

Chapter 14 Adjustments in Preparation of Financial Statements

Question 1.

Following are the balances extracted from the books of Manish Gupta on 31st March, 2018:

	₹		₹
Capital	1,90,000	Cash at Bank	26,000
Drawing	7,000	Salaries	8,000
Plant and Machinery	1,20,000	Repairs	1,900
Delivery Vehicle	26,000	Stock on 1st April, 2017	16,000
Sundry Debtors	36,000	Rent	4,500
Sundry Creditors	26,000	Manufacturing Expenses	1,500
Purchases	20,000	Bills Payable	23,500
Sales	42,000	Bad Debts	5,000
Wages	8,000	Carriage	1,600

Prepare Trading and Profit and Loss Account and Balance Sheet as at 31st March, 2018 after following adjustments are made:

- (i) Closing Stock was ₹ 16,000.
- (ii) Depreciate Plant and Machinery @ 10% and Delivery Vehicle @ 15%.
- (iii) Unpaid Rent amounted to ₹ 500.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
	Particulars	Rs.	Particulars	Rs.
To Opening Stock		16,000	By Sales	42,000
To Purchases		20,000	By Closing Stock	16,000
To Wages		8,000		
To Manufacturing Expenses		1,500		
To Carriage		1,600		
To Gross profit c/d		10,900		
		58,000		58,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
	Particulars	Rs.	Particulars	Rs.
To Salaries		8,000	By Gross Profit b/d	10,900
To Repairs		1,900	By Net Loss c/d	24,900
To Rent	4,500			
Add: Unpaid Rent	500	5,000		
To Bad Debts		5,000		
To Depreciation On:				
Plant and Machinery	12,000			
Delivery Vehicle	3,900	15,900		
		35,800		35,800

Balance sheet as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	1,90000		
Less: Drawings	(7,000)		
Less: Net Loss	(24,900)		
	1,58,100	Fixed Assets:	
		Plant and Machinery	1,20,000
		Less: 10% dep.	(12,000)
		Delivery Vehicle	26,000
		Less: 15% dep.	(3,900)
Current Liabilities			22,100
Sundry Creditors	26,000		
Bills Payable	23,500	Current Assets	
Unpaid Rent	500	Closing Stock	16,000
	2,08,100	Sundry Debtors	36,000
		Cash at Bank	26,000
			2,08,100

Question 2.

Prepare Trading and Profit and Loss Account and Balance Sheet from the following balances relating to the year ended 31st March, 2018:

	₹		₹
Capital	1,00,000	Wages	50,000
Creditors	12,000	Bank	10,000
Returns	5,000	Repairs	500
Outward Sales	1,64,000	Stock on 1st April, 2017	20,000
Bills Payable	5,000	Rent	4,000
Plant and Machinery	40,000	Manufacturing Expenses	8,000
Sundry Debtors	24,000	Trade Expenses	7,000
Drawing	10,000	Bad Debts	2,000
Purchases	1,05,000	Carriage	1,500
Returns Inward	3,000	Fuel and Power	1,000

Additional Information:

- (i) Closing Stock was valued at ₹ 14,500.
- (ii) Depreciate Plant and Machinery by ₹ 4,000.
- (iii) Write off Bad Debts ₹ 5,000.
- (iv) A sum of ₹ 400 is due for repairs.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Opening Stock		20,000	By Sales	1,64,000
To Purchases	1,05,000		Less: Return Inward	(3,000)
Less: Return Outward	(5,000)	1,00,000	By Closing Stock	14,500
To Wages		50,000	By Gross Loss c/d (Balancing Fig.)	5,000
To Manufacturing Expenses		8,000		
To Carriage		1,500		
To Fuel And Power		1,000		
		1,80,500		1,80,500

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Gross Loss b/d		5,000	By Net Loss c/d (Balancing Fig.)	
To Repairs	500	900		27,900
Add: Outstanding	400			
To Rent		4,000		
To Miscellaneous Expenses		7,000		
To Bad Debts	2,000	7,000		
Add: Additional Bad Debts	5,000			
To Depreciation On: Plant And Machinery		4,000		
		27,900		27,900

Balance Sheet as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	1,00,000	Fixed Assets	
Less: Drawings	(10,000)	Plant And Machinery	40,000
Less: Net Loss	(27,900)	Less: Depreciation	(4,000)
	62,100		36,000
Current Liabilities		Current Assets	
Creditors	12,000	Closing Stock	14,500
Bills Payable	5,000	Sundry Debtors	24,000
Outstanding Repairs	400	Less: Further Bad Debts	(5,000)
	79,500		19,000
		Bank	10,000
			79,500

Question 3.

Following Trial Balance has been extracted from the books of M/s. Ram Prasad & Sons on 31st March, 2018:

Particulars	Dr. ₹	Particulars	Cr. ₹
Machinery	4,00,000	Capital	9,00,000
Cash at Bank	1,00,000	Sales	16,00,000
Cash in Hand	50,000	Sundry Creditors	4,50,000
Wages	1,00,000	Interest Received	30,000
Purchases	8,00,000		
Stock on 1st April, 2017	6,00,000		
Sundry Debtors	4,40,000		
Bills Receivable	2,90,000		
Rent	45,000		
Commission	25,000		
General Expenses	80,000		
Salaries	50,000		
	29,80,000		29,80,000

Additional Information:

- (i) Outstanding salaries were ₹ 45,000.
- (ii) Depreciate Machinery at 10%.
- (iii) Wages outstanding were ₹ 5,000.
- (iv) Rent prepaid ₹ 10,000.
- (v) Provide for interest on capital 5% per annum.
- (vi) Stock on 31st March, 2018 ₹ 8,00,000.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date.

Solution:

Financial statement of M/s. Ram Prasad and Sons
Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Opening Stock		6,00,000	By Sales	16,00,000
To Wages	1,00,000		By Closing stock	8,00,000
Add: Outstanding Wages	5,000	1,05,000		
To Purchases		8,00,000		
To Gross Profit c/d (Balancing Fig.)		8,95,000		
		24,00,000		24,00,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Commission		25,000		
To Rent	45,000		By Gross Profit b/d	8,95,000
Less: Prepaid Rent	(10,000)	35,000	By Interest Received	30,000
To General Expenses		80,000		
To Depreciation On:				
Machinery		40,000		
To Salaries	50,000			
Add: Outstanding Salaries	45,000	95,000		
To Interest on Capital 5%		45,000		
To Net Profit c/d (Balancing Fig.)		6,05,000		
		9,25,000		9,25,000

Balance sheet as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	9,00,000		
Add: Interest on Capital	45,000		
Add: Net profit	6,05,000		
		Fixed Assets	
	15,50,000	Machinery	4,00,000
		Less: 10% Depreciation	(40,000)
			3,60,000
Current Liabilities			
Sundry Creditors	4,50,000		
Outstanding Salary	45,000	Closing Stock	8,00,000
Outstanding Wages	5,000	Sundry Debtors	4,40,000
		Prepaid Rent	10,000
		Cash At Bank	1,00,000
		Bills Receivable	2,90,000
		Cash In Hand	50,000
	20,50,000		20,50,000

Question 4.

From the following Trial Balance of M/s. Shradha & Sons as on 31st March, 2018, prepare Trading

and Profit and Loss Account and Balance Sheet.

Heads of Accounts	<i>Dr.</i> Balance (₹)	<i>Cr.</i> Balance (₹)
Capital	80,000
Drawings	18,000	...
Sales	1,55,000
Purchases	82,600	...
Stock (1st April, 2017)	42,000	...
Returns Outward	1,600
Carriage Inwards	1,200	...
Wages	4,000	...
Power	6,000	...
Machinery	50,000	...
Furniture	14,000	...
Rent	22,000	...
Salary	15,000	...
Insurance	3,600	...
8% Bank Loan	25,000
Debtors	20,600	...
Creditors	18,900
Cash in Hand	1,500	...
Total	2,80,500	2,80,500

Adjustments:

- (i) Closing Stock ₹ 64,000.
- (ii) Wages outstanding ₹ 2,400.
- (iii) Bad Debts ₹ 600.
- (iv) Provision for Doubtful Debts to be 5%.
- (v) Rent is paid for 11 months.
- (vi) Insurance premium is paid per annum, ended 31st May, 2018.
- (vii) Loan from the bank was taken on 1st October, 2017.
- (viii) Provide Depreciation on machinery @ 10% and on Furniture @ 5%.

Solution:

Financial statement of M/s. Shradha and Sons
Trading Account
for the year ended March 31, 2018

Dr.		Cr.
Particulars		Rs.
To Opening Stock	42,000	By Sales
To Purchase	82,600	1,55,000
Less: Return Outwards	(1,600)	By Closing Stock
To Carriage Inwards	81,000	64,000
To Wages	1,200	
Add: Outstanding Wages	4,000	
	2,400	
To Power	6,400	
To Gross Profit c/d	6,000	
(Balancing Fig.)	82,400	
	2,19,000	2,19,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.		Cr.
Particulars		Rs.
To Salary	15,000	
To Rent	22,000	
Add: O/s For One Month	2,000	
	(22,000/11)	
To O/s Interest On Bank Loan	24,000	
(25,000 × 8% × 6/12)	1,000	
To Bad Debts	600	
Add: Provision For Doubtful Debts	1,000	
To Insurance	3,600	
Less: Prepaid 2 Month	(600)	
	(3,600 × 2/12)	
To Depreciation On:		
Machinery	5,000	
Furniture	700	
	5,700	
To Net Profit c/d	32,100	
(Balancing Fig.)	82,400	82,400

Balance sheet as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	80,000		
Add: Net Profit	32,100		
Less: Drawings	(18,000)		
8% Bank Loan	25,000		
Add: Outstanding Interest	1,000		
Current Liabilities			
Creditors	18,900		
Outstanding Wages	2,400		
Outstanding Rent	2,000		
		Fixed Assets	
		Machinery	50,000
		Less: 10% Depreciation	(5,000)
		Furniture	14,000
		Less: Depreciation	(700)
		Current Assets	
		Closing Stock	64,000
		Debtors	20,600
		Less: Bad Debts	(600)
		Less: 5% Provision For	
		Doubtful Debts	(1,000)
		Prepaid Insurance	600
		Cash In Hand	1,500
	1,43,400		1,43,400

Question 5.

Trial Balance of a business as at 31st March, 2018 is given below:

Particulars	Dr. (₹)	Particulars	Cr. (₹)
Stock on 1st April, 2017	25,000	Sales	2,27,800
Furniture	8,000	Commission	500
Plant and Machinery	1,50,000	Returns Outward	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	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, 2018 and Balance Sheet as at that date after taking into account the following adjustments:

- (i) Closing Stock was valued at ₹ 7,000.
 - (ii) Outstanding liabilities for wages were ₹ 600 and salaries ₹ 1,400.

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

(iv) Included in Plant and Machinery is a machine purchased for ₹ 10,000 on 1st October, 2017.

(v) Insurance premium paid in advance ₹ 200.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		25,000	Sales	2,27,800
Wages	12,000		Less: Returns	900
Add: Outstanding Wages	600	12,600	Closing Stock	7,000
Purchases	1,20,000			
Less: Returns	1,000	1,19,000		
		77,300		
		2,33,900		

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs	Particulars	Amount Rs
Bad Debts		1,000	Gross Profit	77,300
Salaries	20,000		Commission	500
Add: Outstanding Salaries	1,400	21,400		
Insurance Premium	1,500			
Less: Prepaid	200	1,300		
Electricity Charges		1,200		
Telephone Charges		2,400		
General Expenses		3,000		
Postage Expenses		1,800		
Depreciation on:				
Furniture	400			
Plant and Machinery	7,250	7,650		
Net Profit		38,050		
		77,800		

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors		40,000	Furniture	8,000
Outstanding Wages	600		Less: Depreciation	400
Outstanding Salaries	1,400	1,88,050	Plant and Machinery	1,50,000
Capital	1,50,000		Less: Depreciation	7,250
Add: Net Profit	38,050		Debtors	30,000
			Cash in Hand	2,500
			Cash at Bank	40,000
			Closing Stock	7,000
			Prepaid Insurance	200
		2,30,050		

Question 6.

Following are the balances extracted from the books of Narain Lal on 31st March, 2018:

Particulars	Amount (₹)	Particulars	Amount (₹)
Narain Lal's Capital	3,00,000	Sales	15,00,000
Narain Lal's Drawings	50,000	Sales Return	20,000
Furniture and Fittings	26,000	Discount (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, 2017	2,20,000	Salaries	90,000
Debtors	1,80,000	Commission (Dr.)	22,000
Rent from Tenants	10,000	Carriage on Purchases	18,000
Purchases	11,00,000	Bad Debts Written off	8,000

Additional Information:

- (i) Closing Stock as on 31st March, 2018 was ₹ 2,00,600.
- (ii) Depreciate: Business Premises by ₹ 3,000 and Furniture and Fittings by ₹ 2,500.
- (iii) Make a provision of 5% on debtors for doubtful debts.
- (iv) Carry forward ₹ 2,000 for unexpired insurance.
- (v) Outstanding salary was ₹ 15,000.

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

Solution:

Trading Account
for the year ended March 31, 2018

Dr.		Cr.			
Particulars		Amount Rs.	Particulars		Amount Rs.
Opening Stock	2,20,000		Sales	15,00,000	
Purchases	11,00,000		<i>Less: Returns</i>	20,000	
Carriage on Purchases	18,000		Closing Stock		2,00,600
Gross Profit	3,42,600				
		16,80,600			16,80,600

Profit and Loss Account
for the year ended March 31, 2018

Dr.		Cr.			
Particulars		Amount Rs.	Particulars		Amount Rs.
Provision for Doubtful Debts		9,000	Gross Profit		3,42,600
Salaries	90,000		Rent from Tenants		10,000
<i>Add: Outstanding Salaries</i>	15,000		Discount		20,000
Insurance Premium	20,000				
<i>Less: Prepaid</i>	2,000				
Discount		18,000			
General Expenses		16,000			
Commission		40,000			
Bad Debts Written Off		22,000			
Depreciation on:		8,000			
Furniture	2,500				
Business Premises	3,000				
Net Profit		5,500			
		1,49,100			
		3,72,600			3,72,600

Balance Sheet
as on March 31, 2018

Dr.		Cr.			
Liabilities		Amount Rs.	Assets		Amount Rs.
Creditors		1,38,000	Furniture and Fittings	26,000	
Bank Overdraft		42,000	<i>Less: Depreciation</i>	2,500	
Outstanding Salaries		15,000	Business Premises	2,00,000	
Capital	3,00,000		<i>Less: Depreciation</i>	3,000	
<i>Less: Drawings</i>	50,000		Debtors	1,80,000	
<i>Add: Net Profit</i>	1,49,100		<i>Less: Provision</i>	9,000	
			Closing Stock		
			Prepaid Insurance		
		5,94,100			5,94,100

Question 7.

Following balances are taken from the books of Mr. Niranjan. You are required to prepare Trading and Profit and Loss Account and Balance Sheet for the year ended 31st March, 2018:

Particulars	₹	Particulars	₹
Capital	1,20,000	Drawings	21,000
Opening Stock	45,000	Plant and Machinery	24,000
Furniture	1,500	Purchases	2,95,000
Sales	4,35,000	Insurances	1,500
Purchases	4,000	Sales Return	7,000
Return			
Rent	5,000	Trade Expenses	2,000
Salaries	24,000	Wages	40,000
Bad Debts	1,000	6% Investments	50,000
Sundry Debtors	40,000	Sundry Creditors	19,000
Bills Payable	800	Cash	12,200
Advertisement Expenses	6,000	Miscellaneous Receipts	1,200
Patents	4,800		

Adjustments:

- (i) Closing Stock ₹ 75,000.
- (ii) Depreciate Machinery by 10% and Furniture by 20%.
- (iii) Wages ₹ 5,000 and salaries ₹ 2,000 are outstanding.
- (iv) Write off ₹ 5,000 as further Bad Debts and create 5% Provision for Doubtful Debts.
- (v) Investments were made on 1st July, 2017 and no interest has been received so far.

Solution:

**Financial statement of Mr. Niranjan
Trading Account
for the year ended March 31, 2018**

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Opening Stock	45,000	By Sales	4,35,000
To purchase	2,95,000	Less: Sales return	(7,000)
Less: purchase return	(4,000)	By Closing stock	75,000
To wages	40,000		
Add: Outstanding wages	5,000		
To Gross profit c/d (balancing amt.)	1,22,000		
	5,03,000		5,03,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Rent A/c		5,000		
To Salaries A/c	24,000		By gross profit b/d	1,22,000
Add: Outstanding salaries	2,000	26,000		
To Advertisement expenses		6,000	By Interest accrued on Investment $(50,000 \times 6\% \times 9/12)$	2,250
To Bad debts	1,000		By Miscellaneous Receipts	1,200
Add: further bad debts	5,000			
Add: Provision for doubtful debts	1,750	7,750		
To Insurance		1,500		
To Trade Expenses		2,000		
To Reserve for discount on Debtors		665		
To Depreciation on:				
Machinery	2,400			
Furniture	300	2,700		
To net profit c/d				
(Balancing Fig.)		73,835		
		1,25,450		1,25,450

Balance sheet
as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	1,20,000		
Add: Net Profit	73,835		
Less: Drawings	<u>(21,000)</u>	1,72,835	
Current Liabilities		Fixed Assets	
Sundry Creditors	19,000	Patents	4,800
Outstanding Wages	5,000	Plant And Machinery	24,000
Outstanding Salary	2,000	Less: 10% Depreciation	<u>(2,400)</u>
Bills Payable	800	Furniture	1,500
		Less: 20% Depreciation	<u>(300)</u>
		6% Investment	50,000
		Add: Accrued Interest	<u>2,250</u>
		Current Assets	
		Closing Stock	75,000
		Debtors	40,000
		Less: Bad Debts	<u>(5,000)</u>
		Less: Provision For Doubtful Debts	<u>(1,750)</u>
		Less: Provision For Discount On Debtors	<u>(665)</u>
		Cash	12,200
	1,99,635		1,99,635

Question 8.

From the following Trial Balance of Mahesh, prepare his Final Accounts for the year ended 31st March, 2018:

TRIAL BALANCE
as on 31st March, 2018

Heads of Accounts	Debit Balances (₹)	Credit Balances (₹)
Purchases	2,50,000	...
Sales	...	5,00,000
Returns Inward	12,000	...
Returns Outward	...	10,000
Carriage	8,000	...
Wages	60,000	...
Trade Expenses	2,000	...
Insurance	1,200	...
Repairs	8,000	...
Debtors	1,15,000	...
Creditors	...	1,00,000
Printing and Stationery	6,000	...
Advertisement	15,000	...
Bills Receivable	4,000	...
Bills Payable	...	2,000
Opening Stock	30,000	...
Cash in Hand	12,000	...
Interest on Bank	2,800	...
Loan		
Machinery	2,80,000	...
Furniture	34,000	...
Drawings	20,000	...
Commission	...	1,000
12% Bank Loan	...	30,000
Capital	...	2,40,000
Rent Received	...	5,000
Cash at Bank	28,000	...
Total	8,88,000	8,88,000

Additional Information:

- (i) Closing Stock on 31st March, 2018 was ₹ 21,000.
- (ii) Rent of ₹ 1,200 has been received in advance.
- (iii) Outstanding liability for trade expenses ₹ 12,000.
- (iv) Commission earned during the year but not received was ₹ 2,100.
- (v) Goods costing ₹ 2,000 were taken by the proprietor for his personal use but no entry has been passed in the books of account.

Solution:

Financial statement of Mahesh
Trading Account
for the year ended March 31, 2018

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Opening Stock	30,000	By Sales	5,00,000
To Purchase	2,50,000	Less: Return Inwards	(12,000)
Less: Drawings	(2,000)	By Closing Stock	21,000
Less: Return Outwards	<u>(10,000)</u>		
To Carriage	8,000		
To Wages	60,000		
To Gross Profit c/d			
(Balancing Fig.)	1,73,000		
	5,09,000		5,09,000

Profit and Loss Account
For the year ended March 31, 2018

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Insurance	1,200		
To Trade Expenses	2,000	By Gross Profit b/d	1,73,000
Add: Outstanding	<u>12,000</u>	By Commission	1000
To Repairs	8,000	Add: Accrued Commission	2,100
To Advertisement	15,000	By Rent Received	5,000
To Printing And Stationary	6,000	Less: Advance Rent	(1,200)
To Interest On Bank Loan	2,800		3,800
Add: Outstanding	<u>800</u>		
	3,600		1,79,900
To Net Profit c/d (Balancing Fig.)	1,32,100		1,79,900

Balance sheet
as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	2,40,000	Fixed Assets	
Add: Net Profit	1,32,100	Machinery	2,80,000
Less: Drawings	<u>(22,000)</u>	Furniture	34,000
12% Loan From Bank	30,000	Current Assets	
Add: Outstanding Interest	<u>800</u>	Closing Stock	21,000
Current Liabilities		Debtors	1,15,000
Creditors	1,00,000	Bills Receivable	4,000
Bills Payable	2,000	Cash At Bank	28,000
Advance Rent	1,200	Cash In Hand	12,000
Outstanding Trade Expenses	12,000	Commission Accrued	2,100
	4,96,100		4,96,100

Working Notes:

Calculation of outstanding interest on loan :

Interest on loan ($30,000 \times 12\%$)	3,600
Less: Interest paid	(2,800)
Interest outstanding on loan	800

Question 9.

Following balances were extracted from the books of Vijay Kumar on 31st March, 2018:

Particulars	₹	Particulars	₹
Capital	2,45,000	Loan	78,800
Drawings	20,000	Sales	6,53,600
General Expenses	47,400	Purchases	4,70,000
Building	1,10,000	Motor Car	20,000
Machinery	93,400	Provision for Doubtful Debts	9,000
Stock on 1st April, 2017	1,62,000	Commission (Cr.)	13,200
Insurance	13,150	Car Expenses	18,000
Wages	72,000	Bills Payable	38,500
Debtors	62,800	Cash	800
Creditors	25,000	Bank Overdraft	33,000
Bad Debts	5,500	Charity	1,050

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date after giving effect to the following adjustments:

- (a) Stock as on 31st March, 2018 was valued at ₹ 2,30,000.
- (b) Write off further ₹ 1,800 as Bad Debts and maintain the Provision for Doubtful Debts at 5%.
- (c) Depreciate Machinery at 10%.
- (d) Provide ₹ 7,000 as outstanding interest on loan.

Solution:

Financial statement of Vijay Kumar
Trading Account
For the year ended March 31, 2018

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,62,000	By Sales	6,53,600
To purchase	4,70,000	By Closing stock	2,30,000
To wages	72,000		
To Gross profit c/d	1,79,600		
(Balancing Fig.)	8,83,600		8,83,600

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Taxes And Insurance		13,150		
To Bad Debts	5,500		By Gross Profit b/d	1,79,600
Add: Further Bad Debts	1,800		By Commission	13,200
Add: Provision For Doubtful Debts	3,050			
	10,350			
Less: Provision (Old)	(9,000)	1,350		
To Car Expense		18,000		
To Charity		1,050		
To Depreciation On Machinery		9,340		
To O/s Interest On Loan		7,000		
To General Expenses		47,400		
To Net Profit c/d		95,510		
(Balancing Fig.)		1,92,800		1,92,800

Balance sheet as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	2,45,000		
Add: Net profit	95,510		
Less: Drawings	(20,000)		
Loan	78,800		
Add: Outstanding Interest	7,000		
Current Liabilities			
Creditors	25,000		
Bills payable	38,500		
Bank Overdraft	33,000		
		Fixed Assets	
		Building	1,10,000
		Machinery	93,400
		Less: 10% Depreciation	9,340
		Motor car	84,060
		Current Assets	
		Closing stock	2,30,000
		Debtors	62,800
		Less: bad debts	(1,800)
		Less: 5%provision for doubtful debts	(3,050)
		Cash	57,950
	5,02,810		800
			5,02,810

Question 10.

Following Trial Balance has been extracted from the books of Shri Sunder Lal on 31st March, 2018:

Particulars	Debit Balances (₹)	Credit Balances (₹)
Cash in Hand and at Bank	77,400	...
Capital	30,00,000
Drawings	1,26,000	...
Bills Receivable	37,200	...
Land and Building	6,51,600	...
Furniture	1,02,400	...
Wages	9,37,700	...
Discount Allowed	79,200	...
Discount Received	59,700
6% Loan	3,00,000
Bank Charges	2,100	...
Bad Debts	27,600	...
Sundry Debtors	13,15,500	...
Office Salaries	1,28,400	...
Purchases	39,81,600	...
Stock on 1 st April, 2017	12,04,500	...
Sales Return	37,500	...
Carriage Inwards	1,03,600	...
General Expenses	1,53,600	...
Plant and Machinery	4,32,800	...
Rent	72,600	...
Purchases Return	29,100
Sales	56,30,100
Insurance	14,100	...
Provision for Doubtful Debts	93,000
Sundry Creditors	3,73,500
Total	94,85,400	94,85,400

Closing Stock on 31st March, 2018 was ₹ 12,74,000. You are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date after making the following adjustments:

- (a) Depreciate Plant and Machinery @ 10% and Furniture @ 5%.
- (b) Provision for Doubtful Debts to be maintained at ₹ 1,50,000.
- (c) Insurance includes annual premium of ₹ 7,200 on a policy which will expire on 30th September, 2018.
- (d) Purchases include a computer costing ₹ 60,000 purchased on 1st July, 2017 and is subject to depreciation @ 10% p.a.

Solution:

Financial statement of Shri Sunder Lal
Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Opening Stock		12,04,500	By Sales	56,30,100
To Purchase	39,81,600		Less: Returns	(37,500)
Less: Returns	(29,100)		By Closing Stock	55,92,600
Less: Computer	(60,000)			12,74,100
To Wages		38,92,500		
To Carriage Inwards		9,37,700		
To Gross Profit c/d		1,03,600		
(Balancing Fig.)		7,28,400		
		68,66,700		68,66,700

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Office Salaries		1,28,400		
To General Expenses		1,53,600	By Gross Profit b/d	7,28,400
To Bank Charges		2,100	By Discount Received	59,700
To Discount Allowed		79,200		
To Depreciation On:				
Plant And Machinery	43,280			
Computer	4,500			
Furniture	5,120			
To Rent		52,900		
To Bad Debts	27,600			
Add: Provision For Doubtful				
Debts	1,50,000			
Less: Provision (Old)	(93,000)			
To Insurance	84,600			
Less: Prepaid Insurance				
(7,200 × 6/12)	(3,600)			
To Outstanding Interest On Loan		10,500		
To Net Profit c/d				
(Balancing Fig.)		18,000		
		1,86,200		
		7,88,100		7,88,100

**Balance sheet
as on March 31, 2018**

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	3,73,500	Cash in Hand and Bank	77,400
6% Loan	3,00,000	Bills Receivable	37,200
Add: O/s Interest $(3,00,000 \times 6\%)$	<u>18,000</u>	Sundry Debtors	13,15,500
Capital	30,00,000	Less: Provision For Doubtful Debts	<u>(1,50,000)</u>
Less: Drawings	(1,26,000)	Plant and Machinery	4,32,800
Add: Net Profit	<u>1,86,200</u>	Less: 10% Depreciation	<u>(43,280)</u>
		Furniture	1,02,400
		Less: 5% Depreciation	<u>(5,120)</u>
		Land and Building	97,280
		Computer	60,000
		Less: 10% Depreciation	<u>(4,500)</u>
		Prepaid Insurance	55,500
		Closing Stock	3,600
			12,74,100
	37,51,700		37,51,700

Working Note:

Calculation of Computer Depreciation

Computer Purchases 1 July 2017 = 60,000

Depreciation = 10%

Computer Depreciation= $60,000 \times 10\% \times 9\text{months} = 4,500$

Note: As per this Question correct Net Profit is Rs.1,86,200, while, as per the book solution is Net Profit Rs.1,82,600.

Question 11.

Sanjiv Sondhi started business on 1st April, 2017 with a capital of ₹ 3,00,000. Following Trial Balance was drawn up from his books at the end of the year:

Heads of Accounts	₹	Heads of Accounts	₹
Drawings	45,000	Capital	4,00,000
Plant and Fixtures	80,000	Sales	16,00,000
Purchases	11,60,000	Sundry Creditors	1,20,000
Carriage Inwards	20,000	Bills Payable	90,000
Returns Inward	40,000		
Wages	80,000		
Salaries	1,00,000		
Printing and Stationery	8,000		
Advertisement	12,000		
Trade Charges	6,000		
Rent and Taxes	14,000		
Sundry Debtors	2,50,000		
Bills Receivable	50,000		
Investments	1,50,000		
Discount	5,000		
Cash at Bank	1,60,000		
Cash in Hand	30,000		
	22,10,000		22,10,000

Value of Stock as on 31st March, 2018 was ₹ 2,60,000. You are required to prepare his Trading and Profit and Loss Account for the year ended 31st March 2018 and Balance Sheet as at that date after taking the following facts into account:

- (a) Plant and Fixtures are to be depreciated by 10%.
- (b) Salaries outstanding on 31st March, 2018 amounted to ₹ 35,000.
- (c) Accrued Interest on investment amounted to ₹ 7,500.
- (d) ₹ 5,000 are Bad Debts and a Provision for Doubtful Debts is to be created at 5% of the balance of debtors.

Solution:

Financial statement of Sanjiv Sondhi
Trading Account
for the year ended March 31, 2018

Dr.	Rs.	Particulars	Rs.	Cr.
To Purchase	11,60,000	By Sales	16,00,000	
To Carriage Inwards	20,000	Less: Return Inwards	(40,000)	15,60,000
To Wages	80,000	By Closing Stock		2,60,000
To Gross Profit c/d (Balancing Fig.)	5,60,000			
	18,20,000			18,20,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.	Rs.	Particulars	Rs.	Cr.
To Depreciation On:				
Plant And Fixture	8,000			
To Salaries	1,00,000	By Gross Profit b/d	5,60,000	
Add: Outstanding	35,000	By Accrued Interest On Investment	7,500	
To Printing And Stationary	8,000			
To Advertisement	12,000			
To Trade Charges	6,000			
To Rent and Taxes	14,000			
To Bad Debts	5,000			
Add: Provision For Doubtful Debts	12,250			
To Discount	5,000			
To Net Profit c/d (Balancing Fig.)	3,62,250			5,67,500

Balance sheet
as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	4,00,000	Plant and Fixtures	80,000
Add: Net Profit	3,62,000	Less: 10% Depreciation	(8,000)
Less: Drawings	(45,000)	Investment	1,50,000
Sundry Creditors	1,20,000	Add: Accrued Interest	7,500
Bills Payable	90,000	Closing Stock	1,57,500
Salaries Outstanding	35,000	Sundry Debtors	2,60,000
		Less: Bad Debts	(5,000)
			2,45,000
		Less: 5% Provision For Doubtful Debts	(12,250)
			2,32,750
		Bills Receivable	50,000
		Cash at Bank	1,60,000
		Cash in Hand	30,000
	9,62,250		9,62,250

Question 12.

Following Trial Balance were extracted from the books of Ram as on 31st March, 2018:

Debit Balances	₹	Debit Balances (Contd.)	₹
Drawings	70,000	Cash at Bank	1,24,000
Purchases	8,22,100	Cash in Hand	22,100
Sales Return	18,200	Office Furniture	35,000
Stock on 1st April, 2017	1,14,600	Bad Debts	10,000
Salaries	1,61,500	Carriage Outwards	32,400
Wages	85,600	Sundry Debtors	3,89,700
Leasehold Premises	2,50,000	Credit Balances	
Rent, Rates and Insurance	69,400	Capital	9,00,000
Carriage Inwards	23,100	Purchases Return	42,400
Office Expenses	95,200	Sales	14,98,400
Plant and Machinery	2,40,000	Provision for Doubtful Debts (1 st April, 2017)	42,400
Light and Water (Factory)	79,500	Discount	1,800
Bills Receivable	12,400	Sundry Creditors	1,69,800

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date after taking into account the following:

- (a) Depreciation is to be written off as follows: Leasehold premises 5%. Plant and Machinery 10%.
- (b) Write off ₹ 5,000 as further Bad Debts and make a Provision for Doubtful Debts equal to ₹ 5,000.
- (c) Wages amounted to ₹ 5,700 have become due but have not been paid.
- (d) Wages include ₹ 10,000 incurred on installation of new machine. Machine was installed on 1st April, 2017.
- (e) The value of stock on 31st March, 2018 was ₹ 1,49,200.
- (f) Unexpired premium amount to ₹ 6,800 is to be carried forward to the next year.

Solution:

**Financial statement of Ram
Trading Account
for the year ended March 31, 2018**

Dr.				Cr.
Particular	Rs.	Particulars		Rs.
To Opening Stock		1,14,600	By Sales	14,98,400
To Purchase	8,22,100		Less: Sale Return	(18,200)
Less: Purchase Return	(42,400)	7,79,700	By Closing Stock	14,80,200
To Wages	85,600			1,49,200
Less: New Machine	(10,000)			
Add: Outstanding Wages	5,700	81,300		
To Carriage Inwards		23,100		
To Light And Water		79,500		
To Gross Profit c/d (Balancing Fig.)		5,51,200		
		16,29,400		16,29,400

**Profit and Loss Account
for the year ended March 31, 2018**

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Depreciation On:				
Leasehold Premises	12,500		By Gross Profit b/d	5,51,200
Plant and Machinery	25,000	37,500	By Discount	1,800
To Bad Debts	10,000			
Add: Further Bad Debts	5,000			
Add: Provision For Doubtful Debts	50,000			
	65,000			
Less: Provision (Old)	(42,400)	22,600		
To Rent, Rates And Insurance	69,400			
Less: Prepaid Insurance	(6,800)	62,600		
To Salaries		1,61,500		
To Office Expenses		95,200		
To Carriage Outwards		32,400		
To Net Profit (Balancing Fig.)		1,41,200		
		5,53,000		5,53,000

**Balance sheet
as on March 31, 2018**

Liabilities	Rs.	Assets	Rs.
Capital	9,00,000		
Add: Net profit	1,41,200		
Less: Drawings	(70,000)	9,71,200	
Current Liabilities			
Sundry Creditors	1,69,800		
Wages outstanding	5,700		
		Fixed Assets	
		Office Furniture	35,000
		Leasehold Premises	2,50,000
		Less: 5% Depreciation	(12,500)
		Plant and Machinery	2,50,000
		Less: 10% Depreciation	(25,000)
			2,25,000
		Current Assets	
		Closing Stock	1,49,200
		Sundry Debtors	3,89,700
		Less: Bad Debts	(5,000)
		Less: Provision For Doubtful Debts	(50,000)
		Bills Receivable	12,400
		Cash at Bank	1,24,000
		Cash in Hand	22,100
		Prepaid Insurance	6,800
	11,46,700		11,46,700

Note: Wages installation of machinery increases the value of machinery and reduces the value of wages.

Question 13.

From the following Trial Balance of M/s Arjun and Sons as on 31st March, 2018, prepare Trading and Profit and Loss Account and Balance Sheet:

Heads of Accounts	Debit Balances (₹)	Credit Balances (₹)
Drawings	1,80,000	...
Capital	...	8,00,000
Purchases	8,26,000	...
Sales	...	15,50,000
Opening Stock	4,20,000	...
Returns Outward	...	16,000
Carriage Inwards	12,000	...
Wages	40,000	...
Power	60,000	...
Machinery	5,00,000	...
Furniture	1,40,000	...
Rent	2,20,000	...
Salary	1,50,000	...
Insurance	36,000	...
8% Bank Loan	...	2,50,000
Debtors	2,06,000	...
Creditors	...	1,89,000
Cash in Hand	15,000	...
Total	28,05,000	28,05,000

Adjustments:

- (i) Closing Stock ₹ 6,40,000.
- (ii) Wages Outstanding ₹ 24,000.
- (iii) Bad Debts ₹ 6,000 and Provision for Bad and Doubtful Debts to 5% on Debtors.
- (iv) Rent is paid for 11 months.
- (v) Loan from bank was taken on 1st October, 2017.
- (vi) Provide Depreciation on Machinery @ 10% p.a.
- (vii) Provide Manager's Commission at 10% on net profit after charging such commission.

Solution:

Financial statement of M/s Arjun and Sons

Trading Account **for the year ended March 31, 2018**

Particular			Particulars	
		Rs.		Rs.
To Opening Stock		4,20,000	By Sales	15,50,000
To Purchase	8,26,000		By Closing Stock	6,40,000
Less: Return Outwards	(16,000)	8,10,000		
To Carriage Inwards		12,000		
To Wages	40,000			
Add: Outstanding	24,000	64,000		
To Power		60,000		
To Gross Profit c/d (Balancing Fig.)		8,24,000		
		21,90,000		21,90,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Depreciation on Machinery		50,000	By Gross Profit b/d	8,24,000
To Rent	2,20,000			
Add: Outstanding Rent	20,000	2,40,000		
To Salary		1,50,000		
To Insurance		36,000		
To Interest On Bank Loan (For 6 Months)		10,000		
To Bad Debts	6,000			
Add: Provision For Doubtful Debts	10,000	16,000		
To Manager's Commission		29,273		
To Net Profit c/d (Balancing Fig.)		2,92,727		
		8,24,000		8,24,000

Balance sheet
as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	8,00,000		
Add: Net Profit	2,92,727		
Less: Drawings	(1,80,000)	9,12,727	
8% Bank Loan	2,50,000		
Add: Outstanding Interest	10,000	2,60,000	
Current Liabilities			
Creditors		1,89,000	
Wages Outstanding		24,000	
Rent Outstanding		20,000	
Manger's Commission Payable		29,273	
	14,35,000		
		Fixed Assets	
		Furniture	1,40,000
		Machinery	5,00,000
		Less: 10% Depreciation	(50,000)
		Current Assets	4,50,000
		Closing Stock	6,40,000
		Debtors	2,06,000
		Less: Bad Debts	(6,000)
		Less: 5% Provision For Doubtful Debts	(10,000)
		Cash In Hand	15,000
			14,35,000

Working Notes:

1. Calculation of interest on loan

Bank loan = 2,50,000

$$\text{Interest on loan (6 months)} = 2,50,000 \times \frac{8}{100} \times \frac{6}{12} = 10,000$$

2. Calculation of Manager's Commission

$$\text{manager's commission} = \text{Profit before charging commission} \times \frac{10}{100 + \text{rate}}$$

profit before charging commission Amount = 8,24,000 - 5,02,000 = 3,22,000

$$\therefore \text{Manager's commission Amount} = 3,22,000 \times \frac{10}{110} = 29,273$$

Question 14.

From the following Trial Balance and other information prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date:

Particulars	Dr. (₹)	Cr. (₹)
Sundry Debtors	3,20,000	...
Stock on 1 st April, 2017	2,20,000	...
Cash in Hand	350	...
Cash at Bank	15,450	...
Plant and Machinery	1,75,000	...
Sundry Creditors	...	1,06,500
General Expenses	10,750	...
Sales	...	13,45,000
Salaries	22,250	...
Carriage Outwards	4,000	...
Rent	9,000	...
Bills Payable	...	75,000
Purchases	11,88,700	...
Discounts	11,000	...
Premises	3,45,000	...
Capital on 1 st April 2017	...	7,95,000
Total	23,21,500	23,21,500

Stock on 31st March, 2018 was ₹ 1,24,500. Rent was unpaid to the extent of ₹ 850 and ₹ 1,500 were outstanding for General Expenses; ₹ 4,000 are to be written off as bad debts out of the above debtors; and 5% is to be provided for doubtful debts. Depreciate Plant and Machinery by 10% and Business Premises by 2%.

Manager is entitled to a commission of 5% on net profit after charging his commission.

Solution:

Financial statement
Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Opening Stock		2,20,000	By Sales	13,45,000
To Purchase		11,88,700	By Closing Stock	1,24,500
To Gross Profit c/d (Balancing Fig.)		60,800		
		14,69,500		14,69,500

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Salaries		22,250		
To Bad Debts	4,000		By Gross Profit b/d	60,800
Add: Provision For Doubtful Debts	<u>15,800</u>	19,800	By Net Loss c/d (Balancing Fig.)	42,750
To Rent	9,000			
Add: Outstanding Rent	<u>850</u>	9,850		
To General Expenses	10,750			
Add: Outstanding	<u>1,500</u>	12,250		
To Carriage Outwards		4,000		
To Depreciation On				
Plant And Machinery	17,500			
Business Premises	<u>6,900</u>	24,400		
To Discount		11,000		
		1,03,550		1,03,550

Balance sheet
as on march 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	7,95,000		
Less: Net Loss	<u>(42,750)</u>		
	7,52,250		
Current Liabilities		Fixed Assets	
Sundry Creditors	1,06,500	Plant And Machinery	1,75,000
Bills Payable	75,000	Less: 10% Depreciation	<u>(17,500)</u>
Rent Outstanding	850	Premises	3,45,000
General Expenses Outstanding	1,500	Less: 2%Depreciation	<u>(6,900)</u>
			3,38,100
		Current Assets	
		Closing Stock	1,24,500
		Sundry Debtors	3,20,000
		Less: Bad Debts	<u>(4,000)</u>
		Less: 5%Provision For	
		Doubtful Debts	<u>(15,800)</u>
			3,00,200
		Cash at Bank	15,450
		Cash in Hand	350
	9,36,100		9,36,100

Note: During the year firm has incurred a loss of Rs. 42,750. Therefore, manager commission given in the question as 5% on Net profit after charging commission is not payable.

Question 15.

Following is the Trial Balance of Mr. Bharat on 31st March, 2018.

Particulars	Dr. ₹	Cr. ₹
Capital		40,000
Plant and Machinery	50,000	
Office Furniture and Fittings	2,600	
Stock on 1st April, 2017	48,000	
Accrued Commission	12,000	
Sundry Debtors	45,700	
Cash in Hand	400	
Cash at Bank	6,500	
Wages	1,50,000	
Salaries	14,000	
Purchases	2,13,500	
Sales		4,80,000
Bills Receivable	7,200	
Bills Payable		5,600
Sundry Creditors		52,000
Returns Inward	9,300	
Provision for Doubtful Debts		2,500
Drawings	7,000	
Returns Outward		5,500
Rent	6,000	
Factory Lighting and Heating	800	
Insurance	6,300	
General Expenses	1,000	
Bad Debts	2,500	
Discount	6,500	3,700
Total	5,89,300	5,89,300

Following adjustments are to be made:

- (a) Stock on 31st March, 2018 – ₹ 52,000.
- (b) Three months factory lighting and heating due but not paid – ₹ 300.
- (c) 5% depreciation to be written off on furniture.
- (d) Write off further Bad Debts – ₹ 700.
- (e) Provision for Doubtful Debts to be increased to ₹ 3,000 and Provision of Discount on Debtors @ 2% to be made.

(f) During the year, machinery was purchased for ₹ 20,000 but it was debited to the Purchases Account.

You are required to prepare Trading Account, Profit and Loss Account and Balance Sheet.

Solution:

Financial Statements of Mr. Bharat
Trading Account
for the year ended March 31, 2018

Dr.	Rs.	Particulars	Rs.	Cr.
To Opening stock	48,000	By Sales	4,80,000	
To purchases	2,13,500	Less: Return Inwards	<u>(9,300)</u>	4,70,700
Less: Return Outwards	(5,500)	By Closing Stock		52,000
Less: Machinery	<u>(20,000)</u>			
To Wages	1,88,000			
To Factory Lighting and Heating	1,50,000			
Add: Outstanding	1,100			
To Gross Profit c/d	1,35,600			
(Balancing Fig.)	<u>5,22,700</u>			<u>5,22,700</u>

**Profit and Loss Account
for the year ended March 31, 2018**

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Depreciation on Furniture		130	By Gross Profit b/d	1,35,600
To Bad Debts	2,500		By Discount Received	3,700
Add: Further Bad Debts	700			
Add: Provision Of Doubtful Debts	3,000			
Less: Provision (Old)	<u>(2,500)</u>	3,700		
To Provision For Discount on Debtors		840		
To Salaries		14,000		
To Insurance		6,300		
To General Expenses		1,000		
To Discount Allowed		6,500		
To Rent		6,000		
To Net Profit c/d (Balancing Fig.)		1,00,830		
		1,39,300		1,39,300

Balance Sheet as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	40,000	Accrued Commission	12,000
Less: Drawings	(7,000)	Plant And Machinery	50,000
Add: Net Profit	<u>1,00,830</u>	Add: Purchases	20,000
Sundry Creditors	52,000	Office Furniture and Fitting	2,600
Bills Payable	5,600	Less: 5% Depreciation	<u>(130)</u>
Outstanding Factory Lighting and Heating	300	Closing Stock	52,000
		Sundry Debtors	45,700
		Less: Further Bad Debts	(700)
		Less: Provision For Doubtful Debts	(3,000)
		Debts	(3,000)
		Less: Provision For Discount On Debtor	<u>(840)</u>
		Cash at Bank	41,160
		Cash in Hand	6,500
		Bills Receivable	400
	1,91,730		7,200
			1,91,730

Question 16.

From the following Trial Balance, prepare Trading Account, Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at the date:

Debit Balances	₹	Credit Balances	₹
Purchases	3,00,000	Sales	4,79,760
Drawings	3,500	Purchases Return	12,200
Plant and Machinery	1,23,000	Capital	5,90,000
Motor Vehicles	1,76,000	Creditors	11,870
Building	3,80,000	Bank Loan	33,700
Sundry Debtors	80,000		
Stock in Trade (1.4.2017)	8,400		
Sales Return	1,800		
Wages	2,800		
Carriage Inwards	890		
Carriage Outwards	300		
Telephone Charges	3,290		
Salaries	12,000		
Insurance and Taxes	31,200		
Printing and Stationery Expenses	1,350		
Cash in Hand	3,000		
	11,27,530		11,27,530

Following adjustments are to be considered:

- (i) Closing Stock ₹ 15,270.
- (ii) Printing and Stationery expenses due ₹ 58,650.
- (iii) Outstanding liabilities for salaries ₹ 12,000.
- (iv) An old machine value at ₹ 12,000 (Book Value of which was ₹ 2,000) was given in exchange for a new machine purchased on 1st April, 2017. The machine given in exchange was not recorded in the books. Cheque issued for new machine purchased was accounted in the books of account.
- (v) Depreciation @ 10% p.a. is to be provided on all fixed assets except building.

Solution:

**Financial statement
Trading Account
for the year ended March 31, 2018**

Dr.				Cr.
Particular	Rs.	Particulars		Rs.
To Opening Stock		By Sales	4,79,760	
To Purchase	3,00,000	Less: Sales Return	(1,800)	4,77,960
Less: Purchases Return	(12,200)	By Closing Stock		15,270
To Wages				
To Carriage Inwards				
Gross Profit c/d				
(Balancing Fig.)				
	1,93,340			
	4,93,230			4,93,230

Profit and Loss Account
For the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Carriage Outwards		300		
To Depreciation On		30,900	By Gross Profit b/d	1,93,340
Plant and Machinery	13,300		By Profit on exchange of	
Motor Vehicles	17,600		Machinery	10,000
To Salaries	12,000			
Add: Outstanding	12,000			
To Telephone Charges		24,000		
To Printing and Stationary Expenses	1,350			
Add: Outstanding	58,650			
To Insurance and Taxes		60,000		
To Net Profit c/d		31,200		
(Balancing Fig.)		53,650		
		2,03,340		
		2,03,340		

Balance sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Rs.	Assets	Rs.
Capital	5,90,000		Fixed Assets	
Add: Net Profit	53,650		Building	3,80,000
Less: Drawings	(3,500)	6,40,150	Plant and Machinery	1,33,000
Bank Loan		33,700	Less: 10% Depreciation	(13,300)
Current Liabilities			Motor Vehicles	1,76,000
Sundry Creditors		11,870	Less: 10% Depreciation	(17,600)
Outstanding Printing and				1,58,400
Stationary		58,650	Current Assets	
Outstanding Salaries		12,000	Closing Stock	15,270
			Sundry Debtors	80,000
			Cash in Hand	3,000
		7,56,370		7,56,370

Question 17.

Following balances were extracted from the books of Modern Traders on 31st March, 2018:

	₹		₹
Capital	8,50,000	Sundry Creditors	90,000
Drawings	50,000	Sales	12,00,000
Plant and Machinery	4,00,000	Postage and Telegrams	8,000
Accumulated Depreciation	90,000	Bad Debts	4,000
Stock on 1st April, 2017	1,50,000	Provision for Doubtful Debts	8,000
Purchases	8,20,000	Discounts receivied	4,000
Sundry Debtors	2,06,000	Rent Revenue	12,000
Furniture	50,000	Insurance	7,000
Freight Inwards	20,000	Salaries	2,00,000
Carriage Outwards	5,000	Wages	13,000
Rent, Rates and Taxes	46,000	Cash in Hand	62,000
Printing and Stationery	8,000	Cash at Bank	2,55,000
		General Reserve	50,000

Prepare Final Accounts for the year ended 31st March, 2018 after taking into account the following:

- (a) Stock on 31st March, 2018 was valued at ₹ 1,50,000.
- (b) Outstanding Wages ₹ 5,000.
- (c) Provision for Doubtful Debts is to be maintained at 5% of the Sundry Debtors.
- (d) Prepaid Insurance was ₹ 1,000.
- (e) An advance paid by the proprietor from his personal bank account of ₹ 50,000 for purchase of a machine on 1st April, 2017 was not recorded in the books. Plant and Machinery was not debited in the books by the amount paid from firm.
- (f) Provide Depreciation on Plant and Machinery @ 10% on cost and on Furniture @ 5%.

Solution:

Financial statement of Modern Trader
Trading Account
For the year ended March 31, 2018

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,50,000	By Sales	12,00,000
To Purchase	8,20,000	By Closing Stock	1,50,000
To Wages	13,000		
Add: Outstanding wages	5,000		
To Freight Inwards			
To Gross Profit c/d			
(Balancing Fig.)			
	3,42,000		
	13,50,000		13,50,000

Profit and Loss Account
For the year ended March 31, 2018

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Postage and Telegrams		8,000	By Gross Profit b/d	3,42,000
To Bad Debts	4,000		By Discount Received	4,000
Add: Provision For Doubtful Debts	10,300		By Rent Revenue	12,000
Less: Existing Provision	<u>(8,000)</u>	6,300		
To Insurance	7,000			
Less: Prepaid Insurance	<u>(1,000)</u>	6,000		
To Rent, Rates and Taxes		46,000		
To Carriage Outwards		5,000		
To Salaries		2,00,000		
To Printing and Stationary		8,000		
To Depreciation On:				
Machinery	45,000			
Furniture	<u>2,500</u>	47,500		
To Net Profit b/d				
(Balancing Fig.)		31,200		
		3,58,000		3,58,000

Balance sheet as on March 31, 2018

Liabilities	Rs.	Assets	Rs.
Capital	9,00,000		
Add: Net Profit	31,200		
Less: Drawings	<u>(50,000)</u>	8,81,200	
		Fixed Assets	
Reserve Fund	50,000	Plant and Machinery	4,50,000
Sundry Creditors	90,000	Less: Accrued Depreciation	
outstanding Wages	5,000	(90,000 + 45,000)	<u>(1,35,000)</u>
			3,15,000
		Furniture	50,000
		Less: 5% depreciation	<u>(2,500)</u>
		Closing stock	47,500
		Sundry debtors	2,06,000
		Less: provision for doubtful debts	<u>(10,300)</u>
			1,50,000
		Prepaid insurance	1,000
		Cash at bank	2,55,000
		Cash in hand	62,000
	10,26,200		10,26,200

Note: Advance paid by proprietor for Purchased of Plant and Machinery 1st April 2016 out of his personal bank account but not recorded in the books. Therefore, will increase the Plant and Machinery Account and Capital Account balance by Rs.50,000. And also increase in the amount of depreciation by Rs.5,000.

Question 18.

From the following Trial Balance of Shubdo Banerjee, prepare final accounts for the year ended in 31st March, 2018 and Balance Sheet as at that date:

Particulars	Dr. Balances (₹)	Cr. Balances (₹)
Land and Building	50,000	
Purchases (Adjusted)	2,10,000	
Stock (31st March, 2018)	45,000	
Returns Inward	1,500	
Returns Outward		2,500
Wages	45,300	
Salaries	39,000	
Office Expenses	15,400	
Carriage Inwards	1,200	
Carriage Outwards	2,000	
Discount allowed	750	
Discount received		1,200
Bad Debts	1,200	
Sales		3,85,000
Capital Account		1,15,000
Chatterji's Loan A/c (taken on 1st Oct., 2017 @ 18% p.a.)		25,000
Insurance	1,500	
Commission		1,500
Plant and Machinery	50,000	
Furniture and Fixtures	20,000	
Bills Receivable	20,000	
Sundry Debtors	40,000	
Sundry Creditors		25,000
Cash at Bank	16,000	
Office Equipments	12,000	
Bills Payable		12,350
Expenses Payable		3,300
Total	5,70,850	5,70,850

The following adjustments be taken care of:

- (i) Depreciate Land and Building @ 6%, Plant and Machinery @ 10%, Office equipments @ 20% and Furniture and Fixtures @ 15%.
- (ii) Calculate Provision for Doubtful Debts at 2% on Debtors.
- (iii) Insurance premium includes ₹ 250 paid in advance.
- (iv) Provide salary to Banerjee ₹ 15,000 p.a.
- (v) Outstanding Salaries ₹ 11,500.
- (vi) 10% of the final profit is to be transferred to General Reserve.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Purchases (Adjusted)	2,10,000		Sales	3,85,000
Less: Returns	<u>2,500</u>	2,07,500	Less: Returns	<u>1,500</u>
Wages		45,300		
Carriage Inwards		1,200		
Gross Profit		<u>1,29,500</u>		
		3,83,500		
				3,83,500

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Outstanding Interest on Loan		2,250	Gross Profit	1,29,500
Salaries	39,000		Commission	1,500
Add: Outstanding	11,500		Discount	1,200
Add: Payable to Proprietor	<u>15,000</u>	65,500		
Insurance Premium	1,500			
Less: Prepaid	<u>250</u>	1,250		
Discount		750		
Office Expenses		15,400		
Carriage Outwards		<u>2,000</u>		
Bad Debts	1,200			
Add: Provision for Doubtful Debts	<u>800</u>	2,000		
Depreciation on:				
Furniture and Fixtures	3,000			
Land and Building	3,000			
Plant and Machinery	5,000			
Office Equipment	<u>2,400</u>	13,400		
General Reserve		2,965		
Net Profit		<u>26,685</u>		
		1,32,200		1,32,200

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors		25,000	Furniture and Fixtures	20,000
Bills Payable		12,350	<i>Less: Depreciation</i>	3,000
Outstanding Salaries		11,500	Land and Building	50,000
Capital	1,15,000		<i>Less: Depreciation</i>	3,000
<i>Add: Salary Payable</i>	15,000		Debtors	40,000
<i>Add: Net Profit</i>	26,685	1,56,685	<i>Less: Provision</i>	800
Chatterji's Loan	25,000		Plant and Machinery	50,000
<i>Add: Outstanding Interest</i>	2,250	27,250	<i>Less: Depreciation</i>	5,000
Expenses Payable		3,300	Office Equipment	12,000
General Reserve		2,965	<i>Less: Depreciation</i>	2,400
			Closing Stock	45,000
			Cash at Bank	16,000
			Bills Receivable	20,000
			Prepaid Insurance	250
		2,39,050		2,39,050

Question 19.

Following is the Trial Balance as on 31st March, 2018. Prepare Trading and Profit and Loss Account and Balance Sheet:

Particulars	Dr. (₹)	Cr. (₹)
Stock on 1st April, 2017	8,000	
Sales		2,20,000
Purchases	1,26,000	
Productive Wages	56,500	
Salaries	16,000	
Stores Consumed	6,050	
Carriage	3,050	
Rent	5,200	
Insurance	1,320	
Machinery	52,000	
Building	67,000	
Capital Less Drawings		1,45,600
Sundry Debtors	44,000	
Sundry Creditors		20,000
Secured Loan		16,000
Furniture	3,350	
General Expenses	2,600	
Cash in Hand	1,930	
Bad Debts	1,020	
Bank	6,580	
Input CGST	3,000	
Input SGST	3,000	
Output CGST		2,500
Output SGST		2,500
Total	4,06,600	4,06,600

You are to make adjustments in respect of the following:

- (a) Depreciate Machinery at 10% p.a.
- (b) Make a provision @ 5% for Doubtful Debts.
- (c) Provide discount on debtors @ $\frac{1}{22}$ %.
- (d) Rent includes Rent deposit of ₹ 400.
- (e) Insurance Prepaid ₹ 120.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.
	Amount		Amount
	Rs.		Rs.
Opening Stock	8,000	Sales	2,20,000
Purchases	1,26,000	Closing Stock	20,600
Productive Wages	56,500		
Stores Consumed	6,050		
Carriage	3,050		
Gross Profit	41,000		
	2,40,600		2,40,600

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
	Particulars	Amount	Particulars	Amount
		Rs.		Rs.
Salaries		16,000	Gross Profit	41,000
Insurance Premium	1,320	1,200		
<i>Less: Prepaid</i>	<u>120</u>	5,200		
Depreciation on Machinery		4,800		
Rent	5,200	4,265		
<i>Less: Deposit</i>	<u>400</u>	2,600		
Bad Debts	1,020	6,935		
<i>Add: Provision for Doubtful</i>		1,32,200		1,32,200
Debts	2,200			
<i>Add: Provision for Discount</i>	<u>1,045</u>			
General Expenses		1,045		
Net Profit		1,045		

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
	Liabilities	Amount	Assets	Amount
		Rs.		Rs.
Creditors		20,000	Furniture	3,350
Secured Loan		16,000	Closing Stock	20,600
Capital	1,45,600		Building	67,000
<i>Add: Net Profit</i>	<u>6,935</u>	1,52,535	Prepaid Insurance	120
			Debtors	44,000
			<i>Less: Provision for DD</i>	2,200
			<i>Less: Provision for Discount</i>	<u>1,045</u>
			Machinery	52,000
			<i>Less: Depreciation</i>	5,200
			Rent Deposit	400
			Cash in Hand	1,930
			Bank	6,580
			Input CGST	500
			Input SGST	500
		1,88,535		1,88,535

Question 20.

Following is the Trial Balance obtained from the books of Mr. Vishwanath on 31st March, 2018:

Heads of Accounts	Dr. (₹)	Cr. (₹)
Computers	37,000	...
Plant and Machinery	1,60,000	...
Motor Van	2,20,000	...
Cash in Hand	6,330	...
Cash at Bank	50,000	...
Stock on 1 st April, 2017	8,100	...
Debtors	65,300	...
Creditors	...	29,500
Purchases	2,74,685	...
Sales	...	5,21,870
Returns Inwards	2,300	...
Returns Outwards	...	2,100
Rent	6,700	...
Salaries	35,000	...
Bank Loan taken on 1 st April, 2017 @ 10% p.a	...	2,00,000
Carriage Outwards	3,100	...
Wages	54,755	...
Interest	10,000	...
Electric Charges	4,200	...
General Expenses	24,000	...
Capital	...	2,10,000
Input IGST	10,000	...
Output CGST	...	4,000
Output SGST	...	4,000
Total	9,71,470	9,71,470

You are required to prepare Mr. Vishwanath's Trading and Profit and Loss Account for the year ended 31st March, 2018 and his Balance Sheet as at that date after taking into account the following adjustments:

- (a) Stock on 31st March, 2018 was ₹ 15,600.
- (b) Depreciate Motor Van and Plant and Machinery by 10% p.a. and Computers @ 20% p.a.
- (c) Create Provision for Doubtful Debts @ 5%.
- (d) General Expenses include ₹ 2,000 paid of wages.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		8,100	Sales	5,21,870
Purchases	2,74,685		Less: Returns	2,300
Less: Returns	2,100		Closing Stock	15,600
Wages	54,755			
Add: Incl in General Expenses	2,000			
Gross Profit	1,97,730			
	5,35,170			
				5,35,170

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Rent		6,700	Gross Profit	1,97,730
General Expenses	24,000			
Less: Wages	2,000			
Salaries		35,000		
Interest on Loan	10,000			
Add: Outstanding Interest on Loan	10,000			
Depreciation on Motor Van	22,000			
Plant and Machinery	16,000			
Computers	7,400			
Carriage Outwards		3,100		
Electric Charges		4,200		
Provision for Doubtful Debts		3,265		
Net Profit		58,065		
		1,97,730		1,97,730

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors		29,500	Closing Stock	15,600
Bank Loan	2,00,000		Motor Van	2,20,000
Add: Outstanding Interest on Loan	10,000		Less: Depreciation	22,000
Capital	2,10,000		Computers	37,000
Add: Net Profit	58,065		Less: Depreciation	7,400
			Debtors	65,300
			Less: Provision for DD	3,265
			Plant and Machinery	1,60,000
			Less: Depreciation	16,000
			Cash in Hand	1,44,000
			Cash at Bank	6,330
			Input IGST	50,000
				2,000
				5,07,565

Question 21.

Following Trial Balance has been extracted from the books of Santosh on 31st March, 2018:

Particulars	Debit balances (₹)	Credit balances (₹)
Drawings	20,000	
Plant and Machinery	10,00,000	
Furniture and Fixtures	1,20,000	
Capital A/c		19,60,000
Sales		46,80,000
Loose Tools	2,00,000	
Goodwill	1,00,000	
Opening Stock	2,00,000	
Returns Outward		40,000
Discount		60,000
Purchases	21,20,000	
Returns Inward	80,000	
Wages	10,00,000	
Sundry Creditors		2,40,000
Provision for Doubtful Debts		20,000
Carriage Inwards	1,20,000	
Salaries	4,16,000	
General Expenses	7,20,000	
Rent	1,44,000	
Postage	40,000	
Output IGST		1,00,000
Output CGST		50,000
Output SGST		50,000
Sundry Debtors	5,60,000	
Shri B. Barua	20,000	
Cash and Bank Balances	1,40,000	
Input IGST	1,10,000	
Input CGST	45,000	
Input SGST	45,500	
Total	72,00,000	72,00,000

Following additional information is available:

- (a) Stock on 31st March, 2018 was ₹ 3,08,000.
- (b) Depreciation is to be charged on Plant and Machinery at 5% and Furniture and Fixtures at 6%. Loose Tools are revalued at ₹ 1,60,000.
- (c) Provision for Doubtful Debts is to be maintained at 5% on Sundry Debtors.

(d) Remuneration of ₹ 20,000 paid to Shri B. Barua, a temporary employee, stands debited to his personal account and it is to be corrected.

(e) Unexpired insurance was ₹ 4,000.

You are to prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		2,00,000	Sales	46,80,000
Purchases	21,20,000		Less: Returns	80,000
<i>Less: Returns</i>	<u>40,000</u>	20,80,000	Closing Stock	<u>46,00,000</u>
Wages		10,00,000		3,08,000
Carriage Inwards		1,20,000		
Gross Profit		15,08,000		
		16,80,600		16,80,600

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Provision for Doubtful Debts		8,000	Gross Profit	15,08,000
Salaries	4,16,000		Discount	60,000
<i>Add: Outstanding Salaries</i>	<u>20,000</u>	4,36,000	Unexpired Insurance	4,000
Postage		40,000		
General Expenses		7,20,000		
Rent		1,44,000		
Depreciation on:				
Furniture and Fixtures	7,200			
Plant and Machinery	50,000			
Loose Tools	<u>40,000</u>	97,200		
Net Profit		1,26,800		
		15,72,000		15,72,000

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors		2,40,000	Furniture and Fixtures	1,20,000
Capital	19,60,000		<i>Less: Depreciation</i>	7,200
<i>Less: Drawings</i>	20,000		Plant and Machinery	10,00,000
<i>Add: Net Profit</i>	<u>1,26,800</u>	20,66,800	<i>Less: Depreciation</i>	50,000
			Debtors	5,60,000
			<i>Less: Provision</i>	28,000
			Closing Stock	5,32,000
			Loose Tools	3,08,000
			Goodwill	1,60,000
			Prepaid Insurance	1,00,000
			Cash and Bank Balances	4,000
				1,40,000
				23,06,800

Question 22.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date from the following Trial Balance:

Particulars	Dr. ₹	Cr. ₹
Capital	...	1,00,000
Cash	15,000	...
Bank Loan	...	20,000
Purchases	1,20,000	...
Sales	...	1,50,000
Sales Return	10,000	...
Purchases Return	...	20,000
Establishment Expenses	22,000	...
Taxes and Insurance	5,000	...
Bad Debts	5,000	...
Provision for Doubtful Debts	...	7,000
Debtors	50,000	...
Creditors	...	20,000
Commission	...	5,000
Deposits	40,000	...
Opening Stock	30,000	...
Drawings	14,000	...
Furniture	6,000	...
Bills Receivable	32,000	...
Bills Payable	...	25,000
Input CGST	10,000	...
Input SGST	10,000	...
Output CGST	...	8,000
Output SGST	...	8,000
Output IGST	...	6,000
Total	3,69,000	3,69,000

Adjustments:

- (i) Salaries ₹ 1,000 and Taxes ₹ 2,000 are outstanding but Insurance ₹ 500 is prepaid.
- (ii) Commission ₹ 1,000 received in advance for the next year.
- (iii) Interest ₹ 2,100 is to be received on Deposits and Interest and Bank Loan ₹ 3,000 is to be paid.
- (iv) Provision for Doubtful Debts to be maintained at ₹ 10,000.
- (v) Depreciate Furniture by 10%.
- (vi) Stock on 31st March, 2018 is ₹ 45,000.
- (vii) A fire occurred on 1st April, 2018 destroying goods costing ₹ 10,000. These goods were purchased paying CGST and SGST @ 6% each.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.		Amount Rs.		Cr.
Particulars		Particulars		
Opening Stock		30,000	Sales	1,50,000
Purchases	1,20,000	1,00,000	Less: Returns	10,000
Less: Returns	20,000	55,000	Closing Stock	45,000
Gross Profit		1,85,000		1,85,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.		Amount Rs.		Cr.
Particulars		Particulars		
Outstanding Interest on Loan		3,000	Gross Profit	55,000
Taxed and Insurance	5,000		Commission	5,000
Add: Outstanding Taxes	2,000		Less: Received in Advance	1,000
Less: Prepaid Insurance	500	6,500		4,000
Establishment Expenses		22,000	Interest Receivable on Deposits	2,100
Depreciation on Furniture		600		
Outstanding Salary		1,000		
Bad Debts	5,000			
Add: Provision for DD	3,000	8,000		
Net Profit		20,000		
		61,100		61,100

Balance Sheet
as on March 31, 2018

Dr.		Amount Rs		Cr.
Liabilities		Assets		
Creditors		20,000	Furniture and Fixtures	6,000
Capital	1,00,000		Less: Depreciation	600
Less: Drawings	14,000		Deposits	40,000
Add: Net Profit	20,000	1,06,000	Add: Interest Receivable	2,100
Bank Loan	20,000		Debtors	50,000
Add: Outstanding Interest	3,000	23,000	Less: Provision	10,000
Bills Payable		25,000	Closing Stock	45,000
Output IGST		2,000	Bills Receivable	32,000
Salary Outstanding		1,000	Prepaid Insurance	500
Taxes Outstanding		2,000	Cash	15,000
Commission Received in Advance		1,000		
		23,06,800		1,80,000

Question 23.

The Trial Balance of M/s. Taj & Co. as on 31st March, 2018 was as follows:

Ledger Accounts	Dr. (₹)	Cr. (₹)
Purchases	1,62,505	
Sales		2,52,400
Provision for Doubtful Debts		5,200
Sundry Debtors	50,200	
Sundry Creditors		30,526
Bills Payable		3,950
Opening Stock	26,725	
Wages	23,137	
Salaries	5,575	
Furniture	7,250	
Postage	4,226	
Power and Fuel	1,350	
Trade Expenses	5,831	
Bad Debts	525	
Loan to Suraj @ 10% p.a. (1st December, 2017)	3,000	
Cash in Hand and at Bank	10,000	
Trade Expenses Accrued but not Paid		700
Drawings	4,452	
Capital		12,000
Outstanding Wages		2,000
Input CGST	5,000	
Input SGST	5,000	
Output CGST		4,000
Output SGST		4,000
Total	3,14,776	3,14,776

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet after considering the following information:

- (i) Depreciation on Furniture @ 10% to be charged.
- (ii) Sundry Debtors include ₹ 500 due from a customer who has become insolvent.
- (iii) Provision for Doubtful Debts @ 5% on Sundry Debtors is to be maintained.
- (iv) Goods costing ₹ 1,500, purchased paying CGST and SGST @ 9% each, were destroyed by fire and insurance company admitted a claim for ₹ 1,000.
- (v) Stock on 31st March, 2018 was ₹ 12,550.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.		Cr.	
Particulars	Amount Rs.	Particulars	Amount Rs.
Opening Stock	26,725	Sales	2,52,400
Purchases	1,62,505	Closing Stock	12,550
Wages	23,137	Loss by Fire	1,500
Power and Fuel	1,350		
Gross Profit	52,733		
	2,66,450		2,66,450

Profit and Loss Account
for the year ended March 31, 2018

Dr.		Cr.	
Particulars	Amount Rs.	Particulars	Amount Rs.
Salaries	5,575	Gross Profit	52,733
Loss by Fire	770	Old Provision for DD	5,200
Bad Debts	525	<i>Less: Provision for DD</i>	<u>2,485</u>
<i>Add: Further Bad Debts</i>	<u>500</u>	Interest Receivable	100
Trade Expenses	5,831		
Depreciation on Furniture	725		
Postage	4,226		
Net Profit	37,396		
	55,548		55,548

Balance Sheet
as on March 31, 2018

Dr.		Cr.	
Liabilities	Amount Rs.	Assets	Amount Rs.
Creditors	30,526	Furniture and Fixtures	7,250
Capital	12,000	<i>Less: Depreciation</i>	<u>725</u>
<i>Less: Drawings</i>	<u>4,452</u>	Loan to Suraj	3,000
<i>Add: Net Profit</i>	<u>37,396</u>	<i>Add: Interest Receivable</i>	<u>100</u>
Bills Payable	3,950	Debtors	50,200
Trade Expenses Accrued	700	<i>Less: Further Bad Debts</i>	500
Outstanding Wages	2,000	<i>Less: Provision</i>	<u>2,485</u>
	82,120	Closing Stock	12,550
		Cash in Hand and at Bank	
		Insurance Claim	10,000
		Input CGST	1,000
		Input SGST	865
			865
			82,120

Question 24.

From the following Trial Balance of Mr. Gaurav and additional information given, prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at 31st March, 2018:

Particulars	Dr. (₹)	Cr. (₹)
Opening Stock	62,500	
Capital		4,66,000
Debtors	75,000	
Creditors		43,750
Purchases	5,00,000	
Sales		8,75,000
Carriage	10,000	
Wages and Salaries	10,000	
Commission		16,750
Machinery	1,38,750	
Furniture	25,000	
Bad Debts Recovered		8,000
Bills Receivable	37,500	
Bills Payable		33,750
Land and Building	5,00,000	
Insurance	21,250	
10% Bank Load		50,000
Interest on Bank Loan	3,000	
Bank	24,500	
Drawings	62,500	
Input CGST	15,000	
Input SGST	15,000	
Input IGST	10,000	
Output CGST		19,000
Output SGST		19,000
Total	15,31,250	15,31,250

Adjustments:

- (i) Value of the Closing Stock as on 31st March, 2018 is ₹ 50,000.
- (ii) Wages and Salaries outstanding are ₹ 12,500 and Insurance prepaid is ₹ 5,000.
- (iii) Depreciate Machinery and Furniture @ 10% and 15% p.a. respectively. Machinery included a machine which was purchased for ₹ 38,500 on 30th September, 2017.
- (iv) Goods costing ₹ 10,000 were taken by the proprietor for his personal use but no entry has been made in the books of account. These goods were purchased paying IGST @ 18%.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		62,500	Sales	8,75,000
Purchases	5,00,000		Closing Stock	50,000
<i>Less: Drawings</i>	10,000			
Carriage		10,000		
Wages and Salaries	31,250			
<i>Add: Outstanding</i>	12,500			
Gross Profit		3,18,750		
		9,25,000		

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Insurance	21,250		Gross Profit	3,18,750
<i>Less: Prepaid</i>	5,000		Commission	16,750
Interest on Loan	3,000		Bad Debts Recovered	8,000
<i>Add: Outstanding Interest</i>	2,000			
Depreciation on:				
Furniture	3,750			
Machinery	11,950			
Net Profit		3,06,550		
		3,43,500		

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors		43,750	Machinery	1,38,750
Capital	4,66,000		<i>Less: Depreciation</i>	11,950
<i>Less: Drawings</i>	74,300			1,26,800
<i>Add: Net Profit</i>	3,06,550		Furniture	25,000
Bills Payable		6,98,250	<i>Less: Depreciation</i>	3,750
Outstanding Wages and Salaries		33,750		21,250
10% Bank Loan	50,000		Debtors	75,000
<i>Add: Outstanding Interest</i>	2,000		Closing Stock	50,000
		52,000	Bank	24,500
			Bills Receivable	37,500
			Land and Building	5,00,000
			Prepaid Insurance	5,000
			Input IGST	200
		8,40,250		

Question 25.

Following is the Trial Balance of Shri Bansi Lal as on 31st March, 2018. You are required to prepare Final Accounts:

Particulars	Dr. (₹)	Cr. (₹)
Sundry Creditors	...	63,000
Sundry Debtors	1,45,000	...
Capital A/c	...	7,10,000
Drawings	52,450	...
Insurance	6,000	...
General Expenses	30,000	...
Salaries	1,50,000	...
Patents	75,000	...
Machinery	2,00,000	...
Freehold Land	1,00,000	...
Building	3,00,000	...
Stock on 1st April, 2017	57,600	...
Carriage on Purchases	20,400	...
Carriage on Sales	32,000	...
Fuel and Power	47,300	...
Wages	1,04,800	...
Returns Outward	...	5,000
Returns Inward	6,800	...
Sales	...	9,87,800
Purchases	4,06,750	...
Cash at Bank	30,300	...
Cash in Hand	5,400	...
Input CGST	20,000	...
Input SGST	20,000	...
Output CGST	...	22,000
Output SGST	...	22,000
Total	18,09,800	18,09,800

Following adjustments are to be made:

- (a) Stock on 31st March, 2018 was valued at ₹ 68,000.
- (b) Provision for Doubtful Debts is to be created to the extent of 5% on Debtors.
- (c) Depreciate Machinery by 10% and Patents by 20%.
- (d) Wages include a sum of ₹ 20,000 spent on the erection of a cycle shed for employees and customers.
- (e) Salaries for the month of March, 2018 amounted to ₹ 15,000 were unpaid.
- (f) Insurance includes a premium of ₹ 1,700 on a policy expiring on 30th September, 2018.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		57,600	Sales	9,87,800
Purchases	4,06,750	4,01,750	<i>Less: Returns</i>	6,800
<i>Less: Returns</i>	5,000	20,400	Closing Stock	68,000
Carriage on Purchases		47,300		
Fuel and Power				
Wages	1,04,800	84,800		
<i>Less: Cycle Shed</i>	20,000	4,37,150		
Gross Profit		10,49,000		10,49,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Insurance	6,000		Gross Profit	4,37,150
<i>Less: Prepaid</i>	850	5,150		
Salaries	1,50,000	1,65,000		
<i>Add: Outstanding</i>	15,000	30,000		
General Expenses		32,000		
Carriage on Sales		7,250		
Provision for DD				
Depreciation on:				
Patents	15,000	35,000		
Machinery	20,000	1,62,750		
Net Profit		4,37,150		4,37,150

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors		63,000	Machinery	2,00,000
Capital	7,10,000		<i>Less: Depreciation</i>	20,000
<i>Less: Drawings</i>	52,450	8,20,300	Patents	75,000
<i>Add: Net Profit</i>	1,62,750	15,000	<i>Less: Depreciation</i>	15,000
Outstanding Salaries		2,000	Debtors	1,45,000
Output CGST		2,000	<i>Less: Provision</i>	7,250
Output SGST		2,000	Closing Stock	68,000
			Cash at Bank	30,300
			Building	3,00,000
			<i>Add: Cycle Shed</i>	20,000
			Freehold Land	1,00,000
			Prepaid Insurance	850
			Cash in Hand	5,400
		9,02,300		9,02,300

Question 26.

From the following Trial Balance of M/s. Ram Lal and Sons, prepare Trading, Profit and Loss Account for the year ending 31st March, 2018 and a Balance Sheet as on that date:

Heads of Accounts	Dr. (₹)	Cr. (₹)
Drawings	15,000	
Capital		3,50,000
Plant and Machinery	2,05,000	
Debtors	50,000	
Creditors		28,000
Returns Inward	8,000	
Returns Outward		7,000
Discount Allowed	7,000	
Discount Received		6,000
Commission	15,000	
Interest on Bank Loan	12,000	
Furniture	55,000	
Provision for Doubtful Debts		13,000
Wages	50,000	
Salaries	45,000	
Advertisement	15,000	
Rent and Taxes	13,000	
Purchases	2,60,000	
Sales		4,00,000
Stock on 1st April, 2017	70,000	
Carriage	5,000	
Land and Building	98,000	
Cash in Hand	8,000	
Cash at Bank	20,000	
10% Bank Loan as on 1st April, 2017		1,50,000
Input CGST	9,000	
Input SGST	9,000	
Output IGST		15,000
Total	9,69,000	9,69,000

Adjustments:

- (i) The cost of stock on 31st March, 2018 was ₹ 37,000. However, its market value was ₹ 35,000.
- (ii) Wages outstanding were ₹ 6,000 and salaries outstanding were ₹ 5,000 on 31st March, 2018.
- (iii) Depreciate Land and Building @ $\frac{1}{22}\%$, Plant and Machinery @ 10% p.a. and Furniture @ 15 p.a.
- (iv) Purchase includes purchase of machinery for ₹ 10,000 on 1st October, 2017.

(v) Debtors include bad debts of ₹ 2,000. Maintain a provision for doubtful debts @ 10% on Debtors.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		70,000	Sales	4,00,000
Purchases	2,60,000		<i>Less:</i> Returns	8,000
<i>Less:</i> Machinery	10,000		Closing Stock	35,000
<i>Less:</i> Returns	7,000			
Carriage		5,000		
Wages	50,000			
<i>Add:</i> Outstanding	6,000			
Gross Profit		53,000		
		4,27,000		
				4,27,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Interest on Bank Loan	12,000		Gross Profit	53,000
<i>Add:</i> Outstanding	3,000		Discount Received	6,000
Salaries	45,000		Old Provision for DD	13,000
<i>Add:</i> Outstanding	5,000		<i>Less:</i> Provision for DD	4,800
Discount Allowed		7,000	Net Loss	8,200
Further Bad Debts		2,000		81,500
Commission		15,000		
Advertisement		15,000		
Rent and Taxes		13,000		
Depreciation on:				
Land and Building	2,450			
Plant and Machinery	21,000			
Furniture	8,250			
		31,700		
		1,48,700		
				1,48,700

Balance Sheet
as on March 31, 2018

Dr.				Cr.	
Liabilities		Amount Rs.	Assets		Amount Rs.
Creditors		28,000	Plant and Machinery	2,05,000	
Wages Outstanding		6,000	Add: Purchases	10,000	
Capital	3,50,000		Less: Depreciation	21,000	1,94,000
Less: Drawings	15,000		Furniture	55,000	
Less: Net Loss	81,500	2,53,500	Less: Depreciation	8,250	46,750
Outstanding Salaries		5,000	Debtors	50,000	
Bank Loan	1,50,000		Less: FBD	2,000	
Add: Outstanding Interest	3,000	1,53,000	Less: Provision	4,800	43,200
			Closing Stock		35,000
			Cash at Bank		20,000
			Land and Building	98,000	
			Less: Depreciation	2,450	95,550
			Input SGST		3,000
			Cash in Hand		8,000
		4,45,500			4,45,500

Question 27.

Following is the Trial Balance of Mr. S. Kapur on 31st March, 2018:

Particulars	Dr. (₹)	Cr. (₹)
Cash in Hand	10,800	
Cash at Bank	2,32,600	
Purchases	8,13,500	
Sales		19,75,600
Returns Inward	13,600	
Returns Outward		10,000
Wages	2,09,600	
Fuel and Power	94,600	
Carriage Outwards	64,000	
Carriage on Purchases	40,800	
Stock on 1st April, 2017	1,15,200	

Building	6,00,000		
Computer	2,00,000		
Machinery	4,00,000		
Salaries	3,00,000		
Patents	1,50,000		
Advertisement Expenses	60,000		
Insurance	12,000		
Capital		16,00,000	
Drawings	1,04,900		
Sundry Debtors	2,90,000		
Sundry Creditors		1,31,000	
Input CGST	7,500		
Input SGST	7,500		
Output IGST		10,000	
Total	37,26,600	37,26,600	

Taking into account the following adjustments, prepare Trading and Profit and Loss Account and Balance Sheet:

- (a) Stock in Hand on 31st March, 2018 is ₹ 1,36,000.
- (b) Machinery is to be depreciated @ 10% and patents @ 20%.
- (c) Salaries for the month of March, 2018 amounting to ₹ 30,000 were unpaid.
- (d) Insurance includes a premium of ₹ 1,700 for the year ending 31st March, 2019.
- (e) Wages include a sum of ₹ 40,000 spent on constructing a scooter shed for employees and customers.
- (f) Provision for Doubtful Debts is to be created to the extent of 5% on Sundry Debtors.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		1,15,200	Sales	19,75,600
Purchases	8,13,500		<i>Less: Returns</i>	13,600
<i>Less: Returns</i>	10,000		Closing Stock	
Fuel and Power		8,03,500		1,36,000
Carriage on Purchases		94,600		
Wages	2,09,600			
<i>Less: Scooter Shed</i>	40,000			
Gross Profit		1,69,600		
		8,74,300		
		20,98,000		

Profit and Loss Account
for the year ended March 31, 2018

Dr.		Cr.		
Particulars		Amount Rs.	Particulars	Amount Rs.
Insurance	12,000		Gross Profit	8,74,300
<i>Less: Prepaid</i>	1,700			
Salaries	3,00,000			
<i>Add: Outstanding</i>	30,000			
Provision for DD		10,300		
Advertisement Expenses				
Carriage Outwards		3,30,000		
Depreciation on:				
Machinery	40,000			
Patents	30,000			
Net Profit		70,000		
		3,25,500		
		8,74,300		

Balance Sheet
as on March 31, 2018

Dr.		Cr.		
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors		1,31,000	Machinery	4,00,000
Capital	16,00,000		<i>Less: Depreciation</i>	40,000
<i>Less: Drawings</i>	1,04,900			3,60,000
<i>Add: Net Profit</i>	3,25,500		Patents	1,50,000
Outstanding Salaries		18,20,600	<i>Less: Depreciation</i>	30,000
		30,000	Debtors	2,90,000
			<i>Less: Provision</i>	14,500
				2,75,500
			Closing Stock	1,36,000
			Cash at Bank	2,32,600
			Building	6,00,000
			<i>Add: Scooter Shed</i>	40,000
				6,40,000
			Computer	2,00,000
			Input SGST	5,000
			Cash in Hand	10,800
			Prepaid Insurance	1,700
		19,81,600		19,81,600

Question 28.

Following is the Trial Balance of Shri Paras on 31st March, 2018:

Particulars	Dr. ₹	Particulars	Cr. ₹
Sundry Debtors	1,45,000	Sundry Creditors	63,000
Drawings	52,450	Capital A/c	7,10,000
Insurance	6,000	Returns Outward	5,000
Rent	10,000	Sales	10,00,000
General Expenses	20,000	Output CGST	20,000
Salaries	1,50,000	Output SGST	20,000
Patents and Patterns	75,000		
Machinery	2,00,000		
Freehold Land	1,00,000		
Building	3,00,000		
Stock (1st April, 2017)	57,600		
Cash at Bank	26,300		
Freight on Purchases	20,400		
Carriage on Sales	32,000		
Fuel and Power	47,300		
Wages	1,04,800		
Returns Inward	19,000		
Purchases	4,06,750		
Cash in Hand	5,400		
Input IGST	40,000		
	18,18,000		18,18,000

Following adjustments are made:

- (a) Stock on 31st March, 2018 was valued at ₹ 68,000.
- (b) Provision for Doubtful Debts is to be made to the extent of 5% on Sundry Debtors.
- (c) Depreciate Machinery by 10%, Patents 20% and Building 5%.
- (d) Wages include a sum of ₹ 20,000 spent on construction of a cycle shed.
- (e) Salaries for the months of February and March, 2018 were not paid.
- (f) Insurance includes a premium of ₹ 1,700 on a policy expiring on 30th September, 2018.
- (g) General Manager is entitled to a commission of 10% on the net profit after charging his commission.

You are required to prepare Final Accounts after giving effects to the adjustments.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		57,600	Sales	10,00,000
Purchases	4,06,750		<i>Less:</i> Returns	19,000
<i>Less:</i> Returns	5,000		Closing Stock	68,000
Fuel and Power		47,300		
Freight on Purchases		20,400		
Wages	1,04,800			
<i>Less:</i> Cycle Shed	20,000			
Gross Profit		4,37,150		
		10,49,000		
				10,49,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Insurance	6,000		Gross Profit	4,37,150
<i>Less:</i> Prepaid	850			
Salaries	1,50,000			
<i>Add:</i> Outstanding	30,000			
Provision for DD		1,80,000		
Rent		7,250		
Carriage on Sales		10,000		
General Expenses		32,000		
Depreciation on:		20,000		
Machinery	20,000			
Patents and Patterns	15,000			
Building	16,000			
Manager's Commission		51,000		
Net Profit		11,997		
		1,19,753		
		4,37,150		4,37,150

Balance Sheet
as on March 31, 2018

Dr.				Cr.
	Amount Rs.	Assets		Amount Rs.
Creditors		Machinery	2,00,000	
Capital	7,10,000	<i>Less: Depreciation</i>	20,000	1,80,000
<i>Less: Drawings</i>	52,450	Patents and Patterns	75,000	
<i>Add: Net Profit</i>	<u>1,19,753</u>	<i>Less: Depreciation</i>	15,000	60,000
Outstanding Salaries	30,000	Debtors	1,45,000	
Manager's Commission Payable	11,997	<i>Less: Provision</i>	7,250	1,37,750
		Closing Stock		68,000
		Cash at Bank		26,300
		Building	3,00,000	
		<i>Add: Cycle Shed</i>	20,000	
		<i>Less: Depreciation</i>	16,000	3,04,000
		Freehold Land		1,00,000
		Prepaid Insurance		850
		Cash in Hand		5,400
	8,82,300			8,82,300

Note: There's a misprint in the book. The correct Net Profit should be Rs.1,19,753 and not Rs.1,19,773 as given.

Question 29.

Following is the Trial Balance of Atam Prakash as on 31st March, 2018:

Heads of Accounts	Dr. Balances (₹)	Cr. Balances (₹)
Capital A/c	...	8,00,000
Drawings A/c	60,000	...
Stock on 1st April, 2017	4,50,000	...
Purchases	26,00,000	...
Sales	...	31,00,000
Furniture	1,00,000	...
Sundry Debtors	4,00,000	...
Freight and Octroi	46,000	...
Trade Expenses	5,000	...
Salaries	55,000	...
Rent	24,000	...
Advertisement Expenses	50,000	...
Insurance Premium	4,000	...
Commission	...	13,000
Discount	2,000	...
Bad Debts	16,000	...
Provision for Doubtful Debts	...	9,000
Creditors	...	2,00,000
Cash in Hand	52,000	...
Bank	58,000	...
Land and Building	2,00,000	...
Total	41,22,000	41,22,000

Adjustments:

- (i) Stock on 31st March, 2018 was valued at ₹ 5,30,000.
- (ii) Salaries have been paid so far for 11 months only.
- (iii) Unexpired insurance is ₹ 1,000.
- (iv) Commission earned but not yet received amounting to ₹ 1,220 plus IGST @ 12% is to be recorded in books of account.
- (v) Provision for Doubtful Debts is to be bought up 3% of Sundry Debtors.
- (vi) Manager is to be allowed a commission of 10% on net profits after charging such commission.
- (vii) Furniture is depreciated @ 10% p.a.
- (viii) Only one-fourth of advertisement expenses are to be written off.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as on that date.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		4,50,000	Sales	31,00,000
Purchases		26,00,000	Closing Stock	5,30,000
Freight and Octroi		46,000		
Gross Profit		5,34,000		
		36,30,000		36,30,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Insurance	4,000		Gross Profit	5,34,000
<i>Less: Prepaid</i>	1,000	3,000	Commission	13,000
Salaries	55,000		<i>Add: Accrued</i>	1,220
<i>Add: Outstanding</i>	5,000	60,000		14,220
Rent		24,000		
Trade Expenses		5,000		
Advertisement Expenses		12,500		
Discount		2,000		
Depreciation on Furniture		10,000		
Bad Debts	16,000			
<i>Add: Provision</i>	3,000	19,000		
Manager's Commission		37,520		
Net Profit		3,75,200		
		5,48,220		5,48,220

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors		2,00,000	Cash at Bank	58,000
Capital	8,00,000		Cash in Hand	52,000
<i>Less: Drawings</i>	60,000		Furniture	1,00,000
<i>Add: Net Profit</i>	3,75,200	11,15,200	<i>Less: Depreciation</i>	10,000
Outstanding Salaries		5,000		90,000
Manager's Commission Payable		37,520	Debtors	4,00,000
Output IGST		146	<i>Less: Provision</i>	12,000
				3,88,000
			Closing Stock	5,30,000
			Land and Building	2,00,000
			Prepaid Insurance	1,000
			Advertisement Expenses	37,500
			Accrued Commission	1,366
		13,57,866		13,57,866

Question 30.

Following balances were extracted from the books of Modern Traders on 31st March, 2018:

Particulars	₹	Particulars	₹
Captial	8,50,000	Sales	12,00,000
Drawings	50,000	Postage and Telegrams	8,000
Plant and Machinery	4,00,000	Bad Debts	4,000
Accumulated Depreciation	90,000	Provision for Doubtful Debts	8,000
Stock on 1st April, 2017	1,50,000	Discount Received	4,000
Purchases	8,20,000	Rent Revenue	12,000
Sundry Debtors	2,06,000	Insurance	7,000
Furniture	50,000	Salaries	2,00,000
Freight Inwards	20,000	Wages	13,000
Carriage Outwards	5,000	Cash in Hand	62,000
Rent, Rates and Taxes	46,000	Cash at Bank	2,55,000
Printing and Stationery	8,000	General Reserve	50,000
Sundry Creditors	95,000	Input IGST	20,000
Input CGST	15,000	Output IGST	45,000
Input SGST	15,000		

Prepare Profit and Loss Account for the year ended 31st March, 2018 and the Balance Sheet as at that date giving effect to the following:

- (a) Closing Stock was ₹ 1,50,000.
- (b) Wages Outstanding were ₹ 5,000.
- (c) Provision for Doubtful Debts is to be maintained at 5% of Sundry Debtors.
- (d) Depreciate Plant and Machinery by 10% and Furniture by 5% on Straight Line Method.
- (e) Sundry Creditors include ₹ 10,000 due to Nayak who is also included in Sundry Debtors at ₹ 15,000.
- (f) New furniture for ₹ 12,000 was purchased on 1st April, 2017. Old furniture valued at ₹ 2,000 was exchanged and balance was paid by cheque. Purchase of furniture was recorded at the net value of furniture, i.e., ₹ 10,000. The firm had purchased this furniture paying IGST @ 18%.
- (g) A fire occurred on 27th March, 2018 destroying stock costing ₹ 10,000, which were purchased paying CGST and SGST @ 9% each. Insurance company conveyed acceptance of claim of ₹ 7,500 on 10th April, 2018. Final accounts were prepared on 1st July, 2018.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		1,50,000	Sales	12,00,000
Purchases		8,20,000	Closing Stock	1,50,000
Wages	13,000		Loss of Stock by Fire	10,000
<i>Add:</i> Outstanding	5,000			
Freight Inwards		18,000		
Gross Profit		20,000		
		3,52,000		
		13,60,000		
				13,60,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Depreciation on			Gross Profit	3,52,000
Plant and Machinery	40,000		Discount Received	4,000
Furniture	2,500	42,500	Rent Revenue	12,000
Salaries		2,00,000		
Postage and Telegram		8,000		
Rent, Rates and Taxes		46,000		
Printing and Stationery		8,000		
Carriage Outwards		5,000		
Insurance		7,000		
Bad Debts	4,000			
<i>Add:</i> Provision	1,800	5,800		
Loss by Fire		4,300		
Net Profit		41,400		
		3,68,000		
				3,68,000

Balance Sheet
as on March 31, 2018

Dr.			Cr.	
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors (95,000 - 10,000)		85,000	Cash at Bank	2,55,000
Capital	8,50,000		Cash in Hand	62,000
<i>Less:</i> Drawings	50,000		Furniture	50,000
<i>Add:</i> Net Profit	41,400	11,15,200	<i>Less:</i> Depreciation	2,500
Outstanding Wages		5,000		47,500
General Reserve		50,000	Debtors	2,06,000
			<i>Less:</i> Nayak	10,000
			<i>Less:</i> Provision	9,800
				1,86,200
			Closing Stock	1,50,000
			Plant and Machinery	4,00,000
			<i>Less:</i> Depreciation	1,30,000
				2,70,000
			Input SGST	3,200
			Insurance Company	7,500
		9,81,400		9,81,400

Question 31.

On 31st March, 2018 the following Trial Balance was extracted from the books of Mohan:

Particulars	Debit Balances (₹)	Credit Balances (₹)
Capital		3,00,000
Plant and Machinery	50,000	
Debtors	2,00,000	
Creditors		1,00,000
Loan		95,000
Interest on Loan	3,000	
Cash	20,000	
Provision for Doubtful Debts		7,000
Stock on 1st April, 2017	68,000	
Motor Vehicles	1,00,000	
Bank	35,000	
Land and Building	1,20,000	
Bad Debts	5,000	
Purchases	6,60,000	
Sales		11,00,000
Purchases Return		15,000
Sales Return	80,000	
Carriage Outwards	25,000	
Carriage Inwards	30,000	
Salaries	90,000	
Rent and Insurance	30,000	
Advertising	35,000	
Discount Received		5,000
General Expenses	34,000	
Bills Receivable	60,000	
Bills Payable		20,000
Rent Received		3,000
Total	16,45,000	16,45,000

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date after taking into account the following:

- (a) Stock as at 31st March, 2018 was valued at ₹ 70,000.
- (b) All debtors are considered good for recovery.
- (c) Depreciate Motor Vehicles by 20%.
- (d) Bank intimation of customer's cheque of ₹ 10,000 being dishonoured is not recorded in the books.
- (e) Travelling expenses of ₹ 5,000 paid to sales person was wrongly debited to his Personal Account

and was included in debtors.

(f) Amount of ₹ 6,000 received from Ronit was credited to his account and was included in creditors. This amount was written off as bad debt in earlier years.

(g) Drawings included an amount of ₹ 2,000 being amount drawn in cash. It was used by Mohan for Purchase of stationery used in business.

Solution:

Trading Account
for the year ended March 31, 2018

Dr.			Cr.	
Particulars		Amount Rs.	Particulars	Amount Rs.
Opening Stock		68,000	Sales	11,00,000
Purchases	6,60,000	6,45,000	<i>Less: Returns</i>	80,000
<i>Less: Returns</i>	15,000	30,000	Closing Stock	70,000
Carriage Inwards		3,47,000		
Gross Profit		10,90,000		10,90,000

Profit and Loss Account
for the year ended March 31, 2018

Dr.		Cr.		
Particulars		Amount Rs.	Particulars	Amount Rs.
Depreciation on Motor Vehicles	20,000	Gross Profit		3,47,000
Travelling Expenses	5,000	Discount Received		5,000
Stationery	2,000	Rent Received		3,000
Interest on Loan	3,000	Bad-Debts Recovered		6,000
Bad Debts	5,000	Provision for Doubtful Debts		7,000
Carriage Outwards	25,000			
Salaries	90,000			
Rent and Insurance	30,000			
Advertising	35,000			
General Expenses	34,000			
Net Profit	1,19,000	3,68,000		3,68,000

Balance Sheet
as on March 31, 2018

Dr.		Cr.		
Liabilities		Amount Rs.	Assets	Amount Rs.
Creditors (1,00,000 - 6,000)		94,000	Cash at Bank (35,000 - 10,000)	25,000
Capital	3,00,000		Cash in Hand	20,000
<i>Less: Drawings</i>	48,000		Motor Vehicles	1,00,000
<i>Add: Net Profit</i>	1,19,000	11,15,200	<i>Less: Depreciation</i>	20,000
Loan		95,000		80,000
Bills Payable		20,000	Debtors	2,00,000
			<i>Less: Travelling Expenses</i>	5,000
			<i>Add: Dishonour</i>	10,000
				2,05,000
			Closing Stock	70,000
			Land and Building	1,20,000
			Bills Receivable	60,000
		5,80,000		5,80,000

