Gurukripa's Guideline Answers to May 2016 Exam Questions CA Inter (IPC) Group I Accounting

Question No.1 is compulsory **(4 X 5 = 20 Marks).**
Answer **any five** questions from the **remaining six** questions **(16 X 5 = 80 Marks).** [Answer any 4 out of 5 in Q.7]
Working Notes should form part of the answer.
Wherever necessary, suitable assumptions should be made and indicated in answer by the Candidates.

Note: All Page References given are from Padhuka's Ready Referencer on Accounting – For CA Inter (IPC)

Question 1(a): AS – 7 — 5 Marks

Uday Constructions undertake to construct a bridge for the Government of Uttar Pradesh. The construction commenced during the Financial Year ending 31.03.2016 and is likely to be completed by the next Financial Year. The contract is for a fixed price of ₹ 12 Crores with an Escalation Clause. The costs to complete the whole contract are estimated at ₹ 9.50 Crores. You are given the following information for the year ended 31.03.2016.

- Cost incurred upto 31.03.2016 = ₹4 Crores.
- Cost estimated to complete the contract = ₹ 6 Crores
- Escalation in Cost by 5%, and accordingly the Contract Price is increased by 5%.

You are required to ascertain the state of completion and state the Revenue and Profit to be recognized for the year as per AS–7.

Solution: **Refer Principles in Page B.5.4, Q.No 10 & Page B.5.10, Q.No 34 [N 10 Qn.]**

- Estimated Total Contract Costs = Costs till date + Further Costs = ₹ 4 + ₹ 6 = **₹ 10 Crores.**
- Percentage of Completion = $\frac{\text{Cost incurred till date}}{\text{Estimated Total Costs}} = \frac{₹\ 4.00}{₹\ 10.00} = \mathbf{40\%}$

	Contract Revenue as per Para 21 = 40% of ₹ 12 Crores	= 4.80 Crores (Contract Revenue to be recognized)
Less:	Contract Costs as per Para 21	= 4.00 Crores (Contract Expenses to be recognized)
	Profit on Contract	= 0.80 Crores

Note: Escalation Claim will be recognized only if the Escalation Claim is measured reliably, and accepted by the Contractee.

Question 1(b): AS –13 — 5 Marks

Active Builders Ltd invested in the Shares of another Company on 31st October 2015, at a cost of ₹ 4,50,000. It also earlier purchased Gold of ₹ 5,00,000 and Silver of ₹ 2,25,000 on 31st March 2013. Market Values as on 31st March 2016 of the above Investments are as follows: Shares ₹ 3,75,000, Gold ₹ 7,50,000 and Silver ₹ 4,35,000.

How will the above investments be shown in the books of account of Active Builders Ltd for the year ending 31st March 2016?

Solution: **Similar to Page A.5.43, Q.No.28 – [M 12 Qn.]**

Type of Investment	Valuation Principle	Carrying Amount
Equity Shares	Lower of Cost ₹ 4,50,000 or Market Value ₹ 3,75,000	₹ 3,75,000
Gold	Cost (Long Term Investment, since the asset is held for about 3 years)	₹ 5,00,000
Silver	Cost (Long Term Investment, since the asset is held for about 3 years)	₹ 2,25,000
Total		**₹ 11,00,000**

Question 1(c): AS–10, AS–6 — 5 Marks

Argon Ltd purchased a Shop on 1st January 2001, at a cost of ₹ 8,50,000. The Useful Life of the Shop is estimated as 30 years with Residual Value of ₹ 25,000 and Depreciation is provided on a straight line basis. The Shop was revalued on 30th June 2015, for ₹ 19,50,000 and the revaluation was incorporated in the accounts. Calculate:

(i) Surplus on Revaluation,
(ii) Depreciation to be charged in the Profit and Loss Account for the year ended on 31st December 2015.

Solution: **Similar to Page B.7.19, Q.No 53 – [RTP Qn.]**

	Particulars	₹
	Original Cost of the Asset	8,50,000
Less:	Depreciation from 01.01.2001 to 30.06.2015 ($\left(\frac{8,50,000-25,000}{30}\right) \times$ 14.5 years)	(3,98,750)
	Book Value on 30.06.2015	4,51,250
Add:	Revaluation Reserve to adjust Book Value to ₹ 19,50,000	**14,98,750**
	Revalued Amount on 30.06.2015 = Revised Depreciable Value, for balance 15.5 years	19,50,000
Less:	Depreciation for 01.07.2015 to 31.12.2015 ($\frac{19,50,000-25,000}{15.5} \times \frac{1}{2}$)	(62,097)
	Carrying Amount on 31.12.2015	**18,87,903**
	Depreciation for 2015 $\left(\frac{8,50,000-25,000}{30}\right) \times \frac{1}{2} + \left(\frac{19,50,000-25,000}{15.5} \times \frac{1}{2}\right)$	**75,847**

Question 1(d): AS – 2 5 Marks

Z Ltd ordered 13,000 kg of chemicals at ₹ 90 per kg. The Purchase Price includes Excise Duty of ₹ 5 per kg, in respect of which full CENVAT Credit is admissible. Further, State VAT is leviable at ₹ 2.5 per kg on Purchase Price. Freight incurred amounted to ₹ 30,000. Normal Transit Loss is 4%. The Company actually received 12,400 kg and consumed 10,000 kg. The Company has received Trade Discount in the form of cash amounting to ₹ 1 per kg. The chemicals were delivered in containers. The containers were not reusable, hence sold for ₹ 500. The Administrative Expenses incurred to bring the chemicals were ₹ 10,000.

Compute the Value of Inventory, and allocate the Material Cost as per AS–2.

Solution: **Similar to Page B.2.7, Q.No 25, [M 09, N 11 Qn.]**

1. Quantity Reconciliation: Total Purchase Quantity = (given) = 13,000 kg

Normal Loss 4% on 13,000 = 520 kg

Balance Effective Quantity = 13,000 (–) 520 = **12,480 kg**

Actually Received (given) = 12,400 kg

Balance **Abnormal Loss** 15,680 (–)15,500= **80 kg**

Consumption Quantity = (given) = 10,000 kg

Closing Stock (bal. fig) = 12,400 (–) 10,000 = **2,400 kg**

2. Computation of Effective Cost per kg:

	Particulars	₹
	Net Cost Per Unit (excluding Excise Duty for which CENVAT Credit is available) = 90 – 5 + 2.5 – 1 =	86.50
	Total Purchase Cost for 13,000 kg ordered	11,24,500
Add:	Freight Charges	30,000
Add:	Allocable Administration Expense	10,000
Less:	Income from Container Sale	(500)
	Total Cost of Materials	**11,64,000**
	Effective Quantity (i.e. Gross Ordered Quantity less Normal Loss) = 13,000 (–) 520 =	12,480 kg
	Effective Cost Per kg = $\frac{₹\ 11,64,000}{12,480\ \text{kg}}$	**₹ 93.27**

3. Valuation of Inventory, Material Cost, etc.

Particulars	₹	Treatment
(a) Cost of Material Consumed = 10,000 kg × ₹ 93.27	9,32,700	Shown in Income Statement as Expense.
(b) Cost of Abnormal Loss = 80 kg × 93.27	7,462	Shown in Income Statement an Expense /Loss.
(c) Cost of Closing Stock = 2,400 kg × 93.27	2,23,848	Shown is Balance Sheet.

Note: Insurance Claim, if any will be set off against the Cost of Abnormal Loss shown above.

Question 2: Amalgamation – New Co. to take over 2 Existing Cos 16 Marks

Given below are the Balance Sheet of two Companies as on 31st December 2015.

A Limited

Equity & Liabilities		₹	Assets	₹
Share Capital:	Issued and Fully paid up		Patent	1,00,000
	50,000 8% Cumulative Preference Shares of ₹ 10 each	5,00,000	Building	5,40,000
	1,50,000 Equity Shares of ₹ 10 each	15,00,000	Plant and Machinery	15,10,000
General Reserve		7,65,000	Furniture	75,000
Profit and Loss Account		1,25,000	Investment	1,55,000
Sundry Creditors		60,000	Stock	3,58,000
			Sundry Debtors	72,000
			Cash and Bank	1,40,000
Total		29,50,000	Total	29,50,000

B Limited

Equity & Liabilities		₹	Assets	₹
Share Capital:	Issued and Fully paid up		Goodwill	62,000
	50,000 Shares of ₹ 10 each	5,00,000	Motor Car	1,26,000
Profit and Loss Account		45,000	Furniture	58,000
Sundry Creditors		31,000	Stock	2,40,000
			Sundry Debtors	70,000
			Cash and Bank	20,000
Total		5,76,000	Total	5,76,000

It has been agreed that both these Companies should be wound up and a New Company AB Ltd should be formed, to acquire the Assets of both the Companies on the following terms and conditions:

(i) AB Ltd is to have an Authorized Capital of ₹ 36,00,000, divided into 60,000 8% Cumulative Preference Shares of ₹ 10 each and 3,00,000 Equity Shares of 10 each.

(ii) AB Ltd is to purchase the whole of the assets of A Ltd (except Cash and Bank balances) for ₹ 28,25,000, to be settled as to ₹ 5,75,000 in cash, and as to the balance by issue of 1,80,000 Equity Shares, credited as fully paid, to be treated as valued as ₹ 12.50 each.

(iii) AB Ltd is to purchase the whole of the assets of B Ltd (except Cash and Bank balances) for ₹ 4,91,000, to be settled as to ₹ 16,000 in cash, and as to the balance by issue of 38,000 Equity Shares, credited as fully paid, to be treated as valued at ₹ 12.50 each.

(iv) A Ltd and B Ltd both are to be wound up, the two Liquidators distributing the Shares in AB Ltd in kind among the Equity Shareholders of the respective Companies.

(v) The Liquidator of A Ltd is to pay the Preference Shareholders ₹ 12 in cash for every Share held, in full satisfaction of their claims.

(vi) AB Ltd is to make a Public Issue of 60,000, 5% Cumulative Preference Shares at a premium of 10%, and 30,000 Equity Shares at the Issue Price of ₹ 12.50 per Share, all amount payable in full on application.

It is estimated that the costs of liquidation (including the Liquidators' Remuneration) will be ₹ 10,000 in case of A Ltd and ₹ 5,000 in case of B Ltd and that the Preliminary Expenses of AB Ltd will amount to ₹ 24,000 exclusive of the Underwriting Commission of 38,900 payable on the Public Issue.

You are required to prepare the initial Balance Sheet of AB Ltd, on the basis that all Assets other than Goodwill are taken over at the Book Value.

Solution: **Similar to various illustrations in Chapter ....**

1. Basic Information

Selling Company: A Ltd, B Ltd	**Date of Balance Sheet:** 31st December	**Nature of Amalgamation:** Purchase [PC by way of Cash]
Buying Company: AB Ltd	**Date of Amalgamation:** 31st December	

2. Calculation of Goodwill / Capital Reserve (in ₹ 000's)

	Particulars	A Ltd	B Ltd
	Sundry Assets (Except Cash & Goodwill)	2,950 – 140 = 2,810	576 – 20 – 62 = 494
Less:	Sundry Creditors	(60)	(31)
	Net Assets taken over	**2,750**	**463**
Less:	Purchase Consideration (Given, Net Payment Method)	2,825	491
	Goodwill on Amalgamation	**75**	**28**

3. Cash and Bank A/c of AB Ltd

Receipts	₹	Payments	₹
To 5% Cum. Preference Share Capital (60,000 × ₹ 10)	6,00,000	By Liquidators of A Ltd	5,75,000
To Equity Share Capital (30,000 × ₹ 10)	3,00,000	By Liquidators of B Ltd	16,000
To Securities Premium [(60,000 × ₹ 1) + (30,000 × ₹ 2.50)]	1,35,000	By Preliminary Expenses	24,000
		By Underwriting Commission	38,900
		By balance b/d **(Bal. Fig.)**	**3,81,100**
Total	**10,35,000**	**Total**	**10,35,000**

Note: It is assumed that the Liquidation Expenses of A Ltd and B Ltd were borne by those Companies.

4. Balance Sheet of AB Ltd as at 31st December (after takeover)

	Particulars as at 31st March		Note	This Yr	Prev. Yr
I	**EQUITY AND LIABILITIES**				
(1)	**Shareholders' Funds:**				
	(a) Share Capital		**1**	30,80,000	
	(b) Reserves & Surplus		**2**	6,80,000	
(2)	**Non– Current Liabilities**			Nil	
(3)	**Current Liabilities**	– Creditors (60,000 + 31,000)		91,000	
	Total			**38,51,000**	
II	**ASSETS**				
(1)	**Non–Current Assets**				
	(a) Fixed Assets:	– Tangible Assets	**3**	23,09,000	
		– Intangible Assets	**4**	2,03,000	
	(b) Non–Current Investments (Assumed to be Non–Current)			1,55,000	
	(c) Other Non–Current Assets		**5**	62,900	
(2)	**Current Assets**				
	(a) Inventories	= (2,40,000 + 3,58,000)		5,98,000	
	(b) Trade Receivables	= Debtors (70,000 + 72,000)		1,42,000	
	(c) Cash & Cash Equivalents **(WN 2)**			3,81,100	
	Total			**38,51,000**	

Notes to the Balance Sheet

Note 1: Share Capital

Particulars	This Yr	Prev. Yr
Authorised:		
(a) 60,000 8% Cumulative Preference Shares of ₹ 10 each	6,00,000	
(b) 3,00,000 Equity Shares of ₹ 10 each	30,00,000	
Issued, Subscribed & Paid up:		
(a) 60,000 8% Cumulative Preference Shares of ₹ 10 each	6,00,000	
(b) 2,48,000 Equity Shares of ₹ 10 each	24,80,000	
(Out of above 2,18,000 Equity Shares were issued for Non–Cash Consideration)		
Total	**30,80,000**	

Note 2: Reserves and Surplus

Particulars		This Yr	Prev. Yr
Securities Premium Account	[(60,000 × ₹ 1) + (2,48,000 × ₹ 2.50)]	6,80,000	

Note 3: Tangible Assets

Particulars	This Yr	Prev. Yr
Building	5,40,000	
Plant & Machinery	15,10,000	
Motor Car	1,26,000	
Furniture (75,000 + 58,000)	1,33,000	
Total	**23,09,000**	

Note 4: Intangible Assets

Particulars	This Yr	Prev. Yr
(a) Patent	1,00,000	
(b) Goodwill **[WN 1]**	1,03,000	
Total	**2,03,000**	

Note 5: Other Non–Current Assets

Particulars	This Yr	Prev. Yr
(a) Preliminary Expenses	24,000	
(b) Underwriting Commission	38,900	
Total	**62,900**	

Note: Alternatively, Preliminary Expenses & Underwriting Commission can be adjusted with Securities Premium A/c u/s 52.

Question 3(a): Accounting from Incomplete Records 8 Marks

The following is the Balance Sheet of Manish and Suresh as on 1st April 2015:

Capital & Liabilities	₹	Assets	₹
Capital:		Building	1,00,000
Manish	1,50,000	Machinery	65,000
Suresh	75,000	Stock	40,000
Creditors for Goods	30,000	Debtors	50,000
Creditors for Expenses	25,000	Bank	25,000
Total	2,80,000	Total	2,80,000

They give you the following additional information:

(i) Creditors' Velocity 1.5 month & Debtors' Velocity 2 months.

(ii) Stock Level is maintained uniformly in value throughout all over the year.

(iii) Depreciation on Machinery is charged @ 10%, Depreciation on Building @ 5% in the current year.

(iv) Cost Price will go up 15% as compared to last year and also Sales in the current year will increase by 25% in volume.

(v) Rate of Gross Profit remains the same.

(vi) Business Expenditures are ₹ 50,000 for the year. All Expenditures are paid off in cash.

(vii) Closing Stock is to be valued on LIFO Basis.

Prepare Trading, Profit and Loss Account , Trade Debtors A/c and Trade Creditors A/c for the year ending 31.03.2016.

Solution: **Similar to various Illustrations in Chapter….**

Trading Account for the year ended 31.03.2016

Particulars	₹	Particulars	₹
To Opening Stock (given)	40,000	By Sales **(WN 4)**	4,31,250
To Purchases **(WN 2)**	3,45,000	By Closing Stock (Same Value as Opening Stock, i.e. LIFO)	40,000
To GP (20% of Sales)	86,250		
Total	**4,71,250**	**Total**	**4,71,250**

Profit & Loss A/c for the year ended 31.03.2016

Particulars	₹	Particulars	₹
To Depreciation on		By GP b/d	86,250
– Machinery 10% on 65,000	6,500		
– Building 5% on 1,00,000	5,000		
To Expenses (given for the year)	50,000		
To NP (bal.fig)	24,750		
Total	**86,250**	**Total**	**86,250**

Trade Debtors A/c

Particulars	₹	Particulars	₹
To balance b/d (given)	50,000	By Bank A/c – Collection (bal.fig)	**4,09,375**
To Sales **(WN 4)**	4,31,250	By balance c/d (Sales 4,31,250 × $\frac{2}{12}$)	71,875
Total	**4,81,250**	**Total**	**4,81,250**

Trading Creditors (for Goods) A/c

Particulars	₹	Particulars	₹
To Bank A/c – Payment (bal.fig)	**3,31,875**	By balance b/d (given)	30,000
To balance c/d (Purch.3,45,000× $\frac{1.5}{12}$)	43,125	By Purchases **(WN 2)**	3,45,000
Total	**3,75,000**	**Total**	**3,75,000**

Working Notes and Computations:

Note: It is assumed that all Sales and all Purchases are on credit basis only.

1. Debtors Velocity = 2 months. Hence, last year Sales = Debtors as per B/s ₹ 50,000 × $\frac{12}{2}$ = **₹ 3,00,000.**

2. Creditors Velocity = 1.5 months. So, last year Purchases=Creditors for Goods as per B/s ₹ 30,000 × $\frac{12}{1.5}$ = **₹ 2,40,000.**

   This year Purchases = (Last Year Purchases + 25% Volume Increase) + 15% Cost Increase
   = (₹ 2,40,000 + 25%) +15% = ₹ 3,00,000 + 15% **= ₹ 3,45,000**

3. Since Stock Level is Maintained uniformly Last Year, COGS = Purchases.

   Hence, GP of the Last year = Sales –COGS
   = ₹ 3,00,000 – ₹ 2,40,000
   = ₹ 60,000.

   Last Year GP Ratio = $\frac{₹60,000}{₹3,00,000}$ = 20% on Sales = same for this year.

4. Since GP = 20% COGS (i.e. Purchases) = 100% –20% = 80% of Sales of this Year.

   So, Sales of this year = $\frac{₹3,45,000}{80\%}$ = **₹ 4,31,250.**

Question 3(b): Not for Profit Organisations – Opening & Closing B/s 8 Marks

Following information has been given for Bharat Sports Club, Delhi for the year ending 31.12.2014 and 31.12.2015.

Particulars	31.12.2014	31.12.2015
Building (subject to 10% Depreciation for the current year)	60,000	?
Furniture (subject to 10% Depreciation for the current year)	–	20,000
Stock of Sports Materials	5,000	2,000
Prepaid Insurance	3,000	6,000
Outstanding Subscription	12,000	8,000
Advance Subscription	6,000	4,000
Outstanding Locker Rent	–	6,000
Advance Locker Rent received	–	2,000
Outstanding Rent for Godown	6,000	3,000

Particulars	31.12.2014	31.12.2015
12% General Fund Investments	2,00,000	2,00,000
Accrued Interest on above	–	4,000
Cash Balance	1,000	64,000
Bank Balance	2,000	–
Bank Overdraft	–	2,000

Additional Information:

(i) Entrance Fees received ₹ 20,000, Life Membership Fees received ₹ 20,000 during the year.

(ii) Surplus from Income and Expenditure Account ₹ 60,000.

(iii) It is the policy of the Club to treat 60% of Entrance Fees and 40% of Life Membership Fees as revenue nature.

(iv) The Furniture was purchased on 01.01.2015.

Prepare Opening and Closing Balance Sheet of Bharat Sports Club as on 31st Dec, 2014 and 31st Dec, 2015 respectively.

Solution: **Similar to Chapter 4, Page A.4.66 –69, Illustration 40 to 42.**

Capital & Liabilities	31.12.14	31.12.15	Assets	31.12.14	31.12.15
Capital Fund	2,71,000 **(bal.fig)**	3,51,000 **(WN)**	**Non–Current Assets:**		
			1. Tangible Assets (Net)		
			Buildings	60,000	60,000–10%=54,000
			Furniture	–	20,000–10%=18,000
			2. Non–Current Investments	2,00,000	2,00,000
			3. Accrued Interest on Invts	–	4,000
			Current Assets:		
			1. Stock of Sports Materials	5,000	2,000
Current Liabilities			2. Receivables of –		
1. Advances Recd for:			Subscription	12,000	8,000
Subscription	6,000	4,000	Locker Rent	–	6,000
Locker Rent	–	2,000	3. Prepaid Insurance	3,000	6,000
2. Godown Rent Payable	6,000	3,000	4. Cash at Bank	2,000	–
3. Bank OD	–	2,000	5. Cash in Hand	1,000	64,000
Total	**2,83,000**	**3,62,000**	**Total**	**2,83,000**	**3,62,000**

Working Note: **Capital Fund**

Opening Balance (derived as Balancing Figure from B/s above on 31.12.14)	2,71,000
+ Surplus from Income & Expenditure A/c	60,000
+ Capitalisation of 40% of Entrance Fees ₹ 20,000	8,000
+ Capitalisation of 60% of Life Membership Fees ₹ 20,000	12,000
Capital Fund Closing Balance	**3,51,000**

Question 4(a): Accounting for HP – Repossession 8 Marks

Girish Transport Ltd. purchased from NCR Motors, 3 Electric Rickshaws costing ₹ 60,000 each on the hire purchase system on 01.01.2013. Payment was to be made ₹ 30,000 down and the remainder in 3 equal instalments payable on 31.12.2013, 31.12.2014 and 31.12.2015 together with interest @ 10% p.a. Girish Transport Ltd writes off Depreciation @ 20% p.a on the Reducing Balance. It paid the instalment due at the end of 1st year, i.e. 31.12.2013 but could not pay next on 31.12.2014. NCR Motors agreed to leave one e–rickshaw with the Purchaser on 31.12.2014 adjusting the value of the other two e–rickshaws against the amount due on 31.12.2014. The e–rickshaws were valued on the basis of 30% Depreciation annually on WDV basis.

Show the necessary Ledger Accounts in the books of Girish Transport Ltd for the year 2013, 2014 and 2015.

Solution: **Similar to Page A.5.80, Q.No.14 – M 90 Qn**

Ledger Accounts in the Books of Girish Transport Ltd are as under –

1.Rickshaw A/c

Date	Particulars	₹	Date	Particulars	₹
01.01.13	To NCR Motors A/c	1,80,000	31.12.13	By Depreciation (1,80,000× 20%)	36,000
			31.12.13	By balance c/d	1,44,000
	Total	**1,80,000**		**Total**	**1,80,000**
01.01.14	To balance b/d	1,44,000	31.12.14	By Depreciation (1,44,000× 20%)	28,800
				By NCR Motors **(WN 2)**	58,800
				By Loss on Takeover **(WN 3)**	18,000
				By balance c/d (b/f)	38,400
	Total	**1,44,000**		**Total**	**1,44,000**
01.01.15	To balance b/d	38,400	31.12.15	By Depreciation (38,400× 20%)	7,680
				By balance c/d (b/f)	30,720
	Total	**38,400**		**Total**	**38,400**

2.NCR Motors A/c

Date	Particulars	₹	Date	Particulars	₹
01.01.13	To Bank A/c	30,000	01.01.13	By Rickshaw A/c	1,80,000
31.12.13	To Bank A/c [50,000 + 15,000]	65,000	31.12.13	By Interest A/c [1,80,000 – 30,000]× 10%	15,000
31.12.13	To balance c/d (b/f)	1,00,000			
	Total	**1,95,000**		**Total**	**1,95,000**
31.12.14	To Rickshaw A/c	58,800	01.01.14	By balance b/d	1,00,000
31.12.14	To balance c/d	51,200	31.12.14	By Interest A/c [1,00,000 × 10%]	10,000
		1,10,000			**1,10,000**
31.12.15	To Bank A/c **(Note)**	56,320	01.01.15	By balance b/d	51,200
			31.12.13	By Interest A/c [51,200 × 10%]	5,120
	Total	**56,320**		**Total**	**56,320**

Note: It is assumed that the balance amount is settled along with interest, on 31.12.2015.

Working Notes: **1. Valuation of Rickshaw**

	Particulars	Value as per Purchaser	Value as per Vendor
	Depreciation Rate	20% WDV	30% WDV
	Value of Rickshaw [60,000 × 3]	1,80,000	1,80,000
Less:	Depreciation for the year 2013	(36,000)	(54,000)
	Value of Rickshaw as on 31.12.2013	1,44,000	1,26,000
Less:	Depreciation for the year 2014	(28,800)	(37,800)
	Value of Rickshaw as on 31.12.2014	1,15,200	**88,200**
Less:	Value of Rickshaws repossessed [1,15,200 × 2/3]	(76,800)	
	Price of the Remaining Rickshaw [1,15,200 × 1/3]	38,400	
Less:	Depreciation for the year 2015	(7,680)	
	Value of Rickshaw as on 31.12.2015	30,720	

2. Takeover Value of Rickshaws repossessed: 2/3 × ₹ 88,200 = **₹ 58,800**

3. Loss on Takeover = Book Value of Rickshaws Repossessed ₹ 76,800 (–) Takeover Value ₹ 58,800 = **₹ 18,000**

Question 4(b): Investment Accounts — 8 Marks

A Ltd purchased on 1st April 2015, 8% Convertible Debentures in C Ltd, of Face Value of ₹ 2,00,000 @ ₹ 108. On 1st July 2015, A Ltd purchased another ₹ 1,00,000 Debentures @ ₹ 112 Cum Interest.

On 1st October 2015, ₹ 80,000 Debenture was Sold @ ₹ 105. On 1st December 2015, C Ltd give option for conversion of 8% Convertible Debentures into Equity Shares of ₹ 10 each. A Ltd receive 5000 Equity Share in C Ltd in conversion of 25% Debentures held on that date. The Market Price of Debentures and Equity Shares in C Ltd at the end of year 2015 is ₹ 110 and ₹ 15 respectively.

Interest on Debenture is payable each year on 31st March, and 30th September.

The Accounting Year of A Ltd is Calendar Year.

Prepare Investment Account in the Books of A Ltd, on Average Cost basis.

Solution: **Similar to Page A.5.55, Illustration 8**

1. Investments in 8% Convertible Debentures of C Ltd A/c

Date	Particulars	Cost	Int.	Date	Particulars	Cost	Int.
01.04.15	To Bank (WN 1a)	2,16,000	–	30.09.15	By Bank $(3{,}00{,}000 \times 8\% \times \frac{1}{2})$	–	12,000
01.07.15	To Bank (WN 1b)	1,10,000	2,000	01.10.15	By Bank (WN 2a)	84,000	–
31.12.15	To P&L A/c – Int tfr	–	**10,000**	01.10.15	By Loss on Sale (WN 1c)	2,933	–
				01.12.15	By Equity Shares A/c (WN 3)	59,767	–
				31.12.15	By bal. c/d (WN 3)	1,79,300	
	Total	**3,26,000**	**12,000**		**Total**	**3,26,000**	**12,000**

2. Investments in Equity Share of C Ltd A/c

Date	Particulars	FV	Cost	Date	Particulars	FV	Cost
01.12.15	To Debentures A/c (5,000 ES × ₹ 10)	50,000	**59,767**	31.12.15	By balance c/d	50,000	59,767
	Total	**50,000**	**59,767**		**Total**	**50,000**	**59,767**

Working Notes:

1. **Cost of Debentures**:

(a) Purchased on 01.04.2015= ₹ 2,00,000 × $\frac{108}{100}$ = ₹ **2,16,000**

(b) Purchased on 01.07.2015: Total Amount = ₹ 1,00,000 × $\frac{112}{100}$ = ₹ 1,12,000

Interest = ₹ 1,00,000 $\times$ 8% $\times \frac{3}{12}$ = ₹ 2,000 (for 01.04.15 to 30.06.15)

So, Cost = 1,12,000 – 2,000 = ₹ **1,10,000**

2. **Sale of Debenture on 01.10.2015**

(a) Sale Proceeds = ₹ 80,000 × $\frac{105}{100}$ = ₹ **84,000**

(b) Average Cost of ₹ 80,000 Debentures = $\frac{2{,}16{,}000 + 1{,}10{,}000}{3{,}00{,}000} \times 80{,}000$ = ₹ **86,933**

(c) Loss on Sale = ₹ 86,933 – ₹ 84,000 = ₹ **2,933**

3. **Conversion into Equity & Balance Sheet Valuation**

Note: Cost of Debentures held before conversion = ₹ 3,26,000 – ₹ 86,933 = ₹ **2,39,067**

Particulars	Cost	Market Value at Year End	B/S Value
25% Converted into Shares	2,39,067 ×25% = 59,767	5,000 Shares × ₹ 15 = 75,000	₹ 59,767
75% held as Debentures	2,39,067× 75% = ₹ 1,79,300	₹ 2,20,000 Deb×75%× $\frac{110}{100}$ =₹ 1,81,500	₹ 1,79,300

Question 5(a): Insurance Claims 8 Marks

A Firm has decided to take out a Loss of Profit Policy for the year 2016, and given the following information for the last Accounting Year 2015.

Variable Manufacturing Expenses ₹ 14,20,000, Standing Charges ₹ 1,50,000, Net Profits ₹ 80,000, Non–Operating Income ₹ 2,500, Sales ₹ 18,00,000.

Compute the sum to be insured in each of the following alternative cases showing the anticipation for the year 2016:

(i) If Sales will increase by 15%

(ii) If Sales will increase by 15% and only 50% of the present Standing Charges are to be insured.

(iii) If Sales and Variable Expenses will increase by 15% and Standing Charges will Increase by 10%

(iv) If Sales will increase by 15% and Variable Expenses will decrease by 5%.

(v) If Sales will increase by 10% and Standing Charges will increase by 15%.

(vi) If the Turnover and Standing Charges will increase by 15% and Variable Expenses will decrease by 10% but only 50% of the present Standing Charges are to be insured.

Solution: **Similar to Page A.5.16, Illustration 21,22, [N 01, N 10 Qn.]**

1. GP of last year for policy purposes = Net Profit + Standing Charges (–) Non–Operating Income
= 80,000 + 1,50,000 (–) 2,500 = ₹ **2,27,500**

2. Computation of Insurance Policy to be taken in various situations

Situation (i): 15% Increase in Sales	₹
15% increase in Sales (₹ 2,27,500 + 15%)	**2,61,625**

Situation (ii): 15% Sales increase + 50% reduction in Standing Charges		₹
	GP with 15% increase = ₹ 2,27,500 + 15%	2,61,625
Less:	50% of Standing Charges	(75,000)
		1,86,625

Situation (iii): 15% increase in Sales & Variable Expenses, 10% increase in Standing Charges		₹
	Sales (18,00,000 × 115%)	20,70,000
Less:	Variable Expenses (14,20,000 × 115%)	(16,33,000)
Less:	Fixed Expenses (as per last year)	(1,52,500)
Add:	10% Increase in Standing Charges	15,000
		2,99,500

Situation (iv): Sales Increase 15%, Variable Expenses decrease 5%:		₹
	Sales (18,00,000 × 115%)	20,70,000
Less:	Variable Expenses (14,20,000 × 95%)	(13,49,000)
Less:	Fixed Expenses	(1,52,500)
		5,68,500

Situation (v): Sales Increase 10%, Standing Charges Increase 15%:		₹
	GP with 10% increase = ₹ 2,27,500 + 10%	2,50,250
Add:	15% increase in Standing Charges	22,500
		2,72,750

Situation (vi): Turnover & Standing Charges 15% Increase, Variable Expenses decrease by 10%, 50% of Standing Charges to be insured:		₹
	Sales (18,00,000 × 115%)	20,70,000
Less:	Variable Expenses (14,20,000 × 90%)	(12,78,000)
Less:	Fixed Expenses (as per last year)	(1,52,500)
Add:	15% increase in of Standing Charges	22,500
	Total of above	**6,62,000**
Less:	50% of present Standing Charges	(75,000)
		5,87,000

Question 5(b): Account Current 8 Marks

Rahim has a Current Account with Partnership Firm. It has Debit Balance of ₹ 2,40,000 as on 01.04.2015. He has further deposited the following amounts:

Deposits		Withdrawal	
Date	Amount (₹)	Date	Amount (₹)
14/04/2015	1,20,000	29/04/2015	97,000
30/04/2015	3,00,000	09/05/2015	1,71,000
18/05/2015	1,23,000		

Show Rahim's A/c in the Ledger of the Firm. Interest is to be calculated at 10% on Debit Balance and 8% on Credit Balance. You are required to prepare Current Account as on 31st May 2015, by means of Product of Balance Method.

Solution: **Similar to Page A.2.25, Illustration 12, [N 13 Qn.]**

Current Account of Mr. Rahim

Date	**Particulars**	**Dr. / Cr.**	**Dr.**	**Cr.**	**Net Cum Balance**	**Days**	**Debit Product**	**Credit Product**
01–04–2015	To Balance b/d	Dr.	2,40,000	–	2,40,000	14	33,60,000	–
14–04–2015	By Cash / Bank	Cr.	–	1,20,000	1,20,000	15	18,00,000	–
29–04–2015	To Cash / Bank	Dr.	97,000	–	2,17,000	1	2,17,000	–
30–04–2015	By Cash / Bank	Cr.	–	3,00,000	83,000	9	–	7,47,000
09–05–2015	To Cash / Bank	Dr.	1,71,000	–	88,000	9	7,92,000	–
18–05–2015	By Cash / Bank	Cr.	–	1,23,000	35,000	14	–	4,90,000
31–05–2015	To Interest	Dr.	1,419	–	**36,419**			
							61,69,000	**12,37,000**

Note: Interest is computed as follows:

On **Credit** Products: $₹\ 12{,}37{,}000 \times 8\% \times \frac{1}{365} = ₹\ 271$ On **Debit** Products = $₹\ 61{,}69{,}000 \times 10\% \times \frac{1}{365} = ₹\ 1{,}690$

So, Net Interest Debit = 1,690 – 271 = ₹ **1,419**

Question 6: Partnership – Admission 16 Marks

Ajay, Vijay and Sanjay are Partners sharing Profit & Loss in the Ratio of 2:3:1. The Balance Sheet of the Firm as on 31.03.2015 is as follows:

Capital & Liabilities	₹	Assets	₹
Capital A/c		Furniture & Fixtures	30,000
Vijay's Capital	85,000	Office Equipment	20,000
Sanjay's Capital	68,000	Motor Car	60,000
General Reserve A/c	30,000	Stock	40,000
Sundry Creditors	25,000	Sundry Debtors	20,000
		Cash at Bank	18,000
		Ajay's Capital	20,000
Total	2,08,000	Total	2,08,000

Kamal is admitted as a New Partner with effect from 1st April 2015, by receiving 1/4th Share in the Profit & Loss of the Firm. The Profit or Loss sharing ratios between other Partners remain same as before. It was agreed that Kamal would bring some private Furniture worth ₹ 3,000 and private Stock worth ₹ 5,000 and balance in Cash towards his Capital.

The following adjustments are to be made prior to Kamal's admission–

1. Goodwill of the Firm is to be valued at 2 years' purchase of the Average Profit of last 3 years. The Profits for the last 3 years were ₹ 35,900, ₹ 38,200 and ₹ 31,500. However, on checking of the past records, it was noticed that on 01.04.11 a new Furniture costing ₹ 8,000 was purchased but wrongly debited to revenue, and also in year 2012–2013, a Purchase Invoice for ₹ 4,000 has been omitted in the Books. The Firm charged Depreciation on Furniture @ 10% on Original Cost. Your calculation of Goodwill is to be made on the basis of Correct Profits. It is agreed among existing Partners that Sanjay's Interest in the Goodwill of the Firm is only up to value of ₹ 42,000.
2. Motor Car is taken over by Vijay at ₹ 70,000.
3. Office Equipment is revalued at ₹ 25,000.
4. Expenses incurred but not paid of ₹ 6,500 are provided for.

5. Value of the Stock is to be reduced by 5%.
6. Kamal is to bring Proportionate Capital. Capital of Vijay, Ajay and Sanjay are also to be adjusted in Profit Sharing Ratio.

Assuming the above mentioned adjustments are duly carried out, show the Revaluation Account, Partner's Capital Account and the Balance Sheet of the Firm after Kamal's admission.

Solution: **Similar to Page A.6.2.5, Illustration 22, [N 93 Qn.]**

1. Computation of New PSR

Since Kamal's Share = 1/4th, Balance 3/4th to be shared by Ajay, Vijay and Sanjay in the ratio 2:3:1

	Ajay	Vijay	Sanjay	Kamal	Total
New Ratio	$\frac{2}{6} \times \frac{3}{4} = \frac{2}{8}$	$\frac{3}{6} \times \frac{3}{4} = \frac{3}{8}$	$\frac{1}{6} \times \frac{3}{4} = \frac{1}{8}$	$\frac{1}{4} = \frac{2}{8}$	2:3:1:2

2. Profit and Loss Adjustment A/c

Particulars	₹	Particulars	₹
To Furniture A/c (Depreciation)		By Furniture A/c (Cost)	8,000
(Last 3 years + This Year = 800 ×4 yrs)]	3,200		
To Creditors A/c (Purchase omitted)	4,000		
To Capitals of Ajay: 2/6 267			
Vijay: 3/6 400			
Sanjay: 1/6 133	**800**		
Total	**8,000**	**Total**	**8,000**

3. Computation of Goodwill

Yr	Profit	Deductions towards	Correct Profits
1	₹ 35,900	Deprn on Furniture 8,000 × 10% = 800 + Omitted Purchase 4,000	₹ 31,100
2	₹ 38,200	Depreciation of Furniture = 800	₹ 37,400
3	₹ 31,500	Depreciation of Furniture = 800	₹ 30,700
Total			**₹ 99,200**
Average Profit		₹ 99,200 ÷ 3	₹ 33,067
Goodwill at 2 years purchase		**₹ 33,067 × 2**	**₹ 66,133**

4. Distribution of Goodwill to be credited to Ajay, Vijay and Sanjay

Particulars	Ajay	Vijay	Sanjay	Total
First – ₹ 42,000 to be distributed among all the Partners in the ratio of 2:3:1	14,000	21,000	7,000	42,000
Balance – ₹ 24,133 to be distributed between Ajay and Vijay in the ratio of 2:3	9,653	14,480	–	24,133
Total	**23,653**	**35,480**	**7,000**	**66,133**

5. Revaluation A/c

Particulars	₹	Particulars	₹
To Outstanding Expenses	6,500	By Office Equipment (25,000 – 20,000)	5,000
To Stock (5% of ₹ 40,000)	2,000	By Motor Car (70,000 – 60,000)	10,000
To Capitals of Ajay: 2/6 2,167			
Vijay: 3/6 3,250			
Sanjay: 1/6 1,083	**6,500**		
Total	**15,000**	**Total**	**15,000**

6. Partners' Capital A/c

Particulars	Ajay	Vijay	Sanjay	Kamal	Particulars	Ajay	Vijay	Sanjay	Kamal
To balance b/d	20,000	–	–		By bal. b/d	–	85,000	68,000	–
To Motor Car	–	70,000	–		By P&L Adj.	267	400	133	–
To G/w (2:3:1:2) *	16,533	24,800	8,267	16,533	By G/w	23,653	35,480	7,000	–
To balance c/d	–	**44,330**	**72,949**	–	By Revaln .	2,167	3,250	1,083	–
(Stage 1 bal.)					By Gen.Res.	10,000	15,000	5,000	–
					By bal.c/d	**446**	–	–	**16,533**
Total	**36,533**	**1,39,130**	**81,216**	**16,533**	**Total**	**36,533**	**1,39,130**	**81,216**	**16,533**

Particulars	Ajay	Vijay	Sanjay	Kamal	Particulars	Ajay	Vijay	Sanjay	Kamal
To balance b/d	446	–	–	16,533	By bal.b/d	–	44,330	72,949	–
To Ajay & Vijay's Capital (**bal. fig.)**	–	–	**53,476**	–	By S's Cap. (**bal.fig.)**	**39,390**	**14,086**	**–**	**–**
					By Stock A/c	**–**	**–**	**–**	5,000
					By Furniture	**–**	**–**	**–**	3,000
To bal.c/d **(WN 7)**	38,944	58,416	19,473	38,944	By Bk (b/fig)	–	–	–	**47,477**
Total	**39,390**	**58,416**	**72,949**	**55,477**	**Total**	**39,390**	**58,416**	**72,949**	**55,477**

Note: * Goodwill is written off in the books in New PSR, in accordance with AS–10.

7. Computation of Proportionate Capital of Partners

Combined Capital of Ajay, Vijay, Sanjay (Existing Partners) – as per Stage 1 balance derived in Partners' Capital Account (Refer **WN 6**) = – ₹ 446 + ₹ 44,330+ ₹ 72,949 =	₹ 1,16,833
Share of Ajay, Vijay and Sanjay in the new firm after deducting Kamal's 1/4th Share	3/4th
Total Capital of the Firm after Kamal's admission = ₹ 1,16,833 ÷ 3/4th	**₹ 1,55,777**

Apportionment of Capital in Profit Sharing Ratio i.e. Proportionate Capital of Partners

Ajay	Vijay	Sanjay	Kamal
2:	3 :	1 :	2
₹ 38,944	**₹ 58,416**	**₹ 19,473**	**₹ 38,944**

8. Balance Sheet of the Firm as on 31st March (after Kamal's admission)

Capital and Liabilities	₹	Properties and Assets	₹
Capital Account:		**Non–Current Assets:**	
Ajay	38,944	Furniture (30,000 + 4,800 + 3,000)	37,800
Vijay	58,416	Office Equipment	25,000
Sanjay	19,473	**Current Assets:**	
Kamal	38,944	Stock [40000+5000–2000+5000]	43,000
Current Liabilities:		Debtors	20,000
Outstanding Expenses	6,500	Cash [18000 + 47,477]	65,477
Creditors (25,000 + 4,000)	29,000		
Total	**1,91,277**	**Total**	**1,91,277**

Question 7(a): Computation of Purchase Consideration 4 Marks

Anjana Ltd is absorbed by Sanjana Ltd, the consideration being the takeover of Liabilities, the payment of cost of Absorption not exceeding ₹ 10,000 (Actual Cost ₹ 9,000) the payment of the 9% Debentures of ₹ 50,000 at a Premium of 20% in 8% Debentures issued at a Premium of 25% at Face Value, and the Payment of ₹ 15 per Share in Cash and allotment of three 11% Preference Shares of ₹ 10 each at a discount of 10% and four Equity Share of ₹ 10 each at a Premium of 20% fully paid for every five Shares in Anjana Ltd. The number of Shares of the Vendor Company are 1,50,000 of ₹ 10 each fully paid.

Calculate Purchase Consideration as per Accounting Standard–14.

Solution: **Similar to Page A.11.17, Q.No.7 [M 11 Qn.]**

Computation of Purchase Consideration

Particulars		Amount
Pref. Shares (3 Shares for every 5 Shares):	11% Pref. Shares of ₹ 10 each at a discount of 10% [₹9 (10 – 10% discount) × 3 Shares]	₹ 27
Equity Shares (4 Shares for every 5 Shares):	Equity Shares of ₹ 10 each, at Premium of 20%. [₹ 12 (₹10 + 20%) × 4 Shares]	₹ 48
Cash (₹ 15 for every Share):	For 5 Shares, Cash paid (₹ 15 × 5 Shares)	₹ 75
Purchase Consideration for every **5 Shares**		₹ 150

Particulars	Amount
Purchase Consideration for every **1 Share**	**₹ 30**
Total Number of Equity Shares in Anjana Ltd	1,50,000
Total Purchase Consideration [1,50,000 Shares × ₹ 30 Per Share]	**₹ 45,00,000**

Note: Reimbursement of Liquidation Expenses & Payment for Debentures will **not** form part of Purchase Consideration.

Question 7(b): Accounting in e–environment 4 Marks

What are the disadvantages of a Spreadsheet as an Accounting Tool?

Solution: **Refer Page A.1.7, Q.No.5**

Question 7(c): Average Due Date 4 Marks

X owes Y the following sums of money due on the dates Stated–

₹ 400 due on 5th January 2016

₹ 200 due on 20th January 2016

₹ 800 due on 4th February 2016

₹ 100 due on 26th February 2016

₹ 50 due on 10th March 2016

Calculate such a date when payment may be made by X in one instalment resulting in no loss of Interest to either party. Assume Base Date as 5th January 2016.

Solution: **Similar to Page A.2.5, Q.No.6 – RTP**

Computation of Average Due Date (**Note:** Base Date = 05.01.2016)

Due Date	No. of Days from Base Date	Amount (₹)	Product (₹)
Col. (1)	**Col. (2)**	**Col. (3)**	**Col. (4) = (2) × (3)**
05.01.2016	0	400	0
20.01.2016	15	200	3,000
04.02.2016	26 + 4 = 30	800	24,000
26.02.2016	26 + 26 = 52	100	5,200
10.03.2016	26 + 29 + 10 = 65	50	3,250
Total		**1,550**	**35,450**

Average Due Date = Base Date ± $\frac{\text{Total of Products}}{\text{Total of Amounts}}$ = 05.01.2016 + $\frac{35,450}{1,550}$ = 05.01.2016+ 23 days (approx.) = **28.01.2016**

Question 7(d): AS–3 – Classification of Items 4 Marks

Classify the following activities as per AS–3 Cash Flow Statement:

(i) Interest Paid by Financial Enterprise

(ii) Dividend Paid

(iii) Tax Deducted at Source on Interest Received from Subsidiary Company

(iv) Deposit with Bank for a term of two years

(v) Insurance Claim Received towards loss of Machinery by Fire

(vi) Bad Debts Written Off

Which activity does the purchase of Business falls under and whether netting off of aggregate Cash Flows from Disposal and Acquisition of Business Units is possible?

Solution: **Refer Page B.3.3, Q.No.9,10**

1. Treatment of Activities under AS – 3

Particulars	Activities
(i) Interest Paid by Financial Enterprise	Operating Activities
(ii) Dividend Paid	Financing Activities
(iii) TDS on Interest Received from Subsidiary Company	Investing Activities
(iv) Deposit with Bank for a term of two years	Investing Activities
(v) Insurance Claim Received towards Loss of Machinery by Fire	under Investing Activities (Extraordinary Items)
(vi) Bad Debts Written Off	Adjustments under Operating Activities

2. Treatment of Consideration received on Purchase of Business [Para 37 & 38]

(a) The aggregate cash flows arising from acquisitions and from disposals of Subsidiaries or other business units should be presented **separately** and classified as **Investing Activities**.

(b) The Cash Flow effects of disposals should **not be deducted** from those of acquisitions.

(c) Hence the Purchase of Business falls under Investing Activities and netting off of aggregate Cash Flows from Disposal and Acquisition of Business units is **not possible**

Question 7(e): Self Balancing Ledgers 4 Marks

From the following information available from the books of a Trader from 01/01/2015 to 31/03/2015, you are required to draw up the Debtors Ledger Adjustment Account in the General Ledger:

(i) Total Sales amounted to ₹ 2,00,000 including the Sales of Machine for ₹ 6,800 (Book Value ₹ 12,000). The Total Cash Sales were 85% less than the Total Credit Sales.

(ii) Cash Collection from Debtors amounted to 70% of the aggregate of the Opening Debtors and Credit Sales for the period. Debtors were allowed a Cash Discount of ₹ 20,000.

(iii) Bills Receivable drawn during the three months totalled ₹ 45,000 of which bills amounting to ₹ 20,000 were endorsed in favour of Suppliers. Out of the endorsed bills, one bill for ₹ 6,000 was dishonoured for non–payment, as the party became insolvent, his estate realized nothing.

(iv) Cheque received from Debtors ₹ 15,000 were dishonoured, a sum of ₹ 3,500 was irrecoverable, Bad Debts written off in the earlier years realized ₹ 15,000.

(v) Sundry Debtors as on 01/01/2015 stood at ₹ 1,50,000.

Solution: **Similar to Page A.2.37, Q.No.8 – RTP, M 00**

Debtors Ledger Adjustment Account (in General Ledger)

Particulars	₹	Particulars	₹
To balance b/d (OB Debtors given)	1,50,000	By General Ledger Adjt A/c (in Sales Ledger)	
To General Ledger Adjt A/c (in Sales Ledger)		Cash Collections for the period	
Credit Sales **[WN 1]**	1,68,000	70% of (1,50,000 + 1,68,000)	2,22,600
Endorsed B/R dishonoured	6,000	Discount Allowed (given)	20,000
Bank Cheque dishonoured	15,000	Bills Receivable	45,000
		Bad Debts (6,000 (Insolvent) + 3,500)	9,500
		By balance c/d **(balancing figure)**	**41,900**
Total	**3,39,000**	**Total**	**3,39,000**

Note: **1. Computation of Credit Sales**

- Net Sales for the period = ₹ 2,00,000 – ₹ 6,800 Machine = ₹ 1,93,200. If Credit Sales is 100%, then Cash Sales is 85% less = 100% – 85% = 15%. So, Credit Sales and Cash Sales are in the ratio 100: 15, i.e. 20: 3.
- Therefore, Credit Sales = ₹ 1,93,200 × 20/23rd = ₹ 1,68,000.

2. Old Bad Debts written off and now recovered will not affect Debtors Ledger Adjt A/c or General Ledger Adjustment A/c.

STUDENTS' NOTES