6}{12}$ 3
 $= 2430$

\therefore NDR of machine as on 1/7/13 \rightarrow $\boxed{46170}$
 \downarrow 1
 $\{ 48600 - 2430 \}$

Selling Price of m/c \rightarrow 28600

Loss on sale \rightarrow $46170 - 28600$

$= \underline{\underline{17,570}}$ 1

Journal Entries:

1/1/11 Machinery A/c Dr. 58000
 To Cash A/c 58000
 [Being purchase of m/c]

1/1/11 Installation A/c Dr. 2000
 To Cash A/c 2000
 [Being Installation charges]

1/1/11 Machine A/c Dr. 2000
 To Installation A/c 2000
 [Being installation of m/c]

31/12/11 Depreciation A/c Dr. 6000
 To Machinery A/c 6000
 [Depreciation on m/c @ 10%]

31/12/12 Depreciation A/c Dr. 5400
 To Machinery A/c 5400
 [Depreciation @ 10%]

1/7/13 Depreciation A/c Dr. 2430
 To Machinery A/c 2430
 [Depreciation for 6 months]

1/7/13 Cash A/c Dr. 28600
 To Machinery A/c 28600
 [sale of mlc]

1/7/13 Loss on Sale A/c Dr. 17570
 To Machinery A/c 17,570
 [loss on sale of mlc]

Machinery A/c 2011

Dr.				Cr.	
1/1/11	To Cash A/c	58000	31/12	By Depr. A/c	6000
	To Installation	2000	31/12	By Bal. c/f	54000
		<u>60,000</u>			<u>60,000</u>

2012

1/1/12	To Bal. b/f	54000	31/12/12	By Depr. A/c	5400
			"	By Bal. c/f	48600
		<u>54000</u>			<u>54000</u>

Machinery A/c 2013

1/1/13	By Balance b/d	48600	01/7/13	By Depn. A/c	2430
			"	By cash A/c	28600
			"	By Loss on Sale	17570

48600

48600

Problem: 17

Opening Stock of 3000 units @ Rs. 92/year

Date.	Purchase Qty	Rate	Date	Issued Qty.
2/4/07	10000	100	15/4/07	8500.
21/5/07	7000	95	28/5/07	3500.
31/7/07	2200	96	21/08/07	7000
10/2/08	800	100	02/03/08	800
15/03/08	6200	101	29/03/08	4400.

Sol:- Total Issued Qty $\rightarrow \{ 8500 + 3500 + 7000 + 800 + 4400 \}$
 $= 24200.$

FIFO Method :-

	24200	
(-)	3000 @ 92	{ opening stock }
	21200	
(-)	10000 @ 100	{ 1 st purchase }
	11200	
(-)	7000 @ 95	{ 2 nd purchase }
	4200	
(-)	2200 @ 96	{ 3 rd purchase }
	2000	
(-)	800 @ 100	{ 4 th purchase }
	1200	
(-)	1200 @ 101	{ 5 th purchase }
	0	

\therefore Remaining Stock :- $\{ 6200 - 1200 \} = 5000.$
 @ 101.

\therefore Valuation = $5000 \times 101 = \boxed{5,05,000}$

LIFO Method:-

Start with. Last purchase i.e. 6200 @ 101.

	24200	
(-)	6200	{ Last purchase }
	18000	
(-)	800 @ 100	{ 4 th purchase }
	17200	
(-)	2200 @ 96	{ 3 rd purchase }
	15000	
(-)	7000 @ 95	{ 2 th purchase }
	8000	
(-)	8000 @ 100	{ 1 st purchase }
	0	

∴ Remaining stock: { 10000 - 8000 } + { opening stock }

= (2000 @ 100) + (8000 @ 92)

= 2,00,000 + 2,76,000 = 476,000

Problem 2 > Opening Stock: 2000 @ 22/unit.

Sold off: 24500.

Purchases: 10000 @ 25
6000 @ 24
9000 @ 23.

Sol:- FIFO

	24500	
(-)	2000 @ 22	{ Opening stock }
	22500	
(-)	10000 @ 25	{ 1 st purchase }
	12500	

Harshit Gor
Financial Accounting

$$\begin{array}{r} (-) \quad 6000 \quad @ \quad 24 \quad \left\{ \begin{array}{l} 2^{nd} \text{ purchase} \end{array} \right\} \\ \hline 6500 \end{array}$$

$$(-) \quad 6500 \quad @ \quad 23.$$

Remaining stock :- $\{ 9000 - 6500 \} = 2500$

$$\therefore \text{Value} = 2500 \times 23 = \boxed{57500}$$

LIFO

$$24500$$

$$\begin{array}{r} (-) \quad 9000 \quad @ \quad 23 \quad \left\{ \begin{array}{l} \text{Last purchase} \end{array} \right\} \\ \hline 15500 \end{array}$$

$$\begin{array}{r} (-) \quad 6000 \quad @ \quad 24 \quad \left\{ \begin{array}{l} 2^{nd} \text{ purchase} \end{array} \right\} \\ \hline 9500 \end{array}$$

$$\begin{array}{r} (-) \quad 9500 \quad @ \quad 25 \quad \left\{ \begin{array}{l} 1^{st} \text{ purchase} \end{array} \right\} \\ \hline 0 \end{array}$$

∴ Remaining stock :- $\{ 10000 - 9500 \} + \{ \text{Opening stock} \}$

$$= (500 @ 25) + (2000 \times 22)$$

$$= 12500 + 44000$$

$$= \boxed{56500}$$

Simple Avg. Method :- $\{ \text{Get the avg of rates and multiply by the remaining stock} \}$.

$$\text{Purchase Qty} > \{ 2000 + 10000 + 9000 + 6000 \}$$

$$= \underline{27000}$$

$$\text{Issued Qty} = 24500$$

$$\therefore \text{Remaining stock Qty: } \boxed{2500}$$

∴ Value of -" - $\rightarrow \{ \text{Avg. of rates} \times \text{Remaining stock Qty} \}$

$$= \left[\frac{22 + 23 + 24 + 25}{4} \right] \times 2500$$

$$= \left(\frac{94}{4} \right) \times 2500 = 23.5 \times 2500$$

Weighted Avg Method :- { Multiply Qty and rates and divide by Qty }

i.e.
$$\frac{(2000 \times 22) + (10000 \times 25) + (6000 \times 24) + (9000 \times 23)}{2000 + 10000 + 6000 + 9000}$$

$$= \frac{645000}{27000} = 23.89$$

Remaining stock: $(27000 - 24500) = 2500$.

Value = 2500×23.89