5. Trial Balance of a business as at 31st March, 2019 is given below:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Dr. (Rs.) | Particulars | Cr. (Rs.) |
| Stock in 1st April,2018 | 25,000 | Sales | 2,27,800 |
| Furniture | 8,000 | Commission | 500 |
| Plant and Machinery | 1,50,000 | Returns Outward/Purchase Return | 1,000 |
| Debtors | 30,000 | Creditors | 40,000 |
| Wages | 12,000 | Capital | 1,50,000 |
| Salaries | 20,000 |  |  |
| Bad Debts | 1,000 |  |  |
| Purchases | 1,20,000 |  |  |
| Electricity Charges | 1,200 |  |  |
| Telephone Charges | 2,400 |  |  |
| General Expenses | 3,000 |  |  |
| Postage Expenses | 1,800 |  |  |
| Returns Inward/ Sales Return | 900 |  |  |
| Insurance Premium | 1,500 |  |  |
| Cash in Hand | 2,500 |  |  |
| Cash at Bank | 40,000 |  |  |
|  | 4,19,300 |  | 4,19,300 |

Prepare Trading and Profit and Loss Account for the year ended 31st March,2019 and Balance Sheet as at that date after taking into account the following adjustments:

i) Closing Stock was valued at Rs.7,000.

ii) Outstanding liabilities for wages were Rs.600 and salaries Rs.1,400.

iii) Depreciation is to be provided @ 5% p.a. on fixed assets.

iv) Plant and Machinery includes a machine purchased for Rs.10,000 on 1st October,2018.

v) Insurance premium paid in advance Rs.200.

[Gross profit- Rs.77,300; Net profit- Rs.35,800; Balance Sheet Total- Rs.2,27,800.]

Soln.

Trading and Profit and Loss Account

for the year ended 31st March,2019

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Rs | Particulars | Rs |
| To Opening Stock  To Purchases 1,20,000  Less, Return (1,000)    To Wages 12,000  Add, Outstanding 600  To Gross Profit | 25,000  1,19,000  12,600  77,300 | By Sales 2,27,800  Less, Return 900  By Closing Stock | 2,26,900  7,000 |
| Indirect expenses | 2,33,900 | Indirect income | 2,33,900 |
| To Salaries 20,000  Add, O/S 1,400  To Bad Debts  To Electricity Charges  To Telephone Charges  To General Expenses  To Postage Expenses  To Insurance Premium  1,500  Less, Prepaid 200  To Dep. On Furniture  (5% of 8,000)  To Dep. On Plant (w.n.)  To Net Profit (Cr -Dr) | 21,400    1,000  1,200  2,400  3,000  1,800  1,300  400  9,500  35,800 | By Gross Profit  By Commission | 77,300  500 |
|  | 77,800 |  | 77,800 |

Cr 2,33,900 – Dr 1,56,600 = 77,300

Dep, on Plant:

1,40,000 x 5/100 ( 1 year) = 7,000

10,000 x 5/100 x 6/12 = 2,500

9,500

77,800 – 42,000 = 35,800

Balance Sheet

as at 31st March 2019

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities (Cr.) | Rs | Assets (Dr.) | Rs |
| Capital 1,50,000  Add,Net Profit 35,800  Creditors  Outstanding Wages  O/S Salaries | 1,85,800  40,000  600  1,400 | Furniture 8,000  Less, Dep. 400  Plant and Machinery  1,50,000  Less, Dep. 9,500  Debtors  Cash in Hand  Cash at Bank  Closing Stock  Prepaid Insurance | 7,600  1,40,500  30,000  2,500  40,000  7,000  200 |
| Total | 2,27,800 | Total | 2,27,800 |

6. Following are the balances extracted from the books of Narain on 31st March,2019:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Rs. | Particulars | Rs. |
| Narain’s Capital | 3,00,000 | Sales | 15,00,000 |
| Narain’s Drawings | 50,000 | Sales Return | 20,000 |
| Furniture and Fittings | 26,000 | Discounts (Dr.) | 16,000 |
| Bank Overdraft | 42,000 | Discounts (Cr.) | 20,000 |
| Creditors | 1,38,000 | Insurance | 20,000 |
| Business Premises | 2,00,000 | General Expenses | 40,000 |
| Stock on 1st April,2018 | 2,20,000 | Salaries | 90,000 |
| Debtors | 1,80,000 | Commission (Dr.) | 22,000 |
| Rent from Tenants (P/L CR.) | 10,000 | Carriage on Purchases (T.) | 18,000 |
| Purchases | 11,00,000 | Bad Debts Written off (P/L) | 8,000 |

Additional Information;

i) Closing Stock at cost as on 31st March,2019 was Rs.2,00,600, whereas its Net Realizable Value (Market Value) was Rs.2,05,000.

ii) Depreciate: Business Premises by Rs.3,000 and Furniture and Fittings by Rs.2,500.

iii) Make a provision of 5% on debtors for doubtful debts.

iv) Carry forward Rs.2,000 for unexpired insurance. (Prepaid )

v) Outstanding salary was Rs.15,000.

Prepare Trading and Profit and Loss Account for the year and Balance Sheet as at that date.

[Gross Profit- Rs.3,42,600; Net Profit- Rs.1,49,100; Balance Sheet Total-Rs.5,94,100.]

[Hints:1. Closing Stock will be taken at Rs. 2,00,600; being lower of Cost and Net Realisable Value (Market Value) following the Prudence Concept.

2. Rs.2,000 out of Insurance Expenses are Prepaid Insurance.]

Soln.

Trading and Profit and Loss Account

for the year ended 31st March,2019

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Rs | Particulars | Rs |
| To Opening Stock  To Purchases  To Carriage on Purchase    To Gross Profit (Total Cr- Total Dr) | 2,20,000  11,00,000  18,000  3,42,600 | By Sales 15,00,000  Less Return 20,000  By Closing Stock | 14,80,000  2,00,600 |
|  | 16,80,600 |  | 16,80,600 |
| To Salaries 90,000  Add, O/S 15,000  To Bad Debts Written  To Discounts (Dr.)  To General Expenses  To Insurance 20,000  Less, Prepaid 2,000  To Commission (Dr)  To Dep.On B. Premises  To Dep. On Furniture  To Provision for d.d  1,80,000 x 5/100  To Net Profit (Cr -Dr) | 1,05,000    8,000  16,000  40,000  18,000  22,000  3,000    2,500  9,000  1,49,100 | By Gross Profit  By Rent from Tenants  By Discount (Cr) | 3,42,600  10,000  20,000 |
|  | 3,72,600 |  | 3,72.600 |

Cr 3,72,600 – Dr 2,23,500 = Net Profit 1,49,100

Balance – Sheet

As at 31st March 2019

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amount (Rs) | Assets | Amount(Rs) |
| Capital 3,00,000  Add,Net Profit 1,49,100  Less, Drawings 50,000  Bank Overdraft  Creditors  Outstanding salary | 3,99,100  42,000  1,38,000  15,000 | Furniture and Fittings 26,000  Less, Dep, 2500  Business Premises  2,00,000  Less, Dep 3,000  Debtors 1,80,000  Less, P.D.D 9,000  Closing Stock  Prepaid Insurance | 23,500  1,97,000  1,71,000  2,00,600  2,000 |
| Total | 5,94,100 | Total | 5,94,100 |