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Competency Statements

Students are able to understand Meaning, Objective and Importance of Final Accounts.

Students are able to Prepare Trading A/c, Profit and Loss A/c and Balance sheet with competency.

Students are able to understand effects of adjustments.

Introduction :

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

9.1 A) Meaning of Final Accounts :

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

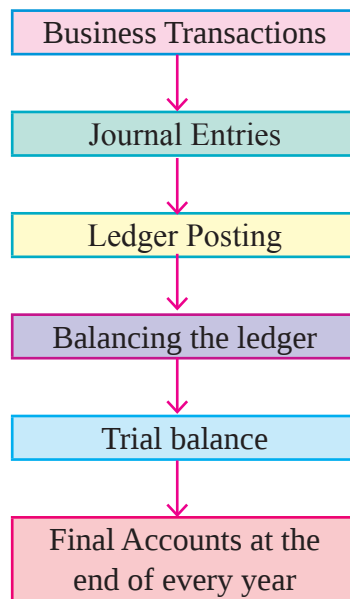
- The basic objectives of Final Accounts is to determine Gross Profit /Gross Loss and Net Profit or Net Loss of the business during the financial year.
- Final Accounts shows the true and correct financial position of business.
- It informs the operating results and exact financial position of the business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

C) Importance of Final Accounts :

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

How to Prepare Final accounts ? -

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



Final accounts include

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

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

Trading Account

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

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

Important terms of Trading Account :

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

Stocks are of two types :

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

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

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

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

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

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

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

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

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

Cr.

Journal Entries for preparing Trading Account

A) Transferring of Opening Stock, Purchases, Direct expenses

- | | | | |
|---|-----|------|------|
| Purchase Returns A/c | Dr. | xxxx | |
| To Purchases A/c | | | xxxx |
| (Being Purchase returns transferred to Purchases A/c) | | | |

Specimen of Profit and Loss Account :

Profit & Loss Account for the year ended

Dr.

Cr.

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

Illustration 1

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

Debit balance	Amt (₹)	Credit balance	Amt (₹)
Wages	9,200	Purchases Returns	6,520
Purchases	66,800	Sales	1,52,900
Carriage Inward	3,350	Commission received	18,000
Sales returns	4,800	Rent Received	9,000
Opening Stock	31300	Discount Received	4,600
Salary	17,400		
Royalty	4,800		
Rent, Rates & Taxes	12,680		
Bad debts	500		
Carriage Outward	3,720		
Printing & Stationery	2,400		
Advertisement	18,000		
Discount Allowed	1,520		
Insurance	5,750		
Factory Rent	7,000		
Commission paid	1,800		
	1,91,020		1,91,020

Adjustment : 1) Closing stock Rs. 56,850

Solution :

In the Books of Raju & Sons
Trading Account for the year ended 31st March, 2018

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

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

Dr.

Cr.

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Salary		17,400	By Gross Profit b/d		89,020
To Advertisement		18,000	By Commission received		18,000
To Discount		1,520	By Rent Received		9,000
To Rent, Rates and Taxes		12,680	By Discount Received		4,600
To Insurance		5,750			
To Bad Debts		500			
To Carriage Outward		3,720			
To Commission		1,800			
To Printing & Stationery		2,400			
To Net Profit		56,850			
(Transfer to Capital A/c)					
		1,20,620			1,20,620

Journal Entries relating to Profit & Loss A/c

A) For transfer of Expenses and Losses

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

To All Indirect expenses A/c

(e.g. To Salaries A/c

To Rent A/c

To Advertisement A/c

To Insurance A/c

etc.....)

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

B) For transfer of Incomes and Gains

All Indirect incomes A/cDr.

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

To Profit & Loss A/c

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

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

a) For transferring Net Profit

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

To Capital A/c

(Being Net Profit transferred to Capital A/c)

a) For transferring Net Loss

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

9.4 Balance Sheet

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

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

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

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

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

Journal Entries of Some important adjustments :

1) Closing Stock :

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

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

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

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

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

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

For Example : Rent, salary etc.

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

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

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

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

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

- 6) **Income received in advance**

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

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

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

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

ii) Profit & Loss A/cDr.

To Bad debts A/c

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

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

i) Profit & Loss A/cDr.

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

(Being Provision of doubtful debts created)

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

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

To Provision for discount on Debtors A/c

(Being Provision for discount on Debtors created)

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

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

To Profit & Loss A/c

(Being Provision for discount on Creditors created)

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

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

i) Drawings A/cDr.

To Trading/Purchases A/c

(Being goods withdrawn for personal use)

ii) Proprietor's Capital A/cDr.

To Drawings A/c

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

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

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

To Trading/Purchases A/c

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

ii) Advertisement A/cDr.

To Goods distributed as a free sample A/c

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

13) Interest on Capital :

i) Interest on Capital A/cDr.

To Capital A/c

(Being interest on capital provided)

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

To Interest on Capital A/c

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

14) Interest on Drawings :

i) Capital A/cDr.

To Interest on Drawings A/c

(Being interest on Drawings charged)

ii) Interest on Drawing A/cDr.

To Profit and Loss A/c

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

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

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

Illustration 1

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

Trial Balance As on 31.3.2019

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

Additional Information :

Closing Stock - ₹ 54,000

Solution :

In the Books of Bhardwaj & Sons

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

Dr.

Cr.

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

Balance Sheet as on 31st March, 2019

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

Illustration 2

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

Trial Balance as on 31st March, 2018

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

Adjustments :

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

Solution :

In the Books of Mangesh Traders

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

Dr.

Cr.

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

Balance Sheet as on 31st March, 2018

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

Depreciation :

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

Illustration 03

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

Trial Balance as on 31st March, 2018

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

Adjustments :

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

Solution :

In the Books of Reena Enterprises

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

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

Balance Sheet as on 31st March, 2018

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

Illustration 4

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

Trial Balance as on 31st March, 2018

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

Adjustments :

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

Solution :

In the Books of Khandwala Enterprises

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

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

Balance Sheet as on 31st March, 2018

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

Working note :

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

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

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

Illustration 5

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

Trial Balance as on 31st March, 2018

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

Adjustments :

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

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

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

Balance Sheet as on 31st March, 2018

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

Illustration 6

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

Trial Balance as on 31st March, 2018

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

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

Adjustments :

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

Solution :

In the Books of M/s Abhay

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

Dr.

Cr.

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

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

Balance Sheet as on 31st March, 2018

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

Working Note :

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

2) Hidden Adjustment in Trial Balance

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

Interest should be charged for 6 months only.

6% on ₹ 50,000 for 6 months = ₹ 1,500

Illustration 7

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

In the books of M/s Laxmi Enterprises

Trial Balance as on 31st March, 2019

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

Adjustments :

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

2) Depreciate Machinery and Furniture @ 5%

3) Unexpired Insurance ₹ 1,000.

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

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

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

Solution :

In the Books of M/s Laxmi Enterprises

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

Dr.

Cr.

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

Balance Sheet as on 31st March, 2019

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

Illustration 8

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

Trial Balance as on 31st March, 2018

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

Adjustments :

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

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

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

Balance Sheet as on 31st March, 2018

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

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

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

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

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

Illustration 9

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

Trial Balance as on 31st March, 2019

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

Adjustments :

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

Solution :

In the Books of Kisan Traders

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

Dr.

Cr.

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

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

Liabilities	Amount (₹)	Amount (₹)	Assets	Amount (₹)	Amount (₹)
Capital	6,00,000		Cash in hand		42,300
Add Net Profit	1,95,300		Sundry Debtors	2,20,000	
Less Drawings	7,95,300		Less : 5% New R.D.D.	11,000	2,09,000
(49,000 + 10,000)	59,000		Plant & Machinery	1,80,000	
		7,36,300	Less : Depreciation (WN)	16,000	1,64,000
Sundry Creditors		2,00,000	Computers & Printers	5,20,000	
Bank Overdraft		1,80,000	Less : 10% Depreciation	52,000	4,68,000
Outstanding expenses			Closing Stock		2,80,000
Wages	30,000		Prepaid Insurance		5,000
Indirect Expenses	22,000	52,000			
		11,68,300			11,68,300

Working Note :

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

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

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

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

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

Cost of New Machinery

Purchased on 1st Oct. 2018 ₹ 40,000

Balance of old Machinery ₹ 1,40,000

a) Depreciation on old Machinery for 12 months

$1,40,000/1 \times 10/100$ ₹ 14,000

Add : b) Depreciation on New Machinery

(for 6 months)

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

₹ 16,000

Total Depreciation on Machinery is ₹ 16,000

Illustration 10

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

Trial Balance as on 31st March, 2019

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

Adjustments :

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

Solution :

In the Books of Arun

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

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

Balance Sheet as on 31st March, 2019

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

Illustration 11

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

Trial Balance as on 31st March, 2019

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

Adjustments :

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

Solution :

In the Books of Pravin & Sons

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

Particulars	Amount (₹)	Amount (₹)	Particulars	Amount (₹)	Amount (₹)
To Opening Stock		10,000	By Sales	62,000	
To Purchases	54,500		Less : Sales Return	1,500	60,500
Less : Purchase Return	1,720	52,780			
To Wages	6,000		By Closing Stock		84,000
Less : Advance paid	800	5,200			
To Gross Profit c/d		76,520			
		1,44,500			1,44,500
To Rent	4,000		By Gross Profit b/d		76,520
Add : Outstanding Rent	3,000	7,000	By Commission Received		2,800
To Depreciation on Machinery		3,000			
To Salaries	12,000				
Add : Outstanding Salary	3,600	15,600			
Add : Bad Debts (old)	1,920				
To Bad Debts (New)	2,000				
Add : R.D.D. (New)	3,920				
	2,220				
Less : R.D.D. (Old)	6,140				
To Interest on capital	1,600	4,540			
To Interest		5,000			
To Advertisement		3,000			
To Printing & Stationery		1,200			
To Discount		1,200			
To Net Profit		2,080			
(Transfer to Capital A/c)		36,700			
		79,320			79,320

Balance Sheet as on 31st March, 2019

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

Working Notes :

- 1) New Bad debts ₹ 2,000 and R.D.D. is 3%

So Debtors	₹ 76,000
Less : Bad debts (New)	₹ 2,000
	<u>₹ 74,000</u>

Therefore R.D.D. 3% on 74,000

New R.D.D. 2,220

$74,000/1 \times 3/100 = ₹ 2,220$

- 2) Interest on Capital 5% p.a.

So $1,00,000/1 \times 5/100 = ₹ 5,000$

Therefore Interest on Capital is ₹ 5,000

Illustration 12

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

Trial Balance as on 31st March, 2018

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

Adjustments :

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

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

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

Balance Sheet as on 31st March, 2018

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

Working Note :

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

Illustration 13

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

Trial Balance as on 31st March, 2019

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

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

Adjustments :

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

Solution : In the Books of Ajay Enterprises

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

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

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

Balance Sheet as on 31st March, 2019

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

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

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

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

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

Balance Sheet as on 31st March, 2019

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

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

Q.1. Answer in One Sentence

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

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

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

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

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

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

Q.4 State True or False with reasons :

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

Q.5 Fill in the blanks :

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

Q.6 Find the odd one :

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

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

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

Q.8 Correct and Rewrite the following statements :

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

Q.9 Calculate the following.

- 1) Calculate the Capital

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

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

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

Additional information :

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

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

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

Adjustments :

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

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

Trial Balance as on 31st March, 2019

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

Adjustments :

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

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

Trial Balance as on 31st March, 2019

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

Additional information :

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

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

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

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

Adjustments :

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

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

Trial Balance as on 31st March, 2019

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

Adjustments :

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

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

Trial Balance as on 31st March, 2019

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

Adjustments :

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

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

Trial Balance as on 31st March, 2019

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

Adjustments :

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

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

Trial Balance as on 31st March 2018

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

Adjustments :

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

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

Trial Balance as on 31st March 2019

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

Adjustments :

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

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

Trial Balance as on 31st March 2019

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

Adjustments :

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

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

Trial Balance as on 31st March 2019

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

Adjustments :

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

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

Trial Balance as on 31st March 2019

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

Adjustments :

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

