

28	Purchase a/c	B/F		
29	To Sheetal Traders a/c	Dr.	7,000	
30	Kriti a/c	Dr.	6,000	7,000
	To Sales a/c		6,000	
30	Purchase a/c	Dr.	5,000	
	To Handa Traders a/c		5,000	

LEDGER →

Cash a/c					Gr.				
Dr.	Date	Particulars	C/C	Amount	Date	Particulars	C/C	Amount	Gr.
1		To balance b/d		6,000	15	By Ramesh a/c		3,700	
3		To Rahul a/c		9,200	20	By Trade expense a/c		200	
5		To Himanshu a/c		3,000	21	By Drawings a/c		1,000	
10		To Manish a/c		6,000	26	By Stationery a/c		100	
12		To Sales a/c		6,000	27	By Miscellaneous a/c		60	
24		To kushal a/c		6,000	28	By Salary a/c		2,500	
				36,200				7,560	
		To balance b/d		26,640		By balance c/d		26,640	

Bill receivable a/c					Gr.				
Dr.	Date	Particulars	C/C	Amount	Date	Particulars	C/C	Amount	Gr.
1		To balance b/d		7,000					

Dr. Bank a/c

Date	Particulars	Dr.	Amount	Date	Particulars	Dr.	Amount
1	To balance b/d	12,000		6	By Romesh a/c	6,000	
8	To Maharashtra a/c	12,000		8	By Rent a/c	1,200	
					By balance c/d	4,800	
			12,000				
	To balance b/d	4,800					12,000

Dr. Stock a/c

Date	Particulars	Dr.	Amount	Date	Particulars	Dr.	Amount
1	To balance b/d	5,400					

Dr. Rahul a/c

Date	Particulars	Dr.	Amount	Date	Particulars	Dr.	Amount
1	To balance b/d	9,700		3	By Cash a/c	9,200	
				3	By dis. a/c	500	
							9,700

Dr. Miranshu a/c

Date	Particulars	Dr.	Amount	Date	Particulars	Dr.	Amount
1	To balance b/d	10,000		5	By Cash a/c	4,000	
					By balance c/d	6,000	

Dr. Bills Payable a/c

Date	Particulars	Dr.	Amount	Date	Particulars	Dr.	Amount
				1	By balance b/d	2,000	

Dr.				Ramesh a/c				Cr.			
Date	Particulars	T/f	Amount	Date	Particulars	T/f	Amount				
6.	To Bank a/c		6,000	1	By balance b/d		3,000				
14.	To Purchase return a/c		1,000	2	By Purchase a/c		8,000				
15	To Cash a/c		3,700								
15	To Discount received a/c		300								
			11,000								
							11,000				

Dr.				Capital a/c				Cr.			
Date	Particulars	T/f	Amount	Date	Particulars	T/f	Amount				
				1	By balance b/d		45,100				

Dr.				Manish a/c				Cr.			
Date	Particulars	T/f	Amount	Date	Particulars	T/f	Amount				
1	To Sales a/c		3,000	10	By Cash a/c		3,000				

Dr.				Sales a/c				Cr.			
Date	Particulars	T/f	Amount	Date	Particulars	T/f	Amount				
	To balance c/d		25,000	1	By Manish a/c		3,000				
				12	By Cash a/c		6,000				
				18	By Kushal a/c		10,000				
				30	By Kriti a/c		6,000				
							25,000				
					By balance b/d		25,000				

Dr.				Purchase a/c				Cr.			
Date	Particulars	T/f	Amount	Date	Particulars	T/f	Amount				
2	To Ramesh a/c		8,000		By balance c/d		20,000				
29	To Sheetal Traders a/c		7,000								
30	To Handa Traders a/c		5,000								
			20,000								
	To balance b/d		20,000								

Discount allowed a/c

Date	Particulars	T/ Amount	Date	Particulars	T/ Amount
3	To Rohul a/c	500		By balance c/d	500
	To balance b/d	500			

Rent a/c

Date	Particulars	T/ Amount	Date	Particulars	T/ Amount
6	To Bank a/c	1200		By balance c/d	1200
	To balance b/d	1200			

Purchase return a/c

Date	Particulars	T/ Amount	Date	Particulars	T/ Amount
	To balance c/d	1,000	14	By Ramesh a/c	1,000
				By balance b/d	1,000

Discount received a/c

Date	Particulars	T/ Amount	Date	Particulars	T/ Amount
	To balance c/d	300	15	By Ramesh a/c	300
				By balance b/d	300

Kushal a/c

Date	Particulars	T/ Amount	Date	Particulars	T/ Amount
18	To Sales a/c	10,000	22	By sales return a/c	1,200
			24	By kushal a/c	6,000
				By balance c/d	2,800
		10,000			10,000
	To balance b/d	2,800			

Trade expenses a/c

Date	Particulars	T/ Amount	Date	Particulars	T/ Amount
20	To Cash a/c	200		By balance c/d	200
	To balance b/d	200			

Drawings a/c

Date	Particulars	T/ Amount	Date	Particulars	T/ Amount
21	To Cash a/c	1,000		By balance c/d	1,000
	To balance b/d	1,000			

Dr. Sales return a/c

Date	Particulars	If	Amount	Date	Particulars	Cr.	If	Amount
22	To kushal a/c		1,200		By balance c/d			
	To balance b/d		1,200					1,200

Dr. Stationery a/c

Date	Particulars	If	Amount	Date	Particulars	Cr.	If	Amount
26	To Cash a/c		100		By balance c/d			100
	To balance b/d		100					

Dr. Miscellaneous a/c

Date	Particulars	If	Amount	Date	Particulars	Cr.	If	Amount
27	To Cash a/c		60		By balance c/d			60
	To balance b/d		60					

Dr. Salary a/c

Date	Particulars	If	Amount	Date	Particulars	Cr.	If	Amount
28	To Cash a/c		2,500		By balance c/d			2,500
	To balance b/d		2,500					

Dr. Sheetal Traders a/c

Date	Particulars	If	Amount	Date	Particulars	Cr.	If	Amount
	To balance c/d		7,000	29	By Purchase a/c			7,000
					By balance b/d			7,000

Dr. Kniti a/c

Date	Particulars	If	Amount	Date	Particulars	Cr.	If	Amount
30	To Sales a/c		6,000		By balance c/d			6,000
	To balance b/d		6,000					

Dr. Handa Traders a/c

Date	Particulars	If	Amount	Date	Particulars	Cr.	If	Amount
	To balance c/d		5,000	30	By Purchase a/c			5,000
					By balance b/d			5,000

ERRORS of TRIAL BALANCE

Errors of Trial balance

↓ Errors affecting Trial balance

1. Wrong Casting
2. Posting on wrong side
3. Posting of wrong amount
4. Omission of posting on side of entry
5. Double posting in single a/c
6. Error of totalling & balancing the ledger amount

↓ (not disclosed) Errors not affecting trial balance

1. Error of omission
2. Error of commission
3. Error of Principle
4. Compensating error
5. Error of posting in wrong a/c

→ Error of omission → entry omitted in journal / ledger
 → Error of commission → wrong amount in journal / ledger
 → Compensating error → interchanging the entries b/w two a/c.
 ↗ By Profit & loss a/c

→ Financial Statements → Financial performance &

Financial position

↳ Through balance sheet

For Profit & loss a/c → Trading a/c → Gross profit or
 Net profit
 on
 Net loss

Related to
 manufacturing

- Salaries → Expense - Profit & loss a/c
- Wages → Trading a/c

Household expense - Not in P&L a/c
but if mentioned that it is drawn out of business, it goes to drawings in P&L a/c

Debtors - Balance Sheet

Bad debts - P&L a/c

Data

Page

- Discount received \rightarrow P&L a/c - Credit side
- Closing stock \rightarrow twice \rightarrow Trading a/c & b/s - asset
- Any entry outside trial balance - recorded twice
- Order of permanence - According to liquidity

Fact
Offic

①

②

2
658

Factory Rent, Carriage on Purchase - Dr. of Trading a/c
 office Rent, Carriage on Sales - Dr. of Profit & loss a/c

<input checked="" type="checkbox"/>	Date _____
<input type="checkbox"/>	Page _____

- Q. Prepare a Trading a/c for the year ended on 31st March, 2012 from the following balances -

Dr.		Cr.		
	Particulars	Amount	Particulars	Amount
To	Opening Stock	200,000	By Sales	25,00,000
To	Purchases	1,00,000	less Sales ret.	1,00,000
less		60,000	By Closing Stock	3,00,000
To	freight & octroi	32,500		
To	Wages	1,50,000		
To	factory lightening	54,000		
To	coal, gas & water	11,000		
To	Purchase carriage	40,000		
To	factory rent	60,000		
To	Import duty	1,60,000		
To		16,47,500		27,00,000

Gross profit 10,52,500

- Q. Price

- Q. Given below is the Trial balance of Sh. Gopi Chand as at 31st March, 2010. You are required to prepare a Trading and P & L a/c for the year ended 31st March, 2010 and B/s as at that date :-

Trading and P/L a/c for the year ending 31st March, 2010

Particulars	Amount	Particulars	Amount
To Opening Stock	45,000	By Sales	3,50,000
To purchases	1,20,000	Less	3,200
less	2,500	By Closing stock	3,46,800
To Carriage inwards	2,400		75,000
To Electric power	10,000		
To fuel, gas and water	12,000		
To dock charges	5,000		
To gross profit c/d	2,29,900		
	4,21,800		4,21,800
To carriage outwards	1,500	By gross profit b/d	2,29,900
To bad-debts	1,100	By discount received	2,000
To advertisement	25,000	By Commission	1,600
To Salary	36,000		
To motor wear	3,000		
To interest on bank loan	2,400		
To rent & insurance	24,500		
To net profit	1,40,000		
	2,33,500		2,33,500

B/S as at 31st March 2010

Liabilities	Amount	Assets	Amount
Capital	2,00,000	Office Furniture	8,000
+ Net Profit	1,40,000	Sundry Debtors	68,000
- Drawings	33,000	Cash in hand	8,100
Loan from bank	24,000	Cash at bank	30,000
Sundry Creditors	22,100	Motor Vehicles	58,000
		Business Premises	1,06,000
		Closing Stock	75,000
	3,53,100		353,100

From the following balances taken from the books of Sh. Murli Manohar, prepare Trading and Profit & loss a/c for the year ended 31st March, 2010 and a balance sheet as at that date. Stock in hand on 31st March, 2010 was Rs. 56,000.

Trading and P&L a/c for the year ending 31st March, 2010

Particulars	Amount	Particulars	Amount
To Opening Stock	15,320	By Sales	1,20,000
To Purchases	1,00,000	less	2,200
less	3,000	By Closing Stock	56,000
To Cartage	2,200		
To Factory heating & lighting	6,600		
To Stationery & Cards	25,000		
To Rent paid	15,000		
To Work expense	15,200		
To Gross profit c/d	37,480		
	1,73,800		
To Rent	15,000	By Gross Profit b/d	37,480
To Fire Insurance Premium	4,800	By Rent received	7,300
To Bank Interest	2,400	By Net loss transferred to Capital a/c	19,360
To Telephone expenses	3,000		
To advertisement expenses	5,200		
To Salaries & Wages	32,240		
To Audit fees	1,500		
	64,140		64,140

Balance Sheet as at 31st March, 2010

Liabilities	Amount	Assets	Amount
Bank overdraft	67,000	Cash at shop	800
B/P	2,120	B/R	10,000
Acc. Payable :		Acc. receivable :	
Parkhakam	16,000	Kapil	8,000
Tendulkar	7,540	Jadeja	5,000
Capital	1,30,000	Yadav	1,500
less - net loss :	19,360	Closing Stock	56,000
less - drawings :	10,000	Haus & Cart	25,000
less - life insurance		Freehold Property	81,000
premium (drawings) :	6,000		
	94,640		
	1,87,300		

Q. From the following balances prepare a Trading, P&L a/c and B/S.

Dr.		Cr.	
Particulars	Amount	Particulars	Amount
To Purchase less returns	1,60,000	By Sales less returns	5,20,000
To Commission on purchases	2,000		
To Carriage on goods purchased	8,000		
To manufacturing expenses	42,000		
To Freight & Octroi	4,400		
To Duty & Cleaning charges	5,200		
To Gross profit c/d	2,98,400		
	5,20,000		5,20,000
To Carriage on goods sold	3,500	By Gross profit b/d	2,98,400
To advertisement	7,000	By interest on investments	4,500
To lightning	6,000	By discount on purchases	3,400
To Postage & telegram	800		
To fire insurance premium	3,600		
To Office expenses	7,200		
To Audit fees	2,700		
To repair to plant	2,200		
To incidental trade expenses	3,200		
To Rent	12,000		
To discount paid	2,700		
To Net Profit	2,55,400		
	3,06,300		3,06,300

Balance Sheet as at

- Q. From the following balances, prepare final accounts as at 31st March, 2012 :-

Trading and P&L a/c as at 31st March, 2012

Particulars	Amount	Particulars	Amount
To Opening Stock	15,310	By Sales	2,56,000
To Purchases	82,400	less	4,000 2,52,000
less :-	2,400	By Closing Stock	25,400
To factory rent	18,000		
To Custom duty	11,500		
To Coal, Gas & power	6,000		
To Wages & Salary	36,600		
To Productive expenses	2,600		
To Carriage	8,700		
To Gross profit c/d	98,690		
	2,77,400		2,77,400
To Discount	7500	By Gross profit b/d	98,690
To bad debts	5,850	By Commission	1,200
To unproductive expenses	5,000	By bad debts recovered	2,000
To depreciation	4,200	By Apprentice premium	4,800
To Charity	500		
To bank charges	180		
To establishment expenses	3,600		
To interest on loan	3,000		
To Net Profit	76,860		
	1,06,690		1,06,690

Balance Sheet as at 31st March, 2012

Particulars	Amount	Particulars	Amount
Sundry Creditors	14,000	Cash in hand	4,460
Loan	25,000	Cash at bank	4,000
Capital	2,50,000	Sundry debtors	57,000
add: Net Profit:	76,860	Closing Stock	25,400
less: drawings:	48,000	Plant	42,000
	2,78,860	Leasehold building	1,50,000
	3,17,860	Goodwill	20,000
		Patents	10,000
		Trade Mark	5,000
			3,17,860

FINANCIAL STATEMENTS WITH ADJUSTMENT

Q	Date _____
QSP	Page _____

- Q. From the following Trial balance of Sh. Rama Nand Sagar, prepare Trading and P&L a/c for the year ended 31st March, 2012 and a b/s as at that date:-

Trading and P&L a/c as at 31st March, 2012

Particulars	Amount	Particulars	Amount
To Opening Stock	20,000	By Sales	2,70,000
To Purchases	80,000	less sales return	6,000
less	4,000	By Closing Stock	24,000
To Carriage inwards	3,600		
To Wages	42,000		
To Lighting	1,400		
To O/S wages	42,000		
add o/s wages	3,000		
To gross profit c/d	1,42,000		
	2,88,000		2,88,000
To Carriage outwards	8,000	By Gross profit b/d	1,42,000
To Salaries	27,500	By discount	5,200
add o/s salary	2,500		
To travelling expense	3,700		
To rent & taxes	7,200		
To general expense	10,500		
To insurance	1,500		
less prepaid ins.	300		
To depreciation:			
Plant & machinery	4,500	6,100	
Furniture	1,600	6,100	
To Net Profit	87,700		
	1,47,200		1,47,200

Balance Sheet as at 31st March, 2012

Liabilities	Amount	Assets	Amount
Bills Payable	1,800	Cash in hand	6,300
Sundry creditors	25,000	Bills receivable	2,500
o/s Salary	2,500	Sundry debtors	52,000
o/s wages	3,000	Closing Stock	24,000
Capital	75,000	Prepaid insurance	300
add: Net Profit :	87,700	Furnitures	8,000
less: drawings :	18,000	less: depreciation:	600
	1,44,700		6,400
		Plant & machinery	90,000
		less - depreciation:	4,500
			85,500
	1,77,000		1,77,000

Q. From the following trial balance of Sh. Ved Vyas, Prop.
Trading and P&L a/c for the year ended 31st March
2012 and b/s as at that date :

Trading and P&L a/c as at 31st March, 2012

Particulars	Amount	Particulars	Amount
To Purchases	2,75,000	By Sales	5,20,000
less P/L	19,000	less S/R	15,000
To Carriage	12,400	By Closing Stock	60,000
To Wages & Salaries	58,600		
To Trade expenses	2,200		
To Opening Stock	36,000		
To Gross profit c/d	1,92,000		
	5,65,000		5,65,000
To Rent insurance	2,000	By Gross profit b/d	1,92,000
To Audit fees	1,200	By Rent	13,000
To printing & advertising	5,500	By Commission	1,000
To interest on loan	1,500	add	400
To depreciation	30,000		1,400
To Net Profit	1,64,000		
	2,06,400		2,06,400
-			

B/s as at 31st March, 2012

Particulars	Amount	Particulars	Amount
Bills Payable	2,200	Cash in hand	12,800
Creditor	62,100	Cash at bank	26,800
Bank loan	20,000	Bills receivable	3,300
Capital : 2,50,000		Commission	400
add NP : 1,63,000		Debtors	1,10,000
less drawings: 15,000	3,99,000	Closing Stock	60,000
	4,83,300	Fined Asset : 3,00,000	3,00,000
		Less - depreciation : 30,000	2,70,000
			4,83,300

Q. From the following trial balance, you are required to prepare T & P&L a/c for the year ending 31st March, 2001 and a b/s as at that date:-

Trading and P&L a/c as at 31st March, 2001

Particulars	Amount	Particulars	Amount
To Opening Stock	25,000	By Sales : 7,00,000	
To Purchases : 5,55,300		less S/R : 15,000	6,85,000
less Ret. Inv.	5,000	By Closing Stock	36,000
less P/R	20,000		
To carriage inwards	5,30,300		
To Wages	4,700		
To Gross profit c/d	52,000		
	1,09,000		
	7,21,000		7,21,000
To Bad debts	1,800	By Gross profit b/d	1,09,000
add :- Provision	4,000	By discount	500
less :-	2,100	By Net loss	4,600
To Rent	3,700		
To Mis. expenses	24,000		
To Salaries	3,400		
To advertising :	68,000		
less	10,000		
	4,000		
To interest on bank overdraft	6,000		
To depreciation	7,000		
	2,000		
	1,14,100		114,100

Balance Sheet as at 31st March, 2001

Liabilities	Amount	Assets	Amount
Bank overdraft	50,000	Cash	8,900
Creditors	72,500	Debtors : 80,000	
Capital : 2,00,000		less 4,000 76,000	
less: NR- 4,600		Furnitures & Fittings: 16,000	
less: 19,000	1,76,400	add: 4,000	
		less: 2,000 18,000	
		Buildings 1,60,000	
		Closing Stock 36,000	
	2,98,900		2,98,900

a. The following is the Trial balance of Amit Majra
31st March, 2012 :-

Sales and P&L a/c as at 31st March, 2012

Particulars	Amount	Particulars	Amount
To Opening Stock	8,000	By Sales : 56,000	
To Purchases : 33,000		Less S/H : 2,300	53,700
Less P/H : 1,600	32,200	By Closing Stock	4,340
To carriage inwards	700		
To Gross profit a/c	17,180		
	58,080		58,080
To General expenses	1,200	By Gross profit b/d	17,180
To interest on bank loan : 300		By Provision for	
add: o/s : 200	500	Honest & bad debts : 700	
To insurance & taxes	2,000	Less: bad debts : 500	
To scooter expense	2,600		200
To Salaries : 4,400		Less: New provision: 150	50
add: o/s : 400	4,800	By Commission : 900	
To bank debts : 800		Less advance : 300	600
To depreciation:			
Building : 1,500			
Scooter : 600	2,100		
To Net Profit transferred to Capital a/c	4,630		
	17,830		17,830

Q. The following is the Trial balance of Amit Raj as at 31st March, 2012:

Trading and P&L a/c as at 31st March, 2012

Dr.	Particulars	Amount	Particulars	Amount	Cr.
	To Opening Stock	8,000	By Sales	56,040	
	To Purchases	33,800	less S/R	2,300	53,740
	less P/R	1,600	By Closing Stock	4,340	
	To Carriage inwards	700			
	To Gross profit c/d	17,180			
		<u>58,080</u>			58,080
	To General expenses	1,200	By Gross profit b/d	17,180	
	To interest on bank loan	300	By Provision for		
	add: o/s	: 200	Doubtful & bad debts	700	
	To insurance & taxes	2,000	Less: bad debts	: 500	
	To scooter expense	2,600		200	
	To Salaries	: 4,400	Less: New provision	: 150	50
	add: o/s	: 400	By Commission	: 900	
	To bad debts	300	Less advance	: 300	600
	To depreciation:				
	Building	1,500			
	Scooter	600			
	To Net Profit transferred to Capital a/c	4,630			
		<u>17,830</u>			17,830

Balance Sheet as at 31st March, 2012

Liabilities	Amount	Assets	Amount
Bank loan	5000	Cash in hand	2,000
add: o/s interest	200	Debtors	3,000
Creditors		less: further bad debts: 200	
o/s salaries	400		2800
Commission recd. in advance	300	less: provision for doubtful & bad debts: 150	2,650
Capital :	25,000	Closing Stock	4,340
add: NP :	4,630	Furniture	2,640
	43,530	Scooter	4,000
		less: depreciation : 600	3,400
		Building	30,000
		less: depreciation 1,500	28,500
			43,530

Generally, insurance insurance is paid for more months (till 30 June 2012), means it is paid from 1st July 2011.

Date: _____
Page: _____

From the following adjustments and with the help of Trial balance, prepare a Trading a/c, P&L & b/s as at 31st March, 2012:

Trading and P&L a/c as at 31st March, 2012

Dr.

Credit

Particulars	Amount	Particulars	Amount
To Opening Stock	15,000	By Sales : 120,000	
To Purchases : 82,000		less S/R : 2,000	118,000
less P/R : 2200	80,800	By Closing Stock	24,000
	80,800		
less: loss by fire? 6,000	74,800		
To freight & duty	2,000		
To Gross profit c/d	50,200		
	1,42,000		142,000
To insurance charges: 2400		By Gross profit b/d	50,200
less: advance 600	1,800	By discount	800
To Salaries & Wages	19,400	By Rent of premises,	
To Trade expenses	400	sublet for one year	1,200
To Postage & Telegram	800	to 30th June, 2012: 1,200	
To Carriage outwards	500	less: advance :	
To Rent, rates & taxes 1,000	4,600		
To Printing & Stationery			
less: unused stationery: 250	750		
To Bad debts : 800			
add: New provision : 1,200			
	2,000		
less: old provision: 400	1,600		
To provision for discount	376		
To depreciation : 12,000			
add	250	12,250	

First subtract bad debts from debtors & then create new provision.

First subtract bad debts provision, then give discount.

Date
Page

To loss by fine (goods) 2,000

- Q. From the following Trial balance of M/s Ajum and Sons as at 31st Dec. 2007, prepare T and P&L a/c & b/s.

Trading and P&L a/c as at 31st Dec. 2007

Dr.

Particulars	Amount	Particulars	Amount
To Opening Stock	42,000	By Sales	1,55,000
To Purchases	82,600	By Closing Stock	64,000
less: P/I/R	1,600		
To carriage inwards	1,200		
To Wages	4,000		
add: o/s wages	2,400		
To Power	6,000		
To Gross Profit c/d	82,400		
	2,19,000		219,000
To Rent	22,000	By Gross profit b/d	82,400
add: o/s rent	2,000		
To Salary	15,000		
To insurance	3,600		
To interest on bank loan	1,000		
To bad debts	600		
add: new provision	1,000		
To depreciation	1,600		
To Commission	5,000		
To Net Profit	2,927		
	29,273		
	82,400		82,400

Installation charges → added to cost price

Date	Page
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Balance Sheet as at 31st Dec, 2007

Liabilities	Amount	Assets	Amount
Bank loan	25,000	Cash in hand	1,500
add: o/s interest	1,000	Debtors	20,600
Creditors		less:- bad debts	600
o/s wages	2,400		20,000
o/s rent	2,000	less: new provision	1,000
o/s manager's commission	2,927	Closing Stock	64,000
Capital	80,000	Furniture	14,000
add:- Net Profit	29,273	Machinery	50,000
	109,273	less:- dep.	- 5,000
less :- drawings	18,000		45,000
	91,273		
	1,43,500		1,43,500

Amount charges for erection of new machinery → Capital expenditure

Q	Date _____
Page _____	

- Q. From the following Trial balance of Mr. A, prepare T/b P&L a/c for the year ending 31st March, 2012 and a b/s as at that date:-

Trading and P&L a/c as at 31st March, 2012

(Dr.)

Particulars	Amount	Particulars	Amount
To Opening Stock	40,800	By Sales	1,96,200
To Purchases	1,30,295	less : S/R :	2,400
less : P/I/R :	195	less : Sales tax	800
To Wages :-	22,525	By Closing Stock	193,000
less :-	2,000		40,925
To Octroi	500		
To Gross Profit c/d	42,000		
	2,39,925		2,39,925
To Repairs	1,675	By Gross Profit b/d	42,000
To Bad-debts :	2,310	By Loan at 10%	20,000
add: Shyam's bill:	400	By Cash discount	530
add: New provision:	1,460		
To interest on loan:	600		
add: o/s loan :	1,200		
To Salaries	8,000		
add: o/s salary :	800		
To Sales tax	800		
To insurance	1,000		
less: prepaid insurance:	250		
To Charity	750		
To Rent	2,000		
less: advance rent:	500		
To depreciation:	1,500		
Machinery	900		
Patents	2,500		
Copyrights	6,200		

Goodwill	7,000	16,500		
To Net Profit		6,510		
		8,440		
		82,530		82,530

Balance Sheet as at 31st March, 2012

Poss Liabilities	Amount	Assets	Amount
Creditors	30,305	Cash	10,000
Tools Salary	800	Prepaid insurance	250
Orks Capital:	68,900	Closing Stock	40,925
add:-		Debtors:	
Net Profit :	8,510	77,210	30,000
Loan at 12%	20,000	less:- Shyam's bill:	800
O/S interest on loan	1,800	less:- Bad debts:	2,310
		less:- New provision:	1,460
			25,430
		Machinery	16,000
		add:- erection:	2,000
		less:- depreciation:	900
			17,100
		Patents :	7,500
		less:- depreciation:	2,500
			5,000
		Copyrights :	18,600
		less:- depreciation:	6,200
			12,400
		Goodwill :	21,000
		less:- depreciation:	7,000
			14,000
		Advance Rent	500
			1,25,805

Q. The following is the Trial balance of Sh. Siya Ram as at 31st March, 2012. Prepare T and P & L a/c and b/s from the same:

Trading and P & L a/c as at 31st March, 2012
Dr.

Particulars	Amount	Particulars	Amount
To Materials purchased	1,15,725	By Sales	2,10,000
To Wages	2,725	Less: Sales on approval basis	6,400 2,03,600
To Freight	5,100		
To Gross profit c/d	65,000	By Closing Stock : 20,000	
		add: Goods sent : 5,000 25,000 on approval basis	
	2,28,600		2,28,600
To administrative expense	16,725	By Gross profit b/d	65,000
To Rent	3,100	By income from inv.	325
To prize distributed	200		
To commission paid	1,000		
To Mortgage rent	1,600		
To bad debts provision	1,500		
To depreciation:			
Furniture	800		
Loose tools	1,000		
To managers commission	2,000		
To Net Profit	38,000		
	65,925		65,925

Liabilities	Amount	Assets	Amount
Bank	12,220	Petty Cash	175
loan on mortgage	16,000	Debtors	36,400
o/s wages	800	less:-	6,400
Creditors	39,535		30,000
o/s manager's commission	2,000	less:- b/d	1,500
Capital :	81,800	Commission paid in advance	400
add: N/P	38,000	Loose tools:	5,000
less: drawings	2,500	1,17,300 less: dep.	1,000
			4,000
		Investment	8,500
		Plant	60,000
		Furniture	7,200
		Leasehold Property	50,000
		Closing Stock:	20,000
		add	5,000
			25,000
		Patents	2,000
		Suspense a/c	2,080
	1,87,855		1,87,855

Depreciation

→ Depreciation - Decrease in the value of the asset with time, technological advancement.

1. Straight line method → Fixed installment method, Equal installment method, original cost method.

Depreciation - same till the last.

$$\text{Depreciation} = \frac{\text{Cost value} - \text{Estimated Scrap value}}{\text{Tenure of use}}$$

2. Written down value method.

→ Causes of depreciation

1. By constant use
2. By expiry of time
3. By expiry of legal rights (lease)
4. By obsolescence
5. By accident
6. By depletion
7. By permanent fall in the market value.

Q. On 1st April, 2009, Atul Glass Limited purchased a Machine for ₹ 90,000 and spent ₹ 6,000 on its carriage and ₹ 4,000 on its erection. On the date of purchase, it was estimated that the effective life of the machine will be 10 years and after 10 years its scrap value will be ₹ 20,000.

Prepare Machine a/c and depreciation a/c for 4 years after providing depreciation on Fixed instalment method. Accounts are closed on 31st March every year.

$$\text{Dep.} = \frac{1,00,000 - 20,000}{10} = 8,000$$

Machine a/c				G.			
Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2009 1 April	To Bank a/c		90,000	2010 31 March	By depreciation		8,000
	To Bank a/c		6,000	2010 31 March	By balance c/d		92,000
	To Bank a/c		4,000				100,000
			1,00,000				
2010 1 April	To balance b/d		92,000	2011 31 March	By depreciation		8,000
			92,000	2011 31 March	By balance c/d		84,000
			92,000				92,000
2011 1 April	To balance b/d		84,000	2012 31 March	By depreciation		8,000
			84,000	2012 31 March	By balance c/d		76,000
			84,000				84,000
2012 1 April	To balance b/d		76,000	2013 31 March	By depreciation		8,000
			76,000	2013 31 March	By balance c/d		68,000
			76,000				76,000
2013 1 April	To balance b/d		68,000				

Depreciation a/c

Date	Particulars	J.D.	Amount	Date	Particulars	J.D.	Amount
2010 31 March	To Machine a/c		8,000	2010 31 March	By statement of P&L		8,000
2011 31 March	To Machine a/c		8,000	2011 31 March	By statement of P&L		8,000
2012 31 March	To Machine a/c		8,000	2012 31 March	By statement of P&L		8,000
2013 31 March	To Machine a/c		8,000	2013 31 March	By statement of P&L		8,000

Q. On 1st April, 2009, X Ltd. purchased a Plant and Machinery for ₹ 43,000. It was estimated that the effective life of the Plant and Machinery will be 10 years and after 10 years its scrap value will be ₹ 3,000.

On 1st April, 2010, the Company purchased additional machine for ₹ 25,000, of which the effective life will be 15 years and scrap value ₹ 2,500.

On 1st October, 2011, a new machine was purchased for ₹ 12,000, of which the scrap value will be ₹ 2,000 and effective life 20 years.

Show the Plant and Machinery a/c upto 31st March, 2013, if depreciation is provided on Straight Line Method. The accounts are closed on 31st March every year.

$$\begin{aligned}\text{Depreciation for 1st Machine} &= \frac{43,000 - 3,000}{10} \\ &= 4,000\end{aligned}$$

$$\begin{aligned}\text{Depreciation for 2nd Machine} &= \frac{25,000 - 2,500}{15} \\ &= 1,500\end{aligned}$$

$$\begin{aligned}\text{Depreciation for 3rd Machine} &= \frac{12,000 - 2,000}{20} \\ &= 500\end{aligned}$$

Plant and Machinery a/c

Date	Particulars	J.	F	Date	Particulars	J.t.	J
1 April, 2009	To Bank a/c		43,000	2010 31 March	By depreciation a/c	4,000	
				2010 31 March	By balance c/d	39,000	
			43,000			43,000	
1 April, 2010	To balance b/d		39,000	2011 31 March	By depreciation a/c	4,000	
1 April, 2010	To bank a/c		25,000	2011 31 March	By depreciation a/c	1,500	
				2011 31 March	By balance c/d 35,000		
						23,500	
			64,000				
1 April, 2011	To balance b/d		58,500	2012 31 March	By depreciation a/c: 4,000		
1 Oct. 2011	To bank a/c		12,000			1,500	
						250	
				2012 31 March	By balance c/d 31,000		
						22,000	
			70,500				
1 April, 2012	To balance b/d		64,750	2013 31 March	By depreciation a/c 4,000		
						1,500	
						500	
				2013 31 March	By balance c/d 27,000		
						20,500	
						11,250	
			64,750				
1 April, 2013	To balance c/d		58,750				

Q. On 1st April, 2009, Ashoka Ltd. purchased furniture costing ₹ 50,000. On July 1, 2012, the furniture was sold for ₹ 20,000. Prepare furniture a/c calculating depreciation @ 10% p.a. on original cost method. Accounts are closed on 31st March each year.

Furniture a/c

D.	Particulars	Dr.	C.	Date	Particulars	Dr.	C.
	April, 2009 To Bank a/c		50,000	2010 31 March	By depreciation a/c	5,000	
				2010 31 March	By balance c/d	45,000	
		50,000				50,000	
	April, 2010 To balance b/d		45,000	2011 31 March	By depreciation a/c	5,000	
				2011 31 March	By balance c/d	40,000	
		45,000				45,000	
	April, 2011 To balance b/d		40,000	2012 31 March	By depreciation a/c	5,000	
				2012 31 March	By balance c/d	35,000	
		40,000				40,000	
	1 April, 2012 To balance b/d		35,000	2012 1 July	By depreciation a/c	1,250	
				1 July	By bank a/c	20,000	
		35,000		1 July	By statement of P&L a/c	13,750	
						35,000	

$$P&L a/c = 35,000 - 1,250 - 20,000 = 13,750$$

Q. On 1st April, 2007 Manas Ltd., purchased 10 machines of ₹ 30,000 each. On 30th June 2008, one machine out of the 10 machines purchased on 1st April 2007, was sold for ₹ 24,000 and on 31st Dec. 2009 one more machine was sold for ₹ 22,500. A new machine was purchased on 30th Sept. 2010 for ₹ 32,000. The company has adopted the practice of providing depreciation at 10% p.a. on original cost of machine. The company closes its books on 31st March every year. You are required to prepare Machinery account upto 31st March 2011.

$$\text{Dep.} = \frac{10 \times 30000}{100} = 30,000$$

- Dep. on 1 Machine = $3000 + 750 = 3750$
(30 June 2008)

$$30000 - 3750 - 24000 = 2,250$$

$$2,70,000 - 27,000$$

- Dep. on 2 Machine
(31 Dec 2009) = $3000 + 3000 + 2250 = 7250$
 $- 30000 + 8250 + 2250 = 0 750$

- 30 Sep. 2010 $\rightarrow 3000 + 3000 + 1500 + 3000 = 10500$

Machinery a/c

Date	Particulars	J.F.	F	Date	Particulars	J.F.	F
1 April 2007	To bank a/c		300,000	2008 31 March	By depreciation a/c balance c/d	30,000	
				31 March	By statement of P&L	2,70,000	
			3,00,000			3,00,000	
1 April 2008	To balance b/d		2,70,000	2008 30 June	By depreciation a/c	750	
				30 June	By Bank a/c	24,000	
				30 June	By statement of P&L	2,250	
			2,70,000	2009 31 March	By depreciation a/c	27,000	
				31 March	By balance c/d	2,16,000	
						2,70,000	
1 April 2009	To balance b/d		2,16,000	2009 31 Dec	By Depreciation a/c	2,250	
3 Dec, 2009	To statement of P&L To bank a/c	2,750		31 Dec	By Bank a/c	22,500	
				2010 31 March	By Depreciation a/c	24,000	
			2,16,750	31 March	By balance c/d	1,68,000	
						2,16,750	
1 April 2010	To balance b/d		1,68,000	2010 30 Sept.	By depreciation a/c	24,000	
30 Sept. 2010	To Bank a/c	32,000		31 March	By depreciation a/c	16,00	
				31 March	By balance c/d	1,74,400	
			2,00,000			2,00,000	
1 April, 2011	To balance b/d		1,74,400				