

ACCOUNTMICS
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ACCOUNTING 2ND YEAR FORMAT NOTES

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Features of PDF

- 1- All Formats available
- 2- Past papers questions available
- 3- 20 years transactions in one question
- 4- Suggestions to avoid frequent mistakes made by students in past
- 5- Solution of this PDF will be provided to my students only.



TOPIC #1

SINGLE ENTRY

Definition:

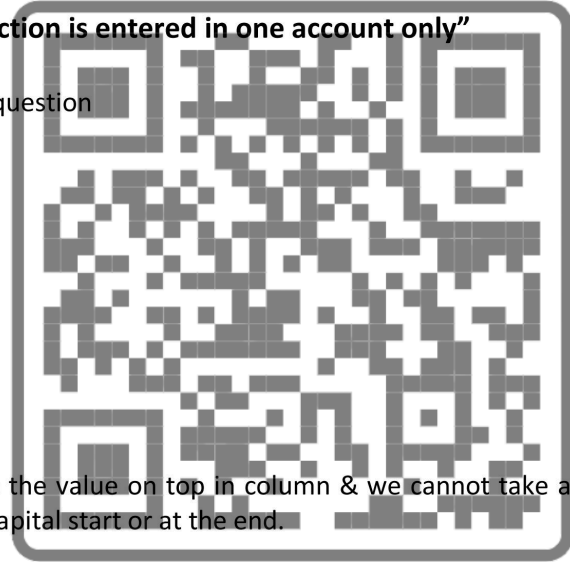
“A system of bookkeeping in which each transaction is entered in one account only”

The following requirements have been asked in this question

- 1) Capital at start and end
- 2) Statement of profit and loss
- 3) Statement of Affairs / Balance sheet

POINTS TO BE NOTED

- 1) We compute capital of start and at the end from the value on top in column & we cannot take any amount from data for adjustment while computing capital start or at the end.
- 2) Capital start means the balance of starting date & capital at the end means the balance of the last date
- 3) When we are taking operating expenses we have taken only expenses or accrued expenses (i.e.: salaries payable etc.)
- 4) In other income, we have to take only income or accrued income
- 5) In unused assets, we add all unused assets



FORMAT OF STATEMENT OF PROFIT OR LOSS

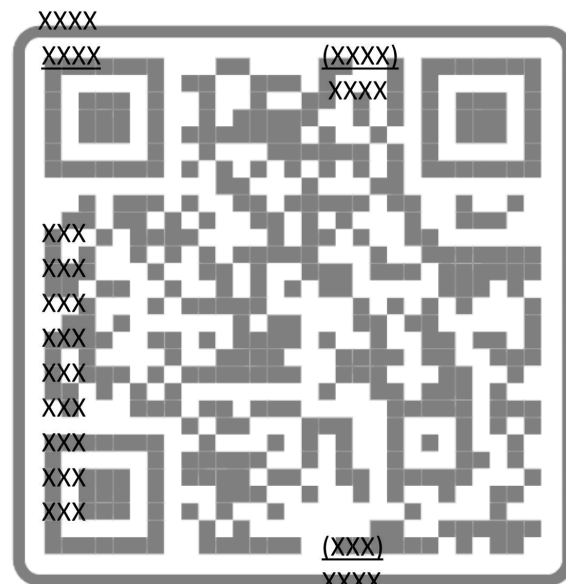
ABC & CO
Statement of Profit or Loss
For the period ended Dec 31, 2021

Capital at end	XXXX
Add: Drawing	<u>XXXX</u>
Total amount	XXXX

Less: Capital at start	XXXX
Add: Additional investment	<u>(XXXX)</u>
Unadjusted balance	XXXX

LESS: OPERATING EXPENSES

Salaries expense	XXX
Rent expense	XXX
Insurance expense	XXX
Advertising expense	XXX
Utilities bills expense	XXX
Taxes expense	XXX
Bad debts expense	XXX
Depreciation expense	XXX
Other expenses	XXX
Total operating expenses	<u>(XXX)</u>
Unadjusted Net income / Unadjusted balance	XXXX



ADD: OTHER INCOME AND UNUSED ASSETS

Commission income	XXX
Rent revenue/rent income	XXX
Service income	XXX
Prepaid any expense	XXX
Prepaid rent	XXX
Unused supplies	XXX
Unexpired insurance	XXX
Office supplies on hand	<u>XXX</u>
Total other income & Unused assets	<u>XXX</u>
Adjusted net income/ Net loss	<u>XXX</u>



FORMAT OF STATEMENT OF AFFAIRS/ BALANCE SHEET (Simple)

ABC & CO

Balance Sheet
As on Dec 31, 2021

ASSETS	Amount	Amount	EQUITIES	Amount	Amount
Current Assets			Liabilities		
Cash on hand		XXXX	Account payable		XXXX
Cash at bank		XXXX	Bills payable		XXXX
Merchandise Inventory (ending)		XXXX	Bonds payable		XXXX
Account receivable	XXXX		Accrued interest on notes payable		XXXX
Less: Allowances for bad debts	(XXX)	XXXX	Accrued Interest on Bank loan		XXXX
Office supplies		XXXX	Taxes payable		XXXX
Prepaid expense		XXXX	Accrued, Outstanding, Unpaid, expenses		XXXX
Commission receivable		XXXX	Unearned commission/ Rent		XXXX
Interest receivable		XXXX	Bank Overdraft		XXXX
Marketable securities		XXXX	Bank Loan		XXXX
Investment		XXXX	Debentures payable		XXXX
Total current Assets		XXXX	Total liabilities		XXXX
Non- Current/Fixed Assets			Owner's Equity		
Goodwill		XXXX	Capital at start	XXXX	
Land		XXXX	Less: Drawing	(XXX)	
Office Equipment/ Sales Equipment	XXXX			XXXX	
Less: Allowances for depreciation	(XXX)	XXXX	Add: Additional investment	XXXX	
Building	XXXX		Add: Net income/ Less: Net loss	XXXX (XXXX)	
Less: Allowances for depreciation	(XXX)	XXXX	Total Owner's Equity		XXXX
Furniture/Fixture	XXXX				
Less: Allowances for depreciation	(XXX)	XXXX			
Machinery	XXXX				
Less: Allowances for depreciation	(XXX)	XXXX			
TOTAL ASSETS		XXXX	TOTAL EQUITIES		XXXX

FORMAT OF STATEMENT OF AFFAIRS/ BALANCE SHEET (extra cases)

ABC & CO

Balance Sheet

As on Dec 31, 2021

ASSETS	Amount	Amount	EQUITIES	Amount	Amount
Current Assets			Liabilities		
Cash on hand		XXXX	Account payable		XXXX
Cash at bank	XXXX		Bills payable		XXXX
Add: Direct deposited/online rec	XXX		Bonds payable		XXXX
Add: Interest credited	XXX		Accrued interest on notes payable		XXXX
Add: Bank profit	XXX		Accrued Interest on Bank loan		XXXX
Less: Bank charges	(XXX)	XXXX	Taxes payable		XXXX
Merchandise Inventory (ending)		XXXX	Accrued, Outstanding, Unpaid expenses		XXXX
A/c receivable /Bills receivable	XXXX		Unearned commission/ Rent		XXXX
Less: Allowances for bad debts	(XXX)	XXXX	Bank Overdraft		XXXX
Less: Uncollectable	(XXX)	XXXX	Bank Loan		XXXX
Office supplies		XXXX	Debentures payable		XXXX
Prepaid expense		XXXX	Total liabilities		XXXX
Commission receivable		XXXX			
Interest receivable		XXXX			
Marketable securities		XXXX			
Investment		XXXX			
Total current Assets		XXXX			
Non- Current/Fixed Assets			Owner's Equity		
Goodwill		XXXX	Capital at start	XXXX	
Land		XXXX	Less: Drawing	(XXX)	
Office Equipment/ Sales Equipment	XXXX			XXXX	
Less: Allowances for depreciation	(XXX)	XXXX	Add: Additional investment	XXXX	
Building	XXXX		Add: Net income/ Less: Net loss	XXXX (XXXX)	
Less: Allowances for depreciation	(XXX)	XXXX	Total Owner's Equity		XXXX
Furniture/Fixture	XXXX				
Less: Allowances for depreciation	(XXX)	XXXX			
Machinery	XXXX				
Less: Allowances for depreciation	(XXX)	XXXX			
TOTAL ASSETS		<u>XXXX</u>	TOTAL EQUITIES		<u>XXXX</u>

TOPIC #2

ACCOUNTING FOR NON-PROFIT CONCERN

Definition:

Not-for-profit organizations are types of organizations that do not earn profits for its owners. All of the money earned by or donated to a not-for-profit organization is used in pursuing the organization's objectives and keeping it running.

Required

- 1- Income & Expense account
- 2- Accumulated funds
- 3- Balance sheet

Points to be noted:

Assets: Prepaid, Unused, Unexpired, On hand

Liabilities: Outstanding, Accrued, Unpaid and Payable

Expense: Expired, Used, Consumed, Expense



POINTS TO BE NOTED

- 1) We have to take only expenses & income in income and expenditure account we do not take any asset or Purchase of Asset
- 2) All liabilities in the data for adjustment is add and prepaid will be minus
- 3) All accrued income i.e Subscription receivable & Accrued membership income will be added into the Income and expenditure account
- 4) If income is more than expenses so it means surplus, If expenditure is more than the income it means deficit
- 5) Prepaid assets will be written in the balance sheet and accrued expense should be written in liabilities of the balance sheet
- 6) Subscription in current assets written as an account of Subscription receivable and liabilities written account is unearned Subscription



FORMAT OF BALANCE SHEET

AB & Co

Balance Sheet
As on Dec 31, 2021

ASSETS	Amount	EQUITIES	Amount
Cash (closing balance)	XXXX	All payables	XXXX
Interest receivable	XXXX	Bank loan	XXXX
Commission receivable	XXXX	Accrued-outstanding-unpaid-payable expense	XXXX
Accrued membership fee	XXXX	Unearned subscription (next year)	XXXX
Unused Assets	XXXX	Accrued interest on loan	XXXX
Current year subscription	XXXX		
Investment	XXXX		
Total Current assets	XXXX	Accumulated funds xxx	
		Add/Less: Surplus/ deficit+/- (xxx)	XXX
Fixed assets XXXX			
Less: Allowances for depreciation (XXX)	XXXX		
TOTAL ASSETS	XXXX	TOTAL EQUITIES	XXXX

CALCULATION FOR ACCUMULATED FUNDS

Particulars	Amount
Cash (opening balance)	XXXX
All assets on Jan 1 or beginning date	XXXX
Previous year Subscription	XXXX
less : if any liability	(XXX)
Total accumulated fund	XXXX

SUBSCRIPTION INCOME IN INCOME AND EXPENDITURE ACCOUNT

Subscription in receipt side	XXXX
Add: Current year subscription	XXXX
Less: Previous year's and next year's subscription	(XXX)
Subscription	XXX



TOPIC #3

DEPRECIATION

THEORETICAL QUESTIONS

Q#1 Define Depreciation? From the view point of accounting, and state whether it is a loss or an expense?

DEPRECIATION

A reduction in the value of an asset over time, due in particular to wear and tear. Depreciation is an expense because you experience a loss each year as your property declines in value. Depreciation allows you to adjust your balance sheet to reflect the loss you have taken over time and more closely reflect the value of your business.

Q#2 Define Depletion and Amortization

DEPLETION:

Allocating the cost of natural resources over their useful life. E.g: Mining, Forests land. Fishing Harbor etc

AMORTIZATION:

The decrease in the value of intangible assets such as patents, copy rights and good will.

Q #3 Difference between Capital Expenditure and Revenue Expenditure

Parameters	Capital Expenditure	Revenue Expenditure
Definition	Capital expenditure is the money spent by a firm to acquire assets or to improve the quality of existing ones.	Revenue expenditure is the money spent by business entities to maintain their everyday operations.
Time span	Capital expenses are incurred for the long-term.	Revenue expenses are incurred for a shorter-duration and are mostly limited to an accounting year.
Purpose	Such expenses are borne by a company to boost its earning capacity.	Such expenses are borne by a company to sustain its profitability.
Treatment of depreciation	Depreciation of assets is charged on capital expenses.	Depreciation of assets is not levied on revenue expenditure.
Examples	Purchase of Machinery or patent, copyright, installation of equipment and fixture, etc.	Wages, salary, utility bills printing and stationery, inventory, postage, insurance, taxes and maintenance cost, among others.

Q#4 Name the following as Capital Expenditure and Revenue Expenditure.

- | | |
|---|--|
| 1) Transit Insurance | 2) Packing charges |
| 3) Maintenance and Repairs | 4) License fee for current yea |
| 5) Test run cost | 6) Cost resulted increase in life of Asset |
| 7) Purchased new battery for an old motor vehicle | |
| 8) Replaced hard disc of Office computer which doubled its storage capacity | |
| 9) Transfer charges of a newly owned building | |
| 10) Paid annual motor vehicle tax | |
| 11) Annual maintenance of plant and equipment | |

ANSWERS

- | | | | |
|------------------------|-------------------------|-------------------------|------------------------|
| 1) Capital Expenditure | 2) Revenue Expenditure | 3) Revenue Expenditure | 4) Revenue Expenditure |
| 5) Capital Expenditure | 6) Capital Expenditure | 7) Revenue Expenditure | 8) Capital Expenditure |
| 9) Capital Expenditure | 10) Revenue Expenditure | 11) Revenue Expenditure | |

Frequent mistakes made by students

- 1) We have to see the time of payment either we paid in discounted period or not
- 2) We have to see the date when we purchased fixed assets and use fraction i.e 9/12
- 3) Use fraction only in Diminishing balance method and Straight-line method
- 4) No need to use fraction in Units of production method & Working hour's method
- 5) All previous depreciation add when we are doing the Diminishing balance method
- 6) We have to see what will be the date required in the balance sheet for allowances for depreciation



COST OF FIXED ASSET

List price		XXXX
Less: Trade discount	(xxx X 5%)	<u>(XXX)</u>
Net trade price		XXXX
Less: Cash discount	(xxx X 2%)	<u>(XXX)</u>
Net cash price		XXX
Add: Sales tax	(xxx X 8%)	<u>XXX</u>
Invoice cost		XXX

ADD: EXPENDITURE

Custom duty
Installation charges
Federal Excise Duty (FED)
Testing charges
Carriage in
Transportation cost
Insurance in transit
Test run cost
Total Expenditure

Cost of fixed asset



These items not to be included in cost

3 year fire insurance	Any repair expense	Income tax
Driver chalan	Overhauling charges after two or several month	

Formula of Depreciable cost

Depreciable cost = Cost – Salvage value



METHODS OF DEPRECIATION:-

1- STRAIGHT LINE METHOD/ FIXED INSTALLMENT METHOD:-

$$\text{Annual depreciation expense} = \frac{\text{Cost} - \text{Salvage value}}{\text{Estimated use life (Years)}}$$

Point to be noted:

Selling price (Expected to be sold) = Salvage value = Residual value = Scrape value are the same

2- DIMINISHING BALANCE METHOD/ DECLINING BALANCE METHOD/ REDUCING BALANCE METHOD:-

$$\text{Annual depreciation expense} = \text{Cost} - \text{Allowances for depreciation} \times \text{Rate}$$

Point to be noted:

- Allowances for depreciation = Accumulated depreciation (Means total of all past years depreciation)
- Meaning of Allowances for depreciation : Last year's depreciation

$$\text{Formula of rate} = \frac{200}{\text{Estimated useful life in years}}$$

3-UNITS OF PRODUCTION METHOD:-

$$\text{Per unit rate} = \frac{\text{Cost} - \text{Salvage value}}{\text{Estimated useful life (Units)}}$$

$$\text{Annual depreciation expense} = \text{Per unit rate} \times \text{Yearly units produced}$$

4-WORKING HOURS METHOD:-

$$\text{Per unit rate} = \frac{\text{Cost} - \text{Salvage value}}{\text{Estimated useful life (Hours)}}$$

$$\text{Annual depreciation expense} = \text{Per hour rate} \times \text{Yearly hours used}$$



ENTRIES OF DEPRECIATION

1) COST OF FIXED ASSET ENTRIES

ABC CO

General Journal Entries

Date	Particulars	P.R	Debit	Credit
Jan 02	Machine		YYYY	
	A/c payable			YYYY
	(To record purchase of machine)			
Jan 10	A/c payable		YYYY	
	Machine			YYY
	Cash			YYYY
	(To record payment of machine and avail discount)			
Jan 10	Machine		YYYY	
	Cash			YYYY
	(To record payment of Sales tax on machine)			
Jan 10	Transportation in / Freight in		YYYY	
	Foundation cost		YYYY	
	Installation cost		YYYY	
	Test run cost		YYYY	
	Insurance in transit		YYYY	
	Oiling and fueling		YYYY	
	Cash			YYYY
	(To record initial expenses of machine)			

Date	Particulars	P.R	Debit	Credit
Jan 10	Machine		YYYY	
	Transportation in / Freight in			YYYY
	Foundation cost			YYYY
	Installation cost			YYYY
	Test run cost			YYYY
	Insurance in transit			YYYY
	Oiling and fueling			YYYY
	(To record transfer of initial expenses to the machine A/c)			
Jan 10	Prepaid insurance		YYYY	
	Cash			YYYY
	(To record payment of insurance in advance)			

2) ENTRY TO RECORD DEPRECIATION EXPENSE

ABC CO
General Journal Entries

Date	Particulars	P.R	Debit	Credit
Dec 31	Depreciation expense		YYYY	
	Allowances for depreciation			YYYY
	(To record depreciation expense for 2019)			

3) ADJUSTING ENTRY TO RECORD DEPRECIATION EXPENSE

ABC CO
General Journal Entries

Date	Particulars	P.R	Debit	Credit
Dec 31	Depreciation expense		YYYY	
	Allowances for depreciation			YYYY
	(To record adjusted depreciation expense for 2019)			

4) CLOSING ENTRY TO RECORD DEPRECIATION EXPENSE

ABC CO
 General Journal Entries

Date	Particulars	P.R	Debit	Credit
Dec 31	Expense & Revenue summary		YYYY	
	Depreciation expense			YYYY
	(To record closed depreciation expense for 2019)			

GENERAL LEDGERS (T accounts)

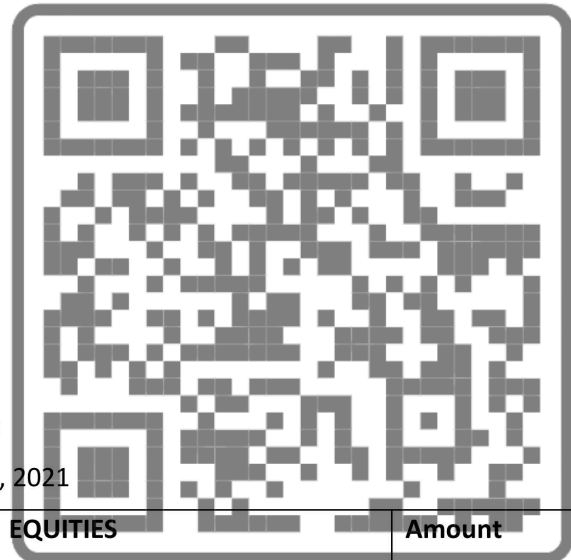
- a) Machine cost
- b) Depreciation expense
- c) Allowances for depreciation

FORMAT OF PARTIAL BALANCE SHEET



ABC CO
 Balance sheet
 As on December 31, 2021

ASSETS	Amount	EQUITIES	Amount
Machine	YYYY		
Less: Allowances for depreciation			
2019	YYYY		
2020	YYYY		
2021	<u>YYYY</u>		
Total allowances for depreciation	<u>(YYYY)</u>		
Book value	<u>YYYY</u>		



TOPIC #4

PARTNERSHIP

Definition:

A partnership is a formal arrangement by two or more parties to manage and operate a business and share its profits. There are several types of partnership arrangements. In particular, in a partnership business, all partners share liabilities and profits equally, while in others, partners may have limited liability.

4a) PARTNERSHIP – FORMATION

- In this case of partnership, we find out contribution of each partner in new partnership firm.
- All Assets should be debited and liabilities should be credited when we are finding investment of each partner.
- We have to take all assets or liabilities as an agreed value and book value mentioned in the question.

Required:

1- Computations

2- General journal entries

3- Balance sheet

4b) PARTNERSHIP – DISTRIBUTION OF INCOME/LOSS

In this case of partnership, we distribute income or loss between partners. In case of reported Income we can less all expenses from reported income. In case of reported loss we can add all expenses from reported loss.

Required:

1. Income / Loss distribution summary
2. General Journal Entries
3. T a/c
4. Distribution of net income/loss by no mentioning in question
5. Distribution of net income/loss by average capital
6. Distribution of net income/loss by beginning capital
7. Distribution of net income/loss by ending capital



4c) PARTNERSHIP – ADMISSION

According to the Partnership Act 1932, a new partner can be admitted into the firm only with the consent of all the existing partners unless otherwise agreed upon. With the admission of a new partner, the partnership firm is reconstituted and a new agreement is entered into to carry on the business of the firm

PARTNERSHIP ADMISSION CASES

A & b are partners with capital Rs YYY and Rs. YYY respectively , Sharing profit and loss in ratio 3:1
They admit C as a new partner

CASE #1: SUFFICIENT CASH

C invest sufficient cash to acquire 1/5 interest in the firm

COMPUTATION	
If 1- 1/5 (4/5) so old partners capital (YYY + YYY)	YYYY
If 1 interest so total capital (YYY X 5/4)	YYYY
If 1/5 interest so C capital - (YYY X 1/5)	YYYY

Case from past papers

(2018 case 2) (2016 case A) (2015R, P case 1) (2013p) (2012p)

CASE #2: TOTAL CAPITAL OF THE FIRM INCREASES ON BY HIS INVESTMENT

C invest cash Rs. YYYY For 1/3 interest in the business. Total capital of the firm increased only by his investment

COMPUTATION	
Old partners capital (YYYY + YYYY)	YYYY
Add: C investment	YYYY
Total capital	YYYY
If 1/3 interest so C capital is to credited by (YYYY X 1/3)	YYYY
Less: C investment	(YYY)
Bonus to C or Old partners (rule same as we did in partnership)	YYYY

Case from past papers

(2018 case 1) (2016 case B) (2013p)

CASE #3: OLD PARTNERS ARE NOT READY TO REDUCED OR CHANGE THEIR CAPITAL (GOODWILL METHOD)

If $1\frac{1}{5}$ (4/5) interest so old partners' capital (YYY + YYY) YYYY
If 1 interest so total capital (YYY X 5/4) YYYY

Less: Capital & Investment

A Capital YYY
B Capital YYY
C Investment YYY
Total capital & Investment
Goodwill

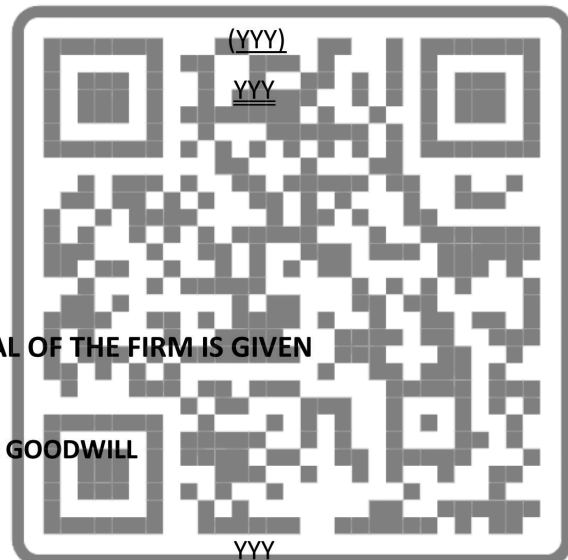
Case from past papers
(2014p case 2) (2013r case A)

CASE #4: ADMISSION OF C WHEN TOTAL CAPITAL OF THE FIRM IS GIVEN

COMPUTATION FOR GOODWILL

Total capital of the firm
Less: Capital & Investment
A Capital YYY
B Capital YYY
C Investment YYY
Total capital & Investment (YYY)
Goodwill YYY

(Note: If the amount of goodwill is positive so it will give to old partners, If the amount of goodwill is negative so it will gives to retired partners)



COMPUTATION FOR BONUS

Total capital of the firm	YYY
If 1/5 interest of C so total capital ($YYY \times 1/5$)	YYY
Les: C investment	<u>(YYY)</u>
Bonus	<u>YYY</u>

Case from past papers

(2017 case 2) (2015 case 2) (2014r) (2012r)

CASE #5: NEW PARTNER INVESTMENT/CAPITAL IS TO BE CREDITED WITH THE ENTIRE AMOUNT/FULL AMOUNT

If 1/5 interest so C investment
 If 1 interest so total capital ($YYYY \times 5/1$)

Less: Capital & Investment

A Capital	YYYY
B Capital	YYYY
C Investment	<u>YYYY</u>
Total capital & Investment	
Goodwill to old partners	



CASE #6: PURCHASE OF INTEREST

Case: Mr. A & Mr. B are partners with capital balances of Rs.120000 and Rs.90000 respectively. They admit Mr. C as a new partner

Mr. C purchase 1/2 interest from Mr. A by paying Rs.70000 & 1/3 from Mr. B by paying Rs.20000.

COMPUTATION FOR PURCHASE OF INTEREST

Mr. A capital ($120000 \times 1/2 = 60000$)
 Mr. A capital ($90000 \times 1/3 = 30000$)



-----Partnership
General Journal Entries

Date	Particulars	P.R	Debit	Credit
Jan-01	Mr. A capital		60000	
	Mr. B capital		30000	
	Mr. C capital			90000
	(To record Mr. C purchases interest from Mr. A & Mr. B)			

4d) PARTNERSHIP – LIQUIDATION (DISSOLUTION)

POINTS TO BE NOTED

- In the Liquidation case of a partnership, we liquidate or dissolve the partnership. In this case, we use a realization account to record gain or loss in the value Assets and Liabilities.
- For making the last entry we will debit capital accounts and credited cash account.
- T accounts of partners' capital and cash will be equal. The liquidation summary will also be nil in last.

a) SOLVENT PARTNERS

Those partners who bears loss or gain in Partnership business

b) INSOLVENT PARTNERS

Those partners who does not bears loss or gain in Partnership business

Required

1 -General Journal entries

2- General Ledgers

a) Realization account

b) Partners capital account

c) Cash account

3- Computation

4- Liquidation summary

5- Question of T account (Solvent & insolvent cases)

4e) PARTNERSHIP – RETIREMENT

A partner who cut his connection with the firm is called a retiring partner or outgoing partner. Retirement of a partner leads to reconstitution of a partnership firm as the original agreement between the partners comes to an end. The business may continue with a new agreement with the remaining partners.

COMPUTATION OF GOOD WILL

Mr. C capital	YYYY
Less: Cash paid to Mr. cash	(YYY)
Excess amount	YYYY
Interest of y	3
Goodwill of the firm (YYYY X 7/3)	YYYY

Note : This goodwill will be distributed among all Partners

S.NO	Particulars	P.R	Debit	Credit
1-	Goodwill		YYYY	
	Capital - A			YYYY
	Capital - B			YYYY
	Capital - C			YYYY
	(To record distribution of goodwill)			

COMPUTATION OF BONUS

Mr. C capital	YYYY
Less: Cash paid to Mr. cash	(YYY)
Bonus	<u>YYYY</u>

(Hint # 1 : If Mr. C capital is 150000 and cash paid to Mr. C 100000, so bonus will be paid to Existing partners . Hint # 2 : If Mr. C capital is 100000 and cash paid to Mr. C 150000, so bonus will be paid to Mr. C. In case of Bonus to existing partners we debited capital Mr.C and credited Mr. A & Mr. B. In case of Bonus to Mr.C we debited capital Mr.A & Mr. C and credited Mr. C)

Cases from past papers

Mr. A , Mr. B and Mr. C were partners in a business. Mr. C is retire from a partnership. The balance sheet firm as on Dec 31 2018 as under

ASSETS	Amount	EQUITIES	Amount
Cash	57000	A/c payable	135000
A/c receivable	270000	Mr. A	684000
Merchandise inventory	198000	Mr. B	756000
Building	500000	Mr. C	450000
Land	1000000		
	2025000		2025000

Mr. C decided to retired from the firm, the following adjustments were made in the accounts of the firm:

- 1- 10% of A/c receivable estimated to be doubtful
- 2- Building is to depreciated by 20 %
- 3- Land is to appreciate by 10 %
- 4- Merchandise inventory is to be reduced by Rs. 8000

Required:

Prepare general journal entries



TOPIC #5

CORPORATION

5a) ISSUANCE OF SHARES AND DEBENTURES

SHARES

A joint-stock company is a business entity in which shares of the company's stock can be bought and sold by shareholders. Each shareholder owns company stock in proportion, evidenced by their shares (certificates of ownership)

DEBENTURES

When a public joint stock company borrows cash amounts from the public, they give each person a certificate called a debenture that proves their right to the debt amount.

ALL IN ONE ENTRIES OF SHARES AND DEBENTURES 20 YEARS PAST PAPERS

CASES FOR SHARES APPLICATIONS, ALLOTMENT AND REFUNDS

CASE # 1: SHARES APPLICATIONS & ALLOTMENT

AB & Co Ltd registered with a capital of Rs.1000000 which is divided .Issued 50000 ordinary shares of Rs.10 each per share to the public payable in full on application. The company received applications for Rs.800000. The company allotted the shares offered and refunded the amount received in excess

CASE # 2: SHARES APPLICATIONS & ALLOTMENT

Mazhar & co was registered with the authorized capital of Rs.2000000 divided into 200000 shares of Rs.10 each. The company offered to the public 170000 shares of Rs.10 each. The application for 150000 shares was received. The underwriters, under the agreement, subscribed for the remaining 20000 shares. The company paid 2 % underwriting commission

CASE # 3: SHARES APPLICATIONS & ALLOTMENT

Aman Ltd. was registered with the Authorized capital of Rs.8000000 divided into the shares of 10 each. The company offered 500000 shares to the public at par. The bank informed that Rs.4500000 of shares application were received.

CASE # 4: SHARES APPLICATIONS & ALLOTMENT

Issued 50000 ordinary shares of Rs.10 each at Rs.12.50 per share. The company received applications for 80000 shares .The company allotted the shares offered and refunded the amount received in excess

ENTRIES OF SHARES

- 1- Issued 500 shares of Rs. 10 each at Rs. 12
- 2- Issued 10000 shares of Rs.10 each at Rs. 13 per share to acquire a machine
- 3- Purchased equipment of Rs. 30000 and issued 3500 shares of Rs. 10 each
- 4- Purchase four computers for Rs. 50000 each issued suitable number of shares of Rs. 10
- 5- The company purchased a machine costing Rs.360000 and issued sufficient number of shares. The share had a market value of Rs.12 each
- 6- The company bought a printer for office costing Rs. 50000 Rs.10 shares were issued in exchange. The market value per share was Rs. 12.50
- 7- The company purchases an Open plot at Rs. 750000 and consideration issued vendors its own 70000 ordinary shares of Rs. 10 each
- 8- Stock dividend of Rs. 90000 is settled by issuing suitable number of shares
- 9- Issued sufficient numbers of shares of Rs. 10 & Rs. 13/- in full settlement of Debentures payable of Rs. 130000
- 10- The company purchased a machine costing Rs.360000 and issued a suitable number of shares. The shares had a market value of Rs. 12 each
- 11- Issued 10000 shares for the purchase of Building costing Rs. 225000
- 12- Issued 1200 ordinary shares to the promoters for the services rendered by them at par
- 13- Paid Rs. 10000 for printing of shares certificate
- 14- Paid for preliminary expenses Rs. 12000
- 15- Decided to capitalized Rs.500000 against retained earnings and then issued shares at premium of Rs. 16
- 17- Paid to promoters Rs. 20000 for rendered services

ENTRIES OF DEBENTURES

- 1- The company issued 10000 debentures bonds of Rs. 100 each redeemable at Rs. 105 per debenture after five years. All the debentures were subscribed.
- 2- The company issued 10000 debentures bonds of Rs. 100 each at Rs. 95 per debenture. The debentures are redeemable at par after five years. All the debentures were subscribed.
- 3- Issued 30000 shares of Rs. 10 each to settled Debenture payable of Rs. 400000

- 4- Issued 2000 debentures of Rs. 100 @ Rs. 90 redeemable after four years at Rs. 110 each.
- 5- Issued 5000 12% debentures of Rs. 100 each at Rs. 98 cash
- 6- The company issued 10000 Debentures Bonds of Rs. 100 each at Rs. 95 per debenture. The debenture are redeemable at par after five years.
- 7- Issued sufficient number of shares of Rs.10 at Rs. 13 in full settlement of Debenture payable of Rs. 130000
- 8- Issued 1000 10% debentures of Rs.100 each at Rs.105 for cash.

Required:

Prepare general journal entries

5b) RETAINED EARNINGS

Retained earnings are the amount of profit a company has left over after paying all its direct costs, indirect costs, income taxes and its dividends to shareholders.

Required of retained earning

- 1- General journal entries
- 2- Statement of Retained Earnings
- 3- General ledger of retained earning
- 4- Partial balance sheet/ Shareholder equity

Point to be noted for entry of retained earning

First entry is to be transferred of net income into retained earning account.

Net income in the required of the question, Net income will be Income summary (Credit), Income summary showed a credit balance, Transferred of Net Income into income summary account



Retained earnings all entries from past papers

The following information is related to XYZ company Ltd on Dec 31 2018

Authorized capital (500000 shares of Rs. 10 each)	5000000
Paid up capital (200000 shares of Rs. 10 each)	2000000
Retained earnings/ Inappropriate balance	300000
Income summary (Credit)	800000

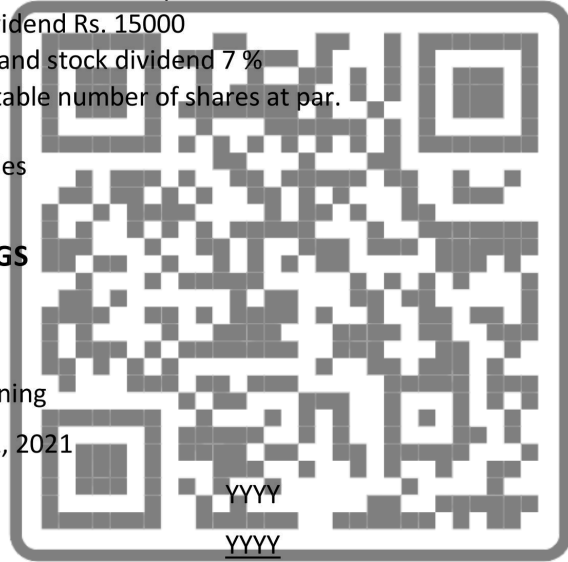
The board of directors made the following decisions

- Appropriated Rs. 60000 for plant expansion and Rs. 50000 for contingencies
- Establish reserves for building extensions Rs. 30000 & sinking funds Rs. 20000
- Appropriate of Rs. 50000 for reserves for debenture redemption
- Declared cash dividend Rs. 20000 & Stock dividend Rs. 15000
- Declared cash dividend @ Rs. 0.80 per share and stock dividend 7 %
- The stock dividend was settled by issuing suitable number of shares at par.

Required: Prepare necessary general journal entries

FORMAT OF STATEMENT OF RETAINED EARNINGS

XYZ & Company	
Statement of Retained earning	
For the period ended Dec 31, 2021	
Un-appropriated Balance	YYYY
Add: Net income for the year	YYYY
Total Retained earnings	YYYY
Less: Reserves & Funds	
Reserves for Plant extension	YYYY
Reserves for Plant expansion	YYYY
Reserves for Sinking funds	YYYY
Reserves for Contingencies	YYYY
Declaration of Cash dividend	YYYY
Declaration of Stock dividend	YYYY
Total Reserves & funds	(YYY)
Adjusted Retained balance	YYYY



FORMAT OF PARTIAL BALANCE SHEET

XYZ & CO

Balance Sheet

As on Dec 31, 2019

Shareholder equity	Amount
<u>Authorized capital</u>	
YYYY shares of Rs. 10 each	YYYY
<u>Issued & paid up capital</u>	
YYYY shares of Rs. 10 each	YYYY
Retained earning (Remaining after all reserves & funds)+ last year retained earning balance	YYYY
Reserves for Plant extension	YYYY
Reserves for Sinking funds	YYYY
Cash / stock dividend payable	YYYY
Total Shareholder equity	<u>YYYY</u>

