

## Chapter 22 Financial Statements – With Adjustments

### Question 1

The following are the balances extracted from the books of Raghunath Ji as on 31st March, 2017. From these balances, prepare his Trading and Profit & Loss Account and Balance Sheet as at that date:

	<b>Dr.</b> <b>(₹)</b>	<b>Cr.</b> <b>(₹)</b>
Opening Stock	12,000	
Purchases	40,000	
Sales		86,000
Discount		400
Sales Return	6,000	
Buildings	50,000	
Debtors	16,000	
Salaries	2,400	
Office Expenses	1,200	
Wages	10,000	

Purchase Return		4,000
Interest		800
Travelling Expenses	400	
Fire Insurance Premium	800	
Machinery	20,000	
Carriage on Purchases	700	
Commission	400	
Cash in hand	2,300	
Rent and Taxes	1,800	
Capital		62,000
Creditors		10,800
	1,64,000	1,64,000

### Adjustment:-

1. Closing Stock was valued at ₹ 16,000.
2. Wages ₹ 2,000 and salaries ₹ 1,200 are outstanding.
3. Rent for two months at the rate of ₹ 500 per month is outstanding.
4. Depreciate Buildings by 5% and machinery by 10%.

5. Prepaid Insurance ₹ 200.

**Solution:**

Trading Account of Raghunath Ji					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		12,000	Sales	86,000	
Purchases	40,000		Less: Sales Return	6,000	80,000
Less: Purchases Return	4,000	36,000	Closing Stock		16,000
Carriage		700			
Wages	10,000				
Add: Outstanding	2,000	12,000			
Gross Profit ( <i>Balancing Figure</i> )		35,300			
		96,000			96,000
Profit and Loss Account					
Dr.			Cr.		

Particulars		₹	Particulars	₹
Depreciation: (WN)			Gross Profit	35,300
Machinery	2,000		Discount	400
Building	2,500	4,500	Interest	800
Salaries	2,400			
Add: Outstanding	1,200	3,600		
Insurance	800			
Less: Prepaid	200	600		
Rent & Taxes	1,800			
Add: Outstanding	1,000	2,800		
Office Expenses		1,200		
Travelling Expenses		400		
Commission		400		
Net Profit ( <i>Balancing Figure</i> )		23,000		
		36,500		36,500

Balance Sheet					
Liabilities		₹	Assets		₹
Capital	62,000		Fixed Assets		
Add: Net Profit	23,000	85,000	Machinery	20,000	
			Less: Depreciation	2,000	18,000
Current Liabilities			Building	50,000	
Creditors		10,800	Less: Depreciation	2,500	47,500
Outstanding Wages		2,000			
Outstanding Salaries		1,200	Current Assets		
Outstanding Rent		1,000	Closing Stock		16,000
			Prepaid Insurance		200
			Debtors		16,000
			Cash in Hand		2,300
		1,00,000			1,00,000

Working Note: Evaluating Depreciation

Depreciation on Building =  $50,000 \times 5/100 = ₹2,500$

Depreciation on Machinery =  $20,000 \times 10/100 = ₹2,000$

### Question 2

From the following Trial Balance prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date:-

	Dr. (₹)	Cr. (₹)
Stock 1st April, 2016	22,300	
Purchases and Purchase Return	2,30,000	5,200
Freehold Premises	1,00,000	
Incidental Trade Exp.	11,200	
Insurance	1,850	
Audit Fees	800	
Commission Received		2,700
Interest		1,400
Debtors and Creditors	32,400	24,830
Wages	30,200	
Salaries	15,200	
Capital		1,50,000

Drawings	12,000	
Income-Tax	3,600	
Investments	8,000	
Discount allowed & received	7,500	4,200
Sales Return & Sales	6,400	3,17,400
B/R	5,200	
Office Furniture	9,000	
Rent		2,600
Cash in hand	5,080	
Bank Balance	7,600	
	5,08,330	5,08,330

Adjustment:-

1. Stock at 31st March 2017 is ₹ 70,000.
2. Write of 5% Depreciation on Freehold Premises and 20% on office furniture.
3. Commission earned but not received ₹ 500.
4. Interest earned ₹ 600.
5. ₹ 200 for rent have been received in advance.

6. Charge interest on Capital @ 6% and ₹ 500 on Drawings.

**Solution:**

Trading Account					
Dr.					Cr.
Particulars		₹	Particulars		₹
Opening Stock		22,300	Sales	3,17,400	
Purchases	2,30,000		Less: Sales Return	6,400	3,11,000
Less: Purchases Return	5,200	2,24,800	Closing Stock		70,000
Wages		30,200			
Gross Profit ( <i>Balancing Figure</i> )		1,03,700			
		3,81,000			3,81,000
Profit and Loss Account					
Dr.					Cr.
Particulars		₹	Particulars		₹
Depreciation: (WN1)			Gross Profit		1,03,700



Freehold Premises	5,000		Interest on Drawings	500
Furniture	1,800	6,800	Commission	2,700
Interest on Capital (WN2)		9,000	Add: Accrued	500
				3,200
Incidental Trade Expenses		11,200	Rent	2,600
Insurance		1,850	Less: Rent received in advance	200
				2,400
Audit Fees		800	Interest	1,400
Salaries		15,200	Add: Accrued	600
				2,000
Discount Allowed		7,500	Discount Received	4,200
Net Profit ( <i>Balancing Figure</i> )		63,650		
		1,16,000		1,16,000

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	1,50,000		Fixed Assets		

Add: Interest on Capital	9,000		Freehold Premises	1,00,000	
Add: Net Profit	63,650		Less: Depreciation	5,000	95,000
Less: Drawings	12,000		Office Furniture	9,000	
Less: Interest on Drawings	500		Less: Depreciation	1,800	7,200
Less: Income Tax	3,600	2,06,550	Investments		8,000
Current Liabilities			Current Assets		
Creditors		24,830	Closing Stock		70,000
Rent received in advance		200	Accrued Interest		600
			Accrued Commission		500
			Debtors		32,400
			Bills Receivable		5,200
			Cash at Bank		7,600
			Cash in Hand		5,080
		2,31,580			2,31,580

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### Working Notes 1: Evaluation of Depreciation

Depreciation on Freehold Premises =  $1,00,000 \times \frac{5}{100} = 5,000$

Depreciation on Office Furniture =  $9,000 \times \frac{2}{100} = 1,800$

Depreciation on Freehold Premises =  $1,00,000 \times \frac{5}{100} = 5,000$

Depreciation on Office Furniture =  $9,000 \times \frac{2}{100} = 1,800$

### Working Notes 2: Evaluating Interest on Capital

Interest On Capital =  $1,50,000 \times \frac{6}{100} = 9,000$

### Question 2

From the following Trial Balance prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date:-

	Dr. (₹)	Cr. (₹)
Stock 1st April, 2016	22,300	
Purchases and Purchase Return	2,30,000	5,200
Freehold Premises	1,00,000	
Incidental Trade Exp.	11,200	
Insurance	1,850	
Audit Fees	800	
Commission Received		2,700
Interest		1,400

Debtors and Creditors	32,400	24,830
Wages	30,200	
Salaries	15,200	
Capital		1,50,000
Drawings	12,000	
Income-Tax	3,600	
Investments	8,000	
Discount allowed & received	7,500	4,200
Sales Return & Sales	6,400	3,17,400
B/R	5,200	
Office Furniture	9,000	
Rent		2,600
Cash in hand	5,080	
Bank Balance	7,600	
	5,08,330	5,08,330

Adjustment:-

1. Stock at 31st March 2017 is ₹ 70,000.
2. Write of 5% Depreciation on Freehold Premises and 20% on office furniture.
3. Commission earned but not received ₹ 500.
4. Interest earned ₹ 600.
5. ₹ 200 for rent have been received in advance.
6. Charge interest on Capital @ 6% and ₹ 500 on Drawings.

**Solution:**

Trading Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		22,300	Sales	3,17,400	
Purchases	2,30,000		Less: Sales Return	6,400	3,11,000
Less: Purchases Return	5,200	2,24,800	Closing Stock		70,000
Wages		30,200			
Gross Profit ( <i>Balancing Figure</i> )		1,03,700			
		3,81,000			3,81,000

<b>Profit and Loss Account</b>					
<b>Dr.</b>					<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>		<b>₹</b>
Depreciation: (WN1)			Gross Profit		1,03,700
Freehold Premises	5,000		Interest on Drawings		500
Furniture	1,800	6,800	Commission	2,700	
Interest on Capital (WN2)		9,000	Add: Accrued	500	3,200
Incidental Trade Expenses		11,200	Rent	2,600	
Insurance		1,850	Less: Rent received in advance	200	2,400
Audit Fees		800	Interest	1,400	
Salaries		15,200	Add: Accrued	600	2,000
Discount Allowed		7,500	Discount Received		4,200
Net Profit ( <i>Balancing Figure</i> )		63,650			

		1,16,000			1,16,000
<b>Balance Sheet as on March 31, 2017</b>					
<b>Liabilities</b>		<b>₹</b>	<b>Assets</b>		<b>₹</b>
Capital	1,50,000		Fixed Assets		
Add: Interest on Capital	9,000		Freehold Premises	1,00,000	
Add: Net Profit	63,650		Less: Depreciation	5,000	95,000
Less: Drawings	12,000		Office Furniture	9,000	
Less: Interest on Drawings	500		Less: Depreciation	1,800	7,200
Less: Income Tax	3,600	2,06,550	Investments		8,000
Current Liabilities			Current Assets		
Creditors		24,830	Closing Stock		70,000
Rent received in advance		200	Accrued Interest		600
			Accrued Commission		500

		Debtors	32,400
		Bills Receivable	5,200
		Cash at Bank	7,600
		Cash in Hand	5,080
	2,31,580		2,31,580

**Working Notes 1:** Evaluation of Depreciation

Depreciation on Freehold Premises =  $1,00,000 \times \frac{5}{100} = 5,000$

Depreciation on Office Furniture =  $9,000 \times \frac{20}{100} = 1,800$

Depreciation on Freehold Premises =  $1,00,000 \times \frac{5}{100} = 5,000$

Depreciation on Office Furniture =  $9,000 \times \frac{20}{100} = 1,800$

**Working Notes 2:** Evaluation Interest on Capital

Interest on Capital =  $1,50,000 \times \frac{6}{100} = 9,000$

**Question 3**

On 31st March, 2017 the following Trial Balance was extracted from the books of Mohan:-

	Dr. (₹)	Cr. (₹)
Capital		30,000
Drawings	5,000	
Debtors and Creditors	20,000	10,000



Bank Loan		9,500
Interest on Loan	300	
Cash	2,000	
Provision for Bad-Debts		700
Stock 1-4-2016	6,800	
Motor Vehicles	10,000	
Bank	3,500	
Land and Buildings	12,000	
Bad-Debts	500	
Purchases and Sales	66,000	1,10,000
Returns	8,000	1,500
Carriage Outward	2,500	
Carriage Inward	3,000	
Salaries	9,000	
Rent and Insurance	3,000	

Advertising	3,500	
Discount		500
General Expenses	3,400	
B/R and B/P	6,000	2,000
Rent received		300
	1,64,500	1,64,500

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date after taking into account the following:-

- (a) Private purchases ₹ing to ₹ 4,000 have been debited to Purchases Account.
- (b) Depreciate Land and Buildings at 2 1/2% and Motor Vehicles at 20%.
- (c) Salaries outstanding ₹ 200.
- (d) Prepaid Insurance ₹ 200.
- (e) Provision for Doubtful Debts is to be maintained at 5% on Debtors.
- (f) Stock on 31st March, 2017 was valued at ₹ 7,000.

**Solution:**

Trading Account			
Dr.			Cr.
Particulars	₹	Particulars	₹

Opening Stock		6,800	Sales	1,10,000	
Purchases	66,000		Less: Return Inwards	8,000	1,02,000
Less: Return Outwards	1,500		Closing Stock		7,000
Less: Drawings	4,000	60,500			
Carriage Inward		3,000			
Gross Profit ( <i>Balancing Figure</i> )		38,700			
		1,09,000			1,09,000

### Profit and Loss Account

Dr.				Cr.	
Particulars		₹		Particulars	₹
Depreciation: (WN1)				Gross Profit	38,700
Land & Building	300			Discount received	500
Motor Vehicle	2,000	2,300		Rent received	300
Salary	9,000				

Add: Outstanding	200	9,200		
Rent & Insurance	3,000			
Less: Pre-paid	200	2,800		
Old Bad Debts	500			
Add: New Bad Debts	–			
Add: New Provision (WN2)	1,000			
Less: Old Provision	700	800		
Interest on Bank Loan		300		
Carriage Outward		2,500		
Advertisement		3,500		
General Expenses		3,400		
Net Profit ( <i>Balancing Figure</i> )		14,700		
		39,500		39,500
<b>Balance Sheet</b>				
<b>Liabilities</b>	₹	<b>Assets</b>	₹	

Capital	30,000		Fixed Assets		
Add: Net Profit	14,700		Land & Buildings	12,000	
Less: Drawings (5,000 + 4,000)	9,000	35,700	Less: Depreciation	300	11,700
			Motor Vehicles	10,000	
Current Liabilities			Less: Depreciation	2,000	8,000
Creditors		10,000			
Outstanding Salaries		200	Current Assets		
Bank Loan		9,500	Closing Stock		7,000
Bills Payable		2,000	Prepaid Insurance		200
			Debtors	20,000	
			Less: Provision for Bad Debts	1,000	19,000
			Bills Receivables		6,000
			Cash at Bank		3,500
			Cash in Hand		2,000
		57,400			57,400

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**Working Notes 1:** Evaluation of Depreciation

Depreciation on land and buildings =  $12,000 \times 2.5/100 = 300$

Depreciation of motor vehicles =  $12,000 \times 20/100 = 2,000$

**Working Notes 2:** Evaluating Provision for Doubtful Debts

Provision for doubtful Debts =  $20,000 \times 5/100 = 1,000$

**Question 4**

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date from the following Trial Balance:-

	Dr. (₹)	Cr. (₹)
Capital		10,000
Cash	1,500	
Bank Overdraft		2,000
Purchases and Sales	12,000	15,000
Returns	1,000	2,000
Establishment Expenses	2,200	
Taxes and Insurance	500	
Bad-debts and Bad-debt Provision	500	700
Debtors and Creditors	5,000	2,000

Commission		500
Deposits	4,000	
Opening Stock	3,000	
Drawings	1,400	
Furniture	600	
B/R and B/P	3,000	2,500
	34,700	34,700

Adjustments:-

1. Salaries ₹ 100 and taxes ₹ 200 are outstanding but insurance ₹ 50 is prepaid.
2. Commission ₹ 100 is received in advance for next year.
3. Interest ₹ 210 is to be received on Deposits and Interest on Bank overdraft ₹ 300 is to be paid.
4. Bad-debts provision is to be maintained at ₹ 1,000 on Debtors.
5. Depreciate furniture by 10%.
6. Stock on 31st March, 2017 was valued at ₹ 4,500.

**Solution:**

Trading Account			
Dr.			Cr.

Particulars		₹	Particulars		₹
Opening Stock		3,000	Sales	15,000	
Purchases	12,000		Less: Return Inwards	1,000	14,000
Less: Return Outwards	2,000	10,000	Closing Stock		4,500
Gross Profit ( <i>Balancing Figure</i> )		5,500			
		18,500			18,500

### Profit and Loss Account

Dr.					Cr.
Particulars		₹	Particulars		₹
Depreciation on Furniture (WN)		60	Gross Profit		5,500
Establishment Charges		2,200	Commission received	500	
Outstanding Salaries		100	Less: Comm. received in advance	100	400
Taxes & Insurance	500		Accrued Interest on Deposits		210



Add: Outstanding Taxes	200			
Less: Prepaid Insurance	50	650		
Old Bad Debts	500			
Add: New Bad Debts	–			
Add: New Provision	1,000			
Less: Old Provision	700	800		
Outstanding Interest on Bank Overdraft		300		
Net Profit ( <i>Balancing Figure</i> )		2,000		
		6,110		6,110

## Balance Sheet

***as on March 31, 2017***

Liabilities		₹	Assets		₹
Capital	10,000		Fixed Assets		
Add: Net Profit	2,000		Furniture	600	

Less: Drawings	1,400	10,600	Less: Depreciation	60	540
Current Liabilities			Current Assets		
Creditors	2,000		Closing Stock		4,500
Outstanding Salaries	100		Prepaid Insurance		50
Outstanding Taxes	200		Debtors	5,000	
Bills Payable	2,500		Less: Provision for Bad Debts	1,000	4,000
Bank Overdraft	2,000		Bills Receivables		3,000
Commission received in advance	100		Deposits	4,000	
Outstanding Interest on Bank Overdraft	300		Add: Accrued Interest	210	4,210
			Cash in Hand		1,500
	17,800				17,800

**Working Note:** Evaluating Depreciation

Depreciation on Furniture =  $600 \times 10/100 = 60$

### Question 5

The following are the balances of Messrs Gupta & Co. as at 31st March, 2009:-

Particulars	(₹)	Particulars	(₹)
Cash in Hand	540	Patents	7,500
Cash at Bank	2,630	Salaries	25,000
Purchases	40,675	General Expenses	22,790
Returns Inwards	680	Insurance	600
Wages	8,480	Drawings	5,245
Fuel & Power	4,730	Sundry Debtors	14,500
Bad-debts	210	Sales	98,440
Bad-debts Provision	340	Returns Outwards	500
Carriage on Sales	3,200	Capital	92,000
Carriage on Purchases	2,040	S. Creditors	6,300
Stock (1.4.2008)	5,760	Rent Cr.	9,000
Building	32,000		
Freehold Land	10,000		
Machinery	20,000		

Prepare Trading and Profit & Loss A/c and a Balance Sheet as at 31st March, 2009 after taking into account the following adjustments:-

(i) Stock on hand as on 31st March, 2009 is ₹ 6,800.

(ii) Machinery is to be depreciated at 10% and Patents at 20%.

(iii) Salaries for the month of March, 2009 ₹ing to ₹ 1,500 were unpaid.

(iv) Insurance includes a premium of ₹ 170 on a policy expiring on 30th September, 2009.

(v) Write off ₹ 500 as Bad-debts and create a provision for Doubtful Debts at 5% on Sundry Debtors.

(vi) Rent Receivable ₹ 1,000.

**Solution:**

Trading Account of Messrs Gupta & Co.					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		5,760	Sales	98,440	
Purchases	40,675		Less: Return Inwards	680	97,760
Less: Return Outwards	500	40,175	Closing Stock		6,800
Carriage on Purchases		2,040			
Wages		8,480			
Fuel & Power		4,730			

Gross Profit ( <i>Balancing Figure</i> )	43,375		
	1,04,560		1,04,560

### Profit and Loss Account

Dr.					Cr.
Particulars		₹	Particulars		₹
Depreciation: (WN1)			Gross Profit		43,375
Machinery	2,000		Rent received	9,000	
Patents	1,500	3,500	Add: Accrued	1,000	10,000
Salaries	25,000		Net Loss ( <i>Balancing Figure</i> )		4,200
Add: Outstanding	1,500	26,500			
Insurance	600				
Less: Prepaid (WN2)	85	515			
Old Bad Debts	210				

Add: Further Bad Debts	500			
Add: New Provision (WN3)	700			
Less: Old Provision	340	1,070		
Carriage on Sales		3,200		
General Expenses		22,790		
		57,575		57,575

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	92,000		Fixed Assets		
Less: Net Loss	4,200		Machinery	20,000	
Less: Drawings	5,245	82,555	Less: Depreciation	2,000	18,000
			Patents	7,500	
Current Liabilities			Less: Depreciation	1,500	6,000
Creditors	6,300		Building		32,000

Outstanding Salaries	1,500	Freehold Land	10,000
		Current Assets	
		Closing Stock	6,800
		Prepaid Insurance	85
		Sundry Debtors	14,500
		Less: Further Bad Debts	500
		Less: New Provision for Bad Debts	700
			13,300
		Accrued Rent	1,000
		Cash at Bank	2,630
		Cash in Hand	540
	90,355		90,355

**Working Notes 1:** Evaluation of Depreciation

Depreciation on Machinery =  $20,000 \times \frac{10}{100} = 2,000$

Depreciation on Patents =  $7,500 \times \frac{20}{100} = 1,500$

Depreciation on Machinery =  $20,000 \times \frac{10}{100} = 2,000$

Depreciation on Patents =  $7,500 \times \frac{20}{100} = 1,500$

**Winning Notes 2:** Calculation of Prepaid Insurance

If a policy is expiring on 30 September 2009, it means insurance is pre-paid for the period 31 March 2009 – 30 September 2009 = 6 months

$$\text{Prepaid Insurance} = 170 \times 6/12 = 85$$

**Working Notes 3:** Evaluation of Provision for Doubtful Debts

Provision for Doubtful Debts = (Sundry Debtors – Further Bad Debts)  $\times$  Rate/100

$$(14,500 - 500) \times 5/100 = 700$$

**Question 6**

From the following Trial Balance extracted from the books of A, prepare Trading and Profit & Loss Account for the year ending 31st March, 2008 and a Balance Sheet as at that date:-

	Dr. (₹)	Cr. (₹)
Furniture	640	
Loose Tools	6,250	
Buildings	7,500	
Capital Account		12,500
Bad-debts	125	
Provision for Bad-debts		200
Sundry Debtors and Creditors	3,800	2,500
Stock on 1st April, 2007	3,460	



Purchases and Sales	5,475	15,450
Bank Overdraft		2,850
Sales Return and Purchases Return	200	125
Stationery	450	
Interest Account	118	
Commission		375
Cash in hand	650	
Taxes and Insurance	1,250	
General Expenses	782	
Salaries	3,300	
	34,000	34,000

The following adjustments are to be made:

- (i) Stock in hand on 31st March, 2008 was ₹ 3,250.
- (ii) Depreciate Building at 5% and Furniture at 10%. Loss Tools are revalued at ₹ 5,000 at the end of the year.
- (iii) Salaries ₹ 300 and taxes ₹ 120 are outstanding.
- (iv) Insurance ₹ 100 is prepaid.

(v) Write off a further ₹ 100 as Bad-Debts and Provision for Doubtful Debts is to be made equal to 5% on Sundry Debtors.

(vi) Half of the stationery was used by the proprietor for his personal purposes.

**Solution:**

<b>Trading Account for the year ended March 31, 2008</b>				
<b>Dr.</b>				<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>	<b>₹</b>
Opening Stock		3,460	Sales	15,450
Purchases	5,475		Less: Sales Return	200
				15,250
Less: Purchases Return	125	5,350	Closing Stock	3,250
Gross Profit ( <i>Balancing Figure</i> )		9,690		
		18,500		18,500
<b>Profit and Loss Account</b>				
<b>Dr.</b>				<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>	<b>₹</b>

Depreciation: (WN1)			Gross Profit	9,690
Building	375		Commission Received	375
Furniture	64			
Loose Tools	1,250	1,689		
Salaries	3,300			
Add: Outstanding	300	3,600		
Taxes & Insurance	1,250			
Add: Outstanding Taxes	120			
Less: Prepaid Insurance	100	1,270		
Old Bad Debts	125			
Add: Further Bad Debts	100			
Add: New Provision (WN2)	185			
Less: Old Provision	200	210		
Stationery	450			
Less: Drawings (1/2)	225	225		
Interest		118		

General Expenses	782		
Net Profit ( <i>Balancing Figure</i> )	2,171		
	10,065		10,065

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	12,500		Fixed Assets		
Add: Net Profit	2,171		Building	7,500	
Less: Drawings (1/2 of Stationery)	225	14,446	Less: Depreciation	375	7,125
			Furniture	640	
Current Liabilities			Less: Depreciation	64	576
Creditors		2,500	Loose tools	6,250	
Outstanding Salaries		300	Less: Depreciation	1,250	5,000
Outstanding Taxes		120			
Bank Overdraft		2,850	Current Assets		

		Closing Stock	3,250
		Prepaid Insurance	100
		Debtors	3,800
		Less: Further Bad Debts	100
		Less: Provision for Bad Debts	185
		Cash in Hand	650
	20,216		20,216

**Working Notes 1:** Evaluation of Depreciation

Depreciation on Buildings =  $7,500 \times \frac{5}{100} = 375$

Depreciation on Furniture =  $640 \times \frac{10}{100} = 64$

Depreciation on Patents =  $6,250 - 5,000 = 1,250$

Depreciation on Buildings =  $7,500 \times \frac{5}{100} = 375$

Depreciation on Furniture =  $640 \times \frac{10}{100} = 64$   
 Depreciation on Patents =  $6,250 - 5,000 = 1,250$

**Working Note 2:** Evaluating Provision for Doubtful Debts

Provision for Doubtful Debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100}$

$(3,800 - 100) \times \frac{5}{100} = 185$

Prove

**Question 7**

From the following figures prepare the Trading and Profit and Loss Account for the year ended 31st March, 2012 and the Balance Sheet as at that date:-

Particulars	(₹)	Particulars	(₹)
Stock (1st April, 2011)	75,000	Sundry Debtors	82,000
Purchases	8,00,000	Loan from X	10,000
Sales	12,00,000	Interest on X Loan	1,500
Motor Car	1,50,000	Furniture	20,000
Car Expenses	42,000	Land and Building	2,00,000
Rent	5,500	Capital	2,50,000
Salaries	35,200	Sundry Creditors	91,300
Bad Debts	1,500	Returns Inward	7,500
Provision for bad debts	8,100	Returns Outward	6,000
Commission (Cr.)	4,600	Cash in hand	16,400
Wages	1,25,000		
Insurance	8,400		

Adjustments:-

- (i) Commission include ₹ 1,600 being commission received in advance.
- (ii) Write off ₹ 2,000 as further Bad-debts and maintain Bad-debts provision at 5% on debtors.
- (iii) Expenses paid in advance are: Wages ₹ 5,000 and Insurance ₹ 1,200.
- (iv) Rent and Salaries have been paid for 11 months.
- (v) Loan from X has been taken at 18% p.a. interest.
- (vi) Depreciate furniture by 15% p.a. and Motor Car by 20% p.a.
- (vii) Closing Stock was valued at ₹ 60,000.

**Solution:**

Dr.					
Particulars		₹	Particulars		₹
Opening Stock		75,000	Sales	12,00,000	
Purchases	8,00,000		Less: Return Inwards	7,500	11,92,500
Less: Return Outwards	6,000	7,94,000	Closing Stock		60,000
Wages	1,25,000				
Less: Prepaid	5,000	1,20,000			
Gross Profit ( <i>Balancing Figure</i> )		2,63,500			
		12,52,500			12,52,500

<b>Profit and Loss Account</b>					
<b>Dr.</b>			<b>Cr.</b>		
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>		<b>₹</b>
Depreciation: (WN1)			Gross Profit		2,63,500
Furniture	3,000		Commission	4,600	
Motor Car	30,000	33,000	Less: Comm. received in advance	1,600	3,000
Salaries	35,200		Old Provision for Doubtful Debts	8,100	
Add: Outstanding (WN2)	3,200	38,400	Less: New Provision (WN3)	4,000	4,100
Rent	5,500				
Add: Outstanding Taxes (WN2)	500	6,000			
Insurance	8,400				
Less: Prepaid	1,200	7,200			
Interest on Loan	1,500				



Add: Outstanding (WN2)	300	1,800		
Old Bad Debts	1,500			
Add: Further Bad Debts	2,000	3,500		
Car Expenses		42,000		
Net Profit ( <i>Balancing Figure</i> )		1,38,700		
		2,70,600		2,70,600

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	2,50,000		Fixed Assets		
Add : Net Profit	1,38,700	3,88,700	Land & Building		2,00,000
Loan from X	10,000		Furniture	20,000	
Add: Outstanding Interest on Loan	300	10,300	Less: Depreciation	3,000	17,000
			Motor Car	1,50,000	
Current Liabilities			Less:	30,000	1,20,000

		Depreciation		
Creditors	91,300			
Outstanding Salaries	3,200	Current Assets		
Outstanding Rent	500	Closing Stock		60,000
Commission received in advance	1,600	Prepaid Insurance		1,200
		Prepaid Wages		5,000
		Debtors	82,000	
		Less: Further Bad Debts	2,000	
		Less: Provision for Bad Debts	4,000	76,000
		Cash in Hand		16,400
	4,95,600			4,95,600

**Working Notes 1:** Evaluation of Depreciation

Depreciation on Furniture =  $20,000 \times \frac{15}{100} = 3,000$

Depreciation on Motor Car =  $1,50,000 \times \frac{20}{100} = 30,000$

Depreciation on Furniture =  $20,000 \times \frac{15}{100} = 3,000$

Depreciation on Motor Car =  $1,50,000 \times \frac{20}{100} = 30,000$

**Working Notes 2:** Evaluation of Outstanding Expenses

1. Salaries for 11 months=35,200

Salary for 1 month=  $35,200/11 \times 1 = 3,200$  = Salary Outstanding

2.Rent for 11 months=5,500

Rent for 1 month=  $5,500/11 \times 1 = 500$  = Rent Outstanding

3.Interest on Loan= $10,000 \times 18/100 = 1,800$

Interest paid=1,500

$\therefore$  Interest Outstanding= $300(1,800-1,500)$

**Working Notes 3:** Calculation of Provision for Doubtful Debts

Provision for Doubtful Debts = (Sundry Debtors–Further Bad Debts) $\times$  Rate/100

=  $(82,000-2,000) \times 5/100 = 4,000$

**Question 8**

Extract of a Trial Balance as at March 31, 2017 is as follows:

Sundry Debtors	₹ 1,02,000
Bad Debts	₹ 1,400
Provision for doubtful debts	₹ 3,400

Additional information:

A debtor of ₹ 2,000 could not be recovered. It is decided to maintain Provision for Doubtful Debtors @ 5% on Debtors and Provision for Discount at @ 2%.

How these adjustments will be shown in Financial Statements?

**Solution:**

<b>Profit and Loss Account</b>		

Dr.					Cr.
Particulars		₹	Particulars	₹	
Old Bad Debts	1,400				
Add: Further Bad Debts	2,000				
Add: New Provision	5,000				
Less: Old Provision	3,400	5,000			
Provision for Discount on Debtors		1,900			

### Balance Sheet

Liabilities	₹	Assets	₹
		<b>Current Assets</b>	
		Debtors	1,02,000
		Less: Further Bad Debts	2,000
		Less: Provision for Doubtful Debts	5,000
		Less: Provision for Discount on Debtors	1,900
			93,100

**Working Notes 1:** Evaluation of Provision for Doubtful Debts

Provision for doubtful debts = (Debtors-Further Bad Debts) X Rate/100

$$= (1,02,000 - 2,000) \times 5/100 = 5,000$$

**Working Notes 2:** Evaluation of Provision for Discount on Debtors

Provision for discount on debtors = (DEbtors – Further bad debts – Provision for doubtful debts) X Rate/100

$$= (1,02,000 - 2,000 - 5,000) \times 2/100 = 1,900$$

**Question 9**

Prepare a Trading and Profit & Loss account for the year ending March 31, 2018, from the balances extracted of M/s Rahul Sons. Also prepare a balance sheet as at that date.

Debit Balances	₹	Credit Balances	₹
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchase return	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	Provision for bad debts	2,500
Sales Return	3,000	Capital	2,90,000
S. Debtors	82,000	Bills Payable	22,000
Discount allowed	1,000	Commission received	4,000
Insurance	3,200	Rent	6,000
Rent, rates and taxes	4,300	Loan	34,800

Fixtures and fittings	20,000	Output CGST	15,000
Trade Expenses	1,500	Output SGST	15,000
Bad debts	2,000		
Drawings	32,000		
Repair and renewals	1,600		
Travelling expenses	4,200		
Postage	500		
Legal fees	500		
Bills Receivable	50,000		
Building	1,10,000		
Input CGST	10,000		
Input SGST	10,000		
	5,71,800		5,71,800

Adjustments :-

(i) Commission received in advance ₹ 1,000.

(ii) Rent receivable ₹ 2,000, subject to levy of CGST and SGST @ 9% each.

(iii) Salary outstanding ₹ 1,000 and insurance prepaid ₹ 800.

(iv) Further Bad-debts ₹ 1,000 and provision for Bad-debts @ 5% on debtors and provision for discount on debtors @ 2%.

(v) Closing Stock ₹ 32,000.

(vi) Depreciation on Building @ 6% p.a.

**Solution:**

<b>Financial Statement of M/s Rahul Sons</b>					
<b>Trading Account</b>					
<i>for the year ended March 31, 2018</i>					
<b>Dr.</b>				<b>Cr.</b>	
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>		<b>₹</b>
Opening Stock		50,000	Sales	1,80,000	
Purchases	1,75,000		Less: Sales Return	3,000	1,77,000
Less: Purchases Return	2,000	1,73,000	Closing Stock		32,000
Wages		3,000	Gross Loss ( <i>Balancing Figure</i> )		17,000
		<b>2,26,000</b>			<b>2,36,000</b>

<b>Profit and Loss Account</b>					
<b>Dr.</b>			<b>Cr.</b>		
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>		<b>₹</b>
Gross Loss		17,000	Commission	4,000	
Depreciation on Building (WN1)		6,600	Less: Unearned	1,000	3,000
Salaries	8,000		Rent received	6,000	
Add: Outstanding	1,000	9,000	Add: Accrued	2,000	8,000
Insurance	3,200		Discount Received		500
Less: Prepaid	800	2,400	Net Loss ( <i>Balancing Figure</i> )		43,189
Old Bad Debts	2,000				
Add: New Bad Debts	1,000				
Add: New Provision (WN2)	4,050				
Less: Old Provision	2,500	4,550			
Provision for Discount on Debtors		1,539			



Discount Allowed	1,000		
Rent, Rates and Taxes	4,300		
Trade Expenses	1,500		
Repairs & Renewable	1,600		
Travelling Expenses	4,200		
Postage	300		
Telegram Expenses	200		
Legal Fees	500		
	<b>54,689</b>		<b>54,689</b>

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	2,90,000		<b>Fixed Assets</b>		
Less: Net Loss	43,189		Building	1,10,000	
Less: Drawings	32,000	2,14,811	Less: Depreciation	6,600	1,03,400

Loan	34,800	Fixture and Fittings	20,000
<b>Current Liabilities</b>		<b>Current Assets</b>	
Bills Payable	22,000	Closing Stock	32,000
Outstanding Salaries	1,000	Prepaid Insurance	800
Commission received in advance	1,000	Bills Receivable	50,000
Output CGST 15,180		Debtors	82,000
(15,000+180*)	5,180	Less: Bad Debts	1,000
Less: Input CGST 10,000		Less: Provision for Bad Debts	4,050
Output CGST 15,180 (15,000+180*)		Less: Provision for Discount on Debtors	1,539
			75,41
Less: Input CGST 10,000	5,180	Accrued Rent*	2,360
	<b>2,83,971</b>		<b>2,83,971</b>

**Working Notes 1:** Evaluation of Depreciation

Depreciation on Building =  $1,10,000 \times \frac{6}{100} = 6,600$

Depreciation on Building =  $1,10,000 \times \frac{6}{100} = 6,600$

**Working Notes 2:** Evaluation of Provision for Doubtful Debts

Provision for Doubtful Debts = (Debtors–Further Bad Debts)× Rate/100  
 (82,000–1,000) ×5/100 = 4,050

**Working Notes 3:** Evaluation of Provision for Discount on Debtors

Provision for Doubtful Debts = (Debtors–Further Bad Debts)× Rate/100  
 (82,000–1,000-4,050) ×2/100 = 1,539

**Working Notes 4:** Adjustment entry for Accrued Rent

Journal					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
2018					
March 31	Accrued Rent A/c	Dr.	2,360		
	To Rent A/c				2,000
	To Output CGST A/c				180
	To Output SGST A/c				180
	(Rent receivable plus @ 9% SGST& CGST for the period)				

### Question 10

From the following balances, prepare Final Accounts of Mr. Bal Gopal :-

Particulars	₹	Particulars	₹

Life Insurance Premium (self)	500	Capital	40,000
Stock (1-4-2017)	7,500	Plant and Machinery	12,500
Returns Inward	1,000	Purchases	36,000
Furniture	4,600	Sundry Debtors	10,500
Freehold Property	10,000	Coal, Gas and Water	1,000
Carriage Inwards	400	Carriage outwards	100
Advertising	200	Sales	60,000
Sundry Creditors	4,850	Discount (Dr.)	400
Returns outwards	500	Rent for Premises Sublet	500
Commission (Cr.)	600	Trade Expenses	8,650
Lighting	250	Stationery	2,000
Loan from bank	5,000	Interest Charged by Bank	450
Wages & Salaries	7,500	Cash	2,900
		Input IGST	5,000

Adjustments :-

(i) Stock on 31st March, 2018 was ₹ 10,000 and stationery unused at the end was ₹ 400.

(ii) Rent of Premises Sublet received in advance ₹ 100.

(iii) Provision for Doubtful Debts is to be created @ 10% on Debtors.

(iv) Provision for discount on Debtors is to be created @ 2%.

(v) Stock of the Value of ₹ 4,000 was destroyed by fire on 25th March, 2018. Stock was purchased paying IGST @ 12%. A Claim of ₹ 3,000 has been admitted by Insurance Co.

(vi) Bank Loan has been taken at 12% p.a. Interest.

**Solution:**

Trading Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		7,500	Sales	60,000	
Purchases	36,000		Less: Return Inwards	1,000	59,000
Less: Return Outwards	500		Closing Stock		10,000
Less: Goods Destroyed by Fire	4,000	31,500			
Carriage Inward		400			
Wages & Salaries		7,500			
Coal, Gas and Water		1,000			
Gross Profit ( <i>Balancing Figure</i> )		21,100			

		69,000			69,000
<b>Profit and Loss Account</b>					
<b>Dr.</b>					<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>		<b>₹</b>
Discount Allowed		400	Gross Profit		21,100
Stationery	2,000		Rent for premises	500	
Less: Closing Stock	400	1,600	Less: Rent received in advance	100	400
Interest	450		Commission received		600
Add: Outstanding Interest (WN1)	150	600			
Provision for Doubtful Debts (WN2)		1,050			
Provision for Discount on Debtors (WN3)		189			
Loss by Fire* (WN4)	4,480				
Less: Ins. Claim admitted	3,000	1,480			

Advertisement	200		
Trade Expenses	8,650		
Carriage Outwards	100		
Lighting	250		
Net Profit ( <i>Balancing Figure</i> )	7,581		
	22,100		22,100

### Balance Sheet

Liabilities		₹	Assets	₹
Capital	40,000		Fixed Assets	
Add: Net Profit	7,581		Furniture	4,600
Less: Drawings (LIC)	500	47,081	Freehold Property	10,000
			Plant and Machinery	12,500
Current Liabilities			Current Assets	
Creditors		4,850	Closing Stock	10,000

Bank Loan	5,000	Insurance Company	3,000
Rent received in advance	100	Stock of Stationery	400
Outstanding Interest on Bank		Input IGST(5,000-480*)	4,520
Loan	150	Debtors	10,500
		Less: Provision for Bad Debts	1,050
		Less: Provision for Discount	189
			9,261
		Cash in Hand	2,900
	57,181		57,181

**Working Notes 1:** Evaluation of outstanding interest on bank loan

Interest on Bank Loan =  $5,000 \times 12/100 = 600$

Interest charged by Bank = 450

∴ Outstanding Interest = Rs150 (600 – 450)

**Working Note 2:** Evaluation of Provision for Doubtful Debts

Provision for Doubtful Debts = Sundry Debtors X Rate/100

$10,500 \times 10/100 = ₹1,050$

**Working Note 3:** Evaluation of Provision for Discount on Debtors

Provision for a discount on debtors = (Sundry Debtors – Provision for Bad Debts) × Rate/100

$(10,500 - 1,050) \times 2/100 = ₹189$



Provi **Working Note 4:** Adjustment Entry for goods destroyed by fire

<b>Journal</b>					
<b>Date</b>	<b>Particulars</b>		<b>L.F.</b>	<b>Debit ₹</b>	<b>Credit ₹</b>
2018					
March 25	Loss by fire A/c	Dr.		4,480	
	To Purchases A/c				4,000
	To Input IGST A/c				480
	(Goods lost in fire and effect of 12% IGST reversed)				

### Question 11(A)

From the following balances, prepare Trading, Profit and Loss A/c and a Balance Sheet as at 31st March 2018:-

Particulars	₹	Particulars	₹
Stock (1st April 2017)	20,000	Goodwill	16,000
Purchases	2,92,000	Furniture and Fittings	58,000
Fuel and Power	34,000	Repair Charges	2,900

Capital	1,60,000	Bank	18,000
Sales	5,90,000	Salaries	1,10,000
Rent	10,000	General Expenses	18,000
Returns Inwards	16,000	Debtors	2,30,000
Cash Discount allowed	15,000	Creditors	1,35,000
Cash Discount received	19,000	Output CGST	5,000
Drawings	58,100	Output SGST	5,000
		Input CGST	8,000
		Input SGST	8,000

Take the following adjustments into account:

- (a) General expenses include ₹ 5,000 chargeable to Furniture purchased on 1st October 2017.
- (b) Create a provision of 5% on debtors for Bad and Doubtful Debts after treating ₹ 30,000 as a Bad-debt.
- (c) Depreciation on furniture and fittings for the year is to be at the rate of 10% per annum.
- (d) Closing Stock was ₹ 40,000, but there was a loss by fire on 20th March to the extent of ₹ 8,000. Insurance Company admitted the claim in full.
- (e) (I) Goods costing ₹ 2,500 were used by the proprietor.  
(II) Goods costing ₹ 1,500 were distributed as free samples.

Goods were purchased paying CGST and SGST @ 6% each.

**Solution:**

---

Trading Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		20,000	Sales	5,90,000	
Purchases	2,92,000		Less: Return Inwards	16,000	5,74,000
Less: Goods Destroyed by Fire	8,000		Closing Stock		40,000
Less: Drawings	2,500				
Less: Advertisement	1,500	2,80,000			
Fuel and Power		34,000			
Gross Profit ( <i>Balancing Figure</i> )		2,80,000			
		6,14,000			6,14,000
Profit and Loss Account					
Dr.			Cr.		

Particulars		₹	Particulars	₹
Depreciation on Furniture (WN1)		6,050	Gross Profit	2,80,000
General Expenses	18,000		Discount Received	19,000
Less: Furniture	5,000	13,000		
Rent		10,000		
Further Bad Debts	30,000			
Add: New Provision (WN3)	10,000	40,000		
Discount Allowed		15,000		
Repair Charges		2,900		
Advertisement (Free Samples)		1,680		
Salaries		1,10,000		
Net Profit ( <i>Balancing Figure</i> )		1,00,370		
		2,99,000		2,99,000
<b>Balance Sheet</b>				

Liabilities		₹	Assets		₹
Capital	1,60,000		Fixed Assets		
Add : Net Profit	1,00,370		Furniture & Fittings	58,000	
Less: Drawings (58,100 +2,800*)	60,900	1,99,470	Add: Additions	5,000	
			Less: Depreciation	6,050	56,950
			Goodwill		16,000
Current Liabilities			Current Assets		
Creditors		1,35,000	Closing Stock		40,000
			Insurance company( 8,000+12% GST)		8,960
			Input CGST(8,000-240-480) 7,280		
			Less: Output CGST 5,000		2,280
			Input CGST(8,000-240-480) 7,280		
			Less: Output CGST 5,000		2,280
			Cash at Bank		18,000

		Debtors	2,30,000	
		Less: Bad Debts	30,000	
		Less: Provision for Bad Debts	10,000	1,90,000
	3,34,470			3,34,470

### Working Notes 1: Evaluation of Depreciation

Furniture of Rs 5,000 was purchased on Oct 01, 2013

$$\begin{aligned} \text{Depreciation on furniture} &= 58,000 \times \frac{10}{100} + 5,000 \times \frac{10}{100} \times \frac{6}{12} \\ &= 58,000 + 250 = ₹6,050 \end{aligned}$$

### Working Notes 2= Evaluation of Outstanding Rent

$$₹ \text{ of Rent Outstanding} = 10,000 \times \frac{2}{100} = ₹2,000$$

### Working Notes 3: Evaluation of Provision for Doubtful Debts

$$\text{Provision for Doubtful Debts} = (\text{Sundry Debtors} - \text{Further Bad Debts}) \times \frac{\text{Rate}}{100}$$

$$= (2,30,000 - 30,000) \times \frac{5}{100} = ₹10,000$$

### Question 11 (B)

From the following particulars taken out from the books of Subhash General Store, prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at the date:-

Particulars	₹	Particulars	₹
Plant & Machinery on	80,000	Rent	12,000

1-4-2016			
Plant & Machinery Purchased on 1-7-2016	20,000	Insurance Premium paid from 1-1-2017 to 31-12- 2017	1,200
Sundry Debtors	1,20,000	Cash at Bank	5,400
Creditors	32,000	Wages	20,400
Furniture	5,000	Advertising	4,800
Motor Car	70,000	Carriage Inwards	10,200
Purchases	1,60,000	Carriage Outwards	2,000
Sales	2,80,000	Fuel and Power	15,700
Sales Returns	15,000	Manoj's Capital	3,50,000
Salaries	36,000	Manoj's Drawings	12,000
Opening Stock	60,000	Brokerage	700
Motor Car Expenses	6,000	Donation	5,100
Stationery	500		

**The following information is relevant:-**

1. Closing Stock ₹ 55,000. Stock valued at ₹ 10,000 was destroyed by fire on 18th March, 2017 but the Insurance Company admitted a claim of ₹ 6,800 only which was received in April, 2017.

2. Stationery for ₹ 150 was consumed by the Proprietor.
3. Goods costing ₹ 1,200 were given away as charity.
4. A new Signboard costing ₹ 1,500 is included in Advertising.
5. Rent is to be allocated 2/3rd to Factory and 1/3rd to Office.
6. Depreciate machinery by 10% and Motor Car by 20%.

**Solution:**

Trading Account of Subhash General Store					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		60,000	Sales	2,80,000	
Purchases	1,60,000		Less: Sales Return	15,000	2,65,000
Less: Goods Destroyed by Fire	10,000		Closing Stock		55,000
Less: Charity	1,200	1,48,800			
Carriage Inwards		10,200			
Rent (2/3rd)		8,000			
Wages		20,400			
Fuel & Power		15,700			



Gross Profit ( <i>Balancing Figure</i> )	56,900		
	<b>3,20,000</b>		<b>3,20,000</b>

### Profit and Loss Account

Dr.				Cr.
Particulars		₹	Particulars	₹
Charity		1,200	Gross Profit	56,900
Stationery	500		Net Loss ( <i>Balancing Figure</i> )	28,750
Less: Drawings	150	350		
Advertisement	4,800			
Less: Sign Board	1,500	3,300		
Depreciation: ( <b>WN1</b> )				
Machinery	9,500			
Motor Car	14,000	23,500		
Salaries		36,000		
Loss by Fire	10,000			

Less: Ins. Claim admitted	6,800	3,200		
Rent (1/3rd)		4,000		
Insurance	1,200			
Less: Prepaid ( <b>WN2</b> )	900	300		
Motor Car Expenses		6,000		
Brokerage		700		
Carriage Outwards		2,000		
Donation		5,100		
		<b>85,650</b>		<b>85,650</b>

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	3,50,000		<b>Fixed Assets</b>		
Less: Net Loss	28,750		Furniture		5,000
Less: Drawings (12,000 + 150)	12,150	3,09,100	Machinery	80,000	

		Add: Addition	20,000	
<b>Current Liabilities</b>		Less: Depreciation	9,500	90,500
Creditors	32,000	Motor Car	70,000	
		Less: Depreciation	14,000	56,000
		<b>Current Assets</b>		
		Closing Stock		55,000
		Insurance company		6,800
		Prepaid Insurance		900
		Debtors		1,20,000
		Sign Board		1,500
		Cash at Bank		5,400
	<b>3,41,100</b>			<b>3,41,100</b>

**Working Notes 1:** Evaluation of Depreciation

Depreciation on Plant and Machinery =  $80,000 \times \frac{10}{100} + 20,000 \times \frac{10}{100} \times \frac{9}{100} = ₹ 9,500$

Depreciation on Motor Car =  $70,000 \times \frac{20}{100} = ₹ 14,000$

**Working Notes 2:** Evaluation of Prepaid Insurance

Prepaid Insurance =  $1,200 \times 9/12 = ₹ 900$

### Question 12

Give journal entries for the following adjustments in final accounts:

- (i) Salaries ₹ 5,000 are outstanding.
- (ii) Insurance ₹ 2,000 is paid in advance.
- (iii) ₹ 4,000 for rent have been received in advance.
- (iv) Commission earned but not received ₹ 1,000.
- (v) Interest on capital ₹ 1,500.
- (vi) Interest on Drawings ₹ 300.
- (vii) Write off ₹ 2,000 as further bad-debts.
- (viii) Closing Stock ₹ 3,000.

### Solution:

Journal					
Date	Particulars		L.F.	₹	₹
1.	Salary A/c	Dr.		5,000	
	To Outstanding Salary A/c				5,000
	(Adjusted outstanding salary)				
2.	Prepaid Insurance A/c	Dr.		2,000	
	To Insurance A/c				2,000
	(Adjusted insurance prepaid)				

3.	Rent A/c	Dr.		4,000	
	To Rent Received in Advance A/c				4,000
	(Adjusted advance rent received)				
4.	Accrued Commission A/c	Dr.		1,000	
	To Commission A/c				1,000
	(Adjusted commission receivable)				
5.	Interest on Capital A/c	Dr.		500	
	To Capital A/c				500
	(Allowed capital interest)				
6.	Drawings A/c	Dr.		300	
	To Interest on Drawings A/c				300
	(Charged drawing interest)				
7.	Bad Debts A/c	Dr.		2,000	
	To Debtors A/c				2,000
	(Bad debts written off)				
8.	Closing Stock A/c	Dr.		3,000	

	To Trading A/c				3,000
	(Closing Stock transferred to Trading Account)				

### Question 13

Give journal entries for the following adjustments in final accounts assuming CGST and SGST @ 9% each:

- (i) Closing Stock ₹ 80,000.
- (ii) Outstanding salaries ₹ 21,000.
- (iii) Insurance premium amounting to ₹ 15,000 is paid in advance.
- (iv) ₹ 9,000 received for rent related to the next accounting period.
- (v) Commission accrued but not received during the accounting year ₹ 1,500.
- (vi) Write off ₹ 500 as further bad debts.
- (vii) Goods costing ₹ 8,000 destroyed by fire and insurance company admitted a claim for ₹ 5,000 only.
- (viii) Goods costing ₹ 10,000 (Market value ₹ 11,000) were taken by proprietor for personal use.

### Solution:

Journal					
Date	Particulars	L.F.	Debit ₹	Credit ₹	
(i)	Closing Stock A/c	Dr.	80,000		
	To Trading A/c			80,000	

	(Transfer of Closing Stock to Trading A/c)				
(ii)	Salary A/c	Dr.	21,000		
	To Outstanding Salary A/c (Outstanding salaries)				21,000
(iii)	Prepaid Insurance A/c	Dr.	15,000		
	To Insurance A/c				15,000
	(Insurance premium paid in advance)				
(iv)	Rent A/c	Dr.	9,000		
	To Rent Received in Advance A/c				9,000
	(Rent received in advance)				
(v)	Accrued Commission A/c	Dr.	1,770		
	To Commission A/c				1,500
	To Output CGST A/c				135
	To Output SGST A/c				135
	(Commission accrued but not received)				
(vi)	Bad Debts A/c	Dr.	500		

	To Debtors A/c				500
	(Write off further bad debts)				
(vii)	Loss by Fire A/c	Dr.		9,440	
	To Purchases A/c				8,000
	To Input CGST A/c				720
	To Input SGST A/c				720
	(Loss of goods by fire)				
	Insurance Company A/c	Dr.		5,000	
	Profit & Loss A/c			4,440	
	To Loss by Fire A/c				9,440
	(Insurance company admitted claim)				
(viii)	Drawings A/c	Dr.		11,800	
	To Purchases A/c				10,000
	To Input CGST A/c				900
	To Input SGST A/c				900
	(Goods withdrawn by proprietor for personal use)				



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### Question 14

Following is the Trial Balance of Mr. Gautam as at 31st March, 2017:

Dr. Balances	(₹)	Cr. Balances	(₹)
Goodwill	30,000	Purchase Returns	2,650
Land & Buildings	60,000	Capital A/c	2,03,000
Plant & Machinery	40,000	Bills Payable	13,800
Loose Tools	3,000	Sundry Creditors	30,000
Bills Receivable	2,000	Sales	1,15,000
Stock 1st April, 2016	40,000		
Purchases	51,000		
Wages	20,000		
Carriage Inwards	1,200		
Coal & Gas	5,600		
Salaries	4,000		
Rent	2,700		
Discount allowed	1,500		

Cash at Bank	25,000		
Cash in hand	1,400		
Sundry Debtors	45,000		
Repairs	1,800		
Printing & Stationery	600		
Bad-debts	1,200		
Advertisements	3,500		
Furniture and Fixtures	1,200		
General Expenses	250		
Investments	5,000		
Drawings	15,000		
Carriage Outwards	1,500		
Sales Returns	2,000		
	3,64,450		3,64,450

You are required to prepare Final Accounts after taking into account the following adjustments:

(a) Closing Stock on 31st March, 2017 was ₹ 60,000.

(b) Depreciate Plant and Machinery at 5%, Loose Tools at 15% and Furniture and fixtures at 5%.

(c) Provide 2 1/2% for discount on Sundry Debtors and also provide 5% for Bad and Doubtful Debts on Sundry Debtors.

(d) Only three quarter's rent has been paid, the last quarter's rent being outstanding.

(e) Interest earned but not received ₹ 600.

(f) Write off 1/4th of Advertisement expenses.

**Solution:**

Trading Account of Mr. Gautam					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		40,000	Sales	1,15,000	
Purchases	51,000		Less: Sales Return	2,000	1,13,000
Less: Purchases Return	2,650	48,350	Closing Stock		60,000
Wages		20,000			
Carriage Inwards		1,200			
Coal and Gas		5,600			

Gross Profit ( <i>Balancing Figure</i> )	57,850		
	<b>1,73,000</b>		<b>1,73,000</b>

### Profit and Loss Account

Dr.				Cr.
Particulars		₹	Particulars	₹
Depreciation: ( <b>WN1</b> )			Gross Profit	57,850
Plant & Machinery	2,000		Accrued Interest	600
Loose Tools	450			
Furniture	60	2,510		
Rent	2,700			
Add: Outstanding Rent ( <b>WN2</b> )	900	3,600		
Bad Debts	1,200			
Add: New Provision ( <b>WN3</b> )	2,250	3,450		
Discount Allowed		1,500		
Provision for Discount on Debtors		1,069		

(WN4)			
Advertisement Expenses written-off	875		
Salaries	4,000		
Repairs	1,800		
Printing & Stationery	600		
General Expenses	250		
Carriage Outwards	1,500		
Net Profit ( <i>Balancing Figure</i> )	37,296		
	<b>58,450</b>		<b>58,450</b>

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	2,03,000		<b>Fixed Assets</b>		
Add : Net Profit	37,296		Plant & Machinery	40,000	
Less: Drawings	15,000	2,25,296	Less: Depreciation	2,000	38,000

		Loose Tools	3,000	
<b>Current Liabilities</b>		<i>Less:</i> Depreciation	450	2,550
Creditors	30,000	Furniture & Fixtures	1,200	
Bills Payable	13,800	<i>Less:</i> Depreciation	60	1,140
Outstanding Rent	900	Investments		5,000
		Land & Building		60,000
		Goodwill		30,000
		<b>Current Assets</b>		
		Closing Stock		60,000
		Accrued Interest		600
		Advertisement Expenditure		2,625
		Bills Receivable		2,000
		Cash at Bank		25,000
		Debtors	45,000	

		Less: Provision for Bad Debts	2,250	
		Less: Provision for Discount	1,069	41,681
		Cash in Hand		1,400
	<b>2,69,996</b>			<b>2,69,996</b>

**Working Notes 1:** Depreciation Evaluation

Depreciation of Plant & Machinery =  $40,000 \times \frac{5}{100} = ₹2,000$

Depreciation of Furniture & Fixtures =  $1,200 \times \frac{5}{100} = ₹60$

Depreciation of Loose Tools =  $3,000 \times \frac{15}{100} = ₹450$

**Working Notes 2:** Outstanding Rent Evaluation

Rent paid for 3 quarters = 2,700

Rent per quarter =  $\frac{2,700}{3} = ₹900 = \text{Outstanding Rent}$

**Working Notes 3:** Provision for doubtful debts Evaluation

Provision for doubtful debts = Sundry Debtors X Rate/100

=  $45,000 \times \frac{5}{100} = \text{Rs } 2,250$

**Working Notes 4:** Provision for Discount on Debtors Evaluation

Provision for Discount on Debtors = (Sundry Debtors – Provision for Bad Debts) X Rate/100

=  $(45,000 - 2,250) \times \frac{2.5}{100} = ₹ 1,069$

**Question 15**

From the following Trial Balance, extracted from the books of Raga Ltd., prepare a Profit and Loss Account for the year ended 31st March, 2014 and a Balance Sheet as at that date:

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Debit Balances	₹	Credit Balances	₹
Drawings Account	20,000	Sales	2,20,000
Land & Building	12,000	Capital	1,01,110
Plant and Machinery	40,000	Discount	1,260
Carriage Inward	100	Commission	5,230
Wages	500	Bills Payable	1,28,870
Salary	2,000	Purchase Return	10,000
Sales Return	200		
Bank charges	200		
Coal, gas and water	1,200		
Purchases	1,50,000		
Trade Expenses	3,800		
Stock (Opening)	76,800		
Cash at Bank	50,000		
Rates and Taxes	870		
Bills Receivable	24,500		



Sundry Debtors	54,300		
Cash in hand	30,00		
	4,66,470		4,66,470

The additional informations are as under:

- (i) Closing stock was valued at the end of the year at ₹ 20,000.
- (ii) Depreciation on Plant and Machinery charged at 5% and on Land and Building at 10%.
- (iii) Make a provision for discount on debtors at 3%.
- (iv) Make a provision at 5% on debtors for Bad-debts.
- (v) Salary outstanding was ₹ 100 and Wages prepaid were ₹ 40.
- (vi) The manager is entitled to a Commission of 5% on Net Profit after charging such Commission.

**Solution:**

Trading Account of Raga Ltd.					
Dr.		Cr.			
Particulars		₹	Particulars		₹
Opening Stock		76,800	Sales	2,20,000	
Purchases	1,50,000		Less: Sales Return	200	2,19,800

Less: Purchases Return	10,000	1,40,000	Closing Stock	20,000
Wages	500			
Less: Prepaid	40	460		
Carriage Inward		100		
Coal, Gas and Water		1,200		
Gross Profit ( <i>Balancing Figure</i> )		21,240		
		<b>2,39,800</b>		<b>2,39,800</b>

### Profit and Loss Account

Dr.		Cr.		
Particulars	₹	Particulars	₹	
Depreciation: ( <b>WN1</b> )		Gross Profit	21,240	
Plant & Machinery	2,000	Discount Received	1,260	
Land & Building	1,200 3,200	Apprentice Premium	5,230	
Salaries	2,000			

Add: Outstanding	100	2,100			
Provision for Doubtful Debts ( <b>WN2</b> )		2,715			
Provision for Discount on Debtors ( <b>WN3</b> )		1,548			
Bank Charges		200			
Trade Expenses		3,800			
Rates & Taxes		870			
Outstanding Manager's Commission ( <b>WN4</b> )		633			
Net Profit ( <i>Balancing Figure</i> )		12,644			
		<b>27,730</b>		<b>27,730</b>	
<b>Balance Sheet</b>					
<b>Liabilities</b>		<b>₹</b>	<b>Assets</b>	<b>₹</b>	
Capital	1,01,110		<b>Fixed Assets</b>		

Add: Net Profit	12,664		Plant & Machinery	40,000	
Less: Drawings	20,000	93,774	Less: Depreciation	2,000	38,000
			Land & Building	12,000	
<b>Current Liabilities</b>			Less: Depreciation	1,200	10,800
Outstanding Manager's Commission		633			
Bills Payable		1,28,870	<b>Current Assets</b>		
Outstanding Salaries		100	Closing Stock		20,000
			Prepaid Wages		40
			Bills Receivable		24,500
			Cash at Bank		50,000
			Debtors	54,300	
			Less: Provision for Bad Debts	2,715	
			Less: Provision for Discount	1,548	50,037

		Cash in Hand	30,000
	<b>2,23,377</b>		<b>2,23,377</b>

**Working Notes 1:** Depreciation Evaluation

Depreciation of Plant and Machinery =  $40,000 \times 5/100 = 2,000$

Depreciation on Building =  $12,000 \times 10/100 = ₹1,200$

**Working Notes 2:** Doubtful Debts Evaluation

Provision for doubtful debts = Sundry Debtors  $\times$  Rate/100

=  $54,300 \times 5/100 = ₹2,715$

**Working Notes 3:** Discount on debtors Evaluation

Provision for discount on debtors = (Sundry Debtors – provision for bad debts)  $\times$  Rate/100

=  $(54,300 - 2,715) \times 3/100 = ₹1,548$

**Working Notes 4:** Manager's commission Evaluation

Profit before manager's commission = ₹13,297 (27,730-14,433)  
 $\times 5/105 = 633$

**Question 16**

The following balances were extracted from the books of Shri Krishan Kumar as at 31st March, 2017:

	Dr. ₹	Cr. ₹
Capital		24,500
Drawings	2,000	
General Expenses	2,500	

Buildings	11,000	
Machinery	9,340	
Stock (1-4-2016)	16,200	
Power	2,240	
Taxes and Insurance	1,315	
Wages	7,200	
Sundry Debtors	6,280	
Sundry Creditors		2,500
Charity	105	
Bad-debts	550	
Bank Overdraft		11,180
Sales		65,360
Purchases	47,000	
Scooter	2,000	
Scooter Expenses	500	
Bad-debts Provision		900

Commission		1,320
Trade Expenses	1,280	
Bills Payable		3,850
Cash	100	
	1,09,610	1,09,610

Adjustments:-

(i) Stock on 31st March, 2017 was valued at ₹ 23,500.

(ii) 15th

of general expenses and taxes & insurance to be charged to the factory and the balance to the office.

(iii) Write off a further Bad-debts of ₹ 160 and maintain the provision for Bad-debts at 5% on Debtors.

(iv) Depreciate Machinery at 10% and Scooter by ₹ 240.

(v) Provide ₹ 700 for outstanding interest on Bank Overdraft.

(vi) Prepaid Insurance is to the extent of ₹ 50.

(vii) Provide for Manager's Commission at 10% on the Net Profit after charging such Commission.

Prepare final accounts for the year ended 31st March, 2017 after giving effect to the above adjustments.

**Solution:**

<b>Trading Account of Shri Krishan Kumar</b>		
<b>Dr.</b>		<b>Cr.</b>

Particulars	₹	Particulars	₹
Opening Stock	16,200	Sales	65,360
Purchases	47,000	Closing Stock	23,500
Wages	7,200		
General Expenses (1/5th)	500		
Taxes and Insurance (1/5th)	253		
Power	2,240		
Gross Profit ( <i>Balancing Figure</i> )	15,467		
	88,860		88,860

### Profit and Loss Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
Depreciation: (WN1)		Gross Profit	15,467
Machinery	934	Commission Received	1,320
Scooter	240		
	1,174		



Old Bad Debts	550				
<i>Add:</i> Further Bad Debts	160				
<i>Add:</i> New Provision ( <i>WN2</i> )	306				
<i>Less:</i> Old Provision	900	116			
Outstanding Interest on Bank Overdraft		700			
Taxes & Insurance	1,315				
<i>Less:</i> Pre-paid	50				
<i>Less:</i> T/f to Trading A/c	253	1,012			
General Expenses	2,500				
<i>Less:</i> T/f to Trading A/c	500	2,000			
Charity		105			
Scooter Expenses		500			
Trade Expenses		1,280			
Outstanding Manager's		900			

Commission (WN3)				
Net Profit ( <i>Balancing Figure</i> )	9,000			
	16,787		16,787	

*Balance Sheet*

Liabilities		₹	Assets		₹
Capital	24,500		Fixed Assets		
Add: Net Profit	9,000		Machinery	9,340	
Less: Drawings	2,000	31,500	Less: Depreciation	934	8,406
			Scooter	2,000	
Current Liabilities			Less: Depreciation	240	1,760
Creditors		2,500	Building		11,000
Outstanding Manager's Commission		900			
Bills Payable		3,850	Current Assets		
Outstanding Interest on Bank		700	Closing Stock		23,500

Overdraft				
Bank Overdraft	11,180	Prepaid Insurance	50	
		Debtors	6,280	
		Less: Bad Debts	160	
		Less: Provision for Bad Debts	306	5,814
		Cash in Hand		100
	50,630			50,630

### Working Notes 1: Depreciation Evaluation

Machinery Depreciation =  $9,340 \times 10/100 = ₹934$

### Working Notes 2 : Provision for doubtful debts Evaluation

Provision for doubtful debts = (Sundry Debtors–Further Bad debts)  
X Rate/100

=  $(6,280 - 160) \times 5/100 = ₹ 306$

### Working Notes 3: Manager's Commission Evaluation

Profit before Manager's Commission= ₹ 9,900 (16,787–6,887)

Manager's Commission= $9,900 \times 10/110 = ₹ 900$

### Question 17(A)

On 31st March, 2017 the following Trial Balance was extracted from the books of Sh. Ghanshyam Das:-

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	Dr. ₹	Cr. ₹
Capital Account		2,00,000
Debtors and Creditors	40,000	25,000
Loan on Mortgage		30,000
Interest on Loan	2,250	
Discount		1,800
Stock on 1st April, 2016	20,000	
Motor Vehicle	50,000	
Cash at Bank	4,450	
Investments	16,000	
Wages	18,000	
Land and Building	2,80,000	
Bad-Debts	1,500	
Purchases and Sales	2,50,000	4,80,000
Purchases and Sales Returns	12,000	10,000
Carriage Outward	8,000	

Carriage Inward	6,500	
Salaries	7,200	
Outstanding Salaries		600
Rates, Taxes and Insurance	15,000	
Advertising	5,000	
General Expenses	6,400	
Bills Receivable and Payable	7,500	5,400
Prepaid Insurance	3,000	
	7,52,800	7,52,800

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and Balance Sheet as at that date, after making adjustments for the following matters:

1. Depreciate Land and Building at 2.5% and Motor Vehicles at 20%.
2. Interest on Loan at 15% p.a. is unpaid for six months.
3. Ghanshyam Das withdrew ₹ 2,000 for his private use. This amount was included in general expenses.
4. Interest on Investments is receivable for full year @ 10%.
5. Provide for Manager's Commission at 10% on Net Profit after charging such commission.
6. Stock in hand on 31st March, 2017 was valued at ₹ 25,000 (Realisable value ₹ 22,000).

**Solution:**

Trading Account of Sh. Ghanshyam Das					
Dr.					Cr.
Particulars		₹	Particulars		₹
Opening Stock		20,000	Sales	4,80,000	
Purchases	2,50,000		Less: Sales Return	12,000	4,68,000
Less: Purchases Return	10,000	2,40,000	Closing Stock		22,000
Wages		18,000			
Carriage Inwards		6,500			
Gross Profit ( <i>Balancing Figure</i> )		2,05,500			
		4,90,000			4,90,000
Profit and Loss Account					
Dr.					Cr.
Particulars		₹	Particulars		₹

Depreciation: (WN1)			Gross Profit	2,05,500
Land & Building	7,000		Accrued Interest on Investment	1,600
Motor Vehicle	10,000	17,000	Discount Received	1,800
Interest on Loan	2,250			
Add: Outstanding (WN2)	2,250	4,500		
General Expenses	6,400			
Less: Drawings	2,000	4,400		
Bad Debts		1,500		
Carriage Outwards		8,000		
Salaries		7,200		
Rates, Taxes and Insurance		15,000		
Advertisement		5,000		
Outstanding Manager's Commission (WN3)		13,300		
Net Profit ( <i>Balancing Figure</i> )		1,33,000		

		2,08,900			2,08,900
<b>Balance Sheet</b>					
<b>Liabilities</b>		<b>₹</b>	<b>Assets</b>		<b>₹</b>
Capital	2,00,000		Fixed Assets		
Add: Net Profit	1,33,000		Land & Building	2,80,000	
Less: Drawings	2,000	3,31,000	Less: Depreciation	7,000	2,73,000
			Motor Vehicle	50,000	
Current Liabilities			Less: Depreciation	10,000	40,000
Creditors		25,000	Investments		16,000
Outstanding Manager's Commission		13,300	Current Assets		
Outstanding Salaries		600	Closing Stock		22,000
Bills Payable		5,400	Bills Receivable		7,500
Loan on Mortgage	30,000		Debtors		40,000
Outstanding	2,250	32,250	Prepaid Insurance		3,000



Interest on Loan			
		Accrued Interest on Investment	1,600
		Cash at Bank	4,450
	4,07,550		4,07,550

**Working Notes 1:** Depreciation Evaluation

Land & Building Depreciation =  $2,80,000 \times 2.5/100 = ₹7,000$

Motor Vehicle Depreciation =  $50,000 \times 20/100 = ₹10,000$

**Working Notes 2:** Outstanding Interest on Loan Evaluation

Outstanding Interest =  $30,000 \times 15/100 \times 6/12 = ₹ 2,250$

**Working Notes 3:** Manager's Commission Evaluation

Profit before Manager's Commission = Rs 1,46,300 (2,08,900 – 62,600)

Manager's Commission =  $1,46,300 \times 10/110 = ₹13,300$

**Question 17(B)**

Prepare Trading and Profit and Loss Account and Balance Sheet as at 31st March, 2017 from the following Balances of Mr. Sardari Lal :

Particulars	(₹)	Particulars	(₹)
Capital Account	41,000	Drawings	5,000
Creditors – Trade	30,000	Purchases	1,71,000
Creditors – Expenses	6,800	Carriage inwards	1,500

Rent Received	600	Wages	23,000
Purchases Returns	4,000	Power	9,000
Sales	2,89,600	Rent and Insurance	19,900
Bad-Debts Provision on 1st April, 2016	600	Salaries	34,400
Advertising Development	8,000	Discount Received	1,800
Goodwill	5,000	General Charges	8,600
Plant and Machinery	20,000	Sales Returns	600
Traveller's Samples	2,700	Traveller's Commission	2,890
Stock on 1-4-2016	32,000	Traveller's Salaries	9,100
Debtors	14,600	Discount Allowed	5,000
Cash at Bank	2,000		
Cash in hand	110		

Adjustments:- The Closing stock was ₹ 23,000 but there has been a loss by fire on 20th March, 2017, to the extent of ₹ 20,000, not covered by insurance. Depreciate Plant and Machinery by 10% and Traveller's Samples by 33 1/2%. Increase the Bad-debts Provision to ₹ 2,000. Write 20% off Advertising Development Account. Annual premium on insurance expiring 1st June, 2017 was ₹ 1,200. Provide for Manager's commission @ 5% on Net Profits after charging such Commission.

**Solution:**

Trading Account of Mr. Sardari Lal					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		32,000	Sales	2,89,600	
Purchases	1,71,000		Less: Sales Return	600	2,89,000
Less: Purchases Return	4,000		Closing Stock		23,000
Less: Goods Destroyed by Fire	20,000	1,47,000			
Power		9,000			
Carriage Inwards		1,500			
Wages		23,000			
Gross Profit ( <i>Balancing Figure</i> )		99,500			
		3,12,000			3,12,000
Profit and Loss Account					

Dr.				Cr.
Particulars		₹	Particulars	₹
Depreciation: (WN1)			Gross Profit	99,500
Traveler’s Sample	900		Rent Received	600
Plant & Machinery	2,000	2,900	Discount Received	1,800
Rent & Insurance	19,900		Net Loss (Balancing Figure)	3,690
Less: Prepaid (WN2)	200	19,700		
New Provision	2,000			
Less: Old Provision	600	1,400		
Traveler’s Commission		2,890		
Traveler’s Salaries		9,100		
Salaries		34,400		
Discount Allowed		5,000		
Loss by Fire		20,000		
Advertisement Development Expenditure written-off ( WN3)		1,600		

General Charges	8,600		
	1,05,590		1,05,590

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	41,000		Fixed Assets		
Less: Net Loss	3,690		Plant & Machinery	20,000	
Less: Drawings	5,000	32,310	Less: Depreciation	2,000	18,000
			Traveler's Samples	2,700	
Current Liabilities			Less: Depreciation	900	1,800
Creditors- Expenses	6,800		Goodwill		5,000
Creditors- Trade	30,000		Current Assets		
			Closing Stock		23,000
			Advertisement Development		6,400
			Prepaid Insurance		200

		Cash in Hand	110
		Debtors	14,600
		Less: Provision for Doubtful Debts	2,000
			12,600
		Cash at Bank	2,000
	69,110		69,110

**Working Notes 1:** Depreciation Evaluation

Plant and Machinery =  $20,000 \times 10/100 = ₹ 2,000$

Traveller's Samples =  $2,700 \times 100/3 \times 100 = ₹ 900$

**Working Notes 2:** Prepaid Insurance Evaluation

Prepaid Insurance =  $1,200 \times 2/12 = ₹ 200$

**Working Notes 3:** Advertisement Expenditure Written-off Evaluation

Advertisement Expenditure Written-off =  $8,000 \times 20/100 = ₹ 1,600$

**Working Notes 4:** Manager's Commission Evaluation

Since, there is a net loss, therefore, there will be no commission for the manager.

**Question 18**

State with reasons whether the following are capital or revenue expenditures:

(i) A new machine is purchased for ₹ 60,000, ₹ 800 were spent on its carriage and ₹ 1,500 were paid as wages for its installation.

(ii) A sum of ₹ 40,000 was spent on painting the new factory.

(iii) ₹ 6,000 were paid for annual insurance premium.

(iv) ₹ 20,000 were spent on repairs before using a second hand generator purchased recently.

(v) ₹ 5,000 were spent on the repair of a machinery.

(vi) ₹ 50,000 were spent for airconditioning of the office of the manager.

**Solution:**

1. The purchase of machine, carriage, and installation is considered as a capital expenditure as it is an asset and will contribute in future revenue.

2. Painting a new factory falls into capital expenditure as it will increase the revenue capacity of a firm

3. Annual insurance premium is a standard and regular business activity, therefore, it is a revenue expenditure.

4. Repair of a second hand generator is an every year expenditure which will increase the revenue of a business, so it will be considered as capital expenditure.

5. Repair of a second hand machine is a regular expense which will contribute to the revenue generation of a company. So, it is a revenue expenditure.

6. Money spent on manager's air conditioning will strengthen the asset value and thus, it is a capital expenditure.

**Question 19**

From the following Trial Balance of Mr. Alok, prepare Trading and Profit & Loss Account for the year ending 31st March, 2014, and a Balance Sheet as at that date:-

Dr. Balances	(₹)	Cr. Balances	(₹)
Drawings	5,275	Capital	59,700
Bills Receivable	4,750	Loan at 8% p.a. (on.1.4.2013)	10,000
Machinery	14,400	Commission Received	2,820

Debtors (including X for dishonoured Bill of ₹ 1,000)	30,000	Creditors	29,815
Wages	20,485	Sales	1,78,215
Returns Inward	2,390		
Purchases	1,28,295		
Rent	2,810		
Stock (1.4.2013)	44,840		
Salaries	5,500		
Travelling Expenses	945		
Insurance	200		
Cash	9,750		
Repairs	1,685		
Interest on Loan	500		
Discount Allowed	2,435		
Bad-Debts	1,810		
Furniture	4,480		



	2,80,550		2,80,550

The following adjustments are to be made:

- (i) Stock in the shop on 31st March, 2014 was ₹ 64,480.
- (ii) Half the amount of X's Bill is irrecoverable.
- (iii) Create a provision of 5% on other debtors.
- (iv) Wages include ₹ 600 for erection of new Machinery.
- (v) Depreciate Machinery by 5% and Furniture by 10%.
- (vi) Commission includes ₹ 300 being Commission received in advance.

**Solution:**

<b>Trading Account of Mr. Alok</b>				
<b>Dr.</b>		<b>Cr.</b>		
<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>	
Opening Stock	44,840	Sales	1,78,215	
Purchases	1,28,295	Less: Return Inwards	2,390	1,75,825
Wages	20,485	Closing Stock		64,480
Less: Erection Charges of New Machinery	600			
	19,885			
Gross Profit ( <i>Balancing Figure</i> )	47,285			

		2,40,305			2,40,305
<b>Profit and Loss Account</b>					
<b>Dr.</b>					<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>		<b>₹</b>
Depreciation: (WN1)			Gross Profit		47,285
Machinery	750		Commission	2,820	
Furniture	448	1,198	Less: Comm. Received in advance	300	2,520
Old Bad Debts	1,810				
Add: Further Bad Debts	500				
Add: New Provision (WN2)	1,450	3,760			
Rent		2,810			
Interest on Loan	500				
Add: Outstanding (WN3)	300	800			

Salaries	5,500		
Travelling Expenses	945		
Insurance	200		
Repairs	1,685		
Discount Allowed	2,435		
Net Profit ( <i>Balancing Figure</i> )	30,472		
	49,805		49,805

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	59,700		Fixed Assets		
Add: Net Profit	30,472		Machinery	14,400	
Less: Drawings	5,275	84,897	Add: Erection charges	600	
8% Loan		10,000	Less: Depreciation	750	14,250
			Furniture	4,480	
Current Liabilities			Less: Depreciation	448	4,032

Creditors	29,815			
Outstanding Interest	300	Current Assets		
Commission received in advance	300	Closing Stock		64,480
		Bills Receivables		4,750
		Debtors	30,000	
		Less: Bad Debts	500	
		Less: Provision for Doubtful Debts	1,450	28,050
		Cash in Hand		9,750
	1,25,312			1,25,312

### Working Notes 1: Depreciation Evaluation

Machinery Depreciation =  $(14,400 + 600) \times 5/100 = ₹ 750$

Furniture Depreciation =  $4,480 \times 10/100 = ₹ 448$

### Working Notes 2: Provision of doubtful debts Evaluation

Provision of doubtful debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts} - \text{Amount recoverable from X}) \times \text{Rate}/100$

=  $(30,000 - 500 - 500) \times 5/100 = ₹ 1.450$

\*Provisions to be maintained on Debtors other than X

**Working Notes 2:** Outstanding interest on loan Evaluation

Interest on Loan =  $10,000 \times 8/100 = ₹ 800$

Interest on Loan already Paid = 300

Therefore, Outstanding Interest on Loan = Rs 300

**Question 20**

Extracts of Trial Balance as at 31st March, 2017:

	Dr. ₹	Cr. ₹
Sundry Debtors (including Dewan for dishonoured bill of ₹ 20,000)	4,80,000	–
Provision for Doubtful Debts	–	24,000
Bad Debts	10,000	–

**Adjustments:**

(i)  $2\frac{3}{4}\%$  of Dewan's bill is irrecoverable.

(ii) Create a provision of 6% on Sundry Debtors.

Show the effect on the Profit and Loss Account and Balance Sheet.

**Solution:**

Profit and Loss Account				
Dr.				Cr.
Particulars	₹	Particulars	₹	
Old Bad Debts	10,000			

Add: Further Bad Debts	15,000			
Add: New Provision	27,600			
Less: Old Provision	24,000	28,600		

### Balance Sheet

Liabilities	₹	Assets	₹
		<b>Current Assets</b>	
		Debtors	4,80,000
		Less: Bad Debts	15,000
		Less: Provision for Doubtful Debts	27,600
			4,37,400

### Working Note 1: Provision for Doubtful Debts Evaluation

Provision for Doubtful Debts = (Sundry Debtors–Further Bad Debts–Amount recoverable from Dewan\*) X Rate/100

$$= (4,80,000 - 15,000 - 5,000) \times 6/100 = ₹ 27,600$$

\*Apart from Dewan the provision will be maintained by Debtors

### Question 21

From the following Trial Balance extracted from the books of S. Sujan Singh, prepare a Trading and Profit & Loss Account for the year ended 31st March, 2016 and a Balance Sheet as at that date:

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	Dr. ₹	Cr. ₹
Capital Account		90,000
Drawings Account	6,480	
Land and Buildings	25,000	
Plant & Machinery	14,270	
Furniture & Fixtures	1,250	
Carriage (Inwards)	4,370	
Wages	21,470	
Salaries	4,670	
Bad-Debts Provision (as on 1st April, 2015)		2,470
Sales		91,230
Sales Returns	1,760	
Bank Charges	140	
Coal, Gas and Water	720	
Rates & Taxes	840	

Discount Account (Balance)		120
Purchases	42,160	
Purchases Returns		8,460
Bills Receivable	1,270	
Trade Expenses	1,990	
Sundry Debtors	37,800	
Sundry Creditors		12,170
Stock (1st April, 2015)	26,420	
Miscellaneous Receipt		500
Fire Insurance	490	
Cash at Bank	13,000	
Cash in Hand	850	
	2,04,950	2,04,950

Adjustments:-

1. Carry forward the following unexpired amounts:-

(i) Fire Insurance	₹ 125
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(ii) Rates and Taxes	₹ 240
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2. Transfer to Building Account ₹ 3,000 from purchases and ₹ 2,000 from wages, representing cost of material and labour spent on additions to Building made during the year.

3. Charge Depreciation on Land and Buildings at 2.5% and on Plant & Machinery at 10%.

4. Make a Provision of 5% on Sundry Debtors for Bad-debts.

5. Charge 5% Interest on Capital but not on Drawings.

6. The value of Stock as on 31st March, 2016 was ₹ 29,390.

### Solution:

Trading Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		26,420	Sales	91,230	
Purchases	42,160		Less: Sales Return	1,760	89,470
Less: Purchases Return	8,460		Closing Stock		29,390
Less: t/f to Building	3,000	30,700			
Wages	21,470				
Less: t/f to Building	2,000	19,470			

Carriage	4,370		
Coal, Gas and Water	720		
Gross Profit ( <i>Balancing Figure</i> )	37,180		
	1,18,860		1,18,860

### Profit and Loss Account

Dr.						Cr.
Particulars		₹	Particulars		₹	
Depreciation: ( <b>WN1</b> )			Gross Profit		37,180	
Plant & Machinery	1,427		Miscellaneous Receipts		500	
Land & Building	750	2,177	Discount		120	
Fire Insurance	490		Old Provision	2,470		
Less: Unexpired	125	365	Less: New Provision ( <b>WN2</b> )	1,890	580	
Interest on Capital		4,500				
Rates & Taxes	840					

Less: Unexpired	240	600		
Salaries		4,670		
Trade Expenses		1,990		
Bank Charges		140		
Net Profit ( <i>Balancing Figure</i> )		23,938		
		<b>38,380</b>		<b>37,980</b>

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	90,000		<b>Fixed Assets</b>		
Add: Interest on Capital	4,500		Land & Building (25,000 + 3,000 + 2,000)	30,000	
Add: Net Profit	23,938		Less: Depreciation	750	29,250
Less: Drawings	6,480	1,11,958	Plant & Machinery	14,270	
			Less: Depreciation	1,427	12,843
*Current Liabilities			Furniture & Fixtures		1,250

Creditors	12,170		
		*Current Assets	
		Closing Stock	29,390
		Unexpired Fire Insurance	125
		Unexpired Rates & Taxes	240
		Bills Receivables	1,270
		Cash at Bank	13,000
		Debtors	37,800
		Less: Provision for Doubtful Debts	1,890
			35,910
		Cash in Hand	850
	<b>1,24,128</b>		<b>1,24,128</b>

### Working Notes 1: Depreciation Evaluation

Land and Building Depreciation =  $30,000 \times 2.5/100 = ₹ 750$

Machinery and Plant Depreciation =  $14,270 \times 10/100 = ₹ 1,427$

### Working Notes 2: Provision for Doubtful Debts Evaluation

Provision for Doubtful Debts = (Sundry Debtors–Further Bad Debts) × Rate/100

$$= (37,800 - 0) \times 5/100 = ₹1,890$$

### Question 22

From the following Trial Balance extracted from the books of Sh. Pawan Kumar, prepare a Trading Account, Profit & Loss Account for the year ended 31st March, 2014 and a Balance Sheet as at that date.

Dr. Balances	₹	Cr. Balances	₹
Drawings	1,20,000	Capital	16,00,000
Plant and Machinery	12,00,000	Creditors	2,60,000
Horses and Carts	2,60,000	Sales	8,20,000
Debtors	3,40,000	Bills Payable	2,21,200
Purchases	2,00,000	Interest on Ram's Loan	1,800
Wages	80,000	Rent Received	12,000
Cash at Bank	2,60,000		
Salaries	80,000		
Repairs	5,000		
Stock (1-4-2013)	7,000		
Stock (31-3-2014)	92,000		
Rent	45,000		

Manufacturing expenses	15,000		
Bad-Debts	50,000		
Carriage	15,000		
Income Tax	20,000		
Life Insurance Premium	30,000		
Loan to Ram at 12% p.a.	20,000		
Insurance	12,000		
Insurance Prepaid	1,000		
	29,15,000		29,15,000

### Adjustments:-

1. Plant and Machinery includes a new machinery purchased on 1st October, 2013 for ₹ 2,00,000.
2. Depreciate Plant and Machinery by 10% p.a. and Horses and Carts by 20% p.a.
3. Salaries for the month of February and March 2014 are outstanding.
4. Goods worth ₹ 15,000 were sold and dispatched on 27th March but no entry was passed to this effect.
5. Make a provision for Doubtful Debts at 5% on Debtors.

### Solution:

<b>Trading Account of Sh. Pawan Kumar</b>
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Dr.				Cr.
Particulars	₹	Particulars		₹
Opening Stock	70,000	Sales	8,20,000	
Purchases	2,00,000	Add: Unrecorded Sales	15,000	8,35,000
Carriage	15,000			
Wages	80,000			
Manufacturing Expenses	15,000			
Gross Profit ( <i>Balancing Figure</i> )	4,55,000			
	8,35,000			8,35,000

### Profit and Loss Account

Dr.				Cr.
Particulars	₹	Particulars		₹
Depreciation: (WN1)		Gross Profit		4,55,000
Plant & Machinery	1,10,000	Rent Received		12,000

Horse & Carts	52,000	1,62,000	Interest on Ram's Loan	1,800	
Old Bad Debts	50,000		Add: Accrued Interest (WN4)	600	2,400
Add: New Provision (WN2)	17,750	67,750			
Insurance		12,000			
Salaries	80,000				
Add: Outstanding (WN3)	16,000	96,000			
Repairs		5,000			
Rent		45,000			
Net Profit ( <i>Balancing Figure</i> )		81,650			
		4,69,400			4,69,400

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	16,00,000		Fixed Assets		
Add : Net	81,650		Plant	12,00,000	



Profit			& Machinery		
Less: Drawings (incl. LIP and Income Tax)	1,70,000	15,11,650	Less: Depreciation	1,10,000	10,90,000
			Horses & Carts	2,60,000	
Current Liabilities			Less: Depreciation	52,000	2,08,000
Creditors		2,60,000			
Outstanding Salaries		16,000	Current Assets		
Bills Payable		2,21,200	Closing Stock		92,000
			Prepaid Insurance		1,000
			Accrued Interest		600
			Ram's Loan		20,000
			Cash at Bank		2,60,000
			Debtors	3,40,000	
			Add: Unrecorded	15,000	
			Less: Provision for	17,750	3,37,250

		Doubtful Debts		
	20,08,850			20,08,850

### Working Notes 1: Depreciation Evaluation

Depreciation on Plant & Machinery =  $10,00,000 \times \frac{10}{100} + 2,00,000 \times \frac{10}{100} \times \frac{6}{12} = ₹1,10,000$

Horse & Carts Depreciation =  $2,60,000 \times \frac{20}{100} = ₹52,000$

Plant & Machinery Depreciation =  $10,00,000 \times \frac{10}{100} + 2,00,000 \times \frac{10}{100} \times \frac{6}{12} = ₹1,10,000$

Horse & Carts Depreciation =  $2,60,000 \times \frac{20}{100} = ₹52,000$

### Working Notes 2: Provision for Doubtful Debts Evaluation

Provision for Doubtful Debts =  $(\text{Sundry Debtors} + \text{Unrecorded Sales}) \times \frac{\text{Rate}}{100}$

=  $(3,40,000 + 15,000) \times \frac{5}{100} = ₹17,750$

### Working Notes 3: Outstanding Expenses Evaluation

Salaries for 10 months = 80,000

Salary for 2 months =  $80,000 / 10 \times 2 = ₹16,000$

Salaries for 10 months = 80,000  
Salary for 2 months =  $80,000 / 10 \times 2 = ₹16,000$

### Working Notes 4: Accrued Interest on Ram's Loan Expenses Evaluation

Interest on Loan =  $20,000 \times \frac{12}{100} = ₹2,400$

Interest on already received Loan = ₹1,800

Therefore, Accrued Interest =  $(₹2,400 - ₹1,800) = ₹600$

### Question 23

The following balances were extracted from the books of Modern Traders as at 31st March, 2017:-

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Particulars	₹	Particulars	₹
Capital Account	85,000	Printing and Stationery	800
Drawings Account	5,000	Sundry Creditors	23,000
Plant and Machinery	40,000	Sales	1,20,000
Stock on 1-4-2016	15,000	Postage	800
Purchases	82,000	Bad-Debts	400
Sundry Debtors	20,600	Provision for Doubtful Debts	800
Furniture	5,000	Discount received	400
Freight Inward	2,000	Rent Revenue	1,200
Carriage Outward	500	Insurance	700
Rent, Rates and Taxes	4,600	Salaries	20,000
		Wages	1,300
		Cash in Hand	6,200
		Cash at Bank	25,500

Prepare Final Accounts for the year ended 31st March, 2017 after taking into account the following:

- (i) Stock on 31st March, 2017 was valued at ₹ 15,000.
- (ii) Goods costing ₹ 6,000 were sent to a customer on "Sale on Return basis" for ₹ 7,200 on 26th March, 2017 and had been recorded in the books as actual sales.
- (iii) Provision for Doubtful Debts is to be maintained at 5% of the Debtors.
- (iv) Prepaid Insurance was ₹ 100.
- (v) Provide Depreciation on Plant and Machinery @ 10% and on Furniture @ 5%.

**Solution:**

Trading Account of Modern Traders					
Dr.			Cr.		
Particulars	₹	Particulars	₹		
Opening Stock	15,000	Sales	1,20,000		
Purchases	82,000	Less: Sale on Approval Basis	7,200	1,12,800	
Freight Inwards	2,000	Closing Stock	15,000		
Wages	1,300	Add: Sale on Approval Basis	6,000	21,000	
Gross Profit (Balancing Figure)	33,500				
	1,33,800			1,33,800	

Profit and Loss Account				
Dr.				Cr.
Particulars		₹	Particulars	₹
Depreciation: (WN1)			Gross Profit	33,500
Machinery and Plant	4,000		Received Discount	400
Furniture	250	4,250	Rent Revenue	1,200
Bad Debts	400			
Add: New Provision (WN2)	670			
Less: Old Provision	800	270		
Carriage Outwards		500		
Insurance	700			
Less: Prepaid	100	600		
Rates, Rent, & Taxes		4,600		
Printing & Stationery		800		
Postage & Telegram		800		
Salaries		20,000		

Net Profit ( <i>Balancing Figure</i> )		3,280			
		35,100		35,100	
Balance Sheet <i>as on March 31, 2017</i>					
Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital	85,000		Fixed Assets		
<i>Add: Net Profit</i>	3,280		Plant & Machinery	40,000	
<i>Less: Drawings</i>	5,000	83,280	<i>Less: Depreciation</i>	4,000	36,000
			Furniture	5,000	
Current Liabilities			<i>Less: Depreciation</i>	250	4,750
Creditors		23,000			
			Current Assets		
			Closing Stock	15,000	
			<i>Add: Sale on Approval Basis</i>	6,000	21,000

		Prepaid Insurance	100	
		Cash in Hand	6,200	
		Cash at Bank	25,500	
		Debtors	20,600	
		Less: Sale on Approval Basis	7,200	
		Less: Provision for Doubtful Debts	670	12,730
	1,06,280			1,06,280

### Working Notes 1: Depreciation Evaluation

Machinery Depreciation =  $40,000 \times \frac{5}{100} = ₹4,000$

Depreciation on Furniture =  $5,000 \times \frac{5}{100} = ₹250$

Depreciation on Machinery =  $40,000 \times \frac{10}{100} = ₹4,000$

Depreciation on Furniture =  $5,000 \times \frac{5}{100} = ₹250$

### Working Notes 2: Provision for doubtful debts

Provision for doubtful debts = (Sundry Debtor – Sale on Approval Basis)  
X Rate/100

=  $(20,600 - 7,200) \times \frac{5}{100} = ₹670$

### Question 24

The following Trial Balance has been extracted from the books of Shri Santosh Kumar as at 31st March, 2017:-

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	Dr. ₹	Cr. ₹
Plant and Machinery	1,00,000	
Furniture	12,000	
Capital Account		1,91,000
Household Expenses	16,000	
Sales		4,68,000
Loose Tools	20,000	
Goodwill	10,000	
Opening Stock (1-4-2016)	20,000	
Returns Outward		4,000
Discount		6,000
Purchases	2,12,000	
Returns Inwards	8,000	
Wages	1,00,000	
Salaries	60,000	
Outstanding Salaries		5,000



Investments at 10% p.a.	6,000	
Interest on Investments		300
Sundry Creditors		24,000
Miscellaneous Receipts		2,000
Carriage Inwards	12,000	
General Expenses and Insurance	39,000	
Advertisement Expenses	15,000	
Postage	4,000	
Sundry Debtors	56,000	
B. Barua	2,000	
Cash Balance	14,000	
Bank		3,200
Suspense Account		2,500
	7,06,000	7,06,000

The following additional information is available:-

(I) Stock on 31st March, 2017 was ₹ 30,800.

(II) Depreciation is to be charged on Plant and Machinery at 5% and Furniture at 6%. Loose Tools are revalued at ₹ 16,000.

(III) Create a provision of 2% for Discount on Debtors.

(IV) Salary of ₹ 2,000 paid to Shri B. Barua, a temporary employee, stands debited to his personal account and it is to be corrected.

(V) Write off 1/5th of advertisement expenses.

You are to prepare Trading and Profit & Loss Account for the year ended 31st March, 2017 and a Balance Sheet as at that date.

**Solution:**

Trading Account of Shri Santosh Kumar					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		20,000	Sales	4,68,000	
Purchases	2,12,000		Less: Return Inwards	8,000	4,60,000
Less: Return Outwards	4,000	2,08,000	Closing Stock		30,800
Carriage Inwards		12,000			
Wages		1,00,000			
Gross Profit ( <i>Balancing Figure</i> )		1,50,800			

		4,90,800			4,90,800
<b>Profit and Loss Account</b>					
<b>Dr.</b>					<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>		<b>₹</b>
Depreciation: (WN1)			Gross Profit		1,50,800
Plant & Machinery	5,000		Discount		6,000
Furniture	720		Miscellaneous Receipts		2,000
Loose Tools	4,000	9,720	Interest on Investment	300	
Salaries	60,000		Add: Accrued (WN3)	300	600
Add: Salary to B.Barua	2,000	62,000			
Advertisement Expenses written-off		3,000			
Provision for Discount on Debtors (WN2)		1,120			
General Expenses & Insurance		39,000			

Postage & Telegram	4,000		
Net Profit ( <i>Balancing Figure</i> )	40,560		
	1,59,400		1,59,400

## Balance Sheet

*as on March 31, 2017*

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital	1,91,000		Fixed Assets		
<i>Add:</i> Net Profit	40,560		Plant & Machinery	1,00,000	
<i>Less:</i> Drawings	16,000	2,15,560	<i>Less:</i> Depreciation	5,000	95,000
			Furniture	12,000	
Current Liabilities			<i>Less:</i> Depreciation	720	11,280
Creditors		24,000	Loose Tools	20,000	
Bank Overdraft		3,200	<i>Less:</i> Depreciation	4,000	16,000
Outstanding Salaries		5,000	10% Investment		6,000

Suspense Account	2,500	Current Assets	
		Goodwill	10,000
		Closing Stock	30,800
		Advertisement Expenditure	12,000
		Accrued Interest on Investments	300
		Cash in Hand	14,000
		Debtors	56,000
		Less: Provision for Discount on Debtors	1,120
			54,880
	2,50,260		2,50,260

**Working Notes 1:** Depreciation Evaluation

Machinery Depreciation =  $1,00,000 \times \frac{5}{100} = ₹5,000$

Furniture Depreciation =  $12,000 \times \frac{6}{100} = ₹720$

Loose Tools Depreciation (20,000 – 16,000) = ₹ 4,000

**Working Note 2:** Provision for discount on debtors Evaluation

Provision for Discount on Debtors =  $56,000 \times \frac{2}{100} = ₹ 1,120$

**Working Note 3:** Accrued investment interest Evaluation

Interest on Investment =  $6,000 \times 10/100 = ₹600$

Interest on already received loan = ₹ 300

Therefore, Accrued Interest = ₹ 300

### Question 25

From the following Trial Balance of Sh. Swamy Narain, prepare Trading and Profit & Loss Account for the year ended 31st March 2018 and a Balance Sheet as at that date :

Dr. Balances	₹	Cr. Balances	₹
Opening Stock	50,000	Capital	20,00,000
Purchases	5,30,000	Sales	12,50,000
General Expenses	45,000	Sundry Creditors	1,36,000
Stationery	6,000	Trade Charges due but not paid	5,000
Wages	2,15,000	Outstanding Rent	4,000
Trade Charges	25,000	Bank Balance	45,000
Rent	44,000		
Charity	5,000		
Advertisement Expenses	30,000		
Carriage on Sales	12,000		

Bills Receivables	30,000		
Sundry Debtors	2,20,000		
Cash Discount	16,000		
Cash in Hand	22,000		
Furniture	1,00,000		
Advance for Furniture	40,000		
Plant & Machinery	6,00,000		
Building	14,50,000		
	34,40,000		34,40,000

#### Adjustments:

(i) Stock on 31 March, 2018 was valued at ₹ 60,000.

(ii) A new machine was installed during the year costing ₹ 2,00,000 but it was not recorded in the books. Wages paid for its installation ₹ 10,000 have been debited to Wages Account.

(iii) An advance of ₹ 10,000 given alongwith purchase order was wrongly recorded in purchases.

(iv) General expenses include ₹ 20,000 paid for Wages.

(v) Wages include a sum of ₹ 50,000 spent on the erection of a Scooter Stand for employees.

(vi) Advance for Furniture is for furniture at proprietor's residence.

(vii) Depreciate Furniture at 15%, Plant & Machinery at 20% and Building at 10%.

(viii) Carry forward 2/3 of Advertisement Expenses as unexpired.

(ix) A B/R of ₹ 20,000 was discounted with bank on 15 Nov. 2017, but not yet matured.

**Solution:**

Trading Account				
Dr.				Cr.
Particulars		₹	Particulars	₹
Opening Stock		50,000	Sales	12,50,000
Purchases	5,30,000		Closing Stock	60,000
Less: Advance received against Order	(10,000)	5,20,000		
Wages	2,15,000			
Add: Included in General Expenses	20,000			
Less: Shed Construction	(50,000)			
Less: Machinery Wages	(10,000)	1,75,000		
Gross Profit		5,65,000		
		13,10,000		13,10,000



Profit & Loss Account				
Dr.				Cr.
Particulars		₹	Particulars	₹
Cash Discount		16,000	Gross Profit	5,65,000
General Expenses	45,000			
Less: Wages	(20,000)	25,000		
Stationery		6,000		
Trade Charges		25,000		
Rent		44,000		
Charity		5,000		
Advertisement Expenses		10,000		
Carriage on Sales		12,000		
Depreciation on:				
Furniture	15,000			
Building	1,50,000			
Plant & Machinery	1,62,000	3,27,000		

Net Profit		95,000		
		5,65,000		5,65,000
<b>Dr.</b>	<b>Balance Sheet</b>			<b>Cr.</b>
<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>	
Creditors	1,36,000	Furniture	1,00,000	
Outstanding Trade Charges	5,000	Less: Depreciation	15,000	85,000
Outstanding Rent	4,000	Plant & Machinery	6,00,000	
Bank Overdraft	45,000	Add: Additions	2,10,000	
Capital	20,00,000	Less: Depreciation	1,62,000	6,48,000
Less: Drawings	40,000	Unexpired Advertisement Expenses		20,000
Add: Net Profit	95,000	20,55,000	Building	14,50,000
Creditors for Machinery	2,00,000	Add: Additions	50,000	

		Less: Depreciation	1,50,000	13,50,000
		Cash in Hand		22,000
		Closing Stock		60,000
		Debtors		2,20,000
		Advance against Purchases		10,000
		Bills Receivable		30,000
	24,45,000			24,45,000

### Question 26

Following is the Trial Balance as on 31st March 2016. Prepare Trading and Profit and Loss Account and Balance Sheet :-

Particulars	Debit (₹)	Credit (₹)
Stock (1st April 2015)	8,000	
Sales		2,20,000
Purchases	1,26,000	
Productive Wages	56,500	

Salaries	16,000	
Stores Consumed	6,050	
Carriage	3,050	
Rent and Rates	5,200	
Insurance	1,320	
Machinery	52,000	
Building	67,000	
Capital /ess Drawings		1,45,600
Sundry Debtors	44,000	
Sundry Creditors		20,000
Secured Loan		15,000
Furniture	3,350	
General Expenses	2,600	
Cash in hand	1,930	
Bad Debts	1,020	
Bank	6,580	

Total	4,00,600	4,00,600

Additional Information :

(a) Stock on 31st March 2016 is ₹ 20,600.

(b) Depreciate machinery @ 10% p.a.

(c) Make a Provision @ 5% for Doubtful Debts.

(d) Provide 2 1/2% for discount on sundry debtors.

(e) Rent and Rates include security deposit of ₹ 400.

(f) Insurance prepaid ₹ 120.

**Solution:**

<b>Trading Account</b>			
<b>Dr.</b>			<b>Cr.</b>
<b>Particulars</b>	<b>₹</b>	<b>Particulars</b>	<b>₹</b>
Opening Stock	8,000	Sales	2,20,000
Purchases	1,26,000	Closing Stock	20,600
Stores Consumed	6,050		
Productive Wages	56,500		
Carriage	3,050		
Gross Profit	41,000		

		2,40,600			2,40,600
<b>Profit &amp; Loss Account</b>					
<b>Dr.</b>					<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>		<b>Particulars</b>	<b>₹</b>
Salaries		16,000		Gross Profit	41,000
Rent & Rates	5,200				
Less: Security Deposit	(400)	4,800			
Insurance	1,320				
Less: Prepaid	120	1,200			
General Expenses		2,600			
Bad Debts	1,020				
Add: Provision for Doubtful Debts	2,200	3,220			
Provision for Discount on Debtors		1,045			
Machinery Depreciation		5,200			
Net Profit		6,935			

		41,000		41,000
<b>Balance Sheet</b>				
<b>Dr.</b>				<b>Cr.</b>
<b>Liabilities</b>		<b>₹</b>	<b>Assets</b>	<b>₹</b>
Creditors		20,000	Machinery	52,000
Capital	1,45,600		Less: Depreciation	5,200
				46,800
Add: Net Profit	6,935	1,52,535	Building	67,000
Secured Loan		15,000	Cash in Hand	1,930
			Closing Stock	20,600
			Debtors	44,000
			Less: Provision for Doubtful Debts	2,200
			Less: Provision for Discount	1,045
				40,755
			Furniture	3,350
			Prepaid Insurance	120

		Security Deposit	400
		Bank	6,580
	1,87,535		1,87,535

### Question 27

From the following Trial Balance and other information prepare Trading and Profit and Loss Account for the year ended 31st March 2016 and Balance Sheet as at that date.

Heads of Accounts	Debit (₹)	Credit (₹)
Sundry Debtors	32,000	
Stock (1st April 2015)	22,000	
Cash in hand	35	
Cash at bank	1,545	
Plant and Machinery	17,500	
Sundry Creditors		10,650
Trade Expenses	1,075	
Sales		1,34,500
Salaries	2,225	



Carriage Outwards	400	
Rent	900	
Bills Payable		7,500
Purchases	1,18,870	
Discounts	1,100	
Premises	34,500	
Capital (1st April 2015)		79,500
Total	2,32,150	2,32,150

#### Additional Information:

Stock on 31st March 2016 was ₹ 12,450. Rent was unpaid to the extent of ₹ 85 and ₹ 150 were outstanding for Trade Expenses. ₹ 400 are to be written off as bad debts out of the above debtors, and 5% is to be provided for doubtful debts. Depreciate plant and machinery 10% and premises by 2%. Manager is entitled a commission of 5% on net profit after charging his commission.

#### Solution:

Trading Account			
Dr.			Cr.
Particulars	₹	Particulars	₹

Opening Stock	22,000	Sales	1,34,500
Purchases	1,18,870	Closing Stock	12,450
Gross Profit	6,080		
	1,46,950		1,46,950

### Profit & Loss Account

Dr.				Cr.
Particulars		₹	Particulars	₹
Salaries		2,225	Gross Profit	6,080
Trade Expenses	1,075		Net Loss	4,275
Add: Outstanding	150	1,225		
Rent	900			
Add: Outstanding	85	985		
Carriage Outwards		400		
Bad Debts	400			
Add: Provision for doubtful debts	1,580	1,980		

Discount	1,100		
Depreciation on Machinery	1,750		
Depreciation on Premises	690		
	10,355		10,355

### Balance Sheet

Dr.			Cr.	
Liabilities		₹	Assets	₹
Sundry Creditors		10,650	Plant & Machinery	17,500
Capital	79,500		Less: Depreciation	1,750
Less: Net Loss	4,275	75,225	Cash in Hand	35
Bills Payable		7,500	Closing Stock	12,450
Rent Outstanding		85	Premises	34,500
Outstanding Trade Expenses		150	Less: Depreciation	690
			Debtors	32,000
			Less: Further Bad Debts	400

		Less: Provision for doubtful debts	1,580	30,020
		Cash at Bank		1,545
	93,610			93,610

**Note:** Since there is a net loss, therefore, the manager will not be entitled to any commission.

### Question 28

The following is the Trial Balance of Pankaj as on 31st March, 2015:

Name of Account	₹	₹
Wages	10,000	
Capital	–	43,000
Machinery	50,000	–
Vehicles	10,000	–
Sales return/Purchase return	2,000	1,000
Stock	10,000	–
Purchase & Sale	36,000	70,000
Repair	2,000	–

Rent	1,000	–
Provision for doubtful debts	–	700
Bad debts	2,400	–
Loan from Bank	–	15,000
Interest on Loan	800	–
Cash in Hand	16,000	–
Debtors & Creditors	12,000	15,300
Commission received		7,200
	1,52,200	1,52,200

Adjustment:-

(i) Closing stock was valued at ₹ 12,000.

(ii) Wages have been paid for 10 months.

(iii) Write off ₹ 500 as further bad debts and provide 5% provision for doubtful debts.

(iv) Outstanding interest on loan ₹ 700.

(v) Depreciate machinery @ 5%

(b) Does question depict any value?

**Solution:**

---

Trading Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		10,000	Sales	70,000	
Purchases	36,000		Less: Return Inwards	2,000	68,000
Less: Return Outwards	1,000	35,000	Closing Stock		12,000
Wages	10,000				
Add: Outstanding Wages	2,000	12,000			
Gross Profit ( <i>Balancing Figure</i> )		23,000			
		80,000			80,000
Profit and Loss Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Interest on Loan	800		Gross Profit		23,000

Add: Outstanding		700	1,500	Commission Received	7,200
Machine Depreciation			2,500		
Old Bad Debt		2,400			
Add: New Bad Debts		500			
Add: Provision for Bad Debts (New)		575			
Less: Provision for Bad Debts (Old)		700	2,775		
Repair			2,000		
Rent			1,000		
Net Profit ( <i>Balancing Figure</i> )			20,425		
			30,200		30,200
<b>Balance Sheet</b>					
<b>Liabilities</b>		₹	<b>Assets</b>		₹
Capital	43,000		Fixed Assets		
Add: Net Profit	20,425	63,425	Machinery	50,000	

Loan from Bank	15,000	Less: Depreciation	2,500	47,500
Current Liabilities		Vehicles		10,000
Creditors	15,300	Current Assets		
Outstanding Wages	2,000	Closing Stock		12,000
Outstanding Interest on Loan	700	Debtors	12,000	
		Less: Bad Debts (New)	500	
		Less: Provision for Bad Debts (New)	575	10,925
		Cash in Hand		16,000
	96,425			96,425

### Question 29

Following are balances from the trial balance of Ritesh Traders as at 31st March 2008:

Particulars	₹	Particulars	₹
Opening Stock	5,620	Interest on Securities	6,400
Purchases	1,54,200	Land and Building	10,00,000



Sales	3,74,800	Securities	6,00,000
Wages	1,26,000	Cash in Hand	25,600
Carriage Inward	900	Bank Overdraft	3,40,000
Freight on Purchase	4,900	Discount Allowed	1,500
Salaries	8,000	Discount Received	420
Insurance	2,800	Bill Payable	4,000
Repair to Machinery	1,400	Loan (Cr.)	11,000
Drawings	5,600	Bills Receivable	7,000
Customer's A/c	15,800	Capital Account	13,47,600
Postage	500	Suppliers A/c	40,000
Trade Expenses	1,000	X's Loan (Cr.)	18,600
		Plant and Machinery	1,82,000

Prepare Trading and Profit & Loss Account for the year ended 31st March 2008 and Balance Sheet as at that date after taking into account the following adjustments :

- (i) Closing Stock was valued at ₹ 19,000.
- (ii) Depreciation to be provided on Land and Building @ 5% p.a. and on Plant & Machinery @ 10% p.a.
- (iii) Write off ₹ 2,000 as Bad debt.
- (iv) Insurance was prepaid ₹ 700.

(v) Create provision for doubtful debts @ 5% on debtors.

(vi) Wages include ₹ 4,800 for installation of a new machinery.

**Solution:**

Trading Account of Ritesh Traders				
Dr.				Cr.
Particulars		₹	Particulars	₹
Opening Stock		5,620	Sales	3,74,800
Purchases		1,54,200	Closing Stock	19,000
Wages	1,26,000			
Less: Wrong inclusion	4,800	1,21,200		
Carriage Inward		900		
Freight on Purchase		4,900		
Gross Profit ( <i>Balancing Figure</i> )		1,06,980		
		3,93,800		3,93,800
Profit and Loss Account				
Dr.				Cr.

Particulars		₹	Particulars	₹
Depreciation:			Gross Profit	1,06,980
Land & Building	50,000		Interest on Securities	6,400
Plant & Machinery	18,680	68,680	Discount Received	420
Insurance	2,800			
Less: Prepaid	700	2,100		
Old Bad Debts	–			
Add: New Bad Debts	2,000			
Add: New Provision	690			
Less: Old Provision	–	2,690		
Postage		500		
Trade Expenses		1,000		
Salaries		8,000		
Repairs to Machinery		1,400		
Discount Allowed		1,500		
Net Profit ( <i>Balancing Figure</i> )		27,930		

	1,13,800		1,13,800

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	13,47,600		Fixed Assets		
Add : Net Profit	27,930		Plant & Machinery	1,82,000	
Less: Drawings	5,600	13,69,930	Add: Wages	4,800	
			Less: Depreciation	18,680	1,68,120
			Land & Building	10,00,000	
			Less: Depreciation	50,000	9,50,000
Current Liabilities			Current Assets		
Creditors		40,000	Closing Stock		19,000
Bills Payable		4,000	Securities		6,00,000
X's Loan		18,600	Prepaid Insurance		700
Bank Overdraft		3,40,000	Bills Receivable		7,000

Loan	11,000	Debtors	15,800	
		Less: Bad debts	2,000	
		Less: Provision	690	13,110
		Cash in Hand		25,600
	17,83,530			17,83,530

**Working Note 1:** Depreciation Evaluation

Machinery Depreciation =  $1,86,800 \times 10/100 = ₹18,680$

Building Depreciation =  $10,00,000 \times 5/100 = ₹50,000$

**Working Notes 2:** Provision for doubtful debts Evaluation

Provision for Doubtful Debts = (Sundry Debtors – Further Bad Debts)  
X Rate/100

$(15,800 - 2,000) \times 5/100 = ₹ 690$

**Question 30**

Prepare Trading and Profit and Loss Account and Balance Sheet from the following Trial Balance and information as on 31st March, 2013.

Name of Account	Debit (₹)	Credit (₹)
Drawings and Capital	15,000	3,25,000
Plant and Machinery	2,00,000	–

Motor Vehicle	1,50,000	–
Return Inward and Outward	25,000	37,000
Stock on 1st April, 2012	82,000	–
Purchases and Sales	4,40,000	6,75,000
Carriage Inward	6,000	–
Trade Expenses	2,500	–
Bad Debts	4,250	–
Provision for Doubtful Debts	–	6,000
Commission	–	4,000
Rent, Rates & Taxes	12,000	–
Salaries and Wages	24,000	–
Debtors and Creditors	70,000	55,000
Fuel and Water	4,750	–
Cash in Hand	16,500	–
Cash at Bank	50,000	–

Total	11,02,000	11,02,000

Adjustments:-

- (i) Closing Stock was valued at ₹ 1,12,500.
- (ii) Commission include ₹ 1,200 being commission received in advance.
- (iii) Salaries and wages is outstanding for the month of Feb. & March, 2013.
- (iv) Depreciate Plant & Machinery by 15% and Motor Vehicle by 20%.
- (v) Write off ₹ 500 as further Bad Debts and maintain a provision for doubtful debts at 1% on debtors.

**Solution:**

Trading Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		82,000	Sales	6,75,000	
Purchases	4,40,000		Less: Return Inwards	25,000	6,50,000
Less: Return Outwards	37,000	4,03,000	Closing Stock		1,12,500
Carriage Inward		6,000			
Fuel and Water		4,750			
Gross Profit ( <i>Balancing</i> )		2,66,750			

Figure)					
		7,62,500			7,62,500
<b>Profit and Loss Account</b>					
<b>Dr.</b>					<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>		<b>₹</b>
Depreciation:			Gross Profit		2,66,750
Plant & Machinery	30,000		Commission	4,000	
Motor Vehicle	30,000	60,000	Less: Unearned	1,200	2,800
Salaries & Wages	24,000		Provision for Doubtful Debts		
Add: Outstanding	4,800	28,800	(Old & New Provision)		5,305
Bad Debts (Old)	4,250				
Add: Bad Debts	500	4,750			
Trade Expenses		2,500			
Rent, Rates, and Taxes		12,000			
Net Profit ( <i>Balancing Figure</i> )		1,66,805			



		2,74,855			2,74,855
<b>Balance Sheet</b>					
<b>Liabilities</b>		<b>₹</b>	<b>Assets</b>		<b>₹</b>
Capital	3,25,000		Fixed Assets		
<i>Add</i> : Net Profit	1,66,805		Plant & Machinery	2,00,000	
<i>Less</i> : Drawings	15,000	4,76,805	<i>Less</i> : Dep.	30,000	1,70,000
			Motor Vehicle	1,50,000	
			<i>Less</i> : Dep.	30,000	1,20,000
Current Liabilities			Current Assets		
Creditors		55,000	Closing Stock		1,12,500
Outstanding Salaries and Wages		4,800	Debtors	70,000	
Unearned Commission		1,200	<i>Less</i> : Bad Debts	500	
			<i>Less</i> : Provision for Bad Debts	695	68,805
			Cash in Hand		16,500

		Cash at Bank	50,000
	5,37,805		5,37,805

**Working Note 1:** Depreciation Evaluation

Machine Depreciation =  $2,00,000 \times 15/100 = ₹30,000$

**Working Notes 2 :** Provision for doubtful debts Evaluation

*Provision for doubtful debts* = (Sundry Debtors –Further Bad Debts)  
X Rate/100

$(70,000 - 500) \times 1/100 = ₹ 695$

**Working Notes 3 :** Wages and Salaries Evaluation

Paid 10 months Wages and Salaries = ₹ 24,000

Outstanding Salaries and Wages for 2 months =  $24,000 \times 2/100 = ₹ 4,800$

**Question 31**

The following balances were taken from the books of Shri R. Lal as at 31st March, 2017.

Particulars	(₹)	Particulars	(₹)
Capital	1,00,000	Rent (Cr.)	2,100
Drawing	17,600	Railway Freight on sales	16,940
Purchases	80,000	Carriage Inwards	2,310
Sales	1,40,370	Office Expenses	1,340
Purchase Returns	2,820	Printing & Stationery	660

Stock on 1.4.2016	11,460	Postage	820
Bad Debts	1,400	Sundry Debtors	62,070
Bad Debts Provision on 1.4.2016	3,240	Sundry Creditors	18,920
Rates & Insurance	1,300	Cash at Bank	12,400
Discount (Cr.)	190	Cash in Hand	2,210
Bills Receivable	1,240	Office Furniture	3,500
Sales Returns	4,240	Salaries & Commission	9,870
Wages	6,280	Addition to Building	7,000
Building	25,000		

Prepare Trading and Profit & Loss A/c and Balance Sheet as at 31st March, 2017, after keeping in view the following adjustments:

(i) Depreciate old Building at 2 1/2% and addition to Building at 2% and Office Furniture at 5%.

(ii) Write off further Bad-debts ₹ 570.

(iii) Increase the Bad-debts Provision to 6% of Debtors.

(iv) On 31st March, 2017 ₹ 570 are outstanding for salary.

(v) Rent receivable ₹ 200 on 31st March, 2017.

(vi) Interest on capital at 5% to be charged.

(vii) Unexpired Insurance ₹ 240.

(viii) Stock was valued at ₹ 14,290 on 31st March, 2017.

**Solution:**

Trading Account of Shri R. Lal					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		11,460	Sales	1,40,370	
Purchases	80,000		Less: Return Inwards	4,240	1,36,130
Less: Return Outwards	2,820	77,180	Closing Stock		14,290
Carriage Inwards		2,310			
Wages		6,280			
Gross Profit ( <i>Balancing Figure</i> )		53,190			
		1,50,420			1,50,420
Profit and Loss Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹

Depreciation: (WN1)			Gross Profit		53,190
Building	625		Rent	2,100	
Furniture	175		Add: Accrued	200	2,300
Additions to Building	140	940	Discount		190
Salary & Commission	9,870				
Add: Outstanding Salaries	570	10,440			
Bad Debts	1,400				
Add: Further Bad Debts	570				
Add: New Provision (WN2)	3,690				
Less: Old Provision	3,240	2,420			
Interest on Capital		5,000			
Rates & Insurance	1,300				
Less: Unexpired	240	1,060			
Railway Freight on Sales		16,940			
Office Expenses		1,340			

Printing & Stationery	660		
Postage & Telegram	820		
Net Profit ( <i>Balancing Figure</i> )	16,060		
	55,680		55,680

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	1,00,000		Fixed Assets		
Add: Interest on Capital	5,000		Building	25,000	
Add: Net Profit	16,060		Less: Depreciation	625	24,375
Less: Drawings	17,600	1,03,460	Additions to Building	7,000	
			Less: Depreciation	140	6,860
Current Liabilities			Office Furniture	3,500	
Sundry Creditors		18,920	Less: Depreciation	175	3,325
Outstanding Salaries		570			

		Current Assets	
		Closing Stock	14,290
		Bills Receivable	1,240
		Accrued Rent	200
		Unexpired Insurance	240
		Cash in Hand	2,210
		Sundry Debtors	62,070
		Less: Further Bad Debts	570
		Less: Provision for Discount on Debtors	3,690
			57,810
		Cash at Bank	12,400
	1,22,950		1,22,950

### **Working Notes1:** Depreciation Evaluation

Building Depreciation =  $25,000 \times 2.5/100 = ₹625$

Addition to building Depreciation =  $7,000 \times 2/100 = ₹140$

Office Furniture Depreciation =  $3,500 \times 5/100 = ₹175$

**Working Notes 2 : Provision for doubtful debts**

Provision for doubtful debts = (Sundry Debtors – Further bad debts)  
X Rate/100

$(62,070 - 570) \times 6/100 = ₹3,690$

**Question 32**

From the following balances extracted from the books of Karan and the additional information, prepare the trading and profit and loss account for the year ended 31st March, 2010 and also show the balance sheet as at that date:

	Debit ₹	Credit ₹
Stock on 1st April, 2009	625	–
Purchases and Sales	903	1,372
Returns	22	13
Capital Account	–	300
Drawings	45	–
Land and Buildings	300	–
Furniture and Fittings	80	–
Trade Debtors and Trade Creditors	250	450
Cash in hand	35	–
Investments	100	–



Interest	–	5
Commission	–	30
Direct Expenses	75	–
Postage, Stationery and Telephone	25	–
Fire Insurance Premium	20	–
Salaries	90	–
Bank Overdraft	–	400
	2,570	2,570

**Additional Information:**

(i) Closing stock on 31st March, 2010 is valued at ₹ 6,50,000. Goods worth ₹ 5,000 are reported to have been taken away by the proprietor for his personal use at home during the year.

(ii) Interest on investments ₹ 5,000 is yet to be received while ₹ 10,000 of the commission received is yet to be earned.

(iii) ₹ 5,000 of the fire insurance premium paid is in respect of the quarter ending 30th June, 2010.

(iv) Salaries ₹ 10,000 for March, 2010 and bank overdraft interest estimated at ₹ 20,000 are yet to be recorded as outstanding charges.

(v) Depreciation is to be provided on land and buildings @ 5% per annum and on furniture and fittings @ 10% per annum.

(vi) Make a provision for doubtful debts @ 5% of trade debtors.

**Solution:**

Trading Account of Karan					
Dr.					Cr.
Particulars		₹	Particulars		₹
Opening Stock		6,25,000	Sales	13,72,000	
Purchases	9,03,000		Less: Return Inwards	22,000	13,50,000
Less: Return Outwards	13,000		Closing Stock		6,50,000
Less: Goods taken for personal use	5,000	8,85,000			
Direct Expenses		75,000			
Gross Profit ( <i>Balancing Figure</i> )		4,15,000			
		20,00,000			20,00,000
Profit and Loss Account					
Dr.					Cr.
Particulars		₹	Particulars		₹

Depreciation: (WN1)			Gross Profit		4,15,000
Building	15,000		Interest on Invest.	5,000	
Furniture	8,000	23,000	Add: Accrued	5,000	10,000
Fire Insurance Premium	20,000		Commission	30,000	
Less: Prepaid	5,000	15,000	Less: Unearned	10,000	20,000
Provision for Doubtful Debts (WN2)		12,500			
Outstanding Interest on Bank Overdraft		20,000			
Salaries	90,000				
Add: Outstanding	10,000	1,00,000			
Postage, Stationery & Telephone		25,000			
Net Profit (Balancing Figure)		2,49,500			
		4,45,000			4,45,000
Balance Sheet					

Liabilities		₹	Assets		₹
Capital	3,00,000		Fixed Assets		
Add: Net Profit	2,49,500		Land & Building	3,00,000	
Less: Drawings (45,000 + 5,000)	50,000	4,99,500	Less: Depreciation	15,000	2,85,000
			Furniture	80,000	
Current Liabilities			Less: Depreciation	8,000	72,000
Trade Creditors		4,50,000	Investment		1,00,000
Salaries Outstanding		10,000			
Outstanding Interest on overdraft bank		20,000	Current Assets		
Bank Overdraft		4,00,000	Closing Stock		6,50,000
Unearned Commission		10,000	Accrued Interest		5,000
			Prepaid Insurance		5,000
			Cash in Hand		35,000
			Trade Debtors	2,50,000	

		Less: Provision for Discount on Debtors	12,500	2,37,500
	13,89,500			13,89,500

### Working Notes 1: Depreciation Evaluation

Building Depreciation =  $3,00,000 \times 5\% = ₹ 15,000$

Furniture Depreciation =  $80,000 \times 10\% = ₹ 8,000$

### Working Notes 2: Provision for Doubtful Debts Evaluation

Provision for doubtful Debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts}) \times \text{Rate}/100$

=  $(2,50,000 - 0) \times 5/100 = ₹ 12,500$

### Question 33

The following is the trial balance of Mr. Amar Chand as at 31st March, 2016:-

	Dr. (₹)	Cr. (₹)
Stock on 1st April, 2015	62,000	–
Purchases and Sales	3,15,000	4,48,000
Returns	3,700	2,500
Sundry Debtors and Creditors	80,000	43,000

Bills Receivable and Payable	12,100	4,300
Drawings and Capital	30,000	2,00,000
Cash in Hand	24,800	–
Balance with Bank of Tokyo	32,800	–
Discount	2,600	3,800
Carriage on Purchases	7,500	–
Carriage on Sales	1,200	–
Bad-Debts	2,400	–
Bad-Debts Provision	–	3,000
Furniture on 1st April, 2015	10,000	–
New Furniture purchased on 1st January, 2016	6,000	–
Rent	10,000	–
Salaries	25,000	–
Commission	–	2,400
Repairs	2,300	–
Insurance (Annual Premium paid on 1st Jan., 2016)	3,600	–

Salaries Outstanding	-	5,000
Sales Van	75,000	
Sales Van Expenses	6,000	
	7,12,000	7,12,000

Taking into account the following adjustments, prepare Trading and Profit & Loss Account and the Balance Sheet as at 31st March, 2016:-

1. Stock on 31st March, 2016 was valued at ₹ 46,000.
2. Depreciate Furniture at 15% p.a. and Sales Van at 20% p.a.
3. A sum of ₹ 200 is due for repairs.
4. Write off ₹ 2,000 as further bad-debts and create a provision for doubtful debts @ 5% on Debtors. Also provide 2% for discount on Debtors.
5. Rent is paid at the rate of ₹ 1,000 per month.
6. Allow 8% interest on Capital and charge ₹ 1,500 as interest on Drawings.

**Solution:**

Trading Account of Mr. Amar Chand					
Dr.		Cr.			
Particulars	₹	Particulars	₹		
Opening Stock	62,000	Sales	4,48,000		
Purchases	3,15,000	Less: Return	3,700	4,44,300	

			Inwards		
Less: Return Outwards	2,500	3,12,500	Closing Stock		46,000
Carriage on Purchases		7,500			
Gross Profit ( <i>Balancing Figure</i> )		1,08,300			
		4,90,300			4,90,300

### Profit and Loss Account

Dr.				Cr.	
Particulars		₹		Particulars	₹
Depreciation: (WN1)				Gross Profit	1,08,300
Furniture	1,725			Received Commission	2,400
Sales Van	15,000	16,725		Drawing Interest	1,500
Repairs	2,300			Discount Received	3,800
Add: Outstanding	200	2,500			
Bad Debts (Old)	2,400				



Add: Further Bad Debts	2,000			
Add: New Provision (WN2)	3,900			
Less: Old Provision	3,000	5,300		
Discount Allowed		2,600		
Provision for Discount on Debtors (WN3)		1,482		
Rent	10,000			
Add: Outstanding (WN4)	2,000	12,000		
Insurance	3,600			
Less: Prepaid (WN5)	2,700	900		
Interest on Capital		16,000		
Carriage on Sales		1,200		
Salaries		25,000		
Sales Van Expenses		6,000		
Net Profit ( <i>Balancing Figure</i> )		26,293		
		1,16,000		1,16,000

Balance Sheet					
Liabilities		₹	Assets		₹
Capital	2,00,000		Fixed Assets		
Add: Interest on Capital	16,000		Furniture	10,000	
Add: Net Profit	26,293		Add: Additions	6,000	
Less: Drawings	30,000		Less: Depreciation	1,725	14,275
Less: Interest on Drawings	1,500	2,10,793	Sales Van	75,000	
			Less: Depreciation	15,000	60,000
Current Liabilities			Current Assets		
Sundry Creditors		43,000	Closing Stock		46,000
Outstanding Salaries		5,000	Bills Receivable		12,100
Outstanding Repairs		200	Bank of Tokyo		32,800
Outstanding Rent		2,000	Prepaid Insurance		2,700

Bills Payable	4,300	Cash in Hand	24,800
		Sundry Debtors	80,000
		Less: Bad debts	2,000
		Less: Provision for Doubtful Debts	3,900
		Less: Provision for Discount on Debtors	1,482
			72,618
	2,65,293		2,65,293

#### **Working Notes 1:** Depreciation Evaluation

Furniture Depreciation =  $10,000 \times 15/100 + 6,000 \times 15/100 \times 3/100 = ₹1,752$

Salesman Depreciation =  $75,000 \times 20/100 = ₹15,000$

#### **Working Note 2:** Provision for Bad Debts Evaluation

Provision of bad debts = (Sundry DEbtors – Further Bad DEbts)  
X Rate/100

$(80,000 - 2,000) \times 5/100 = ₹3,900$

#### **Working Note 3:** Provision for Discount on Debtors Evaluation

Provision for discount on debtors = (Sundry Debtors – Further Bad Debts  
– Provision for bad debts) X Rate/100

$(80,000 - 2,000 - 3,900) \times 2/100 = ₹ 1,482$

#### **Working Note 4:** Outstanding Rent Evaluation

Per month rent = ₹ 1,000

Per Year Rent =  $1,000 \times 12 = ₹ 12,000$

Rent Already Paid = ₹ 10,000

Thus, Outstanding Rent = ₹ 2,000 (12,000- 10,000)

**Working Note 5:** Prepaid Insurance Evaluation

Prepaid Insurance for nine months =  $3,600 \times 9/12 = ₹ 2,700$

**Question 34**

From the following balances extracted from the books of Sharma, prepare the Trading and Profit & Loss Account for the year ended 31st March 2011 and Balance Sheet as at that date after taking into consideration the adjustments given below:

Particulars	Dr. ₹	Cr. ₹
Drawing and Capital	7,500	50,000
Purchases and Sales	72,100	95,000
Returns	1,300	2,700
Sundry Debtors and Creditors	18,200	35,750
Stock (1.04.2010)	19,800	–
Bad Debts	3,000	–
Bill Receivable and Payable	12,000	23,000
Cash in Hand	300	–
Office Expenses	6,210	–

Sales Van	15,000	–
SalesVan Expenses	1,400	–
Discount	–	2,910
Rent and Taxes	10,700	–
Telephone Charges	1,050	–
Postage	950	–
Furniture	5,000	–
Printing and Stationery	2,750	–
Commission	8,400	–
Carriage Inwards	3,200	–
Salaries and Wages	20,500	
	2,09,360	2,09,360

Adjustments:

(i) Closing Stock was valued at ₹ 61,700.

(ii) Depreciate Furniture and Machinery @10% p.a. and Sale Van @20% p.a.

(iii) Outstanding Rent amounted to ₹ 900.

(iv) Bad Debts ₹ 200.

(v) Make a provision for Doubtful Debts @5% on Debtors.

(vi) Charge one-fourth of salaries and wages to the Trading Account.

(vii) A new machinery was purchased on credit and installed on 31st December 2010 costing ₹ 15,000. No entry for the same has yet been passed in the books.

**Solution:**

Trading Account of Sharma					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		19,800	Sales	95,000	
Purchases	72,100		Less: Return Inwards	1,300	93,700
Less: Return Outwards	2,700	69,400	Closing Stock		61,700
Salaries & Wages (1/4th)		5,125			
Carriage Inwards		3,200			
Gross Profit ( <i>Balancing Figure</i> )		57,875			
		1,55,400			1,55,400

Profit and Loss Account				
Dr.				Cr.
Particulars		₹	Particulars	₹
Depreciation: (WN1)			Gross Profit	57,875
Machinery	375		Received Discount	2,910
Furniture	500			
Sales Van	3,000	3,875		
Bad Debts	3,000			
Add: Further Bad Debts	200			
Add: New Provision (WN2)	900	4,100		
Office Expenses		6,210		
Telephone Charges		1,050		
Rent and Taxes	10,700			
Add: Outstanding	900	11,600		
Postage & Telegram		950		
Printing & Stationery		2,750		

Salaries & Wages (3/4th)	15,375		
Commission	8,400		
Sales Van Expenses	1,400		
Net Profit ( <i>Balancing Figure</i> )	5,075		
	60,785		60,785

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	50,000		Fixed Assets		
Add: Net Profit	5,075		Furniture	5,000	
Less: Drawings	7,500	47,575	Less: Depreciation	500	4,500
			Machinery	15,000	
Current Liabilities			Less: Depreciation	375	14,625
Creditors for Machinery	15,000		Sales Van	15,000	
Sundry Creditors	35,750		Less: Depreciation	3,000	12,000
Outstanding Rent	900				



Bills Payable	23,000	Current Assets	
		Closing Stock	61,700
		Bills Receivable	12,000
		Cash in Hand	300
		Sundry Debtors	18,200
		Less: Further Bad Debts	200
		Less: Provision for Doubtful Debts	900
			17,100
	1,22,225		1,22,225

### Working Notes 1: Depreciation Evaluation

Furniture Depreciation =  $5,000 \times 10/100 = ₹ 500$

Sales Van Depreciation =  $15,000 \times 20/100 = ₹ 3,000$

Machinery Depreciation =  $15,000 \times 10/100 \times 3/12 = ₹ 375$

### Working Notes 2: Provision for doubtful Debts Evaluation

Provision for doubtful Debts =  $(\text{Sundry Debtors} - \text{Further Bad Debts}) \times \text{Rate}/100$

$(18,200 - 200) \times 5/100 = ₹ 900$

### Question 35

Prepare a trading and profit & loss account of M/s Green Club Ltd. for the year and a Balance Sheet as at that date from the following figures taken from their trial balance:

Debit Balances	(₹)	Credit Balances	(₹)
Opening Stock	1,25,000	Sales	2,50,000
Purchases	35,000	Purchase Return	6,000
Return inward	25,000	Creditors	55,000
Postage	600	Capital	50,000
Salary	12,300	Discount received	1,000
Wages	3,000	Provision for bad debts	4,500
Rent and rates	1,000	Commission received	5,400
Packing and transport	500		
General expenses	400		
Insurance	4,000		
Debtors	50,000		
Cash in hand	20,000		
Closing Stock	40,000		
Machinery	20,000		

Lighting	5,000		
Discount	3,500		
Bad debts	3,500		
Investments	23,100		
	3,71,900		3,71,900

Adjustments:-

(i) Depreciation charged on Machinery @ 5% p.a.

(ii) Further Bad-debts ₹ 1,500, provision for discount on debtors @ 5% and provision for Doubtful Debts on debtors @ 6%.

(iii) Wages prepaid ₹ 1,000.

(iv) Interest on investments @ 5% p.a.

**Solution:**

Trading Account of M/s Green Club Ltd.					
Dr.		Cr.			
Particulars	₹	Particulars	₹		
Opening Stock	1,25,000	Sales	2,50,000		
Purchases	35,000	Less: Return Inwards	25,000	2,25,000	
Less: Return Outwards	6,000				-

Wages	3,000			
Less: Prepaid	1,000	2,000		
Gross Profit ( <i>Balancing Figure</i> )		69,000		
		2,25,000		2,25,000

### Profit and Loss Account

Dr.		Cr.		
Particulars	₹	Particulars	₹	
Depreciation on Machinery (WN1)	1,000	Gross Profit	69,000	
Discount Allowed	3,500	Commission Received	5,400	
Provision for Discount on Debtors (WN3)	2,280	Discount Received	1,000	
Old Bad Debts	3,500	Accrued Interest on Investment (WN4)	1,155	
Add: Further Bad Debts	1,500			
Add: New Provision (WN2)	2,910			

Less: Old Provision	4,500	3,410		
Salaries		12,300		
Lighting		5,000		
Postage and Telegram		600		
Rent and Rates		1,000		
Packing and Transport		500		
General Expenses		400		
Insurance		4,000		
Net Profit ( <i>Balancing Figure</i> )		42,565		
		76,555		76,555

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	50,000		Fixed Assets		
Add: Net Profit	42,565		Machinery	20,000	
Less: Drawings	–	92,565	Less: Depreciation	1,000	19,000

		Investments	23,100	
Current Liabilities				
Creditors	55,000	Current Assets		
		Closing Stock	40,000	
		Prepaid Wages	1,000	
		Accrued Interest on Investment	1,155	
		Debtors	50,000	
		Less: Further Bad Debts	1,500	
		Less: New Provision for Bad Debts	2,910	
		Less: Provision for Discount on Debtors	2,280	43,310
		Cash in Hand	20,000	
	1,47,565			1,47,565

**Working Notes 1:** Depreciation Evaluation

Machinery Depreciation =  $20,000 \times 5/100 = ₹1,000$

**Working Notes 2:** Provision for Doubtful Debts

Provision for doubtful Debts = (Sundry Debtors – Further bad Debts)  
X Rate/100

$$(50,000 - 1,500) \times 6/100 = ₹ 2,910$$

**Working Notes 3:** Provision for Discount on Debtors

Provision for discount on Debtors = (Sunder Debtors – Further Bad Debts  
– Provision for bad debts) X Rate/100

$$(50,000 - 1,500 - 2,910) \times 5/100 = ₹ 2,280$$

**Working Notes 4:** Interest Investment Evaluation

$$\text{Interest Accrued} = 23,100 \times 5/100 = ₹1,155$$

**Question 36**

Below is given the Trial Balance of Mr. Ram as at 31st December, 2015.  
You are required to prepare Trading and Profit & Loss Account and Balance Sheet as at that date.

Dr. Balances	(₹)	Cr. Balances	(₹)
Opening Stock	42,000	Sales	4,10,000
Purchases	2,00,000	Sundry Creditors	20,000
Plant	60,000	Purchases Return	8,000
Salary	33,000	Commission	7,500
Wages	44,000	Bank	24,000
Discount	2,000	Capital	1,50,000
Rent	27,500	Interest on Investments	700

Furniture (Including Furniture of ₹ 5,000 purchased on 1st July, 2015)	20,000	Special Rebate	800
Carriage in	5,800		
Carriage out	3,200		
Sundry Debtors	1,00,000		
Office Expenses	6,600		
Cash in hand	5,400		
Investments at 14% p.a.	10,000		
Insurance (Paid to 30th April, 2016)	1,500		
Stock on 31st December, 2015	60,000		
	6,21,000		6,21,000

Adjustments:-

1. Create a provision for Doubtful Debts @ 5% on Debtors and 2% for discount on Debtors.
2. Provide up-to-date interest on Investments.
3. Expenses for rent, wages, salaries and office expenses are uniform throughout the year and those for December, 2015 have not been paid.
4. Depreciate Plant by 10% p.a. and Furniture by 20% p.a.



5. Unearned Commission ₹ 1,500.

**Solution:**

Trading Account of Mr. Ram				
Dr.		Cr.		
Particulars		₹	Particulars	₹
Opening Stock		42,000	Sales	4,10,000
Purchases	2,00,000			
Less: Purchases Return	8,000	1,92,000		
Carriage Inwards		5,800		
Wages	44,000			
Add: Outstanding (WN6)	4,000	48,000		
Gross Profit ( <i>Balancing Figure</i> )		1,22,200		
		4,10,000		4,10,000
Profit and Loss Account				
Dr.		Cr.		
Particulars		₹	Particulars	₹

Depreciation: (WN1)			Gross Profit		1,22,200
Plant	6,000		Commission	7,500	
Furniture	3,500	9,500	Less: Unearned	1,500	6,000
Rent	27,500		Interest on Investment	700	
Add: Outstanding (WN6)	2,500	30,000	Add: Accrued (WN4)	700	1,400
Provision for Doubtful Debts (WN2)		5,000	Special Rebate		800
Provision for Discount on Debtors (WN3)		1,900			
Carriage Outwards		3,200			
Insurance	1,500				
Less: Prepaid (WN5)	500	1,000			
Salaries	33,000				
Add: Outstanding (WN6)	3,000	36,000			
Office Expenses	6,600				
Add: Outstanding	600	7,200			

(WN6)			
Discount	2,000		
Net Profit ( <i>Balancing Figure</i> )	34,600		
	1,30,400		1,30,400

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	1,50,000		Fixed Assets		
Add: Net Profit	34,600	1,84,600	Plant	60,000	
			Less: Depreciation	6,000	54,000
Current Liabilities			Furniture	20,000	
Sundry Creditors	20,000		Less: Depreciation	3,500	16,500
Outstanding Wages	4,000		14% Investments		10,000
Outstanding Rent	2,500				
Outstanding Salaries	3,000		Current Assets		

Outstanding Office Expenses	600	Closing Stock	60,000
Unearned Commission	1,500	Accrued Interest on Investments	700
Bank Overdraft	24,000	Prepaid Insurance	500
		Cash in Hand	5,400
		Sundry Debtors	1,00,000
		Less: Provision for Doubtful Debts	5,000
		Less: Provision for Discount on Debtors	1,900
			93,100
	2,40,200		2,40,200

### Working Notes 1: Depreciation Evaluation

Plant Depreciation =  $60,000 \times 10/100 = ₹6,000$

Furniture Depreciation =  $15,000 \times 20/100 + 5/100 + 5,000$   
 $\times 20/100 \times 6/12 = ₹3,500$

### Working Notes 2: Provision for Doubtful Debts

Provision for doubtful Debts = (Sundry Debtors – Further bad Debts)  
 $\times \text{Rate}/100$

$(1,00,000 - 0) \times 5/100 = ₹5,000$

### Working Notes 3: Provision for Discount on Debtors

Provision for Discounted Debtors = (Sundry Debtors – Further Bad Debts – Provision for Bad Debts) X Rate/100

$(1,00,000 - 0 - 5,000) \times \text{Rate}/100 = ₹1,900$

**Working Note 4: Accrued Interest on Investments Evaluation**

Interest on Investments =  $14,000 \times 10/100 = ₹ 1,400$

Interest Already Received = ₹ 700

Therefore, Accrued Interest on Investments = ₹ 700

**Working Notes 5: Insurance prepaid Evaluation**

Prepaid Insurance =  $1,500 \times 4/100 = ₹ 500$

Prepaid Insurance =  $1,500 \times 4/12 = ₹ 500$

**Working Notes 6: Outstanding Expenses Evaluation**

Rent, Wages, Salaries, and Office Expenses have been paid for 11 months.

Outstanding Expenses will be:

Rent Outstanding =  $27,500 \times 1/11 = ₹2,500$

Wages Outstanding =  $44,000 \times 1/11 = ₹ 4,000$

Salary Outstanding =  $33,000 \times 1/11 = ₹ 3,000$

Office Expenses Outstanding =  $6,600 \times 1/11 = ₹ 600$

**Question 37**

On 31st March, 2017 the following Trial Balance of Sh. Ajay Oswal was taken out. Prepare Trading and Profit & Loss Account for the year and Balance Sheet at that date after making the following adjustments:-

(i) Stock on 31st March, 2017 was valued ₹ 26,000.

(ii) General Manager is entitled to a Commission of 5% on Net Profits after charging such Commission.

(iii) ₹ 2,000 paid for Salary & Wages have been included in Sundry Debtors.

(iv) Increase Bad-debts by ₹ 800 and create provision for Doubtful Debts at 10%.

(v) General Expenses include insurance premium paid up to 30th June, 2017 @ ₹ 3,000 per annum.

(vi) ₹ 600 out of the Advertisement Expenses are to be carried forward to the next year.

(vii) Charge one-fourth of 'Salaries and Wages' to Trading A/c.

(viii) Accrued Income ₹ 2,500.

	Dr. (₹)	Cr. (₹)
Capital		3,00,000
Income Tax	8,000	–
Stock on 1-4-2016	16,000	–
Return Inwards	5,600	–
Carriage Inwards	8,200	–
Deposit with PNB	15,000	–
Return Outwards	–	4,100
Carriage Outwards	3,700	–
Loan to Mr. Malik @ 18% p.a. given on 1-7-2016	10,000	–
Interest on the above	–	900
Rent	13,000	–

Outstanding Rent	–	1,000
Purchases	1,48,000	–
Debtors	75,800	–
Goodwill	25,000	–
Land and Buildings	2,00,000	–
Furniture	15,000	–
Salaries & Wages	38,000	–
Creditors	–	26,200
Advertisement Expenses	3,000	–
Provision for Doubtful Debts	–	3,500
Bad-Debts	2,000	
Patents and Patterns	6,000	
Cash in hand	8,900	
Sales	–	2,70,000
General Expenses	4,500	–

	6,05,700	6,05,700

**Solution:**

Trading Account of Sh. Ajay Oswal					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		16,000	Sales	2,70,000	
Purchases	1,48,000		Less: Return Inwards	5,600	2,64,400
Less: Return Outwards	4,100	1,43,900	Closing Stock		26,000
Salaries & Wages (1/4th of 40,000)		10,000			
Carriage Inwards		8,200			
Gross Profit ( <i>Balancing Figure</i> )		1,12,300			
		2,90,400			2,90,400
Profit and Loss Account					
Dr.			Cr.		



Particulars		₹	Particulars		₹
Salaries & Wages	38,000		Gross Profit		1,12,300
Add: Omitted	2,000		Accrued Income		2,500
Less: T/f to Trading	10,000	30,000	Interest	900	
Bad Debts	2,000		Add: Accrued (WN2)	450	1,350
Add: Further Bad Debts	800				
Add: New Provision (WN1)	7,300				
Less: Old Provision	3,500	6,600			
Carriage Outwards		3,700			
Advertisement	3,000				
Less: Prepaid	600	2,400			
General Expenses	4,500				
Less: Prepaid Insurance (WN3)	750	3,750			
Rent		13,000			

Outstanding Manager's Commission (WN4)	2,700		
Net Profit ( <i>Balancing Figure</i> )	54,000		
	1,16,150		1,16,150

### Balance Sheet

*as on March 31, 2017*

Liabilities		Amount (Rs)	Assets	Amount (Rs)
Capital	3,00,000		Fixed Assets	
Add: Net Profit	54,000		Goodwill	25,000
Less: Drawings (Income Tax)	8,000	3,46,000	Land & Building	2,00,000
			Furniture	15,000
Current Liabilities			Patents & Patterns	6,000
Creditors		26,200	Loan to Mr. Malik	10,000
Outstanding Manager's Commission		2,700		
Outstanding Rent		1,000	Current Assets	

		Closing Stock	26,000	
		Prepaid Insurance	750	
		Prepaid Advertisement	600	
		Accrued Income	2,500	
		Accrued Interest	450	
		Deposit with PNB	15,000	
		Debtors	75,800	
		Less: Wrongly Included	2,000	
		Less: Bad Debts	800	
		Less: Provision for Bad Debts	7,300	65,700
		Cash in Hand	8,900	
	3,75,900			3,75,900

**Working Notes 1:** Provision for Doubtful Debts Evaluation

Provision for Doubtful Debts = (Sundry Debtors–Further Bad Debts)  
X Rate/100

$$(73,800 - 800) \times 10/100 = ₹7,300$$

**Working Notes 2 :** Evaluation of Accrued loan Interest to Malik

$$\text{Interest} = 10,000 \times 18/100 \times 9/12 = ₹1,350$$

$$\text{Received Interest} = ₹ 900$$

$$\text{Therefore, Accrued Interest} = ₹ 450$$

**Working Notes 3:** Prepaid Insurance Evaluation

$$\text{Per year Insurance Premium} = ₹ 3,000$$

$$\text{Insurance Premium for 1st April 2012 to 30th June 2012} = 3,000 \times 3/12 = ₹750$$

**Working Notes 4:** Manager's Commission Evaluation

$$\text{Profit before Manager's Commission} = ₹ 56,700 (1,16,150 - 59,450)$$

$$\text{Therefore, Manager's Commission} = ₹ 56,700 \times 5/100 = ₹2,700$$

**Question 38**

Prepare Trading and Profit & Loss Account and Balance Sheet as at 31st March, 2017, from the following balances.

Particulars	(₹)	Particulars	(₹)
Capital A/c	5,00,000	Stock on 1.4.2016	67,000
Drawings A/c	36,000	Salaries & Wages	24,000
Bills Receivable	5,800	Outstanding Salaries and Wages	2,000
Plant & Machinery	3,80,000	Insurance (including premium of ₹ 1,000 per annum paid upto 30-9-2017)	2,600
Sundry Debtors	58,000	Cash	46,600

Loan A/c (Cr.) at 12% p.a.	20,000	Bank Overdraft	15,000
Manufacturing Wages	40,000	Repairs & Renewals	1,600
Returns Inwards	3,000	Interest & Discount (Dr.)	4,400
Purchases	1,20,000	Bad-Debts	4,000
Sales	2,60,000	Sundry Creditors	30,000
Rent	28,000	Fixtures & fittings	12,000
Commission Received	6,000		

Adjustments:-

1. Stock on hand on 31st March, 2017 was ₹ 80,000.
2. Further Bad-debts written off ₹ 2,000 and Create a provision of 5% of Sundry Debtors.
3. Rent has been paid up to 31st May, 2017.
4. Manufacturing wages include ₹ 10,000 of a new Machinery purchased on 1st October, 2016.
5. Depreciate Plant and Machinery by 10% p.a. and Fixtures and Fittings by 20% p.a.
6. Commission earned but not received ₹ 1,000.
7. Interest on Loan for the last two months is not paid.
8. Goods worth ₹ 4,000 were distributed as free samples.

**Solution:**

Trading Account					
Dr.					Cr.
Particulars		₹	Particulars		₹
Opening Stock		67,000	Sales	2,60,000	
Purchases	1,20,000		Less: Return Inwards	3,000	2,57,000
Less: Advertisement	4,000	1,16,000	Closing Stock		80,000
Manufacturing Wages	40,000				
Less: New Machinery	10,000	30,000			
Gross Profit ( <i>Balancing Figure</i> )		1,24,000			
		3,37,000			3,37,000
Profit and Loss Account					
Dr.					Cr.
Particulars		₹	Particulars		₹

Depreciation: (WN1)			Gross Profit		1,24,000
Plant & Machinery	38,500		Commission Received	6,000	
Fixture & Fittings	2,400	40,900	Add: Accrued	1,000	7,000
Rent	28,000				
Less: Prepaid (WN2)	4,000	24,000			
Bad Debts	4,000				
Add: Further Bad Debts	2,000				
Add: New Provision (WN3)	2,800	8,800			
Outstanding Interest on Loan (WN4)		400			
Insurance	2,600				
Less: Prepaid (WN5)	500	2,100			
Advertisement		4,000			
Salaries & Wages		24,000			
Repairs & Renewals		1,600			
Interest & Discount		4,400			

Net Profit ( <i>Balancing Figure</i> )	20,800		
	1,31,000		1,31,000

### Balance Sheet

Liabilities		₹	Assets		₹
Capital	5,00,000		Fixed Assets		
<i>Add:</i> Net Profit	20,800		Plant & Machinery	3,80,000	
<i>Less:</i> Drawings	36,000	4,84,800	<i>Add:</i> New Machinery	10,000	
12% Loan		20,000	<i>Less:</i> Depreciation	38,500	3,51,500
			Fixture & Fittings	12,000	
Current Liabilities			<i>Less:</i> Depreciation	2,400	9,600
Sundry Creditors		30,000			
Outstanding Salaries & Wages		2,000	Current Assets		



Outstanding Interest on Loan	400	Closing Stock	80,000
Bank Overdraft	15,000	Accrued Commission	1,000
		Prepaid Insurance	500
		Prepaid Rent	4,000
		Cash in Hand	46,600
		Sundry Debtors	58,000
		Less: Further Bad Debts	2,000
		Less: Provision for Doubtful Debts	2,800
			53,200
		Bills Receivable	5,800
	5,52,200		5,52,200

### Working Notes 1: Depreciation Evaluation

Plant and Machinery Depreciation = ₹3,80,000 X 10/100 + 10,000  
X 10/100 X 6/12 = ₹38,500

Fixtures and Fittings Depreciation = ₹12,000 X 20/100 = ₹2,400

### Working Notes 2: Prepaid Rent Evaluation

14 months rent paid = ₹ 28,000

Rent prepaid = ₹ 28,000 X 2/14 = ₹4,000

**Working Notes 3:** Provision for Doubtful Debts Evaluation

Provision for doubtful debts = (Sundry Debtors – Further Bad Debts)  
X Rate/100

$$(58,000 - 2,000) \times 5/100 = ₹2,800$$

**Working Notes 4:** Loan interest Evaluation

$$\text{Outstanding Interest loan} = 20,000 \times 12/100 \times 2/12 = ₹400$$

**Working Notes 5:** Prepaid Insurance Evaluation

$$\text{Prepaid Insurance} = 1,000 \times 6/12 = ₹500$$

**Question 39**

From the following Trial Balance extracted from the books of Mr. Karuna Sagar, prepare a Trading and Profit & Loss A/c for the year ended 31st March, 2014 and a Balance Sheet as at that date:

Dr. Balances	(₹)	Cr. Balances	(₹)
Purchases	3,30,000	Sales	5,30,000
Rent Paid	7,480	Returns	8,000
Wages	33,000	Trade Creditors	37,000
Salaries	30,800	Discount	3,000
Power	5,400	Capital	2,00,000
Stock on 1-4-2013	15,000	Miscellaneous Income	3,060
Stock on 31-3-2014	36,000		
Charity	500		

Debtors	53,000		
Furniture	8,000		
Motor Car	2,00,000		
Motor Car Expenses	18,000		
Insurance	3,600		
Unexpired Insurance	600		
Drawings	5,000		
Cash Balance	34,680		
	7,81,060		7,81,060

Informations:-

(i) Goods Costing ₹ 2,000 were taken away by the proprietor for his personal use and goods costing ₹ 1,500 were given away as charity.

(ii) Expenses for wages, rent and salaries are uniform throughout the year and those for March have not been paid.

(iii) Provide 10% depreciation on Furniture and 20% on Motor Car.

(iv) Provide for Manager's Commission at 10% on Net Profit after charging such Commission.

**Solution:**

<b>Trading Account of Mr. Karuna</b>
--------------------------------------

<b>Dr.</b>				<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>	<b>₹</b>
Opening Stock		15,000	Sales	5,30,000
Purchases	3,30,000			
Less: Drawings	2,000			
Less: Charity	1,500			
Less: Return Outwards	8,000	3,18,500		
Wages	33,000			
Add: Outstanding (WN2)	3,000	36,000		
Power		5,400		
Gross Profit ( <i>Balancing Figure</i> )		1,55,100		
		5,30,000		5,30,000

### Profit and Loss Account

<b>Dr.</b>				<b>Cr.</b>
<b>Particulars</b>		<b>₹</b>	<b>Particulars</b>	<b>₹</b>

Depreciation: (WN1)			Gross Profit	1,55,100
Furniture	800		Discount	3,000
Motor Car	40,000	40,800	Miscellaneous Income	3,060
Rent	7,480			
Add: Outstanding (WN2)	680	8,160		
Salaries	30,800			
Add: Outstanding (WN2)	2,800	33,600		
Charity (1,500 + 500)		2,000		
Motor Car Expenses		18,000		
Insurance		3,600		
Outstanding Manager's Commission (WN3)		5,000		
Net Profit ( <i>Balancing Figure</i> )		50,000		
		1,61,160		1,61,160
<b>Balance Sheet</b>				

Liabilities		₹	Assets		₹
Capital	2,00,000		Fixed Assets		
Add: Net Profit	50,000		Furniture	8,000	
Less: Drawings (5,000 + 2,000)	7,000	2,43,000	Less: Depreciation	800	7,200
			Motor Car	2,00,000	
Current Liabilities			Less: Depreciation	40,000	1,60,000
Trade Creditors		37,000			
Outstanding Manager's Commission		5,000	Current Assets		
Outstanding Salaries		2,800	Closing Stock		36,000
Outstanding Rent		680	Debtors		53,000
Outstanding Wages		3,000	Unexpired Insurance		600
			Cash in Hand		34,680
		2,91,480			2,91,480

**Working Notes 1:** Depreciation Evaluation

Furniture Depreciation =  $8,000 \times 10/100 = ₹ 800$

Motor Car Depreciation =  $2,00,000 \times 20/100 = ₹40,000$

**Working Notes 2:** Outstanding expenses

Rent Outstanding =  $7,480 \times 1/11 = ₹ 680$

Wages Outstanding =  $33,000 \times 1/11 = ₹ 3,000$

Salaries Outstanding =  $30,800 \times 1/11 = ₹ 2,800$

**Working Notes 3:** Manager's Commission Evaluation

Profit before Manager's Commission = ₹ 55,000 ( $1,61,160 - 1,06,160$ )

Manager's Commission =  $55,000 \times 10/110 = ₹5,000$

#### Question 40

From the following Trial Balance of Sh. Parveen Kumar, prepare Trading and Profit & Loss Account for the year ending 31st March, 2014 and a Balance Sheet as at that date:

Dr. Balances	(₹)	Cr. Balances	(₹)
Stock at Commencement	40,000	Sales	5,10,000
Purchases	3,20,000	Loan from Mr. Naresh @ 15% p.a.	40,000
Returns Inward	7,000	Returns Outwards	8,000
Sundry Debtors	80,000	Bank	24,200
Cash	9,400	Provision for Doubtful Debts	2,500
Manufacturing Expenses	44,000	Discount	1,800
Trade Expenses	7,200	Rent to Premises sublet, for the	4,000

		year to 30th Sep., 2014	
Carriage	3,500	Capital	1,20,000
Salaries and Wages	15,800	Sundry Creditors	47,000
Postage	1,500		
Stationery	800		
Freight Inwards	4,300		
Land and Building	2,00,000		
Patents	8,000		
Furniture	10,000		
Insurance Premium	6,000		
	7,57,500		7,57,500

Informations:-

(1) Closing Stock was valued at ₹ 60,000. You are informed that goods valued ₹ 12,000 were sold and dispatched on 29th March, 2014, but no entry was passed to this effect.

2. Insurance Premium include ₹ 1,200 paid on 1st October, 2013 to run for one year from Oct. 1, 2013 to Sept. 30, 2014.



(3) Loan from Mr. Naresh was taken on 1st July, 2013. Interest has not been paid so far.

(4) Create provision for Doubtful Debts at 5% on Sundry Debtors after writing off ₹ 600 as Bad-debts during the year.

(5) A bill of ₹ 3,200 for advertisement in newspaper remained unpaid at the end of the year.

(6) Purchases include Furniture costing ₹ 5,000 purchased on 1st April, 2013.

(7) Charge 10% p.a. depreciation on Furniture and write off 1/5th of patents.

**Solution:**

Trading Account of Sh. Parveen Kumar					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Opening Stock		40,000	Sales	5,10,000	
Purchases	3,20,000		Add: Unrecorded	12,000	
Less: Return Outwards	8,000		Less: Return Inwards	7,000	5,15,000
Less: Furniture	5,000	3,07,000	Closing Stock		60,000
Manufacturing Expenses		44,000			
Carriage Inward		3,500			
Freight Inwards		4,300			

Gross Profit ( <i>Balancing Figure</i> )	1,76,200		
	5,75,000		5,75,000
<b>Profit and Loss Account</b>			
<b>Dr.</b>			<b>Cr.</b>
<b>Particulars</b>	<b>Amount ₹</b>	<b>Particulars</b>	<b>₹</b>
Depreciation: (WN1)		Gross Profit	1,76,200
Furniture	1,500	Rent of Premises sublet	4,000
Patents	1,600	Less: Unearned (WN5)	2,000
	3,100		2,000
Insurance Premium	6,000	Discount	1,800
Less: Prepaid (WN2)	600		
	5,400		
Further Bad Debts	600		
Add: New Provision (WN3)	4,570		

Less: Old Provision	2,500	2,670		
Interest Outstanding on Naresh's Loan (WN4)		4,500		
Outstanding Advertisement Bill		3,200		
Trade Expenses		7,200		
Salaries & Wages		15,800		
Postage & Telegrams		1,500		
Stationery		800		
Net Profit ( <i>Balancing Figure</i> )		1,35,830		
		1,80,000		1,80,000
<b>Balance Sheet</b>				
<b>Liabilities</b>		<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital	1,20,000		Fixed Assets	
Add: Net Profit	1,35,830	2,55,830	Patents	8,000
Loan from Naresh	40,000		Less: Depreciation	1,600
				6,400

		Furniture (10,000 + 5,000)	15,000	
Current Liabilities		Less: Depreciation	1,500	13,500
Creditors	47,000	Land & Building		2,00,000
Outstanding Advertisement Bill	3,200			
Unearned Rent	2,000	Current Assets		
Bank Overdraft	24,200	Closing Stock		60,000
Outstanding Interest on Loan	4,500	Prepaid Insurance Premium		600
		Debtors	80,000	
		Add: Unrecorded	12,000	
		Less: Bad Debts	600	
		Less: Provision for Doubtful Debts	4,570	86,830
		Cash in Hand		9,400
	3,76,730			3,76,730

### Working Notes 1: Depreciation Evaluation

Patents Depreciation =  $8,000 \times \frac{1}{5} = ₹1,600$

Furniture Depreciation =  $15,000 \times \frac{10}{100} = ₹1,500$

**Working Notes 2:** Prepaid Insurance Evaluation

Prepaid Insurance =  $1,200 \times \frac{6}{12} = 600$

**Working Notes 3:** Provision for Doubtful Debts Evaluation

Provision for Doubtful Debt =  $(\text{Sundry Debtors} + \text{Unrecorded Sales} - \text{Further Bad Debts}) \times \text{Rate}/100$

$(80,000 + 12,000 - 600) \times \frac{5}{100} = ₹ 4,570$

**Working Notes 4:** Loan interest Evaluation

Outstanding Interest =  $40,000 \times \frac{15}{100} \times \frac{9}{12} = ₹4,500$

**Working Notes 5:** Rent Received in Advance Evaluation

Rent Received in Advance =  $4,000 \times \frac{6}{12} = ₹2,000$

**Question 41**

The following Trial Balance was extracted from the books of Mr. Gupta as at 31st March, 2014:

Dr. Balances	(₹)	Cr. Balances	(₹)
Stock on 1-4-2013	65,000	Capital	2,50,000
Purchases	7,10,000	Rent Received	3,900
Wages	22,000	Loan from Mr. Yadav @ 15% p.a.	20,000
Trade Expenses	5,000	Sales	9,50,000
Freight and Dock Charges	8,000	Discount	600

Travelling Expenses	3,800	Outstanding Wages	2,000
Lighting and Heating (Factory)	7,200	Trade Expenses accrued but not paid	500
Stores Consumed	2,000	Sundry Creditors	80,000
Rent Paid	16,500		
Establishment Charges	18,000		
Interest on Mr. Yadav's Loan	1,500		
Sundry Debtors	1,42,000		
Cash	6,000		
Fixed Assets	3,00,000		

Adjustments:-

- (i) Goods costing ₹ 20,000 were purchased and included into stock but no entry was passed to record the purchase.
- (ii) Loan from Mr. Yadav was taken on 1st June, 2013.
- (iii) Sundry Debtors include an amount of ₹ 2,000 due from a customer who has become insolvent and nothing is recoverable from his estate.
- (iv) Create a provision of 5% for Doubtful Debts and 2% for discount on Debtors.
- (v) Three months lighting and heating bill due but not paid ₹ 3,000.
- (vi) Rent is paid for 11 months but is received for 13 months.
- (vii) Stock amounted to ₹ 90,000 on 31st March, 2014.

Prepare Trading and Profit & Loss Account for the year ended 31st March, 2014 and a Balance Sheet as at that date.

**Solution:**

Trading Account of Mr. Gupta				
Dr.				Cr.
Particulars		₹	Particulars	₹
Opening Stock		65,000	Sales	9,50,000
Purchases	7,10,000		Closing Stock	90,000
Add: Unrecorded	20,000	7,30,000		
Wages		22,000		
Store Consumed		2,000		
Lighting & Heating	7,200			
Add: Outstanding	3,000	10,200		
Freight & Dock Charges		8,000		
Gross Profit (Balancing Figure)		2,02,800		
		10,40,000		10,40,000

Profit and Loss Account					
Dr.			Cr.		
Particulars		₹	Particulars		₹
Interest on Loan	1,500		Gross Profit		2,02,800
Add: Outstanding (WN1)	1,000	2,500	Rent Received	3,900	
Further Bad Debts	2,000		Less: Rent received in Advance (WN4)	300	3,600
Add: New Provision (WN2)	7,000	9,000	Discount		600
Trade Expenses		5,000			
Provision for Discount on Debtors WN3)		2,660			
Rent	16,500				
Add: Outstanding (WN5)	1,500	18,000			
Travelling Expenses		3,800			
Establishment Expenses		18,000			
Net Profit (Balancing Figure)		1,48,040			



		2,07,000		2,07,000
<b>Balance Sheet</b>				
<b>Liabilities</b>		<b>₹</b>	<b>Assets</b>	<b>₹</b>
Capital	2,50,000		Fixed Assets	
Add: Net Profit	1,48,040	3,98,040	Fixed Assets	3,00,000
Loan from Mr. Yadav		20,000		
Current Liabilities			Current Assets	
Sundry Creditors	80,000		Closing Stock	90,000
Add: Unrecorded	20,000	1,00,000	Cash in Hand	6,000
Outstanding Wages		2,000	Sundry Debtors	
Outstanding Trade Expenses		500	Less: Further Bad Debts	2,000
Outstanding Lighting & Heating		3,000	Less: Provision for Doubtful Debts	7,000
Outstanding Rent		1,500	Less: Provision for Discount on Debtors	2,660
				1,30,340

Outstanding Interest on Loan	1,000		
Rent received in advance	300		
	5,26,340		5,26,340

**Working Notes 1:** Loan interest Outstanding Evaluation

Interest on Loan =  $20,000 \times 15/100 \times 10/12 = ₹ 2,500$

Interest paid = ₹ 1,500

Therefore, Outstanding loan interest

**Working Note 2:** Provision for Doubtful Debts Evaluation

Provision for doubtful debts = (Sundry Debtors – Further Bad Debts) X Rate/100

$(1,42,000 - 2,000) \times 5/100 = ₹ 7,000$

**Working Notes 3:** Provision for Discount on Debtors Evaluation

Provision for discount on debtors = (Sundry Debtors – Further Bad Debts – Provision for

Bad Debts) X Rate/100

$(1,42,000 - 2,000 - 7,000) \times 2/100 = ₹ 2,660$

**Working Notes 4:** Advance rent received Evaluation

Advance Rent =  $3,900 \times 1/13 = ₹ 300$

Advance Rent =  $3,900 \times 1/13 = ₹ 300$

**Working Notes 5:** Outstanding Rent Evaluation

Outstanding Rent =  $16,500 \times 1/11 = ₹ 1,500$