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Competency Statements

- ❑ *Students are able to understand Meaning, Objective and Importance of Final Accounts.*
- ❑ *Students are able to Prepare Trading A/c, Profit and Loss A/c and Balance sheet with competency.*
- ❑ *Students are able to understand effects of adjustments.*

Introduction :

Accounting is considered as a scientific approach in maintaining record of business transactions. It provides a systematic accounting record to all on the financial status of the enterprise. No sooner a business transaction takes place, the accounting process starts. The process is completed by the drafting the final accounts.

9.1 A) Meaning of Final Accounts :

The primary aim of accounting is assessment of business performance for the benefit of all stakeholders (such as owners, employees, suppliers, customers, financiers etc.) which will also help them to form their opinions on the financial position of their business concerns. For this purpose, various accounting reports are prepared in the form of Final Accounts at the end of every financial year. In brief, Final Accounts are financial statements that validate and explain working results and financial status for a specific period of time on a particular date. It is a set of Trading Account, Profit and Loss Account and Balance Sheet. Balancing figure of Trading Account is Gross Profit or Gross Loss. In case of Profit and Loss Account the balancing figure is Net Profit or Net Loss. Whereas Balance Sheet shows financial position of assets and liabilities at a given period of time.

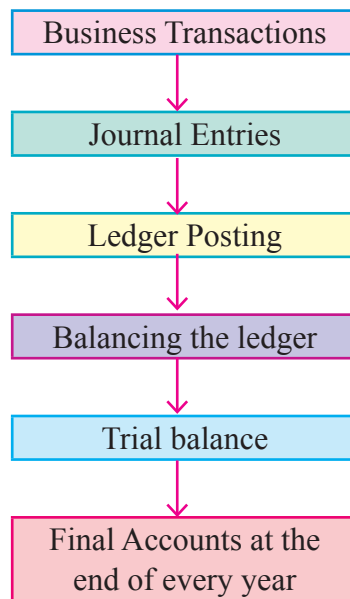
- The basic objectives of Final Accounts is to determine Gross Profit /Gross Loss and Net Profit or Net Loss of the business during the financial year.
- Final Accounts shows the true and correct financial position of business.
- It informs the operating results and exact financial position of the business to the stake holders to take financial decisions.
- It enables to control financial activities of business effectively.

C) Importance of Final Accounts :

- 1) Final Accounts are the basis on which management or businessmen decides business policies and take financial decisions.
- 2) Final Accounts gives a true picture of the financial status of business for the financial year.
- 3) Final Accounts are useful for accurate accounting records.
- 4) Transparency in business dealings are possible due to financial statements.
- 5) Final Accounts help to get a clear break-up of amounts payable to government as various taxes, e.g. Income tax, GST etc.
- 6) It is a mandatory requirement to maintain records of financial state of any business establishment.

How to Prepare Final accounts ? -

Every time a business transaction takes place, the details of it is made in Primary books. These entries are then posted to the ledger. At the end of a financial year the ledger accounts are balanced and closing balance of each ledger account is determined. There may be a debit or credit balance. With the help of all these balances, a Trial Balance is prepared. This in turn helps in preparing Trading Account, Profit and Loss Account and Balance Sheet, which is known as Final Accounts. This accounting process can be represented as follows :



Final accounts include

- 1) Manufacturing Accounts
- 2) Trading Account
- 3) Profit and Loss Accounts
- 4) Profit & Loss Appropriation Account
- 5) Balance sheet

Note : Manufacturing Account and profit and Loss Appropriation account are not included in the syllabus of XI commerce. So for XI commerce Final Accounts consist only of Trading Account, Profit and Loss Account and Balance Sheet.

Trading Account

Trading Account is an account which gives the overall preview of all trading activities. The expenses and losses relating to trading activities are debited to this account and all outward movements of goods and stock of goods at the end of the year are recorded to the credit side of this account.

Debit side of Trading Account includes activities such as opening stock, purchases and all direct expenses - e.g. Wages, Freight, Carriage Inward, Coal, Gas, Fuel, Water, Manufacturing or Direct expenses. Similarly credit side of trading includes Closing Stock, Sales, less returns (sales returns) any kind of goods that is used for promotions as Free Samples, goods withdrawn by proprietor for personal reasons etc. Therefore it is said Trading Account is prepared to ascertain gross profit or loss for a given period of time. When there is credit balance. It is referred to as Gross Profit and when there is debit balance it referred to a Gross Loss which is transferred to profit and loss account. Trading Account is a Nominal Account.

Important terms of Trading Account :

1) **Stock :** Goods that are unsold are called Stock.

Stocks are of two types :

(i) **Opening stock :** It refers to unsold goods at the beginning of the year.

(ii) **Closing Stock :** The unsold goods on the last day of accounting period is referred to as Closing Stock. This is always valued at cost or market price, whichever is less. Closing Stock is credited to the Trading Account. It is also recorded on the asset side of Balance Sheet.

2) **Purchases :** This includes the purchases of goods and not purchases of assets. Purchase of goods may be on the basis of cash or credit. Purchase Returns are deducted from total purchases and thereafter net purchases are recorded on the debit side of Trading Account.

3) **Sales :** Sales includes the sales of goods and not sale of Assets. Sale of goods may be on the basis of cash or credit. Sales returns are deducted from total sales and thereafter net sales are recorded on the credit side of Trading Account.

4) **Direct Expenses :** Direct expenses are those expenses which are incurred for purchase of goods, production of goods and purchase expenses. All nominal accounts e.g. Wages, Manufacturing expenses, Factory lighting, Coal, Gas, Fuel, Water. Dock dues, Carriage inward etc.

Specimen of Trading Account**Trading Account for the year ended****Dr.****Cr.**

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---|---------------|---------------|---|---------------|---------------|
| To Opening Stock | | xxxx | By Sales | xxxx | |
| To Purchases | xxxx | | Less : Sales Return | xxxx | xxxx |
| Less : Purchase Return (Return outwards) | xxxx | xxxx | (Return Inward) | | |
| To Direct Expenses | | xxxx | By Goods distributed as free sample | | xxxx |
| To Freight & Carriage Inward | | xxxx | By Goods taken by proprietor for personal use | | xxxx |
| To Custom Duty | | xxxx | By Closing Stock | | xxxx |
| To Wages | | xxxx | By Gross Loss c/d | | xxxx |
| To Coal, Gas, Fuel etc. | | xxxx | | | |
| To Royalties | | xxxx | | | |
| To Factory expenses | | xxxx | | | |
| To Gross Profit c/d | | xxxx | | | |
| | | xxxx | | | xxxx |

From the following information prepare Trading Account of Sangita Traders for 31st March, 2019.

Solution : **Trading Account of Sangita Traders for the year ended 31st March 2019**

| | |
|------------|------------|
| Dr. | Cr. |
|------------|------------|

Journal Entries for preparing Trading Account

A) Transferring of Opening Stock, Purchases, Direct expenses

- ### 1) Transfer of Purchase Returns

Purchase Returns A/cDr. xxxx

To Purchases A/c XXXX

(Being Purchase returns transferred to Purchases A/c)

Specimen of Profit and Loss Account :

Profit & Loss Account for the year ended

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|------------------------------|---------------|---------------|------------------------------|---------------|---------------|
| To Gross Loss b/d (if any) | | xxxx | By Gross Profit b/d (if any) | | xxxx |
| To Salaries & Wages | | xxxx | By Rent received | | xxxx |
| To Rent Rates & Taxes | | xxxx | By Commission received | | xxxx |
| To Insurance | | xxxx | By Interest on Investment | | xxxx |
| To Bank Charges | | xxxx | By Interest on Deposits | | xxxx |
| To Discount (allowed) | | xxxx | By Misc. Income | | xxxx |
| To Audit fees | | xxxx | By Discount received | | xxxx |
| To Depreciation on | | | By Net Loss | | xxxx |
| Land & Building | xxxx | | (transferred to Capital A/c) | | xxxx |
| Plant & Machinery | xxxx | | | | |
| Furniture etc. | xxxx | xxxx | | | |
| To Travelling expenses | | xxxx | | | |
| To Advertisement | | xxxx | | | |
| To Printing & Stationery | | xxxx | | | |
| To Interest (paid) | | xxxx | | | |
| To Loss by fire | | xxxx | | | |
| To Loss by theft | | xxxx | | | |
| To Packing expenses | | xxxx | | | |
| To Commission | | xxxx | | | |
| To Bad Debts (old) | xxxx | | | | |
| Add : New bad debts | xxxx | | | | |
| Add : New RDD | xxxx | | | | |
| | xxxx | | | | |
| Less : Old RDD | xxxx | xxxx | | | |
| To Net Profit | | xxxx | | | |
| (Transferred to Capital A/c) | | | | | |
| | | xxxx | | | xxxx |

Illustration 1

From the following Trial balance of Raju & Sons, you are required to prepare Trading Account and Profit & Loss A/c for the year ended 31st March, 2018.

| Debit balance | Amt (₹) | Credit balance | Amt (₹) |
|-----------------------|----------|---------------------|----------|
| Wages | 9,200 | Purchases Returns | 6,520 |
| Purchases | 66,800 | Sales | 1,52,900 |
| Carriage Inward | 3,350 | Commission received | 18,000 |
| Sales returns | 4,800 | Rent Received | 9,000 |
| Opening Stock | 31300 | Discount Received | 4,600 |
| Salary | 17,400 | | |
| Royalty | 4,800 | | |
| Rent, Rates & Taxes | 12,680 | | |
| Bad debts | 500 | | |
| Carriage Outward | 3,720 | | |
| Printing & Stationery | 2,400 | | |
| Advertisement | 18,000 | | |
| Discount Allowed | 1,520 | | |
| Insurance | 5,800 | | |
| Factory Rent | 7,000 | | |
| Commission paid | 1,800 | | |
| | 1,91,020 | | 1,91,020 |

Adjustment : 1) Closing stock Rs. 56,850

Solution :

In the Books of Raju & Sons

Trading Account for the year ended 31st March, 2018

| Dr. | | | Cr. | | |
|--|------------|------------|---------------------|------------|------------|
| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
| To Opening stock | | 31,300 | By Sales | 1,52,900 | |
| To Purchases | 66,800 | | Less : Sales Return | 4,800 | 1,48,100 |
| Less : Purchase Return (Return outwards) | 6,520 | 60,280 | (Return Inward) | | |
| To Wages | | 9,200 | By Closing stock | | 56,850 |
| To Carriage Inward | | 3,350 | | | |
| To Royalty | | 4,800 | | | |
| To Factory Rent | | 7,000 | | | |
| To Gross Profit c/d (Balancing figure) | | 89,020 | | | |
| | | 2,04,950 | | | 2,04,950 |

Profit & Loss Account for the year ended 31st March, 2018

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---------------------------|---------------|-----------------|------------------------|---------------|-----------------|
| To Salary | | 17,400 | By Gross Profit b/d | | 89,020 |
| To Advertisement | | 18,000 | By Commission received | | 18,000 |
| To Discount | | 1,520 | By Rent Received | | 9,000 |
| To Rent, Rates and Taxes | | 12,680 | By Discount Received | | 4,600 |
| To Insurance | | 5,800 | | | |
| To Bad Debts | | 500 | | | |
| To Carriage Outward | | 3,720 | | | |
| To Commission | | 1,800 | | | |
| To Printing & Stationery | | 2,400 | | | |
| To Net Profit | | 56,800 | | | |
| (Transfer to Capital A/c) | | | | | |
| | | 1,20,620 | | | 1,20,620 |

Journal Entries relating to Profit & Loss A/c

A) For transfer of Expenses and Losses

Profit & Loss A/c.....Dr.

To All Indirect expenses A/c

(e.g. To Salaries A/c

To Rent A/c

To Advertisement A/c

To Insurance A/c

etc.....)

(Being Indirect expenses transferred to Profit & Loss A/c)

B) For transfer of Incomes and Gains

All Indirect incomes A/cDr.

(e.g, Discount, Dividend, Interest etc.)

To Profit & Loss A/c

(Being Indirect incomes transferred to Profit & Loss A/c)

C) For Transferring Net Profit/Net Loss to Capital A/c

a) For transferring Net Profit

1) Profit & Loss A/c.....Dr.

To Capital A/c

(Being Net Profit transferred to Capital A/c)

a) For transferring Net Loss

Capital A/c.....Dr. xxxx
 To Profit & Loss A/c xxxx
 (Being Net Loss transferred to Capital A/c)

9.4 Balance Sheet

Balance Sheet is a statement showing financial position of a business concern.

Balance Sheet has no debit or credit side as it is a statement and not an account. Left hand side of Balance sheet is "Liability side" and Right hand side "Asset side". Both sides of Balance Sheet should be of equal amount. A Balance sheet shows assets & liabilities of the business.

All Debit balances of Personal and Real Accounts are shown on the Asset Side and All Credit Balances of Personal Accounts are shown on Liability side. No Nominal Account will appear in the Balance Sheet

**In the books of M/s
Balance Sheet as on 31st March.....**

| Liabilities | Amt (₹) | Amt (₹) | Assets | Amt (₹) | Amt (₹) |
|-----------------------------|------------|------------|--------------------|------------|------------|
| Capital (opening) | xx | | Cash in hand | | xx |
| Add : Net Profit | xx | | Cash at Bank | | xx |
| Add : Interest on capital | xx | | Bills Receivable | | xx |
| | xx | | Sundry Debtors | | xx |
| Less : Drawings | xx | | Goodwill | | xx |
| Less : Interest on Drawings | xx | | Furniture | | xx |
| Less : Net Loss | xx | xx | Plant & Machinery | | xx |
| Bank Loan | | xx | Land & Building | | xx |
| Bank Overdraft | | xx | Prepaid expenses | | xx |
| Sundry Creditors | | xx | Outstanding Income | | xx |
| Bills Payable | | xx | Closing Stock | | xx |
| Outstanding Expenses | | xx | | | |
| Pre-received Income | | xx | | | |
| Total | | xxx | Total | | xxx |

Journal Entries of Some important adjustments :

1) Closing Stock :

Closing Stock A/cDr.
 To Trading A/c
 (Being Closing stock transferred to Trading A/c)

- 2) Depreciation on assets :** Depreciation means gradual and continuous decrease or reduction in the value of assets. This amount of depreciation is charged on fixed assets. It is treated as loss so it is debited to Profit & Loss account and to be deducted from respective asset. Entry will be as follows :

i) Depreciation A/cDr.
 To Respective Asset A/c
(Being Depreciation charged on assets)

ii) Profit & Loss A/cDr.
 To Depreciation A/c
(Being Depreciation transferred to Profit & Loss A/c)

- 3) **Outstanding expenses** : The expenses which have been incurred but not paid during the year. are unpaid expenses. Following journal entry is to be passed.

Expenses A/cDr.
 To Outstanding expenses A/c
(Being amount of outstanding expenses A/c transferred to expenses A/c)

For Example : Rent, salary etc.

Outstanding expenses are included in respective expenses A/c on Trading account/Profit & Loss account and to be shown on Liability side of Balance sheet)

- 4) **Prepaid expenses (Unexpired expenses)** : The expenses paid in advance of the current year during is known as prepaid expenses and entry is as follows

Prepaid expenses A/c.....Dr.
 To Expenses A/c
(Being amount of Prepaid expenses is debited to expenses A/c)

- 5) **Accrued Income (Outstanding Income):** The income which have been earned but not received during the year are outstanding income.

Outstanding Income A/c.....Dr.
 To Income A/c
(Being Income Outstanding)

- 6) **Income received in advance**

- (i) The income related to next accounting year but received in current year is known as income received in advance.

Income A/cDr.
 To Income received in advance A/c
(Being income received in advance)

- 7) **Bad Debts** : The Debts which are irrecoverable is called Bad-debts. The amount of Bad debts is loss to business. So Bad debts is debited to Profit & Loss A/c and is to be deducted from Sundry Debtors, for which following Journal entries is to be passed -

i) Bad debts A/c.....Dr.
 To Sundry Debtors A/c
(Being Bad debts written off)

ii) Profit & Loss A/cDr.

To Bad debts A/c

(Being Bad debts transferred to Profit & Loss A/c)

- 8) **Reserve or Provision for Doubtful Debts :** There are some debtors, of which recovery is doubtful. It may not be realised. For this purpose such provision is created which is known as Reserve for doubtful debts. This provision is created on the experiences of previous year. It is an anticipated loss therefore provision for doubtful debts is necessary.

i) Profit & Loss A/cDr.

To Reserve for doubtful debts (R.D.D.) A/c

(Being Provision of doubtful debts created)

- 9) **Provision/Reserve for Discount on Debtors :** It is an incentive to debtors for early payment. Such discount is also treated as loss. This discount is calculated on the amount of debtors (After deducting New Bad debts & New R.D.D.)

Profit & Loss A/c.....Dr.

To Provision for discount on Debtors A/c

(Being Provision for discount on Debtors created)

- 10) **Provision/Reserve for Discount on Creditors :** It is an incentive to make payment of creditors at the earliest. So discount received from creditors is treated as Profit or gain. So it is to be credited to Profit & Loss A/c and to be deducted from creditors from Balance Sheet. It is the only exception to the convention of conservatism.

Provision for discount on Creditors A/c.....Dr.

To Profit & Loss A/c

(Being Provision for discount on Creditors created)

Note : 1) When only Bad debts are given in Trial Balance it is debited to Profit & Loss A/c as it is loss.
2) When R.D.D. is given in Trial Balance, it is known as old R.D.D. [Existing R.D.D.]
3) When R.D.D. is given in adjustment, it is called New R.D.D.

- 11) **Goods withdrawn by proprietor for Personal use :** It refers to total amount of goods withdrawn by proprietor for personal use.

i) Drawings A/cDr.

To Trading/Purchases A/c

(Being goods withdrawn for personal use)

ii) Proprietor's Capital A/cDr.

To Drawings A/c

(Being balance of Drawings A/c transferred to Capital A/c)

12) Goods distributed as Free sample : Distribution of goods as a free sample is an advertisement. So amount of goods distributed as a free sample is to be debited to Profit and Loss account under the head of Advertisement (if any).

i) Goods distributed as free sample A/c.....Dr.

To Trading/Purchases A/c

(Being amount of goods distributed as free sample transferred to trading A/c)

ii) Advertisement A/cDr.

To Goods distributed as a free sample A/c

(Being amount of goods distributed as a free sample transferred to Advertisement A/c)

13) Interest on Capital :

i) Interest on Capital A/cDr.

To Capital A/c

(Being interest on capital provided)

ii) Profit and Loss A/c.....Dr.

To Interest on Capital A/c

(Being interest on capital transferred to capital A/c)

14) Interest on Drawings :

i) Capital A/cDr.

To Interest on Drawings A/c

(Being interest on Drawings charged)

ii) Interest on Drawing A/cDr.

To Profit and Loss A/c

(Being interest on Drawings transferred to Capital A/c)

| Name of Adjustment | Journal Entries | Two Effects |
|-----------------------------------|--|---|
| 1) Closing Stock | Closing Stock A/c Dr To Trading A/c | 1) Credit side of Trading A/c 2) Shown on Assets side of Balance Sheet |
| 2) Depreciation | 1) Depreciation A/c Dr To Asset A/c 2) Profit & Loss A/c Dr To Depreciation A/c | 1) Debit side of Profit & Loss A/c 2) Deducted from particular Assets on assets side of Balance sheet |
| 3) Outstanding or Unpaid Expenses | Expenses A/c Dr To Outstanding expenses A/c | 1) Add to particular expenses on Trading or Profit and Loss A/c 2) Shown on Liability side of Balance Sheet. |
| 4) Prepaid Expenses | Prepaid Expenses A/c Dr To Expenses A/c | 1) Less from that particular expenses on Trading or Profit & Loss A/c 2) Shown on Assets side of Balance sheet |

| | | |
|--|--|---|
| 5) Accrued Income/ Outstanding Income | Accrued Income A/c.....Dr To Income A/c | 1) Add to particular income on credit side of Profit & Loss A/c 2) Shown on Assets side of Balance sheet. |
| 6) Pre-received Income | Income A/c Dr To Pre-received Income /c | 1) Less from particular income on credit side of Profit & Loss A/c 2) Shown on Liabilities side of Balance sheet |
| 7) Bad debts | 1) Bad debts A/c..... Dr To Debtors A/c 2) Profit & Loss A/c Dr To Bad debts A/c | 1) Debit side of Profit & Loss A/c (New R.D.D + Bad debts) 2) Deducted from Sundry debtors on assets side. |
| 8) R.D.D (Reserve for doubtful debts) | Profit & Loss A/c Dr To R.D.D. A/c | 1) Debit side of Profit & Loss A/c 2) Deducted from Sundry debtors on assets side. |
| 9) Provision for Discount on Debtors | Profit & Loss A/c. Dr To Provision for discount on debtors A/c | 1) Debit side of Profit & Loss A/c 2) Deducted from Sundry debtors on Assets Side of Balance Sheet. |
| 10) Provision for Discount on Creditors | Provision for discount on creditors A/c. Dr To Profit & Loss A/c | 1) Credit side of Profit & Loss A/c 2) Deducted from Sundry creditors on liabilities side of Balance sheet |
| 11) Goods taken by proprietor for personal use | 1) Drawings A/c. Dr To Trading A/c or Purchases A/c 2) Proprietor's Capital A/c..Dr. To Drawing A/c | 1) Credit side of Trading or deducted from purchases A/c 2) Deducted from capital on Liability side |
| 12) Goods distributed as free sample | 1) Goods distributed as free sample A/c..... Dr To Trading A/c or Purchases A/c 2) Advertisement A/c...Dr. To Goods distributed as free sample A/c (To Purchases A/c) | 1) Credit side of Trading or deducted from purchases A/c 2) Debited to Profit & Loss A/c |
| 13) Interest on Capital | Profit & Loss A/c. Dr To Capital A/c | 1) Debit side of Profit & Loss A/c 2) Add to Capital, Liability side of Balance sheet. |
| 14) Interest on Drawings | Capital A/c. Dr To Profit & Loss A/c | 1) Credit side of Profit & Loss A/c 2) Add to Drawings/Less from Capital. |

Illustration 1

From the following Trial Balance of Bharadwaj & Sons prepare Trading and Profit & Loss Account for the year ended and Balance Sheet as on 31st March, 2019.

Trial Balance As on 31.3.2019

| Debit balance | Amt (₹) | Credit balance | Amt (₹) |
|---------------------|-----------------|------------------|-----------------|
| Royalties | 4,000 | Sundry Creditors | 56,000 |
| Drawings | 10,000 | Sales | 81,000 |
| Wages | 6,000 | Purchase Returns | 3,000 |
| Purchases | 71,000 | Capital | 2,50,000 |
| Cash | 10,000 | Bills payable | 20,000 |
| Sales Returns | 5,000 | Bank Overdraft | 40,000 |
| Bank | 40,000 | | |
| Insurance | 1,000 | | |
| Furniture | 34,000 | | |
| Buildings | 1,20,000 | | |
| Sundry Debtors | 1,00,000 | | |
| Bad debts | 1,000 | | |
| Sundry Expenses | 3,000 | | |
| Travelling Expenses | 2,000 | | |
| Opening Stock | 24,000 | | |
| Carriage Outwards | 1,600 | | |
| Rent | 1,000 | | |
| Carriage Inward | 400 | | |
| Salaries | 16,000 | | |
| | 4,50,000 | | 4,50,000 |

Additional Information :

Closing Stock - ₹ 54,000

Solution :

In the Books of Bhardwaj & Sons

Trading Account and Profit and loss Account for the year ended 31st March 2019

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---|---------------|-----------------|---------------------|---------------|-----------------|
| To Opening Stock | | 24,000 | By Sales | 81,000 | |
| To Purchases | 71,000 | | Less : Sales Return | 5,000 | 76,000 |
| Less : Purchase Return | 3,000 | 68,000 | | | |
| To Royalties | | 4,000 | | | |
| To Wages | | 6,000 | By Closing Stock | | 54,000 |
| To Carriage Inward | | 400 | | | |
| To Gross Profit c/d | | 27,600 | | | |
| | | 1,30,000 | | | 1,30,000 |
| To Salaries | | 16,000 | By Gross Profit b/d | | 27,600 |
| To Rent | | 1,000 | | | |
| To Sundry Expenses | | 3,000 | | | |
| To Insurance | | 1,000 | | | |
| To Bad debts | | 1,000 | | | |
| To Travelling Expenses | | 2,000 | | | |
| To Carriage Outwards | | 1,600 | | | |
| To Net Profit (Transferred to Capital A/c) | | 2,000 | | | |
| | | 27,600 | | | 27,600 |

Balance Sheet as on 31st March, 2019

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|------------------|---------------|-----------------|----------------|---------------|-----------------|
| Capital | 2,50,000 | | Buildings | | 1,20,000 |
| Add : Net Profit | 2,000 | | Furniture | | 34,000 |
| | 2,52,000 | | Sundry Debtors | | 1,00,000 |
| Less : Drawings | 10,000 | 2,42,000 | Bank | | 40,000 |
| Sundry Creditors | | 56,000 | Cash | | 10,000 |
| Bills Payable | | 20,000 | Closing stock | | 54,000 |
| Bank Overdraft | | 40,000 | | | |
| | | 3,58,000 | | | 3,58,000 |

Illustration 2

From the following Trial Balance of Mangesh Traders you are required to prepare Final Accounts.

Trial Balance as on 31st March, 2018

| Particulars | Debit (₹) | Credit (₹) |
|-----------------------|-----------|------------|
| Opening stock | 32,750 | |
| Purchases | 55,000 | |
| Sales | | 89,500 |
| Purchases Returns | | 2,630 |
| Sales Returns | 4,480 | |
| Royalties | 4,000 | |
| Wages & Salaries | 8,000 | |
| Office Salaries | 11,000 | |
| Bills Receivable | 19,250 | |
| Bills Payable | | 12,500 |
| Office Equipments | 20,000 | |
| Motor Van | 30,400 | |
| Plant and Machinery | 25,000 | |
| Bad Debts | 2,500 | |
| Advertisement | 6,000 | |
| Cash in Hand | 5,000 | |
| Sundry Debtors | 31,250 | |
| Reserve for Bad debts | | 1,000 |
| Sundry Creditors | | 24,000 |
| Capital | | 1,25,000 |
| | 2,54,630 | 2,54,630 |

Adjustments :

- 1) Closing Stock on 31st March, 2018 was valued at cost price ₹ 19,000, Market price ₹ 20,000
- 2) Office Salaries outstanding ₹ 1,000
- 3) Prepaid Wages ₹1,000
- 4) Provide depreciation @ 5%, 10% and 15% on Office Equipments, Motor Van and Plant and Machinery respectively.

Solution :

In the Books of Mangesh Traders

Trading Account and Profit and loss Account for the year ended 31st March 2018

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|--------------------------|---------------|-----------------|---|---------------|-----------------|
| To Opening Stock | | 32,750 | By Sales | 89,500 | |
| To Purchases | 55,000 | | Less : Sales Return | 4,480 | 85,020 |
| Less : Purchase Return | 2,630 | 52,370 | | | |
| To Wages and Salaries | 8,000 | | By Closing Stock | | 19,000 |
| Less : Prepaid Wages | 1,000 | 7,000 | | | |
| To Royalties | | 4,000 | | | |
| To Gross Profit c/d | | 7,900 | | | |
| | | 1,04,020 | | | 1,04,020 |
| To Office Salaries | 11,000 | | By Gross Profit b/d | | 7,900 |
| Add : Outstanding Salary | 1,000 | 12,000 | By Reserve for Bad Debts. | | 1,000 |
| To Bad debts | | 2,500 | By Net Loss (Transferred to Capital A/c) | | 19,390 |
| To Depreciation on | | | | | |
| - Office Equipments | 1,000 | | | | |
| - Motor Van | 3,040 | 7,790 | | | |
| - Plant & Machinery | 3,750 | | | | |
| To Advertisement | | 6,000 | | | |
| | | 28,290 | | | 28,290 |

Balance Sheet as on 31st March, 2018

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|----------------------|---------------|-----------------|-------------------------|---------------|-----------------|
| Capital | 1,25,000 | 1,05,610 | Office Equipments | 20,000 | 19,000 |
| Less : Net Loss | 19,390 | | Less : Depreciation 5% | 1,000 | |
| Outstanding Salaries | | 1,000 | Motor Van | 30,400 | 27,360 |
| Bills Payable | | 12,500 | Less : 10% Depreciation | 3,040 | |
| Sundry Creditors | | 24,000 | Bills Receivable | | 19,250 |
| | | | Plant & Machinery | 25,000 | 21,250 |
| | | | Less : 10% Depreciation | 3,750 | |
| | | | Debtors | | 31,250 |
| | | | Closing Stock | | 19,000 |
| | | | Prepaid Wages | | 1,000 |
| | | | Cash in hand | | 5,000 |
| | | 1,43,110 | | | 1,43,110 |

Depreciation :

- 1) 5% on ₹ 20,000 (Office Equipments) $20,000 \times 5/100$,
So Depreciation on Office Equipments is ₹ 1,000
- 2) 10% on ₹ 30,400 (Motor Van $30,400 \times 10/100$,
So Depreciation on Motor van is ₹ 3,040
- 3) 15% on ₹ 25,000 (Plant and Machinery) $25,000 \times 15/100$,
So Depreciation on Plant and Machinery is ₹ 3,750

Illustration 03

From the following Trial Balance of Reena Enterprises you are required to prepare Trading Account, Profit & Loss Account for the year ending on 31st March, 2018 and Balance Sheet as on that date

Trial Balance as on 31st March, 2018

| Particulars | Debit (₹) | Credit (₹) |
|-----------------------|-----------------|-----------------|
| Opening Stock | 45,200 | |
| Capital | | 3,00,000 |
| Drawings | 20,000 | |
| Furniture | 60,000 | |
| Prepaid Insurance | 1,770 | |
| Debtors & Creditors | 70,000 | 1,29,250 |
| Purchases & Sales | 57,000 | 1,20,000 |
| Plant & Machinery | 50,000 | |
| Investment | 68,000 | |
| Factory Insurance | 26,000 | |
| Audit Fees | 21,000 | |
| Carriage Inward | 1,800 | |
| Land & Building | 1,40,000 | |
| Rent | 7,120 | |
| Reserve for Bad debts | | 6,000 |
| Carriage Outward | 8,360 | |
| Returns | 2,000 | 9,000 |
| Discount | 1,000 | 7,000 |
| Commission Received | | 8,000 |
| | 5,79,250 | 5,79,250 |

Adjustments :

- 1) Write off Bad debts ₹ 2,000 and Provide 2.5% reserve for bad debts on debtors.
- 2) Closing stock valued at Cost Price ₹ 46,000 and Market price ₹ 40,000
- 3) Provide Depreciation @ 5% on Building and 10% on Machinery.
- 4) Rent prepaid ₹ 3,560
- 5) Outstanding Carriage Inward is ₹ 1,200

Solution :

In the Books of Reena Enterprises

Dr. Trading Account and Profit and loss Account for the year ended 31st March 2018 Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|------------------------------|---------------|-----------------|------------------------|---------------|-----------------|
| To Opening Stock | | 45,200 | By Sales | 1,20,000 | |
| To Purchases | 57,000 | | Less : Sales Return | 2,000 | 1,18,000 |
| Less : Purchase Return | 9,000 | 48,000 | | | |
| To Factory Insurance | | 26,000 | | | |
| To Carriage Inward | 1,800 | | By Closing Stock | | 40,000 |
| Add : Outstanding | 1,200 | 3,000 | | | |
| To Gross Profit c/d | | 35,800 | | | |
| | | 1,58,000 | | | 1,58,000 |
| To Audit fees | | 21,000 | By Gross Profit b/d | | 35,800 |
| To Rent | 7,120 | | By Discount | | 7,000 |
| Less : Prepaid Rent | 3,560 | 3,560 | By R.D.D. (Old) | 6,000 | |
| To Depreciation | | | Less : R.D.D. (New) | 1,700 | |
| - Land & Building | 7,000 | | | 4,300 | |
| - Plant & Machinery | 5,000 | 12,000 | Less : Bad Debts (New) | 2,000 | 2,300 |
| To Carriage Outward | | 8,360 | By Commission | | 8,000 |
| To Discount | | 1,000 | Received | | |
| To Net Profit | | 7,180 | | | |
| (Transferred to Capital A/c) | | | | | |
| | | 53,100 | | | 53,100 |

Balance Sheet as on 31st March, 2018

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|----------------------|---------------|-----------------|-------------------------|---------------|-----------------|
| Capital | 3,00,000 | | Sundry Debtors | 70,000 | |
| Add: Net Profit | 7,180 | | Less : Bad Debts | 2,000 | |
| | 3,07,180 | | | 68,000 | |
| Less : Drawings | 20,000 | 2,87,180 | Less : 2.5% R.D.D. | 1,700 | 66,300 |
| Creditors | | 1,29,250 | Land & Building | 1,40,000 | |
| Outstanding Carriage | | 1,200 | Less : 5% Depreciation | 7,000 | 1,33,000 |
| Inward | | | Plant & Machinery | 50,000 | |
| | | | Less : 10% Depreciation | 5,000 | 45,000 |
| | | | Prepaid Rent | | 3,560 |
| | | | Prepaid Insurance | | 1,770 |
| | | | Furniture | | 60,000 |
| | | | Investment | | 68,000 |
| | | | Closing Stock | | 40,000 |
| | | 4,17,630 | | | 4,17,630 |

Illustration 4

From the following Trial Balance of Khandwala Enterprises prepare Final Accounts.

Trial Balance as on 31st March, 2018

| Particulars | Debit (₹) | Credit (₹) |
|--------------------------|-----------------|-----------------|
| Capital | | 55,000 |
| Drawings | 3,000 | |
| Opening stock | 16,400 | |
| Purchases | 31,100 | |
| Direct Expenses | 2,500 | |
| Sales | | 50,000 |
| Returns | 1,980 | |
| Rent & taxes | 6,000 | |
| Bad Debts | 400 | |
| Reserve for bad debts | | 1,500 |
| Discount | 2,375 | |
| Commission received | | 255 |
| Debtors and Creditors | 20,250 | 18,500 |
| Furniture | 6,000 | |
| Machinery | 12,000 | |
| Goodwill | 7,500 | |
| Wages & Salaries | 7,000 | |
| Salaries (for 10 months) | 5,000 | |
| Advertisement | 9,000 | |
| Investment in Debentures | 8,500 | |
| Loans and Advances | | 13,750 |
| | 1,39,005 | 1,39,005 |

Adjustments :

- 1) Closing Stock ₹17,250
- 2) Rent of ₹ 4,000 has been prepaid
- 3) Provide 2% reserve for Bad Debts on Debtors. It was realised that our Debtor worth ₹ 1,000 proved to be bad and has to be written off.
- 4) Write off Depreciation @ 7.5% on Machinery and 15% on Furniture.
- 5) Create discount on Creditors @ 3%

Solution :

In the Books of Khandwala Enterprises

Dr. Trading Account and Profit and loss Account for the year ended 31st March 2018 Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|----------------------------|---------------|---------------|-------------------------|---------------|---------------|
| To Opening Stock | | 16,400 | By Sales | 50,000 | |
| To Purchases | | 31,100 | Less : Sales Return | 1,980 | 48,020 |
| To Direct Expenses | | 2,500 | | | |
| To Wages & Salaries | | 7,000 | | | |
| To Gross Profit c/d | | 8,270 | By Closing Stock | | 17,250 |
| | | 65,270 | | | 65,270 |
| To Salaries | 5,000 | | By Gross Profit b/d | | 8,270 |
| Add : Outstanding salaries | 1,000 | 6,000 | By Discount on | | 555 |
| To Rent & Taxes | 6,000 | | Creditors | | |
| Less : Prepaid Rent | 4,000 | 2,000 | By Commission | | 255 |
| To Depreciation on | | | received | | |
| - Machinery | 900 | | By Net Loss | | 12,380 |
| - Furniture | 900 | 1,800 | (Transferred to Capital | | |
| To Discount | | 2,375 | A/c) | | |
| To Advertisement | | 9,000 | | | |
| To Bad Debts (Old) | 400 | | | | |
| Add : Bad Debts (New) | 1,000 | | | | |
| Add : R.D.D. (New) | 385 | | | | |
| | 1,785 | | | | |
| Less : R.D.D. (Old) | 1,500 | 285 | | | |
| | | 21,460 | | | 21,460 |

Balance Sheet as on 31st March, 2018

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|-----------------------|---------------|---------------|--------------------------|---------------|---------------|
| Capital | 55,000 | | Machinery | 12,000 | |
| Less: Net Loss | 12,380 | | Less : Depreciation 7.5% | 900 | 11,100 |
| | 42,620 | | Furniture | 6,000 | |
| Less : Drawings | 3,000 | 39,620 | Less : Depreciation 15% | 900 | 5,100 |
| Creditors | 18,500 | | Debtors | 20,250 | |
| Less : Reserve for | 555 | 17,945 | Less : Bad Debts | 1,000 | |
| Discount on creditors | | | | 19,250 | |
| (W.N) | | | Less : R.D.D. 2% (W.N.) | 385 | 18,865 |
| | | 13,750 | Closing Stock | | 17,250 |
| Outstanding Salary | | 1,000 | Prepaid Rent | | 4,000 |
| Loans & Advances | | 13,750 | Goodwill | | 7,500 |
| | | | Investment in Debentures | | 8,500 |
| | | 72,315 | | | 72,315 |

Working note :

- 1) In Trial Balance Salaries are given ₹ 5,000 for 10 months and 2 months are outstanding. Therefore 2 months outstanding amount will be ₹ 1,000

| | | |
|-------------------|----------------|---------|
| Salaries | ₹ 5,000 | |
| Add : outstanding | <u>₹ 1,000</u> | ₹ 6,000 |

- 2) R.D.D. - 2% on 19,250 = ₹ 385
- 3) 3% Reserve for discount on creditors - 3% on 18,500 = ₹ 555

Illustration 5

From the following Trial Balance of Omkar you are required to prepare Trading Account and Profit and Loss Account for the year ending on 31st March 2018 and Balance Sheet as on that date.

Trial Balance as on 31st March, 2018

| Debit Balances | Amt (₹) | Credit Balances | Amt (₹) |
|-------------------------|-----------------|-------------------|-----------------|
| Debtors | 45,000 | Capital | 1,20,000 |
| Opening Stock | 11,550 | Sales | 60,750 |
| Purchases | 53,250 | Return Outward | 450 |
| Sales Return | 1,050 | Dividend Received | 2,250 |
| Bad debts | 600 | Creditors | 37,500 |
| Rent. Rates & taxes | 2,670 | Bank Overdraft | 24,000 |
| Insurance | 2,400 | R.D.D. | 1,200 |
| Office Equipments | 42,900 | | |
| Furniture & Fixtures | 28,500 | | |
| Cash at Bank | 32,280 | | |
| Legal Expenses | 3,000 | | |
| Advertisement | 1,800 | | |
| Brokerage | 2,100 | | |
| Drawings | 3,000 | | |
| Wages | 2,250 | | |
| Coal, Gas, Fuel & Water | 1,800 | | |
| Machinery | 12,000 | | |
| | 2,46,150 | | 2,46,150 |

Adjustments :

- 1) Closing Stock valued at ₹. 42,000.
- 2) Write off ₹ 1,200 Bad Debts and create a provision for bad & doubtful debts at 2% on debtors.
- 3) Outstanding expenses - Legal Expenses ₹ 750 and Wages ₹ 225
- 4) Charge depreciation on Office Equipments 2.5% and Machinery 5%.
- 5) Prepaid - Insurance ₹ 900

Solution :**In the Books of Omkar****Trading Account and Profit and loss Account for the year ended 31st March 2018****Dr.****Cr.**

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|------------------------------|---------------|-----------------|----------------------|---------------|-----------------|
| To Opening Stock | | 11,550 | By Sales | 60,750 | |
| To Purchases | 53,250 | | Less : Sales Return | 1,050 | 59,700 |
| Less : Purchase Return | 450 | 52,800 | | | |
| To Wages | 2,250 | | | | |
| Add : Outstanding Wages | 225 | 2,475 | By Closing Stock | | 42,000 |
| To Coal, Gas, Fuel & Water | | 1,800 | | | |
| To Gross Profit c/d | | 33,075 | | | |
| | | 1,01,700 | | | 1,01,700 |
| To Legal Expenses | 3,000 | | By Gross Profit b/d | | 33,075 |
| Add : Outstanding | 750 | 3,750 | By Dividend Received | | 2,250 |
| To Insurance | 2,400 | | | | |
| Less : Prepaid | 900 | 1,500 | | | |
| To Depreciation | | | | | |
| Office Equipments | 1,073 | | | | |
| Machinery | 600 | 1,673 | | | |
| To Rent, Rates and Taxes | | 2,670 | | | |
| To Advertisement | | 1,800 | | | |
| To Bad Debts (New) | 1,200 | | | | |
| Add : Bad debts (Old) | 600 | | | | |
| Add : R.D.D. (New) | 876 | | | | |
| | 2,676 | | | | |
| Less : R.D.D. (Old) | 1,200 | 1,476 | | | |
| To Brokerage | | 2,100 | | | |
| To Net Profit | | 20,356 | | | |
| (Transferred to Capital A/c) | | | | | |
| | | 35,325 | | | 35,325 |

Balance Sheet as on 31st March, 2018

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|------------------|---------------|-----------------|--------------------------|---------------|-----------------|
| Capital | 1,20,000 | 1,37,356 | Office Equipments | 42,900 | 41,827 |
| Add: Net Profit | 20,356 | | Less : Depreciation 2.5% | 1,073 | |
| | 1,40,356 | | Machinery | 12,000 | 11,400 |
| Less : Drawings | 3,000 | | Less : 5% Depreciation | 600 | |
| Creditors | | 37,500 | Furniture & Fixtures | | 28,500 |
| Outstanding Exp. | | 975 | Debtors | 45,000 | 42,924 |
| Legal Expenses | 750 | | Less : Bad Debts (New) | 1,200 | |
| Wages | 225 | | | 43,800 | |
| Bank Overdraft | | | Less : 2% R.D.D. (New) | 876 | |
| | | 24,000 | Prepaid Insurance | | 900 |
| | | | Cash at Bank | | 32,280 |
| | | | Closing Stock | | 42,000 |
| | | 1,99,831 | | | 1,99,831 |

Illustration 6

From the following Trial Balance and information given to you, prepare Trading Account, Profit & Loss Account & Balance Sheet as on 31st March, 2018 in the books of M/s Abhay.

Trial Balance as on 31st March, 2018

| Debit Balances | Amt (₹) | Amt (₹) |
|-----------------------|---------|----------|
| Capital | | 2,28,000 |
| Furniture | 40,000 | |
| Insurance | 10,000 | |
| Salaries | 17,000 | |
| Carriage Inward | 1,000 | |
| Rent. Rates and Taxes | 7,000 | |
| Machinery | 50,000 | |
| Wages | 8,000 | |
| Drawings | 14,000 | |
| Carriage Outward | 5,600 | |
| Purchases & Sales | 62,000 | 1,71,000 |
| Stock (1/4/2017) | 31,000 | |
| Returns | 5,000 | 6,300 |
| Rent received | | 6,000 |
| Discount Received | | 1700 |

| | | |
|-----------------------------------|-----------------|-----------------|
| R.D.D. | | 5,000 |
| Bad debts | 2,000 | |
| Advertisements | 10,900 | |
| Debtors and Creditors | 90,000 | 54,000 |
| Bills Receivable | 36,000 | |
| Cash at Bank | 8,500 | |
| 6% Bank Loan (taken on 1/10/2017) | | 50,000 |
| Brokerage | 4,000 | |
| Loose Tools | 36,000 | |
| Bills Payable | | 16,000 |
| Goodwill | 1,00,000 | |
| | 5,38,000 | 5,38,000 |

Adjustments :

- 1) Closing Stock cost price ₹ 37,000 and Market price ₹ 40,000
- 2) Provide for R.D.D. @ 5% on Sundry Debtors.
- 3) Outstanding expenses - Wages - ₹ 3,000, Salary - ₹ 3,600
- 4) Provide depreciation on Machinery @ 10% and Furniture 5%.
- 5) Allowed Interest on Capital 5% p.a.
- 6) Prepaid Insurance ₹ 2,000

Solution :

In the Books of M/s Abhay

Trading Account and Profit and loss Account for the year ended 31st March 2018

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|------------------------|---------------|-----------------|---------------------|---------------|-----------------|
| To Opening Stock | | 31,000 | By Sales | 1,71,000 | |
| To Purchases | 62,000 | | Less : Sales Return | 5,000 | 1,66,000 |
| Less : Purchase Return | 6,300 | 55,700 | | | |
| To Wages | 8,000 | | By Closing Stock | | 37,000 |
| Add : Outstanding | 3,000 | 11,000 | | | |
| To Carriage Inward | | 1,000 | | | |
| To Gross Profit c/d | | 1,04,300 | | | |
| | | 2,03,000 | | | 2,03,000 |

| | | | | | |
|---|--------|-----------------|----------------------|--|-----------------|
| To Salaries | 17,000 | | By Gross Profit b/d | | 1,04,300 |
| Add : Outstanding Salaries | 3,600 | 20,600 | By Discount Received | | 1,700 |
| To Int. on Capital | | 11,400 | By Rent Received | | 6,000 |
| To Bad debts (Old) | 2,000 | | | | |
| Add : R.D.D. (New) | 4,500 | | | | |
| | 6,500 | | | | |
| Less : R.D.D. (old) | 5,000 | 1,500 | | | |
| To Depreciation on Machinery | 5,000 | | | | |
| Furniture | 2,000 | 7,000 | | | |
| To Insurance | 10,000 | | | | |
| Less : Prepaid Insurance | 2,000 | 8,000 | | | |
| To Rent, Rates and Taxes | | 7,000 | | | |
| To Carriage Outward | | 5,600 | | | |
| To Advertisement | | 10,900 | | | |
| To Int. on Bank Loan | | 1,500 | | | |
| To Brokerage | | 4,000 | | | |
| To Net Profit (Transferred to Capital A/c) | | 34,500 | | | |
| | | 1,12,000 | | | 1,12,000 |

Balance Sheet as on 31st March, 2018

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|-----------------------|---------------|-----------------|-------------------------|---------------|-----------------|
| Capital | 2,28,000 | | Machinery | 50,000 | |
| Add : Int on Capital | 11,400 | | Less : Depreciation 10% | 5,000 | 45,000 |
| | 2,39,400 | | Furniture | 40,000 | |
| Add: Net Profit | 34,500 | | Less : Depreciation 5% | 2,000 | 38,000 |
| | 2,73,900 | | Bills Receivable | | 36,000 |
| Less : Drawings | 14,000 | 2,59,900 | Closing Stock | | 37,000 |
| 6% Bank Loan | 50,000 | | Sundry Debtors | 90,000 | |
| Add :Outstanding Int. | 1,500 | 51,500 | Less : R.D.D. 5% | 4,500 | 85,500 |
| Creditors | | 54,000 | Cash at Bank | | 8,500 |
| Outstanding Exp : | | | Loose Tools | | 36,000 |
| Salaries | 3,600 | | Goodwill | | 1,00,000 |
| Wages | 3,000 | 6,600 | Prepaid Insurance | | 2,000 |
| Bills Payable | | 16,000 | | | |
| | | 3,88,000 | | | 3,88,000 |

Working Note :

1) Interest on Capital 5% p.a. on ₹ 2,28,000 = ₹ 11,400

2) Hidden Adjustment in Trial Balance

6% Bank Loan, taken on 1st Oct, 2017 - ₹ 50,000

Interest should be charged for 6 months only.

6% on ₹ 50,000 for 6 months = ₹ 1,500

Illustration 7

From the following Trial Balance and additional information given of M/s Laxmi Enterprises you are required to prepare Trading Account. Profit & Loss Account for the year ending 31st March, 2019 and Balance Sheet as on that date.

In the books of M/s Laxmi Enterprises

Trial Balance as on 31st March, 2019

| Debit Balances | Amt (₹) | Credit Balances | Amt (₹) |
|-------------------------|----------|---|----------|
| Machinery | 1,00,000 | Discount | 2,000 |
| Sundry Debtors | 1,20,800 | Sales | 77,500 |
| Furniture | 36,000 | Purchases Returns | 4,800 |
| Stock (1st April, 2018) | 20,000 | Creditors | 52,000 |
| Wages | 1,800 | 10% Bank Loan (taken on 1st Oct. 2018) | 76,000 |
| Electricity Charges | 4,600 | R.D.D. | 1,600 |
| Insurance | 5,000 | Bank Overdraft | 53,300 |
| Factory Rent | 4,600 | Capital | 1,00,000 |
| Travelling Expenses | 3,600 | | |
| Advertisement | 2,500 | | |
| Office Rent | 3,000 | | |
| Purchases | 49,300 | | |
| Sales Returns | 2,800 | | |
| Bad Debts | 1,200 | | |
| Drawings | 12,000 | | |
| | 3,67,200 | | 3,67,200 |

Adjustments :

1) Stock as on 31st March 2019, amounted to ₹ 57,000

2) Depreciate Machinery and Furniture @ 5%

3) Unexpired Insurance ₹ 1,000.

4) ₹ 800 are written off as bad debts and create a Provision for Reserve for Doubtful Debts 5% on Sundry Debtors and Reserve for Discount on Debtors 2% and discount on Creditors 3%.

5) Outstanding Expenses - Wages ₹ 2,200 and Office Rent ₹ 1,400.

6) Goods withdrawn worth ₹ 2,000 by owner for personal use.

Solution :

In the Books of M/s Laxmi Enterprises

Trading Account and Profit and loss Account for the year ended 31st March 2019

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---|---------------|-----------------|---|---------------|-----------------|
| To Opening Stock | | 20,000 | By Sales | 77,500 | |
| To Purchases | 49,300 | | Less : Sales Return | 2,800 | 74,700 |
| Less : Purchase Return | 4,800 | 44,500 | | | |
| To Wages | 1,800 | | By Goods withdrawn for personal use | | 2,000 |
| Add : Outstanding Wages | 2,200 | 4,000 | By Closing Stock | | 57,000 |
| To Factory Rent | | 4,600 | | | |
| To Gross Profit c/d | | 60,600 | | | |
| | | 1,33,700 | | | 1,33,700 |
| To Office Rent | 3,000 | | By Gross Profit b/d | | 60,600 |
| Add : Outstanding Rent | 1,400 | 4,400 | By Discount received | | 2,000 |
| To Electricity Charges | | 4,600 | By Provision for Discount on Creditors | | 1,560 |
| To Insurance | 5,000 | | | | |
| Less : Prepaid Insurance | 1,000 | 4,000 | | | |
| To Travelling Expenses | | 3,600 | | | |
| To Depreciation on : | | | | | |
| Machinery | 5,000 | | | | |
| Furniture | 1,800 | 6,800 | | | |
| To Bad debts (Old) | 1,200 | | | | |
| Add : Bad debts (New) | 800 | | | | |
| Add : R.D.D. (New) | 6,000 | | | | |
| | 8,000 | | | | |
| Less : R.D.D. (Old) | 1,600 | 6,400 | | | |
| To Provision for Discount on Debtors | | 2,280 | | | |
| To Advertisement | | 2,500 | | | |
| To Interest on Bank Loan | | 3,800 | | | |
| To Net Profit (Transferred to Capital A/c) | | 25,780 | | | |
| | | 64,160 | | | 64,160 |

Balance Sheet as on 31st March, 2019

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|--------------------|---------------|-----------------|------------------------|---------------|-----------------|
| Capital | 1,00,000 | | Machinery | 1,00,000 | |
| Add : Net Profit | 25,780 | | Less : Depreciation 5% | 5,000 | 95,000 |
| | 1,25,780 | | Furniture | 36,000 | |
| Less : Drawings | 14,000 | 1,11,780 | Less : 5% Depreciation | 1,800 | 34,200 |
| (12,000 + 2,000) | | | Prepaid Insurance | | 1,000 |
| Outstanding Exp : | | | Sundry Debtors | 1,20,800 | |
| Wages | 2,200 | | Less : Bad debts | 800 | |
| Office Rent | 1,400 | 3,600 | | 1,20,000 | |
| Creditors | 52,000 | | Less : RDD. 5% | 6,000 | |
| less : Discount on | 1,560 | 50,440 | | 1,14,000 | |
| Creditors 3% | | | Less 2% Provision for | 2,280 | 1,11,720 |
| 10% Bank Loan | 76,000 | | discount | | |
| Add : Interest | 3,800 | 79,800 | Closing Stock | | 57,000 |
| Outstanding | | | | | |
| Bank Overdraft | | 53,300 | | | |
| | | 2,98,920 | | | 2,98,920 |

Illustration 8

Shreyas requested you, to prepare Trading Account, Profit & Loss Account for the year ended on 31st, March 2018. and Balance Sheet as on that date.

Trial Balance as on 31st March, 2018

| Debit Balances | Amt (₹) | Credit Balances | Amt (₹) |
|-------------------------|-----------------|----------------------|-----------------|
| Opening Stock | 14,400 | Creditors | 19,300 |
| Debtors | 30,000 | Returns outward | 750 |
| Returns Inward | 1,650 | Sales | 20,000 |
| Rent, Rates & Insurance | 2,250 | Discount | 365 |
| Productive Wages | 2,525 | Capital | 75,000 |
| Discount | 390 | Outstanding Interest | 650 |
| Interest | 475 | Loan | 7,500 |
| Loss by fire | 1,650 | | |
| Salaries | 1,850 | | |
| Purchases | 24,350 | | |
| Drawings | 2,500 | | |
| Carriage Outward | 1,275 | | |
| Loose Tools | 17,500 | | |
| Plant & Machinery | 14,000 | | |
| Cash in hand | 1,250 | | |
| Cash at Bank | 7,500 | | |
| | 1,23,565 | | 1,23,565 |

Adjustments :

- 1) Stock as on 31st March 2018, amounted to ₹48,500
- 2) Charge depreciation on Loose Tools @ 10% and on Plant & Machinery @ 15%
- 3) Prepaid Insurance amounted to ₹ 500 and outstanding Rent ₹ 400.
- 4) Charge Interest on Capital @ 5% and on Drawings 7%
- 5) Outstanding Salary ₹ 650

Solution :

In the Books of Shreyas

Trading Account and Profit and loss Account for the year ended 31st March 2018

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---|---------------|---------------|-------------------------|---------------|---------------|
| To Opening Stock | | 14,400 | By Sales | 20,000 | |
| To Purchases | 24,350 | | Less : Sales Return | 1,650 | 18,350 |
| Less : Purchase Return | 750 | 23,600 | | | |
| To Productive Wages | | 2,525 | By Closing Stock | | 48,500 |
| To Gross Profit c/d | | 26,325 | | | |
| | | 66,850 | | | 66,850 |
| To Rent, Rates & Insurance | 2,250 | | By Gross Profit c/d | | 26,325 |
| Add : Outstanding Rent | 400 | | By Discount Received | | 365 |
| | 2,650 | | By Interest on Drawings | | 88 |
| Less : Prepaid Insurance | 500 | 2,150 | | | |
| To Discount | | 390 | | | |
| To Interest on Capital | | 3,750 | | | |
| To Depreciation on : | | | | | |
| Loose Tools | 1,750 | | | | |
| Plant & Machinery | 2,100 | 3,850 | | | |
| To Interest | | 475 | | | |
| To Salaries | 1,850 | | | | |
| Add : Outstanding Salary | 650 | 2,500 | | | |
| To Loss by Fire | | 1,650 | | | |
| To Carriage Outwards | | 1,275 | | | |
| To Net Profit (Transferred to Capital A/c) | | 10,738 | | | |
| | | 26,778 | | | 26,778 |

Balance Sheet as on 31st March, 2018

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|------------------------------|---------------|-----------------|-------------------------|---------------|-----------------|
| Capital | 75,000 | | Loose Tools | 17,500 | |
| Add : Net Profit | 10,738 | | Less : Depreciation 10% | 1,750 | 15,750 |
| Add : Interest 5% on Capital | 3,750 | | Plant & Machinery | 14,000 | |
| Less : Drawings | 89,488 | | Less : Depreciation 15% | 2,100 | 11,900 |
| | 2,500 | | Cash at Bank | | 7,500 |
| | 86988 | | Closing Stock | | 48,500 |
| Less : Int on Drawings | 88 | 86,900 | Prepaid Insurance | | 500 |
| Creditors | | 19,300 | Debtors | | 30,000 |
| Loan | | 7,500 | Cash in hand | | 1,250 |
| Outstanding Interest | | 650 | | | |
| Outstanding Rent | | 400 | | | |
| Outstanding Salary | | 650 | | | |
| | | 1,15,400 | | | 1,15,400 |

Note : Interest on Drawing is charged for 6 months only as date of Drawing is not given.

Amount of Drawing given in Trial Balance is ₹ 2,500, So 7% on 2500 = 175

Interest on Drawing is charged for 6 months only; Therefore $175/2 = 88$.

It means, Drawings ₹ 2,500 + 88 = 2,588

Illustration 9

From the following Trial Balance of Kisan Traders prepare Trading Account, Profit & Loss Account for the year ended on 31st, March 2019. and Balance Sheet as on that date.

Trial Balance as on 31st March, 2019

| Debit Balances | Amt (₹) | Credit Balances | Amt (₹) |
|-----------------------|------------------|----------------------------|------------------|
| Stock (1.4.2018) | 1,50,000 | Sundry Creditors | 2,00,000 |
| Purchases | 8,50,000 | Bank Overdraft | 1,80,000 |
| Wages | 1,20,000 | Interest Received | 60,000 |
| Indirect Expenses | 80,000 | Reserve for doubtful debts | 10,000 |
| Return Inward | 20,000 | Sales | 13,95,300 |
| Power & Fuel | 95,000 | Returns Outward | 30,000 |
| Advertisement | 70,000 | Capital | 6,00,000 |
| Travelling Expenses | 30,000 | | |
| Sundry Debtors | 2,20,000 | | |
| Plant & Machinery | 1,80,000 | | |
| Printing & Stationery | 18,000 | | |
| Computers & Printers | 5,20,000 | | |
| Insurance Premium | 20,000 | | |
| Cash in hand | 42,300 | | |
| Bad Debts | 11,000 | | |
| Drawings | 49,000 | | |
| | 24,75,300 | | 24,75,300 |

Adjustments :

- 1) Closing Stock is valued at ₹ 2,80,000
- 2) Wages unpaid ₹ 30,000, Indirect Expenses outstanding ₹ 22,000.
- 3) Machinery includes ₹ 40,000 for the purchase of a new Machinery on 1st Oct, 2018 depreciate Plant and Machinery at 10% and Computers & Printers at 10%.
- 4) Reserve for doubtful debts is to be maintained at 5%.
- 5) Insurance Premium is paid for one year up to 30th June, 2019.
- 6) Travelling expenses include ₹ 10,000 for personal travelling expenses of owner.

Solution :

In the Books of Kisan Traders

Trading Account and Profit and loss Account for the year ended 31st March 2019

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---------------------------|---------------|------------------|---------------------|---------------|------------------|
| To Opening Stock | | 1,50,000 | By Sales | 13,95,300 | |
| To Purchases | 8,50,000 | | Less : Sales Return | 20,000 | 13,75,300 |
| Less : Purchase Return | 30,000 | 8,20,000 | | | |
| To Wages | 1,20,000 | | | | 2,80,000 |
| Add : Unpaid wages | 30,000 | 1,50,000 | By Closing Stock | | |
| To Power & Fuel | | 95,000 | | | |
| To Gross Profit c/d | | 4,40,300 | | | |
| | | 16,55,300 | | | 16,55,300 |
| To Indirect Expenses | 80,000 | | By Gross Profit b/d | | 4,40,300 |
| Add : Outstanding | 22,000 | 1,02,000 | By Interest | | 60,000 |
| To Advertisement | | 70,000 | Received | | |
| To Travelling expenses | 30,000 | | | | |
| Less : Personal | 10,000 | 20,000 | | | |
| Travelling | | | | | |
| To Printing & Stationery | | 18,000 | | | |
| To Insurance Premium | 20,000 | | | | |
| Less : Prepaid Insurance | 5,000 | 15,000 | | | |
| To Bad Debts | 11,000 | | | | |
| Add : New R.D.D. | 11,000 | | | | |
| | 22,000 | | | | |
| Less : Old R.D.D. | 10,000 | 12,000 | | | |
| To Depreciation on : | | | | | |
| Plant & Machinery | 16,000 | | | | |
| Buildings | 52,000 | 68,000 | | | |
| To Net Profit | | 1,95,300 | | | |
| (Transfer to Capital A/c) | | | | | |
| | | 5,00,300 | | | 5,00,300 |

Balance Sheet of Kishan Traders as on 31st March, 2019

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|-----------------------|---------------|------------------|-----------------------------|---------------|------------------|
| Capital | 6,00,000 | | Cash in hand | | 42,300 |
| Less : Drawings | 49,000 | | Sundry Debtors | 2,20,000 | |
| Less : Drawings | 10,000 | | Less : 5% New R.D.D. | 11,000 | 2,09,000 |
| (Travelling expenses) | 5,41,000 | | Plant & Machinery | 1,80,000 | |
| Add : Net Profit | 1,95,300 | 7,36,300 | Less : Depreciation (WN) | 16,000 | 1,64,000 |
| Sundry Creditors | | 2,00,000 | Computers & Printers | 5,20,000 | |
| Bank Overdraft | | 1,80,000 | Less : 10% Depreciation | 52,000 | 4,68,000 |
| Outstanding expenses | | | Closing Stock | | 2,80,000 |
| Wages | 30,000 | | Prepaid Insurance | | 5,000 |
| Indirect Expenses | 22,000 | 52,000 | | | |
| | | 11,68,300 | | | 11,68,300 |

Working Note :

1) Insurance Premium for 1 year ₹ 20,000 paid upt 30th June 2019.

Prepaid Insurance for 3 months $20,000/1 \times 3/12 = ₹ 5,000$

2) New R.D.D. is 5% on Debtors

i.e. $2,20,000/1 \times 5/100 = 11,000$

3) Balance on Machinery A/c ₹ 1,80,000

Cost of New Machinery

Purchased on 1st Oct. 2018 ₹ 40,000

Balance of old Machinery ₹ 1,40,000

a) Depreciation on old Machinery for 12 months

$1,40,000/1 \times 10/100$ ₹ 14,000

Add : b) Depreciation on New Machinery

(for 6 months)

$40,000/1 \times 10/100 \times 6/12$ ₹ 2,000

₹ 16,000

Total Depreciation on Machinery is ₹ 16,000

Illustration 10

Prepare Trading, Profit and Loss Account and Balance Sheet in the Books of Arun J. with the help of following information and Trial Balance given below for the year ending 31st March, 2019.

Trial Balance as on 31st March, 2019

| Debit Balances | Amt (₹) | Credit Balances | Amt (₹) |
|-------------------|---------------|-------------------|---------------|
| Debtors | 24,000 | Capital | 25,000 |
| Opening Stock | 8,000 | Sales | 20,000 |
| Royalties | 1,500 | Creditors | 10,000 |
| Wages | 1,000 | Returns | 1,000 |
| Salaries | 2,500 | Loans & Advances | 8,000 |
| Drawings | 3,000 | Bills Payable | 12,000 |
| Goodwill | 8,000 | Interest Received | 1,000 |
| Returns | 500 | | |
| Telephone Charges | 1,000 | | |
| Carriage Inwards | 1,000 | | |
| Carriage Outward | 1,000 | | |
| Trade Expenses | 500 | | |
| Insurance | 2,000 | | |
| Plant & Machinery | 6,000 | | |
| Furniture | 5,000 | | |
| Purchases | 12,000 | | |
| | 77,000 | | 77,000 |

Adjustments :

- 1) Closing Stock is valued at Cost Price ₹ 13,000 where as Market Price ₹ 15,000
- 2) Depreciate Plant & Machinery by 5% and Furniture by 10%
- 3) Insurance ₹ 700 is unexpired.
- 4) Outstanding Salary and Wages ₹ 800 and ₹ 1,000 respectively.
- 5) R.D.D. is to be created 5% on Sundry Debtors
- 6) Goods of ₹ 3,000 distributed as free sample

Solution :

In the Books of Arun

Dr. Trading Account and Profit and loss Account for the year ended 31st March 2019 Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---|---------------|---------------|-------------------------------------|---------------|---------------|
| To Opening Stock | | 8,000 | By Sales | 20,000 | |
| To Purchases | 12,000 | | Less : Sales Return | 500 | 19,500 |
| Less : Returns | 1,000 | 11,000 | | | |
| To Royalties | | 1,500 | | | |
| To Wages | 1,000 | | By Closing Stock | | 13,000 |
| Add : Outstanding | 1,000 | 2,000 | By Goods distributed as free sample | | 3,000 |
| To Carriage Inwards | | 1,000 | | | |
| To Gross Profit c/d | | 12,000 | | | |
| | | 35,500 | | | 35,500 |
| To Insurance | 2,000 | | By Gross Profit b/d | | 12,000 |
| Less : Prepaid | 700 | 1,300 | By Interest Received | | 1,000 |
| To Salaries | 2,500 | | | | |
| Add : Outstanding | 800 | 3,300 | | | |
| To Depreciation on : Plant & Machinery | 300 | | | | |
| Furniture | 500 | 800 | | | |
| To R.D.D. | | 1,200 | | | |
| To Telephone Charges | | 1,000 | | | |
| To Carriage Outward | | 1,000 | | | |
| To Trade Expenses | | 500 | | | |
| To Advertisements (Goods distributed as free sample) | | 3,000 | | | |
| To Net Profit (Transfer to Capital A/c) | | 900 | | | |
| | | 13,000 | | | 13,000 |

Balance Sheet as on 31st March, 2019

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|----------------------|---------------|---------------|-------------------------|---------------|---------------|
| Capital | 25,000 | | Closing Stock | | 13,000 |
| Add : Net Profit | 900 | | Plant & Machinery | 6,000 | |
| | 25,900 | | Less : depreciation 5% | 300 | 5,700 |
| Less : Drawings | 3,000 | 22,900 | Furniture | 5,000 | |
| Creditors | | 10,000 | Less : Depreciation 10% | 500 | 4,500 |
| Outstanding Expenses | | | Prepaid Insurance | | 700 |
| Salaries | 800 | | Goodwill | | 8,000 |
| Wages | 1,000 | 1,800 | Debtors | 24,000 | |
| Loans & Advances | | 8,000 | Less : R.D.D. 5% | 1,200 | 22,800 |
| Bills Payables | | 12,000 | | | |
| | | 54,700 | | | 54,700 |

Illustration 11

From the following Trial Balance of Pravin & Sons prepare Trading Account, Profit & Loss Account for the year ended on 31st, March 2019. and Balance Sheet as on that date.

Trial Balance as on 31st March, 2019

| Debit Balances | Amt (₹) | Credit Balances | Amt (₹) |
|-----------------------|-----------------|---------------------|-----------------|
| Cash | 4,000 | R.D.D. | 1,600 |
| Wages | 6,000 | Creditors | 50,280 |
| Interest | 3,000 | Sales | 62,000 |
| Salaries | 12,000 | Purchase Returns | 1,720 |
| Drawings | 10,000 | Bank Overdraft | 20,000 |
| Advertisement | 1,200 | Commission Received | 2,800 |
| Machinery | 51,000 | Capital | 1,00,000 |
| Printing & Stationery | 1,200 | | |
| Debtors | 76,000 | | |
| Sales Returns | 1,500 | | |
| Opening Stock | 10,000 | | |
| Purchases | 54,500 | | |
| Bad Debts | 1,920 | | |
| Discount | 2,080 | | |
| Rent | 4,000 | | |
| | 2,38,400 | | 2,38,400 |

Adjustments :

- 1) Closing Stock is valued at ₹ 84,000
- 2) Wages include ₹ 800 being advance given to workers.
- 3) Outstanding expenses Salaries ₹ 3,600 and Rent ₹ 3,000
- 4) Write off ₹ 2,000 as bad debts, and create a provision for doubtful debts 3% on Debtors.
- 5) Amount of Machinery is reduced to ₹ 48,000
- 6) Charge Interest on Capital 5% p.a.

Solution :

In the Books of Pravin & Sons

Dr. Trading Account and Profit and loss Account for the year ended 31st March 2019 Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---|---------------|-----------------|------------------------|---------------|-----------------|
| To Opening Stock | | 10,000 | By Sales | 62,000 | |
| To Purchases | 64,500 | | Less : Sales Return | 1,500 | 60,500 |
| Less : Purchase Return | 1,720 | 62,780 | | | |
| To Wages | 6,000 | | By Closing Stock | | 84,000 |
| Less : Advance paid | 800 | 5,200 | | | |
| To Gross Profit c/d | | 76,520 | | | |
| | | 1,44,500 | | | 1,44,500 |
| To Rent | 4,000 | | By Gross Profit b/d | | 76,520 |
| Add : Outstanding Rent | 3,000 | 7,000 | By Commission Received | | 2,800 |
| To Depreciation on Machinery | | 3,000 | | | |
| To Salaries | 12,000 | | | | |
| Add : Outstanding Salary | 3,600 | 15,600 | | | |
| To Bad Debts (New) | 2,000 | | | | |
| Add : Bad Debts (old) | 1,920 | | | | |
| | 3,920 | | | | |
| Add : R.D.D. (New) | 2,220 | | | | |
| | 6,140 | | | | |
| Less : R.D.D. (Old) | 1,600 | 4,540 | | | |
| To Interest on capital | | 5,000 | | | |
| To Interest | | 3,000 | | | |
| To Advertisement | | 1,200 | | | |
| To Printing & Stationery | | 1,200 | | | |
| To Discount | | 2,080 | | | |
| To Net Profit (Transfer to Capital A/c) | | 36,700 | | | |
| | | 79,320 | | | 79,320 |

Balance Sheet as on 31st March, 2019

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|---------------------------|---------------|-----------------|------------------------|---------------|-----------------|
| Capital | 1,00,000 | | Machinery | 51,000 | |
| Add : Interest on Capital | 5,000 | | Less : Depreciation | 3,000 | 48,000 |
| | 1,05,000 | | Debtors | 76,000 | |
| Add : Net Profit | 36,700 | | Less : Bad debts (New) | 2,000 | |
| | 1,41,700 | | | 74,000 | |
| Less : Drawings | 10,000 | 1,31,700 | Less : New R.D.D. 3% | 2,220 | 71,780 |
| Creditors | | 50,280 | Closing Stock | | 84,000 |
| Outstanding Expenses | | | Advance to worker | | 800 |
| - Salaries | 3,600 | | Cash | | 4,000 |
| - Rent | 3,000 | 6,600 | | | |
| Bank Overdraft | | 20,000 | | | |
| | | 2,08,580 | | | 2,08,580 |

Working Notes :

- 1) New Bad debts ₹ 2,000 and R.D.D. is 3%
- | | |
|------------------------|-----------------|
| So Debtors | ₹ 76,000 |
| Less : Bad debts (New) | ₹ 2,000 |
| | <u>₹ 74,000</u> |
- Therefore R.D.D. 3% on 74,000
- New R.D.D. 2,220
- $74,000/1 \times 3/100 = ₹ 2,220$
- 2) Interest on Capital 5% p.a.
- So $1,00,000/1 \times 5/100 = ₹ 5,000$
- Therefore Interest on Capital is ₹ 5,000

Illustration 12

Following is a Trial Balance of Vijay Traders, You are required to prepare Trading Account and Profit & Loss Account for the year ended 31st March, 2018 and Balance Sheet as on that date

Trial Balance as on 31st March, 2018

| Debit Balances | Amt (₹) | Credit Balances | Amt (₹) |
|---------------------|-----------------|-------------------|-----------------|
| Rent, Rates & Taxes | 3,500 | R.D.D. | 2,500 |
| Insurance | 1,000 | Loan from Prakash | 34,700 |
| Wages | 6,000 | Sales | 92,300 |
| Repairs | 9,400 | Capital | 45,000 |
| Drawings | 3,000 | Sundry Creditors | 18,000 |
| Sundry Debtors | 15,000 | Sundry Income | 7,500 |
| Purchases | 40,000 | Bills Payable | 17,000 |
| Discount | 900 | Discount Received | 3,000 |
| General Expenses | 3,600 | | |
| Furniture | 40,000 | | |
| Plant & Machinery | 50,000 | | |
| Stock (1.4.2017) | 12,000 | | |
| Bank | 7,500 | | |
| Bad Debts | 600 | | |
| Bills Receivable | 27,500 | | |
| | 2,20,000 | | 2,20,000 |

Adjustments :

- 1) Prepaid Insurance ₹ 400
- 2) Create 10% R.D.D. on Sundry Debtors and 6% discount on Debtors.
- 3) Outstanding expenses : General Expenses ₹ 1,400 and Wages ₹ 1,000
- 4) Depreciate Furniture by 10% and Plant & Machinery by 4%
- 5) Sundry Income of ₹ 1,500 received in advance.
- 6) Stock on 31st March 2018, amounted to ₹ 30,000

Solution : **In the Books of Vijay Traders**
Trading Account and Profit and loss Account for the year ended 31st March 2018

| Dr. | | | Cr. | | |
|----------------------------|---------------|-----------------|------------------------|---------------|-----------------|
| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
| To Opening Stock | | 12,000 | By Sales | | 92,300 |
| To Purchases | | 40,000 | | | |
| To Wages | 6,000 | | By Closing Stock | | 30,000 |
| Add : Outstanding | 1,000 | 7,000 | | | |
| To Gross Profit c/d | | 63,300 | | | |
| | | 1,22,300 | | | 1,22,300 |
| To Rent, Rates and Taxes | | 3,500 | By Gross Profit b/d | | 63,300 |
| To Insurance | 1,000 | | By R.D.D. (old) | 2,500 | |
| Less : Prepaid | 400 | 600 | Less : R.D.D. (New) | 1,500 | |
| | | | | 1,000 | |
| To General Expenses | 3,600 | | Less : Bad Debts (old) | 600 | 400 |
| Add : Outstanding | 1,400 | 5,000 | By Sundry Income | 7,500 | |
| To Depreciation on : | | | Less : Received in | 1,500 | |
| Furniture | 4,000 | | Advance | | 6,000 |
| Machinery | 2,000 | 6,000 | By Discount Received | | 3,000 |
| To Discount | 900 | | | | |
| Add : Reserve for | 810 | 1,710 | | | |
| Discount on Debtors | | | | | |
| To Repairs | | 9,400 | | | |
| To Net Profit | | 46,490 | | | |
| transferred to Capital A/c | | | | | |
| | | 72,700 | | | 72,700 |

Balance Sheet as on 31st March, 2018

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|------------------------|---------------|-----------------|-------------------------|---------------|-----------------|
| Capital | 45,000 | | Furniture | 40,000 | |
| Add : Net Profit | 46,490 | | Less : Deprecation 10% | 4,000 | 36,000 |
| | 91,490 | | Plant & Machinery | 50,000 | |
| Less : Drawings | -3,000 | 88,490 | Less : Deprecation 4% | 2,000 | 48,000 |
| Sundry Creditors | | 18,000 | Sundry Debtors | 15,000 | |
| Loan from Prakash | | 34,700 | Less : R.D.D. (New) 10% | 1,500 | |
| Outstanding Expenses : | | | | 13,500 | |
| General Expenses | 1,400 | | Less : 6% Discount on | 810 | 12,690 |
| Wages | 1,000 | 2,400 | Debtors | | |
| Sundry Income | | 1,500 | Prepaid Insurance | | 400 |
| -recieved in advance | | | Closing Stock | | 30,000 |
| Bills Payable | | 17,000 | Bank | | 7,500 |
| | | | Bills Receivable | | 27,500 |
| | | 1,62,090 | | | 1,62,090 |

Working Note :

Old R.D.D. (i.e. Provision for Doubtful debts given in Trial Balance) is more than the new R.D.D. So excess provision for doubtful debts (₹ 400) is shown on the credit side of Profit and Loss A/c. It is treated as gain.

Illustration 13

Following is a Trial Balance of Ajay Enterprises, You are required to prepare Trading Account and Profit & Loss Account for the year ended 31st March, 2019 and Balance Sheet as on that date

Trial Balance as on 31st March, 2019

| Particulars | Debit Amt (₹) | Credit Amt (₹) |
|-------------------|---------------|----------------|
| Debtors | 52,835 | |
| Opening Stock | 8,605 | |
| Purchases | 25,375 | |
| Fuel and Power | 1,818 | |
| Creditors | | 42,860 |
| Carriage Outwards | 1,860 | |
| Drawings | 5,000 | |
| Capital | | 1,60,000 |
| Sales | | 39,472 |
| Returns | 860 | 1,375 |

| | | |
|-----------------------------------|-----------------|-----------------|
| Cash at Bank | 16,375 | |
| Furniture (Purchased on 1/7/2018) | 39,500 | |
| Salaries | 7,000 | |
| Motor car | 20,500 | |
| Wages | 7,000 | |
| General Expenses | 7,295 | |
| 8% Loan (taken on 1/10/2018) | | 15,000 |
| Bad debts | 2,000 | |
| R.D.D. | | 800 |
| Bills Payable | | 6,866 |
| Machinery | 40,800 | |
| Insurance | 5,000 | |
| Commission Received | | 1,450 |
| Investments | 26,000 | |
| | 2,67,823 | 2,67,823 |

Adjustments :

- 1) Stock on hand 31st March 2019, amounted to ₹ 28,000
- 2) Write off ₹ 1,500 as Bad debts and create a Provision for doubtful debts @ 5% on Debtor.
- 3) Depreciation on Furniture, Motor car, and Machinery @ 10%, 7% and 5% respectively.
- 4) Commission ₹ 550 is due but not received.
- 5) Outstanding Expenses General Expenses ₹ 1,000 and Wages ₹ 500.
- 6) Prepaid expenses Insurance ₹ 2,000

Solution :

In the Books of Ajay Enterprises

Trading and Profit and loss Account for the year ended 31st March 2019

Dr.

Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|---------------------|---------------|---------------|------------------|---------------|---------------|
| To Opening Stock | | 8,605 | By Sales | 39,472 | |
| To Purchases | 25,375 | | Less : Returns | 860 | |
| Less : Returns | 1,375 | 24,000 | | | 38,612 |
| To Wages | 7,000 | | By Closing Stock | | 28,000 |
| Add : Outstanding | 500 | 7,500 | | | |
| To Fuel & Power | | 1,818 | | | |
| To Gross Profit c/d | | 24,689 | | | |
| | | 66,612 | | | 66,612 |

| | | | | | |
|-----------------------|-------|---------------|---|-------|---------------|
| To Salaries | | 7,000 | By Gross Profit b/d | | 24,689 |
| To Insurance | 5,000 | | By Commission | 1,450 | |
| Less : Prepaid | 2,000 | 3,000 | Add : Accrued commission | 550 | 2000 |
| To Carriage Outward | | 1,860 | | | |
| To Gen. Expenses | 7,295 | | | | |
| Add : Outstanding | 1,000 | 8,295 | By Net Loss (Transferd to Capital A/c) | | 5,771 |
| To bad debts (old) | 2,000 | | | | |
| Add : Bad debts (New) | 1,500 | | | | |
| Add : R.D.D. (New) | 2,567 | | | | |
| | 6,067 | | | | |
| Less : R.D.D. (Old) | 800 | 5,267 | | | |
| To Depreciation on : | | | | | |
| Motor Car | 1,435 | | | | |
| Furniture | 2,963 | | | | |
| Machinery | 2,040 | 6,438 | | | |
| To Interest on Loan | | 600 | | | |
| | | 32,460 | | | 32,460 |

Balance Sheet as on 31st March, 2019

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|------------------------|---------------|-----------------|---------------------------------------|---------------|-----------------|
| Capital | 1,60,000 | | Furniture | 39,500 | |
| Less : Net Loss | 5,771 | | Less : 10% Depreciation (9 Months) | 2,963 | 36,537 |
| | 1,54,229 | | Motor Car | 20,500 | |
| Less : Drawings | 5,000 | 1,49,229 | Less : 7% Depreciation | 1,435 | 19,065 |
| Bills Payable | | 6,866 | Machinery | 40,800 | |
| Creditors | | 42,860 | Less : 5% Depreciation | 2,040 | 38,760 |
| Outstanding Expenses : | | | Sundry Debtors | 52,835 | |
| General Expenses | 1,000 | | Less : Bad Debts (New) | 1,500 | |
| Wages | 500 | 1,500 | | 51,335 | |
| 8% Loan | 15,000 | | Less : 5% R.D.D. (New) | 2,567 | 48,768 |
| Add : Interest | 600 | 15,600 | Closing Stock | | 28,000 |
| | | | Accrued Commission | | 550 |
| | | | Prepaid Insurance | | 2,000 |
| | | | Cash at bank | | 16,375 |
| | | | Investment | | 26,000 |
| | | 2,16,055 | | | 2,16,055 |

Activity : Students should visit and interact with Sole Proprietor in your residential area, and collect information of various Expenses, Income, Profits, Losses, Purchases, Sales & Stock of goods, Asset & Liabilities. Prepare Trading A/c, Profit & Loss A/c and Balance sheet of his business with the help of collected information.

Activity : Find out the mistakes from the Trading Account, Profit & Loss Account and Balance Sheet given under. There are some mistakes which students have to find out.

Dr. Trading Account and Profit and loss Account for the year ended 31st March 2019 Cr.

| Particulars | Amount (₹) | Amount (₹) | Particulars | Amount (₹) | Amount (₹) |
|--------------------------|---------------|---------------|---------------------|---------------|---------------|
| To Opening Stock | | 25,000 | By Sales | 17,200 | |
| To Purchases | 10,500 | | Less : Return | 200 | 17,000 |
| Less : Returns Inward | 500 | 10,000 | outward | | |
| To Wages | | 2,000 | | | |
| To Advertisements | | 800 | By Closing Stock | | 40,000 |
| To Royalties | | 400 | | | |
| To Gross Profit c/d | | 18,800 | | | |
| | | 57,000 | | | 57,000 |
| To Salaries | | 4,000 | By Gross Profit b/d | | 18,800 |
| To Insurance | | 7,200 | By Interest on Bank | | 600 |
| To Advertisement | | 2,000 | Loan | | |
| To Rent | | 800 | | | |
| To Discount Received | | 400 | | | |
| To Printing & Stationery | | 700 | | | |
| To Net Profit | | 4,300 | | | |
| | | 19,400 | | | 19,400 |

Balance Sheet as on 31st March, 2019

| Liabilities | Amount (₹) | Amount (₹) | Assets | Amount (₹) | Amount (₹) |
|------------------|---------------|-----------------|-------------------|---------------|-----------------|
| Capital | 70,000 | | Building | | 20,000 |
| Add : Net Profit | 4,300 | | Plant & Machinery | | 30,800 |
| | 74,300 | | Debtors | | 33,000 |
| Less : Drawings | 300 | 74,000 | Commission | | 2,000 |
| Creditors | | 9,800 | Closing Stock | | 40,000 |
| Bank Loan | | 30,000 | | | |
| Bills Payable | | 4,000 | | | |
| Bills Receivable | | 2,000 | | | |
| Prepaid Expenses | | 800 | | | |
| Goodwill | | 5,000 | | | |
| Postage | | 200 | | | |
| | | 1,25,800 | | | 1,25,800 |

Note : This Final A/c is given for activity purpose only. Trial Balance & other adjustments are not given. So Balance sheet will not tally.

Q.1. Answer in One Sentence

- 1) What is a Trading A/c ?
- 2) What do you mean by Profit & Loss A/c ?
- 3) Why Balance Sheet is prepared ?
- 4) State the meaning of Final Accounts ?
- 5) What is Net Profit ?
- 6) What do you mean by Gross Profit ?
- 7) State the meaning of Accrued Income ?
- 8) State the meaning of Outstanding Expenses ?
- 9) What is Depreciation ?
- 10) What do you mean by Prepaid Expenses ?

Q.2 Give a word, term or phrase which can substitute each of the following statements:

- 1) Expenses paid before it is due.
- 2) Income due but not yet received.
- 3) Carriage paid on sale of goods.
- 4) Statement of Assets & Liabilities.
- 5) Account prepared to know Net Profit or Net Loss.
- 6) Value of goods remaining unsold at the end of the year.
- 7) The provision made to compensate the loss on account of likely debts.
- 8) The accounts prepared at the end of the accounting year to know the profit or loss and Financial position of business.
- 9) An amount spent on promoting sale of goods.
- 10) An additional information provided below the Trial Balance.

Q.3 Select the most appropriate alternatives given below and rewrite the sentence :

- 1) is excess of assets over liabilities
a) Goodwill b) Capital c) Investments d) Drawings
- 2) Discount earned is transferred to credit side of account.
a) Current A/c b) Profit & Loss c) Trading d) Capital
- 3) is a statement which shows the financial position of business on a specific date.
a) Trading account b) Trial Balance c) Profit & Loss A/c d) Balance Sheet
- 4) Outstanding expenses are shown on the side of Balance Sheet.
a) Assets b) Liability c) Both d) None of these
- 5) Interest on Drawing is credited to Account.
a) Trading b) Profit & Loss c) Capital d) All

- 6) Debit balance of Trading Account means
 a) Gross Loss b) Net Loss c) Net Profit d) Gross Profit
- 7) Carriage Inward is debited to Account.
 a) Trading b) Profit & Loss c) Capital d) Bank
- 8) Excess of credit over to debit in Profit & Loss Account indicates
 a) Net Profit b) Gross Profit c) Gross Loss d) Net Loss
- 9) Closing stock is always valued at cost or market price which is
 a) more b) less c) zero d) equal
- 10) When specific date is not given, in that case interest on drawing is charged for month.
 a) Four b) Six c) Eight d) Nine

Q.4 State True or False with reasons :

- 1) In every adjustment atleast there are three effects.
- 2) Every item of Trial Balance has only one effect.
- 3) Income due but not received is a liability.
- 4) Goodwill is not a fictitious asset.
- 5) Credit balance of Profit & Loss account shows net profit.

Q.5 Fill in the blanks :

- 1) Gross Profit is transferred to account.
- 2) Debit Balance of Trading Account indicates
- 3) Income Receivable appears on side of Balance Sheet.
- 4) Interest on Bank Loan is debited to A/c
- 5) Profit and Loss account is prepared to find out results of the business.
- 6) All indirect / operating expenses are transferred to account.
- 7) Interest of proprietor's drawing is credited to account.
- 8) An excess of debit over credit in the Profit & Loss A/c represents the
- 9) All direct expenses are transferred to account.
- 10) Balance Sheet is of assets & liabilities.

Q.6 Find the odd one :

- 1) Rent, Salary, Insurance, Plant and Machinery
- 2) Purchases, Closing stock, Debtors, Factory Rent.
- 3) Capital, Bills Payable, Debtors, Outstanding wages
- 4) Advertisement, Travelling Expenses, Factory Rent, Insurance
- 5) Cash in Hand, Debtors, Outstanding Income, Reserve for Doubtful Debts

Q.7 Do you agree or disagree with the following statement :

- 1) Reserve for bad debts is created by debiting Profit and Loss Account.
- 2) Balance Sheet is a statement as well as an account.
- 3) Indirect Expenses are debited to Trading Account.
- 4) Bank Overdraft is treated as an Internal Liability.
- 5) Capital is excess of Liabilities over Assets.

Q.8 Correct and Rewrite the following statements :

- 1) Balancing figure of Trading Account is Net Profit or Net Loss.
- 2) All direct expenses are debited to Profit and Loss Account.
- 3) When the credit side of Profit and Loss account is greater than debit side, it is called Net Loss.
- 4) Capital A/c..... Dr
 To Profit and Loss Account
(Being Net Profit transferred to Capital A/c)
- 5) Trading A/cDr
 To Sales A/c
(Being Sales transferred to Trading A/c)

Q.9 Calculate the following.

- 1) Calculate the Capital

| Assets (₹) | | | Liabilities (₹) | | |
|---------------------|---|--------|-------------------|---|--------|
| Building | - | 20,000 | Bills Payable | - | 18,000 |
| Furniture | - | 15,000 | Creditors | - | 20,700 |
| Debtors | - | 30,000 | Outstanding Wages | - | 1,250 |
| Investments | - | 10,000 | | | |
| Cash at Bank | - | 5,000 | | | |
| Plant and Machinery | - | 20,000 | | | |

3. From the following Trial Balance of Sanjiv & Sons. Prepare Trading Account and Profit & Loss Account for the year ending on 31st March, 2019 and a Balance Sheet as on that date.

| Particulars | Debit Amount (₹) | Credit Amount (₹) |
|----------------------------------|------------------|-------------------|
| Opening stock | 22,000 | |
| Purchases & Sales | 1,78,000 | 4,60,000 |
| Carriage Outward | 4,800 | |
| Plant and Machinery | 50,000 | |
| Debtors and Creditors | 44,000 | 76,000 |
| Returns | 2,000 | 4,000 |
| Buildings | 58,000 | |
| Motor Van | 40,000 | |
| Printing & Stationery | 3,000 | |
| Wages | 28,000 | |
| Reserved for Bad debts | | 3,200 |
| Commission | | 2,400 |
| Office expenses | 5,400 | |
| Carriage | 9,000 | |
| Furniture | 20,000 | |
| Premises | 81,000 | |
| Loose Tools | 20,400 | |
| Drawings | 24,700 | |
| Bank Overdraft | | 22,000 |
| Cash in hand | 71,000 | |
| Dividend | | 3,300 |
| Capital | | 1,40,000 |
| Salaries | 44,000 | |
| Bills Receivable & Bills Payable | 5,600 | 8,400 |
| Bad debts | 2,400 | |
| Advertisement (for 3 year) | 6,000 | |
| | 7,19,300 | 7,19,300 |

Additional information :

- 1) Closing stock on 31st March, 2019, was at cost ₹ 60,000 and Market Price ₹ 70,000.
- 2) Outstanding expenses : Wages ₹ 4,000, Salary ₹ 2,400
- 3) Provide depreciation at 10% on Motor Van and 5% on Furniture.
- 4) Write off ₹ 2,000 for bad debts and create R.D.D. at 5% on debtors.
- 5) Provide 10% p.a. interest on capital.

4. From the following Trial Balance of Nandini & Co. as on 31st March 2019. Prepare Final Accounts after considering the adjustments given below.

| Particulars | Debit Amount (₹) | Credit Amount (₹) |
|--|------------------|-------------------|
| Loose Tools | 1,10,000 | |
| Furniture & Fixtures | 81,000 | |
| Bad debts | 1,400 | |
| Sundry Debtors | 81,600 | |
| Stock (31st March 2018) | 52,000 | |
| Purchases | 77,000 | |
| Sales Cash | | 21,000 |
| Sales Credit | | 81,000 |
| Returns | 400 | 600 |
| Advertisements | 4,800 | |
| Rate taxes & Insurances | 6,000 | |
| Repairs & maintenance | 1,200 | |
| Salaries (2/3rd for factory) | 18,000 | |
| Rent (Paid for 11 months) | 2,200 | |
| Machinery (Includes ₹ 24,000 purchased on 1st Oct. 2018) | 84,000 | |
| Capital | | 3,60,000 |
| R.D.D. | | 8,000 |
| Sundry Creditors | | 70,000 |
| Drawings | 14,000 | |
| Interest | | 1,200 |
| Dividend | | 2,800 |
| Bank Balance | 40,000 | |
| Royalty | 6,000 | |
| 9% Bank loan (30th Sept 2018) | | 40,000 |
| Carriage Outwards | 4,000 | |
| Discount | 1,000 | |
| | 5,84,600 | 5,84,600 |

Adjustments :

- 1) Closing stock valued at ₹ 1,00,000
- 2) Write off ₹ 2,000 as bad debts and create a provision for doubtful debts @ 5% on Sundry Debtor
- 3) Depreciate Machinery by 10% p.a. and Loose Tools is valued at ₹ 1,00,000
- 4) Charge Interest on Capital @ 2% p.a.

5. Prepare Final accounts of Abdul Traders for the year ending 31st March, 2019 with the help of following Trial Balance and Adjustments.

Trial Balance as on 31st March, 2019

| Debit Balance | Amount (₹) | Credit Balance | Amount (₹) |
|-----------------------|-----------------|-------------------------|-----------------|
| Salaries | 10,000 | Interest Received | 2,400 |
| Purchases | 71,400 | Capital | 1,60,000 |
| Rent (11 months) | 2,200 | Sales | 85,000 |
| Machinery | 56,000 | Provision for Bad Debts | 2,000 |
| Advance against wages | 4,000 | Commissions Received | 1,600 |
| Opening stock | 20,000 | Bills Payable | 9,200 |
| Bad debts | 1,000 | Creditors | 56,000 |
| Prepaid Insurance | 2,400 | | |
| Wages | 2,600 | | |
| Loose Tools | 26,000 | | |
| Commission receivable | 400 | | |
| Sundry Debtors | 64,000 | | |
| Cash | 1,000 | | |
| Bank | 3,000 | | |
| Drawings | 7,600 | | |
| Freight Inward | 1,000 | | |
| Bills Receivable | 13,600 | | |
| Loan to Aruna | 30,000 | | |
| | 3,16,200 | | 3,16,200 |

Adjustments :

- 1) Closing stock valued at ₹ 89,600
- 2) Outstanding expenses Salaries ₹ 2,000, Wages ₹ 4,000
- 3) Charge depreciation on Machinery @ 10%
- 4) Bad debts written off ₹ 2,000 and create a provision for bad and doubtful debts 5% on Sundry Debtors

6. Following is the Trial Balance of Geeta Enterprises. You are required to prepare Trading and Profit & Loss Account for the year ended 31st March, 2019 and Balance Sheet as on that date after taking into account the additional information provided to you.

Trial Balance as on 31st March, 2019

| Particulars | Debit Amount (₹) | Credit Amount (₹) |
|----------------------------|------------------|-------------------|
| Capital A/c | | 50,000 |
| Drawings | 1,750 | |
| Opening Stock | 8,000 | |
| Purchases & Sales | 16,500 | 22,500 |
| Returns | 625 | 750 |
| Carriage Outward | 425 | |
| Wages - Productive | 1,000 | |
| Unproductive | 600 | |
| Salaries | 1,000 | |
| Travelling expenses | 1,125 | |
| Trade Expenses | 325 | |
| Fuel and Coal | 250 | |
| Discount | 460 | 550 |
| Sundry expenses | 225 | |
| Bad Debts | 200 | |
| Plant & Machinery | 20,000 | |
| Furniture | 5,500 | |
| Packing expenses | 175 | |
| Sundry Debtors & Creditors | 10,090 | 6,750 |
| Cash in hand | 2,200 | |
| Investments | 10,250 | |
| Reserve for Doubtful debts | | 150 |
| | 80,700 | 80,700 |

Additional information :

- 1) Closing stock of goods on 31st March, 2019 valued at ₹ 7,100 at cost price and ₹ 7,500/- as market price.
- 2) Travelling expenses include ₹ 125 spent on personal travelling.
- 3) ₹ 175 are to be written off as bad debts which were due from Mr. Ashok, a debtor and 5% R.D.D. is to be maintained on debtors
- 4) Reserve for discount on debtors as well as on creditors is to be maintained at 2% and 3% respectively.
- 5) Provide 10% depreciation on Plant & Machinery and Furniture.

7. Following are the closing ledger balances of Deepak & Co. Prepare Trading Account and Profit & Loss Account for the year ended 31st March 2019 and Balance sheet as on that date.

Ledger Balances of Mr Deepak and Co. as on 31st March, 2019

| Particulars | Amount (₹) | Particulars | Amount (₹) |
|---------------------|------------|--------------------------|------------|
| Bank | 30,000 | Capital | 1,20,000 |
| Bills Payable | 7,500 | Insurance Premium | 18,000 |
| Furniture | 19,500 | (1.1.2019 to 31.12.2019) | |
| Commission Received | 3,000 | Salaries | 30,000 |
| Stock (1.4.2018) | 27,000 | Bank loan | 30,000 |
| Building | 37,500 | Sundry expenses | 7,500 |
| Wages | 7,500 | Interest paid | 1,500 |
| Creditors | 37,500 | Machinery | 25,500 |
| Bad Debts | 4,500 | Sales | 96,000 |
| R.D.D. (old) | 3,000 | Purchases | 42,000 |
| Sales Returns | 1,500 | Debtors | 31,500 |
| | | Purchases returns | 3,000 |
| | | Cash in hand | 16,500 |

Adjustments :

- 1) Closing stock was valued at ₹ 60,000
- 2) An amount of ₹ 3,000 is still to be received on account of commission.
- 3) Provision for discount on debtors and Provision for discount on Creditors are to be created 2% and 3% respectively.
- 4) Amount of Furniture is to reduce by ₹ 4,500 and Building by 10%.
- 5) Outstanding expenses Salaries ₹ 4,500 and Wages ₹ 1,500

8. Following is the Trial Balance extracted from the books of Raju Traders. You are required to prepare Trading A/c, Profit & Loss A/c for the year ending on 31st March 2019 and Balance Sheet as on that date after Considering the additional information given below.

Trial Balance as on 31st March, 2019

| Particulars (Debit) | Amount (₹) | Particulars (Credit) | Amount (₹) |
|-----------------------|-----------------|----------------------|-----------------|
| Raju's Drawings | 5,000 | Capital | 2,00,000 |
| Opening stock | 30,000 | Sales | 1,64,000 |
| Wages | 5,000 | Returns outward | 2,400 |
| Purchases | 60,000 | Creditors | 40,000 |
| Trade Expenses | 800 | Discount | 1,600 |
| Royalties | 1,600 | Bills payable | 13,600 |
| Salaries | 20,000 | | |
| Debtors | 80,000 | | |
| Plant & Machinery | 56,000 | | |
| Printing & Stationery | 2,400 | | |
| Bad debts | 900 | | |
| Discount | 1,200 | | |
| Furniture | 16,000 | | |
| Advertisement | 3,000 | | |
| Carriage outwards | 600 | | |
| Computers | 1,20,000 | | |
| Bills Receivable | 16,000 | | |
| Cash in hand | 1,100 | | |
| Cash at Bank | 2,000 | | |
| | 4,21,600 | | 4,21,600 |

Adjustments :

- 1) Closing stock is valued at ₹ 40,000 at Cost Price and ₹ 44,000 as Market Price.
- 2) Provide Depreciation on Plant & Machinery, Furniture, Computers @ 5%, 10%, 15% respectively.
- 3) Salaries are paid for 10 months only.
- 4) Further Bad debts amounted to ₹ 400 and provide 10% R.D.D. on Sundry Debtors.
- 5) Advertisement is paid for 2 years

9. From the following Trial Balance of Shradha Enterprises, you are required to prepare Final Accounts for the year ending on 31st March 2019.

Trial Balance as on 31st March, 2019

| Debit balances | Amount (₹) | Credit Balances | Amount (₹) |
|---------------------------|------------------|------------------------------------|------------------|
| Opening Stock | 2,40,000 | Capital | 13,00,000 |
| Purchases | 8,50,000 | Sundry Creditors | 1,20,000 |
| Returns Inward | 15,000 | Bills Payable | 60,000 |
| Wages | 29,000 | Sales | 25,00,000 |
| Power and Fuel | 21,800 | Return Outward | 8,000 |
| Travelling Expenses | 14,700 | Discount | 2,000 |
| Audit fees | 7,000 | Bank Overdraft | 1,54,000 |
| Royalty | 72,000 | Reserve for Bad and doubtful debts | 8,000 |
| Discount | 1,750 | | |
| Postage | 13,500 | | |
| Bad debts | 3,000 | | |
| Sundry Debtors | 5,20,000 | | |
| Furniture | 1,20,000 | | |
| Plant & Machinery | 15,00,000 | | |
| Freehold Premises | 7,02,000 | | |
| Rent, Rates and Insurance | 42,250 | | |
| | 41,52,000 | | 41,52,000 |

Adjustments :

- 1) Insurance is prepaid to the extent of ₹ 2,250
- 2) Closing stock is valued at ₹ 3,80,000 Cost price and ₹ 4,00,000 as Market price.
- 3) Outstanding Expenses are Wages ₹ 6,000 and Rent ₹ 5,000
- 4) Write off further bad debts ₹ 1,500 and provide 5% Reserve for doubtful debts.
- 5) Depreciation on Furniture and Plant & Machinery at 10% p.a. and on Freehold Premises at 15% p.a.

10. From the following Trial Balance of Ayub & Co. as on 31st March 2019, you are required to prepare Trading Account, Profit and Loss Account for the year ending 31st March 2019 and Balance Sheet as on that date after making necessary adjustments..

Trial Balance as on 31st March, 2019

| Debit balances | Amount (₹) | Credit Balances | Amount (₹) |
|-----------------------------|-----------------|-----------------|-----------------|
| Cash in hand | 4,575 | Discount | 900 |
| Cash at Bank | 15,450 | Loan from Abhay | 15,000 |
| Drawings | 18,000 | Creditors | 18,225 |
| Furniture | 6,000 | Sales | 1,95,000 |
| Plant & Machinery | 45,000 | Returns Outward | 3,000 |
| Opening Stock | 30,000 | Capital | 90,000 |
| Purchases | 1,20,000 | | |
| Salaries & Wages | 33,600 | | |
| Debtors | 30,600 | | |
| Returns Inward | 7,500 | | |
| Audit Fees | 2,250 | | |
| Rent. Rates and Taxes | 5,400 | | |
| Bad debts | 600 | | |
| Travelling Expenses | 750 | | |
| Insurance | 1,200 | | |
| Interest on Loan from Abhay | 450 | | |
| Trade Expenses | 300 | | |
| Sundry expenses | 450 | | |
| | 3,22,125 | | 3,22,125 |

Adjustments :

- 1) Stock on hand on 31st March, 2019 valued at ₹ 60,000
- 2) Rent amounting to ₹ 600 Prepaid.
- 3) Bad Debts ₹ 600 and create a Provision for Doubtful Debts 5%
- 4) Depreciation on Plant & Machinery by 10% and Furniture is valued at ₹ 4,500
- 5) Outstanding Salaries ₹ 900

11. From the following Trial Balance of Rajnish & Sons and the additional information given below prepare Trading & Profit and Loss Account for the year ending on 31st March 2018 and Balance Sheet as on that date.

Trial Balance as on 31st March 2018

| Debit balances | Amount (₹) | Credit Balances | Amount (₹) |
|-----------------------|------------------|-------------------------------|------------------|
| Stock (01.04.2017) | 1,20,000 | Capital | 6,00,000 |
| Purchases | 4,00,000 | Sales | 3,00,000 |
| Wages | 17,000 | Return outward | 8,000 |
| Carriage | 6,000 | Sundry Creditors | 1,80,000 |
| Salaries | 60,000 | Bills Payable | 90,000 |
| Rent, Rates and Taxes | 12,000 | 8% Loan (taken on 01.10.2017) | 1,00,000 |
| Insurance | 8,000 | Bank Overdraft | 79,200 |
| Royalties | 10,000 | | |
| Discount | 4,500 | | |
| Courier charges | 5,200 | | |
| Bad Debts | 7,000 | | |
| Trade Expenses | 2,500 | | |
| Drawings | 15,000 | | |
| Machinery | 3,00,000 | | |
| Furniture | 1,50,000 | | |
| Patents | 50,000 | | |
| Sundry Debtors. | 1,90,000 | | |
| | 13,57,200 | | 13,57,200 |

Adjustments :

- 1) Closing Stock valued at ₹ 3,00,000 cost price and ₹ 3,20,000 at Market price.
- 2) Salaries were paid for 10 months only.
- 3) Insurance is paid for one year ending on 30.06.2018
- 4) One of the debtors Mr. Amit became insolvent, from whom ₹ 10,000 was not received.
- 5) 5% R.D.D. is to be maintained on Debtors
- 6) Depreciate Machinery & Furniture @ 10% and 5% respectively.

12. From the following Trial Balance of John & Sons you are required to prepare Trading Account, Profit and Loss Account for the year ending 31st March 2019 and Balance Sheet as on that date.

Trial Balance as on 31st March 2019

| Debit balances | Amount (₹) | Credit Balances | Amount (₹) |
|----------------------------------|-----------------|------------------|-----------------|
| Drawings (1st July 2018) | 12,000 | Sundry Creditors | 40,000 |
| Cash in hand | 8,000 | Returns | 4,500 |
| Cash at Bank | 20,000 | Dividend | 100 |
| Bills Receivable | 15,000 | Rent | 200 |
| Wages | 1,800 | Sales | 53,200 |
| Discount | 700 | Bank Loan | 5,000 |
| Rent | 2,000 | Capital | 99,700 |
| Advertisement | 3,000 | | |
| Bad debts | 1,200 | | |
| Travelling Expenses | 800 | | |
| Purchases | 40,000 | | |
| Machinery | 15,000 | | |
| Motor Car | 18,000 | | |
| Returns | 1,200 | | |
| Stock (1st April 2018) | 10,000 | | |
| Sundry Debtors | 35,000 | | |
| Carriage outwards | 1,000 | | |
| 6% Investment (1st Sept 2018) | 18,000 | | |
| | 2,02,700 | | 2,02,700 |

Adjustments :

- 1) Closing Stock ₹ 27,000
- 2) Charge Depreciation on Machinery and Motor car @ 10% and 5% respectively.
- 3) Create R.D.D. 5% on Sundry Debtors
- 4) Interest on Drawings @ 5% p.a.
- 5) Create Discount on Sundry Creditors 3%
- 6) Advertisement ₹ 1,000 is prepaid.
- 7) Outstanding Rent ₹ 1,500

13. From the following Trial Balance of Pushkraj you are required to prepare Trading Account and Profit and Loss Account for the year ended 31st March 2019 and Balance Sheet as on that date.

Trial Balance as on 31st March 2019

| Debit balances | Amount (₹) | Credit Balances | Amount (₹) |
|---------------------|-----------------|-----------------------------|-----------------|
| Drawings | 2,000 | Capital | 80,000 |
| Motor Car | 30,000 | Sundry Creditors | 25,000 |
| Cash in hand | 1,000 | Dividend | 4,800 |
| Bills Receivable | 20,000 | Commission | 2,535 |
| Wages | 1,000 | 8% Loan (taken on 1.7.2018) | 13,700 |
| Discount | 235 | Purchases Returns | 400 |
| Rent | 300 | Sales | 38,680 |
| Advertisement | 2,500 | | |
| Bad Debts | 500 | | |
| Travelling expenses | 1,000 | | |
| Purchases | 27,400 | | |
| Machinery | 30,000 | | |
| Office expenses | 500 | | |
| Sales Returns | 680 | | |
| Opening Stock | 10,000 | | |
| Sundry Debtors | 35,500 | | |
| Carriage Outward | 500 | | |
| Cash at Bank | 2,000 | | |
| | 1,65,115 | | 1,65,115 |

Adjustments :

- 1) Stock on 31st March, 2019 was valued at ₹ 28,000
- 2) Create a Provision for doubtful debts on Sundry Debtors @ 5%
- 3) Depreciate Motor car by 5% p.a. and Machinery by 7% p.a.
- 4) Outstanding expenses Rent ₹ 800 & Wages ₹ 1,000
- 5) Charge interest on Capital @ 3% p.a.
- 6) Goods of ₹ 4,000 withdrawn by proprietor for personal use.

14. From the following Trial Balance of Jyoti Trading Co. Prepare a Trading Account and Profit and Loss Account for the year ended 31st March 2019 and Balance Sheet as on that date.

Trial Balance as on 31st March 2019

| Debit balances | Amount (₹) | Credit Balances | Amount (₹) |
|------------------|-----------------|------------------|-----------------|
| Stock (1.4.2018) | 9,500 | Capital | 2,00,000 |
| Sales Returns | 750 | R.D.D. | 1,000 |
| Loose Tools | 55,000 | Sales | 38,750 |
| Debtors | 50,800 | Purchases return | 455 |
| Bills Receivable | 4,000 | Creditors | 47,000 |
| Purchases | 29,455 | Bills Payable | 8,000 |
| Furniture | 15,000 | Discount | 1,845 |
| Salaries | 5,000 | | |
| Carriage Outward | 3,000 | | |
| Legal expenses | 2,000 | | |
| Insurance | 2,200 | | |
| Goodwill | 20,000 | | |
| Machinery | 40,000 | | |
| Wages | 2,345 | | |
| Bank | 30,000 | | |
| Drawings | 8,000 | | |
| Investments | 20,000 | | |
| | 2,97,050 | | 2,97,050 |

Adjustments :

- 1) Closing stock valued at ₹ 58,000 Cost Price while Market price is ₹ 60,000
- 2) Write off ₹ 1,200 as Bad debts and create provision for doubtful debts 2% on Sundry Debtors and also create provision for discount on Creditors 5%.
- 3) Loose Tools is valued at ₹ 52,000 and depreciate Furniture by 10% p.a.
- 4) Outstanding expenses Salary ₹ 1,000 and Wages ₹ 225
- 5) Charge interest on Capital 2% and on Drawings 10%.

15. From the following Trial Balance of Manish Enterprise, Prepare the Trading Account and Profit and loss Account for the year ended 31st March 2019 and Balance sheet as on that date.

Trial Balance as on 31st March 2019

| Debit balances | Amount (₹) | Credit Balances | Amount (₹) |
|----------------------|-----------------|---------------------------|-----------------|
| Cash in hand | 5,200 | Capital | 50,000 |
| Opening stock | 10,370 | Bank Loan | 15,000 |
| Goodwill | 10,000 | Bills Payable | 8,500 |
| Patents | 4,000 | Creditors | 38,260 |
| Cash at Bank | 4,400 | General Reserve | 1,500 |
| Freight | 2,500 | Dividend | 2,000 |
| Power & Fuel | 1,500 | Interest on Fixed Deposit | 3,440 |
| Furniture | 12,000 | Sales | 40,000 |
| Purchases | 35,260 | | |
| Mobile charges | 3,200 | | |
| Factory Salaries | 2,400 | | |
| Repairs | 800 | | |
| Lighting | 1,000 | | |
| Carriage outward | 360 | | |
| Professional charges | 1,240 | | |
| Debtors | 40,000 | | |
| Plant & Machinery | 13,700 | | |
| Office Equipments | 10,000 | | |
| Carriage Inwards | 770 | | |
| | 1,58,700 | | 1,58,700 |

Adjustments :

- 1) Closing Stock was ₹ 32,000.
- 2) Write off 50% of patents, depreciate Plant & Machinery by 10% p.a and Office Equipments by 20%.
- 3) Reserve for bad debts is to be created 5% and discount on Debtors 2%.
- 4) Outstanding expenses Mobile charges ₹ 300 and Freight ₹ 500
- 5) Charge Interest on Capital @ 5%.
- 6) Goods of ₹ 2,000 distributed on free sample.

