**Final Accounts**

**Journal Accounts Problems:**

Problem 1: Journalize the following transactions in the books of Suresh.

2017 July 1 Suresh commenced business with Rs. 5000/-

July 5 Deposited into bank Rs.4,000/-

July 6 Purchased goods worth Rs.10,000/- from kamal

**Solution:**

**JOURNALISATION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F | Amount  Rs. | Amount  Rs. |
| 2017  July 1  July 5  July 6 | Cash account Dr  To Suresh’s Capital A/c  (Being the business commenced)  Bank Account Dr.  To Cash  (Being the cash deposited into  Bank)  Goods(purchase)A/c Dr.  To Kamal’s A/C  (Being the goods purchased from Kamal on credit )  Total: |  | 5,000  4,000  10,000  19,000 | 5,000  4,000  10,000    19,000 |

LEDGER

Ledger is a book that contains several accounts.

Eg: Sales Accounts, Purchases Account etc.

Dr. **Cash Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2017  July 1 | To Suresh A/c |  | 5,000    5,000 | 2017 July 5 | By Bank A/C  By Balance B/fd |  | 4,000  1,000  5,000 |

**TRIAL BALANCE**

Trial Balance is a statement containing debit and credit balances of various accounts taken out from Ledger books as on a particular date. It is prepared to ensure that there are no arithmetic errors in the books of accounts.

**Preparation of Trial Balance:**

**For preparing Trial Balance, we have to segregate the accounts to put in Debit side and Credit side respectively.**

**Accounts showing in Debit Balance:**

* **Debtors accounts**
* **Asset accounts such as Plant, Furniture etc.**
* **Expenses accounts such as rent paid etc.**
* **Losses accounts – goods destroyed in fire etc.**
* **Purchases account**
* **Sales Returns account**
* **Drawings account.**

**Accounts showing in Credit Balance:**

* **Creditors Account**
* **Liabilities account**
* **Incomes account**
* **Gains account**
* **Profits account**
* **Loan account**
* **Bank Overdraft account**
* **Sales account**
* **Purchase Returns account**
* **Provisions accounts such as Provision for doubtful debts, discount on creditors etc.**
* **Reserves & Funds accounts such as General Reserve, Workers compensation Fund etc.**

**FORMAT OF TRADING ACCOUNT**

**Trading Account is prepared to know the gross profit or gross loss during the accounting period. Trading account considers only expenses and receipts at the factory.**

**Trading Account of ------------- for the period ending on ----------**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs.** |
| **To Opening Stock**  **To Purchases xxx**  **Less: Returns xxx**  **------**  **To Direct expenses**  **To Local Taxes**  **To Import Duty**  **To Wages**  **To Coal, Gas & Water**  **To Manufacturing expenses**  **To Carriage Inwards**  **To Freight inwards**  **To Gross Profit transferred to**  **P&L account** | **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**    **Xxxx**  **Xxxx** | **By Sales xxx**  **Less: Returns xxx**  **------**  **By Closing Stock**  **By Abnormal loss of stock**  **By Gross loss transferred**  **To P&L Account** | **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **\_\_\_\_\_\_**  **Xxxx** |

**FORMAT OF PROFIT & LOSS A/C**

**Profit and Loss account shows net profit or net loss for the end of a given period. Profit and loss account considers only revenue expenditure such as those incurred in**

* **Maintaining the Capital asset**
* **Running business from time to time**
* **Selling and distributing the goods of the business**

**Profit and Loss Account for the period ending ----------**

**Dr. Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs.** |
| **To Loss B/d**  **To Salaries**  **To Rent, Rates & Taxes**  **To Fire Insurance Premium**  **To Repairs and Maintainance**  **To depreciation**  **To audit fees**  **To Bank Charges**  **To Legal charges**  **To Miscellaneous expenses**  **To Discount allowed**  **To carriage outwards**  **To Freight Outwards**  **To Commission to Sales man**  **To Travelling expenses**  **To Entertainment expenses**  **To Sales Promotion expenditure**  **To advertising and publicity**  **To Bad debts**  **To packing expenses**  **To interest on loan**  **To loss by theft**  **To loss by fire**  **To Net profit transferred to**  **Capital account** | **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **----------**  **Xxxx** | **By Gross Profit b/d**  **By interest earned**  **By commission received**  **By Rent received**  **By Profit on sales of fixed asset**  **By Income from Investments**  **By Sale of Scrap**  **By Miscellaneous incomes**  **By Net loss transferred**  **To Capital Account** | **Xxxx**  **xxxx**  **Xxxx**  **xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **Xxxx**  **xxxx**  **\_\_\_\_\_\_**  **Xxxx**  **----------** |

**FORMAT OF BALANCE SHEET**

**All the personal and real accounts are recorded in the Balance Sheet. A Balance Sheet may, therefore be defined as a statement which sets out the assets and liabilities of a business firm and which serves to ascertain the financial position of the same on any particular date.**

**Balance Sheet of -------- as on ----------**

**Dr. Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Rs.** | **Assets** | **Rs.** |
| **Current Liabilities**  Bank Overdraft  Bills payable  Outstanding expenses  Sundry Creditors  Income received in advance  **Long – term Liabilities**  Loans  Capital:  Opening Balance xxx  Add: Net Profit xxx  Less: Net Loss xxx  Less: Drawings xxx | **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx** | **Current Assets**  Cash in hand  Cash in Bank  Bills receivable  Sundry Debtors  Prepaid expenses  Accured Income  Closing Stock  **Investments**  **Fixed Assets**  Furniture & Fixtures  Plant and Machinery  Building  Land  Good Will | **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **Xxx**  **------**  **xxx** |

**How to post Adjustments:**

**All adjustments will have 2 effects –**

* **One in Trading, P&L account**
* **And another in Balance Sheet**

1. **Closing Stock -**
2. **Trading Account Credit Side**
3. **Balance Sheet (Asset Side)**
4. **Depreciation –**
5. **P&L a/c Debit side**
6. **Balance Sheet (Asset Side)**
7. **Depreciation @10% - Furniture value Rs.2,00,000**

**10% value is 20,000**

1. **P&L debit side as Depreciation on furniture – 20,000**
2. **In Balance Sheet – Asset Side – deduct 20,000 from furniture value of 2,00,000. Put the remaining amount.**
3. **Outstanding Salaries Rs.200/- -**
4. **Add to salaries in P&L account debit side.**
5. **In balance Sheet – Liabilities side**
6. **Prepaid Rent and taxes Rs.200**

**Prepaid means already paid, so deduct from rent and taxes. If rent is 2000/-, then deduct 200 from 2000 and put the remaining amount (1800) – P&L account debit side.**

**---In balance sheet show it in Assets as prepaid rent – 200**

1. **Provision for Bad Debts Reserve:**
2. **If provision for Bad Debts is 5% - deduct from debtors. – Show it in debit side of P&L account.**
3. **In Balance Sheet deduct this provision for Bad Debts from Debtors in the Assets Side.**