

## Package Provision Account

Particulars	Units	Rate	Rs.	Particulars	Units	Rate	Rs.
To Package Trading a/c (Deposit on retained)	2,200	20	44,000	By Balance b/d	4,200	20	84,000
To package debtors a/c (Refund on deposit)	4,600	20	92,000	By package debtors a/c	6,400	20	128,000
To balance c/d	3,800	20	76,000				
	<u>10,600</u>		<u>212,000</u>		<u>10,600</u>		<u>212,000</u>

The package is invoiced at the rate of Rs. 30 but if it is returned within stipulated time, a credit of Rs. 20 is given to customers. The cost price of the package is Rs. 15.

The stocks on hand with the company were 2000 and 3040 at the beginning and at the end of the year respectively. During the year ended, 3000 packages were purchased and 160 scrap sold for Rs. 500.

Required: Package Trading a/c

[5]

Ans: Profit = Rs. 73,100

## 13. ACCOUNTING FOR PROFESSION MEN

## THEORETICAL QUESTIONS

## 1. 2058 (F) Q. No. 3

In 7 to 10 sentences write about the different books of accounts need to be maintained by Professional. [5]

## Ans: 2056 (F) Q. No. 4

Write in 7 to 10 effective sentences, the sets of books and accounts required to be maintained by a professional. [5]

## NUMERICAL PROBLEMS

## 2. 2069 Q.No. 15

The receipts and payments of an auditor are as follows:

Receipts and Payments Account for the year ended Chaitra 31, 2065			
	Rs.		Rs.
To Balance b/d	20,000	By Salaries	20,000
To Audit fees	80,000	By Motor car expenses	25,000
To Tax consultation fees	40,000	By Telephone charges	8,000
To Interest on investment of household	25,000	By Electricity charges	6,000
To Rent of the first floor	50,000	By Auditor's association membership fees	2,000
		By Purchase of auditing books and periodicals	7,000
		By Rent paid to the family for use of family building's ground floor on prevailing local standard	18,000
		By Annual household expenses	60,000
		By Drawings	15,000
		By Balance c/d	54,000
	<u>215,000</u>		<u>215,000</u>

## Additional information:

- The employees are involved in household activities also therefore 25% of salaries are required to be assigned to household.
- The motor car expenses, telephone charges and electricity charges are to be shared in the ratio of 3:2 between profession and household.

**Required:**

- ① Profit and Loss Account of Profession
- ② Income and Expenditure Account of household

[4+4]

Ans: ● Net profit Rs. 54,600 ● Surplus Rs. 82,000

**3. 2068 Q.No. 15**

Mr. Kumar Sharma is a professional lawyer. His cash transaction for the year ended Chaitra 31, 2064 are given below:

	Rs.
Fees collected	70,000
Income as an official liquidator	10,500
Rent from house hold properties	6,000
Rent for chamber	9,000
Salaries	8,800
Printing & stationery	200
Electricity charges	700
Purchases of law books	4,000
Car expenses	12,000
Marketing	15,000
Subscription to Bar Council	3,000
Children education expenses	7,500
Cost of office machine	7,000
Cost of medical expenses	6,600
Renewal of license	700

**Additional information:**

- Income from fees accrued but not received Rs. 9,000.
- Depreciation: Law book @ 10%, office machine @ 15% and motor car 15% (cost of 40,000)
- One-fourth of electric charges & car expenses are related to family.
- Salaries include Rs. 1,500 paid to domestic servant.

**Required:** For the year ending Chaitra 31, 2064 (a) Profit and Loss Account (b) Income and Expenditure Account

[4+4]

Ans: NP = Rs. 44,825; Surplus = Rs. 15,500

**4. 2067 Q.No. 15**

A Chartered Accountant provides Receipts and Payments Account of his profession for the year 2064 ending Chaitra:

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Cash in hand	10,00	General expenses	150,000
Cash at bank	40,000	Ration	10,000
Audit fee	500,000	Postage	5,000
Interest on household investment	30,000	Printing and stationery	40,000
		Entertainment to family guests	20,000
		Rent	60,000
		Salaries	30,000
		Vehicle expenses	20,000
		Telephone expenses	10,000
		Tuition fees of the children	10,000
		Other house hold expenses	45,000
		Cash in hand	20,000
		Cash at bank	160,000
	580,000		580,000

**Additional information:**

- a. One fourth expenses of rent, salaries, vehicle and telephone were for the household.

- b. Rent includes Rs. 15,000 pre-paid for three months and outstanding salary Rs. 5,000.  
 c. Audit fee receivable was Rs. 50,000  
 d. The entire profit of profession is to be taken to household revenue.

**Required:** (a) Profit and loss account for profession (b) Household income and expenditure account.

[5+3]

**Ans:** (a) Net profit = Rs. 222,500 (b) Surplus = Rs. 140,000

**5. 2066 Q.No. 15**

Mr. Yadav is a chartered accountant. He occupies one-third of his residential house for carrying on his profession. He is the owner of a vehicle, which he uses two-third for his profession. He received a dividend @ 10% from Rs. 1,500,000 invested in shares. The additional information are as under:

- a. One-fourth of telephone charges and two-third of electricity charges are to be considered as household expenses.  
 b. The office staff devotes only 80% of their time to the office and rest to the household work of Mr. Yadav.  
 c. Annual expenses paid for household Rs. 50,000.

His Receipt and Payment Account for the year ended 31st Ashadh, 2065 is given below:

Receipts	Amount (Rs.)	Payments	Amount (Rs.)
Cash in hand	30,000	Rent	60,000
Audit fees	200,000	Telephone charges	24,000
Tax consultation fees	150,000	Salary to staffs	72,000
Miscellaneous receipt	20,000	Electricity	12,000
		Vehicles expenses	96,000
		Institute fees	6,000
		Printing and stationery	12,000
		General expenses	18,000
		Drawing	48,000
		Purchase of books	8,000
		Cash in hand	44,000
	400,000		400,000

**Required:** (a) Profit and loss account for profession (b) Household cash statement [5+3]

**Ans:** (a) Net Profit = Rs. 170,400; (b) Closing cash balance = Rs. 148,000

**6. 2065 Q.No. 14**

Dr. Koirala is a medical practitioner. He lives in a rented house consisting of three rooms of equal dimension. One of which has been used as his chamber. The statement of his total receipts and payments for the year ended 31st Chaitra, 2062 are given below:

**Receipts and Payments Accounts for the year ended, 31st Chaitra 2062**

Receipts	Amount	Payments	Amount
To Cash in hand	10,000	By Drug purchased	110,000
To Cash at bank	15,000	By Ration purchased	2,500
To Fees received	150,000	By Milk for domestic use	20,000
To Drugs sold	100,000	By Entertainment to family guest	15,000
To Interest on household investment	25,000	By Other household expenses	14,000
		By Rent	30,000
		By Salary and wages	18,000
		By Motor car expenses	6,000
		By Telephone expenses	4,800
		By Life insurance premium	9,000
		By Cash in hand	5,700
		By Cash at bank	65,000
	300,000		300,000

**Additional information:**

- Rent of Rs. 2,500 for the month of Chaitra still outstanding.
- 1/3 rd of the following expenses related to Dr. Koirala's chamber:  
Rent, motor car expenses, salaries and wages and telephone

- Stock of drug on 31st Chaitra 2062, Rs. 20,000
- Entire profit of profession is to be taken as revenue of the household.

**Required:** (a) Profit and Loss account for profession (b) Household income and expenditure account. [5+3]

**Ans:** (a) NP Rs. 139,567 (b) Surplus Rs. 63,200

8. 2064 Q.No. 13

**Receipt and Payment Accounts.**

To balance b/d	Rs. 10,000	By purchase of medicine and accounts payable paid	Rs. 35,000
To Visiting fee	20,000	By Surgical medicine purchased	10,000
To Counselling fee	30,000	By Salaries of assistants	30,000
To Surgical fee	50,000	By Medical council fee	1,000
To Sales of medicine	40,000	By Rent of clinic	18,000
To Miscellaneous receipt	10,000	By Electricity and water charges	4,000
		By Telephone and other	2,000
		By Car expenses	20,000
		By Profession journal	5,000
		By Household expenses	5,000
		By Miscellaneous expenses	5,000
		By Balance c/d	10,000
	160,000		160,000

**Additional information:**

- Medicines costing Rs. 3,000 were used for domestic purposes and closing stock of medicines were valued at Rs. 6,000.
- One half of building rented was used for the residential purpose.
- 25% of telephone and electricity and 50% of car expenses were for the personal use of the consultant.
- Miscellaneous expenses include Rs. 2,000 a present offered to his daughter on her birthday.
- Depreciate surgical equipment and motor vehicle by 10%.
- Surgical fee due for the year were of Rs. 15,000.

**Required:** (a) Profit and loss account of the profession. (b) Balance Sheet at the end. [4+4]

**Ans:** (Question Incomplete) Net profit Rs. 51,500; B/S total Rs. 31,000

9. 2064 (Old-C) Q.No. 15

The Balance Sheet as on 1st January 2005 and the receipt and payment for the year 2005 of Mr. X a legal practitioner have been presented below:

**Balance Sheet as at 1st January 2005**

Liabilities	Rs.	Assets	Rs.
Capital account	30,000	Furniture and fixture	10,000
Deposit from client	6,000	Motor car	20,000
Provision for legal fee	4,000	Accounts receivable	4,000
		Cash at bank	6,000
	40,000		40,000

**Receipt and Payment Account for the year 2005**

Receipts	Rs.	Payments	Rs.
To balance b/d	6,000	By salary of office staff	20,000
To legal fee	50,000	By motor car expenses	6,000
To present from client	4,000	By purchase of furniture	5,000
To dividend from private investment	10,000	By household expenses	30,000
To rent from building	10,000	By court fee and professional fee	4,000
		By stationery and periodicals	2,000
		By electricity and water charges	3,000
		By balance c/d	10,000
	80,000		80,000

**Additional information:**

- Legal fee received include fee due for last year.
- The bills sent to client for Rs. 6,000 was yet to be received.
- Rs. 2,000 a deposit received on client account was wrongly credited to present received.
- Court fee include Rs. 3,200 paid to file cases on behalf of client.
- One half of motor car expenses and 25% of office salaries were related with household purposes.
- Depreciate furniture and motor car by 10%.

**Required:** (a) Income and expenditure account of profession. (b) Closing balance sheet.

Ans: Surplus = Rs. 24,700; B/S Total = Rs. 47,500

**10. 2063 Q. No. 10**

Dr. Joshi maintains a diary for recording all his income and expenses. Following receipts and payments are extracted from his diary for the year ended 31<sup>st</sup>, December, last year:

Receipt: Visit Rs. 140,000, Receipt from Consultation and Medical Certificates and reports Rs. 30,000, Sales of medicines Rs. 90,000, Opening balance of cash Rs. 30,000.

Following amounts are receivable:

Visiting and attending fees	Rs. 5,000
Sale from medicine	Rs. 6,000

Payments: Equipment Rs. 30,000, Purchase of medicines Rs. 90,000, household expenses Rs. 50,000, Rent Rs. 28,000, Salary and wages Rs. 20,000, Motor car expenses Rs. 10,000, Telephone expenses Rs. 12,000.

One fourth of rent, car expenses, salaries and telephones are related to household expenses, which are not included in above given household expenses payments. Stock of medicine on 31<sup>st</sup> December was Rs. 15,000.

**Required:** Profit and loss account for the year ended 31<sup>st</sup>, December last year.

[5]

Ans: Net Profit Rs. 132,500

**11. 2063 (Partial) Q. No. 10**

Mr. Pradhan is a Chartered Accountant. He occupies one-fourth of the residential house for carrying on his profession. The Receipt and Payment Account of Mr. Pradhan for the year ended 31<sup>st</sup> December, last year was as under:

**Receipt and Payment Account**

Receipts	Rs.	Payments	Rs.
Cash in hand & at bank	60,000	Institute fees	1,200
Audit fees	216,000	Printing and stationery	6,000
Income tax consultation fees	64,000	Telephone charges	6,000
		Electricity charges	8,000
		Motor car expenses	24,000
		Salary	19,000
		Rent	12,000
		Drawing	144,000
		Cash in hand & at bank	119,800
	340,000		340,000

**Additional Information:**

- Mr. Pradhan is the owner of a car which he uses equally for his professional and personal purposes.
- The office staff devotes 25% of his time to the household work of Mr. Pradhan.
- 50% of electricity charges may be considered to be for the household.

**Required:** Profit and loss account and income and expenditure account respectively for his profession and household

[4+4]

Ans: (a) Net profit Rs. 233,550 (b) Surplus = 203,800

**12. 2062 (C) Q. No. 8**

The Receipts and Payments of a Chartered Accountant of his profession for the year ended 31.3.2059 is given below:

Receipts	Rs.	Payments	Rs.
Cash in hand	20,000	Institute membership fees	12,000

Cash at bank	40,000	Salary to staff	46,000
Audit fees	100,000	Printing and Stationery	3,500
Consultancy fees inclusive of Rs. 20,000 of the previous year	80,000	Telephone charges	8,800
		Purchase of professional books and journals	1,800
Tax assessment fees	30,000	Rent	22,000
		Vehicle expenses	25,000
		Electricity charges	9,700
		E-mail charges	11,200
		Drawing	65,000
		Cash at bank	50,000
		Cash in hand	15,000
	<b>270,000</b>		<b>270,000</b>

**Additional Information for necessary incorporations:**

- The Chartered Accountant has been using his own house as office for discharging his professional job.
- The vehicle was used for his personal work also covering 30% of expenses.
- 20% of the electricity and telephone charges and 40% of E-mail charges were for household purposes.
- Rs. 60,000 for food provisions and miscellaneous expenses of Rs. 25,000 for domestic work were incurred as per the expenditure documents.

**Required:** ① Professional Profit and Loss Account for the year.

② Household income and Expenditure for the year

[5+3]

Ans: Net profit Rs. 65,680; Surplus Rs. 52,000

**13. 2062 (F) Q. No. 8**

A medical practitioner with clinic in his own house has presented a list of incomes and expenses for the year ended 31.3.2059.

- Medical consultancy fees already received amounting to Rs. 275,000 and Rs. 25,000 still due.
- Surgical charges of Rs. 130,000 were received including the earlier year's outstanding of Rs. 10,000.
- Dispensary expenses for the year were Rs. 60,000 which included Rs. 15,000 for family members.
- Gas and electricity of Rs. 20,000 were paid including 25% for domestic use.
- Payment of Rs. 50,000 as salary to the manpower employed in the clinic which included payment to a staff Rs. 1,200 per month who spent half of his time in coaching to his son in mathematics subject.
- A monthly rent charge of Rs. 6,500 for the clinic was made.
- A security guard to whom annual salary of Rs. 12,000 was paid served clinic and residential house equally.
- The annual car expenses of Rs. 24,000 were incurred out of which 25% was made for household affairs.
- Household expenses for foods of Rs. 90,000 and for other amounting to Rs. 35,000 were incurred.

**Required:** ① Professional Profit and Loss Account for the year

② Household income and Expenditure Account for the year

[5+3]

Ans: Net profit Rs. 190,200; Surplus Rs. 104,000

**14. 2061 (C) Q. No. 9**

The following balances are extracted from the books of a medical practitioner as on 31<sup>st</sup> Chaitra, last year:

	Rs.
Medical fees earned	150,000
Received interest on investment (household)	10,000
Cost of running and maintenance vehicle	15,000
Gas and electricity	4,000
Pay to assistant (profession)	40,000
Provision for depreciation: Household	10,000

Profession	
Staff salaries	5,000
Household expenses	12,000
	20,000

**Additional information:**

- Cost of running and maintenance vehicle is to be allocated equally between household and profession.
- One-fourth of staff salary was related to household.
- One-fourth of gas and electricity was related to profession.
- Income tax to be ignored.

**Required:** Profit and Loss Account and Income and Expenditure Account of the year ended 31<sup>st</sup> Chaitra last year.

**Ans:** Net profit = Rs. 87,500 and Surplus = Rs. 54,000

**15. 2061 (F) Q. No. 8**

The Balance Sheet of a chartered account as at 31<sup>st</sup> Asadh 20X2 is given below:

Liabilities	Rs.	Assets	Rs.
Capital account	60,000	Fixed assets	61,000
Audit fees receiving in advance	5,000	Outstanding audit fees	20,000
Salary outstanding	4,000	Cash balance	8,000
Provision against outstanding audit fees	20,000		
	89,000		89,000

The Receipt and Payment account for the year ended 31<sup>st</sup> Ashadh, 20X3 is as under:

Receipt	Rs.	Payment	Rs.
Cash Balance b/d	8,000	Salary charged	81,000
Audit fees	200,000	Travelling expenses	28,000
Other income	32,000	Other expenses	18,000
		Library books	6,000
		Membership fees	1,000
		Drawing	50,000
		Cash balance	56,000
	240,000		240,000

The following further information is available:

- Audit fees receivable Rs. 30,000.
- Outstanding salary Rs. 5,000
- Depreciation to be provided on fixed assets and library books 10%.
- 80% of audit fees should be transferred to income and expenditure account.
- 100% of other income should be transferred to income and expenditure account.

**Required:** Income and Expenditure account for the year ended 31<sup>st</sup> Ashadh, 20X3

**Ans:** Surplus Rs. 61,300

**16. 2060 (C) Q. No. 15**

Dr. Mohan Dhakal, a medical practitioner, provides you the following particulars:

**Balance Sheet as at January, 2000**

Liabilities	Rs.	Assets	Rs.
Capital	65,000	Surgical equipment & furniture	25,000
Audit fee due outstanding for 1999	5,000	Medical instruments	14,000
		Vehicle	16,000
		Cash at bank	15,000
	70,000		70,000

**Receipts and Payments A/c for the year ending December 2000**

Balance b/d	15,000	Drugs purchase	18,000
Visiting and consulting fees	28,000	Salaries	6,500
Surgical operation	20,000	Miscellaneous expenses	1,000

Pathological examination	7,000	Printing and Stationery	1,000
Hospital service and lectures in medical college	7,200	Newspaper & periodicals	1,000
Drug sales	10,000	Telephone bill	3,000
		Vehicle expenses	1,000
		Audit fees paid 1999	5,000
		Expert's charges	4,000
		Drawings	24,000
		Balance c/d	22,700
	<b>87,200</b>		<b>87,200</b>

**Additional information:**

- Outstanding salary amounted to Rs. 3,000 and audit fees Rs. 5,000
- Miscellaneous expenses, vehicle expenses and telephone bill are to be apportioned between profession and household in 3:2.
- Salary includes Rs. 1,500 paid to attendant, who renders  $\frac{1}{3}$  of his service to the household purpose.

**Required:** (a) Income and Expenditure Account (b) Balance sheet as on December 2000 [4+4]

**Ans:** (a) Surplus = Rs. 31,200 (b) B/S = Rs. 77,700

**16. 2060 (F) Q. No. 9**

The following trial balance is presented by an auditor for the year ended 31<sup>st</sup> December, last year:

	Dr. (Rs.)	Cr. (Rs.)
Capital		210,000
Drawing	60,000	
Fees earned		330,000
Deposit from client against expenses		15,000
Staff salary	54,000	
Office furniture	105,000	
Office equipment	50,000	
Library books	60,000	
Expenses (including Rs. 12,000 on behalf of client)	60,000	
Bank balance	178,000	
Creditors for expenses		12,000
	<b>567,000</b>	<b>567,000</b>

**Additional information:**

- Depreciation: Office furniture and equipment 10% p.a. Library books 5% p.a.
- Auditor used his own car and charged Rs. 7,000 p.a. for work on behalf of the firm.
- He has appointed an Office Manager and he is entitled to a commission @ 10% on collection of fees from clients.

**Required:** Income and Expenditure account in the books of auditor [7]

**Ans:** (b) Profit = Rs. 176,500

**17. 2059 (C) Q. No. 15**

Following is a Trail balance of a solicitor for the year ending December 2001.

	Dr. Rs.	Cr. Rs.
Drawing & capital	34,000	27,000
Library books	6,000	
Machinery office	20,000	
Salaries	40,000	
Office-expenses	11,000	
Provision for unreleased fee		7,000
Consultation fees		120,000
Furniture	10,000	
Clients' deposit account		6,000
Amount owing for bills of cost delivered	9,600	
Opening work-in-progress	4,400	



Clients' disbursement (refunded)	5,000	
Bank	20,000	
	<b>160,000</b>	<b>160,000</b>

**Additional information:**

- Work-in-progress on December 1999 Rs. 7,000
- Depreciation furniture and library books by 10%
- Made provision at 100% for unrealised profit.

**Required:** (a) Income and Expenditure A/c (b) Balance sheet as at December 1999

[4+4]

Ans: (a) Profit Rs. 60,400 (b) B/S = Rs. 71,000

**18. 2059 (F) Q. No. 15**

Mr. Kumar Agrawal, a practitioner Chartered Accountant, provided you the following particulars relating to his household and professional dealings:

**Balance Sheet as on January 2000**

Liabilities	Rs.	Assets	Rs.
Capital	90,000	Furniture and books	25,000
Liability for salary	8,000	Office machinery	18,000
Provision for outstanding audit fees	50,000	Vehicle	60,000
Client's Account	20,000	Audit fees outstanding	50,000
	<b>168,000</b>	Cash at bank	15,000
			<b>168,000</b>

**Receipts and Payments a/c for the year ending December 2000**

	Rs.		Rs.
Opening balance	15,000	Salary	72,000
Audit fees	260,000	Travelling expenses	23,000
Auditing and management consultation fees	60,000	Printing & Stationery	21,000
Miscellaneous fees	15,000	Telephone	15,000
		Library book	12,000
		Vehicle expenses	42,000
		Drawing	95,000
		Computing machine	40,000
		Cash at bank	30,000
	<b>350,000</b>		<b>350,000</b>

**Additional information:**

- Audit fees receivable Rs. 35,000
- Advance audit fee received Rs. 15,000
- Salary outstanding Rs. 5,000
- Depreciate: Book and furniture by 10%; Vehicle by 15%; Machinery by 10%

**Required:** (a) Income and Expenditure a/c (b) Balance Sheet at on December, 2000

[4+4]

Ans: (a) Surplus = Rs. 131,500 (b) B/S = 201,500

**19. 2058 (C) Q. No. 9**

Dr. Shrestha, a medical practitioner, set up his private practice on January 1, 1998 with Rs. 50,000 of his own and Rs. 60,000 borrowed at 12% p.a. His accounts for the year ended December 31, 1998 were kept on cash basis and the following is his summarised Cash Account.

	Rs.		Rs.
Own capital	50,000	Medicines purchased	22,250
Loan	60,000	Surgical equipments	75,000
Consultation fee	36,250	Motor car	35,000
Gift from patients	1,250	Motor car expenses	16,000
Visiting fees	15,000	Salaries and wages	5,250
Fees from lectures	2,500	Rent	3,000
Pension received	7,000	General charges	2,800
Income from investment	6,750	Household expenses	1,250
Gift from relatives	12,000	Marriage expenses	11,000

	Interest on loan	3,600
	Cash at bank	15,600
	<b>190,750</b>	<b>190,750</b>

Consider the following additional information:

Half of the motorcar expenses is applicable to the private use of car.

One third of salaries and wages are in respect of domestic servants.

Depreciate the surgical equipments @ 7.5% p.a.

Depreciate motorcar by 10% and 40% of depreciation should be treated as applicable to the private use of car.

Stock of medicines was valued at Rs. 4,750

Outstanding rent amount to Rs. 3,000.

**Required:** Income and Expenditure Account for the year ended December 31, 1998. [8]

Ans: Surplus = Rs. 2,275

**20. 2058 (F) Q. No. 16 (OR)**

Mr. Joshi is a professional lawyer. His cash transactions for the year ended December 1998 were as below:

Cash Receipts	Rs.	Cash Payments	Rs.
Fees received	80,000	Rent of the chamber	15,000
Income as a liquidator (Rs. 1,500 relating to last year)	12,000	Electric charges	500
Sales of scrap paper and books	800	Salaries	10,000
Rent from household properties	12,000	Stationery	4,000
		Purchase of book for profession	4,500
		Vehicle expenses	15,000
		Shopping (domestic)	10,000
		Telephone (Rs. 2000 Installation charges)	6,000
		Life insurance premium paid	7,300
		Subscription to Bar council	1,200
		School fees of the children	14,000
		Medical expenses	6,600
		License renewal	700

Income from fees accrued but not received Rs. 9,000. Write off @ 25% on professional books. Depreciate furniture by 15% (cost Rs. 10,000), computing machine by 20% (cost Rs. 75,000); rent income outstanding Rs. 7,200.

Apportioned  $\frac{1}{4}$  of following expenses for private and domestic uses:

Salary, Telephone charges and vehicle expenses

Income from profession is to be treated as income of the family.

**Required:** (a) Profit and Loss Account

(b) Income & Expenditure Account for the profession and family

[10+5]

Ans: (a) NP = Rs. 30,525 (b) Surplus Rs. 4,575

**21. 2057 (C) Q. NO. 14**

Mr. Chitrakar is a Chartered Account A statement of total receipts and payments for the year ended 31<sup>st</sup> Chaitra, 2056 was given below:

Receipts	Rs.	Payments	Rs.
Balance b/d	48,000	General expenses	184,000
Audit fees	448,000	Ration	4,800
Interest on household investment	24,000	Postage, stationery and printing books, etc.	48,000
		Entertainment to family guest	20,000
		Other household expenses	28,000
		Rent of house	57,600
		Salaries and wages	38,400
		Motor car expenses	12,000

	Telephone expenses	9,600
	Balance c/d	117,600
	<b>520,000</b>	<b>520,000</b>

**Additional information:**

- 2/3 of the following expenses are the family expenses of Mr. Chitrakar rent, motorcar expenses, salaries and wages and telephones.
- Salaries and wages stated above includes Rs. 8,400 paid for Baishakh, 2057.
- Income from fees accrued but not received Rs. 10,000
- The entire profit of profession is to be taken as household revenue.

**Required:** (a) Profit and Loss Account for profession.

(b) household income and expenditure account.

[4]

[4]

Ans: (a) NP = Rs. 179,600 (b) Surplus Rs. 78,000

**22. 2057 (F) Q. No. 14**

Dr. Shrestha is a medical practitioner. His Receipt and Payment Account of the profession for the year ended 31<sup>st</sup> Chaitra, 2058 is given below:

Receipts	Rs.	Payments	Rs.
Cash in hand	28,000	Purchase of medicine	140,000
Sales of medicine	160,000	Salary to assistant	40,000
Consultation fees	224,000	Professional periodicals	1,200
		Telephone charges	5,200
		Equipment purchased	120,000
		Travelling expenses	32,400
		Membership fees	1,200
		Household drawing	48,000
		Cash in hand	24,000
	<b>412,000</b>		<b>412,000</b>

**Additional information:**

- On 1<sup>st</sup> Baishakh, 2056 he had the following assets relating to his profession:
  - Equipment and furniture Rs. 160,000
  - Stock of medicine Rs. 8,000
  - Telephone installation Rs. 12,000
- Stock of medicine on 31<sup>st</sup> Chaitra, 2056 was of Rs. 12,000
- 10% depreciation is to be provided on furniture and equipment.
- Consultation fees accrued, Rs. 24,000
- Provide Rs. 5,000 for income tax provision.
- Salary due to assistant, Rs. 8,000

**Required:** (a) Profit and loss account for the year 31<sup>st</sup> Chaitra, 2056(b) Balance sheet as on 31<sup>st</sup> Chaitra, 2056

[4]

[4]

Ans: (a) NP = Rs. 127,000 (b) B/S = Rs. 324,000

**23. 2056 (C) Q. No. 15**

Following opening balance sheet receipts and payment account for the year ended Chaitra, 2055 and additional information were provided to you by Shankar & Bhola, the registered auditors who share income & loss in the ratio of 2:1.

**Balance Sheet as on Baishakh, 2055**

Liabilities	Rs.	Assets	Rs.
Capital accounts:		Office equipments	11,000
Shanker	13,000	Office furniture	4,500
Bhola	9,000	Outstanding audit fees	4,500
Provision for outstanding fees	4,500	Cash at bank	7,000
Advance audit fees	750	Library books	1,500
Outstanding expenses	250		
Clients' account	1,000		
	<b>28,500</b>		<b>28,500</b>

## Receipts &amp; Payments Accounts for the year ending Chaitra, 2055

	Rs.		Rs.
To opening balance	7,000	By Traveling expenses	17,000
To Audit fees	70,000	By Printing & Stationery	500
To Other services fees	30,250	By Library books	1,200
		By Office equipments	5,000
		By Membership subscription	500
		By Drawing: Shanker	26,000
		Bhola	19,000
		By Disbursement of clients a/c	750
		By Cash at bank balance	37,300
	<b>107,250</b>		<b>107,250</b>

**Additional information:**

- Provide depreciation @ 10% on equipments & furniture.
- Outstanding audit fees amounted to Rs. 4,000

**Required:** (a) Income of expenditure account. (b) Balance sheet at on 31/12/055 [4+4]

Ans: Profit: Shanker = Rs. 53,967 & Bhola = Rs. 26,983; B/S = Rs. 62,450

**24. 2056 (F) Q. No. 5**

Dr. Thapa set up a private health clinic on Shrawan, 2054 with a cash of Rs. 100,000. At the end of year Ashadh 2055, the following details of his receipts and payments are available.

**Receipts & Payments Accounts**  
Year ended Ashadh, 2055

Receipts	Rs.	Payments	Rs.
To Cash	100,000	By Furniture	12,000
To Fees received	50,000	By Equipments	125,000
To Receipts from Dispensing	112,000	By Drugs	34,000
To Miscellaneous receipts	9,000	By Salary and wages	12,000
		By Rent	15,000
		By Stationery	2,500
		By Electricity	4,000
		By Medical journals	2,000
		By Drawing	36,000
		By Cash at Bank	28,500
	<b>271,000</b>		<b>271,000</b>

**Other information**

- Fees of Rs. 5,000 are still receivable.
- Salary of Rs. 3,000 remained unpaid
- Creditors for drugs purchased were of Rs. 7,000
- Stock of drugs Rs. 9,000
- Depreciate furniture and equipments by 7.5% p.a.
- 25% of the salary is applicable for domestic use.

**Required:** Income and Expenditure Account

Ans: Surplus Rs. 93,975 [5]

**14. ACCOUNTING FOR ROYALTIES****THEORETICAL QUESTIONS****1. 2056 (C) Q. No. 4**

What is a short working? Write the different ways of recouping short working. [2+3]

**2. 2057 (C) Q. No. 2**

Write the different provisions of recouping outstanding short working in royalty business with suitable examples. [5]

**3. 2057 (F) Q. No. 2**

Justify minimum rent provision in royalty business. [5]

4. 2058 (C) Q. No. 3  
'Royalty is the amount payable on actual output.' Justify it in 7 to 10 effective sentences. [5]
5. 2058 (F) Q. No. 1  
How obligation of Royalty is discharged at the time of strike? [5]
6. 2059 (C) Q. No. 2  
What is short working? How its recoupment is made in Royalty Account? [5]
7. 2059 (F) Q. No. 4  
What is minimum rent? Under what condition minimum rent account is raised (opened)? [2+3]
8. 2060 (C) Q. No. 3  
"Recoupment of short working is the focal point in royalty account." Write in support of the statement. [5]
9. 2061 (C) Q. No. 1  
"Unrecouped short working is the total loss to the lessee." Comment. 5
10. 2061 (F) Q. No. 3  
How does short working arise? Write the meaning of recouped and uncouped short working. [2+3]
11. 2062 (C) Q. No. 4 (OR)  
Write what you know about minimum rent. State its importance in lease agreement. [2+3]
12. 2064 (Old-C) Q.No. 4  
Define short working and state its accounting treatment in different conditions. [5]
13. 2065 Q.No. 2  
What do you mean by shortworking? How can it be recouped? Give your answer with suitable example. [2+3]
14. 2067 Q.No. 1  
What is minimum rent? Why is it necessary to fix the amount of minimum rent? [2+3]

**NUMERICAL PROBLEMS**

## 15. 2069 Q.No. 8

On 1st Jan, 2006, Nepal Mining Co. Ltd. obtained a mining lease for 5 years. The following are the relevant particulars:

Years	2006	2007	2008
Actual royalties	Rs. 20,000	Rs. 40,000	Rs. 40,000
Minimum rent	Rs. 30,000	Rs. 35,000	Rs. 40,000

The deficiency of any year is to be set off against excess payable within the next two years.

**Required:** Shortworking Account in the book of Nepal Mining Co. Ltd. [5]

**Ans:** Total Rs. 5,000

## 16. 2068 Q.No. 6

A coal factory transferred Rs. 15,000; Rs. 18,000 and Rs. 24,000 respectively to Profit and Loss Account of the year 2062, 2063 and 2064. The minimum rent payable to the landlord is Rs. 20,000. The short working of any year can be recouped in the following two years.

**Required:** Landlord's Account in the book of the factory [5]

**Ans:** Short working recouped Rs. 4,000 and unrecouped Rs. 1,000

## 17. 2067 Q.No. 8

X Ltd., has taken on lease coal field on the following terms: Lease rent is to be Rs.0.50 for every tonne of coal raised and minimum royalty of Rs.40,000 with a right to recoup any shortworking within a period of three years. The followings are the raising for different years:

Year →	1	2	3
Output in tonnes	70,000	80,000	100,000

**Required:** Shortworking Account [5]

**Ans:** Shortworking recouped; 3rd year = Rs. 5,000

## 18. 2066 Q.No. 8

A company leased a mine agreeing to pay the royalty of Re.1 per ton with a minimum rent of Rs. 20,000 p.a. The short working is recoverable out of the excess royalty of the following year only.

Years	Short working Rs.	Surplus Rs.	Recovered Rs.	Not recovered Rs.	Paid to landlord Rs.
1	8,000	—	—	—	20,000
2	16,000	—	—	8,000	20,000
3	—	16,000	16,000	—	20,000

**Required:** (a) Shortworking account for 3 years. (b) Royalty account for 3 years. [2+3]

**Ans:** Short working recouped 3rd year: Rs. 16,000; Royalty earned in Year 1 = Rs. 12,000; Year 2 = Rs. 4,000; Year 3: Rs. 36,000

**19. 2065 Q.No. 5**

A company acquired a lease of mine at a minimum rent of Rs. 20,000 per annum. The agreement of royalty provided the following:

- (a) Royalty Rs. 2 per ton  
 (b) The power to recoup shortworking within first three years.

The output of the mine was as follows:

Years	2004	2005	2006
Output in tons	8,000	9,000	13,000

**Required:** (i) Minimum rent account (ii) Shortworking account [2+3]

**Ans:** Short working recouped in 2006 = Rs. 6,000

**20. 2064 Q.No. 7**

A Co. Ltd. acquired a property under lease from B Company with a minimum rent of Rs. 40,000 per annum. If the minimum rent is more than royalties, the short working can be recouped only in the following years. You are given the following particulars:

Years	Shortworking	Surplus	Recouped	Unrecouped	Paid to B Co.
1	Rs. 24,000	—	—	—	Rs. 40,000
2	Rs. 16,000	—	—	Rs. 24,000	Rs. 40,000
3	—	Rs. 16,000	Rs. 16,000	—	Rs. 40,000

**Required:** Shortworking Account and Royalty Account for 3 years in the books of A Co. Ltd. [3+2]

**Ans:** Royalty earned in Year 1: Rs. 16,000; Year 2: Rs. 24,000; Year 3: Rs. 56,000

**21. 2064 (Old- C) Q.No. 5**

A patentee of a product issued a license to Surya Product Ltd. for the manufacture and sale of the product for five years on the following terms:

- a. Surya Product Ltd. to pay a royalty of Rs. 5 for every product manufactured subject to a minimum rent of Rs. 50,000 per year.  
 b. If, for any year the royalties is less than the minimum rent, Surya Product Ltd. may recoup the shortworkings against the royalties payable in excess of the minimum rent in the next year only.

The outputs are as follows:

Year	2001	2002	2003	2004	2005
Output (units)	8,000	9,000	12,000	10,000	9,000

**Required:** Minimum rent and Patentee's Account in the books of Surya Product Ltd. [3+2]

**Ans:** Short working unrecouped 2002: Rs. 10,000 and Rs. 2005: Rs. 5,000;  
 Shortworking recouped: 2003 Rs. 5,000

**22. 2063 Q. No. 8**

A coal supplying centre entered into an agreement with the owner in the beginning of 2058 for the extraction of sand with a minimum rent of Rs. 25,000 per year. The royalty amounts transferred to profit and loss account of the year 2058, 2059, 2060 were Rs. 19,000; Rs. 25,000 and Rs. 28,000 respectively. The short working of any year can be recovered only in the following year only.

**Required:** Owner's account for 2058, 2059 and 2060 in the books of the Sand Supplying Centre. [5]

**Ans:** Unrecouped short working in 2059 = Rs. 6,000

**23. 2063 (Partial) Q. No. 5**

The short working of the year 2060 was Rs. 4,000 and there was a surplus of Rs. 3,000 in the year 2061. The royalty of the year 2061 was Rs. 15,000. The royalty agreement provided that short working could be recouped in the next year only:

Required: Journal entries in the book of lessee for 2060 and 2061 by debiting minimum rent account where necessary. [2+3]

Ans: Unrecouped short working in 2061 = Rs. 1,000;  
recouped = Rs. 3,000 and minimum rent = Rs. 12,000

24. 2062 (C) Q. No. 13

Arun grants his minefield on lease to Barun with effect from January 1, 2000 at a royalty of Rs. 0.50 per ton of the coal produced. The following is the quantum of output for three years: ?

Year	2000	2001	2002
Output (tonnes)	3,000	5,000	6,000

The minimum rent is Rs. 2,500 and each year's short workings is recoverable during the next 2 years.

Required: ① Entries in the year 2002 only ② Short workings account for three years [3+2]

Ans: Short working recouped in 2002: Rs. 500 and unrecouped in 2002: Rs. 500

25. 2062 (F) Q. No. 13

An accounting teacher wrote a book on accountancy and got it published from a publishing company on the terms that royalties would be 15% for first three years and then after 20% until it is revised on the published price of the copies sold with a minimum of Rs. 100,000 per year. This arrangement was to last for 5 years for the first time. The number of copies and published price were as follows:

Year	No. of copies sold	Published Price
1 <sup>st</sup>	2,000	Rs. 200
2 <sup>nd</sup>	3,000	Rs. 200
3 <sup>rd</sup>	5,000	Rs. 200
4 <sup>th</sup>	4,000	Rs. 250
5 <sup>th</sup>	6,000	Rs. 300

If the royalties are not reached to minimum amount in any year, the shortfall amount can be recouped within the first five years of the contract period.

Required: ① Entries in the year 5<sup>th</sup> ② Short working account [3+2]

Ans: Short working recouped 3<sup>rd</sup> year = Rs. 50,000

26. 2061 (C) Q. No. 5

A took a lease of mine on a royalty of Rs. 2 per unit raised with a minimum rent of Rs. 20,000 per year. The output of the first three years were as follows:

Year.	1	2	3
Output in units	8,000	9,000	11,000

According to the terms of agreement there is a provision for recoupment in the following year only.

Required: Royalty account and short working account in the books of A. [2+3]

Ans: Unrecouped short working: 2<sup>nd</sup> year = Rs. 4,000 and  
recouped short working: 3<sup>rd</sup> year = Rs. 2,000

27. 2061 (F) Q. No. 9

A lessee took a lease of mine for a period of 25 years from a lessor on the following terms:

- Minimum rent: Rs. 12,000 per year.
  - Royalty: Re. 1 per unit of output.
  - Shortworking is recoverable out of the royalty payable in the following year only.
  - Minimum rent for strike year would be taken on the basis of actual working period in that year.
- The output in three different years were:

Years	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>
Output in units	10,000	12,000	6,000 [Strike 4 months]	12,000

Required: Short working account in the books of lessee for 4 years. [5]

Ans: Uncouped short working: 2<sup>nd</sup> year = Rs. 2,000 and 4<sup>th</sup> year = Rs. 2,000

28. 2060 (C) Q. No. 14

Nepal Co. Ltd. patentees of a product, issued a license to Kantipur Co. Ltd. to use such right on a royalty basis for four years. Sales and closing stock in units are:

Year	1	2	3	4
Sales units	1,000	2,000	2,400	2,200
Closing stock	200	400	200	100

The agreement of royalties provided the following:

- Minimum rent of Rs. 12,000 per annum.
- Royalty Rs. 5 per article manufactured.
- The power to recoup short working within the next two years of surplus royalty.

**Required:** (a) Output per year in units (b) Short working accounting the books of Kantipur Co. Ltd. (c) Nepal Co. Ltd. account in the books of Kantipur Co. Ltd. [2+3+3]

**Ans:** (a) 1,200, 2,200, 2,200 and 2,100 units; (b) Unrecouped short working: 3<sup>rd</sup> year = Rs. 6,000 and 4<sup>th</sup> year = Rs. 3,500

**29. 2060 (F) Q. No. 5**

A Colliery is leased to a company on the following terms:

- Period of lease 5 years
- Rate of royalty Re.1 per unit raised
- Recoupment period for short working raised, within first three years.

The following are the relevant particulars:

Year	1	2	3	4
Output (units)	6,000	10,000	13,000	9,000
Short working (Rs.)	4,000	-	-	1,000

**Required:** Journal entries in the books of lessee for the year 3.

**Ans:** Unrecouped short working: 4<sup>th</sup> year = Rs. 1,000 and recouped short working: 3<sup>rd</sup> year = Rs. 3,000 [5]

**30. 2059 (C) Q. No. 7**

The analytical table showing the royalties payable and short working for 5 years is as follows:

Year	Royalties	Short working	Short working recouped	Short working not recouped
1	Rs. 10,000	Rs. 10,000	-	-
2	15,000	5,000	-	-
3	20,000	-	-	10,000
4	22,000	-	2,000	3,000
5	22,000	-	-	-

**Required:** Minimum rent account and short working account in the books of Lessee.

**Ans:** Minimum rent = Rs. 20,000 [2+3]

**31. 2059 (F) Q. No. 14**

A publisher published a book written by a writer on the following terms:

- The publisher has to pay a royalty of 15% on published price of copies sold, subject to a minimum royalty of Rs. 50,000 p.a.
- If, for any year, the royalties calculated on copies sold to be less than the minimum royalties, the publisher may recoup the short working against royalties payable in excess of minimum royalties in the next year only but not afterwards.
- Payments to be made on 31<sup>st</sup> Chaitra every year.

The number of copies published, sold and priced for four years were:

Year	1	2	3	4
Published	2,000	3,000	1,000	2,000
Sold	1,500	2,000	2,000	2,500
Price per book	Rs. 150	Rs. 160	Rs. 170	Rs. 170

**Required:** (a) Royalties account in the books of publisher (b) Short working account in the books of publisher (c) Writer's account in the books of publisher. [2+3+3]

**Ans:** (a) Royalties amount = Rs. 33,750, 48,000, 51,000 and 63,750 (b) Short working recouped: 3<sup>rd</sup> year = Rs. 1,000 & Unrecouped: 2<sup>nd</sup> year = Rs. 16,250 and 3<sup>rd</sup> year = Rs. 1,000

**32. 2058 (C) Q. No. 11**

A Colliery Co. paying a minimum rent of Rs. 8,000 provides you the following information:



Years	Surplus	Short Working	Short working	
			Recouped	Not recouped
1	-	Rs. 7,000	-	-
2	-	Rs. 3,000	-	Rs. 7,000
3	Rs. 2,000	-	Rs. 2,000	Rs. 1,000

**Required:** (a) Journal Entries for the year in the book of Lessee.

(b) Short working account for the year in the book of Lessee

**Ans:** Royalties amount = Rs. 1,000, 5,000 and 10,000

**33. 2058 (F) Q. No. 9**

A company with the copyright on a book, transfer publishing it to B Company on the following terms and conditions:

- Royalty payable is Rs. 4 per book.
- The minimum royalty is fixed at Rs. 10,000 p.a.
- The short working can be recouped within five years only

The following are the details of books published by B Company.

Year	1	2	3	4	5
No. of copies	1800	2000	2500	3000	3200

**Required:** Journal entries for last two years in the books of A co.

**Ans:** Short working recouped: 4<sup>th</sup> year = Rs. 2,000, 5<sup>th</sup> year = Rs. 2,800

**34. 2057 (C) Q. No. 10**

The following are the necessary information about royalty transactions:

- Short workings not yet recouped for three year are:  
Year I – Rs. 4,000      Year II – Rs. 6,000      Year III – Rs. 1,000
- Royalty of any year remaining less than minimum pay is allowed for deduction out of surplus royalty of next three year.
- The minimum rent agreed each year is Rs. 15,000.
- Royalties of year IV and V are Rs. 20,000 and Rs. 18,000 respectively.

**Required:** Necessary journal entries for year IV and V in the book of lessor.

**Ans:** Short working recouped: 4<sup>th</sup> year = Rs. 5,000, 5<sup>th</sup> year = Rs. 3,000 and

Unrecouped: 5<sup>th</sup> year = Rs. 2,000

**35. 2057 (F) Q. No. 10**

The royalty payable amounts and other information about outstanding short working are stated below:

Year	Royalty payable	Outstanding	
		Short working	Excess royalty
I	Rs. 5,000	Rs. 10,000	-
II	Rs. 8,000	Rs. 7,000	-
III	Rs. 19,000	-	Rs. 4,000
IV	Rs. 20,000	-	Rs. 5,000
V	Rs. 15,000	-	-

Excess royalties of the following two-year may be used to recoup outstanding short working of the pervious years.

**Required:** Short working Account for five years period.

**Ans:** Short working recouped: 3<sup>rd</sup> year = Rs. 4,000, 4<sup>th</sup> year = Rs. 5,000 and

Unrecouped: 3<sup>rd</sup> year = Rs. 6,000 and 4<sup>th</sup> year = Rs. 2,000

**36. 2056 (C) Q. No. 14**

X Colliery Company Ltd. leased a coalfield merging to pay the royalty of Rs. 0.50 per ton with a minimum rent of Rs. 10,000 p.a. The agreement was that each year's excess of minimum rent over royalties is recovered out of the excess royalty of next three years. In the event of strike if the minimum rent is not reached, the lease provided that the actual royalty earned for the year discharges all the rental obligation for the year. The result of working were as follows:

Year	1	2	3	4	5
Output in tons	15,000	21,000	12,000 (Strike)	16,000	22,000

**Required:** Write up (a) Royalties a/c (b) short working a/c (c) Landlord a/c [2+3+3]

**Ans:** Short working recouped: 2<sup>nd</sup> year = Rs. 500, 5<sup>th</sup> year = Rs. 1,000 and Unrecouped: 4<sup>th</sup> year = Rs. 2,000 and 5<sup>th</sup> Year = Rs. 1,000

**37. 2056 (F) Q. No. 12 (OR)**

A Colliery Co. Obtained a lease for a coal mine on the following terms and conditions:

Royalty at Re. 1 per tonne raised.

Minimum rent Rs. 12,000 p.a.

Recoupment of short working each year during three years following to a maximum of Rs. 2,000 p.a.

Working up to the first 4 years is as follows:

Year	1	2	3	4
Actual Royalty	Rs. 7,000	Rs. 10,200	Rs. 16,100	Rs. 13,600

**Required:** (a) Journal Entries for year 3 and 4 [4]

(b) Short working account and Dead Rent Account [4]

**Ans:** Short working recouped: 3<sup>rd</sup> year = Rs. 2,000, 4<sup>th</sup> year = Rs. 1,600 and unrecouped: 4<sup>th</sup> year = Rs. 1,400

**15. ACCOUNTING FOR GOODS SOLD AND PURCHASED UNDER HIRE PURCHASE AND INSTALMENT**

**A. HIRE PURCHASED SYSTEM**

**THEORETICAL QUESTIONS**

**1. 2064 (Old- C) Q.No. 1**

"The seller can seize the goods on default by the buyer to pay price in case of hire purchase system." Comment. [5]

**2. 2061 (C) Q. No. 2**

In Hire Purchase, how does the ownership of assets transfer to purchaser? Write what do you know about it. [5]

**NUMERICAL PROBLEMS**

**3. 2069 Q.No. 9**

X Co. purchased a machine for Rs. 60,000 on hire purchase system on 1<sup>st</sup> January 2004, and the payment thereof was to be made in four yearly instalments of Rs. 15,000 each. The cash value of the machine is Rs. 50,000. The company decided to charge depreciation @ 10% on SL basis.

**Required:** ① Machine Account ② Vendor's Account in the book of X Co. [2.5 + 2.5]

**Ans:** ① Balance Rs. 30,000 ② Total Rs. 15,000

**4. 2068 Q.No. 9**

On 1<sup>st</sup> January 2005, Mr. Tamrakar Purchased a television set from TV showroom, Baghbazar under hire purchase system. The cash price was Rs. 41,800. The following terms being agreed between purchaser and seller.

- Rs. 12,000 was paid on signing the agreement.
- Balance was paid in three equal installments of 12,000 at the end of each year.
- The rate of interest charged by the seller was 10% per annum.

**Required:** (a) Hire Vendor's Account in the book of Purchaser

(b) Hire Purchaser's Account in the book of Vendor [2.5+2.5]

**Ans:** Interest Rs. 2,980; Rs. 2,078 and Rs. 1,142

**5. 2067 Q.No. 9**

The Kathmandu Motor Company purchases a car on hire purchase system from B. Co. on 1<sup>st</sup> Baishak 2062 paying cash Rs.300,000 and agreeing to pay in three equal installments of Rs.300,000 each on 31<sup>st</sup> Chaitra each year. B. Co., charges interest at 10% per annum. Kathmandu Motor Company writes off depreciation at the rate of 10% on diminishing balance method.

**Required:** (a) Car A/C in the book of Motor Co. (b) B. Co.'s A/C in the book of Motor Co. [3+2]

**Ans:** (a) Balance = Rs. 762,574 (b) Amount of interest = Rs. 74,606 & Rs. 52,066 & Rs. 27,273

**6. 2066 Q.No. 9**

Mr. Joshi purchased a bike costing Rs. 80,000 from Ktm Bike Centre on hire purchase system. He paid 25% as cash down on purchase date and rest amount in three annual instalments of Rs. 20,000 plus 12% interest p.a.

**Required:** Mr. Joshi's account in the book of Ktm Bike Centre.

**Ans:** Interest Rs. 7,200; Rs. 4,800 and Rs. 2,400; Total instalment Rs. 94,400 [5]

**7. 2065 Q.No. 6**

A company purchased a machine on 1st Baishak, 2061 on the hire purchase system over a period of 3 years. The vendor charges 10% per annum interest on the yearly balances. Depreciation had to be written off at 20% on the diminishing balance. Payments were to be made as under:

Date	Rs.
1.1.2061	10,000
31.12.2061	49,000
31.12.2062	35,000
31.12.2063	22,000

**Required:**

(i) Machine Account in the books of buyer (ii) Hire Vendor's Account in the books of buyer. [2+3]

**Ans:** (i) Balance Rs. 51,200 (ii) Amount of interest Rs. 9,000; Rs. 5,000; Rs. 2,000

**8. 2064 Q.No. 12**

A Metal Workshop purchased a drilling machine from Equipment Distribution Centre on 1.1.20X1 under Hire-purchase system. Rs. 10,000 was paid by the workshop on delivery of the machine made on the same day. The workshop paid further four annual instalments consisting of Rs. 10,000 cash value plus 6% p.a. interest on the balance due at the end of each year.

**Required:** Vendor's Account in the book of Hire-Purchaser.

**Ans:** Cash price of machine Rs. 50,000 [5]

**9. 2064 (Old-C) Q.No. 11**

Star enterprise purchased a colour television on hire-purchase system on 1.1.2055 by making Rs. 20,000 cash down payment from Television Distributor Shop. The balance was settled in three equal annual instalments with interest at 5% p.a. The third instalment was settled by paying Rs. 16,800 inclusive of interest.

**Required:** (a) Cost price (b) Vendor's account for three years.

[2+3 = 5]

**Ans:** Total cost price = Rs. 68,000

**10. 2063 (Partial) Q. No. 6**

The terms of payment by Mr. Nepal to Sunshine house Appliance of the purchase of Refrigerator in hire purchase system are as follows:

1.1.2060	Rs.10,000	31.12.2060	Rs. 6,600	31.12.2061	Rs. 6,300
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The rate of interest fixed is 5% on the outstanding balance.

**Required:** (a) Cash price (b) Sun shine House Appliance Account in the book of Hire-Purchaser

[2+3]

**Ans:** (a) Cash price = Rs. 22,000 (b) Interest Rs. 600 and 300

**11. 2062 (C) Q. No. 5**

A scooter was purchased on Hire-Purchase System on 1.1.2002 at a list price of Rs. 42,000. A sum of Rs. 10,500 was paid at the time of signing the agreement and two annual instalment of Rs. 18,150 each were paid on the closing day of each year.

The rate of interest paid was 10 percent per annum.

**Required:** Journal entries in the books of vendor.

(suggested not to open interest suspense account)

[5]

**Ans:** Interest: 2002= Rs. 3,150 and 2003 = Rs. 1,650

**12. 2062 (F) Q. No. 5**

Pentium IV computer was purchased on 1.1.2003 by making cash down of Rs. 8,000 to Kathmandu Computer Enterprise. First instalment of Rs. 15,000 plus interest on 30.6.2003 and second instalment of Rs. 15,000 plus interest on 31.12.2003 were paid.

The rate of interest charged was 8% p.a.

**Required:** Journal entries in the book of Hire-Purchaser. (Do not waste your time by creating interest suspense account) [5]

**Ans:** Cash value Rs. 38,000, Interest Rs. 1,200 and 600

**13. 2061 (C) Q. No. 7**

X Private Ltd. purchased a television set on hire purchase system on 1<sup>st</sup> Baishakh 2057. The amount payables were being Rs. 40,000 on the date of purchases. Rs. 26,000 at the end of 1<sup>st</sup> year Rs. 24,000 at the end of the 2<sup>nd</sup> and Rs. 22,000 in the third year. The supplier charged 10% p.a. interest on unpaid balance and the company wrote depreciation @ 10% p.a.

**Required:** (i) Television Account (ii) X Ltd. Account in the book of supplier. 3+2

**Ans:** Interest = Rs. 6,000, Rs. 4,000 and 2,000; Balance = Rs. 72,900

**14. 2061 (F) Q. No. 10**

X Ltd sold a car on hire purchases system on 1<sup>st</sup> January 2000 to Y. The agreement was to pay Rs. 25,420 in the date of signing of agreement and Rs. 30,000 at the end of each year including interest. X Ltd charged interest @ of 10% p.a. for the amount remained unpaid. The annuity table showed the present value of rupee for three year hence at 10% p.a. 2.486.

**Required:** (i) Y's Account in X Ltd's book (ii) Interest account in X Ltd's book 3+2

**Ans:** (i) Cash value = Rs. 100,000; (ii) Interest amount = Rs. 7,458; Rs. 5,204 and Rs. 2,758

**15. 2060 (C) Q. No. 11**

Mr. X purchased a motorbike from Hero Honda Co. on hire purchase system. According to agreement, Mr. X was to pay 40% of cash price at the beginning as down payment and balance in equal instalment of Rs. 20,000 in three years plus interest at 20%.

**Required:** Motorbike Account and Hero Honda Co. Account in the books of X. [5]

**Ans:** Balance of motor bike = Rs. 72,900

**16. 2060 (F) Q. No. 7**

Taxi Ltd purchased cars on hire purchase system from Auto Ltd. on 1<sup>st</sup> Baishakh 2058. The cash price of the car was Rs. 130,000. The amount payable were Rs. 40,000 on the date of purchase and rest in three equal instalment of Rs. 30,000 plus 10% p.a. interest at the end of the year. The Taxi Ltd. writes off @ 10% p.a. for depreciation on its vehicles.

**Required:** ① Car account ② Auto Ltd's a/c in the books of Taxi Ltd. [3+2]

**Ans:** Balance as on 31-12-2058 = Rs. 94,770 and Interest amount = Rs. 9,000, Rs. 6,000 and Rs. 3,000

**17. 2059 (C) Q. No. 5**

Mr. S purchased a motorbike from a dealer at a price of Rs. 82,000 on Baishakh 1<sup>st</sup>, 20X2 under Hire Purchase System. Mr. S made cash down of Rs. 40,000 and rest in three equal annual instalments of Rs. 20,000. The motorbike was depreciated by 10% p.a.

**Required:** (a) Cash price included in the three annual instalments without assuming rate of interest. (b) Journal entries for the first year in the books of vendor. [3+2]

**Ans:** Interest: 1<sup>st</sup> year Rs. 9,000, 2<sup>nd</sup> year Rs. 9,000 and 3<sup>rd</sup> year Rs. 3,000

**18. 2059 (F) Q. No. 5**

The statement of the instalments payable for the television purchased under Hire Purchase System is given below:

	Annual cash value	Annual interest
Cash down	Rs. 10,000	
Year I	Rs. 20,000	Rs. 4,000
Year II	Rs. 20,000	Rs. 2,000

The television was purchased on Baishakh 1<sup>st</sup>, 20X1 and annual instalments were paid on the closing date of each year.

**Required:** Journal entries in the book of hire Purchaser for two years [5]

**Ans:** Total instalment = Rs. 56,000

**19. 2058 (C) Q. No. 9 (OR)**

Mr. A acquired furniture on hire purchase from a company Ltd. The term of the contract were as follows:

- Rs. 40,000 were to be paid on signing of the contract.

- ii. Interest chargeable on the outstanding balance was 10%. The balance was to be paid in four annual instalment of Rs. 20,000 on 31<sup>st</sup>, Chaitra each year. Depreciate furniture by 10% on SL.
- iii. The interest payable for 4 different years are as follows:

Year	Interest
1	Rs. 6,340.00
2	Rs. 4,974.00
3	Rs. 3,471.40
4	?

**Required:** (a) Furniture Account in the books of Mr. A

[3]

(b) Interest Account in the books of Mr. A

[2]

(c) Vendor's Account in the books of Mr. A

[3]

Ans: (a) Total cash price = Rs. 103,400 (b) Interest for 4<sup>th</sup> year Rs. = 1,814.60

**20. 2058 (F) Q. No. 10**

Mr. A, purchased a car under hire purchase system, from Mr. B on 1<sup>st</sup> Baishakh, 2054 paying cash Rs. 51,315 and agreeing to pay three further installments of Rs. 100,000 each on 31<sup>st</sup> Chaitra each year. B Co. charges interest at 10% p.a. Mr. A writes off depreciation at the rate of 10% p.a. on diminishing balance method. The depreciated value at the end of 3<sup>rd</sup> year was Rs. 218,700.

**Required:** (a) Cash value of the car.

(b) Car account in the books of Mr. A.

(c) Mr. A's account in the books of Mr. B

[1+3+3]

Ans: (a) Total cash value Rs. 300,000 (b) Balance of car on 31-12-2056 = Rs. 218,700

**21. 2057 (C) Q. No. 7**

On 1<sup>st</sup> Baishakh, 2054, Mr. Sharma purchased a plant from Morang Auto Works on Hire Purchase System by annual instalment of Rs. 30,000 over a period of 3 years. Morang Auto Works charges interest at 5% p.a. on yearly balance. Given the present value of an annuity of Re. 1 p.a. at the rate of 5% interest is 2.7232.

**Required:** (a) Sharma's account in the books of vendor.

[5]

(b) Interest account in the books of Sharma

[3+2]

Ans: Total cash price = Rs. 81,696

**22. 2057 (F) Q. No. 7**

The Vendor's account in the books of a buyer under Hire System is given below.

Date	Particulars	Rs.	Date	Particulars	Rs.
1.1.054	To Bank a/c	10,000	1.1.054	By Machinery a/c	10,000
31.12.054	To Bank a/c	13,000	31.12.054	By Machinery a/c	10,000
			31.12.054	By Interest a/c	3,000
		<b>23,000</b>			<b>23,000</b>

The cash price of the machinery was Rs. 40,000 and the agreement was signed on 1<sup>st</sup> Baishakh, 2054. After paying cash down value the balance is paid in three annual instalments with interest.

**Required:** Journal Entries in the books of the buyer for 3 years from 2054 to 2056 B.S.

[5]

Ans: Total instalment = Rs. 46,000

**23. 2056 (C) Q. No. 11 (OR)**

Mr. Rajesh bought a television under hire purchase system. The cash price of television was Rs. 20,900. The terms of the purchase are as follows:

- Rs. 6,000 to be paid on signing the agreement.
- Balance to be paid in three equal installment of Rs. 6,000 at the end of each year
- Interest chargeable on the outstanding balance is 10% of per annum.

**Required:** (a) Vendors account in the books of Rajesh

[2.5]

(b) Rajesh account in the books of vendor.

[2.5]

Ans: Interest = Rs. 1,490, 1,039 and 571

**24. 2056 (F) Q. No. 14**

On 1<sup>st</sup> Baishakh of 1<sup>st</sup> year, Mr. Buyer bought a machine from Mr. Vendor on hire purchase system under the following terms:

- Rs. 30,000 payable on signing the agreement and remaining in three equal instalments together with interest.
- Interest to be charged @ 25% p.a.
- Depreciation to be provided at 10% annually on diminishing balance method.
- The last instalment including interest was of Rs. 25,000.

**Required:** (a) Cash value of machine (b) Machine account in the books of Mr. Buyer (c) Mr. Buyer's Account in the books of vendor [2+3+3]

**Ans:** (a) Rs. 78,800 (b) Balance = Rs. 57,445, amount of interest Rs. 12,200, 9,000 and 5,000

**B. INSTALLMENT SYSTEM****THEORETICAL QUESTIONS****1. 2069 Q.No. 1**

"Instalment purchase system is an outright sales." Explain. [5]

**2. 2066 Q.No. 3**

On what grounds sales of goods under hire purchase system differs with sales of goods under instalment system? Write in brief. [5]

**3. 2063 Q. No. 3**

Mention the points of difference between Hire Purchase and Instalment system from the legal point of view. [5]

**4. 2062 (C) Q. No. 1**

State any three essential features of instalment system. [5]

**5. 2060 (C) Q. No. 2**

Explain in brief any three points that differentiate Hire Purchase and Instalment Purchase System. [5]

**6. 2060 (F) Q. No. 4 (OR)**

Differentiate between hire Purchase System and Instalment Purchase System. [5]

**7. 2058 (F) Q. No. 2**

"The seller has no right of repossession of the assets sold under instalment system." [5]

**NUMERICAL PROBLEMS****8. 2069 Q.No. 10**

Shyam purchased a computer on instalment system for Rs. 280,000 payable in 4 equal instalments plus interest @ 10% p.a.

**Required:** ① Vendor Account ② Interest Account in the books of vendor [2+3]

**Ans:** Balance: ① Rs. 77,000 ② Rs. 7,000

**9. 2068 Q.No. 10**

A cold drink shop bought a refrigerator on instalment purchase system on the following terms and conditions:

The cash down payment at the date of agreement is Rs. 9,000.

The outstanding amount is to be settled by paying two equal annual instalments of Rs. 11,760 at the end of each year.

The rate of interest applicable is 12% p.a.

**Required:** (a) The cash price of the refrigerator (b) The vendor's account in the book of purchaser [2+3]

**Ans:** (a) Total cost price Rs. 28,875 (b) Interest Rs. 2,385 and Rs. 1,260

**10. 2067 Q.No. 10**

A company purchased a machine on instalment system from a Machine Co. Ltd., on 1<sup>st</sup> Baishakh 2062 agreeing to pay Rs. 100,000 on signing date and balance in two equal instalments of Rs. 200,000 with 10% interest per annum every year. The company uses straight line method of depreciation over the two years life of machine.

**Required:** (a) Machine Account in the book of the purchaser (b) Journal entries in the book of vendor for the year 2062 only. [2+3]

**Ans:** Interest: First year Rs. 40,000 and second year Rs. 20,000

**11. 2066 Q.No. 10**

A company purchased a plant on instalment basis on the following terms:

- Cash down payment on 1-1-2006 Rs. 6,000
- Three annual instalment of Rs. 6,000 each, the first to be paid at the end of the year 2006.
- 5% per annum interest is charged by the vendor company.
- Cash price of the plant Rs. 22,340.

**Required:** Vendor Company Account and interest suspense account in the books of a co. [2.5+2.5]

**Ans:** Interest Rs. 817; Rs. 558 and Rs. 285 = Rs. 1,660

**12. 2065 Q.No. 8**

On 1st Baishakh 2060, Mr. A purchased a car under instalment system for Rs. 828,000, Mr. A paid Rs. 108,000 on delivery. The balance was to be paid in two equal instalments of Rs. 360,000 plus interest at 10% per annum. Mr. A charges depreciation at 20% per annum on Diminishing Balance Method.

**Required:** Vendor Company Account and Car Account in the books of A. [3+2]

**Ans:** Total interest = Rs. 108,000; Balance on 31/12/2060 = Rs. 529,920

**13. 2064 Q.No. 6**

A company purchased a vehicle from vendor under instalment system over a term of 3 years on 1st January, 20X3. The instalment of Rs. 100,000 each were payable yearly. The interest on outstanding amount chargeable was 10% per annum. Annuity factor for 3 years at 10% is 2.48685. Depreciation was written off @ 10% per annum.

**Required:** Vendor's account in the books of buyer account for 3 years. [5]

**Ans:** Cash price of vehicle Rs. 248,685;

**14. 2064 (Old-C) Q.No. 8**

Mr. Buyer purchased a washing machine from Mr. Vendor under instalment system on 1st Baishakh 2060 paying cash Rs. 5,000 on agreement. Mr. Buyer agreed to pay next two instalments of Rs. 10,000 and Rs. 13,888 in two subsequent years. The interest on the outstanding amount has been fixed at 12%. The balance remained after paying cash down value was Rs. 20,000.

**Required:** Vendor's Account and Interest Suspense Account in the books of Mr. Buyer. [3+2]

**Ans:** Total cash value = Rs. 28,888; Interest = Rs. 3,888

**15. 2063 Q. No. 7**

A workshop purchased a generator from Alpha Generator Emporium for the cash value of Rs. 35,000 on 1.7.2055 under installment system. The cash down of Rs. 15,000 was paid and remaining amount was paid in four half yearly installments consisting of equal value plus interest at 10% p.a. on the balance due.

**Required:** Interest suspense account for 2055, 2056, 2057. [5]

**Ans:** Interest: 2055= Rs. 1,000, 2056= Rs. 750 and 500, 2057= Rs. 250

**16. 2063 (Partial) Q. No. 7**

Mr. Jiban obtained a set of furniture from Ms Furniture Craft under installment system with the following terms.

- Payment of Rs. 10,000 on signing the agreement dated 1.1.2060
- First installment of Rs. 24,000 was paid on 31.12.2060 including interest of Rs. 4,000 charged at 10% p.a.
- Second installment equal to the cash value as in the first installment plus the interest at specified rate was paid on 31.12.2061.

**Required:** (a) Cash value (b) Vendor's account (c) Interest suspense account [1+2+2]

**Ans:** (a) Cash value = Rs. 50,000 (b) Interest Rs. 4,000 and 2,000

**17. 2062 (C) 5 (OR)**

A company purchased a machinery on instalment basis from machinery co. Ltd. On the following terms:

- Cash down payment at the time of signing agreement that is, on January 1, 2002 Rs. 8,175.
- Three annual instalments of Rs. 8,800 at the end of December each year.
- Interest at 10% p.a. is charged by the supplier.

d. Depreciation at 25% on straight line basis is written off on machinery.

**Required:** ① Cash price of machine ② Machinery a/c

[2+3]

**Ans:** (a) Total cash price = Rs. 30,060 (b) Balance of machine Rs. 7,515

**17. 2062 (F) Q. No. 5 (OR)**

A Company purchased machinery on instalment basis from Machinery Ltd. The terms are:

- Cash down payment on January 1, the date of signing the contract is Rs. 12,645.
- There annual instalments of Rs. 11,000 at the end of December each year.
- Interest at 10% p.a. is charged by the seller
- Depreciation at 20% on written down value method is written off on machinery.

**Required:** ① Cash price of machine ② Machine a/c for three year

[2+3]

**Ans:** (a) Total cash price = Rs. 40,000 (b) Balance of machine a/c Rs. 20,480

**18. 2061 (C) Q. No. 6**

On January 1, year 5, Nature Hotel Ltd. Purchases four motorcycles on the instalment system for Vehicle Co. Ltd. Teku. The cash price of the motorcycles is Rs. 400,000; Rs. 80,000 is paid on delivery and balance in four instalments of Rs. 80,000 each and are paid on December 31, each year. In addition, interest is to be charged at 6% p.a. on yearly balances.

**Required:** In the books of Nature Hotel Ltd. The Motorcycles Account.

5

**Ans:** Balance of motorcycle = Rs. 262,440 (Assume Depreciation Rate 20% DBM)

**19. 2061 (F) Q. No. 5**

Mr. Buyer purchased a machine on installment system from Mr. Vendor on 1<sup>st</sup>, January 2001, paying cash Rs. 50,000 and agreed to pay Rs. 60,000 at the end of 1<sup>st</sup>, year and Rs. 55,000 at the end of 2<sup>nd</sup> year, Mr. Vendor charges interest at 10% p.a..

**Required:** Mr. Vendor's Account in the books of Mr. Buyer for the year 2001 and 2002.

5

**Ans:** Total cash price = Rs. 150,000, Interest: Rs. 10,000 and Rs. 5,000

**20. 2060 (C) Q. No. 5**

A computer is purchased under instalment system with the following terms and conditions:

- Purchase date is Baishakh 1, 20X1
- Cash equal to 25 percent of the cost of required to be paid on signing date.
- Cost of computer is Rs. 80,000
- Rest amount is settled in four equal half-yearly instalments plus 20 percent per annum interest on the outstanding amount.

[5]

**Ans:** Interest: for 20X1 = Rs. 6,000 and Rs. 4,500 for 20X2 = Rs. 3,000 and Rs. 1,500

**21. 2060 (F) Q. No. 6**

Samsung TV Manufacturing, Nepal sold TVs to Hotel Diamond on instalment system. The cost price of TVs was Rs. 74,500, Rs. 20,000 was to be paid on delivery and the balance in three instalments of Rs. 20,000 each at the end of each year. The manufacturing concern charge interest at the rate 5% p.a.

**Required:** ① TVs account ② Interest suspense account

[3+2]

**Ans:** Interest amount = Rs. 2,725, Rs. 1,861 and Rs. 914

**22. 2059 (C) Q. No. 11**

Mr. A purchased a television on instalment system from a vendor for Rs. 50,000. Rs. 20,000 has been paid on delivery and balance paid in 3 annual instalments of Rs. 10,000 plus interest of 10% p.a.

**Required:** A's account and interest suspense account in the books of vendor.

[5]

**Ans:** Interest: 1<sup>st</sup> year Rs. 3,000, 2<sup>nd</sup> year Rs. 2,000 and 3<sup>rd</sup> year Rs. 1,000

**23. 2059 (F) Q. No. 11**

The following details are the annual instalments and interest payable for the purchase of a washing machine under instalment purchase system.

Year	Annual instalments	Annual interest
20X0	Rs. 25,000	Rs. 7,800
20X1	Rs. 25,000	Rs. 6,080
20X2	Rs. 25,000	Rs. 4,188
20X3	Rs. 25,000	Rs. 3,932



The washing machine was purchased on Baishakh 1<sup>st</sup>, 20X0 at a cost of Rs. 78,000. Annual depreciation charged on the washing machine was 10% p.a.

**Required:** Washing machine in the book of purchaser for first two years. [5]

**Ans:** Balance of machine on 30-12-20X3 = Rs. 63,180

**24. 2058 (C) Q. No. 7**

A company purchased a machine on instalment system on the following terms:

- Cash price – Rs. 80,000
- Down payment at the time of agreement Rs. 21,622
- 5 annual instalment of Rs. 15,400 at the end of each year.
- Rate of interest is 10%

**Required:** Vendor's Account.

[5]

**Ans:** Total interest = Rs. 18,622

**25. 2057 (C) Q. No. 8**

Mr. Shrestha purchased under instalment system a scooter from Dharan Auto Works on 1<sup>st</sup> Baishakh, 2054 paying cash Rs. 10,000 and agreeing to pay three further instalments of Rs. 20,000; Rs. 18,400 and Rs. 8,800 paying at the end of three subsequent years. The balance remained after paying cash down value was Rs. 40,000 and interest paid Rs. 4,000 in first instalment.

**Required:** Journal Entries in the books of Dharan Auto Works.

[5]

**Ans:** Total cash value = Rs. 50,000

**26. 2057 (F) Q. No. 8**

On 1<sup>st</sup> Baishakh, 2054 Mr. Megh Raj bought a Motor-bike from Pawan Raj on instalment system under the following terms:

- Rs. 20,000 payable on signing the agreement on 1.1.054
- Remaining balance to be paid in three equal instalments of Rs. 20,000 each at the end of the subsequent years.
- The interest rate is 8% and the present value of an annuity of Re.1 p.a. for three years at 8% is 2.577

**Required:** (a) Pawan Raj Account in the books of Megh Raj

(b) Interest Account in the books of Pawan Raj

[5]

**Ans:** Total cash value = Rs. 71,540

**27. 2056 (C) Q. No. 5**

A company purchased a computer from vendor under instalment system over a term of 4 years on 1<sup>st</sup> Baishakh 2051. The installments of Rs. 20,000 each were payable yearly. The interest on outstanding amount chargeable was 10% per annum. The present value of an annuity of Re. 1 p.a. for 4 years at 10% is 3.1699. Depreciation was written off @ 10% p.a.

**Ans:** Total cash value = Rs. 63,398 and amount of interest Rs. 6,340, 4,974, 3,471 and 1,817

**28. 2056 (C) Q. No. 11**

Kantipur Metal Company purchased a machine from Birat Machine Co. under instalment system for Rs. 92,000. Kantipur Metal Co. paid cash of Rs. 12,000 on signing of the contract. The business was to be paid by annual installment of Rs. 40,000 plus interest at 10% on outstanding balance.

**Required:** (a) Kantipur Metal Co. Ltd. A/c in the books of Birat Machine Co.

(b) Interest A/c in the books of Kantipur Metal Co.

[3+2]

**Ans:** Amount of interest = Rs. 8,000 and Rs. 4,000

**29. 2056 (F) Q. No. 12**

On 1<sup>st</sup> Baishakh, 2052 Mr. Bishal purchased a machine from Mr. Thapa on the instalment system. Mr. Bishal paid Rs. 20,000 on 1<sup>st</sup> Baishakh, 2052 and Rs. 15,000; Rs. 10,000 and Rs. 5,000 at the end of 2052; 2053 and 2054 respectively. Interest was charged at the rate of 10% p.a. The present value factor of Re. 1 for 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year are 0.909; 0.826 and 0.751 respectively.

**Required:** Mr. Bishal's Account in the books of Mr. Thapa and Mr. Thapa's Account in the books of Mr. Bishal.

[4+4]

**Ans:** Total present value of cash price = Rs. 45,650, interest = Rs. 2,565, 1,321.50 and 463.50