**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 |

Problem 2: Journalize the following transactions in

the books of Madhu and prepare necessary ledger

accounts.

2003 January,1. Madhu commenced with Rs.15,000

January 2. Paid into bank Rs.10,000/-

3. Purchased goods from ‘B’ for Rs.2,000/-

4. Returned goods to ‘B’ for Rs.200/-

5. Paid to ‘B’ in full settlement of a/c 1700/-

7. Received interest from the bank Rs.750/-

9. Sold goods for cash Rs.7,000/-

12. Sold goods of Don for Rs.4,000/-

15. Received goods worth Rs.100/- from Don

With a complaint about damage

16. Paid salaries Rs.400/-

17. Entertainment Rs.50/-

20. Received a cheque from Don Rs.500/-

25.Issued a cheque for Rs.100/- towards rent

To landlord.

Solution:

(In the books of Madhu)

**JOURNALISATION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Particulars | L.F | Amount  Rs. | Amount  Rs. |
| 2003  Jan 1  Jan 2  Jan 3  Jan 4  Jan 5  Jan 7  Jan 9  Jan 12  Jan 15  Jan 16  Jan 17  Jan 20  Jan 25 | Cash account Dr  To Madhu’s Capital A/c  (Being the business commenced)  Bank Account Dr.  To Cash  (Being the cash deposited into  Bank)  Purchases A/c Dr.  To B’s A/C  (Being the goods purchased from B )  B’s Account Dr.  To Purchase returns a/c  (Being the goods returned to B  On account of damage)  B’s Account Dr.  To Cash  To discount  (Being the payment in full sett)  Cash Account Dr.  To interest from bank  (Being the cash received towards  Interest)    Cash account Dr.  To Sales Account  (Being goods sold for cash)  Don’s Account Dr.  To sales A/c  (Being the goods sold)  Sales return account Dr.  To Don’s A/c  (Being goods returned by Don)  Salaries Account Dr.  To Cash Account  (Being salaries paid)  Entertainment Account Dr.  To Cash Account  (Being the entertainment expen ses incurred)  Cash Account Dr.  To Don’s Account  (Being cheque received from Don)  Rent Account  To Bank Account  (Being the rent paid by cheque  Total |  | 15,000  10,000  2,000  200  1,800  750  7,000  4,000  100  400  50  500  1,000  42,850 | 15,000  10,000  2,000  200  1,700  100  750  7,000  4,000  100  400  50  500  1,000  42,850 |

Preparation of Ledger Accounts

Dr. **Cash Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 1  7  9  Feb 1 | To Madhu A/c  To Interest A/c  To Sales A/c |  | 15,000  750  7,000  22,750  10,600 | 2003  Jan 2 | By Bank  By B’s A/c  By Salary A/c  By Entertainment A/c  By balance C/d |  | 10,000  1,700  400  50  10,600  22,750 |

Dr. **Madhu Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 31 | To Balance c/d |  | 15,000  15,000 | 2003  Jan1  Feb 1 | By Cash Account  By Balance b/fd |  | 15,000  15,000  15,000 |

Dr. **Interest from Bank Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 31 | To Balance c/d |  | 750    750 | 2003 Jan7  Feb 1 | By cash account  By balance b/fd |  | 750  750  750 |

Dr.  **Discount Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 31 | To Balance c/d |  | 100    100 | 2003 Jan 5  Feb 1 | By B’account  By balance b/fd |  | 100  100  100 |

Dr.  **Sales Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 31 | To Balance c/d |  | 11,750    11,000 | 2003 Jan 9  12  Feb 1 | By cash account  By Don Account  By balance b/fd |  | 7000    4000  11000  11000 |

Dr. **Don Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 12  Feb 1 | To Sales A/c  By balance b/fd |  | 4000      4000  3400 | 2003 Jan15  Jan12  Jan31 | By Sales return a/c  By Cash A/c  By Balance c/d |  | 100  500  3400  4000 |

Dr. **Purchase Returns Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 31 | To Balance c/d |  | 200    200 | 2003 Jan4  Feb 1 | By B account  By balance b/fd |  | 200  200  200 |

Dr.  **Bank Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 2  Jan 20  Feb 1 | To Cash A/c  To Don A/c  To Balance B/d |  | 10,000      500  10,500  9,500 | 2003 Jan25 | By Rent  By balance c/d |  | 1000  9500    10,500 |

Dr.  **Rent Account**  Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 25  Feb 1 | To Bank A/c  By Balance b/fd |  | 1,000    1,000  1,000 | 2003 Jan 31 | By Balance c/d |  | 1000  1000 |

Dr. **Salaries Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan16  Feb 1 | To Cash A/c  By balance b/fd |  | 400    400  400 | 2003 Jan31 | By balance c/d |  | 400  400 |

Dr. **Entertainment Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan17  Feb 1 | To Cash A/c  By balance b/fd |  | 50    50  50 | 2003 Jan31 | By balance c/fd |  | 50  50 |

Dr. **Purchases Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan 3  Feb 1 | To B’s A/c  By balance b/fd |  | 2000    2000  2000 | 2003 Jan31 | By balance c/d |  | 2000  2000 |

Dr. **Sales Returns Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |
| 2003  Jan15  Feb 1 | To Don A/C  By balance b/fd |  | 100    100  100 | 2003 Jan 31 | By balance c/d |  | 100  100 |

Dr.  **B’s Account** Cr.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Particulars | F | Amount  Rs. | Date | Particulars | F | Amount  Rs. |

**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.**

Problem 1 :

Prepare a Trial Balance from the following accounting records:

|  |  |
| --- | --- |
| Particulars | Amount (Rs.) |
| Capital  Machinery  Stock (1.1.2017)  Wages  Carriage inwards  Salaries  Factory Rent  Repairs  Fuel and power  Buildings  Sundry Debtors  Sales  Purchases  Creditors  Returns outwards (p.returns)  Return inwards(sales returns)  Drawings  Discounts allowed  Discounts received  Office expenses  Manufacturing expenses  Bills payable  Bills receivable  Cash in hand  Cash at bank  Office Rent | 1,00,000  30,000  16,000  50,000  500  5,000  2,400  400  2,500  40,000  20,000  2,03,600  1,22,000  12,500  2,000  3,600  2,000  750  250  1,000  600  6,000  6,000  2,400  15,400  1,800 |

**Solution 1:**

**Trial Balance as on 31.12.2017**

|  |  |  |
| --- | --- | --- |
| Particulars | Amount  Dr. (Rs.) | Amount (Rs.) Cr. |
| Capital  Machinery  Stock (1.1.2017)  Wages  Carriage inwards  Salaries  Factory Rent  Repairs  Fuel and power  Buildings  Sundry Debtors  Sales  Purchases  Creditors  Returns outwards  Return inwards  Drawings  Discounts allowed  Discounts received  Office expenses  Manufacturing expenses  Bills payable  Bills receivable  Cash in hand  Cash at bank  Office Rent | 30,000  16,000  50,000  500  5,000  2,400  400  2,500  40,000  20,000  1,22,000  3,600  2,000  750  1,000  600  6,000  2,400  15,400  1,800 | 1,00,000  2,03,600  12,500  2,000  250  6,000 |

Total 3,22,350 3,22,350

----------------------------

Problem 2 :

Prepare a Trial Balance from the following accounting records:

|  |  |
| --- | --- |
| Particulars | Amount (Rs.) |
| Ramu’s Capital A/c  Rama’s Drawing A/c  Machinery  Stock (1.1.1997)  Purchases  Sales  Returns inwards  Returns Outwards  Sundry expenses  Rent  Rates and Taxes  Apprentice Premium  Bank Overdraft  Bad Debts  Debtors  Creditors  Cash in Hand  Provisions of Doubtful debts  Bills Receivable & Payable  Discount | 8,500  1,420  1,900  2,920  20,724  23,812  420  582  880  240  400  240  400  344  6400  2000  96  210  480 & 360  120 |

**Solution 2:**

**Trial Balance as on 31.12.1997**

|  |  |  |
| --- | --- | --- |
| Particulars | Amount  Dr. (Rs.) | Amount (Rs.) Cr. |
| Ramu’s Capital A/c  Rama’s Drawing A/c  Machinery  Stock (1.1.1997)  Purchases  Sales  Returns inwards  Returns Outwards  Sundry expenses  Rent  Rates and Taxes  Apprentice Premium  Bank Overdraft  Bad Debts  Debtors  Creditors  Cash in Hand  Provisions of Doubtful debts  Bills Receivable  Bills Payable  Discount | 1,420  1,900  2,920  20,724  420  880  240  400  344  6,400  96  480 | 8,500  23,812  582  240  400  2,000  210  360  120 |

**Total: 36,224 36,224**

**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** |

**PROBLEMS**

1. **Prepare Trading and Profit & Loss account for the year ended 31.12.2001 and a Balance Sheet as on that date from the following Trial Balance.**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Debit Rs.** | **Credit Rs.** |
| **Furniture**  **Plant and Machinery**  **Buildings**  **Capital**  **Bad Debts**  **Reserve for Bad Debts**  **Sundry Debtors**  **Sundry Creditors**  **Stock (1.1.2001)**  **Purchases**  **Sales**  **Bank Overdraft**  **Sales Returns**  **Purchase Returns**  **Advertising**  **Interest**  **Commission received**  **Cash in hand**  **Salaries**  **General expenses**  **Car expenses**  **Taxes and Insurence** | **6,500**  **60,000**  **75,000**  **1,750**  **40,000**  **34,600**  **54,750**  **2,000**  **4,500**  **1,180**  **6,500**  **33,000**  **7,820**  **9,000**  **3,500**  **3,40,000** | **1,25,000**  **3,000**  **24,000**  **1,54,500**  **28,500**  **1,250**  **3,750**  **3,40,000** |

**\*\*\*\*\*\*\*\*\***

**SOLUTION FOR PROBLEM 1**

**Trading Account for the year ended on 31.12.2001**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Amount**  **Rs.** | **Particulars** | **Amount Rs.** |
| **To Opening Stock**  **To Purchases 54,750**  **Less: Returns 1,250**  **------**  **To Gross Profit transferred to**  **P&L account** | **34,600**  **53,500**    **64,400**  **152500** | **By Sales 1,54,500**  **Less: Returns 2,000**  **------** | **1,52,500**  **\_\_\_\_\_\_**  **152500** |

**PROFIT & LOSS A/C FOR THE YEAR ENDING 31.12.2001**

**Dr. Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs.** |
| **To Salaries**  **To Bad debts**  **To Advertising**  **To Interest**  **To General Expenses**  **To Car Expenses**  **To taxes and Insurance**  **To Net profit transferred to**  **Capital account** | **33000**  **1750**  **4500**  **1180**  **7820**  **9000**  **3500**  **10400**  **----------**  **71,150** | **By Gross Profit b/d**  **By Reserve for Bad Debts**  **By Commission Received** | **64,400**  **3000**  **3750**  **\_\_\_\_\_\_**  **71,150**  **----------** |

**BALANCE SHEET FOR THE YEAR ENDED 31.12.2001**

**Dr. Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Amount**  **Rs.** | **Assets** | **Amount Rs.** |
| Capital 1,25,000  Add: Net profit 10,400  -------------  Bank Overdraft  Sundry Creditors  Suspense A/c | **1,35,400**  **28,500**  **24,000**  **100**  **1,88,000** | Furniture  Plant and Machinery  Buildings  Sundry Debtors  Cash in Hand | **6,500**  **60,000**  **75,000**  **40,000**  **6,500**  **1,88,000** |

1. **Following is the Trial Balance of Kumar and Company as on 31.03.1991.**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Debit Rs.** | **Credit Rs.** |
| **Capital of Kumar & Co.**  **Drawings**  **Buildings**  **Machinery**  **Stock (1.4.1990)**  **Furniture and Fittings**  **Wages**  **Carriage on Purchases**  **Purchases**  **General Expenses**  **Rent and Rates**  **Advertisement**  **Sundry Debtors**  **Sundry Creditors**  **Salaries**  **Bank Overdraft**  **Sales**  **Sales Returns**  **Cash**  **Insurance** | **2,500**  **12,000**  **4,820**  **7,834**  **2,200**  **9,675**  **952**  **33,437**  **1,766**  **770**  **10,716**  **16,860**  **3,682**  **682**  **280**  **326**  **1,08,500** | **30,000**  **11,230**  **5,545**  **61,725**  **1,08,500** |

**Additional Information:**

1. **Closing Stock - 8,930/-**
2. **Depreciation at 10% on Machinery and 20% on Furniture**
3. **Interest on Bank Overdraft outstanding Rs.300.**

**SOLUTION FOR PROBLEM 2**

**Trading Account for the year ended on 31.03.1991**

**Dr. Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Amount**  **Rs.** | **Particulars** | **Amount Rs.** |
| **To Opening Stock**  **To Purchases 33,437**  **Less: Returns**  **------**  **To Wages**  **To Carriage on Purchases**  **To Gross Profit transferred to**  **P&L account** | **7,834**  **33,437**  **9,675**  **952**  **18,075**  **69,973** | **By Sales 61,725**  **Less: Returns 682**  **------**  **By Closing Stock** | **61,043**  **8,930**  **\_\_\_\_\_\_**  **69,973** |

**PROFIT & LOSS A/C FOR THE YEAR ENDING 31.03.1991**

**Dr. Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs.** |
| **To General Expenses**  **To Rent and Rates**  **To Advertisement**  **To Salaries**  **To Interest Outstanding**  **To Insurance**  **To Depreciation on Machinery**  **& Furniture** | **1,766**  **770**  **10,716**  **3,682**  **300**  **326**  **482**  **440**  **----------**  **18,482** | **By Gross Profit b/d**  **By Net Loss C/d** | **18,075**  **407**  **\_\_\_\_\_\_**  **18,482**  **----------** |

**BALANCE SHEET FOR THE YEAR ENDED 31.12.2001**

**Dr. Cr.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liabilities** | **Amount**  **Rs.** | **Assets** | **Amount Rs.** |
| Capital 30,000  Less: Net loss 407  Drawings 2,500  --------  Sundry Creditors  Bank Overdraft 5,545  + Interest on 300  Bank Overdraft | **27,093**  **11,230**  **5,845**  **44,168** | Buildings  Machinery 4,820  (-) Depreciation 482  ---------  Furniture & Fittings 2,200  (-)Depreciation 440  --------  Sundry Debtors  Cash  Closing Stock | **12,000**  **4,338**  **1,760**  **16,860**  **280**  **8,930**  **----------**  **44,168** |

1. **From the following trial Balance of Vikram Foundry Works, Prepare Trading Account and Profit & Loss account for the year ending March 31, 2003. Also prepare a Balance Sheet as on that date.**

**Trial Balance as on March, 2003**

|  |  |  |  |
| --- | --- | --- | --- |
| **Debit Balances** | **Amount**  **(Rs.)** | **Credit Balances** | **Amount**  **(Rs.)** |
| **Electricity**  **Land**  **Interest**  **Wages**  **Opening Stock**  **Rent**  **Purchases**  **Office Expenses**  **Building**  **Salaries**  **Power, gas & Water**  **Returns**  **Furniture**  **Sundry Debtors**  **Total:** | **14,000**  **1,40,000**  **16,000**  **50,000**  **20,000**  **24,000**  **3,00,000**  **30,000**  **4,00,000**  **90,000**  **30,000**  **20,000**  **15,000**  **60,000**  **12,09,000** | **Interest**  **Discount**  **Sales**  **Returns**  **Sundry Creditors**  **Capital**  **Bills Payable** | **16,000**  **6,000**  **8,00,000**  **10,000**  **60,000**  **3,02,000**  **15,000**  **12,09,000** |

**Adjustments:**

**Outstanding Salaries Rs.10,000/-**

**Closing Stock Rs.80,000/-**

**Depreciation on buildings @ 10% per annum**

**Interest received in advance Rs.2000/-**

**Write Off Bad Debts Rs.10,000/-**

**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.**

**Like this, you will get other adjustments like below:**

They are:

1. Accrual of expenses (Outstanding or unpaid expenses)
2. Prepaid or unexpired expenses (Paid in advance)
3. Provision for depreciation
4. Provision for bad debts
5. Increasing or decreasing provisions for bad debts.
6. Provision for discount on debtors.
7. Provision for discount on creditors
8. Appreciation in assets such as investments.
9. Creating reserve out of profits.
10. Commission payable to manager as percentage of profits.
11. Accrued income or income receivable.
12. Income received in advance or unearned income.
13. Interest on capital
14. Interest on drawings.