

CH - 3

FINAL ACCOUNTS OF SOLE PROPRIETORSHIP



DANGAL QUESTIONS

Basic Concept Questions

ICAI RTP Questions

ICAI Past Questions

TOTAL Questions

5

4

18

27

BASIC CONCEPTS

FORMAT

TRADING A/C

TRADING ACCOUNT OF ... for the period ending on...		Cr.
Dr.	Rs. Particulars	Rs.
	XXX By Sales	XXX
To Opening Stock		
To Purchases	XXX	XXX
Less: Returns outwards	XXX	XXX
Less: Abnormal Loss	XXX	XXX
	By 'Gross Loss transferred to P&L/Ac	
Less: Goods for personal use	XXX	
Less: Goods distributed as Free Samples	XXX	
Less: Goods distributed for Charity	XXX	
To Direct Expenses	XXX	
To Wages and Salaries	XXX	
To Freight Inward	XXX	
To Cartage Inward	XXX	
To Cartage Inward	XXX	
To 'Gross Profit transferred to P&L/Ac	XXX	
	XXX	XXX

PROFIT & LOSS A/C

PROFIT AND LOSS ACCOUNT OF ... for the period ending on...		Cr.
Dr.	Rs. Particulars	Rs.
To Gross Loss b/d	XXX By Gross Profit b/d	XXX
To Salaries & Wages	XXX By Discount received	XXX
To Rent, Rates & Taxes	XXX By Commission earned	XXX
To Fire Insurance Premium	XXX By Interest on Short-term Marketable securities	XXX
To Repairs & Maintenance	XXX By Profit on Sale of Short-term Marketable Securities	XXX
To Depreciation	XXX By Operating Loss c/d	XXX
To Audit Fees		
To Bank Charges	XXX	
To Legal Charges	XXX	
To Miscellaneous Expenses	XXX	
To Carriage Outward	XXX	
To Freight Outward	XXX	
To Commission to Salesmen	XXX	
To Travelling Expenses	XXX	
To Entertainment Expenses	XXX	
To Sales Promotion Expenses	XXX	
To Advertising and Publicity	XXX	
To Bad Debts	XXX	
To Packing Expenses	XXX	
To Operating Profit c/d	XXX	
To Operating Loss b/d	XXX By Operating Profit b/d	XXX
To Interest on Loan	XXX By Rent earned	XXX
To Loss on Sale of Fixed Assets	XXX By Interest earned	XXX
To 'Net Profit transferred to Capital Account	By Profit on sale of fixed assets	XXX
	XXX By Income from investments	XXX
	By Dividend Received	XXX
	By 'Net Loss transferred to Capital Account	XXX
	XXX	XXX

FORMAT OF A BALANCE SHEET IN ORDER OF LIQUIDITY**BALANCE SHEET OF AS AT**

Liabilities	Rs.	Assets	Rs.
Current Liabilities:		Current Assets:	
Bank Overdraft	XXX	Cash-in-hand	XXX
Bills Payable	XXX	Cash at bank	XXX
Outstanding Expenses	XXX	Bills Receivable	XXX
Sundry Creditors	XXX	Sundry Debtors	XXX
Income received-in-advance	XXX	Prepaid Expenses	XXX
		Accrued income	XXX
Long-term Liabilities:		Closing Stock	XXX
Loan	XXX	Investments:	XXX
Capital:		Fixed Assets:	
Opening balance	XXX	Furniture and Fixture	XXX
Add: Net Profit		Plant and Machinery	XXX
(Less: Net Loss)	XXX	Building	XXX
	XXX	Land	XXX
Less: Drawing	XXX	Goodwill	XXX
	XXX		XXX

FORMAT OF A BALANCE SHEET IN THE ORDER OF PERMANENCE**BALANCE SHEET OF..... AS AT.....**

Liabilities	Rs.	Assets	Rs.
Capital:		Fixed Assets:	
Opening Balance	XXX	Goodwill	XXX
Add: Net Profit	XXX	Land	XXX
(Less: Net Loss)	XXX	Building	XXX
Less: Drawings	XXX	Plant & Machinery	XXX
		Furniture & Fixtures	XXX
Long-term Liabilities:		Investments:	XXX
Loan	XXX	Current Assets:	
Current Liabilities:		Closing Stock	XXX
Income received-in-advance	XXX	Accrued income	XXX
Sundry Creditors	XXX	Prepaid expenses	XXX
Outstanding Expenses	XXX	Sundry Debtors	XXX
Bills Payable	XXX	Bills Receivable	XXX
Bank Overdraft	XXX	Cash at bank	XXX
		Cash in hand	XXX
	XXX		XXX

Eg 1 Calculate Expenses to be transferred to P& L A/c.

	Opening Balance	Closing Balance
Prepaid Expenses	Rs.1,00,000	Rs. 1,30,000
O/s Expense	Rs.2,40,000	Rs. 1,15,000
Expenses paid during the year = Rs.35,00,000?		

SOL.

ADJUSTMENT NO 2: DISCLOSURE OF CLOSING STOCK

ADJUSTMENT NO 3: CALCULATION OF CLOSING CAPITAL

ADJUSTMENT NO 4: CALCULATION OF CLOSING DEBTOR BAL.

Debtors A/c

Particulars	Amount	Particulars	Amount
To balance b/d	xxx	By A/c	xxx
To	xxx	By Discount allowed A/c	xxx
		By Bills Receivable A/c	xxx
To dishonoured	xxx	By Sales Return A/c	xxx
		By Bad Debts A/c	xxx
	_____	By balance c/d	xxx
	xxx		xxx

Note 1: Provision for bad and doubtful debts / provision for discount on debtors will not be considered while preparing Debtors Account.

Note 2: Bad Debts recovered do not affect our debtors. Hence, it should be ignored.

JOURNAL ENTRY FOR BAD DEBT RECOVERED :-

Eg 2: Calculate Closing Balance of Debtors from the following:

Opening balance of debtors	3,00,000	Total Sales (Cash Sales-20%)	20,00,000
Cheque received	12,50,000	Discount allowed	1,00,000
Purchases Return	80,000	Bad debts recovered	90,000
Cheque dishonoured	60,000	Bad debts	20,000
Provision for Bad Debts	40,000		

ADJUSTMENT NO 5: TREATMENT OF BAD DEBT

ADJUSTMENT NO 6: TREATMENT OF PROVISION FOR DOUBTFUL DEBT

JOURNAL ENTRY

1. For **Creation Of Provision** :-
for Doubtful Debt

2. For **Utilisation of Provision** :-
for Doubtful Debt

LEDGER FORMAT

Provision for Bad Debts A/c			
Particulars	Amount	Particulars	Amount
To A/c	xxx	By balance b/d	xxx
To balance c/d	xxx	By A/c	xxx
	xxx		xxx

Eg 3: From the following information calculate the amount to be transferred to P & L A/c.

Opening Provision for Bad Debts	Rs. 2,00,000
Closing Provision for Bad Debts	Rs. 2,70,000
Bad Debts during the year	Rs. 2,25,000

SOL.

ADJUSTMENT NO 7: TREATMENT OF PROVISION FOR DISCOUNT ON DEBTORS

JOURNAL ENTRY

1. For **Creation Of Provision** :-
for Discount on Debtors

2. For **Utilisation of Provision** :-
for Discount on Debtors

ADJUSTMENT NO 8: DISCLOSURE OF NET DEBTORS BALANCE TO BE SHOWN IN BALANCE SHEET

Debtors Balance (before bad debts)	xxx
Less: Bad Debts	<u>(xxx)</u>
Total (A)	xxx
Less: Provision for Bad Debts	
(Total (A) * %age of Provision)	<u>(xxx)</u>
Total (B)	xxx
Less: Provision for Discount on Debtors	
(Total (B) * % of discount on Debtors)	<u>(xxx)</u>
NET BALANCE SHOWN IN B/S	<u>xxx</u>

Eg 4: Calculate Provision Amount to be transferred to P&L A/c & Net Debtor Balance to be shown on the Asset Side of Balance Sheet.

ADJUSTMENT NO 9: CALCULATION OF MANAGER'S COMMISSION

JOURNAL ENTRY :

On Net Profit Before Charging
Such Commission

On Net Profit After Charging
Such Commission

Eg 5: Calculate Managers Commission

Net Profit before Such Commission : Rs.5,50,000

Case 1: Mgr Comm. Is 10% before charging such Commission.

Case 2: Mgr Comm. Is 10% after charging such Commission.

OTHER ADJUSTMENT ITEMS
(ITEMS GIVEN OUTSIDE THE TRIAL BALANCE)

S. No	Item Of Adjustment	Adjusting Entry	Treatment in Trading a/c	Treatment in Profit & Loss a/c	Treatment in Balance Sheet
1.	Accrued Income / Income earned but not received / Outstanding Income	Accrued Income A/c Dr. To Income A/c			
2.	Unearned Income / Income received in advance	Income A/c Dr. To Unearned Inc. A/c			
3.	Depreciation	Depreciation A/c Dr. To Assets A/c			
4.	Provision for Disc. on Creditors	Prov. for discount on Creditors A/c Dr. To P & L A/c			
5.	Interest on Capital	Interest on cap. A/c Dr. To Capital A/c			
6.	Interest on Drawings	Capital A/c Dr. To Interest on Drawings A/c			
7.	Abnormal loss of Stock	Loss of stock A/c Dr. To Trading A/c			
8.	Good sent on approval	Sales A/c Dr. To Debtors A/c + Stock with customer A/c Dr. To Trading a/c			

POINTS TO BE REMEMBERED

Lets DANGAL with ICAI RTP QUESTIONS

QUESTION 1

MAY 2018 / NOV 2019

The following are the balances as at 31st March, 2017 extracted from the books of Mr. XYZ.

	₹		₹
Plant and Machinery	19,550	Bad debts recovered	450
Furniture and Fittings	10,250	Salaries	22,550
Bank Overdraft	80,000	Salaries payable	2,450
Capital Account	65,000	Prepaid rent	300
Drawings	8,000	Rent	4,300
Purchases	1,60,000	Carriage inward	1,125
Opening Stock	32,250	Carriage outward	1,350
Wages	12,165	Sales	2,15,300
Provision for doubtful debts	3,200	Advertisement Expenses	3,350
Provision for Discount on debtors	1,375	Printing and Stationery	1,250
Sundry Debtors	1,20,000	Cash in hand	1,450
Sundry Creditors	47,500	Cash at bank	3,125
Bad debts	1,100	Office Expenses	10,160
		Interest paid on loan	3,000

Additional Information:

1. Purchases include sales return of Rs. 2,575 and sales include purchases return of Rs. 1,725.
2. Goods withdrawn by Mr. XYZ for own consumption Rs. 3,500 included in purchases.
3. Wages paid in the month of April for installation of plant and machinery amounting to Rs. 450 were included in wages account.
4. Free samples distributed for publicity costing Rs. 825.
5. Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.
6. Depreciation is to be provided on plant and machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.
7. Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2017 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as an overdraft.

Prepare a Trading and Profit and Loss Account for the year ended 31st March, 2017, and a Balance Sheet as on that date. Also show the rectification entries.

SOL:

Rectification Entries

	Particulars		Dr.	Cr.
(i)	Returns inward account	Dr.	2,575	
	Sales account	Dr.	1,725	
	To Purchases account			2,575
	To Returns outward account			1,725
	(Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified)			

(ii)	Drawings account To Purchases account (Being goods withdrawn for own consumption included in purchases, now rectified)	Dr.	3,500	3,500
(iii)	Plant and machinery account To Wages account (Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified)	Dr.	450	450
(iv)	Advertisement expenses account To Purchases account (Being free samples distributed for publicity out of purchases, now rectified)	Dr.	825	825

Trading and Profit and Loss Account of Mr. XYZ
For the year ended 31st March, 2017

		Amount				Amount	
		₹	₹			₹	₹
To	Opening stock		32,250	By	Sales	2,13,575	
To	Purchases	1,53,100			Less: Sales return		2,11,000
	Less: Purchases return	<u>1,725</u>	1,51,375	By	Closing stock	<u>2,575</u>	
To	Carriage inward		1,125		$\left(₹ 80,000 \times \frac{100}{80} \times \frac{100}{80} \right)$		1,25,000
To	Wages		11,715				
To	Gross profit c/d		1,39,535				
			<u>3,36,000</u>				<u>3,36,000</u>
To	Salaries		22,550	By	Gross profit b/d		1,39,535
To	Rent		4,300	By	Bad debts recovered		450
To	Advertisement expenses		4,175				
To	Printing and stationery		1,250				
To	Bad debts		1,100				
To	Carriage outward		1,350				
To	Provision for doubtful debts						
	5% of ₹ 1,20,000	6,000					
	Less: Existing provision	<u>3,200</u>	2,800				
To	Provision for discount on						

	debtors				
	2.5% of ₹ 1,14,000	2,850			
	Less: Existing provision	<u>1,375</u>	1,475		
To	Depreciation:				
	Plant and machinery	3,000			
	Furniture and fittings	<u>1,025</u>	4,025		
To	Office expenses		10,160		
To	Interest on loan		3,000		
To	Net profit (Transferred to capital account)				
			<u>83,800</u>		
			<u>1,39,985</u>		<u>1,39,985</u>

Balance Sheet of Mr. XYZ as on 31st March, 2017

		Amount			Amount
Liabilities	₹	₹	Assets	₹	₹
Capital account	65,000		Plant and machinery	20,000	
Add: Net profit	<u>83,800</u>		Less: Depreciation	<u>3,000</u>	17,000
	1,48,800		Furniture and fittings	10,250	
Less:	<u>11,500</u>	1,37,300	Less: Depreciation	<u>1,025</u>	9,225
Drawings			Closing stock		1,25,000
Bank overdraft		80,000	Sundry debtors	1,20,000	
Sundry creditors		47,500	Less: Provision for doubtful debts	6,000	
Payable salaries		2,450	Provision for bad debts	<u>2,850</u>	1,11,150
			Prepaid rent		300
			Cash in hand		1,450
			Cash at bank		<u>3,125</u>
		<u>2,67,250</u>			<u>2,67,250</u>

QUESTION 2**NOV 2018**

The following is the trial balance of Hari as at 31st December, 2017:

	Dr.	Cr.
	₹	₹
Hari's capital account	-	76,690
Stock 1 st January, 2017	46,800	-
Sales	-	3,89,600
Returns inward	8,600	-
Purchases	3,21,700	-

Returns outward	-	5,800
Carriage inwards	19,600	-
Rent & taxes	4,700	-
Salaries & wages	9,300	-
Sundry debtors	24,000	-
Sundry creditors	-	14,800
Bank loan @ 14% p.a.	-	20,000
Bank interest	1,100	-
Printing and stationary expenses	14,400	-
Bank balance	8,000	-
Discount earned	-	4,440
Furniture & fittings	5,000	-
Discount allowed	1,800	-
General expenses	11,450	-
Insurance	1,300	-
Postage & telegram expenses	2,330	-
Cash balance	380	-
Travelling expenses	870	-
Drawings	<u>30,000</u>	
	<u>5,11,330</u>	<u>5,11,330</u>

The following adjustments are to be made:

- (1) Included amongst the debtors is Rs. 3,000 due from Ram and included among the creditors Rs. 1,000 due to him.
- (2) Provision for bad and doubtful debts be created at 5% & for discount @ 2% on sundry debtors.
- (3) Depreciation on furniture & fittings @ 10% shall be written off.
- (4) Personal purchases of Hari amounting to Rs. 600 had been recorded in the purchases day book.
- (5) Interest on bank loan shall be provided for the whole year.
- (6) A quarter of the amount of printing and stationary expenses is to be carried forward to the next year.
- (7) Credit purchase invoice amounting to Rs. 400 had been omitted from the books.
- (8) Stock on 31.12.2017 was Rs. 78,600.

Prepare (i) Trading & profit and loss account for the year ended 31.12.2017 and
(ii) Balance sheet as on 31st December, 2017.

SOL:

**Trading and Profit and Loss Account of Mr. Hari
For the year ended 31st December, 2017**

	Rs.	Rs.		Rs.	Rs.
To Opening stock		46,800	By Sales	3,89,600	
To Purchases	3,21,700		Less: Returns	<u>8,600</u>	3,81,000
Add: Omitted invoice	<u>400</u>		By Closing stock		78,600
	3,22,100				
Less: Returns	<u>5,800</u>				
	3,16,300				
Less: Drawings	<u>600</u>	3,15,700			
To Carriage		19,600			

To Gross profit c/d		<u>77,500</u>			
		<u>4,59,600</u>			<u>4,59,600</u>
To Rent and taxes		4,700	By Gross profit b/d		77,500
To Salaries and wages		9,300	By Discount		4,440
To Bank interest	1,100				
Add: Due	<u>1,700</u>	2,800			
To Printing and stationary	14,400				
Less: Prepaid (1/4)	<u>3,600</u>	10,800			
To Discount allowed		1,800			
To General expenses		11,450			
To Insurance		1,300			
To Postage & telegram expenses		2,330			
To Travelling expenses		870			
To Provision for bad debts [W.N.(ii)]		1,150			
To Provision for discount on debtors [W.N.(iii)]		437			
To Depreciation on furniture & fittings		500			
To Net profit		<u>34,503</u>			
		<u>81,940</u>			<u>81,940</u>

Balance Sheet of Hari as at 31stDecember, 2017

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Capital	76,690		Furniture & fittings	5,000	
Add: Net profit	<u>34,503</u>		Less: Depreciation	<u>500</u>	4,500
	1,11,193		Sundry debtors (W.N.1)	23,000	
Less: Drawings:			Less: Provision for bad		
Cash 30,000			& doubtful debts (W.N.2)	<u>1,150</u>	
Goods <u>600</u>	<u>30,600</u>	80,593		21,850	
Bank loan		20,000	Less: Provision for		
Bank interest due		1,700	discount (W.N.2)	<u>437</u>	21,413
Sundry creditors (W.N.3)		14,200	Stock		78,600
			Prepaid expenses:		
			Printing & stationary		3,600
			Bank balance		8,000
			Cash balance		<u>380</u>
		<u>1,16,493</u>			<u>1,16,493</u>

Working Notes:

(1) Sundry debtors	
Balance as per trial balance	24,000
Less: Due to Ram	<u>1,000</u>
	<u>23,000</u>
(2) Provision for bad & doubtful debts:	
@ 5% on ₹ 23,000	<u>1,150</u>
Provision for discount:	
2% on ₹ 21,850 (23,000 -1,150)	<u>437</u>
(3) Sundry creditors	
Balance as per trial balance	14,800
Less: Set off in respect of Ram	<u>1,000</u>
	13,800
Add: Purchase invoice omitted	<u>400</u>
	<u>14,200</u>

QUESTION 3**MAY 2019**

The following is the Trial Balance of T on 31st March, 2018 :

	Dr. ₹	Cr. ₹
Capital	-	6,00,000
Drawings	70,000	-
Fixed Assets (Opening)	1,40,000	-
Fixed Assets (Additions 01.10.2018)	2,00,000	-
Opening Stock	60,000	-
Purchases	16,00,000	-
Purchases Returns	-	69,000
Sales	-	22,00,000
Sales Returns	99,000	-
Debtors	2,50,000	-
Creditors	-	2,20,000
Expenses	50,000	-

Fixed Deposit with Bank	2,00,000	-
Interest on Fixed Deposit	-	20,000
Cash	-	8,000
Suspense A/c	-	2,000
Depreciation	14,000	-
Rent (17 months upto 31.8.2018)	17,000	-
Investments 12% (01.8.2017)	2,50,000	-
Bank Balance	<u>1,69,000</u>	<u>-</u>
	<u>31,19,000</u>	<u>31,19,000</u>

Stock on 31st March, 2018 was valued at Rs. 1,00,000. Depreciation is to be provided at 10% per annum on fixed assets purchased during the year. A scrutiny of the books of account revealed the following matters :

(i) Rs. 20,000 drawn from bank was debited to Drawings account, but out of this amount withdrawn Rs. 12,000 was used in the business for day-to-day expenses.

(ii) Purchase of goods worth Rs. 16,000 was not recorded in the books of account upto 31.03.2018, but the goods were included in stock.

(iii) Purchase returns of Rs. 1,000 was recorded in Sales Return Journal and the amount was correctly posted to the Party's A/c on the correct side.

(iv) Expenses include Rs. 6,000 in respect of the period after 31st March, 2018.

Give the necessary Journal Entries in respect of (i) to (iv) and prepare the Final Accounts for the year ended 31st March, 2018.

Sol:

Journal Entries

	Particulars		Dr. (Rs.)	Cr. (Rs.)
(i)	Expenses A/c To Drawings (Entry for the amount wrongly debited to the latter A/c, now corrected)	Dr.	12,000	12,000
(ii)	Purchase A/c To Creditors (Entry for purchases not recorded)	Dr.	16,000	16,000
(iii)	Suspense A/c To Purchase Returns To Sales Returns (Rectification entry for amount wrongly entered in Sales Journal)	Dr.	2,000	1,000 1,000
(iv)	Prepaid Expenses A/c To Expenses (Prepaid expenses adjusted)	Dr.	6,000	6,000

**Trading, Profit and Loss Account of T
For the year ending 31st March, 2018**

Dr.		Cr.			
		Rs.			Rs.
To Opening Stock		60,000	By Sales	22,00,000	
To Purchases	16,00,000		Less: Sales Return(99,000-1,000)		
Add: Amount not recorded	<u>16,000</u>			<u>98,000</u>	21,02,000
	16,16,000		By Closing Stock		1,00,000
Less: Purchases Returns					
(69,000+1,000)	<u>70,000</u>	15,46,000			
To Gross Profit c/f		5,96,000			
		22,02,000			22,02,000
To Expenses(50,000 – 6,000 + 12,000)		56,000	By Gross Profit		5,96,000
To Rent (17,000 – 5,000)		12,000	By Interest on Fixed Deposit		20,000
To Depreciation	14,000		By Interest on Investments		20,000
Add: Further Depreciation	<u>10,000</u>	24,000	(2,50,000) X 12 X 8		
(2,00,000) X 10 X 6			100 X 12		
100 X 12					
To Net Profit		5,44,000			
		<u>6,36,000</u>			<u>6,36,000</u>

Balance Sheet as on 31st March, 2018

Liabilities		Rs.	Assets		Rs.
Capital	6,00,000		Fixed Assets	1,40,000	
Add: Profit	5,44,000		Additions	<u>2,00,000</u>	
Less: Drawings				3,40,000	
(70,000 – 12,000)	<u>58,000</u>	10,86,000	Less: Depreciation	<u>10,000</u>	3,30,000
Creditors	2,20,000		Stock		1,00,000
Add: Purchases not recorded	<u>16,000</u>	2,36,000	Debtors		2,50,000
			Investments		2,50,000
Overdraft		8,000	Interest accrued		20,000
			Bank fixed deposit		2,00,000
			Prepaid Expenses (6000+5000)		11,000
			Bank		<u>1,69,000</u>
		<u>13,30,000</u>			<u>13,30,000</u>

QUESTION 4

MAY 2020

The following are the balances extracted from the books of Shri Raghuram as on 31.03.2018, who carries on business under the name and style of M/s Raghuram and Associates at Chennai:

Particulars	Debit (₹)	Credit (₹)
Capital A/c		14,11,400
Purchases	12,00,000	
Purchase Returns		18,000
Sales		15,00,000
Sales Returns	24,000	
Freight Inwards	62,000	
Carriage Outwards	8,500	
Rent of Godown	55,000	
Rates and Taxes	24,000	
Salaries	72,000	
Discount allowed	7,500	
Discount received		12,000
Drawings	20,000	
Printing and Stationery	6,000	
Insurance premium	48,000	
Electricity charges	14,000	
General expenses	11,000	
Bank charges	3,800	
Bad debts	12,200	
Repairs the Motor vehicle	13,000	
Interest on loan	4,400	
Provision for Bad-debts		10,000
Loan from Mr. Rajan		60,000
Sundry creditors		62,000
Motor vehicles	1,00,000	
Land and Building	5,00,000	
Office equipment	2,00,000	
Furniture and Fixtures	50,000	
Stock as on 31.03.2017	3,20,000	
Sundry debtors	2,80,000	
Cash at Bank	22,000	
Cash in Hand	16,000	
Total	30,73,400	30,73,400

Prepare Trading and Profit and Loss Account for the year ended 31.03.2018 and the Balance Sheet as at that date after making provision for the following:

(a) Depreciate Building by 5%, Furniture and Fixtures by 10%, Office Equipment by 15% and Motor Car by 20%.

- (b) Value of stock at the close of the year was Rs. 4,10,000.
 (c) One month rent for godown is outstanding.
 (d) Interest on loan from Rajan is payable @ 10% per annum. This loan was taken on 01.07.2017
 (e) Provision for bad debts is to be maintained at 5% of Sundry debtors.
 (f) Insurance premium includes Rs. 42,000 paid towards proprietor's life insurance policy and the balance of the insurance charges cover the period from 01.04.2017 to 30.06.2018.

(ICAI May 2018 Exams)

Sol:

M/s Raghuram & Associates
Trading Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		₹			₹
To Opening Stock		3,20,000	By Sales	15,00,000	
To Purchases	12,00,000		Less: Sales Returns	(24,000)	14,76,000
Less: Purchase Returns	(18,000)	11,82,000	By Closing Stock		4,10,000
To Freight		62,000			
To Gross Profit c/d		<u>3,22,000</u>			
		<u>18,86,000</u>			<u>18,86,000</u>

M/s Raghuram & Associates
Profit and Loss Account for the year ended 31st March 2018

Particulars	Details	Amount	Particulars	Details	Amount
		₹			₹
To Salaries		72,000	By Gross profit b/d		3,22,000
To Rent for Godown	55,000		By Discount received		12,000
Add: Outstanding	<u>5,000</u>	60,000			
To Provision for Doubtful Debts (W.N.4)		16,200			
To Rent and Taxes		24,000			
To Discount Allowed		7,500			
To Carriage outwards		8,500			
To Printing and stationery		6,000			
To Electricity charges		14,000			
To Insurance premium (W.N. 1)		4,800			
To Depreciation (W.N. 2)		80,000			
To General expenses		11,000			
To Bank Charges		3,800			
To Interest on loan	4,400				
Add: Outstanding (W.N. 3)	<u>100</u>	4,500			
To Motor car expenses (Repairs)		13,000			
To Net Profit transferred to Capital A/c		<u>8,700</u>			
		<u>3,34,000</u>			<u>3,34,000</u>

**Balance Sheet of M/s Raghuram & Associates
as at 31st March 2018**

<i>Liabilities</i>	<i>Details</i>	<i>Amount</i>	<i>Assets</i>	<i>Details</i>	<i>Amount</i>
		₹			₹
Capital	14,11,400		Land & Building	5,00,000	
Add: Net Profit	8,700		Less: Depreciation	<u>(25,000)</u>	4,75,000
Less: Drawings	(20,000)		Motor Vehicles	1,00,000	
Less: proprietor's Insurance Premium	<u>(42,000)</u>	13,58,100	Less: Depreciation	<u>(20,000)</u>	80,000
Loan from Rajan	60,000		Office equipment	2,00,000	
Add: Outstanding Interest	<u>100</u>	60,100	Less: Depreciation	<u>(30,000)</u>	1,70,000
Sundry Creditors		62,000	Furniture & Fixture	50,000	
Outstanding rent		5,000	Less: Depreciation	<u>(5,000)</u>	45,000
			Stock in Trade		4,10,000
			Sundry Debtors	2,80,000	
			Less: Provision for doubtful debts	<u>(14,000)</u>	2,66,000
			Cash at hand		22,000
			Cash in bank		16,000
			Prepaid insurance (W.N. 1)		<u>1,200</u>
		<u>14,85,200</u>			<u>14,85,200</u>

Working Notes:

(1) Insurance premium	₹
Insurance premium as given in trial balance	48,000
Less: Personal premium	(42,000)
Less: Prepaid for 3 months	
$\left(\frac{6,000}{15} \times 3\right)$	<u>(1,200)</u>
Transfer to Profit and Loss A/c	<u>4,800</u>

(2) Depreciation

Building @ 5% on 5,00,000	25,000
Motor Vehicles @ 20% on 1,00,000	20,000
Furniture & Fittings @ 10% on 50,000	5,000
Office Equipment @ 15% on 2,00,000	<u>30,000</u>
Total	<u>80,000</u>

(3) Interest on Loan

Interest on Loan ₹ 60,000 X 10% X 9/12	= 4,500
Less: interest as per Trial Balance	= <u>(4,400)</u>
Amount (Outstanding)	<u>100</u>

(4)**Provision for bad debts A/c**

Particulars	Amount (₹)	Particulars	Amount (₹)
To bad debts a/c	12,200	By balance b/d	10,000
To balance c/d (5% of 2,80,000)	14,000	By P&L A/c	16,200
	<u>26,200</u>		<u>26,200</u>

Let's DANGAL with ICAI PAST EXAMS QUESTIONS

Q1> From the following particulars extracted from the books of Mr. G, prepare Trading, Profit and Loss Account and Balance Sheet as on 31st March, 2018 after making the necessary adjustments:

	Rs.		Rs.
Opening Capital Account	54,050	Sundry Debtors	12,000
Stock	23,400	Sundry Creditors	7,400
Sales	1,44,800	Loan from Dena Bank Ltd. @ 12%	10,000
Sales Returns	4,300	Interest paid	450
Purchases	1,21,550	Printing and Stationery	1,700
Purchases Returns	2,900	Advertisement	5,600
Carriage Inwards	9,300	Interest received	725
Rent	2,850	Audit fees	350
Salaries	4,650	Fire Insurance Premium	300
Cash with Traders Bank Ltd.	4,000	Travelling Expenses	1,165
Discounts received	1,495	Postage and Telegrams	435
Investments @ 5% as on 1.4.2017	2,500	Cash on hand	190
Furniture (as on 1.4.2017)	900	Deposits @ 10% as on 1.4.2017 (Dr.)	15,000
Discount allowed	3,770	Drawings	5,000
General expenses	1,960		

Adjustments:

(a) Value of Stock as on 31st March, 2018 is Rs. 39,300. This includes goods returned by customers on 31st March, 2018 to the value of Rs. 1,500 of which no entry has been passed in the books.

(b) Purchases include furniture purchased on 1st January, 2018 for Rs. 1,000.

(c) Depreciation should be provided on furniture @ 13% per annum.

(d) The loan account from Dena Bank in the books of Ganguli appears as follows:

31.03.2018	To Balance c/d	10,000	01.04.2017	By Balance b/d	5,000
			31.03.2018	By Bank A/c	5,000
		10,000			10,000

(e) Sundry Debtors included Rs. 2,000 due from Mr. Robert and Sundry Creditors included Rs. 1,000 due to him.

(f) Interest paid included Rs. 300 paid to Dena Bank.

(g) Interest received represents Rs. 100 from the Sundry Debtors and the balance on investments and deposits.

(h) Provide for interest payable to Dena Bank for interest receivable on investments and deposits.

(i) Provide provision for doubtful debts at 5% on the balance under "Sundry Debtors". No provision need be created for the deposits.

Sol.

TRADING AND PROFIT AND LOSS ACCOUNT

Dr.		FOR THE YEAR ENDED 31ST MARCH, 2018		Cr.	
Particulars		Rs.	Particulars		Rs.
To Opening Stock		23,400	By Sales	1,44,800	
To Purchases	1,21,550		Less: Returns		
Less; Furniture	1,000		(Rs. 4,300 + Rs. 1,500)	5,800	1,39,000
Less: Returns	2,900	1,17,650	By Closing Stock		39,300
To Carriage Inwards		9,300			
To Gross Profit c/d		27,950			
		1,78,300			1,78,300
To Rent		2,850	By Gross Profit b/d		27,950
To Salaries paid		4,650	By Interest Received	725	
To Interest paid	450		Add: Interest accrued	1,000	1,725
Add: outstanding	300	750	By Discount Received		1,495
To Printing & Stationery		1,700			
To Advertisements		5,600			
To Discount allowed		3,770			

To General Expenses		1,960		
To Audit Fees		350		
To Fire Insurance Premium		300		
To Travelling Expenses		1,165		
To Postage & Telegrams		435		
To Dep. on Furniture [Rs. 900 × 13% × 12/12] + [Rs. 1,000 × 13% × 3/12]				
(On Rs. 900 for 12 months, On Rs. 1,000 for 3 months)		150		
To Provision for Doubtful Debts		475		
To Net Profit transferred to Capital A/c		7,015		
		31,170		31,170

BALANCE SHEET AS AT 31 ST MARCH, 2018

Liabilities		Rs.	Liabilities		Rs.
Capital Account:			Furniture:		
Opening Balance	54,050		Opening Balance	900	
Add: Net Profit	7,015		Add: Purchases	1,000	
Less: Drawings	5,000	56,065	Less: Depreciation	150	1,750
Loan from Dena Bank:			Investments:		2,500
Opening Balance	5,000		Closing stock		39,300
Add: Addition	5,000	10,000	Sundry Debtors	12,000	
O/S Interest on Bank Loan			Less: Returns not entered	1,500	
Sundry Creditors	7,400	300	Less: Adjusted in creditors	1,000	
Less: Adjusted in Debtors	1,000	6,400		9,500	
			Less: Provision	475	9,025
			Interest Receivable		1,000
			Deposit		15,000
			Cash at Bank		4,000
			Cash in hand		190
		72,765			72,765

Q2> From the following Trial balance of Hari and additional information, prepare Trading and Profit &

Loss Account for the year ended 31st March, 2018 and a Balance Sheet as on that date:

Particulars	Dr. (Rs.)	Cr. (Rs.)		Dr. (Rs.)	Cr. (Rs.)
Capital & Drawing	24,000	1,00,000	Bad Debt Written off	7,000	—
Furniture	20,000	—	Provision for Doubtful Debts	—	6,000
Purchases & Purchase Returns	1,50,000	5,000	Printing & Stationery	8,000	—
Debtors & Creditors	2,00,000	1,20,000	Insurance	12,000	—
Interest Earned	—	4,000	Opening Stock	50,000	—
Salaries	30,000	—	Office Expenses	12,000	—
Sales & Sales Return	10,000	3,21,000	Provision for Depreciation	—	2,000
Wages	20,000	—			
Rent	15,000	—			

Additional Information:

- (a) Depreciate Furniture by 10% on original cost; (b) A provision for Doubtful Debts is to be created to the extent of 5% on Sundry Debtors; (c) Salaries for the month of March, 2018 amounting to Rs. 3,000 were unpaid which must be provided for. However, salaries included Rs. 2,000 paid in advance;
- (d) Insurance amounting to Rs. 2,000 is prepaid; (e) Provide for outstanding office expenses Rs. 8,000;
- (f) Stock used for private purpose Rs. 6,000; (g) Closing Stock 160,000.

Sol.

TRADING AND PROFIT AND LOSS ACCOUNT OF HARI

Dr.		FOR THE YEAR ENDED 31ST MARCH, 2018		Cr.	
Particulars		Rs.	Particulars		Rs.
To Opening Stock		50,000	By Sales	3,21,000	
To Purchases	1,50,000		Less: Returns	10,000	
Less: Returns	5,000				3,11,000
Less: Drawings	6,000	1,39,000	By Closing stock		60,000
To Wages		20,000			
To Gross Profit c/d		1,62,000			

		3,71,000		3,71,000
To Salaries	30,000		By Gross Profit b/d	1,62,000
Add: Outstanding	3,000		By Interest	4,000
Less: Prepaid	2,000	31,000		
To Office expenses	12,000			
Add: Outstanding	8,000	20,000		
To Rent		15,000		
To Insurance	12,000			
Less: Prepaid	2,000	10,000		
To Printing & Stationery		8,000		
To Bad debts		7,000		
To Provision for Doubtful debts	10,000			
Less: Existing Provision	6,000	4,000		
To Depreciation on Furniture		2,000		
To Net Profit t/f to Capital A/c		69,000		
		1,66,000		1,66,000

BALANCE SHEET AT 31ST MARCH, 2018

Liabilities		Rs.	Assets		Rs.
Capital Account:			Furniture	20,000	
Opening Balance	1,00,000		Less: Depreciation	4,000	16,000
Add: Net Profit	69,000		Stock		60,000
Less: Drawings	24,000		Debtors	2,00,000	
Less: Goods for personal use	6,000	1,39,000	Less: Provision	10,000	1,90,000
Creditors		1,20,000	Prepaid Salaries		2,000
O/s Salaries		3,000	Prepaid Insurance		2,000
O/s Office Expenses		8,000			
		2,70,000			2,70,000

Q3> From the following particulars prepare Trading and Profit and Loss Account of Mr R for the year ended 31.3.2018 and a Balance Sheet as on 31.3.2018.

Particulars	Debit Balance	Credit Balance
	Rs.	Rs.
Building	5,00,000	
Machineries	2,00,000	
Furniture	1,00,000	
Cash & Bank	1,00,000	
15% p.a. Loan obtained by Mr. R on 1.4.2017 on mortgage of his building		3,00,000
Capital		5,20,000
Sundry Debtors/Sundry Creditors	5,00,000	4,00,000
Opening Stock	1,20,000	
Purchases/Sales	25,00,000	32,20,000
Sales returns/Purchases returns	1,20,000	1,00,000
Rent	60,000	
Establishment expenses	1,80,000	
Electricity charges	15,000	
Telephone charges	10,000	
Commission on sales	30,000	
Insurance Premium	10,000	
Bad debts	20,000	
Bills Receivable	75,000	
	45,40,000	45,40,000

You are required to provide for depreciation on building at 5% p.a.; on machinery at 25% p.a.; on furniture at 10% p.a. Provision for doubtful debts is to be made at 5% on sundry debtors. Mr R's manager is entitled to a commission of 10% on the net profit after charging his commission. Closing stock was not taken on 31st March but only on 7th April. Following transactions had taken place during the period from 1st April to 7th April. Sales Rs. 2,50,000, Purchases 1,50,000, Stock on 7th April, was Rs. 1,80,000 and the rate of gross profit on sales after was 20%. Insurance premium mentioned in the trial balance was in

respect of building and machineries. Interest on mortgage loan to be provided up to 31.3.2018.

Sol.

TRADING AND PROFIT AND LOSS ACCOUNT

DR.		FOR THE YEAR ENDED 31ST MARCH, 2018		CR.	
Particulars		Rs.	Particulars		Rs.
To Opening Stock		1,20,000	By Sales	32,20,000	
To Purchases	25,00,000		Less: Returns	1,20,000	31,00,000
Less: Returns	1,00,000	24,00,000	By Closing Stock		2,30,000
To Gross Profit c/d		8,10,000			
		33,30,000			33,30,000
To Rent		60,000	By Gross Profit b/d		8,10,000
To Establishment Expenses		1,80,000			
To Electricity Charges		15,000			
To Telephone Charges		10,000			
To Commission on Sales		30,000			
To Insurance Premium		10,000			
To Bad Debts		20,000			
To Interest on Loan		45,000			
To Depreciation on Building		25,000			
To Depreciation on Machinery		50,000			
To Depreciation on Furniture		10,000			
To Provision for Doubtful Debts		25,000			
To Manager's Commission		30,000			
To Net Profit t/f to Capital A/c		3,00,000			
		8,10,000			8,10,000

BALANCE SHEET OF MR R AS AT 31ST MARCH, 2018

Liabilities		Rs.	Assets		Rs.
O/S Manager's Commission		30,000	Cash & Bank		1,00,000
Sundry Creditors		4,00,000	Sundry Debtors	5,00,000	
18% p.a. Loan (on mortgage			Less: Provision	25,000	4,75,000
of Building)	3,00,000		Bills Receivable		75,000
Add: Interest	45,000	3,45,000	Closing Stock		2,30,000
Capital Account:			Furniture	1,00,000	

Opening Balance	5,20,000		Less: Depreciation	10,000	90,000
Add: Net Profit	3,00,000	8,20,000	Machineries	2,00,000	
			Less: Depreciation	50,000	1,50,000
			Buildings	5,00,000	
			Less: Depreciation	25,000	4,75,000
		15,95,000			15,95,000

Working Note: Calculation of Closing Stock	Rs.
A. Stock as on 7th April	Rs. 1,80,000
B. Add: Cost of Goods sold (80% of Rs. 2,50,000)	Rs. 2,00,000
C. Less: Cost of Purchases	Rs. 1,50,000
	Rs. 2,30,000

Q4> From the following trial balance and information, prepare Trading and Profit and Loss Account of Mr Rishabh for the year ended 31st March, 2018 and a Balance Sheet as on that date:

Particulars	Debit Balance Rs.	Credit Balance Rs.
Capital & Drawings	12,000	1,00,000
Land and Buildings	90,000	—
Plant and Machinery	20,000	—
Furniture	5,000	—
Sales & Return Inward	5,000	1,40,000
Debtors & Creditors	18,400	12,000
Loan from Gajanand on 1.7.2017 @ 6% p.a.	—	30,000
Purchases & Return Outward	80,000	4,000
Carriage	10,000	—
Sundry Expenses	600	—
Printing and Stationery	500	—
Insurance Expenses	1,000	—
Provision for Doubtful Debts	—	1,000

Provision for Discount on Debtors	—	380
Bad Debts	400	—
Profit of Textile Deptt.	—	10,000
Stock of General Goods on 1.4.2017	21,300	—
Salaries and Wages	18,500	—
Trade Expenses	800	—
Stock of Textile Goods on 31.3.2018	8,000	—
Cash & Bank	5,880	—
	2,97,380	2,97,380

Information:

(a) Stock of General goods on 31.3.2018 valued at Rs. 27,300.

(b) Fire occurred on 23rd March, 2018 and Rs. 10,000 worth of general goods were destroyed. The Insurance Company accepted claim for Rs. 6,000 only and paid the claim money on 10th April, 2018.

(c) Bad Debts amounting to Rs. 400 are to be written off. Provision for Bad and Doubtful debts is to be made at 5% and for discount at 2% on debtors.

(d) Received Rs. 6,000 worth of goods on 27th March, 2018 but the invoice of purchase was not recorded in Purchases Book.

(e) Rishabh took away goods worth Rs. 2,000 for personal use but no record was made thereof.

(f) Charge depreciation at 2% on Land and Buildings, 20% on Plant and Machinery, and 5% on Furniture.

(g) Insurance prepaid amounts to Rs. 200.

Sol.

TRADING AND PROFIT AND LOSS ACCOUNT

DR.

FOR THE YEAR ENDED 31ST MARCH, 2018

CR.

Particulars	Rs.	Particulars	Rs.
To Opening Stock	21,300	By Sales 1,40,000	
To Purchases	80,000	Less: Returns 5,000	1,35,000
Less: Returns	4,000	By Loss by Fire A/c	10,000

Add: Omitted Purchases	6,000		By Closing Stock	27,300
Less: Drawings	2,000	80,000		
To Carriage		10,000		
To Gross Profit c/d		61,000		
		1,72,300		1,72,300
To Sundry Expenses		600	By Gross Profit b/d	61,000
To Printing & Stationery		500	By Profit of Textile Deptt.	10,000
To Insurance Expenses			By Provision for Discount on	38
Paid	1,000		Debtors	
Less: Prepaid	200	800		
To Salaries & Wages		18,500		
To Trade Expenses		800		
To Depreciation on:				
Land & Building		1,800		
Plant & Machinery		4,000		
Furniture		250		
To Interest on Loan		1,350		
[30,000 x 6% x 9/12]				
To Bad Debts	400			
Add: Additional	400			
Add: New Provision	900			
Less: Old Provision	1,000	700		
To Loss by Fire A/c		4,000		
To Net Profit t/f to Capital A/c		37,738		
		71,038		71,038

BALANCE SHEET AT 31st MARCH 2018

Liabilities		Rs.	Assets		Rs.
Creditors	12,000		Cash & Bank Debtors	18,400	5,880
Add: Omitted Purchases	6,000	18,000	Less: Additional Bad Debts	400	
Loan from Gajanand				18,000	
Balance	30,000		Less: Provision for	900	
			Doubtful Debts		

Add: Interest	1,350	31,350		17,100	
Capital:			Less: Provision for Discount	342	16,758
Opening Balance	1,00,000		Stock of General Goods		27,300
Add: Net Profit	37,738		Stock of Textile Goods		8,000
Less: Drawings	12,000		Insurance Company		6,000
Less: Goods taken	2,000	1,23,738	Prepaid Insurance		200
			Furniture	5,000	
			Less: Depreciation	250	4,750
			Plant & Machinery	20,000	
			Less: Depreciation	4,000	16,000
			Land & Building	90,000	
			Less: Depreciation	1,800	88,200
		1,73,088			1,73,088

Q5> The following in the Trial Balance of Shri Arihant as on 31st March 2018.

Particulars	Debit BalanceRs.	Credit BalanceRs.
Capital & Drawings	75,000	14,00,000
Opening Stock	80,000	—
Purchases & Sales	16,20,000	25,00,000
Freight on Purchases	15,000	—
Wages	1,10,000	—
Salaries	1,00,000	—
Travelling Expenses	23,000	—
Miscellaneous Expenses	35,000	—
Printing and Stationery	27,000	—
Advertisement Expenses	25,000	—
Postage and Telegrams	13,000	—
Discounts	7,600	14,500
Bad Debts written off (after adjusting recovery of bad debts of Rs. 6,000 written off in 2016-2017)	14,000	—
Building	10,00,000	—

Machinery	75,000	—
Furniture	40,000	—
Debtors	1,50,000	—
Provision for Doubtful Debts	—	19,000
Creditors	—	1,60,000
Investments (12% Purchased on 1st Jan. 2018)	6,00,000	—
Bank Balance	83,900	—
	40,93,500	40,93,500

Adjustments:

(a) Closing Stock Rs.2,25,000

(b) Goods worth Rs.5,000 were taken for personal use, but no entry was made in the books.

(c) Machinery worth Rs.35,000 purchased on 1st April 2015 was wrongly written off against Profit and Loss Account. This asset is to be brought into account on 1st April 2017 taking depreciation at 10% per annum on straight line basis upto 31st March 2017.

(d) Depreciate Building at 2-1/2% p.a., Machinery at 10% p.a. and Furniture at 10% p.a.

(e) Provision for Doubtful Debts should be 6% on Debtors.

(f) The Manager is entitled to a commission of 5% of Net Profits after charging his commission.

Required: Prepare Trading and Profit and Loss Account for the year ending 31st March 2018 and a Balance Sheet as at that date.

Sol.

TRADING AND PROFIT AND LOSS ACCOUNT

DR.

FOR THE YEAR ENDED 31ST MARCH, 2018

CR.

Particulars		Rs.	Particulars		Rs.
To Opening Stock		80,000	By Sales	25,00,000	
To Purchases	16,20,000		By Closing Stock	2,25,000	
Less: Drawings	5,000	16,15,000			
To Freight		15,000			
To Wages		1,10,000			

To Gross Profit c/d		9,05,000		
		27,25,000		27,25,000
To Depreciation:			By Gross Profit b/d	9,05,000
Building	25,000		By Discount Received	14,500
Machinery	11,000		By Bad debts recovered	6,000
Furniture	4,000	40,000	By Interest Accrued on Investments	18,000
To Salaries		1,00,000		
To Travelling Expenses		23,000		
To Misc Expenses		35,000		
To Printing & Stationary		27,000		
To Advertisement Expenses		25,000		
To Postage & Telegram		13,000		
To Discount Allowed		7,600		
To Provision for Doubtful debts		10,000		
To Manager's Commission O/s		31,567		
To Net Profit t/f to Capital A/c		6,31,333		
		9,43,500		9,43,500

BALANCE SHEET AS AT 31 ST MARCH, 2018

Liabilities		Rs.	Assets		Rs.
Capital	14,00,000		Building	10,00,000	
Less: Drawings (Cash)	75,000		Less: Depreciation	25,000	9,75,000
Less: Drawings (Goods)	5,000		Machinery	75,000	
Add: NP	6,31,333		Add: P&L A/c	28,000	
Add: Prior Period Item	28,000	19,79,333	Less: Depreciation	11,000	92,000
Creditors		1,60,000	Furnitures	40,000	
O/s Manager's Commission		31,567	Less: Depreciation	4,000	36,000
			Debtors	1,50,000	
			Less: Provision	9,000	1,41,000
			Investments		6,00,000
			Accrued Interest on Investment		18,000
			Bank balance		83,900

			Closing stock		2,25,000
		21,70,900			21,70,900

Working Notes:**DR. (I) PROVISION FOR DOUBTFUL DEBTS ACCOUNT****CR.**

Particulars	Rs.	Particulars	Rs.
To Bad Debts (14,000 + 6000)	20,000	By Balance b/d	19,000
To Balance c/d [6% on Rs. 1,50,000]	9,000	By Profit & Loss A/c (b.f)	10,000
	29,000		29,000

(ii) Book Value of Machinery wrongly charged to P & L A/c

$$= \text{Original Cost} - \text{Depreciation for 2 years} = \text{Rs. } 35,000 - (\text{Rs. } 35,000 \times 10\% \times 2) = \text{Rs. } 28,000$$

(iii) Calculation of Depreciation on Machinery

(a)	On Machinery wrongly charged to P & L A/c (an SLM Basis)	Rs. 3,500
(b)	On other Machinery [10% of Rs. 75,000]	Rs. 7,500
		Rs. 11,000

Q6> The following is the Trial Balance of K on 31st March, 2018:

Particulars	Debit Balance Rs.	Credit Balance Rs.
Capital & Drawing	60,000	8,00,000
Opening Stock	75,000	—
Purchases & Sales	15,95,000	23,10,000
Freight on Purchases	25,000	—
Wages (11 months upto 29.2.2018)	66,000	—
Salaries	1,40,000	—
Postages, Telegrams, Telephones	12,000	—
Printing and Stationery	18,000	—
Miscellaneous Expenses	30,000	—
Investments	1,00,000	—
Discounts Received	—	15,000

Debtors & Creditors	2,50,000	3,00,000
Bad Debts	15,000	—
Provision for Doubtful Debts	—	8,000
Building	3,00,000	—
Machinery	5,00,000	—
Furniture	40,000	—
Commission on Sales	45,000	—
Interest on Investments	—	12,000
Insurance (Year upto 31.7.2018)	24,000	—
Bank Balance	1,50,000	—
	34,45,000	34,45,000

Adjustments:

(a) Closing Stock Rs. 2,25,000.

(b) Machinery worth Rs. 45,000 purchased on 1.10.2017 was shown as Purchases. Freight paid on the Machinery was Rs. 5,000, which is included in Freight on Purchases.

(c) Commission is payable at 2.5% on Sales.

(d) Investments were sold at 10% profit, but the entire sales proceeds have been taken as Sales.

(e) Write off Bad Debts Rs. 10,000 and create a provision for Doubtful Debts at 5% of Debtors.

(f) Depreciate Building by 2½% p.a. and Machinery and Furniture at 10% p.a.

Required: Prepare Trading and Profit and Loss Account for the year ending 31st March, 2018 and a Balance Sheet as on that date.

Sol:

TRADING AND PROFIT AND LOSS ACCOUNT				
FOR THE YEAR ENDED 31ST MARCH, 2018				
DR.		CR.		
Particulars		Rs.	Particulars	Rs.
To Opening Stock		75,000	By Sales	23,10,000
To Purchases	15,95,000		Less: Sale of	
Less: Machinery	45,000	15,50,000	investments	1,10,000
				22,00,000

To Freight on Purchases	25,000		By Closing Stock	2,25,000
Less: Freight on Machinery	5,000	20,000		
To Wages	66,000			
Add: O/s Wages	6,000	72,000		
To Gross Profit t/f to P&L A/c		7,08,000		
		24,25,000		24,25,000
To Salaries		1,40,000	By Gross Profit b/d	7,08,000
To Postage, Telegrams & Telephones		12,000	By Discount	15,000
To Printing & Stationery		18,000	By Interest on investment	12,000
To Miscellaneous Expenses		30,000	By Profit on Sale of Investment	10,000
To Commission on Sale	45,000			
Add: O/s	10,000	55,000		
To Insurance Paid		24,000		
Less Pre paid	8,000	16,000		
To Bad debts	15,000			
Add: Additional Bad debt	10,000			
Less: Old Provision	8,000			
Add: New Provision	12,000	29,000		
To Depreciation on Building		7,500		
To Depreciation on Machinery		52,500		
To Depreciation on Furniture		4,000		
To Net Profit t/f to Capital A/c		3,81,000		
		7,45,000		7,45,000

BALANCE SHEET AS AT 31ST MARCH, 2018

Liabilities		Rs.		Assets		Rs.	
Capital	8,00,000			Building	3,00,000		
Less: Drawings	60,000			Less: Depreciation	7,500	2,92,500	
Add: Net profit	3,81,000	11,21,000		Machinery	5,00,000		
Outstanding Wages		6,000		Add: Purchases	45,000		
Creditors		3,00,000		Add: Freight	5,000		
Outstanding Commission		10,000		Less: Depreciation	52,500	4,97,500	

			Furniture	40,000	
			Less: Depreciation	4,000	36,000
			Prepaid insurance		8,000
			Bank Balance		1,50,000
			Closing Stock		2,25,000
			Debtors	2,50,000	
			Less: Add Bad debts	10,000	
			Less: Provision	12,000	2,28,000
		14,37,000			14,37,000

Q7> Mr James submits you the following information for the year ended 31.3.2018:

Stock as on 1.4.2017	1,50,500
Purchases	4,37,000
Manufacturing Expenses	85,000
Expenses on Sales	33,000
Expenses on Administration	18,000
Financial Charges	6,000
Sales	6,25,000

During the year damaged goods costing Rs. 12,000 were sold for Rs. 5,000. Barring the above transaction the Gross Profit has been @ 20% on Sales.

Required: Compute the Net Profit of Mr James for the year ended 31.3.2018.

Sol.	TRADING AND PROFIT AND LOSS ACCOUNT			
	DR.		CR.	
FOR THE YEAR ENDED 31ST MARCH, 2018				
Particulars	Rs.	Particulars	Rs.	
To Opening Stock	1,50,500	By Sales	6,25,000	
To Purchases	4,37,000	By Closing stock (balancing figure)	1,64,500	
To Manufacturing expenses	85,000			
To Gross Profit c/d	1,17,000			

(Rs. 1,24,000- Rs. 7,000)	7,89,500		7,89,500
To Administration expenses	18,000	By Gross Profit b/d	1,17,000
To Selling expenses	33,000		
To Financial Charges	6,000		
To Net profit	60,000		
	1,17,000		1,17,000

Q8> The following is the Trial Balance of Mr. 'A' as on 31st March 2018. You are required to prepared the after Trading and Profit & Loss Account for the year ended 31st March, 2018 and Balance Sheet as on that date making the necessary adjustments.

Particulars	Debit Balance Rs.	Credit Balance Rs.
Opening Stock	5,50,000	—
Purchases and Sales	19,25,000	29,35,000
Wages and Salaries	1,25,000	—
Discount	—	2,000
Carriage inward	40,000	—
Bill Receivable and Bill Payable	2,25,000	1,85,000
Insurance	35,000	—
Debtors and Creditors	15,00,000	9,32,500
Consignor's Balance (1-4-2017)	—	4,00,000
Capital	—	8,95,000
Commission	40,000	—
Cash sent to Consignor	8,00,000	—
Interest	35,000	—
Trade Expenses	34,500	—
Furniture (1-4-2017)	60,000	—
Consignment Sales	—	6,40,000
Cash in hand and at Bank	4,22,500	—
Rent and Taxes	1,27,500	—

Sale of furniture (31-3-2018)	—	10,000
Charges paid against Consignment	80,000	—
	59,99,500	59,99,500

Adjustments:

- (a) Closing Stock was valued at Rs. 8,00,000 (including stock of stationery Rs. 800)
- (b) Bill receivable include a dishonoured bill of Rs. 8,000.
- (c) Trade expenses include payment for stationery of Rs. 22,500.
- (d) Stock in the beginning include stock of stationery Rs. 1,800.
- (e) Furniture sold was appearing in the Balance Sheet on 31st March, 2018 at Rs. 13,000.
- (f) Creditors at the end include creditors for stationery Rs. 3,000 for credit purchases.
- (g) Commission receivable on sale of consignment is Rs. 40,000.
- (h) Stationery of Rs. 2,000 was consumed by Mr 'A'.
- (i) Make provision for bad and doubtful debts at 5% on debtors.
- (j) Depreciate furniture at 10% p.a.

Sol :

TRADING AND PROFIT AND LOSS ACCOUNT OF MR A

Dr.

FOR THE YEAR ENDED 31ST MARCH, 2018

Cr.

Particulars		Rs.	Particulars		Rs.
To Opening Stock	5,50,000		By Sales		29,35,000
Less: Stock of stationery	1,800	5,48,200	By Closing Stock	8,00,000	
To Purchases	19,25,000		Less: Stock of Stationery	800	7,99,200
Less: Stationery	3,000	19,22,000			
To Wages and Salaries		1,25,000			
To Carriage inward		40,000			
To Gross Profit c/d		10,99,000			
		37,34,200			37,34,200
To Insurance		35,000	By Gross Profit b/d		10,99,000

To Commission		40,000	By Discount		2,000
To Interest		35,000	By Commission from		40,000
To Rent & taxes		1,27,500	consignment business		
To Trade expenses	34,500				
Less: Stationery	22,500	12,000			
To Stationery consumed		24,500			
To Provision for doubtful debts		75,400			
To Loss on sale of furniture		1,700			
To Depreciation on furniture		6,000			
To Net profit t/f to Capital A/c		7,83,900			
		11,41,000			11,41,000

BALANCE SHEET OF MR A AS AT 31 ST MARCH, 2018

Liabilities		Rs.	Assets		Rs.
Capital	8,95,000		Furniture	60,000	
Add: Net Profit	7,83,900		Less: Furniture sold	11,700	
Less: Drawings	2,000	16,76,900	Less: Depreciation	6,000	42,300
Consignor's balance		1,20,000	Debtors	15,00,000	
Creditors for goods		9,29,500	Add: B/R Dish	8,000	
Creditors for stationery		3,000	Less: Provision	75,400	14,32,600
Bills payable		1,85,000	Bill Receivable	2,25,000	
			Less: B/R Dish	8,000	2,17,000
			Closing Stock		7,99,200
			Stock of stationery		800
			Cash in hand & at Bank		4,22,500
		29,14,400			29,14,400

Working Notes:

(i) Dr.		CONSIGNOR'S ACCOUNT		Cr.	
Particulars	Rs.	Particulars	Rs.		
To Cash	8,00,000	By Balance b/d		4,00,000	
To Charges	80,000	By Consignment sales		6,40,000	
To Commission	40,000				
To Balance c/d	1,20,000				
	10,40,000			10,40,000	

(ii) Loss on sale of furniture = (Rs.13,000 x 10%) - Rs.10,000 = Rs.1,700

(iii) Dr.		STATIONERY ACCOUNT		Cr	
Particulars	Rs.	Particulars	Rs.		
To Balance b/d	1,800	By Drawing		2,000	
To Cash purchases	22,500	By Profit & loss A/c		24,500	
To Credit purchases	3,000	(stationery consumed)			
		By Balance c/d		800	
	27,300			27,300	

Q9> Mr. Neel had prepared the following Trial Balance from his ledger as on 31st March, 2018

Particulars	Debit Balance Rs.	Credit Balance Rs.
Opening Stock	5,00,000	
Purchases and Returns	31,00,000	45,000
Sales and Returns	55,000	41,50,000
Cash & Bank	7,50,000	
Capital & Drawings	45,000	22,59,200
Rates and Taxes	50,000	
Salaries	95,000	
Postage and Telegram	1,05,000	
Insurance	90,000	
Salesman Commission	78,000	

Printing and Stationery	95,500	
Advertisement	1,70,000	
Furniture and Fittings	5,50,000	
Motor Car	48,000	
Discounts	50,000	75,000
General Expenses	65,700	
Carriage Inwards	10,000	
Carriage Outwards	22,000	
Wages	50,000	
Sundry Debtors/Creditors	10,00,000	4,00,000
Total	69,29,200	69,29,200

Additional Information:

(a) Closing Stock Rs. 1,45,000.

(b) Neel had withdrawn goods worth Rs. 50,000 during the year.

(c) Purchases include Purchase of furniture worth Rs. 1,00,000.

(d) Debtors include Rs. 50,000 bad debts.

(e) Sales include goods worth Rs. 1,50,000 sent out to NN & Co. on approval and remained unsold as on 31st March, 2018. The cost of the goods was Rs. 1,00,000/.

(f) Provision for Doubtful Debts is to be created at 5% of Sundry Debtors.

(g) Depreciate Furniture and Fittings by 10% and Motor Car by 20%.

(h) The salesman is entitled to a commission of 10% on total sales.

You are required to prepare Trading and Profit & Loss Account for the year ended on 31st March, 2018 and Balance Sheet

Sol:

TRADING AND PROFIT AND LOSS ACCOUNT

Dr.

FOR THE YEAR ENDED 31 ST MARCH, 2018

Cr.

Particulars	Rs.	Particulars	Rs.
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To Opening Stock		5,00,000	By Sales	41,50,000	
To Purchases	31,00,000		Less: Returns	55,000	
Less: Returns	45,000		Less: Sent on approval	1,50,000	39,45,000
Less: For personal Use	50,000		By Closing Stock	1,45,000	
Less: Furniture	1,00,000	29,05,000	Add: Cost of goods sent on approval	1,00,000	2,45,000
To Carriage Inwards		10,000			
To Wages		50,000			
To Gross Profit c/d		7,25,000			
		41,90,000			41,90,000
To Rates and Taxes		50,000	By Gross Profit b/d		7,25,000
To Salaries		95,000	By Discounts Received		75,000
To Postage and Telegram		1,05,000	By Net Loss		5,02,300
To Salesman's Commission	78,000				
Add: O/s	3,16,500	3,94,500			
To Insurance		90,000			
To Advertisement		1,70,000			
To Printing and Stationery		95,500			
To Bad Debts		50,000			
To Provision for Doubtful Debts (5% of Rs. 8,00,000)		40,000			
To Discounts Allowed		50,000			
To General Expenses		65,700			
To Carriage Outwards		22,000			
To Depreciation: Furniture and Fittings	65,000				
Motor Car	9,600	74,600			
		13,02,300			13,02,300

BALANCE SHEET OF MR. NEEL AS ON 31 ST MARCH 2018

<i>Liabilities</i>		<i>Rs.</i>	<i>Assets</i>		<i>Rs.</i>
<i>Capital</i>	<i>22,59,200</i>		<i>Furniture & Fittings</i>	<i>5,50,000</i>	
<i>Less: Net Loss</i>	<i>5,02,300</i>		<i>Add: Addition</i>	<i>1,00,000</i>	
<i>Less: Drawings</i>			<i>Less: Dep</i>	<i>65,000</i>	<i>5,85,000</i>
<i>(45,000 + 50,000)</i>	<i>95,000</i>	<i>16,61,900</i>	<i>Motor Car</i>	<i>48,000</i>	
<i>Sundry Creditors</i>		<i>4,00,000</i>	<i>Less: Dep</i>	<i>9,600</i>	<i>38,400</i>
<i>O/s Salesman's Commission</i>		<i>3,16,500</i>	<i>Sundry Debtors</i>	<i>10,00,000</i>	
			<i>Less: on approval</i>	<i>1,50,000</i>	
				<i>8,50,000</i>	
			<i>Less: Bad Debts</i>	<i>50,000</i>	
			<i>Less: Provision</i>	<i>40,000</i>	<i>7,60,000</i>
			<i>Cash & Bank</i>		<i>7,50,000</i>
			<i>Closing Stock</i>	<i>1,45,000</i>	
			<i>Add: Sent on approval</i>	<i>1,00,000</i>	<i>2,45,000</i>
		<i>23,78,400</i>			<i>23,78,400</i>

Q10> The following are the balances as at 31st March, 2018 extracted from the books of Mr. XYZ.

	<i>Rs.</i>		<i>Rs.</i>
<i>Plant and Machinery</i>	<i>19,550</i>	<i>Bad debts</i>	<i>1,100</i>
<i>Furniture and Fittings</i>	<i>10,250</i>	<i>Bad debt recovered</i>	<i>450</i>
<i>Bank Overdraft</i>	<i>80,000</i>	<i>Salaries</i>	<i>22,550</i>
<i>Capital Account</i>	<i>65,000</i>	<i>Salaries payable</i>	<i>2,450</i>
<i>Drawings</i>	<i>8,000</i>	<i>Prepaid rent</i>	<i>300</i>
<i>Purchases</i>	<i>1,60,000</i>	<i>Rent</i>	<i>4,300</i>
<i>Opening Stock</i>	<i>32,250</i>	<i>Carriage inward</i>	<i>1,125</i>
<i>Wages</i>	<i>12,165</i>	<i>Carriage outward</i>	<i>1,350</i>
<i>Provision for doubtful debts</i>	<i>3,200</i>	<i>Sales</i>	<i>2,15,300</i>
<i>Provision for Discount on debtors</i>	<i>1,375</i>	<i>Advertisement Expenses</i>	<i>3,350</i>
<i>Sundry Debtors</i>	<i>1,20,000</i>	<i>Printing and Stationery</i>	<i>1,250</i>

Sundry Creditors	47,500	Cash & Bank	4,575
Interest paid on loan	3,000	Office Expenses	10,160

Additional Information:

(a) Purchases include sales return of Rs. 2,575 and sales include purchases return of Rs. 1,725.

(b) Goods withdrawn by Mr XYZ for own consumption Rs. 3,500 included in purchases.

(c) Wages paid in the month of April for installation of Plant and Machinery amounting to Rs. 450 were included in wages account.

(d) Free samples distributed for Publicity costing Rs. 825.

(e) Create a provision for doubtful debts @ 5% and provision for discount on debtors @ 2.5%.

(f) Depreciation is to be provided on Plant and Machinery @ 15% p.a. and on furniture and fittings @ 10% p.a.

(g) Bank overdraft is secured against hypothecation of stock. Bank overdraft outstanding as on 31.3.2018 has been considered as 80% of real value of stock (deducting 20% as margin) and after adjusting the marginal value 80% of the same has been allowed to draw as on overdraft.

Required: Prepare a trading and Profit Loss Account for the year ended 31st March, 2018, and a Balance Sheet as on that date. Also show the rectification entries.

Sol:

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Particulars			L.F.	Dr. (Rs.)	Cr. (Rs.)
(i)	Returns Inward A/c	Dr.		2,575	
	Sales A/c	Dr.		1,725	
	To Purchases A/c				2,575
	To Returns outward A/c				1,725
	(Being sales return and purchases return wrongly included in purchases and sales respectively, now rectified)				
(ii)	Drawings A/c	Dr.		3,500	
	To Purchases A/c				3,500

	(Being goods withdrawn for own consumption included in purchases, now rectified)			
(iii)	Plant and Machinery A/c	Dr.		450
	To Wages A/c (Being wages paid for installation of plant and machinery wrongly debited to wages, now rectified)			450
(iv)	Advertisement expenses A/c	Dr.		825
	To Purchases A/c			825
	(Being free samples distributed for publicity out of purchases, now rectified)			

TRADING AND PROFIT AND LOSS ACCOUNT

Dr.

FOR THE YEAR ENDED 31ST MARCH, 2018

Cr.

Particulars		Rs.	Particulars		Rs.
To Opening Stock		32,250	By Sales	2,13,575	
To Purchases	1,53,000		Less: Sales returns	2,575	2,11,000
Less: Returns	1,725	1,51,225	By Closing Stock		
To Carriage inward		1,125	[80,000 × (100/80) × (100/80)]		1,25,000
To Wages		11,715			
To Gross profit c/d		1,39,535			
		3,36,000			3,36,000
To Salaries		22,550	By Gross profit b/d		1,39,535
To Rent		4,300	By Bad debts recovered		450
To Advertisement expenses		4,175			
To Printing and stationery		1,250			
To Bad debts		1,100			
To Carriage outward		1,350			
To Provision for doubtful debts					
5% of Rs. 1,20,000	6,000				
Less: Existing provision	3,200	2,800			
To Provision for discount on debtors					
2.5% of Rs. 1,14,000	2,850				
Less: Existing provision	1,375	1,475			

To Depreciation:					
Plant and Machinery	3,000				
Furniture and Fittings	1,025	4,025			
To Office expenses		10,160			
To Interest on loan		3,000			
To Net t/f to Capital A/c		83,800			
		1,39,985			1,39,985

BALANCE SHEET OF MR XYZ AS AT 31ST MARCH, 2018

Liabilities		Rs.	Assets		Rs.
Capital account:			Plant and machinery	20,000	
Opening Balance	65,000		Less: Depreciation	3,000	17,000
Add: Net profit	83,800		Furniture and fittings	10,250	
Less: Drawings	11,500	1,37,300	Less: Depreciation	1,025	9,225
Bank overdraft		80,000	Closing Stock		1,25,000
Sundry creditors		47,500	Sundry Debtors	1,20,000	
Payable salaries		2,450	Less: Provision for		
			doubtful debts	6,000	
			Less: Provision for	2,850	1,11,150
			Discount		
			Prepaid rent		300
			Cash & bank		4,575
		2,67,250			2,67,250

Q11> From the following Trial Balance of Shri Shivam as on 31st March, 2018, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as on that date, after making the necessary adjustment as mentioned hereunder:

Particulars	Debit Balance Rs.	Credit Balance Rs.
Capital & Drawings	24,000	1,60,000
Furniture and fixtures	8,000	—

Plant and machinery	60,000	—
Patents (ten years from 1.4.2017)	40,000	—
Opening Stock	40,000	
Purchases & Sales	1,70,000	2,64,000
Salaries	14,800	—
Wages	30,000	—
Sundry Debtors & Creditors	20,400	24,000
Land	28,350	—
Loan from Shyam (at 6% from 1.10.2017)	—	20,000
Postage and fax	3,000	—
Rent, rates and taxes	7,200	—
Bad debts	800	—
Discount	—	1,200
Carriage inward	400	
Interest on loan	300	
Insurance	1,600	
Travelling expenses	1,000	
Sundry expenses	600	
Cash & Bank	33,750	
Bank overdraft	—	15,000
Total	4,84,200	4,84,200

Adjustments:

(a) Closing Stock is valued at Rs. 30,000

(b) A new machine was installed on 1 st April, 2017 for Rs. 3,000. No entry in this respect was passed in the books. Wages of Rs. 1,000 paid for installing the machine were debited to Wages Account.

(c) Of the sundry debtors, Rs. 200 are bad and are to be written off. You are required to maintain a provision for doubtful debts @ 5% on debtors and provision for discount on debtors @2%.

(d) Goods costing Rs. 2,000 were given away as free samples for publicity.

(e) Depreciate Plant and Machinery at 20% per annum and Furniture and Fixtures at 10% per annum.

(f) On 1.4.2004 machinery of the value of Rs. 10,000 was destroyed by fire and the insurance claim settled at 2 8,000 was credited to Machinery Account.

(g) Goods for Rs. 1,200 were sent to a customer at a profit of 20% on cost on 30th March, 2018 on sale or return basis. This was recorded as actual sales.

Sol.

TRADING AND PROFIT AND LOSS ACCOUNT

Dr.

for the year ended 31st March, 2018

Cr.

Particulars		Rs.	Particulars		Rs.
To Opening Stock		40,000	By Sales	2,64,000	
To Purchases	1,70,000		Less: Sent for approval	1,200	2,62,800
Less: Free samples	2,000	1,68,000	By Closing stock	30,000	
To Carriage Inward		400	Add: Sent for approval	1,000	31,000
To Wages	30,000				
Less: Installation	1,000	29,000			
To Gross Profit c/d		56,400			
		2,93,800			2,93,800
To Rent, rates and taxes		7,200	By Gross profit b/d		56,400
To Salaries		14,800	By Discount received		1,200
To Postage and fax		3,000			
To Sundry expenses		600			
To Travelling expenses		1,000			
To Interest on loan	300				
Add: Accured interest	300	600			
To Advertising		2,000			
To Insurance		1,600			
To Loss of machinery by fire		2,000			
To Bad debts	800				
Add: Written off	200				
Add: Provision	950	1,950			
To Provision for Discount on debtors		361			
To Depreciation:					
Plant and machinery	12,400				

Furniture and fixtures	800				
Patents	4,000	17,200			
To Net Profit t/f to Capital a/c		5,289			
		57,600			57,600

BALANCE SHEET OF MR XYZ AS ON 31 ST MARCH, 2018

Liabilities		Rs.	Assets		Rs.
Capital Account			Land		28,350
Opening Balance	1,60,000		Plant and machinery	60,000	
Add: Net Profit	5,289		Add: Purchased	3,000	
Less: Drawings	24,000	1,41,289	Add: installation charges	1,000	
Loans from Shyam @6%	20,000		Less: Loss by fire	2,000	
Add: Accrued interest	300	20,300		62,000	
Sundry Creditors		24,000	Less: Depreciation	12,400	49,600
Creditor for machinery		3,000	Patents	40,000	
Bank Overdraft		15,000	Less: Depreciation	4,000	36,000
			Furniture & Fixtures	8,000	
			Less: Depreciation	800	7,200
			Closing Stock	30,000	
			Add: with Customers	1,000	31,000
			Debtors	20,400	
			Less: Sent on approval	1,200	
			Less: Bad debts w/o	200	
				19,000	
			Less: Provision doubtful	950	
			debts @ 5%	18,050	
			Lesss: Provision for		
			discount @2%	361	17,689
			Cash & bank		33,750
		2,03,589			2,03,589

Q12> The following is the Trial Balance of Mr X on 31.3.2018. Prepare a Trading and Profit and Loss

Account for the year 2017-2018 and Balance Sheet as at 31.3.2018 from it.

Debit Balances	Rs.	Credit Balances	Rs.
Purchases	1,80,000	Sales	2,05,000
Opening Stock	10,000	Loans (10%)	10,000
Salary Less P.F.	5,400	Creditors	15,000
P.F. remittance including		Capital	55,000
Proprietor's contribution 50%	1,200		
Rent @ 250 p.m.	2,750		
Machinery	29,000		
Wages	3,000		
Furniture & Fittings	5,000		
Electricity	550		
Trade Expenses	1,500		
Debtors	10,500		
Interest on Loan	900		
Commission	200		
Buildings	30,000		
Drawings	5,000		
	2,85,000		2,85,000

Additional Information:

On 1.4.2017, machinery worth Rs. 5,000 was sold for Rs. 4,000 and credited to Sales account. Wages

include 1,000 paid for machinery erection charges. Purchases include cost of Moped Scooter for Rs. 5,000.

Proprietor has taken goods costing Rs. 1,000 for which no entry has been made. Sundry debtors include

Rs. 500 which have become bad. Provide 10% provision for doubtful debts. Electricity outstanding Rs. 50.

Goods costing Rs. 5,000 were destroyed by fire, and insurance claim was received for Rs. 4,000. Provide

depreciation @ 10% on machinery, furniture and moped. Provide depreciation @ 5% on building. Closing

stock is Rs. 12,000.

Sol :

TRADING AND PROFIT & LOSS ACCOUNT

DR.

for the year ending on 31st March, 2018

CR.

Particulars		Rs.	Particulars		Rs.
To Opening Stock		10,000	By Sales	2,05,000	
To Purchases	1,80,000		Less: Sales of Machs.	4,000	2,01,000
Less: Cost of Moped	5,000		By Closing Stock		12,000
Less: Loss of stock	5,000				
Less: Drawings of goods	1,000	1,69,000			
To Wages	3,000				
Less: Machinery erection charged	1,000	2,000			
To Gross Profit c/d		32,000			
		2,13,000			2,13,000
To Salaries	5,400		By Gross Profit b/d		32,000
Add: PF (employees share)	600				
Add: PF (employer share)	600	6,600			
To Rent	2,750				
Add: Outstanding	250	3,000			
To Electricity	550				
Add: Outstanding	50	600			
To Trade Expenses		1,500			
To Interest on loan	900				
Add: Outstanding	100	1,000			
(10/100×10,000-900)					
To Commission		200			
To Bad debts		500			
To Provision for doubtful debts		1,000			
To Stock destroyed by fire		1,000			
To Loss on sale of Machinery					
(Rs. 5,000 — Rs. 4,000)		1,000			
To Depreciation:					
Building	1,500				
Machinery	2,900				

Moped Scooter	500			
Furniture	500	5,400		
To Net Profit t/f to Capital		10,200		
		32,000		32,000

BALANCE SHEET

As at 31st March, 2018

Liabilities		Rs.	Assets		Rs.
Capital:			Building	30,000	
Opening Balance	55,000		Less: Depreciation	1,500	28,500
Less: Drawings	5,000		(5,100 x Rs. 30,000)		
Less: Drawing of goods	1,000		Machinery	29,000	
Add: Net Profit	10,200	59,200	Add: Erection	1,000	
Creditors		15,000	Less: Loss on Sale	1,000	
10% of Loan		10,000	(Rs. 5,000- Rs. 4,000)	29,000	
O/s Electricity Expenses		50	Less: Depreciation	2,900	26,100
O/s Rent		250	(10/100x29,000)		
O/s Interest or Loan		100	Moped Scooter	5,000	
			Less: Depreciation	500	
			(10/100x5,000)		4,500
			Furniture	5,000	
			Less: Depreciation	500	
			(10/100 x 5,000)		4,500
			Closing Stock		
			Debtors	10,500	12,000
			Less: Add. Bad debts	500	
			Less: Provision		
			(10/100 x 10,000)	1,000	9,000
		84,600			84,600

Q13> From the following particulars prepare the Trading and Profit and Loss Account for the year 2017- 2018 and Balance Sheet as on 31.3.2018 of Mr X.

Particulars	Debit Balance Rs.	Credit Balance Rs.
Building	50,000	
Machinery	22,000	
Furniture	10,000	
Bank	9,000	
Cash	1,000	
10% Loan (since 1.4.2017)		30,000
Capital		52,000
Debtors/Creditors	50,000	40,000
Opening Stock	12,000	
Purchases>Returns	2,50,000	10,000
Sales>Returns	12,000	3,22,000
Rent	6,000	
Establishment	16,000	
P.F. deducted from Salaries		1,000
Interest on loan	2,000	
Electricity	1,000	
Phone	1,000	
Commission	6,000	
Insurance Premium	1,000	
Bad Debts	2,000	
Bills Receivable	4,000	
	4,55,000	4,55,000

Provide depreciation on Building @ 5%, Machinery @ 15% and Furniture @ 10%. Stock was not taken on

31.03.2018 but only on 7th April. The transactions from 1st April to 7th April are—Sales Rs. 25,000.

Purchases Rs. 15,000, Stock on 7th April Rs. 18,000 and the Gross Profit 20%. During the year machinery

to the value of Rs. 10,000 was destroyed by fire and the insurance claim was settled at Rs. 8,000 and

credit to Machinery Account. Also provide—Employers' share of P.F. Rs.1,000. Provision for Doubtful Debts

at 5%, Commission to the Manager @ 10% on net profit after providing the commission.

Sol.

TRADING AND PROFIT & LOSS ACCOUNT

Dr.	for the year ending on 31st March, 2018		Cr.
Particulars	Rs.	Particulars	Rs.
To Opening Stock		By Sales	3,22,000
To Purchases	2,50,000	Less: Returns	12,000
Less: Returns	10,000	By Closing Stock:	
To Gross Profit c/d	81,000	(Stock 7th Jan)	18,000
		Add: Cost of sale	20,000
		during 1st Apr. to 7th Apr. (80/100x25,000)	
		Less: Purchases during 1st	15,000
		Apr. to 7th Apr.	23,000
	3,33,000		3,33,000
To Rent	6,000	By Gross Profit b/d	81,000
To Establishment	6,000		
To Provident Fund Contribution	1,000		
To Interest on Loan 2,000			
Add: Outstanding 1,000	3,000		
To Electricity	1,000		
To Phone	1,000		
To Commission	6,000		
To Insurance	1,000		
To Bad Debts	2,000		
To Loss on machine destroyed			
by fire (Rs. 10,000- Rs. 8,000)	2,000		
To Depreciation on Building	2,500		
To Depreciation on Machinery	3,000		
To Depreciation on Furniture	1,000		
To Provision for Doubtful Debts	2,500		
To Provision for Manager's Commission	3,000		
(10/110 x Rs. 33,000)			
To Net Profit t/f to Capital A/c	30,000		

	81,000		81,000
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BALANCE SHEET

As at 31st March, 2018

Liabilities		Rs.	Assets		Rs.
Capital Account:			Building	50,000	
Opening Balance	52,000		Less: Depreciation	2,500	47,500
Add: Profit	30,000	82,000			
Loan		30,000	Machinery	22,000	
O/s Interest on Loan		1,000	Less: Destroyed by fire	10,000	
Sundry Creditors		40,000	Add: Insurance Claim	8,000	
Provident Fund:			Less: Depreciation	3,000	17,000
Employees: Contribution	1,000		Furniture	10,000	
Employer's Contribution	1,000	2,000	Less: Depreciation	1,000	9,000
O/s Manager's Commission		3,000	Stock in trade		23,000
			Debtors	50,000	
			Less: Provision	2,500	47,500
			Bills Receivable		4,000
			Cash at Bank		9,000
			Cash in hand		1,000
		1,58,000			1,58,000

Q14> From the following trial balance of Mr. X, prepare Trading and Profit and Loss Account for the year ending on 31st March 2018, and Balance Sheet as on that date after taking into consideration the adjustment given at the end of the trial balance:—

TRIAL BALANCE AS AT 31ST MARCH, 2018

Debit Balances	Rs.	Credit Balances	Rs.
Purchases (adjusted)	3,49,600	Sales	3,70,000
Wages	10,450	Capital Account	34,250
National Insurance	150	Discount earned	300
Carriage Inwards	200	Creditors	10,000

Carriage Outwards	250	Dividends Received	150
Lighting	300		
Rates and Insurance (including premium of Rs. 150 p.a. paid up to 30th Sept 2018)	200		
Stock at 31.3.2018	30,625		
Cash & bank	875		
Plant and Machinery	15,000		
Discount Allowed	50		
Debtors	3,000		
Furniture	4,000		
	4,14,700		4,14,700

Adjustments:

(a) National Insurance also includes employee's contribution of Rs. 75. Wages are shown "Net" after deducting national insurance contribution borne by the employee,

(b) Owing to the nature of employment, some employees are housed in the building of the business.

The rental value of such portion is assessed at Rs. 250 p.a. The benefit to the employee treated as wages and the rental as income for Mr X.

(c) Depreciate Plant and Machinery @ 15% p.a. and Furniture @ 10% p.a.

(d) Goods costing Rs. 2,000 given by Mr. X. to his son.

(e) The Manager is entitled to a commission of 20% of the Net Profit after charging his commission.

(Calculation may be made nearest to the multiple of a Rupee).

Sol.

TRADING AND PROFIT & LOSS ACCOUNT

for the year ending on 31st March, 2018

Particulars		Rs.	Particulars	Rs.
To Purchases	3,49,600		By Sales	3,70,000
Less: Drawings	2,000	3,47,600		
To Wages	10,450			
Add: Employees Contribution				

to National Insurance	75			
Add: Employer's Contribution				
to National Insurance	75			
Add: Rental Value of free				
Accommodation	250	10,850		
To Carriage Inwards		200		
To Gross Profit c/d		11,350		
		3,70,000		3,70,000
To Carriage Outward		250	By Gross Profit b/d	11,350
To Lighting		300	By Discount earned	300
To Rates & Insurance	200		By Dividends received	150
Less: Prepaid	75	125	By Rental Value of Free	
To Discount Allowed		50	Accommodation	250
To Depreciation P & M (15,100x15,000)		2,250		
To Depreciation on Furniture (10/100x4,000)		400		
To Manager's Commission (20/120 x 8,675)		1,446		
To Net Profit t/f to Capital A/c		7,229		
		12,050		12,050

BALANCE SHEET AS AT 31 ST MARCH, 2018

Liabilities		Rs.	Assets		Rs.
Capital Account:			Plant & Machinery	15,000	
Opening Balance	34,250		Less: Depreciation	2,250	12,750
Less: Drawings	2,000		Furniture	4,000	
(goods given to son)	32,250		Less: Depreciation	400	3,600
Add: Net Profit	7,229	39,479	Stock-in-trade		30,625
Sundry Creditors		10,000	Sundry Debtors		3,000
Manager's Commission			Prepaid Insurance		75
(yet to be paid)		1,446	Cash & Bank		875
		50,925			50,925

Q15> Mr. Fazhil is a proprietor in business of trading. An abstract of his Trading and P&L account is as

follows:

(Nov 2018)

Trading and P&L A/c for the year ended 31st March, 2018

Particulars	(₹)	Particulars	(₹)
To Cost of Goods sold	<u>22,00,000</u>	By Sales	45,00,000
To Gross Profit C/d	_____?		<u>45,00,000</u>
		By Gross Profit B/d	_____?
To Salaries paid	12,00,000	By Other Income	45,000
To General Expenses	6,00,000		
To Selling Expenses	_____?		
To Commission to Manager (On net profit before charging such commission)	<u>1,00,000</u>		_____
To Net Profit	_____?		_____?
	_____?		_____?

Selling expenses amount to 1% of total Sales. You are required to compute the missing figures.

Sol :

Trading and P&L A/c for the year ended 31st March 2018

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Cost of Goods Sold	22,00,000	By Sales	45,00,000
To Gross Profit c/d	23,00,000		
	45,00,000		45,00,000
To Salaries A/c	12,00,000	By Gross Profit b/d	23,00,000
To General Expenses	6,00,000	By Other Income	45,000
To Selling Expenses (1% of 45,00,000)	45,000		
To Commission to Manager (on Net Profit before charging such commission)	1,00,000		
To Net Profit	4,00,000		
	<u>23,45,000</u>		<u>23,45,000</u>

Q16> Following particulars are extracted from the books of Mr. Sandeep for the year ended 31st December, 2018.

Particulars	Amount	Particulars	Amount
Debit Balances:	₹	Credit Balances:	₹
Cash in hand	1,500	Capital	16,000
Purchase	12,000	Bank overdraft	2,000
Sales return	1,000	Sales	9,000
Salaries	2,500	Purchase return	2,000
Tax and Insurance	500	Provision for Bad debts	1,000
Bad debts	500	Creditors	2,000
Debtors	5,000	Commission	500
Investments	4,000	Bills payable	2,500
Opening stock	1,400		
Drawings	2,000		
Furniture	1,600		
Bills receivables	3,000		
	35,000		35,000

Other information :

(i) Closing stock was valued at Rs 4,500

(ii) Salary of Rs 100 and Tax of Rs 200 are outstanding whereas insurance Rs 50 is prepaid.

(iii) Commission received in advance is Rs 100.

(iv) Interest accrued on investment is Rs 210

(v) Interest on overdraft is unpaid Rs 300

(vi) Reserve for bad debts is to be kept at Rs 1,000

(vii) Depreciation on furniture is to be charged @ 10%

You are required to prepare the final accounts after making above adjustments.

(May 2019)

SOL.:

**Trading & Profit and Loss Account of
Mr. Sandeep for the year ended 31st December, 2018**

Particulars	₹	₹	Particulars	₹	₹
To Opening Stock		1,400	By Sales	9,000	
To Purchase	12,000		Less: Sales return	(1,000)	8,000
Less: Purchase return	(2,000)	10,000	By Closing stock		4,500
To Gross Profit		<u>1,100</u>			
		<u>12,500</u>			<u>12,500</u>
To Salary	2,500		By Gross Profit		1,100
Add: Outstanding salary	<u>100</u>	2,600	By Commission	500	
To Tax & Insurance	500		Less: Advance	(100)	400
Add: Outstanding Prepaid insurance	(50)	650	By Accrued interest		210
To Bad debt	500		By Net Loss		2,500
Opening provision	(1,000)				
Closing provision	<u>1,000</u>	500			
To Interest on overdraft		300			
To Depreciation on furniture		160			
		<u>4,210</u>			<u>4,210</u>

Balance Sheet of Mr. Sandeep as on 31.3.2018

Particulars	₹	₹	Particulars	₹	₹
Capital	16,000		By Furniture	1,600	
Less: drawing	(2,000)		Less: Depreciation	(160)	1,440
Net loss	(2,500)	11,500	Bill receivable		3,000
Bank overdraft	2,000		Investment	4,000	
Add: interest	<u>300</u>	2,300	Add: accrued interest	<u>210</u>	4,210
Creditors		2,000	Debtors	5,000	
Bills payable		2,500	Less: Provision on bad debts	(1,000)	4,000
Outstanding expenses:			Closing stock		4,500
Salary	100		Cash in hand		1,500
Tax	<u>200</u>	300	Prepaid insurance		50
Commission received in advance		100			
		<u>18,700</u>			<u>18,700</u>

Q17> Shyamal runs a factory, which produces detergents. Following details were available in respect of his manufacturing activities for the year ended 31-03-2019. (Nov 2019)

Opening work-in-progress (9000 units)	26,000
Closing work-in-progress (14,000 units)	48,000
Opening inventory of Raw Materials	2,60,000
Closing inventory of Raw Materials	3,20,000
Purchases	8,20,000
Hire charges of Machinery @ Rs 0.70 per unit manufactured	
Hire charges of factory	2,60,000
Direct wages-contracted @ Rs 0.80 per unit manufactured & @ Rs 0.40 per unit of closing W.I.P.	
Repairs and maintenance	1,80,000

Units produced - 5,00,000 units

You are required to prepare a Manufacturing Account of Mr. Shyamal for the year ended 31-03-2019.

SOL.

In the Books of Mr. Shyamal

Manufacturing Account for the Year ended 31.03.2019

Particulars		Units	Amount ₹	Particulars	Units	Amount ₹
To Opening Work-in-Process		9,000	26,000	By Closing Work-in-Process	14,000	48,000
To Raw Materials Consumed:				By Trading A/c – Cost of finished goods transferred	5,00,000	19,33,600
Opening Inventory	2,60,000					
Add: Purchases	8,20,000					
	10,80,000					
Inventory	(3,20,000)		7,60,000			
To Direct Wages – W.N. (1)			4,05,600			
To Direct expenses:						
Hire charges on Machinery – W.N. (2)			3,50,000			
To Indirect expenses:						
Hire charges of Factory			2,60,000			
Repairs & Maintenance			1,80,000			
			<u>19,81,600</u>			
						<u>19,81,600</u>

Working Notes:

(1) Direct Wages – 5,00,000 units @ ₹0.80	=	₹4,00,000
14,000 units @ ₹0.40	=	₹ 5,600
		<u>₹ 4,05,600</u>
(2) Hire charges on Machinery – 5,00,000 units @ ₹0.70	=	₹3,50,000

Q18> The balance sheet of Mittal on 1st January, 2018 was as follows:

Liabilities	Amount ₹	Assets	Amount ₹
Trade payables	16,00,000	Plant & Machinery	31,00,000
Expenses payable	2,50,000	Furniture & Fixture	4,00,000
Capital	51,00,000	Trade receivables	14,50,000
		Cash at bank	7,00,000
		Inventories	13,00,000
	69,50,000		69,50,000

During 2018, his profit and loss account revealed a net profit of Rs 15,10,000. This was after allowing for the following:

(i) Interest on capital @ 6% p.a.

(ii) Depreciation on plant and machinery @ 10% p.a. and on Furniture and Fixtures @ 5% p.a..

(iii) A provision for Doubtful debts @ 5% of the trade receivables as at 31st December 2018.

But while preparing the profit and loss account he had forgotten to provide for (1) outstanding expenses totalling Rs 1,85,000 and (2) prepaid insurance to the extent of Rs 25,000.

His current assets and liabilities on 31st December, 2018 were: Trade receivables Rs 21,00,000; Cash at bank Rs 5,20,000 and Trade payables Rs 13,84,000. During the year he withdrew Rs 6,20,000 for domestic use. Closing inventories is equal to net trade receivables at the year-end.

You are required to draw up revised Profit and Loss account and Balance Sheet at the end of the year.

(Nov 2019)

Sol.:

Profit and Loss Account (Revised)

Particulars	₹	Particulars	₹
To Outstanding expenses	1,85,000	By Balance b/d	15,10,000
To Net profit	13,50,000	By Prepaid insurance	25,000
	15,35,000		15,35,000

**Balance Sheet of Mittal
as on 31st December, 2018**

Liabilities		₹	Assets	₹	₹
Capital	51,00,000		Cash at Bank		5,20,000
Add: Net Profit	<u>13,50,000</u>		Trade receivables	21,00,000	
	64,50,000		Less: Provision for doubtful debts	(1,05,000)	19,95,000
Less: Drawings	(6,20,000)		Plant and Machinery	31,00,000	
	58,30,000		Less: Depreciation	<u>(3,10,000)</u>	27,90,000
Add: Interest on capital	3,06,000	61,36,000	Furniture & Fixtures	4,00,000	
Outstanding expenses		1,85,000	Less: Depreciation	(20,000)	3,80,000
Trade payables		13,84,000	Inventories		19,95,000
			Prepaid insurance		25,000
		<u>77,05,000</u>			<u>77,05,000</u>