

Maharashtra State Board Bookkeeping and Accountancy 11th Solutions Chapter 9 Final Accounts of a Proprietary Concern

1. Answer in One Sentence.

Question 1.

What is Trading Account?

Answer:

An account in which direct expenses are compared with direct incomes to find out gross profit or gross loss for a given period is known as Trading Account.

Question 2.

What do you mean by Profit and Loss Account?

Answer:

An account in which indirect expenses are compared with indirect incomes to find out net profit or net loss for a given period is known as the Profit and Loss Account.

Question 3.

Why Balance Sheet is prepared?

Answer:

The balance sheet is prepared to ascertain the financial position of the business on a specific date usually at the end of the accounting year.

Question 4.

State the meaning of Final Accounts.

Answer:

Final Accounts are the group of Trading Account, Profit and loss account and Balance sheet prepared to know the results of business for a given period.

Question 5.

What is Net Profit?

Answer:

When the total credit side of Profit and Loss A/c is greater than the total of debit side, it indicates credit balance which is known as net profit.

Question 6.

What do you mean by Gross Profit?

Answer:

When the total credit side of Trading A/c is greater than the total of debit side, it indicates credit balance, which is called gross profit.

Question 7.

State the meaning of Accrued Income?

Answer:

Income that is due and accumulated but not yet actually received during the current accounting year is called accrued income.

Question 8.

State the meaning of Outstanding Expenses?

Answer:

The expenses which are incurred in the current year, but not paid partly or fully during the current accounting year are termed as outstanding expenses.

Question 9.

What is Depreciation?

Answer:

Depreciation means a continuous reduction in the value of property or asset due to wear and tear, accident, fall in the market price, the passage of time, etc.

Question 10.

What do you mean by Prepaid Expenses?

Answer:

The expense which is paid in advance before they are due for payment is called prepaid expenses.

2. Give a word, term, or phrase which can substitute each of the following statements:

Allguidesite -

- Arjun

- Digvijay

Question 1.

Expenses are paid before it is due.

Answer:

Prepaid Expenses

Question 2.

Income due but not yet received.

Answer:

Accrued Income

Question 3.

Carriage paid on the sale of goods.

Answer:

Carriage Outwards

Question 4.

Statement of Assets and liabilities.

Answer:

Balance Sheet

Question 5.

Account prepared to know Net Profit or Net loss.

Answer:

Profit and Loss A/c

Question 6.

Value of goods remaining unsold at the end of the year.

Answer:

Closing Stock

Question 7.

The provision was made to compensate the loss on account of likely debts.

Answer:

Provision for Bad and Doubtful Debts

Question 8.

The accounts are prepared at the end of the accounting year to know the profit or loss and financial position of the business.

Answer:

Final Accounts

Question 9.

An amount spent on promoting the sale of goods.

Answer:

Selling Expenses

Question 10.

Additional information is provided below the Trial Balance.

Answer:

Adjustments

3. Select the most appropriate alternatives given below and rewrite the sentence:

Question 1.

_____ is excess of assets over liabilities.

(a) Goodwill

(b) Capital

(c) Investments

(d) Drawings

Answer:

(b) Capital

Question 2.

Discount earned is transferred to credit side of _____ account.

(a) Current

(b) Profit and Loss

(c) Trading

(d) Capital

Answer:

(b) Profit and Loss

Question 3.

_____ is a statement which shows the financial position of business on a specific date.

- (a) Trading Account
- (b) Trial Balance
- (c) Profit and Loss A/c
- (d) Balance Sheet

Answer:

(d) Balance Sheet

Question 4.

Outstanding expenses are shown on the _____ side of Balance sheet.

- (a) Assets
- (b) Liability
- (c) Both
- (d) None of these

Answer:

(b) Liability

Question 5.

Interest on Drawing is credited to _____ Account.

- (a) Trading
- (b) Profit and Loss
- (c) Capital
- (d) All

Answer:

(b) Profit and Loss

Question 6.

Debit balance of Trading Account means _____

- (a) Gross Loss
- (b) Net Loss
- (c) Net Profit
- (d) Gross Profit

Answer:

(a) Gross Loss

Question 7.

Carriage Inward is debited to _____ Account.

- (a) Trading
- (b) Profit and Loss
- (c) Capital
- (d) Bank

Answer:

(a) Trading

Question 8.

Excess of credit over to debit in Profit and Loss A/c indicates _____

- (a) Net Profit
- (b) Gross Profit
- (c) Gross Loss
- (d) Net Loss

Answer:

(a) Net Profit

Question 9.

Closing stock is always valued at cost or market price which is _____

- (a) more
- (b) less
- (c) zero
- (d) equal

Answer:

(b) less

Question 10.

When specific date is not given, in that case interest on drawings is charged for _____ month.

- (a) Four
- (b) Six
- (c) Eight
- (d) Nine

Answer:

(b) Six

4. State True or False with reasons:

Question 1.

In every adjustment at least there are three effects.

Answer:

This statement is False.

There are at least two effects in every adjustment of final accounts.

Question 2.

Every item of Trial Balance has only one effect.

Answer:

This statement is True.

Every transaction is recorded through journal or subsidiary books with the principle of the double-entry book-keeping system. Journal and subsidiary books are posted to the ledger account and trial balance is prepared from the balances of the ledger so there are already two effects passed. So every item of Trial Balance has only one effect.

Question 3.

Income due but not received is a liability.

Answer:

This statement is False.

Income due but not received is an Asset and not a liability.

Question 4.

Goodwill is not a fictitious asset.

Answer:

This statement is True.

Goodwill is the reputation or name and fame of a business organization in the market. It is the money value of a business reputation earned by a business. It is an intangible asset.

Fictitious assets are created by accounting entry in the books of accounts it doesn't have any realizable value.

E.g.: Share issue expenses.

Question 5.

The credit balance of the Profit & Loss account shows a net profit.

Answer:

This statement is True.

The credit side of profit and loss A/c represents incomes when the credit side is greater than the debit side (expenses) it shows the Net Profit of the year.

5. Fill in the blanks:

Question 1.

Gross Profit is transferred to _____ account.

Answer:

Profit and Loss A/c

Question 2.

Debit Balance of Trading Account indicates _____

Answer:

Gross Loss

Question 3.

Income Receivable appears on _____ side of Balance Sheet.

Answer:

Asset

Question 4.

Interest on Bank Loan is debited to _____ A/c.

Answer:

Profit and Loss A/c

Allguidesite -

- Arjun

- Digvijay

Question 5.

Profit and Loss account is prepared to find out _____ results of the business.

Answer:

Net Working

Question 6.

All indirect/operating expenses are transferred to _____ account.

Answer:

Profit and Loss A/c

Question 7.

Interest of proprietor's drawing is credited to _____ account.

Answer:

Profit and Loss A/c

Question 8.

An excess of debit over credit in the Profit & Loss A/c represents the _____

Answer:

Net Loss

Question 9.

All direct expenses are transferred to _____ account.

Answer:

Trading A/c

Question 10.

Balance Sheet is _____ of assets & liabilities.

Answer:

Statement

6. Find the odd one:

Question 1.

Rent, Salary, Insurance, Plant, and Machinery.

Answer:

Plant and Machinery

Question 2.

Purchases, Closing stock, Debtors, Factory Rent.

Answer:

Question 3.

Capital, Bills Payable, Debtors, Outstanding wages.

Answer:

Debtors

Question 4.

Advertisement, Travelling Expenses, Factory Rent, Insurance.

Answer:

Factory Rent

Question 5.

Cash in Hand, Debtors, Outstanding Income, Reserve for Doubtful Debts.

Answer:

Reserve for Doubtful Debts

7. Do you agree or disagree with the following statements:

Question 1.

Reserve for bad debts is created by debiting Profit and Loss Account.

Answer:

Agree

Question 2.

A balance Sheet is a statement as well as an account.

Answer:

Disagree

Question 3.

Indirect Expenses are debited to Trading Account.

Answer:

Disagree

Question 4.

Bank Overdraft is treated as an Internal Liability.

Answer:

Disagree

Question 5.

Capital is excess of Liabilities over Assets.

Answer:

Disagree

8. Correct and Rewrite the following statements:

Question 1.

The balancing figure of the Trading Account is Net Profit or Net Loss.

Answer:

The balancing figure of the Trading Account is Gross Profit or Gross Loss.

Question 2.

All direct expenses are debited to the Profit and Loss Account.

Answer:

All direct expenses are debited to Trading Account.

Question 3.

When the credit side of the Profit and Loss Account is greater than the debit side, it is called Net Loss.

Answer:

When the credit side of the Profit and Loss account is greater than the debit side, it is called Net Profit.

Question 4.

Capital A/c.....Dr.

To Profit and Loss Account

(Being Net Profit transferred to Capital A/c)

Answer:

Profit and Loss Account.....Dr.

To Capital A/c

(Being Net Profit transferred to Capital A/c)

Question 5.

Trading A/c.....Dr.

To Sales A/c

(Being Sales transferred to Trading A/c)

Answer:

Sales A/c.....Dr.

To Trading A/c

(Being sales transferred to Trading A/c)

9. Calculate the following.

Question 1.

Calculate the Capital

Assets (₹)			Liabilities (₹)		
Building	-	20,000	Bills Payable	-	18,000
Furniture	-	15,000	Creditors	-	20,700
Debtors	-	30,000	Outstanding Wages	-	1,250
Investments	-	10,000			
Cash at Bank	-	5,000			
Plant and Machinery	-	20,000			

Solution:

Capital = Assets – Liabilities

= ₹ 1,00,000 – ₹ 39,950

= ₹ 60,050

Question 2.

The machinery of ₹ 35,500 is purchased on 1st July 2018 and on the same day ₹ 4,500 are spent on the installation of the Machinery. The proprietor has decided to Depreciate Machinery at the rate of 7% p.a. Calculate the amount of depreciation, assuming that accounting year is ending on 31st March every year.

Solution:

Cost of Machinery = Purchase Price + Installation Charges
= 35,500 + 4,500
= ₹ 40,000

Depreciation for 9 months = $40,000 \times \frac{7}{100} \times \frac{9}{12} = ₹ 2,100$

Question 3.

Mr. Pramod borrowed a Loan from the State Bank of India ₹ 3,50,000 on 1st Oct. 2018 at the rate of interest of 12% p.a. Calculate the Interest on a bank loan for the year 2018-19, assuming that the financial year-end on 31st March every year.

Solution:

Interest on Bank loan for 6 months = $3,50,000 \times \frac{12}{100} \times \frac{6}{12} = ₹ 21,000$

Question 4.

Annual Insurance Premium ₹ 8,000 is paid on 1st Dec 2018. Calculate the amount of Insurance Premium for the accounting year ending on 31st March 2019.

Solution:

Annual Insurance Premium for 12 months = ₹ 8,000
Less: Prepaid for 8 months = ₹ 5,333
Insurance for 4 months (01.12.18 to 31.03.19) = ₹ 2,667

Question 5.

Calculate the Gross Profit/Gross Loss

Purchases A/c ₹ 15,500, Sales A/c ₹ 30,000, Carriage Inward ₹ 1,200, Opening Stock ₹ 5,000, Purchases Returns ₹ 500, Closing Stock ₹ 18,000

Solution:

Cost of Goods Sold = Opening Stock + Purchases – Purchases Returns + Carriage Inward – Closing Stock
= 5,000 + 15,500 – 500 + 1,200 – 18,000
= ₹ 3,200
Gross Profit = Sales – Cost of goods sold
= 30,000 – 3,200
= ₹ 26,800

Practical Problems

Question 1.

From the following Balances of Jayashri Traders, you are required to prepare Trading Account for the year ended 31/03/2019.

Particulars	Debit Amount (₹)	Credit Amount (₹)
Opening Stock	41,000	
Purchases	59,000	
Purchases Returns		7,000
Sales Returns	1,600	
Sales		1,03,000
Wages	3,400	
Carriage Inward	1,000	
Royalty	4,000	
Total	1,10,000	1,10,000
Closing Stock	₹ 40000	

Solution:

In the books of Jayashri Traders

Dr. Trading Account for the year ended 31 st March, 2019 Cr.					
Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening Stock		41,000	By Sales	1,03,000	
To Purchases	59,000		Less : Sales Return	1,600	1,01,400
Less : Purchase Return	7,000	52,000	By Closing Stock		40,000
To Wages		3,400			
To Carriage Inward		1,000			
To Royalty		4,000			
To Gross Profit c/d		40,000			
		1,41,400			1,41,400

Question 2.

Prepare Profit and Loss Account of Sanjay Brothers for the year ended 31st March 2018 from the following balances.

1. Bank charges ₹ 22,000
2. Interest (Cr.) ₹ 16,000
3. Sundry expenses ₹ 42,000
4. Insurance ₹ 35,000
5. Salaries ₹ 40,000
6. Rates and Taxes ₹ 13,000
7. Postage ₹ 8,000
8. Advertisement ₹ 40,000
9. Rent paid ₹ 32,000
10. Bad debts ₹ 10,000
11. Commission (Cr) ₹ 17,500
12. Printing & Stationery ₹ 21,000
13. Loss by fire ₹ 18,000
14. Discount (Dr) ₹ 23,000
15. Discount (Cr) ₹ 37,000
16. Misc. Income ₹ 14,000
17. Depreciation ₹ 34,000
18. Carriage Outwards ₹ 60,000
19. Godown Expenses ₹ 40,000

Note: Gross Profit ₹ 4,07,500

Solution:

In the books of the Sanjay Brothers.

Dr.		Profit and Loss Account for year ended 31 st March, 2019.		Cr.	
Particulars	Amt. (₹)	Amt. (₹)	Particular	Amt. (₹)	Amt. (₹)
To Bank charges		22,000	By Gross Profit b/d		4,07,500
To Sundry Expenses		42,000	By Interest		16,000
To Insurance		35,000	By Commission		17,500
To Salaries		40,000	By Discount		37,000
To Rates and Taxes		13,000	By Misc. Income		14,000
To Postage		8,000			
To Advertisement		40,000			
To Rent paid		32,000			
To Bad debts		10,000			
To Printing & Stationery		21,000			
To Loss by fire		18,000			
To Discount		23,000			
To Depreciation		34,000			
To Carriage Outwards		60,000			
To Godown Expenses		40,000			
To Net Profit c/d		54,000			
		4,92,000			4,92,000

Question 3.

From the following Trial Balance of Sanjiv & Sons. Prepare Trading Account and Profit & Loss Account for the year ending on 31st March 2019 and a Balance Sheet as on that date.

Particulars	Debit Amount (₹)	Credit Amount (₹)
Opening stock	22,000	
Purchases & Sales	1,78,000	4,60,000
Carriage Outward	4,800	
Plant and Machinery	50,000	
Debtors and Creditors	44,000	76,000
Returns	2,000	4,000
Buildings	58,000	
Motor Van	40,000	
Printing & Stationery	3,000	
Wages	28,000	
Reserved for Bad debts		3,200
Commission		2,400
Office expenses	5,400	
Carriage	9,000	
Furniture	20,000	
Premises	81,000	
Loose Tools	20,400	
Drawings	24,700	
Bank Overdraft		22,000
Cash in hand	71,000	
Dividend		3,300
Capital		1,40,000
Salaries	44,000	
Bills Receivable & Bills Payable	5,600	8,400
Bad debts	2,400	
Advertisement (for 3 year)	6,000	
	7,19,300	7,19,300

Additional information:

1. Closing stock on 31st March 2019, was at cost ₹ 60,000 and Market Price ₹ 70,000.
2. Outstanding expenses: Wages ₹ 4,000, Salary ₹ 2,400
3. Provide depreciation at 10% on Motor Van and 5% on Furniture.
4. Write off ₹ 2,000 for bad debts and create R.D.D. at 5% on debtors.
5. Provide 10% p.a. interest on capital.

Solution:

In the books of Sanjiv & Sons

Dr. Trading and Profit and Loss Account for the year ended 31st March, 2019 Cr.

Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening stock		22,000	By Sales	4,60,000	
To Purchase	1,78,000		Less : Returns	2,000	4,58,000
Less : Returns	4,000	1,74,000	By Closing stock		60,000
To Wages	28,000				
Add : Outstanding	4,000	32,000			
To Carriage		9,000			
To Gross Profit c/d		2,81,000			
		5,18,000			5,18,000
To Carriage Outward		4,800	By Gross Profit b/d		2,81,000
To Printing and Stationery		3,000	By Commission		2,400
To Office Expenses		5,400	By Dividend		3,300
To Salaries	44,000				
Add : Outstanding	2,400	46,400			
To Bad debts (T)	2,400				
Add : New B.D.(A)	2,000				
Add : New R. D. D. (A)	2,100				
	6,500				
Less: old R.D.D.(T)	3,200	3,300			
To Advertisement	6,000				
Less: Prepaid	4,000	2,000			
To Interest on Capital		14,000			
To Depreciation on :					
Motor Van	4,000				
Furniture	1,000	5,000			
To Net Profit c/d		2,02,800			
		2,86,700			2,86,700

Balance Sheet as of 31st March, 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	1,40,000		Plant and Machinery		50,000
Less : Drawings	24,700		Debtors (T)	44,000	
	1,15,300		Less : New B.D.(A)	2,000	
Add : Interest on Capital	14,000			42,000	
	1,29,300		Less : New R.D.D. (A)	2,100	39,900
Add : Net Profit	2,02,800	3,32,100	Building		58,000
Creditors		76,000	Motor Van	40,000	
Bank Overdraft		22,000	Less : Dep - @ 10%	4,000	36,000
Bills payable		8,400	Furniture	20,000	
Outstanding Wages		4,000	Less : Dep - @ 5%	1,000	19,000
Outstanding Salaries		2,400	Premises		81,000
			Loose Tools		20,400
			Cash in hand		71,000
			Bills Receivable		5,600
			Prepaid Advertisement		4,000
			Closing stock		60,000
		4,44,900			4,44,900

Question 4.

From the following Trial Balance of Nandini & Co. as of 31st March 2019. Prepare Final Accounts after considering the adjustments given below.

Particulars	Debit Amount (₹)	Credit Amount (₹)
Loose Tools	1,10,000	
Furniture & Fixtures	81,000	
Bad debts	1,400	
Sundry Debtors	81,600	
Stock (31st March 2018)	52,000	
Purchases	77,000	
Sales Cash		21,000
Sales Credit		81,000
Returns	400	600
Advertisements	4,800	
Rate taxes & Insurances	6,000	
Repairs & maintenance	1,200	
Salaries (2/3rd for factory)	18,000	
Rent (Paid for 11 months)	2,200	
Machinery (Includes ₹ 24,000 purchased on 1st Oct. 2018)	84,000	
Capital		3,60,000
R.D.D.		8,000
Sundry Creditors		70,000
Drawings	14,000	
Interest		1,200
Dividend		2,800
Bank Balance	40,000	
Royalty	6,000	
9% Bank loan (30th Sept 2018)		40,000
Carriage Outwards	4,000	
Discount	1,000	
	5,84,600	5,84,600

Adjustments:

1. Closing stock valued at ₹ 1,00,000.
2. Write off ₹ 2,000 as bad debts and create a provision for doubtful debts @ 5% on Sundry Debtor.
3. Depreciate Machinery by 10% p.a. and Loose Tools is valued at ₹ 1,00,000.
4. Charge Interest on Capital @ 2% p.a.

Solution:

In the books of Nandini & Co.

Dr. Trading and Profit and Loss Account for the year ended 31st March, 2019 Cr.

Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening stock		52,000	By Sales		
To Purchases	77,000		Cash	21,000	
Less : Returns	600	76,400	Credit	81,000	
To Salaries (factory)		12,000		1,02,000	
To Royalties		6,000	Less : Returns	400	1,01,600
To Gross Profit c/d		55,200	By Closing Stock		1,00,000
		2,01,600			2,01,600
To Advertisement		4,800	By Gross Profit b/d		55,200
To Bad debts (T)	1,400		By Interest		1,200
Add : New B.D.(A)	2,000		By Dividend		2,800
Add : New R.D.D (A)	3,980		By Excess R.D.D.		620
	7,380				
Less : Old R.D.D. (T)	8,000				
To Rates Taxes and Insurance		6,000			
To Repairs and Maintenance		1,200			
To Salaries (office)		6,000			
To Rent (11m)	2,200				
Add : Outstanding (1m)	200	2,400			
To Interest on bank loan		1,800			
To Carriage outward		4,000			
To Discount		1,000			
To Depreciation on :					
Machinery	7,200				
Loose Tools	10,000	17,200			
To Interest on Capital		7,200			
To Net Profit c/d		8,220			
		59,820			59,820

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	3,60,000		Loose Tools	1,10,000	
Less : Drawings	14,000		Less: Depreciation	10,000	1,00,000
	3,46,000		Furniture & Fixtures		81,000
Add : Interest on Capital	7,200		Sundry Debtors (T)	81,600	
	3,53,200		Less : New B.D. (A)	2,000	
Add : Net Profit	8,220	3,61,420		79,600	
Creditors		70,000	Less : New R.D.D (A)	3,980	75,620
9 % Bank loan	40,000		Machinery	84,000	
Add : Outstanding Interest on loan	1,800	41,800	Less : Depreciation @ 10 % (6,000 + 1,200)	7,200	76,800
Outstanding Rent		200	Bank Balance		40,000
			Closing Stock		1,00,000
		4,73,420			4,73,420

Question 5.

Prepare Final accounts of Abdul Traders for the year ending 31st March 2019 with the help of the following Trial Balance and Adjustments.

Trial Balance as of 31st March 2019.

Debit Balance	Amount (₹)	Credit Balance	Amount (₹)
Salaries	10,000	Interest Received	2,400
Purchases	71,400	Capital	1,60,000
Rent (11 months)	2,200	Sales	85,000
Machinery	56,000	Provision for Bad Debts	2,000
Advance against wages	4,000	Commissions Received	1,600
Opening stock	20,000	Bills Payable	9,200
Bad debts	1,000	Creditors	56,000
Prepaid Insurance	2,400		
Wages	2,600		
Loose Tools	26,000		
Commission receivable	400		
Sundry Debtors	64,000		
Cash	1,000		
Bank	3,000		
Drawings	7,600		
Freight Inward	1,000		
Bills Receivable	13,600		
Loan to Aruna	30,000		
	3,16,200		3,16,200

Adjustments:

1. Closing stock valued at ₹ 89,600
2. Outstanding expenses Salaries ₹ 2,000, Wages ₹ 4,000
3. Charge depreciation on Machinery @ 10%
4. Bad debts are written off ₹ 2,000 and create a provision for bad and doubtful debts 5% on Sundry Debtors.

Solution:

In the books of Abdul Traders.

Dr. Trading and Profit and Loss A/c for the year ended 31 st March, 2019			Cr.		
Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening stock		20,000	By Sales		85,000
To Purchases		71,400	By Closing Stock		89,600
To Wages	2,600				
Add : Outstanding	4,000	6,600			
To Freight Inward		1,000			
To Gross Profit c/d		75,600			
		1,74,600			1,74,600
To Salaries	10,000		By Gross Profit bld		75,600
Add : Outstanding	2,000	12,000	By Interest Received		2,400
To Rent (11m)	2,200		By Commission Received		1,600
Add : Outstanding (1m)	200	2,400			
To Bad debts (T)	1,000				
Add : New B. D. (A)	2,000				
Add : New R.D.D (A)	3,100				
	6,100				
Less : Old R.D.D (T)	2,000	4,100			
To Dep. on Machinery		5,600			
To Net Profit c/d		55,500			
		79,600			79,600

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	1,60,000		Machinery	56,000	
Less : Drawings	7,600		Less : Depreciation @ 10 %	5,600	50,400
	1,52,400		Advance against wages		4,000
Add : Net Profit	55,500	2,07,900	Prepaid Insurance		2,400
Bills Payable		9,200	Loose Tools		26,000
Creditors		56,000	Commission Receivable		400
Outstanding Salaries		2,000	Sundry Debtors (T)	64,000	
Outstanding Wages		4,000	Less : New B. D.(A)	2,000	
Outstanding Rent		200		62,000	
			Less : New R.D.D. (A)	3,100	58,900
			Cash		1,000
			Bank		3,000
			Bills Receivable		13,600
			Loan to Aruna		30,000
			Closing Stock		89,600
		2,79,300			2,79,300

Question 6.

Following is the Trial Balance of Geeta Enterprises. You are required to prepare a Trading and Profit & Loss Account for the year ended 31st March 2019 and the Balance Sheet as of that date after taking into account the additional information provided to you.

Trial Balance as of 31st March, 2019

Particulars	Debit Amount (₹)	Credit Amount (₹)
Capital A/c		50,000
Drawings	1,750	
Opening Stock	8,000	
Purchases & Sales	16,500	22,500
Returns	625	750
Carriage Outward	425	
Wages - Productive	1,000	
Unproductive	600	
Salaries	1,000	
Travelling expenses	1,125	
Trade Expenses	325	
Fuel and Coal	250	
Discount	460	550
Sundry expenses	225	
Bad Debts	200	
Plant & Machinery	20,000	
Furniture	5,500	
Packing expenses	175	
Sundry Debtors & Creditors	10,090	6,750
Cash in hand	2,200	
Investments	10,250	
Reserve for Doubtful debts		150
	80,700	80,700

Additional information:

- Closing stock of goods on 31st March 2019 valued at ₹ 7,100 at cost price and ₹ 7,500/- as market price.
- Travelling expenses include ₹ 125 spent on personal traveling.
- ₹ 175 is to be written off as bad debts which were due from Mr. Ashok, a debtor, and 5% R.D.D. is to be maintained on debtors.
- Reserve for discount on debtors as well as on creditors is to be maintained at 2% and 3% respectively.
- Provide 10% depreciation on Plant & Machinery and Furniture.

Solution:

In the books of Geeta Enterprises.

Dr. Trading and Profit & Loss Account for the year ended 31 st March, 2019			Cr.		
Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening stock		8,000	By Sales	22,500	
To Purchase	16,500		Less : Sales Return	625	21,875
Less : Purchase Return	750	15,750	By Closing Stock		7,100
To Productive wages		1,000			
To Trade Expenses		325			
To Fuel and Coal		250			
To Gross Profit c/d		3,650			
		28,975			28,975
To Carriage Outward		425	By Gross Profit b/d		3,650
To Unproductive Wages		600	By Discount		550
To Salaries		1,000	By Provision for		
To Travelling Expenses	1,125		Discount on Creditors		203
Less : Drawings	125	1,000	By Net Loss c/d		2,942
To Discount		460			
To Sundry Expenses		225			
To Packing Expenses		175			
To Bad debts (T)	200				
Add : New B.D. (A)	175				
Add : New R.D.D. (A)	496				
	871				
Less : Old R.D.D.(T)	150	721			
To Deprecation on :					
Plant and Machinery	2,000				
Furniture	550	2,550			
To Provision for Discount on Debtors		189			
		7,345			7,345

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	50,000		Plant and Machinery	20,000	
Less : Drawings	1,750		Less : Depreciation @ 10%	2,000	18,000
	48,250				
Less : Travelling Exp.	125		Furniture	5,500	
	48,125		Less : Depreciation @ 10%	550	4,950
Less : Net Loss	2,942	45,183			
Sundry Creditors	6,750		Sundry Debtors (T)	10,090	
			Less : New B.D.(A)	175	
Less : Provision. for				9,915	
Discount on Creditors @ 3%	203	6,547	Less : New R.D.D. (A)	496	
				9,419	
			Less : Provision for		
			Discount on Debtors @ 2%	189	9,230
			Cash in hand		2,200
			Investments		10,250
			Closing Stock		7,100
		51,730			51,730

Question 7.

Following are the closing ledger balances of Deepak & Co. Prepare Trading Account and Profit & Loss Account for the year ended 31st March 2019 and Balance sheet as of that date.

Ledger Balances of Mr. Deepak and Co. as of 31st March, 2019

Particulars	Amount (₹)	Particulars	Amount (₹)
Bank	30,000	Capital	1,20,000
Bills Payable	7,500	Insurance Premium (1.1.2019 to 31.12.2019)	18,000
Furniture	19,500	Salaries	30,000
Commission Received	3,000	Bank loan	30,000
Stock (1.4.2018)	27,000	Sundry expenses	7,500
Building	37,500	Interest paid	1,500
Wages	7,500	Machinery	25,500
Creditors	37,500	Sales	96,000
Bad Debts	4,500	Purchases	42,000
R.D.D. (old)	3,000	Debtors	31,500
Sales Returns	1,500	Purchases returns	3,000
		Cash in hand	16,500

Adjustments:

1. Closing stock was valued at ₹ 60,000
2. An amount of ₹ 3,000 is still to be received on account of commission.
3. Provision for discount on debtors and Provision for discount on Creditors are to be created 2% and 3% respectively.
4. Amount of Furniture is to reduce by ₹ 4,500 and Building by 10%.
5. Outstanding expenses Salaries ₹ 4,500 and Wages ₹ 1,500.

Solution:

In the books of Deepak & Co.

Dr.		Trading and Profit and Loss Account for the year ended 31 st March, 2019		Cr.	
Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening Stock		27,000	By Sales	96,000	
To Purchases	42,000		Less : Sales Return	1,500	94,500
Less : Purchase Return	3,000	39,000	By Closing Stock		60,000
To Wages	7,500				
Add : Outstanding	1,500	9,000			
To Gross Profit c/d		79,500			
		1,54,500			1,54,500
To Bad debts (T)	4,500		By Gross Profit b/d		79,500
Less : Old R.D.D.(T)	3,000	1,500	By Commission Received	3,000	
To Insurance Premium	18,000		Add : Commission		
Less : Pre-paid for 9m	13,500	4,500	Receivable	3,000	6,000
To Salaries	30,000		By Provision for Discount		
Add : Outstanding	4,500	34,500	on creditors		1,125
To Sundry Expenses		7,500			
To Interest paid		1,500			
To Provision for Discount					
On debtors		630			
To Depreciation on :					
Furniture	4,500				
Building	3,750	8,250			
To Net Profit c/d		28,245			
		86,625			86,625

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	1,20,000		Bank		30,000
Add : Net Profit	28,245	1,48,245	Furniture	19,500	
Bills Payable		7,500	Less : Depreciation	4,500	15,000
Bank Loan		30,000	Building	37,500	
Creditors	37,500		Less : Depreciation @ 10 %	3,750	33,750
Less : Provision for			Prepaid Insurance		13,500
Discount on Creditors @ 3 %	1,125	36,375	Machinery		25,500
Outstanding Salaries		4,500	Debtors	31,500	
Outstanding Wages		1,500	Less : Provision for	630	
			Discount on Debtor @ 2%		30,870
			Commission Receivable		3,000
			Cash in hand		16,500
			Closing Stock		60,000
		2,28,120			2,28,120

Question 8.

Following is the Trial Balance extracted from the books of Raju Traders. You are required to prepare Trading A/c, Profit & Loss A/c for the year ending on 31st March 2019 and Balance Sheet as of that date after Considering the additional information given below.

Trial Balance as of 31st March 2019

Particulars (Debit)	Amount (₹)	Particulars (Credit)	Amount (₹)
Raju's Drawings	5,000	Capital	2,00,000
Opening stock	30,000	Sales	1,64,000
Wages	5,000	Returns outward	2,400
Purchases	60,000	Creditors	40,000
Trade Expenses	800	Discount	1,600
Royalties	1,600	Bills payable	13,600
Salaries	20,000		
Debtors	80,000		
Plant & Machinery	56,000		
Printing & Stationery	2,400		
Bad debts	900		
Discount	1,200		
Furniture	16,000		
Advertisement	3,000		
Carriage outwards	600		
Computers	1,20,000		
Bills Receivable	16,000		
Cash in hand	1,100		
Cash at Bank	2,000		
	4,21,600		4,21,600

Adjustments:

1. Closing stock is valued at ₹ 40,000 at Cost Price and ₹ 44,000 as Market Price.
2. Provide Depreciation on Plant & Machinery, Furniture, Computers @ 5%, 10%, 15% respectively.
3. Salaries are paid for 10 months only.
4. Further Bad debts amounted to ₹ 400 and provide 10% R.D.D. on Sundry Debtors.
5. Advertisement is paid for 2 years.

Solution:

In the books of Raju Traders.

Dr. Trading and Profit & Loss A/c for the year ended 31 st March, 2019			Cr.		
Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening Stock		30,000	By Sales		1,64,000
To Purchases	60,000		By Closing Stock		40,000
Less : Return Outward	2,400	57,600			
To Wages		5,000			
To Royalties		1,600			
To Gross Profit c/d		1,09,800			
		2,04,000			2,04,000
To Trade Expenses		800	By Gross Profit b/d		1,09,800
To Salaries (10m)	20,000		By Discount		1,600
Add : Outstanding (2m)	4,000	24,000			
To Printing & Stationery		2,400			
To Bad Debts (T)	900				
Add : New B. D. (A)	400				
Add : New R.D.D.(A)	7,960	9,260			
To Discount		1,200			
To Advertisement (2y)	3,000				
Less : Prepaid (1y)	1,500	1,500			
To Carriage Outwards		600			
To Depreciation on :					
Plant & Machinery	2,800				
Furniture	1,600				
Computer	18,000	22,400			
To Net Profit c/d		49,240			
		1,11,400			1,11,400

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	2,00,000		Debtors (T)	80,000	
Less : Drawings	5,000		Less : New B.D.(A)	400	
	1,95,000			79,600	
Add : Net Profit	49,240	2,44,240	Less : New R.D.D. (A)	7,960	71,640
			Plant and Machinery	56,000	
Creditors		40,000	Less : Dep. @ 5%	2,800	53,200
Bills Payable		13,600	Furniture	16,000	
Outstanding Salaries		4,000	Less : Dep. @ 10%	1,600	14,400
			Computers	1,20,00	
			Less : Dep. @ 15%	18,000	1,02,000
			Bills Receivable		16,000
			Cash in hand		1,100
			Cash at bank		2,000
			Closing Stock		40,000
			Prepaid Advertisement		1,500
		3,01,840			3,01,840

Question 9.

From the following Trial Balance of Shradha Enterprises, you are required to prepare Final Accounts for the year ending on 31st March 2019.

Trial Balance as of 31st March 2019

Debit balances	Amount (₹)	Credit Balances	Amount (₹)
Opening Stock	2,40,000	Capital	13,00,000
Purchases	8,50,000	Sundry Creditors	1,20,000
Returns Inward	15,000	Bills Payable	60,000
Wages	29,000	Sales	25,00,000
Power and Fuel	21,800	Return Outward	8,000
Travelling Expenses	14,700	Discount	2,000
Audit fees	7,000	Bank Overdraft	1,54,000
Royalty	72,000	Reserve for Bad and doubtful debts	8,000
Discount	1,750		
Postage	13,500		
Bad debts	3,000		
Sundry Debtors	5,20,000		
Furniture	1,20,000		
Plant & Machinery	15,00,000		
Freehold Premises	7,02,000		
Rent, Rates and Insurance	42,250		
	41,52,000		41,52,000

Adjustments:

- Insurance is prepaid to the extent of ₹ 2,250
- Closing stock is valued at ₹ 3,80,000 Cost price and ₹ 4,00,000 as Market price.
- Outstanding Expenses are Wages ₹ 6,000 and Rent ₹ 5,000
- Write off further bad debts ₹ 1,500 and provide 5% Reserve for doubtful debts.
- Depreciation on Furniture and Plant & Machinery at 10% p.a. and on Freehold Premises at 15% p.a.

Solution:

In the books of Shradha Enterprises

Dr. Trading and Profit & Loss Account for year ended 31st March, 2019 Cr.

Particulars	Amt. (₹)	Amt. (₹)	Particular	Amt. (₹)	Amt. (₹)
To Opening Stock		2,40,000	By Sales	25,00,000	
To Purchases	8,50,000		Less: Return Inwards	15,000	24,85,000
Less: Return Outward	8,000	8,42,000	By Closing Stock		3,80,000
To Wages	29,000				
Add: Outstanding	6,000	35,000			
To Power and Fuel		21,800			
To Royalty		72,000			
To Gross Profit c/d		16,54,200			
		28,65,000			28,65,000
To Travelling Expenses		14,700	By Gross Profit b/d		16,54,200
To Audit Fees		7,000	By Discount		2,000
To Discount		1,750			
To Postage		13,500			
To Bad debts (T)	3,000				
Add: New B.D.(A)	1,500				
Add: New R.D.D.(A)	25,925				
	30,425				
Less: Old R.D.D.(T)	8,000	22,425			
To Rent, Rates and Insurance	42,250				
Less: Prepaid Insurance	2,250				
	40,000				
Add: Outstanding Rent	5,000	45,000			
To Depreciation on:					
Furniture	12,000				
Plant & Machinery	1,50,000				
Freehold Premises	1,05,300	2,67,300			
To Net Profit c/d		12,84,525			
		16,56,200			16,56,200

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	13,00,000		Sundry Debtors (T)	5,20,000	
Add: Net Profit	12,84,525	25,84,525	Less: New B.D.(A)	1,500	
Sundry Creditors		1,20,000		5,18,500	
Bills Payable		60,000	Less: New R.D.D.(A)	25,925	4,92,575
Bank Overdraft		1,54,000	Furniture	1,20,000	
Outstanding Wages		6,000	Less: Depreciation @ 10%	12,000	1,08,000
Outstanding Rent		5,000	Plant & Machinery	15,00,000	
			Less: Depreciation @ 10%	1,50,000	13,50,000
			Freehold Premises	7,02,000	
			Less: Depreciation @ 15%	1,05,300	5,96,700
			Prepaid Insurance		2,250
			Closing Stock		3,80,000
		29,29,525			29,29,525

Question 10.

From the following Trial Balance of Ayub & Co. as of 31st March 2019, you are required to prepare Trading Account, Profit and Loss Account for the year ending 31st March 2019, and Balance Sheet as of that date after making necessary adjustments.

Trial Balance as of 31st March 2019

Debit balances	Amount (₹)	Credit Balances	Amount (₹)
Cash in hand	4,575	Discount	900
Cash at Bank	15,450	Loan from Abhay	15,000
Drawings	18,000	Creditors	18,225
Furniture	6,000	Sales	1,95,000
Plant & Machinery	45,000	Returns Outward	3,000
Opening Stock	30,000	Capital	90,000
Purchases	1,20,000		
Salaries & Wages	33,600		
Debtors	30,600		
Returns Inward	7,500		
Audit Fees	2,250		
Rent. Rates and Taxes	5,400		
Bad debts	600		
Travelling Expenses	750		
Insurance	1,200		
Interest on Loan from Abhay	450		
Trade Expenses	300		
Sundry expenses	450		
	3,22,125		3,22,125

Adjustments:

1. Stock on hand on 31st March 2019 valued at ₹ 60,000
2. Rent amounting to ₹ 600 Prepaid.
3. Bad Debts ₹ 600 and create a Provision for Doubtful Debts 5%
4. Depreciation on Plant & Machinery by 10% and Furniture is valued at ₹ 4,500
5. Outstanding Salaries ₹ 900

Solution:

In the books of Ayub and Co.

Dr. Trading and Profit and Loss Account for year ended 31 st March, 2019			Cr.		
Particulars	Amt. (₹)	Amt. (₹)	Particular	Amt. (₹)	Amt. (₹)
To Opening Stock		30,000	By Sales	1,95,000	
To Purchases	1,20,000		Less: Return Inwards	7,500	1,87,500
Less: Return Outward	3,000	1,17,000			
To Trade Expenses		300	By Closing Stock		60,000
To Gross Profit c/d		1,00,200			
		2,47,500			2,47,500
To Salaries and Wages	33,600		By Gross Profit b/d		1,00,200
Add: Outstanding	900	34,500	By Discount		900
To Audit fees		2,250			
To Rent, Rates and Taxes	5,400				
Less: Prepaid Rent	600	4,800			
To Bad debts (T)	600				
Add: New B.D. (A)	600				
Add: New R.D.D. (A)	1,500	2,700			
To Travelling Expenses		750			
To Insurance		1,200			
To Interest on loan		450			
To Sundry Expenses		450			
To Depreciation on :					
Furniture	1,500				
Plant and Machinery	4,500	6,000			
To Net Profit c/d		48,000			
		1,01,100			1,01,100

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	90,000		Cash in hand		4,575
Less: Drawings	18,000		Cash at bank		15,450
	72,000		Furniture	6,000	
Add: Net Profit	48,000	1,20,000	Less: Depreciation	1,500	4,500
Loan from Abhay		15,000	Plant and Machinery	45,000	
Creditors		18,225	Less: Depreciation @ 10%	4,500	40,500
Outstanding Salaries		900	Debtors (T)	30,600	
			Less: New B.D.(A)	600	
				30,000	
			Less: New R.D.D.(A)	1,500	28,500
			Prepaid Rent		600
			Closing Stock		60,000
		1,54,125			1,54,125

Question 11.

From the following Trial Balance of Rajnish & Sons and the additional information given below prepare Trading & Profit and Loss Account for the year ending on 31st March 2018 and Balance Sheet as on that date.

Trial Balance as of 31st March 2018

Debit balances	Amount (₹)	Credit Balances	Amount (₹)
Stock (01.04.2017)	1,20,000	Capital	6,00,000
Purchases	4,00,000	Sales	3,00,000
Wages	17,000	Return outward	8,000
Carriage	6,000	Sundry Creditors	1,80,000
Salaries	60,000	Bills Payable	90,000
Rent, Rates and Taxes	12,000	8% Loan (taken on 01.10.2017)	1,00,000
Insurance	8,000	Bank Overdraft	79,200
Royalties	10,000		
Discount	4,500		
Courier charges	5,200		
Bad Debts	7,000		
Trade Expenses	2,500		
Drawings	15,000		
Machinery	3,00,000		
Furniture	1,50,000		
Patents	50,000		
Sundry Debtors.	1,90,000		
	13,57,200		13,57,200

Adjustments:

1. Closing Stock valued at ₹ 3,00,000 cost price and ₹ 3,20,000 at Market price.
2. Salaries were paid for 10 months only.
3. Insurance is paid for one year ending on 30.06.2018
4. One of the debtors Mr. Amit became insolvent, from whom ₹ 10,000 was not received.
5. 5% R.D.D. is to be maintained on Debtors.
6. Depreciate Machinery & Furniture @ 10% and 5% respectively.

Solution:

In the books of Rajnish & Sons

Dr. Trading and Profit & Loss Account for year ended 31st March, 2018 Cr.

Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening Stock		1,20,000	By Sales		3,00,000
To Purchases	4,00,000		By Closing Stock		3,00,000
Less: Return Outward	8,000	3,92,000			
To Wages		17,000			
To Carriage		6,000			
To Royalties		10,000			
To Gross Profit c/d		55,000			
		6,00,000			6,00,000
To Salaries (10 m)	60,000		By Gross Profit b/d		55,000
Add: Outstanding (2m)	12,000	72,000	By Net Loss c/d		1,14,700
To Rent, Rates and Taxes		12,000			
To Insurance	8,000				
Less: Prepaid Insurance. (3m)	2,000	6,000			
To Discount		4,500			

To Courier charges		5,200			
To Bad Debts (T)	7,000				
Add: New B.D.(A)	10,000				
Add: New R.D.D.(A)	9,000	26,000			
To Trade Expenses		2,500			
To Interest on loan		4,000			
To Depreciation on :					
Machinery	30,000				
Furniture	7,500	37,500			
		1,69,700			1,69,700

Balance Sheet as of 31st March 2018

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	6,00,000		Machinery	3,00,000	
Less : Drawings	15,000		Less: Depreciation @ 10%	30,000	2,70,000
	5,85,000		Furniture	1,50,000	
Less : Net Loss	1,14,700	4,70,300	Less: Depreciation @ 5%	7,500	1,42,500
Sundry Creditors		1,80,000	Patents		50,000
Bills Payable		90,000	Sundry Debtors (T)	1,90,000	
8% Loan	1,00,000		Less: New B.D.(A)	10,000	
Add: Int.on loan outstanding	4,000	1,04,000		1,80,000	
Bank Overdraft		79,200	Less: New R.D.D.(A)	9,000	1,71,000
Outstanding Salaries		12,000	Closing Stock		3,00,000
			Prepaid Insurance		2,000
		9,35,500			9,35,500

Question 12.

From the following Trial Balance of John & Sons, you are required to prepare Trading Account, Profit and Loss Account for the year ending 31st March 2019 and Balance Sheet as of that date.

Trial Balance as of 31st March 2019

Debit balances	Amount (₹)	Credit Balances	Amount (₹)
Drawings (1st July 2018)	12,000	Sundry Creditors	40,000
Cash in hand	8,000	Returns	4,500
Cash at Bank	20,000	Dividend	100
Bills Receivable	15,000	Rent	200
Wages	1,800	Sales	53,200
Discount	700	Bank Loan	5,000
Rent	2,000	Capital	99,700
Advertisement	3,000		
Bad debts	1,200		
Travelling Expenses	800		
Purchases	40,000		
Machinery	15,000		
Motor Car	18,000		
Returns	1,200		
Stock (1st April 2018)	10,000		
Sundry Debtors	35,000		
Carriage outwards	1,000		
6% Investment (1st Sept 2018)	18,000		
	2,02,700		2,02,700

Adjustments:

1. Closing Stock ₹ 27,000
2. Charge Depreciation on Machinery and Motor car @ 10% and 5% respectively.
3. Create R.D.D. 5% on Sundry Debtors
4. Interest on Drawings @ 5% p.a.
5. Create Discount on Sundry Creditors 3%
6. Advertisement ₹ 1,000 is prepaid.
7. Outstanding Rent ₹ 1,500

Solution:

In the books of John and Sons

Dr.		Trading and Profit and Loss A/c for the year ended 31 st March, 2019		Cr.	
Particulars	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
To Opening Stock		10,000	By Sales	53,200	
To Purchases	40,000		Less : Returns	1,200	52,000
Less: Returns	4,500	35,500	By Closing Stock		27,000
To Wages		1,800			
To Gross Profit c/d		31,700			
		79,000			79,000
To Discount		700	By Gross Profit b/d		31,700
To Rent	2,000		By Dividend		100
Add : Outstanding	1,500	3,500	By Rent		200
To Advertisement	3,000		By Interest on Drawing		450
Less : Prepaid	1,000	2,000	By Interest on Investment		630
To Travelling Expenses		800	By Provision for		1,200
To Depreciation on :			Discount on Creditors		
Machinery	1,500				
Motor Car	900	2,400			
To Bad debts (T)	1,200				
Add : New R.D.D. (A)	1,750	2,950			
To Carriage Outwards		1,000			
To Net Profit c/d		20,930			
		34,280			34,280

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	99,700		Cash in hand		8,000
Less : Drawings	12,000		Cash at bank		20,000
	87,700		Bills Receivable		15,000
Less : Interest on Drawings (9m)	450		Machinery	15,000	
	87,250		Less : Dep. @ 10%	1,500	13,500
			Motor Car	18,000	
Add : Net Profit	20,930	1,08,180	Less : Dep. @ 5%	900	17,100
Sundry Creditors	40,000		Sundry Debtors (T)	35,000	
Less : Provision for Discount on Creditors @ 3%	1,200	38,800	Less : New R.D.D. (A)	1,750	33,250
			6 % Investment	18,000	
			Add : Int. Receivable	630	18,630
Bank loan		5,000	Closing Stock		27,000
Outstanding Rent		1,500	Prepaid Advertisement		1,000
		1,53,480			1,53,480

Question 13.

From the following Trial Balance of Pushkraj, you are required to prepare Trading Account and Profit and Loss Account for the year ended 31st March 2019 and Balance Sheet as of that date.

Trial Balance as of 31st March 2019

Debit balances	Amount (₹)	Credit Balances	Amount (₹)
Drawings	2,000	Capital	80,000
Motor Car	30,000	Sundry Creditors	25,000
Cash in hand	1,000	Dividend	4,800
Bills Receivable	20,000	Commission	2,535
Wages	1,000	8% Loan (taken on 1.7.2018)	13,700
Discount	235	Purchases Returns	400
Rent	300	Sales	38,680
Advertisement	2,500		
Bad Debts	500		
Travelling expenses	1,000		
Purchases	27,400		
Machinery	30,000		
Office expenses	500		
Sales Returns	680		
Opening Stock	10,000		
Sundry Debtors	35,500		
Carriage Outward	500		
Cash at Bank	2,000		
	1,65,115		1,65,115

Adjustments:

1. Stock on 31st March 2019 was valued at ₹ 28,000
2. Create a Provision for doubtful debts on Sundry Debtors @ 5%
3. Depreciate Motor car by 5% p.a. and Machinery by 7% p.a.
4. Outstanding expenses Rent ₹ 800 & Wages ₹ 1,000
5. Charge interest on Capital @ 3% p.a.
6. Goods of ₹ 4,000 withdrawn by the proprietor for personal use.

Solution:

In the books of Pushkraj

Dr. Trading and Profit and Loss A/c for the year ended 31 st March, 2019.			Cr.		
Particulars	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
To Opening Stock		10,000	By Sales	38,680	
To Purchases	27,400		Less : Sales Return	680	38,000
Less : Purchases Return	400	27,000	By Drawings of goods		4,000
To Wages	1,000		By Closing Stock		28,000
Add : Outstanding	1,000	2,000			

To Gross Profit c/d		31,000			
		70,000			70,000
To Discount		235	By Gross Profit b/d		31,000
To Rent	300		By Dividend		4,800
Add : Outstanding	800	1,100	By Commission		2,535
To Advertisement		2,500			
To Bad debts (T)	500				
Add : New R.D.D.(A)	1,775	2,275			
To Travelling Expenses		1,000			
To Office Expenses		500			
To Carriage Outwards		500			
To Depreciation on :					
Motor car	1,500				
Machinery	2,100	3,600			
To Interest on loan		822			
To Interest on capital		2,400			
To Net Profit c/d		23,403			
		38,335			38,335

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	80,000		Motor car	30,000	
Less : Drawings	2,000		Less : Dep. @ 5%	1,500	28,500
	78,000		Cash in hand		1,000
Less : Drawings of Goods	4,000		Bills Receivable		20,000
	74,000		Machinery	30,000	
Add : Interest on capital	2,400		Less : Dep. @ 7%	2,100	27,900
	76,400		Sundry Debtors (T)	35,500	
Add : Net Profit	23,403	99,803	Less: New R.D.D.(A)	1,775	33,725
Sundry Creditors		25,000	Cash at Bank		2,000
8% Loan	13,700		Closing Stock		28,000
Add : Outstanding Interest	822	14,522			
Outstanding Wages		1,000			
Outstanding Rent		800			
		1,41,125			1,41,125

Question 14.

From the following Trial Balance of Jyoti, Trading Co. Prepare the Trading Account and Profit and Loss Account for the year ended 31st March 2019 and Balance Sheet as of that date.

Trial Balance as of 31st March 2019

Debit balances	Amount (₹)	Credit Balances	Amount (₹)
Stock (1.4.2018)	9,500	Capital	2,00,000
Sales Returns	750	R.D.D.	1,000
Loose Tools	55,000	Sales	38,750
Debtors	50,800	Purchases return	455
Bills Receivable	4,000	Creditors	47,000
Purchases	29,455	Bills Payable	8,000
Furniture	15,000	Discount	1,845
Salaries	5,000		
Carriage Outward	3,000		
Legal expenses	2,000		
Insurance	2,200		
Goodwill	20,000		
Machinery	40,000		
Wages	2,345		
Bank	30,000		
Drawings	8,000		
Investments	20,000		
	2,97,050		2,97,050

Adjustments:

- Closing stock valued at ₹ 58,000 Cost Price while the Market price is ₹ 60,000
- Write off ₹ 1,200 as Bad debts and create provision for doubtful debts 2% on Sundry Debtors and also create provision for discount on Creditors 5%.
- Loose Tools is valued at ₹ 52,000 and depreciate Furniture by 10% p.a.

4. Outstanding expenses Salary ₹ 1,000 and Wages ₹ 225

5. Charge interest on Capital 2% and on Drawings 10%.

Solution:

In the books of Jyoti Trading Co.

Dr. Trading and Profit and Loss A/c for the year ended 31st March, 2019 Cr.

Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening Stock		9,500	By Sales	38,750	
To Purchases	29,455		Less: Sales Return	750	38,000
Less : Purchases Return	455	29,000	By Closing Stock		58,000
To Wages	2,345				
Add : Outstanding	225	2,570			
To Gross Profit c/d		54,930			
		96,000			96,000
To Salaries	5,000		By Gross Profit b/d		54,930
Add : Outstanding	1,000	6,000	By Discount		1,845
To Carriage Outwards		3,000	By Interest on Drawing		400
To Legal expense		2,000	By Provision for Discount on Creditors		2,350
To Insurance		2,200			
To New B.D.(A)	1,200				
Add: New R.D.D. (A)	992				
	2,192				
Less : Old R.D.D. (T)	1,000	1,192			
To Interest on Capital		4,000			
To Depreciation on :					
Loose Tools	3,000				
Furniture	1,500	4,500			
To Net Profit c/d		36,633			
		59,525			59,525

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	2,00,000		Loose Tools	55,000	
Less : Drawings	8,000		Less : Depreciation	3000	52,000
	1,92,000		Debtors (T)	50,800	
Add : Interest on capital	4,000		Less : New B.D.(A)	1,200	
	1,96,000			49,600	
Less : Interest on Drawings	400		Less : New R.D.D (A)	992	48,608
	1,95,600		Bills Receivable		4,000
Add : New Profit	36,633	2,32,233	Furniture	15,000	
Creditors	47,000		Less: Dep. @ 10 %	1,500	13,500
Less : Provision for Discount on Creditors @ 5%	2,350	44,650	Goodwill		20,000
Bills Payable		8,000	Machinery		40,000
Outstanding Salaries		1,000	Bank		30,000
Outstanding Wages		225	Investments		20,000
		2,86,108	Closing Stock		58,000
					2,86,108

Question 15.

From the following Trial Balance of Manish Enterprise, Prepare the Trading Account and Profit and Loss Account for the year ended 31st March 2019 and Balance sheet as of that date.

Trial Balance as of 31st March 2019

Debit balances	Amount (₹)	Credit Balances	Amount (₹)
Cash in hand	5,200	Capital	50,000
Opening stock	10,370	Bank Loan	15,000
Goodwill	10,000	Bills Payable	8,500
Patents	4,000	Creditors	38,260
Cash at Bank	4,400	General Reserve	1,500
Freight	2,500	Dividend	2,000
Power & Fuel	1,500	Interest on Fixed Deposit	3,440
Furniture	12,000	Sales	40,000
Purchases	35,260		
Mobile charges	3,200		
Factory Salaries	2,400		
Repairs	800		
Lighting	1,000		
Carriage outward	360		
Professional charges	1,240		
Debtors	40,000		
Plant & Machinery	13,700		
Office Equipments	10,000		
Carriage Inwards	770		
	1,58,700		1,58,700

Adjustments:

1. Closing Stock was ₹ 32,000.
2. Write off 50% of patents, depreciate Plant & Machinery by 10% p.a and Office Equipment by 20%.
3. Reserve for bad debts is to be created 5% and discount on Debtors 2%.
4. Outstanding expenses Mobile charges ₹ 300 and Freight ₹ 500
5. Charge Interest on Capital @ 5%.
6. Goods of ₹ 2,000 distributed on free samples.

Solution:

In the books of Manish Enterprise

Dr.		Trading and Profit and Loss A/c for the year ended 31 st March, 2019		Cr.	
Particulars	Amt. (₹)	Amt. (₹)	Particulars	Amt. (₹)	Amt. (₹)
To Opening Stock		10,370	By Sales		40,000
To Purchases		35,260	By Goods distributed as free samples		2,000
To Power and fuel		1,500	By Closing Stock		32,000
To Factory salaries		2,400			
To Carriage Inwards		770			
To Freight	2,500				
Add : Outstanding	500	3,000			
To Gross Profit c/d		20,700			
		74,000			74,000
To Mobile charges	3,200		By Gross Profit b/d		20,700
Add : Outstanding	300	3,500	By Dividend		2,000
To Repairs		800	By Interest on Fixed Deposit		3,440
To Lighting		1,000			
To Carriage Outward		360			
To Professional charges		1,240			
To Reserve for Bad debts		2,000			
To Provision for Discount on Debtors		760			
To Interest on Capital		2,500			
To Advertisement		2,000			
To Depreciation on :					
Patents	2,000				
Plant and Machinery	1,370				
Office Equipments	2,000	5,370			
To Net Profit c/d		6,610			
		26,140			26,140

Balance Sheet as of 31st March 2019

Liabilities	Amt. (₹)	Amt. (₹)	Assets	Amt. (₹)	Amt. (₹)
Capital	50,000		Cash in hand		5,200
Add : Interest on Capital	2,500		Goodwill		000
	52,500		Patents	4,000	
Add : Net profit	6,610	59,110	Less : Written off	2,000	2,000
Bank loan		15,000	Cash at bank		4,400
Bills Payable		8,500	Furniture		12,000
Creditors		38,260	Debtors (T)	40,000	
General Reserve		1,500	Less : New R.D.D. (A)	2,000	
Outstanding Mobile charges		300		38,000	
Outstanding Freight		500	Less : Provision for Dis. on		
			Debtors @ 2%	760	37,240
			Plant and Machinery	13,700	
			Less : Dep. @ 10%	1,370	12,330
			Office Equipments	10,000	
			Less : Dep. @ 20%	2,000	8,000
			Closing Stock		32,000
		1,23,170			1,23,170