**FINAL ACCOUNTS**

When you go through the books of the business as an accountant you look at the final accounts.

Final accounts consist of: Trading a/c, Profit and Loss a/c and Balance sheet.

In trading a/c, all expense related to your goods and factory are recorded.

So for a mfg unit, trading a/c records all goods and factory expenses.

Eg: raw material purchased, power and fuel, etc.

But for retailing units or wholesaling or non-mfg units, trading a/c records all expenses related to goods.

Eg: Purchases, carriage inwards, etc.

In profit and loss a/c, all expenses related to your office and selling and finance are recorded.

Eg: stationery, commission paid, interest paid etc.

In your balance sheet, all your assets and liabilities are recorded.

There are certain adjustments made in your final accounts at the time of recording your transactions. So such entries are known as adjusting entries.

Eg: discount to debtors, make provision for bad debts, etc.

Trading a/c :

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Particulars | Amt(Dr) | Date | Particulars | Amt(Cr) |
|  | To opening stock |  |  | By sales  (Sales return)  Net sales |  |
|  | To raw material purchased  (Purchase return)  Net purchases |  |  | By closing stock |  |
|  | To cr inwards |  |  | By gross loss |  |
|  | To power and fuel |  |  |  |  |
|  | To gross profit |  |  |  |  |
|  |  |  |  |  |  |

When dr is less than cr-gross profit

When dr is more than cr-gross loss

Profit and loss a/c:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | Particulars | Amt(Dr) | Date | Particulars | Amt(Cr) |
|  | To gross loss |  |  | By gross profit |  |
|  | To salaries |  |  | By commission received |  |
|  | To canteen |  |  | By interest received |  |
|  | To stationery |  |  | By net loss |  |
|  | To commission paid |  |  |  |  |
|  | To bad debts |  |  |  |  |
|  | To interest paid |  |  |  |  |
|  | To tax paid |  |  |  |  |
|  | To net profit |  |  |  |  |

When dr is less than cr-net profit

When dr is more than cr-net loss

Balance Sheet:

|  |  |  |  |
| --- | --- | --- | --- |
| Liabilities | Amt | Assets | Amt |
| Capital  Add: Net profit  Less: Net Loss  Net Capital |  | P&M |  |
| Loan |  | Land |  |
| Creditors |  | Building |  |
| O/S expenses |  | Closing Stock |  |
|  |  | Debtors  (dis to debtors)  Net debtors |  |
|  |  | Prepaid income |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |