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தருப்பனந்தாள் - 612504  
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## QUESTION BANK

*Title of the Paper*

# BUSINESS ACCOUNTING

Course: I B.Com.,  
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*Prepared by*



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## **BUSINESS ACCOUNTING**

### ***UNIT – I***

**Branch accounts - (Excluding foreign branches) – Departmental accounts**

### ***UNIT– II***

**Hire Purchase accounts & Installment purchase system .**

### ***UNIT – III***

**Self Balancing and Sectional Balancing ledgers – Royalty Account.**

### ***UNIT – IV***

**Fire Insurance claims for loss of stock and profits – Accounting for sale or return.**

### ***UNIT – V***

**Insolvency accounts – statement of affairs – insolvency of individual only.**

**Theory 20% Problem: 80%**

**THIRUPPANANDAL**

**EDUCATION IS WEALTH**

## UNIT – I

### CHOOSE THE CORRECT ANSWER

1. Branch adjustment account is in the nature of
  - a. Nominal account.
  - b. Real account.
  - c. Personal account.
  - d. None of the above.
  
2. If the branch has collected money from a customer of the head office, then (in the head office books) branch account is
  - a. Credited.
  - b. Debited.
  - c. Interest.
  - d. Payment.
  
3. Under the branch trading and profit and loss account system the branch account nature of
  - a. Nominal account.
  - b. Real account.
  - c. Personal account.
  - d. Balance sheet.
  
4. Goods sent by branch X to branch Y will be debited to
  - a. Branch X.
  - b. Purchase account.
  - c. Credit account.
  - d. Branch Y.
  
5.  $\text{Closing stock} + \text{Cost of goods sold} - \text{Purchases} =$ 
  - a. Opening stock.
  - b. Closing stock.
  - c. Sales.
  - d. Sales return.
  
6. Departmental accounts are prepared to know separately the \_\_\_\_\_ of each department.
  - a. Loss.
  - b. Profit.
  - c. Balance sheet.
  - d. Sales level.
  
7. Selling expenses should be divided among the different departments on the basis of
  - a. Purchases.
  - b. Purchase return.
  - c. Sales.
  - d. Sales return.
  
8. Building expenses should be divided among the different departments according to the \_\_\_\_\_ by each department.
  - a. Space occupied.
  - b. Furniture provided.
  - c. No. of staffs.
  - d. All of the above.

9. Departments are located in
- Same place.
  - Next city.
  - Outside state.
  - Foreign country.
10. In case of dependent branch 'Branch Fixed Assets A/c's' are maintained by
- Branch
  - Head office
  - Department
  - None of the above.

**Answers:** 1.a 2.b 3.c 4.d 5.a 6.b 7.c 8.a 9.a 10.b

**SHORT QUESTIONS (2 MARKS)**

- Define Branch accounting.
- What is branch adjustment account?
- What do you understand by a whole sale branch?
- Give any three objectives of branch accounting.
- Short note on GOODS IN TRANSIT
- What is meant by a department ?
- List any three advantages of departmental accounts.
- What are inter- departmental transfers ?
- Give three objectives in departmental accounts.
- What is "DUAL PRICING" ?

**PARAGRAPH QUESTIONS (5 MARKS)**

- Explain the accounting procedure for branch on the basis of debtors system.
- What are the different kinds of branches?
- Explain the methods followed for departmental accounting and discuss it objectives.
- Differences between departments and branches.
- Bombay soap Mills Ltd opened a branch at Bombay on 1<sup>st</sup> January 2018. From the following particulars prepare the necessary accounts for 2018 and 2019 in the books of the Head office .

	1995 (Rs)	1996 (Rs)
Goods sent to branch	20000	50000
Cheques sent to branch : Rent	2000	2000
Salaries	2500	2550
Other expenses	1000	1250
Cash received from branches	30000	67500
Stock on 31 st December	4000	12500
Petty cash on hand 31 st	75	125

26. A company has a branch at Delhi. From the following particulars , calculate the profit earned by that branch :

	RS
Stock on 1.1.94 (invoice price )	20,000
Goods sent to branch during 1994 at invoice price	1,10,000
Expenses at branch during 1994	6,000
Sales during 1994	1,20,000

Goods are invoiced to the branch at cost plus 25% , the sale price is Cost plus 50%, Also ascertain the stock reserve that should be maintained in Respect of unrealized profit on stock .

27. India Traders , Mumbai opened a branch at Kolkata on January 2011. Following information is available in respect of the branch of the year 2011.

Goods sent to branch	75000
Cash sales at the branch	50000
Credit sales at the branch	60000
Salaries of the branch staff paid by the head office	15000
Office expenses of the branch paid by the head office	12000
Stock at the branch on 31.12.2011	27000
Cash remittance to branch towards petty cash	6000
Petty cash at branch on 31.12.2011	500
Debtors at branch on 31.12.2011	5000
Cash received from debtors	55000

Prepare branch account to show the profit and loss from the branch for the year 2011.

28. Following purchases were made by a business house having three departments

Department A	1000units	} at a total of Rs.1,00,000.00.
Department B	2000units	
Department C	2400 units	

Stocks on 1<sup>ST</sup> January were

Department A	120units
Department B	80 units and
Department C	152 units.

The sales were

Department A	1020units @ Rs 20.00 each.
Department B	1920 units @ Rs 22.50 each.
Department C	2496units @ Rs 25.00 each.

The rate of gross profit is the same in each case.

Prepare departmental trading accounts.

29. Mixed goods were purchased for Rs.1,00,000.00 and later they were assorted into three categories X,Y,Z as follows

X	1000	-	selling price Rs.20.00 each.
Y	2000	-	selling price Rs.22.50. each.
Z	2400	-	selling price Rs.25.00 each.

All categories yield the same rate of profit. Calculate the purchase price of each category.

30. Mr.X , the proprietor of a departmental store, decided to calculate separate profit for his first two departments A and B for the month ending 31<sup>st</sup> January 2018. Stock on 31<sup>st</sup> January should not be valued for certain unavoidable reason, but his rates of gross profit (calculated without reference to direct expenses) on sales for the two departmental are 40% and 30%.

The following figures are given	Dept A Rs.	Dept B Rs.
Stock (on 1.1.2018)	9,000	8,400
Sales	42,000	36,000
Purchase	27,000	21,600
Direct expenses	5,490	8,520

Indirect expenses for the whole business (containing five departments) are Rs. 10,800.00 which are to be charged in proportion to departmental sales, expect has to 1/6 which is to be divided equally. Sales for the remaining three departments wereRs. 1, 02,000.00.

Prepare a departmental trading A/C showing the gross profits for the two departments and show also the net profit by preparing a statement only.

### ESSAY TYPE QUESTIONS (10 MARKS)

31. What are the main classes of Branch Accounts? Give the ruling and column headings of branch books maintained at the head office with five imaginary entries for goods supplied to branches?

32. What are the bases on which common expense are apportioned among departments?

33. How are the inter-departmental transactions recorded in Departmental Accounts?

34. Give journals entries for the following transactions in the books of Delhi headoffice and Kanpur branch office.

Goods sent by the head office on 28<sup>th</sup>Dec worth Rs.150.00 to its Kanpur branch not received by the branch up to 31<sup>st</sup>Dec.

- i. Goods sent by Mumbai branch to Kanpur branch for Rs. 300.00 are yet to be recorded.
- ii. Kanpur branch paid Rs. 3000.00 for a machine purchased by the head office in Kanpur.
- iii. Provide depreciation at 10% on furniture (Rs. 20,000.00) in Kanpur branch furniture account is maintained in the head office books.
- iv. A remittance of Rs. 8,500 made by Kanpur branch to be head office on 28<sup>th</sup>Dec was received by the later on 4<sup>th</sup>Jan (next year).
- v. Mumbai branch paid Rs.100.00 dividend to a local share holder on behalf of the head office.
- vi. Kanpur branch collected Rs. 2000.00 from a Kanpur customer of the head office.

35. Krishna Ltd., has three departments, A, B and C. From the particulars given below compute:

- a) The values of Stock as on 31<sup>st</sup> December, 2018.
- b) The Departmental trading results.

i)

	A (Rs.)	B(Rs.)	C(Rs.)
Stock as on 1 <sup>st</sup> Jan. 2018	24,000	36,000	12,000
Purchases	1,46,000	1,24,000	48,000
Actual sales	1,72,500	1,59,400	74,600
G.P. on normal selling prices	20%	25%	33 1/3%

ii)

Department	A (Rs.)	B(Rs.)	C(Rs.)
Sales at normal price	10,000	3,000	1,000
Sales at actual price	7,500	2,400	600

36. Mamta co of Hyderabad has a branch at karnool. Goods are invoiced to branches at cost plus 20%. The expenses of the branch are paid from Hyderabad. From the information supplied by the branch, prepare Trading and P&LA/c of the Branch for the year ending 31-3-2012 and shows the account to the branch as it would appear in the books of the head office :

	Rs
Opening stock (invoice price )	24000
Closing Stock (invoice price )	18000
Credit sales	41000
Cash sales	17500
Sundry debtors on 31-3-2012	8500
Good received from head office (cost)	34000
Good in transit from H.O As on 31-3-2012	3500
Expenses paid by the H.O For the branch	10000
Cash received from debtors	35000

37. ad of head office .lain 7 c{[H

37. From the following particulars, prepare the Departmental Trading and Profit and Loss A/c for the year ending 31-12-2018.

	Dept X Rs.	Dept Y Rs.
Stock(1-1-2018)	9,000	8,400
Sales	42,000	36,000
Purchases	27,000	21,600
Direct expenses	5,490	8,520
Postage	360	360
Stock(31-12-2018)	10,800	4,800

Indirect expenses for the entire business were Rs. 3,900 which are to be divided in the proportion of sales of the two departments.

38. On January 1, 2012 the goods invoiced by Kolkata Head Office of a trader to its Chennai Branch were Rs. 48,000 at selling price, being higher 33 1/3% on cost price. For six months ended June 30, 2012 the branch return showed that the sales were Rs. 29,000. The goods invoiced at Rs.2, 000 were returned by the Branch to the head Office. The closing stock at Chennai Branch on June 30, 2011 was Rs.16, 800 at selling price.

Record the above transactions showing Chennai Branch Account, Chennai Branch Adjustment Account, Chennai P & L A/c, and Goods sent to Branches Account in Kolkata Head Office Books and balance them at June 30, 2011.

39. D.Chakraborty of Calcutta has a branch at Mumbai. Goods are supplied to the branch at cost. The expenses of the branch and paid from Calcutta and the branch keeps a Sales Journal and Debtor Ledger only. From the following information supplied by the branch, prepare Branch Account in the books of Head office.

	Rs.
Opening stock (1-4-2018)	24,000
Closing stock (31-03-2019)	18,000
Credit sales	41,000
Cash sales	17,500
Receipts from Debtors	37,900
Sundry Debtors on 31-3-2019	9,160
Goods received from Head Office	30,000
Goods received at H.O. on 31-03-2019	3,600
Expenses paid by H.O. for the branch	10,400

40. Following is the trial balance of Meerut Branch as on 31<sup>st</sup> December, 2011:

Particulars	Dr. (Rs.)	Cr.(Rs.)
Delhi Head Office	3,240	
Stock, 1 <sup>st</sup> January, 2011	6,000	
Purchases	97,800	
Goods Received from Head Office	19,000	
Sales		1,38,000
Goods Supplied to Head Office		6,000
Salaries	4,500	
Debtors	3,700	
Creditors		1,850
Rent	1,960	
Sundry Office Expenses	1,470	
Cash at Bank	1,780	
Furniture	6,000	
Depreciation on furniture	400	
	1,45,850	1,45,850

Prepare Branch Trading A/c, Profit and Loss A/c and Branch A/c in H.O. books.





## UNIT – II

### CHOOSE THE CORRECT ANSWER

1. Hire purchase act is passed in the year
  - a. 1932
  - b. 1956
  - c. 1972
  - d. 1872
  
2. Under hire purchase system the buyer is called
  - a. Buyer
  - b. Hirer
  - c. Hire vendor
  - d. None of the above
  
3. Under which system ownership is transferred on payment of final installment
  - a. Installment system
  - b. Credit system
  - c. Hire purchase system
  - d. Cash system
  
4. The amount of interest is credited by the buyer to
  - a. Hire purchase a/c
  - b. Hire vendor a/c
  - c. Interest a/c
  - d. Cash a/c
  
5. Under hire purchase system the relationship of hirer and hire vendor is
  - a. Buyer and Seller
  - b. Bailor and Bailee
  - c. Pawnee and Pawner
  - d. None of the above
  
6. The depreciation in the books of buyer is charged on
  - a. Hire purchase price
  - b. market price
  - c. total installment price
  - d. cash price
  
7. Installment system is governed by
  - a. hire purchase act
  - b. Sale of goods act.
  - c. Instalment act.
  - d. Properties registration act.
  
8. Under hire purchase system the retail of the articles is called
  - a. MRP.
  - b. Whole sale price.
  - c. Retail price.
  - d. Cash price.

9. Cash price plus interest is
  - a. Instalment price.
  - b. Hire purchase price.
  - c. Maximum retail price.
  - d. Retail price.
10. The advance amount under hire purchase system is called
  - a. Cash price.
  - b. Retail price.
  - c. Interest.
  - d. Down payment.

**Answers:** 1.c 2.b 3.c 4.b 5.b 6.d 7.b 8.c 9.b 10.d

### SHORT QUESTIONS (2 MARKS)

11. What is hire purchase system?
12. Give two merits of Hire Purchase system ?
13. What do you mean by interest suspense account?
14. Give two points of distinctions between Hire Purchase System and Installment Purchase system?
15. Give a specimen of Hire Purchase Trading account?
16. What is Installment Purchase system?
17. What is repossessed stock?
18. What do you understand by complete repossession?
19. What do you mean by partial repossession?
20. What do you mean by hire purchase price?

### PARAGRAPH QUESTIONS (5 MARKS)

21. Explain the main features of Hire Purchase system in detail.
22. X purchased machinery under hire purchase agreement from Y. The cash price of the machinery was Rs.15,500. The Payment was to be made as follows :

	Rs
On signing the agreement	3,000
First Year end	5,000
Second Year end	5,000
Third Year end	5,000

Calculate interest for each year.

23. What is installment purchase system? What are characteristics?
24. Ram purchased a truck under H.P system on 1-4-2018 for Rs.5, 00,000. He provided 20% and depreciation under W.D.V method. He had paid down payment and 1<sup>st</sup> annual installment. But failed to pay second annual instalment. The Vendor has taken away the truck at Rs.2,81,250. Compute the loss due to repossession assuming the accounts are closed on 31<sup>st</sup> march .
25. 'M'Ltd. sold a lorry to Arun on Hire Purchase system. The Cash Price was Rs.7,45,000. Rs.2,00,000 was to be paid on delivery and the balance in three installment of Rs.2,00,000 each at the end of each year. 'M'Ltd. charged interest of 5% p.a. Arun depreciates the lorry at 10% per annum on reducing balance method. Calculate interest.

26. Distinguish between Hire Purchase and Instalment Purchase System.
27. What is partial repossession? Describe the method of dealing with such repossession in the books of buyer and seller.
28. Balaji & co. Purchased from the Vendor two machines of Rs.10, 500 each on Hire Purchase system. The payment was to be made Rs.6,000 down and the remainder in three equal installment of Rs.5,000, each together with interest at 5% p.a. Balaji & co. writes off depreciation at 10% on written down value. They could not pay the second installment. After negotiations, it was agreed that Vendors would leave one plant with the purchaser, adjusting the value of the other against amount due, treating the machines at 20% depreciation on diminishing balance  
Show accounts in the books of Balaji & co.
29. Briefly explain Instalment Purchase System.
30. On 1-1-1994 Hari purchased machinery under installment system. The down payment was Rs.10,000. and the balance is payable in four annual installment of Rs.10,000. each. Interest is charged at 5% p.a. Hari writes off depreciation at 15% p.a. on straight line method. Calculate the cash price of the machine, interest and give journal entries in the books of Hari.

**ESSAY TYPE QUESTIONS (10 MARKS)**

31. Mr. Raman purchased a TV on Hire purchase on the following terms;  
Rs.1,200. To be paid on signing the agreement.  
Rs.1,700. At the end of the 1<sup>st</sup> year.  
Rs.1,600. At the end of the 2<sup>nd</sup> year.  
Rs.5,500. At the end of 3<sup>rd</sup> year & last year.  
The Hire Vendors charged interest at 10% p.a. on cash value of the TV. Mr. Raman wished to provide depreciation at 10% p.a. on the diminishing balance method.  
Write up the necessary ledger accounts in the books of both the parties.
32. A Trader sold out goods on Hire purchase at a profit of 25% on cost price. Prepare (a) Hire purchase stock accounts (double column), (b) shop stock account, and (c) Hire purchase debtors account in the books of the Trader from the following details;
- |  |         |
|--|---------|
| Stock in godown:                       | Rs      |
| On 1-4-2011                            | 30,000. |
| On 31-3-2012                           | 25,000. |
| Overdue installment:                   |         |
| On 1-4-2011                            | 2,000.  |
| On 30-3-2012                           | 3,000.  |
| Goods with customers on Hire purchase: |         |
| On 1-4-2011                            | 36,000. |
| Purchases                              | 64,600. |
| Installment received                   | 60,000. |
- 64,00
33. Mr. P purchased four cars for Rs.14,000 each on 1-1-2012 under the hire purchase system. The hire purchase price for all the four cars was Rs.60,000 to be paid as Rs.15,000 down payment and three equal instalment of Rs.15,000 each at the end of each year. Interest is charged at 5% p.a. The buyer depreciates the car at 10% p.a. on straight line method.  
From the above particulars prepare relevant A/c 's in the books of Mr.P.

34. Explain the merits and demerits of Hire –purchase system

35. Mr.A purchased a machine from B Ltd. for Rs.5,60,000; payment to be made Rs.1,50,000 down and three instalment of Rs.1,50,000 each at the end of each year. He depreciates the asset at 10% p.a. on written down value method.

Because of financial difficulties, Mr.A after having paid down payment and first instalment at the end of first year, could not pay second instalment and the seller took possession of the asset.

36. From the following particulars, prepare Hire Purchase Trading and Profit and Loss Accounts in the books of the trader, who sells goods on hire purchase system adding 60% to the cost. There was no stock of goods in the shop of the trader in the beginning or at the end of the year.

2019		Rs.
Jan.1	Stock with customers at selling price	21,600
Dec.31	Goods sold on hire purchase	87,120
	Cash received from customer	57,720
	Stock with customers at selling price	48,000
	Instalment due	5,000

37. The Madras Trading & co purchased a motor car from Bombay motor car & co on hire purchase agreement on 1-1-2018, paying cash Rs 10,000 and agreeing to pay further three instalments of Rs 10,000 each on 31<sup>st</sup> December each year .the cash price of the car is Rs 37,250 and the Bombay motor car & co charges interest at 5% p.a.

The Madras trading &co writes off 10% p.a .as depreciation on the reducing balance method . Prepare Ledger A/c in the books of both the parties .

38. What is complete re possession? Explain the procedure to account for its in the books of buyer and seller.

39. On 1-1-2018, Velan bought a machine from Devi & Co. on the instalment system. The cost price of the machine was Rs.17,430 and the payment was to be made as follows:

Rs.5,000 to be paid on signing of the agreement and the balance in three instalments of Rs.5,000 each at the end of each year. It is agreed to change interest at the rate of 10% by Devi & Co., Velan has decided to write off 15% annually on the diminishing balance on the value of the assets. Show the ledger accounts in the books of Velan.

40. Vashantam Co. purchased a motor car from Sivan on the instalment system on Jan. 1, 2,000 paying cash Rs.20,000 and agreeing to pay three further instalments of Rs.20,000 each on 31<sup>st</sup> Dec. of the coming years. The cash price of the car is Rs.74,500 and Sivan charges interest at 5% per annum. Vashantam writes off depreciation at 10% per annum on written down value method.

Show the ledger a/c's in the books of Vashantam.

### UNIT – III

#### CHOOSE THE CORRECT ANSWER

1. Identify the real a/c from the following
  - a. wages
  - b. cash
  - c. insurance
  - d. interest received
  
2. Under sectional balancing system at the end of each month the total sales to be debited \_\_\_ a/c
  - a. total debtors a/c
  - b. total creditors a/c
  - c. sales a/c
  - d. purchase a/c
  
3. Identify the self balancing system from the following
  - a. double entry system is completely
  - b. only debtors a/c
  - c. balance sheet only
  - d. none of these
  
4. Identify the sectional balancing system from the following
  - a. expense entry only
  - b. Double entry system completely
  - c. Errors are detected easily
  - d. errors are not detected easily
  
5. Identify the personal account from the following
  - a. debtors
  - b. cash
  - c. drawings
  - d. all of the above
  
6. Royalty account is
  - a. nominal account
  - b. real account
  - c. personal account
  - d. branch account
  
7. Royalty earned by the lessee is credited to
  - a. sub-lessee account, profit and loss a/c
  - b. profit and loss a/c
  - c. royalty receivable account
  - d. royalties suspense account
  
8. Royalty is calculated on the basis of
  - a. output or sales
  - b. purchase
  - c. Sales and input
  - d. None of these

9. The right of recoupment of short workings can be
- Restricted or unrestricted
  - Excess one
  - Partial restricted
  - Not restricted
10. Short workings can be recouped only if there is
- loss
  - surplus
  - expenses
  - All of the above

**Answers:** 1.b 2.b 3.a 4.d 5.c 6.a 7.c 8.a 9.a 10.b

**SHORT QUESTIONS (2 MARKS)**

- What is sectional balancing ?
- What are 'contra' balances?
- What is 'General Ledger ' adjustment?
- Write short note on sales ledger adjustment .
- Give three benefits of maintaining self balancing ledger.
- What is 'ROYALTY'?
- What is minimum rent or dead rent ?
- What do you understand by 'sub lease'?
- What is short workings?
- How the recoupment of short –workings take place ?

**PARAGRAPH QUESTIONS (5 MARKS)**

21. From the figures relating to June 2018 prepare the bought ledger A/c:

Particulars	RS.
Creditors on 1-6-2018	11,800
Credit purchases	19,300
Cash paid to creditors	16,500
Discount allowed by them	700
Bills payable issued	5,300
Transfer to sales ledger	1,100
Cash purchases	8,200

22. From the following information prepare sales ledger adjustment A/c.:

Particulars	Rs.
1-1-2018 Balance of debtors	20,000
31-1-2018 Sales	50,000
Bills received from debtors	5,000
Cash received from debtors	15,000
Sales returns	1,000
Discount allowed	500
Transfer to bought ledger	100

23. List out various transactions which can increase and decrease a creditors balance.

24. Prepare a sales ledger adjustment account from the following details:

2018 Jan 1	opening balance of debtors	60,000
	Total sales for the month	1,80,000
	Sales returns	1,000
	Cash received from debtors	18,000
	B/ R received	30,000
	Bills dishonoured	3,000

25. From the following prepare a Purchase ledger Adjustment A/c

		Rs.
1.1.2018	Creditors Balance (Cr)	12000
	Creditors Balance (Dr)	150
31.12.2018	Total Purchases	40000
	Cash Purchases	4000
	Cash paid	20000
	Bills accepted	15000
	Returns outwards	2000
	Returns inwards	1000
	B/R dishonoured	1000
	B/P dishonoured	500
	Discount earned	600
	Discount allowed	200
	Bills endorsed	800
	Bills discounted	200
	Creditors balance (Dr)	140

26. From the following information compute shortworkings , shortworkings recouped and shortworking lapsed:

Royalty :	50 paise per tonne of coal
Minimum rent :	Rs. 30,000 p.a
Output :	First year : 10,000 tonnes
	Second year: 48,000 tonnes
	Third year: 80,000 tonnes

Shortworkings are recoverable during the first three years of lease.

27. Calculate the amount payable to the Land lord from the following details:

Minimum rent:	Rs. 10,000 p.a
Actual royalties:	1991 : Nil
	1992 :Rs. 12,000
	1993 :Rs. 8,000 (strike)
	1994 : Rs. 9,000

Shortworkings recoverable out of the royalties of the next year only. In case of strike the actual royalties earned can be taken as minimum rent.

28. Calculate the amount payable to the Landlord from the following details:

Minimum rent:	Rs.10,000 p.a.
	Rs.
Actual Royalties:	2015: Nil
	2016: 12,000
	2017: 8,000 (Strike)
	2018: 9,000

Shortworking are recoverable out of the royalties of the next year only. In case of strike, the actual royalties earned can be taken as minimum rent.

29. Explain the accounting procedure in the tenant's books in relation to sub-lease.
30. Explain the meaning of 'Land Lord', 'Tenant' and 'Sub-Tenant' in the context of Royalty Accounts.

**ESSAY TYPE QUESTIONS (10 MARKS)**

31. Set out the following particulars in the Debtors Ledger Control Account as on 31-12-2018.

	Rs.		RS.
Credit Sales	50,000	Bills accepted by customers	5,000
Discount allowed	2,000	Bad debts written off	1,500
Cash received	35,000	Bills dishonoured	500
Sales returns	1,500	Allowances to customers	1,200
Bad debts previously written off now recovered	600	Transfer from Debtors Ledger to creditors ledger	1,500
Balance as on 1-1-2018(Dr.)	10,000		

32. A business firm which keeps its books on self balancing system, gives you the following details. Prepare necessary Adjustment Account in general ledger as on 31-1-2018.

	Rs.
Balance of sundry creditors on 1-1-2018	26,074
Transactions during the months were:	
Credit Purchases	7,000
Payment to creditors	5,430
Discount allowed by them	180
Accepted bills payable	3,960
Returns to Creditors	400
Allowances from creditors	10
Bills Payable dishonoured	410

33. From the following information, prepare Sales Ledger Adjustment Account(or) Bought Ledger Adjustment Account (any one only).

		Rs.
2018 Jan. 1	Balance of Debtors	3,500
	Balance of Creditors	2,000
2018 Dec.31	Credit Purchases	8,000
	Credit Sales	14,000
	Purchase Returns	320
	Sales Returns	290
	Payments to Creditors	5,300
	Received from Customers	11,000
	Bad debts	150
	Discount allowed to Customers	300
	Discount received from Creditors	200
	Bills Receivable received	400
	Bills Payable accepted	500

34. Give the Journal entries needed to make the Debtors ledger and the creditors ledger into Self Balancing Ledgers.
35. Explain the different methods of recovery of shortworkings usually found in royalty agreements.



36. From the following particulars, you are requested to prepare the self – balancing adjustment accounts in debtors ledger and general ledger:

	Customer A Rs.	Customer B Rs.	Customer C Rs.
Opening balance	20,000	30,000	40,000
Credit sales	2,00,000	3,00,000	4,00,000
Cash sales	80,000	20,000	30,000
Cash received	1,00,000	1,50,000	2,10,000
Trade discount allowed	1,000	3,000	7,000
Cash discount allowed	3,000	4,000	5,000
Goods returned	4,000	2,500	5,500

37. On 1.1.2012, Rama Collieries Ltd., leased a piece of land agreeing to pay a minimum rent of Rs.2,000 in the first year, Rs.4,000 in the second year and thereafter Rs.6,000 per annum, merging into a royalty of 40paise per tonne, with power to recoup short workings over the first three years only.

The figures of annual output for the four years to 31<sup>st</sup> December 2015 were 1,000, 10,000, 18,000 and 20,000 tonnes respectively. Record these transactions in the ledger of the company.

38. The Bengal mines Co., Ltd., took from Mr. Dass a lease of a mine for a period of 25 years from 1-1-2015, on a royalty of Rs. 5 per tonne of mineral raised with a dead rent of Rs. 20,000 and power to recoup shortworkings during the first five years of the lease. The annual outputs were as follows:

2015	-	2,000 tonnes
2016	-	3,000 tonnes
2017	-	4,000 tonnes
2018	-	4,500 tonnes
2019	-	5,000 tonnes

Give Journal entries in the books of the Bengal Mines Company and in the books of Dass.

39. Shri Bhatia a landlord, leased out the mining rights over his property to Belta Ltd., a mining company for a period of 10 years from 1-1-2010. The minimum rent was agreed at Rs.30,000 a year , merging in a royalty of Rs. 1 per tonne payable each year. It was also agreed that each year shortworkings if any was recouped only out of excess royalty in the next year but not later.

The following was result of workings in the property:

2010	-	15,000 tonnes
2011	-	37,500 tonnes
2012	-	20,000 tonnes
2013	-	35,000 tonnes
2014	-	32,500 tonnes

Pass Journal entries in the books of Belta Ltd.,

40. Coal India Ltd., , leased land from Suresh on a royalty of 25 paise per ton of raised. Minimum rent was Rs. 24,000 p.a. shortworkings was to be recouped during the first four years. The coal raised in the first for years was as follows:

Year	Output(tones)
2015	- 80,000
2016	- 90,000
2017	- 60,000(strike for 3 months)
2018	- 1,20,000.

There was provision for proportionate reduction minimum rent in case of stoppage of work by strike, lockout accident etc. Prepare Ledger a/c in the books of Coal India Ltd.,

## UNIT – IV

### CHOOSE THE CORRECT ANSWER

1. The loss of profit policy covers loss of profit due to
  - a. Loss of sales
  - b. Non recovery of standing charges
  - c. Loss of sales as well as loss of insured standing charges
  - d. None of the above
2. The objective of inserting average clause in loss of stock policy is to:
  - a. Discourage under-insurance
  - b. Encourage full insurance of stock
  - c. Discourage full insurance of stock
  - d. Encourage under insurance of stock
3. A building worth Rs 10,00,000 is insured for Rs 6,00,000 it is completely destroyed by fire .The loss to be admitted by the insurance company will be
  - a. 12,00,000
  - b. 10,00,000
  - c. 6,00,000
  - d. None of the these
4. A fire insurance policy to taken out to indemnity
  - a. Capital losses and revenue losses of tangible assets
  - b. Revenue losses of tangible assets
  - c. Capital losses of tangible assets
  - d. None of the above
5. Memorandum Trading A/C is prepared to find out the value of \_\_\_\_\_ on the date of fire .
  - a. machines
  - b. capital
  - c. stock
  - d. All the above
6. Which of the following is not a subsidiary book of accounts?
  - a. Purchases day book
  - b. Cash book
  - c. Sales day book
  - d. Returns inwards book
7. The return inwards account would be found in:
  - a. The sales ledger
  - b. Purchase ledger
  - c. The purchase return ledger
  - d. The nominal ledger
8. The accounts you would find in a sales ledger are those of
  - a. Assets
  - b. Income and taxes
  - c. Trade payable
  - d. Trade receivables

9. Which of the following accounts will have a balance on the debit side?
  - a. Sales A/C
  - b. Return inwards A/C
  - c. Purchase A/C
  - d. Return outwards A/C
  
10. The entry to transfer a balance from the sales account to the revenue account is known as:
  - a. A single entry
  - b. A double entry
  - c. A closing entry
  - d. Opening entry

**Answers:** 1.c 2.a 3.d 4.a 5.c 6.b 7.d 8.d 9.b 10.c

### SHORT QUESTIONS (2 MARKS)

11. What is the purpose of Fire insurance?
12. What is meant by consequential loss policy?
13. Write a short note on average clause.
14. Write a short note on special circumstances clause.
15. Define indemnity period.
16. Define account current.
17. What is account current purpose?
18. What is sale or return?
19. Write a short note on sales and returns book.
20. What do you understand by daily balance method of account current?

### PARAGRAPH QUESTIONS (5 MARKS)

21. From the following calculate the amount of claim in respect of a fire occurred in a business on 31-12-2018.

	Rs.
Sales 1-4-99 to 31-12-2018	- 12,00,00
Purchases 1-4-99 to 31-12-2018	- 8,00,000
Stock on 31-3-2018	- 2,00,000
Gross Profit	- 25% on sales

22. A fire occurred on September 30,2001 in the godown of Mr. Anand . From the following figures ascertain the claim to be lodged :

	Rs.
Stock on Jan 1, 2001	- 17,000
Purchases from Jan 1, 2001 to date of fire	- 1,70,000
Wages and other manufacturing expenses	- 17,000
Sales from Jan 1, 2001 to date of fire	- 2,00,000

The rate of gross profit is 25% on cost. The stock salvaged was valued at Rs. 4,000.

23. Explain the objectives of 'Average clause' in a Fire Insurance Policy?
  
24. Explain the salient features of a 'sale or return' Transaction
  
25. Describe the procedure for computation of claim under loss of profits policy.

26. A fire occurred in the premises of a merchant on 15-6-2018 and a considerable part of the stock was destroyed. The value of stock saved was Rs. 4,500. The books disclosed that on 1-4-2018 the stock was valued at Rs. 36,750. The purchases to the date of the fire amounted to Rs. 1,04,940 and the sales Rs. 1,56,500. On investigation it was found that during the past five years the average gross profit on sales was 36%. Calculate the claim to be made.
27. Give the adjustment entries at the time of finalising accounts if goods sent on sale or return are recorded as actual sales .  
Calculate the value of goods lying with customers from the following data:  
sale value of goods sent on approval Rs . 1,00,000  
percentages of profit on sales : 20%  
Market price of goods sent is 10% less than the cost price.
28. In preparing the final accounts of a company ,it is found that the amount of sundry debtors Rs 8,40,000 includes Rs 80,000 worth of goods sent out on approval and debited to customers accounts in respect of which the time for returning the goods had not yet expired .  
These goods have been involved at 33 1/3% above cost . show the journal entries to be passed in preparing the final accounts and also state the adjustments to be made in the final accounts .
29. On X 31<sup>st</sup> December goods at the sale price of Rs6,000 were lying with M/S Jai & sons to whom they were sold on sale or return basis as sale .since no consent has been received ,you are required to pass adjustment entries presuming goods were sent on approval at a profit of cost plus 20% present market price is 10% less than the cost price .
30. Mathu Bros.sends out goods on approval as follows :  
January 10 A – Rs 3,00  
January 13 A returned Rs 100 rest retained  
January 12 B - Rs 2,00  
January 22 B retained all the goods.  
January 30 C–Rs1,500  
January 31 No intimation .  
Show how these transactions will appear when books are kept on double entry system .Give journal entries and ledger A/C

### ESSAY TYPE QUESTIONS (10 MARKS)

31. Fire occurred in the premises of X Ltd. on 10.10.2014. All stocks were destroyed except to the extent of Rs.6,200. From the following figures ascertain the loss suffered by the company.

	Rs.
Stocks on 1.1.2013	36,000
Purchases less returns (during 2013)	1,45,000
Sales less returns (during 2013)	2,00,000
Stock on 31.12.2013	22,500
Purchases less returns during 2014 upto the date of fire	1,46,000
Sales less returns during 2014 upto the date of fire	1,89,000

It was the practice at the firm to value stocks at cost less 10%. Early in 2014, prices were raised by 5%.

32. A fire broke out in the warehouse of bad luck ltd on 30<sup>th</sup> Sep 2019 .The company wishes to file a claim with the insurance company for loss of stock and gives you the following information to enable you to prepare a statement of the amount to be claimed .

The last accounts of the company were prepared on 31.12.2018

Sundry debtors 31.12. 2018	80,000
Sundry debtors on 30.9. 2019	60,000
Cash collected from debtors	2,88,000
Stock on 31.12. 2018	30,000
Sundry creditors on 31.12. 2018	2,00,000
Sundry creditors on 30.9.2018	4,00,000
Cash paid to creditors	40,000
Goods returned to creditors	10,000
Rate of gross profit <sup>6</sup> to sales	20%

Prepare the necessary accounts ,showing all your workings to arrive at the amount of claim.

33. Explain the procedure to ascertain stock on the date of fire . how do you compute the claim for loss of stock ?

34. From the following particulars find the claim to be lodged under loss of profit policy.

Loss of Profit Policy amount	Rs.21,00,000
Indemnity Periods	3 months
Fire occurred on	31.03.2018
<i>Sales particulars are as follows:</i>	
	Rs.
Sales for the year ending 31.12.2017	70,00,000
Sales from 1.1.2018 to 31.3.2018	10,00,000
Sales from 1.4.2017 to 30.6.2017	18,00,000
Sales from 1.4.2018 to 30.6.2018	1,20,000
Standing charges for the year 2017	16,00,000
Profit for 2017	5,00,000
Savings in standing charges because of fire	50,000
Additional expenses to reduce the loss of turnover	1,00,000

(Assume no adjustment has to be made for the upward trend in turnover)

35. From the following compute claim for consequential loss:

Financial year ending 31<sup>st</sup> December 1991 turnover Rs .4,00,000

Indemnity period 6 months

Period of interruption 1<sup>st</sup> July to 31<sup>st</sup> October 1992

Net profit Rs 36,000

Standing charges Rs 84,000 out of which Rs 20,000 have not been insured .

Sum assured Rs 1,00,000

Standard turnover Rs 1,30,000

Turnover in the period of interruption Rs 50,000 out of which Rs 12,000 was from a rented place at Rs 1,200 per month.

Annual turnover is Rs 4,80,000

Saving in standing charges Rs 9,450

It was agreed between insurer and the insured that the business trends would lead to An increase of 10% in the turnover.

36. Mohan sends goods on 'sale or return' basis to his customers Bala, Karan, Sri, Ram, and Neha for Rs 1,000, Rs 800, Rs. 1,100, Rs.700 and Rs. 600 respectively.

Goods are returnable within a period of 3 weeks. Ram returned the goods Bala and Neha accepted them. For the others the period for acceptance has not yet been expired.

Enter the transactions in the sale or return day book in the connected ledger accounts

37. A fire on Oct 1, 2014 destroyed the stock of a firm. The business records were saved and from them the following particulars were ascertained:

	Rs.
Stock at cost on 30.04.2013	44,300
Stock at cost on 30.04.2014	37,550
Purchases for the year to April 30, 2014	1,03,850
Purchases from May 1, 2014 to Sept.30,2014	37,350
Sales for the year to April 30,2014	1,52,500
Sales from May 1 2014 to Sept. 30, 2014	50,000

In valuing the stock on 30.04.2014, Rs.800 had been written off a particular line of goods which had originally cost Rs.1,800. They were sold in June 2014 for Rs.1,750. Except the regards this transaction the ratio of gross profit has remained unchanged throughout. The value of stock salvaged was Rs.5,100.

Calculate the amount of claim.

38. Kalyan bros .sends goods on approval basis as follows:

Date 1996	Customer's name	Sale price of the goods sent Rs	Goods accepted	Goods returned
June 1	Ajay	5,600	5,000	600
June 10	Jadega	6,400	6,400	-
June 15	Kapil	4,200	-	4,200
June 21	Gavaskar	2,900	2000	900
June 26	Mongia	2,400	-	-
June 30	Manoj	1,600	-	-

Date of approval has not expired in all the cases .Record all the above transactions in sale or return day book and sales and returns book.

39. Describe the steps involved in recording sale or return transactions when they are large number.

40. M/S.Murugan Electronics supplied goods on sale or return basis, the particulars of which are as under :

March 10	X	Rs 600	March 13	Returned 200 ,rest retained
March 20	Y	Rs400	March 22	Retained all
March 30	Z	Rs 3,000	March 30	No intimation

Show how these transactions will appear when books are kept on double entry system .Give journal entries and ledger accounts .

## UNIT – V

### CHOOSE THE CORRECT ANSWER

1. Preferential creditors are shown under
  - a. List A
  - b. List B
  - c. List C
  - d. List D
  
2. Under the presidency Towns insolvency Act, rent due to the landlord is preferential for a period of
  - a. 2 months
  - b. 3 months
  - c. 1 months
  - d. None of the above
  
3. Amount due to government or local authority is a
  - a. Secured claim
  - b. Preferential claim
  - c. Un Secured claim
  - d. All of the above
  
4. Books debts are shown under
  - a. List F
  - b. List E
  - c. List G
  - d. List AB
  
5. under the provincial Insolvency Act, rent due to the landlord is preferential for a period of
  - a. one month
  - b. two month
  - c. Rent is not preferential
  - d. One more months
  
6. List 'A' in statement of affairs gives the list of
  - a. Assets specifically pledged
  - b. Assets not specifically pledged
  - c. Preferential creditors
  - d. Unsecured creditors
  
7. It is a term for when an individual or company can no longer meet their financial obligation to lenders as debts become due
  - a. Insolvency
  - b. Debtors
  - c. Creditors
  - d. Lenders
  
8. List E in statement of affairs gives the list of
  - a. Preferential Creditors
  - b. Secured Creditors
  - c. Debenture Holders
  - d. Unsecured Creditors

9. ----- shows the financial position of the debtor, on a particular date
- Insolvency
  - Statement of affairs
  - Realization accounts
  - Revaluation accounts
10. The adjudicating authority shall appoint an interim resolution professional with in --  
----- days of the insolvency commencement.
- 7
  - 14
  - 21
  - 28

**Answers:** 1.d 2.c 3.b 4.a 5.c 6.b 7.a 8.d 9.b 10.b

**SHORT QUESTIONS (2 MARKS)**

- who is an 'Insolvent'?
- Short note on deficiency account .
- What is statement of affairs ?
- Who are preferential creditors ?
- Mention the relevant acts for filling an insolvency petition in India .
- How do you treat loan from wife under insolvency Act?
- What do you mean by fraudulent preference?
- What is to be given in property as per list E?
- What are the content of List 'G'?
- Mention the acts for filling an insolvency petition in India.

**PARAGRAPH QUESTIONS (5 MARKS)**

- Enumerate the 'lists' to be prepared a debtor to prepare statement of affairs for the purpose of insolvency.
- List out the items which are shown under the heading of "Income or Profit from other Sources" on the debit side of deficiency A/c.
- Vikram of chennai owes the following sums :

Income tax	4,000
Corporation tax	600
Wages to 2 servants	500
Salaries to 4 servants	2,700
Rent to land for 3 months	3,000

Determine the amount payable by him as preferential creditors and unsecured creditors ,if he become insolvent.

- Mr .careless has been adjusted insolvent on Jan1 2018 .His creditors are as under :

Trade creditors Rs 1,00,000:Income tax Rs 1,000: municipal due Rs 800:salary for 8 clerks for 2 months Rs 3,000;Wages of four laborers for two months Rs 2,400 Find out the amount due to unsecured creditors andpreferential creditors according to provincial insolvency act and presidency towns, insolvency act.



25. A fire occurred in the business premises of Thiru.Poonusamy on 15.10.2019. from the following particulars ascertain the loss of stock and prepare a claim for insurance.

	Rs.
Stock on 1.1.2018	30,600
Purchases during 2018	1,22,000
Sales during 2018	1,80,000
Stock as on 31.12.2018	27,000
Purchases from 1.1.2019 to 14.10.2019	1,47,000
Sales from 1.1.2019 to 14.10.2019	1,50,000

The stocks were always valued at 90% of cost. The stock saved from fire was worth Rs.18,000.

The amount of policy was Rs.63,000. There was an average clause in the policy.

26. Prepare a deficiency account from the following details :

Excess of assets over liabilities	20,000
Net loss from business	6,500
Income from other sources	4,000
House hold expenses	32,000
Loss from betting	8,000
Net profit from business	10,000
Bad debts	12,000
Loss on realization of assets	9,640

27. The assets of Mr.X of Mumbai on 30<sup>th</sup> June 2018 as shown by his books were Rs.28,000 and his liabilities were Rs.22,000. He filed his petition in the insolvency court and estimated his deficiency to be Rs.15,000. After making the above estimate, he found the following items were not passed through his books of account.

- Interest at 6% on his capital from 1.1.2018
- A contingent liability for Rs.1,250 on bills discounted by him for Rs.5,000
- Amounts due for wages Rs.300; Salary Rs.200; Rent Rs.100 and Rates & taxes Rs.150 (all are preferential).

Prepare the statement of affairs and deficiency account.

28. How will you treat the following in the of affairs and deficiency A/C?
- Rs. 40,000 loan from wife has been included in unsecured creditors of Rs1,00,000.wife has paid this loan out of her sridhan.
  - 16 months before declaration of insolvency ,a private house of Rs60,000was transferred tohis wife without consideration .
  - Private assets of Rs 50,000 of the insolvent include Rs 6,000 sridhanOf his wife and private liabilities are Rs 30.
  - The insolvent has transferred his private cottage of Rs 36,000 to his daughter in consideration of her marriage.

29. What are preferential creditors in the following liabilities of insolvent Bhupesh according to Presidency Town insolvency Act and Provincial Insolvency Act:?

	Rs.
3 month's salary for 10 clerks	3,600
One month wages of 12 labourers	1,600
Sales Tax	400
3 month's rent of landlord	600
Income tax	1,000
Wages for four servants	1,400
Salaries	1,000
Municipal tax	400
Wages	6,000

30. Mr. Chandran of Calcutta finds himself insolvent on 31.12.2018. his position was as follows:

- Lease hold property Rs.10,000 (estimated to realize Rs.9,000)
  - Plant and machinery Rs.4,000 (estimated to realize Rs.3,000)
  - Stock in trade Rs.2,000 (estimated to realize to Rs.1,400)
  - Book debates – Good Rs.6,000
    - Doubtful debates Rs.500 (estimated to realize 50%)
    - Bad debts is Rs.1,400
  - Bills in hand - Rs.375
  - Life policy for Rs.2,500 whose surrender value is Rs.500 is held by insurance company against the loan of Rs.200.
  - House hold furniture Rs.360; house hold debt Rs.290.
  - Bills discounted Rs.600 (Rs.200 likely to be dishonoured)
  - Loan on mortgage of lease hold Rs.5,000.
  - Cash in hand Rs.10.
  - Bank overdraft secured by personal guarantee of Chandran's brother and second mortgage on lease hold Rs.5,000.
  - Unsecured creditors Rs.15,000.
  - Loan from Nathan Rs.250 secured by second charge on life policy.
  - Ground rent on lease hold for 3 months accrued Rs.25.
  - He could not pay his office clerk's (2 in number)
  - Salaries for 6 months Rs.150 and also rates and taxes amounting to Rs.150.
- Prepare a statement of affairs.

### ESSAY TYPE QUESTIONS (10 MARKS)

31. Mr. Deepak filed his petition for insolvency on 31<sup>st</sup> Dec 2018. The details of outstanding expenses are as follows:
- i. Salaries of 8 clerks @ Rs. 150 per month for each clerk for 3 months.
  - ii. Wages of a labourer for the month of August 1994 Rs.120.
  - iii. Wages of 8 labourer for the month of September 1994 @RS. 110 per labourer.
  - iv. Rent of land lord for the month of November and December 1994 Rs. 800.
  - v. Amount due to the municipality for Rs. 1,000, to the income tax department Rs. 2,000 and to the sales tax department Rs.2,000.
  - vi. Salaries of two clerks for the month of July 1993 Rs.500 each.
- You are required to find out the amount of preferential and non-preferential creditors according to Presidency Towns Insolvency Act.

32. Sankar is insolvent. He supplies to you the following information as on 31-12-2018.

	Rs.
Cash in hand	-
Salary due to clerks	200
Taxes owing to Government	800
Creditors for goods	2,400
Bank Loan secured by lien on stock of the book value of Rs. 40,000	60,000
furniture (expected to realize Rs. 40000)	-
Stock(expected to realize Rs. 60%)	20,000
Book debts - Good	8,000
Doubtful ( expected to realize 40%)	20,000
Bills Receivable (Rs. 6,000 bad)	10,000
Bills discounted ( Rs. 4,000 bad)	12,000
Loans from Mrs. Sankar(from her own funds)	-
	20,000

Sankar started business six years ago with a Capital of Rs. 1,10,000. He drew Rs. 20,000 each year for private purpose but did not maintain proper books of accounts. Mrs. Gave up jewellery valued at Rs. 8,000 to the receiver. Prepare the statement of affairs and Deficiency A/c.

33. Prepare **Deficiency Account** from the following information :

	Rs.
Capital on 1-1-2012(opening)	800
Bad debts	1,000
Profit on sale of assests	200
Household expenses	300
Loss on bills discounted	200
Profit in first two years	500
Loss on sale of assests	500
Interest on capital	100
Loss through speculation	200
Surplus from private property	400
Gift declared void	100
Loss in next three years	1,800

34. From the following information, prepare a Statement of Affairs of Mr. Lal who is declared insolvent on march 31, 2012.

	Rs.
Cash in hand	-
Debtors – Good	2,500
Doubtful (expected to realize Rs. 2,000)	12,500
Bad	6,000
Shares in X Ltd. Of value	10,000
Bills Receivable – Good	50,000
Other Securities ( Rs. 30,000 pledged with partly Secured creditors and the balance with fully secured creditors)	-
Drawings	2,80,000
Trade Expenses	1,74,000
Creditors (Unsecured)	74,000
Creditors (Partly secured)	-
Creditors (Fully Secured)	2,50,000
Preferential claims	-
	1,70,000
	2,37,000
	7,500

35. How do you Treat 'Wife's Loan' while preparing Insolvency Accounts of an individual?
36. Explain the difference between a statement of Affairs and a Balance Sheet.
37. Mohd. Zaved had on 31<sup>st</sup> March, 2012 assets of Rs. 66,000 including a machinery valued in the books at Rs. 6,000 (estimated to realize 70% of the book value) and furniture valued Rs. 2,000 (estimated to produce 40%). He also had liabilities Rs. 40,000 of which Rs. 3000 were fully secured against the machinery and liabilities of Rs. 1,000 were secured against furniture. He filed his petition in insolvency and estimated his deficiency to be Rs. 20,000 before taking into account the following items:
- i. Interest on his capital @ 6% from 30<sup>th</sup> June, 2012.
  - ii. Bills discounted Rs. 1,000 expected to rank Rs 500.
  - iii. Wages Rs. 700; Rent Rs. 800; Salaries Rs. 2,000; Income tax Rs. 100; sales tax Rs. 50; House tax Rs. 50.
  - iv. Mohd. Zaved is a reputed owner of a property worth Rs. 8,000.
- Prepare his revised Statement of Affairs and Deficiency Account.
38. Mr. Umesh of Madurai consults you for preparing a statement of affairs. How will the following items appear in the various lists?
- (i) Private liabilities Rs. 20,000
  - (ii) Unsecured loans Rs. 4,00,000
  - (iii) Loans from Guru Rs. 1,20,000 secured by plant and machinery. The estimated value of plant and machinery is Rs. 1,10,000 (book value Rs. 1,16,000)
  - (iv) Bills discounted Rs. 16,000 out of which bills of Rs. 10,000 are expected to be dishonoured.
  - (v) Loans from Pawar secured by first mortgage on life insurance policy is Rs. 80,000. Surrender value of life insurance policy is Rs. 1,00,000.
  - (vi) Land lord rent for four months @ Rs. 150 per month due.
  - (vii) Loan from Ram Rs. 70,000 secured by second charge on life insurance policy mentioned above.
  - (viii) Rates and taxes Rs. 800.
  - (ix) Bank overdraft Rs. 60,000 secured by personnel guarantee of a friend of the insolvent.
  - (x) Loan from wife Rs. 30,000 out of which she received Rs. 16,000 from her father.
  - (xi) Wages @ Rs. 30 per month per servant for 6 months for 3 servants.
  - (xii) Salaries @ Rs. 200 per month per clerk for 7 months for 4 clerks.
  - (xiii) Bills payable Rs. 8,000.
39. What is the procedure under 'Insolvency Acts' for a person to be adjudicated as an 'Insolvent'?

40. With the help of the following information prepare statement of affairs of Mr. Dilipan, who was declared insolvent under the presidency town insolvency act, 1909

His capital was Rs3,500 and his drawings were Rs 3,500

i) stock estimated to produce Rs 4,500

ii) free hold house valued at 10,000 the deed of which was lodged with bank as security for an over draft on business a/c Rs 4,000 .

iii) Books debts Rs 5,000 of which Rs 4,000 was considered good and the balance estimated to produce 500

iv) his life policy was given as a part security for a private loan of Rs5,000

v) Machinery cost price 9,000, Estimated to produce Rs5,000

His unsecured creditors amounted to Rs20,150 and he owed Rs 250 to his clerk being salary for two months just preceding the date of his insolvency.

