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Unit-1

Corporate Social Responsibility Accounting

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1.0 Objectives :

After studying this unit, students will be able:

1. To describe the concept of corporate social responsibility and its provisions.
2. To explain the concept of forensic accounting and its scope and significance.

1.1 Introduction :

Accounting is a language of business. If you want to know about any business concern you should know the principles of accounting. As language is mean for communication, similarly, accounting is mean for communication about business. All parties always interested to know about the performance of an organization. Accounting is way of measurement of such performance. At initial stage it was limited to financial accounting and recording of transactions. The perspective of accounting has now shifted from 'recording' to 'reporting'. In the journey of change, the students should be aware of recent developments in accounting. Hence, this separate course has been introduced on contemporary issues in accounting.

1.2 Presentation of Subject Matter :

This unit will cover the concept of forensic accounting and its scope and significance; the concept of corporate social responsibility and its provisions; the concept of carbon credit and the concept of segment reporting.

1.2.1 Corporate Social Responsibility:

Profit-making is one of the objectives of the business; however, a business organization is also a social unit. On one hand, it utilizes society's resources for producing goods and services and on the other hand, they are produced for society is the ultimate consumer. With considering social costs and social benefits, business has a responsibility towards society which is called corporate social responsibility (CSR).

1.2.1.1 Concept of Corporate Social Responsibility:

The concept of corporate social responsibility originated in the 1950s in America. "The concept of corporate social responsibility is often expressed as the voluntary assumption of responsibilities that go beyond the purely economic and legal responsibilities of business." (McGuire, 1972). "Social responsibility, according to some accounts, is the selection of corporate goals and the evaluation of outcomes not solely by the criteria of profitability and organizational well-being but by ethical standards or judgments' of social desirability." (Boatright, 2007).

Corporate Social Responsibility covers all aspects of an organization's operation, inter-alia the relation with stakeholders including the employees as one of

them. Business grows in society and with society. They need infrastructure; they need employees that society provides. CSR is recognition of that interrelationship and inter-dependence and a means of delivering on that obligation. It is a large part of overall sustainability policy, encompassing social, economic and environmental actions.

1.2.1.2 Provisions of Corporate Social Responsibility:

The Companies Act 2013 has specific provisions regarding corporate social responsibility. Section 135 of this act provides for CSR as follows:

- (1) Provisions applicable to every company having:
 - a) net worth of Rs.500 crore or more or;
 - b) turnover of Rs.1,000 crore or more or;
 - c) net profit of Rs.5 crore or more during any financial year
- (2) Board of Directors of such companies are required to spend, in every financial year, minimum 2% of the average net profits of the company made during the 3 immediately preceding financial years, in pursuance of the CSR Policy.
- (3) Such companies are required to constitute CSR committee of its Board of Directors which is responsible for formulating and recommending to the BOD the CSR Policy of the company. The activities covered by CSR have been given in Schedule VII to the Act as under:
 - a) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation including contribution to Swachh Bharat Kosh set up by the Central Government for promotion and sanitation and making available safe drinking water;
 - b) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
 - c) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

- d) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to clean Ganga Fund set up by the Central Government for rejuvenation of river Ganga.
 - e) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts;
 - f) Measures for the benefit of armed forces veterans, war widows and their dependents;
 - g) Training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
 - h) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
 - i) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
 - j) Rural development projects;
 - k) Slum area development.
- (4) Board of Directors is required to approve the CSR policy and disclose its content in the Director's Report and also place the same on the company's website.
- (5) The company is required to give preference to local area and areas where it operates for spending the amount earmarked to CSR.
- (6) If the company fails to spend such amount, Board of Directors is required to specify the reasons for not spending the amount in the Directors' report.

Check your progress-1:

Fill in the blanks:

1. is a large part of overall sustainability policy, encompassing social, economic and environmental actions.
2. The Companies Act 2013 has specific provisions regarding corporate social responsibility in Section

1.2.2 Forensic Accounting:

We read news of any suspicious death either by accident or murder. In such case, the post mortem of deceased is made in forensic lab generally at public hospital. The forensic laboratory at district level or regional level gives report to the police station. In this case, analysis of body is done with biological and medical science measures.

Similarly in financial crimes, investigation is necessary to be undertaken with any enterprise like human body. Forensic accountant and Forensic accounting investigator is emerging profession playing very important role in financial investigation. Forensic accounting is a branch of accounting which intend to make investigation for detecting financial crime and collecting evidences thereof. He/she perform it for resolving suspicions or allegations of fraud through document analysis. Such analysis involves both financial and nonfinancial information, interviewing, and third-party inquiries, including commercial databases. It is interesting to know the concept of forensic accounting.

1.2.2.1 Concept of Forensic Accounting:

Forensic accounting is the investigation of fraud or financial manipulation by performing extremely detailed research and analysis of financial information. Forensic accountants are often hired to prepare for litigation related to insurance claims, insolvency, divorces, embezzlement, fraud, skimming, and any type of financial theft. Following definitions clears the meaning of forensic accounting:

According to George A. Mannie, “Forensic Accounting is the science of gathering and presenting financial information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crimes.”

American Institute of Certified Public Accountants (AICPA) defines forensic accounting as “Forensic Accounting is the application of accounting principles, theories and discipline to facts or hypotheses at issues in a legal dispute and encompasses every branch of accounting knowledge.”

According to Harty, “Forensic Accounting is the science that deals with relation and application of finance, accounting, tax and auditing knowledge to analyze, investigate, enquire, test and examine matters in civil law, criminal law and jurisprudence in an attempt to obtain the truth from which to render an expert opinion.”

Bologana and Lind Quist define “Forensic Accounting is the application of financial skills and an investigative mentality to unresolved issues conducted within the context of rules of evidence. As an emerging discipline it encompasses financial expertise, fraud, knowledge and understanding of business reality and the working of the legal system.”

On the basis of the definitions cited above, we can understand that forensic accounting includes the use of accounting, auditing and investigating skills to assist in legal matters. In other words, it can be said that forensic accounting is the technique which connects accounting system to legal system. Forensic accounting consists of two major services: (a) the litigation services which recognize the role of an accountant as an expert consultant; and (b) the investigative services for making enquiry into the financial books, records and data to uncover hidden assets, siphoned funds etc.

1.2.2.2 Scope of Forensic Accounting:

The process of forensic accounting is divided into four steps such as (i) mapping out investigation, (ii) gathering evidence to support the case, (iii) prepare the report, and (iv) testify in the court. The scope of forensic accounting generally covers the following issues:

- (a) Looking for evidence of unusual developments in the accounting and financial systems.
- (b) Designing accounting processes in such a way to identify possible frauds.
- (c) Scheduling routine audit so as to reduce transaction processing risks.
- (d) Continuous surveillance of all transaction processing systems.

Thomos Golden et. al. (2006) categorized frauds into main two categories such as “(1) frauds perpetrated by people within the organization that result in harm to the organization itself and (2) frauds committed by those responsible for financial reporting, who use financial information they know to be false in order to perpetrate a fraud on investors or other third parties, whereby the organization benefits.”

Joshi (2021) opined that the scope of forensic accounting is limited to financial irregularities but now it covers variety of services such as bank forensic audits, insolvency cases, economic offenses and investigations initiated by regulatory bodies like SEBI etc.

1.2.2.3 Significance of Forensic Accounting:

The significance of forensic accounting can be understood by knowing where and how it is useful. In various fields of life, it is helpful to investigate frauds and misappropriations etc. Following are the areas where the forensic accounting services are needed:

- (1) Assistance in investigation of crimes
- (2) Detection of frauds committed by employees
- (3) Arbitration services
- (4) Assessment and settlement of insurance claims
- (5) Settlement of dues of an outgoing partner
- (6) Liability for professional negligence
- (7) Matrimonial matters
- (8) Infringement of patents and trademarks etc.

A criminal offence may also have financial implications. The services of a forensic accounting are quite useful in preparing and presenting the desired evidence. Frauds made by employees may relate to loss of property or embezzlement of funds by dishonest employees. Forensic accounting may play a very important role in fixing the responsibility of the specific employee.

The parties to a dispute may like to get the financial liability settled through arbitration. In some cases, settlement of dispute through arbitration may be mandatory as per the terms of the agreement. The services of a forensic accounting

may be used in such cases. The insurance claims may relate to loss of property, loss of profits or loss due to any other risk insured.

The work of forensic accountants is done in some or the other form in India by chartered accountants, cost accountants, tax consultants and lawyers. There are some Indian legislations where forensic accounting is required which are: (a) the Companies Act 2013, the Securities Exchange Board of India Act 1992, The Insurance Act 1938, The Prevention of Money Laundering Act 2012, The Foreign Exchange Management Act 1999, The Reserve Bank of India Act 1935 and the Income tax Act 1999. In India, forensic accounting has definite future as a separate niche area of consulting.

Check your progress-2:

Choose the most appropriate alternative:

1. is a branch of accounting which intend to make investigation for detecting financial crime and collecting evidences thereof.
 - (a) Carbon Credit Accounting
 - (b) Forensic accounting
 - (c) Human Resource Accounting
 - (d) Police Accounting
2. Forensic accounting services include:
 - (o) Detection of frauds committed by employees
 - (p) Arbitration services
 - (q) Firing the respective employee
 - (r) Assessment and settlement of insurance claims
 - (s) Settlement of dues of an outgoing partner
 - (a) (o), (p), (q), (r) & (s)
 - (b) (o), (q), (r) & (s)
 - (c) (o), (p), (r) & (s)
 - (d) (o), (p), (q) & (s)

1.3 Summary:

Accounting is a language of business. The perspective of accounting has now shifted from 'recording' to 'reporting'. In the journey of change, the students should be aware of recent developments in accounting. Hence, this separate course has been introduced on contemporary issues in accounting. It covers the concept of corporate social responsibility and its provisions and the concept of forensic accounting and its scope and significance. With considering social costs and social benefits, business has its responsibility towards society which is called corporate social responsibility (CSR). Corporate Social Responsibility covers all aspects of an organization's operation, inter-alia the relation with stakeholders including the employees as one of them. The Companies Act 2013 has specific provisions, under Section 135, regarding corporate social responsibility. Forensic accounting is the investigation of fraud or financial manipulation by performing extremely detailed research and analysis of financial information. The process of forensic accounting is divided into four steps such as (i) mapping out investigation, (ii) gathering evidence to support the case, (iii) prepare the report, and (iv) testify in the court.

1.4 Terms to Remember:

Corporate Social Responsibility: Social responsibility, according to some accounts, is the selection of corporate goals and the evaluation of outcomes not solely by the criteria of profitability and organizational well-being but by ethical standards or judgments of social desirability.

Forensic Accounting: Forensic Accounting is the science of gathering and presenting financial information in a form that will be accepted by a court of jurisprudence against perpetrators of economic crimes.

1.5 Answers to Check your progress:

Check your progress-1:

Answers: 1. Corporate Social Responsibility; 2. 135;

Check your progress-2:

Answers: 1. – (b), 2. – (c)

1.6 Exercise:

1. What is corporate social responsibility?
2. Describe the provisions of corporate social responsibility in Companies Act 2013.
3. What is forensic accounting? Explain the scope of forensic accounting.
4. Write short notes:
 - (a) Significance of forensic accounting

1.7 Classroom Activities:

- (a) Students can visit the website of the CSR portal of the Government of India. They will collect the information and try to understand which CSR projects are going on.
- (b) Teachers can arrange the group discussions on the forensic accounting. Students will be members and leaders of groups. Various aspects of forensic accounting are to be covered in the discussion.
- (c) Students will make presentations in the seminar to be organized on different cases of financial scams.

1.8 Reference for further study:

Joshi, Mayur, Scope of Forensic Accounting Services in India, 2021
<https://indiaforensic.com/scope-forensic-accounting-services-india/>

Thomas W. Golden, Steven L. Skalak, And Mona M. Clayton A, Guide to Forensic Accounting Investigation, John Wiley & Sons, Inc., 2006.

Joseph W. McGuire (1963). Business and Society, New York, McGraw-Hill Publishing, p.144.

John R. Boatright (2008). Ethics and the Conduct of Business, (Fifth Edition) Pearson Education, New Delhi, pp.377-378.



Unit-2

Accounting for package and empties

Index :

2.0 Objective –

After Studying this Unit you will be able to:

1. Understand the process involved in keeping the accounting records of packages and Empties.
2. Explain the meaning of certain key terms and Accounting entries.
3. Find relationship between cost and profit from packaging materials, Returnable packages

2.1 Introduction-

Accounting for packages and empties plays vital role in business industries, particularly those involved in manufacturing, distribution and retails. Suppliers pack goods to maintain their marketability and ensure safe delivery to consumers' destinations. Whether packages or containers are produced internally or purchased externally, they incur costs that must be recovered through the sales price of the packed items. Hence, accounting for packages or containers is essential. The specific accounting methods employed depend largely on how these items are managed and utilized throughout their lifecycle. In the realm of financial accounting, the management of packaging materials and returnable containers—often referred to as packages and empties—plays a crucial role in maintaining accurate financial records and optimizing operational efficiency.

2.2 Presentation of subject matter

Section I. Concepts

Packages: A businessman typically sells his goods using specific containers or packages designed for storing and transporting products. Goods are frequently packaged into bottles, boxes, bags, cans, drums, and other materials to preserve, transport, and market them. These packaging materials, collectively referred to as

packages or containers, play a crucial role in ensuring the safety and convenience of the goods throughout their journey from production to the consumer.

Empties: Empties" refer to returnable or reusable containers and packaging materials that have been emptied of their contents and are awaiting return, reuse, or disposal. These can include items such as bottles, barrels, crates, or pallets that are designed to be used multiple times in the supply chain.

Cost price: It is the purchase price of container.

Charge out price: It the price charged to customers for the containers.

Returnable price: It is the amount refunded when containers is returned within a stipulated time.

The returnable price is generally set higher than the cost price of containers to encourage the customers to return it.

Hire charges: It is the difference between charge out price and returnable price.

Container retained (sold): When containers are not returned within the specified time these are treated as sold or retained by customer.

Returnable containers: These containers are laying with the customers on the closing date of the accounting period but The time limit for returning these has not yet expired.

Objectives of keeping separate accounts for Packages :

Returnable packages require to keep separate accounts for following reasons :

1. To find out profit or loss arising out of packages
2. To maintain control over the movement of packages.
3. A large amount is involved in the investment for containers

Section II. Types of Packages /containers

In accounting literature, there are two main types of Packages /containers namely:

1. Non-returnable containers: Some packages are such which cannot be returned by the customers. For instance, tooth paste, scent, oil etc. Their remaining with the products is essential. In certain cases, some cases or packages, if returned,

cannot be used again. Since packages are essential for the products, cost of the packages will be included in the selling price of the commodity.

2. Returnable Containers: These are containers which are expected to be returned by customers within a specified period after usage. If the containers are not returned within the specified period, the customers would be deemed to have returned them.

Section III: Accounting Treatment:

Accounting Treatment of Non-returnable containers: the cost of a non-returnable container is normally built into the selling price of the product packed in it. Under such circumstances accounting treatment as under:

- 1) Containers or packages stock account is opened.
- 2) This Packages or Containers Stock Account is debited with the Opening Stock and Purchases and Credit with the Closing Stock.
- 3) The difference between the two sides shows the cost of containers consumed.
- 4) The consumption of packages or containers is transferred to Trading Account, if the expense is considered as part of the cost of the goods sold or transferred to Profit and Loss Account if treated as Selling Expenses.

Accounting Treatment of Returnable containers:

For proper accounting different methods of accounts are followed. For our study we study two methods

- I. Packages Stock Account and Reserve Suspense Account Method
- II. Packages Stock and Trading Account Method.

In solving Practical problems certain working are necessary to find out the missing information:

Income from containers and calculations;

Income from hire charges	Number of containers sent out X (Charge out price – returnable price)
Income from retained containers	Number of containers retained X (Returnable price - Cost price)
Sale of scrap / Insurance claim	Amount actual received

Expenses/losses on containers:

Depreciation on containers	It is the difference between opening and closing values
Containers Scrapped	It is the cost price of the containers
Repairs	It is the actual cost of repairs

Containers In Hand		Containers with customers	
Particulars	Nos.	Particulars	Nos.
Opening Balance	**	Opening Balance	**
Add: Purchased	**	Add: Sent Out	**
Add: Returned by customers	**		
	***		***
Less: Sent out to customers	**	Less :Returned by customers	**
Less: Sold	**	Less: Retained by customers	**
Less: Scrapped	**	(sold)	
Less: Destroyed	**		
Closing Balance	****	Closing Balance	****

The word "Containers" may be substituted for "Drums", "Boxes", "Packages", "Cases", "Cartes", "Bottles", etc. In appropriate situations.

Method I) Packages Stock and Reserve /Suspense Account Method:

Under this method, containers trading account is merged with containers stock account. The common entries between the two accounts are eliminated. The container stock account will disclose profit or loss on containers. Containers Deposit account and Container debtors account are prepared in the usual manner. The following accounts should be opened:

- 1) Packages stock Account
(Mixture of Containers Stock account Containers Trading Account of Method ii)
2. Packages Deposit/ Suspense /Reserve / Provision Account
3. Packages Debtor Account

Journal Entries:

Sr. No.	Particular	Amt (Dr)	Amt. (Cr.)
1	For Purchase of Packages Packages Stock Account (Dr) (Cost Price) To Cash /Bank. Sundry Creditors Account		
2	For Packages sent out to customers Packages Debtors Account Dr. (Charge out price) To Hire Charges Account (Hire Charges) To Packages Suspense / Deposit Account (Returnable Price)		
3	For Packages returned by customers Packages Suspense /Deposit Account Dr. (Returnable Price) To Packages Debtors Account		
4.	For Packages retained (Sold) by Customers Packages suspense / Deposit Account Dr (Returnable Price) To Packages Stock Account		
5.	For Packages Scrapped Cash / Bank Ac Dr (Sale Proceeds) To Packages Stock Account		
6	For repairing of Packages Packages Stock Account Dr (Actual Expenses) To Bank Account		
7	For Accidental loss of containers ii) Bank Account Dr (Insurance claim received) Profit and loss Account Dr (Loss) To Container Stock Account (Cost or lower stock taking price)		
8	For depreciation on Packages No entry		
9	For transfer of Hire Charges Hire charges Account Dr		

	To Packages Stock Account		
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1. Packages Stock Account: This account mixture of Packages stock account and Packages Trading Account of method 2

In the books of ...

Dr.

Packages Stock Account

Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
--	To Balance b/d. In Hand With customers				Xx Xx	By Packages Reserve A/c (Cost of Packages retained)			xx
---	To Bank A/c (Purchases)				Xx	By Hire charges A/c			xx
	To Bank (Repair)					By Bank Ac (Sale of scrap			
	To Profit & Loss A/c (Profit)					By Profit & Loss A/c Cost of drums destroyed			
						By Balance c/d			
						In hand (New)			xx
						With Customers (old)			xx
						By Profit & Loss A/c (loss)			
					Xxx				xx

2. Packages Deposit/Suspense/Provision /Reserve Account: This account records opening and closing refundable deposits, Packages sent out to customers and these returned and retained by theme. This account always shows a credit opening balance equal to refundable deposits.

Dr.**Packages Reserve Account****Cr.**

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
----	To Packages Debtors A/c			---	-----	By Balance b/d			
	(Refund of deposit on Packages refund)				---	By Container Debtors A/c (Deposit on Packages sent out)			
----	To Packages Trading Ac								
	(Deposit on Packages retained)								
---	To Balance c/d (Deposit on container still refundable)								
		***	***	**			***	***	**
				*			*	*	*

4. Packages Debtors Account: This account shows a debit balance at the beginning of the year with amount due from customers in respect of containers.

Dr.**Packages Debtors Account****Cr.**

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
----	To Balance b/d				----	By Packages Deposit / suspense A/c (Refund of Deposit)			---
--	To Packages Deposit / suspense A/c				---	By Bank A/c (Balancing Figure)			
-----	To Hire Charges A/c								

		***	***	**			***	***	**
									*

Note; at the end of the accounting period

- The Packages in hand as well as with customers (returnable) are valued at cost or lower stock taking price and these are carried forward as a debit balance on Packages stock Account.
- The balance of packages stock Account represents Profit or loss on Packages and it is transferred to profit and loss Account.
- The credit balance Packages Suspense/ Deposit Account is carried forward to the next period.
- The debit balance of Packages Debtors Account is also carried forward to the next period.

Illustration: 1) Durga Ltd. Delivers goods to customers in drums (which are valued in books at ₹ 30 each charging them out ₹, 60 each . customers are credited with ₹ 40 each if the drums are returned in time . Following are details of drums:

	Drums		Drums
Stock in hand on 1.4.23	2000	Drums returned by customers	4600
Drums with customers on 1.4.23	4200	Drums destroyed in accidents	60
Purchases at ₹ 50 each	3000	Drums Sold as scrap for ₹1000	100
Drums Sent out to customers	6400	Drums with customers (returnable) as on 31.3.24	3800

Solve above problem with both methods. 1. Stock and Trading Method and

2. Stock and Suspense method.

Solution:

1. Hire charges per pack : Charge out price – returnable price	2) Total hire charges : Number of packages sent out X hire
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= 60– 40 = 20		charges per unit 6400X₹ 20= 128000	
3.Drums in Hand :		4) Packages with customers :	
Opening Balance.	2000	Opening Balance	<u>4200</u>
Add: Purchased	3000	Add: Sent out	<u>6400</u>
Add: Returned by customers	4600		10600
	9600	Less: Returned by customers	4600
Less : Sent out to customers	<u>6400</u>	Less : Retained by customers	2200
Less: Destroy by fire	60	(Bal. fig)	
Less: Scrap sale	<u>100</u>		
Closing balance	<u>3040</u>	Closing balance	<u>3800</u>
5. Total drums in hand = 3040, out of these 3000 drums are assumed to be new and are therefore valued ₹. 50 each			

i) Stock and Trading Method

In the books of Durga Ltd.

Dr. Drum Stock Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1-4-23	To Balance b/d.				31-03-24	By Drums	2200	30	66000
	In Hand	2000	30	60000		Trading A/c			
	With customers	4200	30	126000		(Cost of drums retained)			
31-12	To Bank A/c (Purchases)	3000	50	150000	31.3.24	By Profit & loss Ac	60	30	1800
						(Cost of drum destroyed)			
						By Drums	100	30	3000
						Trading A/c			
						(Scrap sale)			
						By Balance c/d			
						In hand (old)	40	30	1200
						In hand (new)	3000	50	150000
						With Customers	3800	30	114000

		9200		336000			9200		336000

Dr. Drum Trading Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
2024 31/3	To Drums Stock A/c Cost of Packages retained)	2200	30	66000	2024 -3- 31	By Hire charges A/c (Transfer of hire charges)			128000
31- 03- 24	To Drum stock a/c (Scrap)	100	30	3000		By Drum Deposit A/c (Container retained)	2200	40	88000
31- 03- 24	To Profit & Loss A/c (Profit)			148000		By Bank (Scrap)	100		1000
		2300		217000			2300		217000

Dr. Drum Deposit Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
31.03 .24	To Drums Debtor A/c (Refund of deposit)	4600	40	184000	31.3 .24	By Balance b/d	4200	40	168000
	To Drums Trading Ac (Drums retained)	2200	40	88000		By Drums Debtors Ac (Dep. On sent out drums)	6400	40	256000
	To Balance c/d	3800	40	152000					
		10600		424000			10500		424000

B) Stock and Suspense method:**In the books of Durga Ltd.****Dr. Drum Stock Account Cr.**

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1-4-23	To Balance b/d. In Hand With customers	2000 4200	30 30	60000 126000	31-03-24	By Drums Deposit A/c (Cost of drums retained)	2200	40	88000
31-03-24	To Bank A/c (Purchases)	3000	50	150000	31.3.24	By Profit &loss Ac (Cost of drum destroyed)	60	30	1800
	To Profit & Loss Ac (Profit)			148000		By Bank A/c (Scrap sale)	100		1000
						By Hire Charges			128000
						By Balance c/d			
						In hand (old)	40	30	1200
						In hand (new)	3000	50	150000
						With Customers	3800	30	114000
		9200		484000			9200		484000

Dr. Drum Deposit Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
31.03.24	To Drums Debtor A/c (Refund of deposit)	4600	40	184000	31.3.24	By Balance b/d	4200	40	168000
	To Drums stock Ac (Drums retained)	2200	40	88000		By Drums Debtors Ac (Dep. On sent out drums)	6400	40	256000

	To Balance c/d	3800	40	152000					
		10600		424000			10500		424000

Illustration 2. M/s. Leela & Co. deliver their products in returnable packages. The Package cost ₹. 100 each and are valued at that price for stock taking purposes. They are charged to customers ₹.140 each and credited on return within 2 months at ₹. 120 each.

On 1st April 2023, there were 150 drums in stock and 360 with customers which were returnable within 2 months. During the six month ended 30th September 2023, 1000 new packages were purchased. 4800 were sent to customers and 4300 were returned by them. Out of packages returned 250 were sold at ₹. 25 each and 130 were destroyed. On 30th September 23, there were 270 packages in stock and 660 returnable packages with customers. And the remaining were retained by the customers. You are to record the above transactions in Packages Stock Account and Packages Suspense Account in the books of M/s. Leels & co.

Solution :

1. Hire charges per pack : Charge out price – returnable price = 140– 120 = 20		2) Total hire charges : Number of packages sent out X hire charges per unit 4800X₹ 20= 96000	
3.Packages in Hand : Opening Balance. 150 Add: Purchased 1000 Add: Returned by customers 4300 5450 Less : Sent out to customers 4800 Less: Destroy by fire 130 Less: Scrap sale <u>250</u> Closing balance <u>270</u>		4) Packages with customers : Opening Balance <u>360</u> Add: Sent out 4800 5160 Less: Returned by customers 4300 Less : Retained by customers 2200 (Bal. fig) Closing balance <u>660</u>	

In the books of M/s Leela Co

Dr. Packages Stock Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1-4-23	To Balance b/d. In Hand With customers	150 360	100 100	15000 36000	30-09-23	By packages Suspense A/c (Cost of packages retained)	200	120	24000
30-09-23	To Bank A/c (Purchases)	1000	100	100000	30.9-23	By Profit & loss Ac (Cost of packages destroyed)	130	100	13000
	To Profit & Loss Ac (Profit)			81250		By Cash A/c (Scrap sale)	250	25	6250
						By Hire Charges			96000
						By Balance c/d			
						In hand	270	100	27000
						With Customers	660	100	66000
		1510		232250			1510		232250

Dr Packages Suspense Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
30.09.23	To Packages Debtor A/c (Refund of deposit)	4300	120	516000	30.9-23	By Balance b/d	360	120	43200
	To Packages Stock Ac (Packages retained)	200	120	24000		By packages Debtors Ac (Deposit On sent out packages)	4800	120	576000
	To Balance c/d	660	120	79200					
		5160		619200			5160		619200

Illustration 3. Disha Trading Company sends its products in barrels costing ₹. 600 each, charges its customers at ₹. 800 each, allows to customers at ₹. 700 each if returned in due time and values the stock of barrels for balance sheet purpose at ₹. 400 each in the average at depreciated value. From the following particulars prepare Barrel stock Account and Barrel Reserve Account for the year end 2024.

Particulars	Barrels	Particulars	Barrels
Stock in hands 1.4.23	5000	Stock in hands 31.3.24	7
Stock with customers on 1.4.23 (returnable)	6000	Sold for cash ₹90000 as defective	450
Purchase for year	9000	Scraped and rejected no value	50
Sent out to customers in 2023-24	25000	Retained by customers treated as sold	?
Returned by customers in 2023-24	16000	Repairs old barrels for ₹ 40000	600
Stock with customers on 31.3.24 (returnable)	12000		

Solution:

1. Hire charges per Unit : Charge out price - Returnable price $800-700 = 100$		2) Total hire charges : Number of barrels sent out x Hire charges per barrel $25000 \times 100 = 2500000$	
3.Barrels in Hand : Opening Balance. 5000 Add: Purchased 9000 Add: Returned by customers 16000 30000 Less : Sent out to customers 25000 Less: Defective 450 Less: Scrap sale <u>50</u> Closing balance <u>4500</u>		4) Barrels with customers : Opening Balance 6000 Add: Sent out 25000 <u>31000</u> Less: Returned by customers 16000 Less : Retained by customers 3000 (Bal. fig) Closing balance <u>12000</u>	

In the books of Disha Trading Company

Dr.

Barrel Stock Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1.4.23	To Balance b/d. In Hand With customers	5000 6000	400 400	2000000 2400000	31.03.24	By Barrel Reserve/ Suspense A/c (Deposits on Barrels retained)	3000	700	2100000
31.03.24	To Bank A/c (Purchases)	9000	600	5400000	31.03.24	By Barrel scrapped Ac	50		
	To Bank Ac (Repairs)			40000		By Cash A/c (Defective sale)	450	200	90000
	To Profit & Loss Ac (Profit)			14,50,000		By Hire Charges			2500000
						By Balance c/d			
						In hand	4500	40	1800000
						With Customers	12000	40	4800000
				1,12,90,000					1,12,90,000

Dr

Barrel Reserve / Suspense Account

Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
31.03.24	To Barrels Debtor A/c (Refund of deposit)	16000	700	11200000	31.03.24	By Balance b/d	6000	700	4200000
	To Barrels Stock Ac (Barrels	3000	700	2100000		By Drums Debtors Ac (Deposit On sent	25000	700	17500000

	retained)					out Barrels)			
	To Balance c/d	12000	700	8400000					
		31000		2170000 0			31000		2170000 0

Illustration 4. Adya Ltd. Sells goods in returnable boxes which are charged to customers at ₹.50 each and credited with ₹40 each if returned within a month. From the following particulars prepare Boxes Stock Account, Boxes Reserve Account and Boxes Debtor Account assuming that the boxes were valued in the books at ₹.20 each.

Particulars	Boxes	Particulars	Boxes
Stock in hands 1.4.23	500	Stock with customers 31.03.24	700
Stock with customers on 1.4.23	800	Sold as scrap at ₹ 5 per box	40
Purchase for year at ₹ 30 each	1200	Destroyed in accident	100
Sent out to customers in 2023-24	2100	Returned by customers	1800
Boxes debtors balance on 1.4.23 ₹ 48000	---	Cash received from customers ₹32000	-

Solution:

1. Hire charges per Unit : Charge out price - Returnable price = 50 - 40 = ₹ 10		2) Total hire charges : Number of barrels sent out x Hire charges per barrel 2100 x 10 = 21000	
3.Boxes in Hand : Opening Balance. 500 Add: Purchased 1200 Add: Returned by customers 1800 3500 Less : Sent out to customers 2100		4) Boxes with customers : Opening Balance 800 Add: Sent out 2100 2900 Less: Returned by customers 1800 Less : Retained by customers	

Less: Scrap	40	(Bal. fig)	400
Less: Destroyed	<u>100</u>		
Closing balance	<u>1260</u>	Closing balance	<u>700</u>

In the books of Adya Ltd.

Dr. Boxes Stock Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1.4.23	To Balance b/d. In Hand With customers	500 800	20 20	10000 16000	31.03.24	By Boxes Reserve/ Suspense A/c (Deposits on Boxes retained)	400	40	16000
31.03.24	To Bank A/c (Purchases)	1200	30	36000	31.03.24	By Bank (scrap sale)	40	5	200
						By Profit & loss Ac Cost of boxes destroy	100	20	2000
	To Profit & Loss Ac (Profit)			16400		By Hire Charges			21000
						By Balance c/d			
						In hand	1260	20	25200
						With Customers	700	20	14000
		2500		78400			2500		78400

Dr **Boxes Reserve / Suspense Account** **Cr.**

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
31.03.24	To Boxes Debtor A/c (Refund of deposit)	1800	40	72000	31.03.24	By Balance b/d	800	40	32000
	To Boxes Stock Ac (Boxes retained)	400	40	16000		By Boxes Debtors Ac (Deposit On sent out Boxes)	2100	40	84000
	To Balance c/d	700	40	28000					
		2900		116000			2900		116000

Dr **Boxes Debtors Account** **Cr.**

Date	Particulars	Nos	Rate	₹	Date	Particulars	Nos.	Rate	₹
1.4.23	To Balance b/d.			48000	31.03.24	By Boxes Reserve A/c (Deposits Refund)			72000
31.03.24	To Boxes Reserve Ac			84000		By Bank Ac			32000
	To Hire Charges			21000		By Balance C/d.			49000
				153000					153000

Method II Stock and trading Method: In this method following accounts should be opened

- 1) Packages Stock Account
- 2) Packages Trading Account
- 3) Packages Deposits / Suspense / Reserve / Provision Account

4) Packages Debtors Account

Accounting Entries:

Sr No.	Particular	Amt (Dr)	Amt. (Cr.)
1	For Purchase of Packages Packages Stock Account Dr (Cost Price) To Cash /Bank. Sundry Creditors Account		
2	For Packages sent out to customers Packages Debtors Account Dr. (Charge out price) To Hire Charges Account (Hire Charges) To Packages Suspense / Deposit Account (Returnable Price)		
3	For Packages returned by customers Packages Suspense /Deposit Account Dr. (Returnable Price) To Packages Debtors Account		
4.	For Packages retained (Sold) by Customers i) Packages Trading A/c Dr. (Cost/Lower Stock taking price) To Packages Stock Account ii) Packagers suspense / Deposit Account Dr (Returnable Price) To Packages Trading Account		
5.	For Packages Scrapped i) Packages Trading A/c Dr. (Cost/Lower Stock taking price) To Packages Stock Account ii) Cash / Bank Ac Dr (Sale Proceeds) To Packages Trading Account		
6	For repairing of Packages		

	Packages Trading Account (Actual Expenses) To Bank Account	Dr		
7	For Accidental loss of Packages i) Accidental Loss Account (Cost or lower stock taking price) To Packages Stock Account ii) Bank Account (Insurance claim received) Profit and loss Account (Loss) To Packages Stock Account (Cost or lower stock taking price)	Dr. Dr Dr		
8	For depreciation on Packages Packages Trading Account (Cost -- Stock taking price) To Packages Stock Account	Dr		
9	For transfer of Hire Charges Hire charges Account To Packages Trading Account	Dr		

The following accounts should be opened & the following postings are made in ledger accounts from the journal entries described above.

1. Packages Stock Account: This account is opened in general ledger to exercise greater control over the containers/ packages .It is ruled to record number, rate and value. All entries are made in this account at cost price or lower stock taking price.

In the books of ...

Dr.					Packages Stock Account					Cr.				
Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹					
--	To Balance b/d.					By Packages Trading			xx					
	In Hand				Xx	A/c								
	With customers				Xx	(Cost of Packages retained)								

---	To Bank A/c (Purchases)				Xx	By Packages Trading A/c			xx
						By Packages Trading A/c (Depreciation)			xx
						By Balance c/d			
						In hand (New)			xx
						With Customers (old)			xx
					Xxx				xx

2. Packages Trading Account: It is opened to determine the profit or loss on returnable containers.

Dr.					Cr.				
Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
---	To container Stock A/c Cost of Packages retained)				----	By Bank Ac (Sale of scrap)			
----	To container Stock A/c (Cost of container scrapped)				----	By Hire charges A/c (Transfer of hire charges)			
----						By Container Deposit A/c (Container retained)			
---	To Bank (Repair)								
----	To Packages stock a/c (Dep)								
---	To Profit & Loss A/c (Profit)					By Profit & Loss A/c (loss)			
		xxx	xxx	XX			xx	xx	xx

3. Reserve Deposit/Suspense/Provision /Reserve Account: This account records opening and closing refundable deposits, Packages sent out to customers and these returned and retained by theme. This account always shows a credit opening balance equal to refundable deposits.

Dr. Packages Deposit Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
----	To Packages Debtors A/c			---	-----	By Balance b/d			
	(Refund of deposit on Packages refund)				---	By Container Debtors A/c (Deposit on Packages sent out)			
----	To Packages Trading Ac								
	(Deposit on Packages retained)								
---	To Balance c/d (Deposit on container still refundable)								
		***	***	***			****	****	***

4. Packages Debtors Account: This account shows a debit balance at the beginning of the year with amount due from customers in respect of containers.

Dr. Packages Debtors Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
----	To Balance b/d				----	By Packages Deposit / suspense A/c (Refund of Deposit)			---
--	To Packages Deposit / suspense A/c				---	By Bank A/c (Balancing Figure)			
-----	To Hire Charges A/c								
		***	***	**			***	***	***

At the end of the accounting period

- i) The Packages in hand as well as with the customers (returnable) are valued at cost or lower stock taking price and these are carried forward as a debit balance on container stock account.
- ii) The balance of Packages Trading Account represents profit or loss Packages and it is transferred to Profit and Loss Account.
- iii) The credit balance of Packages suspense/Deposit Account is carried forward to the next period.
- iv) The Dr.Balance of Packages Debtors Account is also carried forward to next period. For balance sheet purpose the credit balance of the Packages suspense account is setoff against Packages Debtors Account Dr Balance.
- v) Hire charges are credited to Packages Trading Account separately when Stock and trading method is follow.

Illustration. 1) Parth sells its goods in special packages costing of ₹. 20 each. Packages are charged out at ₹ 28 each to the customers and credited at ₹ 18 each if returned in good condition within 3 months .for stock taking purpose all the packages are valued at ₹. 15 each, from the following particular show (i) Package Stock account and (ii) Package Trading Account .

Number of packages as on 1.1.2023	Nos. 3000	Sent to the customers during the year	Nos. 9000
----In Hand	2000	Returned by the customers during the year	4000
---With customer	5000	Packages retained by the customers	2200
--Purchased during the year			

Solutions: Let us prepare first working notes to find out missing amounts.

Working Notes :

1. Hire charges per pack : Charge out price – returnable price ₹ 28 - ₹ 18 = 10	2) Total hire charges : Number of packages sent out X hire charges per unit
---	--

		9000 X ₹ 10 = 90000	
3. Packages in Hand :		4) Packages with customers :	
Opening Balance.	3000	Opening Balance	2000
Add: Purchased	5000	Add: Sent out	9000
Add: Returned by customers	6000		11000
	14000	Less: Returned by customers	6000
Less : Sent out to customers	9000	Less : Retained by customers (sold)	2200
Closing balance	5000	Closing balance	2800
5. Depreciation on packages : 5000 X ₹5 (₹ 20- 15)= ₹. 25000. No depreciation has been charges on old packages because their opening and closing stock price are the same.			

In the books of Parth

Dr.					Packages Stock Account			Cr.	
Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1-1-23	To Balance b/d.				31-12-23	By Packages Trading A/c (Cost of packages retained)	2200	15	33000
	In Hand	3000	15	45000					
	With customers	2000	15	30000					
31-12	To Bank A/c (Purchases)	5000	20	100000					
						By Packages Trading A/c (Depreciation)			25000
						By Balance c/d			
						In hand (New)	5000	15	75000
						With Customers (old)	2800	15	42000
		10000		175000			10000		175000

Dr. Packages Trading Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
2023 31/12	To Packages Stock A/c Cost of Packages retained)	2200	15	33000	2023 -31-12	By Hire charges A/c (Transfer of hire charges)			90000
31-12	To Packages stock a/c (Depreciation)			25000		By Container Deposit A/c (Container retained)	2200	18	39600
31-12-23	To Profit & Loss A/c (Profit)			71600					
		2200		129600			2200		129600

Illustration. 2) Raj Ltd. Delivers oil to their customers in drums costing of ₹. 60 each but charging them out at ₹. 100 each and credited them at ₹. 80 each if returned within 3 months.

On 1st April 2023 there were 2500 drums in the godown of the company and 5000 returnable drums in the hands of the customers during the year ending 31st March 2024, 4000 drums were purchased @ ₹ 75 each. 10000 drums were sent out to customers. 7000 drums were returned by the customers throughout the year. 100 drums old lot were completely destroyed by fire in the godown and the 150 drums from the old lot were damaged and were sold as scrap for ₹. 20 each. On 31st March 2024, 3000 returnable drums were with customers. The drums are valued at their cost price for stock taking purposes.

Show the drums stock account and Drums Trading Account in the ledger of the company.

Solutions: Let us prepare first working notes to find out missing amounts.

Working Notes :

1. Hire charges per pack : Charge out price – returnable price $\text{₹ } 100 - \text{₹ } 80 = 20$		2) Total hire charges : Number of packages sent out X hire charges per unit $10000 \times \text{₹ } 20 = 200000$	
3. Packages in Hand : Opening Balance. 2500 Add: Purchased 4000 Add: Returned by customers 7000 <hr/> 13500 Less : Sent out to customers 10000 Less: Destroyed by fire 100 Less: Damaged 150 Closing balance 3250		4) Packages with customers : Opening Balance 5000 Add: Sent out 10000 <hr/> 15000 Less: Returned by customers 7000 Less : Retained by customers 5000 (sold) Closing balance 3000	

In the books of Raj Ltd.

Dr. Drum Stock Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1-4-23	To Balance b/d. In Hand With customers	2500 5000	60 60	150000 300000	31-03-24	By Drums Trading A/c (Cost of drums retained)	5000	60	300000
31-12	To Bank A/c (Purchases)	4000	75	300000	31.3.24	By Profit & Loss Ac (Cost of drums destroyed)	100	60	6000
						By Drums Trading A/c (Scrap sale)	150	60	9000
						By Balance c/d			
						In hand (New)	3250	75	75000
						With Customers (New)	750	75	42000

					*				
					With Customers (old)**	2250	60	135000	
		11500		750000		11500		750000	

It is assumed that all drums in hand are new.

* Closing balance of drums with customers = 3000, out of which 2250 drums are from old stock calculates as follows

** Opening Stock of drums 7500 less drum retained 5000- destroyed 100- Scrap 150=2250, reaming 750 from new purchase .

Dr. Drum Trading Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
2024 31/3 2	To Packages Stock A/c Cost of Packages retained)	5000	60	300000	2023 -31- 12	By Hire charges A/c (Transfer of hire charges)			200000
31- 03- 24	To Drum stock a/c (Scrap)	150	60	9000		By Drum Deposit A/c (Container retained)	5000	80	400000
31- 03- 24	To Profit & Loss A/c (Profit)			294000		By Bank (Scrap)	150	20	3000
		5150		603000			5150		603000

Illustration 3. India Ltd. Delivers goods their customers in packages costing ₹ 6 each but charging them out at ₹. 12 each and crediting them at ₹, 8 each if returned within 3 moths.

On 1st April 2023 there were 1000 packages in the godown of the company and 2100 returnable packages in the hands of the customers. During the year ending 31st March 2024 , 1500 packages were purchased at ₹ 10 each, 3200 packages were sent

out to customers 2300 packages were returned by the customers throughout the year. 30 packages from the old lot were completely destroyed by fire in the warehouse and another 50 packages from the old lot were accidentally broken and were sold as a scrap for ₹. 4 each.

On 31st March 2024, 1900 returnable packages from the old lot were with customers and stock in godown included all the new packages. Besides the old ones. The packages are valued at their cost price for stock taking purposes.

Show the Package Ledger Account and Package Trading Account in the ledger of the company

(C.U. B.com (Hons)- Adapted)

Solution: Let us prepare first working notes to find out missing amounts.

Working Notes:

1. Hire charges per pack : Charge out price – returnable price ₹ 12 - ₹ 8 = 4		2) Total hire charges : Number of packages sent out X hire charges per unit 3200 X ₹ 4 = 12800	
3. Packages in Hand : Opening Balance. 1000 Add: Purchased 1500 Add: Returned by customers 2300 <hr/> 4800 Less : Sent out to customers 3200 Less: Destroy by fire 30 Less: Scrap sale 50 Closing balance <u>1520</u>		4) Packages with customers : Opening Balance 2100 Add: Sent out 3200 <hr/> 5300 Less: Returned by customers 2300 Less : Retained by customers (sold) 1100 Closing balance <u>1900</u>	

In the books of Laxmi Ltd.

Dr. Packages Stock Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1-4-23	To Balance b/d.				31-03-24	By Packages	1100	6	6600
	In Hand	1000	6	6000		Trading A/c			
	With customers	2100	6	12600		(Cost of packages			

					retained)			
31-12	To Bank A/c (Purchases)	1500	10	15000	31-3-24 By Profit & loss Account (Packages destroyed fire)	30	6	180
					By Packages Trading A/c (Cost of packages accidentally broken)	50	6	300
					By Balance c/d			
					In hand (old)	20	6	120
					In hand (new)	1500	10	15000
					With Customers (old)	1900	6	11400
		4600		33600		4600		33600

Dr. Packages Trading Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
2024 31/3	To Packages Stock A/c Cost of Packages retained)	1100	6	6600	2024 -31-3	By Hire charges A/c (Transfer of hire charges)			12800
31-3	To Package stock Ac (Cost of packages scrap)	50	6	300		By Container Deposit A/c (Container retained)	1100	8	8800
31-3-24	To Profit & Loss A/c (Profit)			15000		By Bank Account A/c Sale of scrap	50	4	200
						By P & L Ac (loss)			100
		1150		21900			1150		21900

Illustration 4. Gokul Ltd. dairy delivers goods to customers in the bottles costing ₹. 60 each. Bottles are charged out at ₹.70 each to customers and credited at ₹. 50 each if returned in good conditions and within stipulated time. For stock taking purposes, all Packages in the factory and those in the hands of customers are valued at ₹ 30 each.

On 1-4-23 there were 2000 bottles in the factory and 4000 in the hands of customers. During 2023-24 6300 bottles were sent out to customers of which 2000 were new and 4200 were returned by them within the required period. Out of the bottles returned by customers 50 were destroyed by an accident and 100 were sold as scrap. These released ₹ 1500. on 31-3-24 there were 3000 bottles in the hands of customers ,capable of being returned within stipulated period .

Prepare bottles stock account and Bottles Trading account in the books of Gokul Ltd.

Solution:

1. Hire charges per pack : Charge out price – returnable price = 70 – 50 = 20		2) Total hire charges : Number of packages sent out X hire charges per unit 6300 X ₹ 20 = 126000	
3.Packages in Hand :		4) Packages with customers :	
Opening Balance.	2000	Opening Balance	4000
Add: Purchased	2000	Add: Sent out	6300
Add: Returned by customers	4200		<u>10300</u>
	<u>8200</u>	Less: Returned by customers	4200
Less : Sent out to customers	<u>6300</u>	Less : Retained by customers (sold)	3100
Less: Destroy by fire	50		
Less: Scrap sale	100		
Closing balance	<u>1750</u>	Closing balance	<u>3000</u>
5. Depreciation: 2000 x ₹ 30= ₹. 60000..			

In the books of Gokul Dairy Ltd.

Dr. Bottles Stock Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1-4-23	To Balance b/d. In Hand With customers	2000 4000	30 30	60000 60000	31-03-24	By Bottles Trading A/c (Cost of bottles retained)	3100	30	93000
31-03-24	To Bank A/c (Purchases)	2000	60	120000	31-3-24	By Profit & loss Account (Bottles destroyed fire)	50	30	1500
						By Bottles Trading A/c (Cost of bottles accidentally broken)	100	30	3000
						By Bottles Trading A/c (Depreciation)			60000
						By Balance c/d			
						In hand	1750	30	52500
						With Customers	3000	30	90000
		8000		300000			8000		300000

Dr. Bottles Trading Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
2024 31/3	To Bottles Stock A/c Cost of Packages retained)	3100	30	93000	2024 -31- 3	By Hire charges A/c (Transfer of hire charges)			126000
31-3	To Package stock Ac (Cost	100	30	3000		By Bottles Deposit A/c	3100	50	155000

	of bottles scrap)					(Container retained)			
	To Bottles Stock A/c (Depreciation)			60000		By Bank Account A/c Sale of scrap	100	15	1500
31- 3-24	To Profit & Loss A/c (Profit)			126500					
		3200		282500			3200		282500

Illustration 5. Maya Chemicals Ltd. Supplies its products in returnable drums which are charged at ₹ 20 each. Customers returning the drums within a month are credited with ₹. 18. The company's procedure is to retain ₹. 18 in deposit account till the expiry of the option period for return of the drums. The following particulars are available from the books.

Particulars	Nos.	Particulars	Nos.
Returnable drums on 1.4.2023	8000	Drums returned by customers in 2023.24	288000
Drums in stock as on 1.4.23	16000	Drums returnable on 31.03.24	15000
Drums purchased during 2023.24 at ₹. 15 per drum	20000	Drums scrapped during yea sold for ₹. 10000	2000
Drums sent to customers during 2023.24	300000		

All drums as on 31/03/2023 and 31/03/2024 re to be valued at ₹. 10 each. All the amounts due in respect of drums have been collected from customers.

You are asked to show ledger Accounts for 2024 of : (a) Drum stock (b) Drum Debtors (c) Drum Deposit and (d) Drum Trading

Solution:

1. Hire charges per pack : Charge out price – returnable price = 20 – 18 = 2	2) Total hire charges : Number of packages sent out X hire charges per unit
---	---

		300000 X ₹ 2 = 600000	
3.Packages in Hand :		4) Packages with customers :	
Opening Balance.	16000	Opening Balance	8000
Add: Purchased	20000	Add: Sent out	300000
Add: Returned by customers	288000		308000
	324000	Less: Returned by customers	288000
Less : Sent out to customers	300000	Less : Retained by customers	5000
Less: Destroy by fire	---	(Bal. fig)	
Less: Scrap sale	2000		
Closing balance	22000	Closing balance	15000
5. Depreciation: 20000x ₹ (15-10) = ₹. 100000.			

In the books of Maya Ltd.

Dr. Drum Stock Account Cr.

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1-4-23	To Balance b/d. In Hand With customers	16000 8000	10 10	160000 80000	31-03-24	By Drums Trading A/c (Cost of drums retained)	5000	10	50000
31-12	To Bank A/c (Purchases)	20000	15	300000	31.3.24	By Drum Trading Ac (Depreciation)	-		100000
						By Drums Trading A/c (Scrap sale)	2000	10	20000
						By Balance c/d			
						In hand	22000	10	220000
						With Customers	15000	10	150000
		44000		540000			44000		540000

Dr.**Drum Trading Account****Cr.**

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
2024 31/3 2	To Drums Stock A/c Cost of Packages retained)	5000	10	50000	2023 -31- 12	By Hire charges A/c (Transfer of hire charges)			600000
31- 03- 24	To Drum stock a/c (Scrap)	2000	10	20000		By Drum Deposit A/c (Container retained)	5000	18	90000
31-3	To Drum stock a/c (Depreciation)			100000					
31- 03- 24	To Profit & Loss A/c (Profit)			530000		By Bank (Scrap)	2000	5	10000
		7000		700000			7000		700000

Dr.**Drum Deposit Account Cr.**

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
31.0 3.24	To Drums Debtor A/c (Refund of deposit)	288000	18	518400 0	31.3. 24	By Balance c/d	8000	18	144000
	To Drums Trading Ac (Drums retained)	5000	18	90000		By Drums Debtors Ac (Dep. On sent out drums)	300000	18	540000 0
	To Balance c/d	15000	18	270000					
		308000		554400 0			308000		554400 0

Dr.**Drum Debtors Account****Cr.**

Date	Particulars	Nos.	Rate	₹	Date	Particulars	Nos.	Rate	₹
1.4.23	To Balance B/d.	8000	20	160000	31.3.24	By Drums Deposit Ac	288000	18	5184000
31.3.24	To Drums deposit Ac (Dep. On sent out drums)	300000	18	5400000		By Drums Retained	5000		-
	To Hire charges			600000		By Bank Ac (Bal. Fig.)	-	-	676000
						By Balance c/d.	15000	20	300000
		308000		6160000			308000		6160000

Note: Drums Deposit Account is maintained at returnable price whereas Drums debtor account is maintained at charge out price

Check your progress**A) Fill in the blanks**

- is the difference between Charge out Price and Returnable price .
- Purchase price of packages is called ----
- Main objective of Package Accounts is to ascertain -----arising out of package
- The Income from retained Packages is over and above the-----
- Packages is anything in which goods are ----- for sale.

B) Choose Correct Alternative.

- The refundable price is generally set higher than the cost price of the container to encourage the customers to ---
 - Return it
 - Retain it
 - Scrap it
 - None of these
- In -----Method containers trading account is merged with containers stock account.
 - stock and Reserve
 - Stock and Trading

- (c) trading and suspense (d) None of these
3. -----packages are such which cannot be returned by the customers.
- a) Returnable b) Non-returnable
- c) Empties d) Bags
4. The word “Containers “may be substituted for -----
- a) Drums b) Boxes c) Packages d) All of these
5. The Income from retained containers is over and above the ---
- a) Cost price b) Hire charges c) Loss d) None of these

C) Sate true or false

- i) The cost of a non-returnable container is normally built into the selling price of the product packed in it.
- ii) Income from hire charges arises in the accounting year when they are sent out.
- iii) Packages Stock Account is opened in general ledger to exercise greater control over the containers/ packages.
- iv) Sale of scrap recorded at actual price received.
- v) Depreciation on containers is the difference between the opening and closing value.

2.3 Summary:

Package is anything in which goods are packed. Some packages are returned by the customers after used like gas cylinder but some packages are disposable like Colgate case. On the basis of return or not return packages are divided in two types returnable and non-returnable. Generally non-returnable packages are considered as part of cost of sale. For returnable containers separate accounting treatment as we seen two methods accounting of returnable packages Stock and trading method and Stock and suspense method. Container stock account is opened for control over packages. Packages trading account is opened for find out profit or loss.

2.4 Terms to Remember:

Packages: A businessman typically sells his goods using specific containers or packages designed for storing and transporting products.

Empties: Empties" refer to returnable or reusable containers and packaging materials that

have been emptied of their contents and are awaiting return, reuse, or disposal.

Non-returnable containers: Some packages are such which cannot be returned by the customers. For instance, tooth paste, scent, oil etc

Returnable Containers: These are containers which are expected to be returned by customers within a specified period after usage

Accounting Treatment: For proper accounting different methods of accounts are followed. For our study we study to methods which as follow

Method I) Packages Stock and Reserve /Suspense Account Method:

Method II Stock and trading Method

The word “ Containers “ may be substituted for “Drums”, “Boxes”, “Packages”, “Cases”, “Cartes”, “Bottles”, etc. In appropriate situations.

Income from containers and calculations;

Income from hire charges	Number of containers sent out X (Charge out price – returnable price)
Income from retained containers	Number of containers retained X (Returnable price - Cost price)
Sale of scrap / Insurance claim	Amount actual received

Expenses/losses on containers:

Depreciation on containers	It is the difference between opening and closing values
Containers Scrapped	It is the cost price of the containers
Repairs	It is the actual cost of repairs

Meaning of important terms;

- i) **Cost price:** It is the purchase price of container.
- ii) **Charge out price:** It the price charged to customers for the containers.
- iii) **Returnable price:** It is the amount refunded when containers is returned within a stipulated time.
- iv) **Hire charges:** It is the difference between charge out price and returnable price.
- v) **Container retained (sold):** When containers are not returned within the specified time these are treated as sold or retained by customer.
- vi) **Returnable containers:** These containers are laying with the customers on the closing date of the accounting period but
The time limit for returning these has not yet expired.

2.5 Answers to check your progress

- 1) i) Hire charges ii) Cost price iii) Profit or loss iv) Hire Charges
v) Packed
- 2) i) a ii) a iii) b iv) d v) b
- 3) i) True ii) True iii) True iv) True v) True

2.6 Exercise:

1) Suresh Ltd. Sells his goods in special packages costing ₹. 200 each. Containers are charged out at ₹.300 each to customers and credited at ₹. 250 each if returned in good conditions within 2 months. On 1.4.2023 there were 5000 containers in the factory godown and 3000 in the hands of the customers (all returnable). During the year 20000 packages were purchased by company. 16000 containers were sent out to customers and 12000 were received back from the customers within 2 months. On 31-03-2024 there were 5000 containers in the hands of the customers (all returnable). You are required to prepare Packages Stock Account and Packages Trading Account.

(Hint: Closing packages in hand 21000, with customers 5000,)

2) Aman sells his goods in packages. Customers are charged ₹. 200 per pack. If they returned packages in good conditions within 2 months they are credited ₹180 per package. Following are the details of packages .

Particular	Packages	Particular	Packages
Purchase at ₹150 per pack	5000	Packages return by customers	72000
Opening packages in hand	4000	Opening packages with customer s	2000
Packages sent to customers	75000	Scrap Sale ₹. 25000	500
Closing packages with customers	3750	Opening and closing packages are valued at ₹. 100 each	

Prepare Packages Stock Account and Packages Trading Account.

(Hint: Packages retained by customers:1250, Closing in hand: 5500, Hire charges 1500000, retained drums are valued at returnable price.)

Write Short notes:

- 1) Packages stock Account
- 2) Objectives of keeping separate accounts for packages.
- 3) Hire Charges

2.7 Reference for further study -

Mukharjee & Hanif M, (2007).Financial accounting, ata M.C. Graw – Hill Publishing company Ltd. 6th Reprint 2007, New Delhi.

Mukharjee & Hanif M, Modern Accountancy, ata M.C. Graw – Hill Publishing company Ltd. 2nd Edition New Delhi.

Maheshwari S. N. , Maheshwari S.K. , Maheshwari Shard, Advanced Accountancy Vol. 1, 11th edition, Low priced Students paperback edition



Unit-3

Study of Accounting Procedure and Practices and Maintenance of accounting records of any Industry/ Business/ Profession through Physical visit

Guidelines for Practical Study

- Practical Study (Unit III and Unit IV) is for 2 credits and for 50 marks.
- Practical study is to be completed by the student at any commercial or non commercial organisation. For this purpose, the organisations may include office of professionals, any business or industry, cooperative society, bank, hotel, hospital, etc.
- Practical study is to be completed by the student individually under the guidance of concerned teacher.
- Total duration of practical study shall be of 40 hours
- Flexibility is allowed to the students to complete practical study at any time during the semester
- The student should produce letter from the concerned organization regarding his/her presence during the period of practical study duly signed by the competent authority of that organization with seal.
- Students can change the organisation during the course of practical study, if there is genuine reason to change.
- Students can change the time of practical or duration of practical as per their convenience or the convenience of the organisation.
- Practical study is not restricted to only one organisation. Students can conduct their practical study in two or more organisations if organisations are small in size or number and type of transactions are very less and there is no scope to write more about accounting system.
- Students can select different types of organisations to understand different types of transactions and recording of such transactions.

- If a student is presently working in any organisation, he / she can take the same work for your practical study.
- If a student is having his / her own or family business or profession and he / she is looking after the accounting of the business or profession, he / she can take the same work as practical study.
- Practical study is for learning. So, try to learn more and more about accounting procedure and practices and maintenance of accounting records etc.
- It is not necessary to visit the organisation every day. In all, you have to work for 40 hours.
- Make the notes during the course of practical regarding what you have learnt or experienced or observed.
- If the organisation permits, you can take photocopies of any document or book or register or other type of accounting record. Such document can be produced in your report.
- Interact more with the staff working in the organisation in different sections and try to learn the maintenance and management of accounting records.

Dos

- Refer concerned books and internet sources i.e. refer library resources regarding the concerned unit of accounting (e.g. subsidiary books) or accounting of concerned business organisation (e.g. accounts of companies) or profession (e.g. accounts of professionals) or not for profit organisation (e.g. accounts of a high school) etc.
- Select the organization or organizations carefully, so that you will get all the required information.
- Discuss with friends and guide regarding the practical study. So that, you can understand different angles or aspects of practical study.
- During the course of practical study, you should be Punctual, Careful, Sincere, Serious, Patient, Interested, Committed, Formal Dressed, etc.
- Carry all necessary papers and means such as I card, pen, pencil, eraser,

calculator, papers, diary etc.

- Note down all important points during the course of visit, discussion with the guide, officers and staff etc.
- Behaviour of the student during the visit of concerned organisation should be proper, decent, honest and professional.
- Always keep in mind that you are there for learning.

Don'ts

- Don't look at the practical study as ordinary or routine work
- Don't be undisciplined during the practical study at the organisation
- Don't discuss personal or unrelated matters with the staff of the organisation
- Don't try to be over smart, over confident or over knowledgeable



Unit-4

Report of the Practical Study

Guidelines for Preparation of Report of Practical Study

- Practical Study Report shall be based on the field study and a copy of it has to be submitted to the college.
- Time allotted for preparation of report of practical study is 20 hours.
- The Report shall consist of around 20 to 25 typed pages. Suggested Structure of Report is as below

Preliminary pages - Cover Page, Declaration by the Student, Certificate of the organisation, Certificate of the Teacher, Acknowledgement, Content / Index

Chapter I – Introduction – Introduction, the reasons to select the organisation, information about the communication for getting permission for practical study and their cooperation. Profile of the organisation (about 5 pages)

Chapter II - Details of practical Study – key learning, Information about Accounting Procedure, Accounting Practice, Accounting Software, Accounting Information System, Books of Accounts, Financial Statements, Budgets, opinion of Accountant, Information about audit etc. (about 15 Pages)

Chapter III - Experience during period of practical study, Strengths and Weaknesses of the Accounting System, Recommendations to overcome weaknesses. Any other significant information, Conclusion (about 5 pages)

Appendix –Geo-tag Photos, Questions of discussions or interview schedule, important documents to support your practical study.

- The report will be evaluated by the concerned subject teacher.
- The report has to be submitted before commencement of semester end examination.
- The letter regarding the presence should be attached to the report.

Technical Information

- Font – Times New Roman

- Font Size – Main Heading – 16, Heading – 14, sub-heading 12 Bold and writing – 12
- Line spacing – 1.5
- Spacing when one point over and next point start – if required single enter.
- Page size – A4
- Margin – 1” to all sides
- Numbering – every point is to be numbered as 1.1, 1.2 etc. and sub-points as 1.1.1, 1.1.2 etc.
- Tables – every table must have title and number
- Use front and back pages
- Colour Pages – only if required
- Content – for chapters, for table and for graphs & diagrams

Specimen of preliminary pages

- Cover Page

Practical Study Report

Prepared by
Name of the Student

under the Guidance of
Name of the Teacher

and

under the mentorship of
Name of the authorized person of the organisation

in the
Name of the Organisation
(where practical study is completed)

for the period
from the (date) ----- to the (date) -----
for ---- days and for ----- hours

submitted to
Name of the college

Academic year – 20__ - __

- Declaration by the Student

Declaration

I, (*name of the student*) hereby state and declare that the Practical Study Report prepared by me for the work completed by me in the (*name of the organisation where you have completed practical study*) for the period from (date) --- to (date) ---, totally for ---- hours, submitted herewith to the (*name of the college*) for the fulfilment of degree of Master of Commerce (M. Com.) is original and totally based on my observation and experience during the course of practical study.

The information given in the report is either observed or experienced by me or informed me by the staff member or authorities. The discussion, interpretation and conclusions given in the report are my own and based on my own knowledge, observation and the discussions held with the staff members and authorities.

I also declare that, this report is prepared only for academic purpose. The information contained in the report will not be disclosed or used for any other purpose. Confidentiality of the information will be maintained strictly.
Place –

Date –

signature of the student

Name of the student

- Certificate of Organisation

Letterhead of the organization

To whomsoever it may concern,

This is to certify that, Mr. / Miss./ Mrs. (*name of the student*) ----- student of M. Com. II of ----- college has successfully completed his / her practical study in our organization / institution / business / industry / profession / bank / credit society /----- and collected information from --- departments / sections / persons

He / She has satisfactorily carried out his / her practical work. He / She has worked for ----- days and totally for ----- hours.

During the period of practical study he/she has maintained good record of notes and attendance. He / She created good relations with our staff as well as shown keen interest in learning.

We wish him / her every success in his /her education, career and life.

Date

Place

Signature of authorized person

Name of the authorized person

Designation of authorized person

Seal

- Certificate of Guide

Certificate of Guide (Teacher)

This is to certify that Mr. / Miss. / Mrs. ----- student of M. Com. II of ----- college has satisfactorily completed his / her practical study under my guidance and prepared the report as per the guidelines of the university for the fulfilment of M. Com. Degree.

He / She has completed his / her practical study in the ----- (*name of the organisation where practical study has completed*) for the period of --- days and for --- hours.

As per the record and information provided by him / her, his / her study is satisfactory and based on his / her actual observation and experience in the said organisation.

Date

Place

Signature of Guide

Name of the Guide

- Acknowledgement

Acknowledgement

Considering the restrictions on a student it was a big task to complete the practical study. It cannot be completed without active support and help of the college, ---- (*name of the organization where practical study completed*) and other persons. I would be failing in my duty if their help, support and cooperation are not acknowledged.

From the soul and a profound sense of gratitude and indebtedness I express my humble thanks to my guide ----- (*name of the guide*) and ----- (*name of the Head of the organization or department or owner or any other person or authority*), for their valuable, guidance and support. They guided and supervised my work in a disciplined and systematic manner. I envy their kind cooperation.

It is my prime duty to express a sense of gratitude to the Principal of the college, (name of the Principal), (*name of the Head of the Department*), Head, Department of Commerce / Accountancy /Management and all the teachers working in the department for their encouragement.

I must acknowledge gratefully the help received from the authorities of the organisation, officers and executives and staff of the organisation (*you can mention the names*). I am extremely grateful ----- (*write the name of the persons who helped you much*) who encouraged and helped me before, during and after my practical study. I am heartily thankful to ----- (*write name of your friends or other persons*) who actively supported by all means to complete the work.

I am also thankful to ---- (*name*) for typing, printing and binding the report neatly.

I also extend my profound gratitude to ---- (*name of the family members*), who always have been a source of encouragement to me.

I thanks all those who directly or indirectly helped me to complete practical study.

Place -

Date –

Name of the Student

- Attendance Report

Attendance Report

Name of the College

Name of the Department

Academic Year -

Name of the Organization/ Industry/ Business -

Address –

Name of the authorised person to sign the attendance –

Name of the Student –

Class – M. Com II

Roll No –

PRN –

Sr.	Day	Date	Time	Hours	Student's Sign	Sign of concerned authority of organisation	Remark
1							
2							
3							
4							

Total number of days -----

Total number of hours of practical study ----

Signature

Name of the Guide

