

# Chapter 15 Financial Statements of Sole Proprietorship

Question 1.

State whether the following expenses are capital or revenue in nature:

- (i) Expenses on whitewashing and painting of a building purchased to make it ready for use.
- (ii) ₹ 10,000 spent on construction platform for a new machine.
- (iii) Repair expenses of ₹ 25,000 incurred for whitewashing of factory building.
- (iv) Purchased a new car.

Solution:

Expenditure	Reason
(i) Capital Expenditure	Paid to make an asset ready to use
(ii) Capital Expenditure	Paid to make an asset ready to use
(iii) Revenue Expenditure	Made for the maintenance of asset
(iv) Revenue Expenditure	Part of normal operating cost
(v) Capital Expenditure	Used in business for a number of years

Question 2.

State with reasons whether the following are Capital or Revenue Expenses:

- (i) Excise duty paid on purchase of new machine.
- (ii) Wages paid to install a machine.
- (iii) Repairs carried out on existing car.
- (iv) Office block of building repainted for ₹ 50,000.
- (v) Paid telephone bill ₹ 2,500.

Solution:

Expenditure	Reason
(i) Capital Expenditure	Paid for the acquisition of new asset
(ii) Capital Expenditure	Paid to make the asset ready to use
(iii) Revenue Expenditure	Paid for the running and maintenance of car
(iv) Revenue Expenditure	Paid for the maintenance of Building

(v) Revenue Expenditure

Part of normal operating cost

Question 3.

From the following information determine Gross Profit for the year ended 31st March, 2018.

	₹		₹
Opening Stock (1st April, 2017)	25,000	Goods purchased during the year	1,40,000
Freight and Packing	10,000	Closing Stock (31st March, 2018)	30,000
Sales	1,90,000	Packing Expenses on Sales	6,000

Solution:

Gross Profit = Sales + Closing Stock – (Opening Stock + Goods Purchased + Freight and Packing)  
= 1,90,000 + 30,000 – (25,000 + 1,40,000 + 10,000)  
= 2,20,000 – 1,75,000  
= Rs. 45,000

Note: Packing Expenses on sales (Rs.6,000) is not a Direct Expense. Thus, it not considered while computing the amount of Gross Profit.

Question 4.

Calculate Closing Stock from the following details:

	₹		₹
Opening Stock	20000	Purchases	70,000
Cash Sales	60,000	Credit Sales	40,000
		Rate of Gross Profit on cost $33\frac{1}{3}\%$	

Solution:

Gross Profit on cost =  $33\frac{1}{3}\%$ .

Cost =  $\frac{1}{3}$ rd.

Gross Profit on sales =  $\frac{1}{4}$ th

And, Sales = Cash Sales + Credit Sales = 60,000 + 40,000 = Rs.1,00,000

So, Gross Profit = 1,00,000 x  $\frac{1}{4}$  = Rs.25,000

Cost of Goods Sold = Sales – Gross Profit = 1,00,000 – 25,000 = Rs.75,000

Cost of Goods Sold = Opening Stock + Purchases – Closing Stock

75,000 = 20,000 + 70,000 – Closing Stock

Closing Stock = Rs.15,000

Question 5.

Prepare Trading Account from the transactions givne below:

	₹		₹
Opening Stock	22,000	Purchases	2,400
		Return	
Purchases	29,000	Closing Stock	47,700
Sales Return	500	Carriage Inwards	100
Sales	25,400	Depreciation	2,000

Solution:

#### Trading Account

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock	23,000	By Sales	25,400
To Purchases	29,000	Less : Sales Return	(500)
Less : Purchases Return	(2,400)	By Closing Stock	
To Carriage Inwards	100		
To Gross Profit c/d (Bal. Fig.)	22,900		
	<b>72,600</b>		<b>72,600</b>

**Note:** Depreciation is not a Direct Expense. Thus, it not shown in the Trading Account.

#### Journal

Date	Particulars	L.F.	Dr. Rs.	Cr. Rs.
	Trading A/c Dr.		52,600	
	To Opening Stock A/c			23,000
	To Purchases A/c			29,000
	To Carriage Inwards A/c			100
	To Sales Return A/c			500
	(Being transfer of balances to debit side of trading account)			
	Sales A/c Dr.		25,400	
	Purchases Return A/c Dr.		2,400	
	To Trading A/c			27,800
	(Being transfer of balances to credit side of trading account)			
	Closing Stock A/c Dr.		47,700	
	To Trading A/c			47,700
	(Being recording of closing stock)			
	Trading A/c Dr.		22,900	
	To Profit and Loss A/c			22,900
	(Being transfer of gross Profit to the Profit and Loss account)			

Question 6.

Ascertain Gross Profit the following:

	₹		₹
Opening Stock	2,00,000	Carriage on Sales	30,000
Closing Stock	1,80,000	Office Rent	58,000
Purchases	8,50,000	Sales	14,07,000
Carriage on Purchases	23,000		

Solution:

### Trading Account

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,00,000	By Sales	14,07,000
To Purchases	8,50,000	By Closing Stock	1,80,000
To Carriage on Purchases	23,000		
To Gross Profit c/d (Balancing Fig.)	5,14,000		
	15,87,000		15,87,000

Note: Carriage on Sales and Office Rent are not a Direct Expense. Thus, it is not considered while computing the amount of Gross Profit.

Question 7.

From the following information prepare Trading Account for the year ended 31st March, 2018:

	₹		₹
Stock on 1st April, 2017	40,000	Returns Outward	80,000
Purchases	4,00,000	Wages and Salaries	50,000
Sales	3,80,000	Returns Inward	20,000
Carriage Inwards	20,000	Stock on 31st March, 2018	1,30,000

Net Realisable Value (Market Value) of stock as on 31st March, 2018 was ₹ 1,20,000.

Solution:

### Trading Account For the year ended March 31, 2018

Dr.			Cr.		
Particulars		Rs.	Particulars		Rs.
To Opening Stock		40,000	By Sales	3,80,000	
To Purchases	4,00,000		Less: Return Inwards	(20,000)	3,60,000
Less: Return Outwards	(80,000)	3,20,000	By Closing Stock		1,20,000
To Carriage Inwards		20,000			
To Wages and Salaries		50,000			
To Gross Profit c/d (Bal. Fig.)		50,000			
		4,80,000			4,80,000

Note: According to the Principle of Conservatism, closing stock is valued at Cost or Market Price, whichever is less. Hence, closing stock is valued at Market Price (i.e., Rs. 1,20,000)

Question 8.

From the following information, prepare Trading Account for the year ended 31st March, 2018:

Adjusted Purchases ₹ 6,60,000; Sales ₹ 7,44,000; Closing Stock ₹ 50,400; Freight and Carriage Inwards ₹ 3,600; Wages ₹ 6,000; Freight and Cartage Outwards ₹ 2,000.

Solution:

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Purchases (Adjusted)	6,60,000	By Sales	7,44,000
To Freight and Carriage Inwards	3,600		
To Wages	6,000		
To Gross Profit c/d (Bal. Fig.)	74,400		
	7,44,000		7,44,000

Note :

1. Freight and Carriage Outwards are not a Direct Expense. Thus, it is not recorded in the trading Account.

2. Adjusted Purchases = Opening Stock + Net Purchases – Closing Stock

Therefore, Closing Stock (Rs.50,400) is not considered while preparing Trading Account.

Question 9.

Following balances appear in the Trail Balance of a firm as on 31st March, 2018:

		₹
<i>Opening Stock:</i>	Raw Material	80,000
	Finished Goods	1,40,000
Purchases		3,60,000
Sales		7,00,000
<i>Returns:</i>	Purchases	10,000
	Sales	6,000
Wages		1,30,000
Factory Expenses		90,000
<i>Freight:</i>	Inwards	20,000
	Outwards	30,000
At the end of the accounting period, stock was:		
Raw Materials		70,000
Work-in-Process		20,000
Finished Goods		1,10,000

Prepare Trading Account of the firm.

Solution:

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

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Opening Stock			By Sales	7,00,000
Raw Materials	80,000		Less: Return Inwards	(6,000)
Finished Goods	1,40,000	2,20,000	By Closing Stock	
To Purchases	3,60,000		Raw Materials	70,000
Less: Return Outwards	(10,000)	3,50,000	Work-in-progress	20,000
To Freight Inwards		20,000	Finished Goods	1,10,000
To Wages		1,30,000		
To Factory Expenses		90,000		
To Gross Profit c/d (Bal. Fig.)		84,000		
		<b>8,94,000</b>		<b>8,94,000</b>

Note: Freight Outwards are not a Direct Expense. Thus, it is not recorded in the Trading Account.

Question 10.

From the following information, prepare Trading account for the year ended 31st March, 2018:  
Adjusted Purchases ₹ 5,50,000; Sales ₹ 6,25,000; Freight and Carriage Inwards ₹ 3,000; Wages ₹ 7,000; Freight and Cartage Outwards ₹ 2,500; Closing Stock ₹ 50,000.

Solution:

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

Dr.			Cr.	
Particulars		Rs.	Particulars	Rs.
To Purchases (Adjusted)		5,50,000	By Sales	6,25,000
To Freight and Carriage Inwards		3,000		
To Wages		7,000		
To Gross Profit c/d (Bal. Fig.)		65,000		
		<b>6,25,000</b>		<b>6,25,000</b>

Note :

1. Freight and Carriage Outwards are not a Direct Expense. Thus, it is not recorded in the Trading Account.

2. Adjusted Purchases = Opening Stock + Net Purchases – Closing Stock

Therefore, Closing Stock (Rs.50,000) is not considered while preparing Trading Account.

Question 11.

From the following figures, calculate Operating Profit:

	₹		₹
Net Profit	1,00,000	Rent Received	10,000
Gain on Sales of Machine	15,000	Interest on Loans	20,000
Donation	2,000		

Solution:

Calculation of Operating Profit

Operating Profit = Net Profit – Rent Received – Gain of sales of Machine + Interest on Loan + Donation

= 1,00,000 – 10,000 – 15,000 + 20,000 + 2,000

= Rs.97,000

Operating Profit = Rs.97,000

Question 12.

From the following, prepare Profit and Loss Account of Sohan Lal as it would appear in the 1st year that ended 31st March, 2018:

	₹		₹
Salaries and Wages	30,000	Advertising	10,000
Commission Paid	2,000	Discount Allowed	18,000
Postage and Telegrams	1,500	Rent Received	17,000
Insurance	3,000	Interest on Investment	15,000
Interest Paid	4,000	Bad Debts	9,000
Carriage Outwards	5,000	Brokerage Paid	950

The Gross Profit was 45% of sales, which amounted to ₹ 6,50,000.

Solution:

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Salaries and Wages	30,000	By Gross Profit b/d (6,50,000 × 45%)	2,92,500
To Commission Paid	2,000	By Rent Received	17,000
To Postage and Telegram	1,500	By Interest on Investments	15,000
To Insurance	3,000		
To Interest Paid	4,000		
To Carriage Outwards	5,000		
To Advertising	10,000		
To Discount allowed	18,000		
To Bad debts	9,000		
To Brokerage Paid	950		
To Net Profit c/d (Bal. Fig.)	2,41,050		
	<b>3,24,500</b>		<b>3,24,500</b>

Question 13.

From the following information, prepare Profit and Loss Account for the year ended 31st March, 2018:

	₹		₹
Gross Profit	1,20,000	Discount Received	6,000
Rent	5,000	Printing and Stationery	4,000
Salary	35,000	Legal Charges	10,000
Commission Paid	19,000	Bad Debts	2,000
Interest on Loan	5,000	Loss by Fire	6,000
Advertisement	8,000	Depreciation	4,000
Interest Received	8,000		

Solution:

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Rent	5,000	By Gross Profit b/d	1,20,000
To Salary	35,000	By Interest Received	8,000
To Commission Paid	19,000	By Discount Received	6,000
To Interest on Loan	5,000		
To Advertisement	8,000		
To Printing and Stationery	4,000		
To Legal Charges	10,000		
To Bad Debts	2,000		
To Loss by Fire	6,000		
To Depreciation	4,000		
To Net Profit c/d (Bal. Fig.)	36,000		
	<b>1,34,000</b>		<b>1,34,000</b>

Question 14.

From the following particular, prepare Balance Sheet as at 31st March, 2018:

	Dr. (₹)	Cr. (₹)
Capital	...	4,00,000
Drawings	44,000	...
Debtors and Creditors	64,000	42,000
Cash in Hand	3,600	...
Cash at Bank	72,000	...
Plant	1,00,000	...
Furniture	37,000	...
Net Profit	...	16,600
General Reserve	...	10,000
Closing Stock	1,48,000	...
<b>Total</b>	<b>4,68,600</b>	<b>4,68,600</b>



Solution:

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

<b>Liabilities</b>		<b>Rs.</b>	<b>Assets</b>		<b>Rs.</b>
Capital	4,00,000		Plant		1,00,000
Less: Drawings	(44,000)		Furniture		37,000
Add: Net Profit	16,600	3,72,600	Closing Stock		1,48,000
General Reserve		10,000	Debtors		64,000
Creditors		42,000	Cash at Bank		72,000
			Cash in Hand		3,600
		<b>4,24,600</b>			<b>4,24,600</b>

Question 15.

From the following information, prepare Balance Sheet of a trader as at 31st March, 2018 arranging the assets and liabilities-

- (i) in order of permanence and
- (ii) in order of liquidity:

	<b>₹</b>		<b>₹</b>
Goodwill	20,000	Bank	20,000
Capital	1,80,000	Sundry Creditors	63,000
Liabilities for Expenses	1,200	Bills Receivable	13,000
Cash in Hand	1,000	Plant and Machinery	40,000
Investment	20,000	Provision for Doubtful Debts	2,500
Bills Payable	10,700	Closing Stock	80,000
Net Profit	92,600	Furniture	16,000
Sundry Debtors	50,000	Drawing	30,000
Land and Building	60,000		

Solution:

(I) Balance sheet in Order of permanence

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

Liabilities	Rs.	Assets	Rs.
Capital	1,80,000	Goodwill	20,000
Less: Drawings	(30,000)	Land and Building	60,000
Add: Net Profit	92,600	Plant and Machinery	40,000
Sundry Creditors	63,000	Furniture	16,000
Bills Payable	10,700	Investment	20,000
Liabilities for Expenses	1,200	Closing Stock	80,000
		Sundry Debtors	50,000
		Less: Provision for Doubtful Debts	(2,500)
		Bills Receivable	13,000
		Bank	20,000
		Cash in Hand	1,000
	<b>3,17,500</b>		<b>3,17,500</b>

(II) Balance Sheet in Order of Liquidity

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

Liabilities	Rs.	Assets	Rs.
Liabilities for Expenses	1,200	Cash in Hand	1,000
Bills Payable	10,700	Bank	20,000
Sundry Creditors	63,000	Bills Receivable	13,000
Capital	1,80,000	Sundry Debtors	50,000
Less: Drawings	(30,000)	Less: Provision for Doubtful Debts	(2,500)
Add: Net Profit	92,600	Closing Stock	80,000
		Investment	20,000
		Furniture	16,000
		Plant and Machinery	40,000
		Land and Building	60,000
		Goodwill	20,000
	<b>3,17,500</b>		<b>3,17,500</b>

Question 16.

From the Balance Sheet given below, calculate:

- (i) Fixed Assets
- (ii) Current Assets
- (iii) Current Liabilities
- (iv) Working Capital

**Balance Sheet**  
*as at 31<sup>st</sup> March, 2018*

<b>Liabilities</b>	<b>₹</b>	<b>Assets</b>	<b>₹</b>
Trade Creditors	42,000	Stock in Hand	48,000
Expenses Accrued	3,200	Debtors	36,000
Bank Overdraft	4,800	Prepaid Expenses	400
Long-Term Loan	20,000	Goodwill	20,000
Interest on Loan	1,000	Land	20,000
Capital	93,400	Plant	32,000
		Furniture	8,000
	<b>1,64,400</b>		<b>1,64,400</b>

Solution:

i. Calculation of Fixed Asset

Fixed Assets = Land + Plant + Furniture + Goodwill = 20,000 + 32,000 + 8,000 + 20,000 = Rs.80,000

ii. Calculation of Current Assets

Current Assets = Stock + Debtors + Prepaid Expenses = 48,000 + 36,000 + 400 = Rs.84,400

iii. Calculation of Current Liabilities

Current Liabilities = Creditors + Expenses Accrued + Bank Overdraft + Interest on Loan = 42,000 + 3,200 + 4,800 + 1,000 = Rs. 51,000

iv. Calculation of Working Capital

Working Capital = Current Assets – Current Liabilities = 84,400 – 51,000 = Rs.33,400

Question 17.

Prepare Trading and Profit and Loss Account and Balance Sheet of Jagat Shah as at 31st March, 2018 from the following balances:

	<b>₹</b>		<b>₹</b>
Capital (Cr.)	3,60,000	Salaries	60,000
Machinery	70,000	General Expenses	20,000
Sales	8,20,000	Rent	50,000
Purchases	4,00,000	Purchases Return	5,000
Sales Return	10,000	Debtors	3,00,000
Stock on 1st April, 2017	1,00,000	Cash	40,000
Drawing	40,000	Carriage Outwards	20,000
Wages	1,00,000	Advertising	20,000
Carriage Inwards	5,000	Creditros	50,000

The Closing Stock was valued at ₹ 2,00,000.

Solution:

**Financial Statements of Jagat Shah**

**Trading Account**

**For the year ended 31<sup>st</sup> March 2018**

<b>Dr.</b>			<b>Cr.</b>
<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Opening Stock	1,00,000	By Sales	8,20,000
To Purchases	4,00,000	Less : Sales Return	(10,000)
Less : Purchases Return	(5,000)	By Closing Stock	2,00,000
To Wages	1,00,000		
To Carriage Inwards	5,000		
To Gross Profit c/d (Balancing Fig.)	4,10,000		
	<b>10,10,000</b>		<b>10,10,000</b>

**Profit and Loss Account**

**For the year ended 31<sup>st</sup> March 2018**

<b>Dr.</b>			<b>Cr.</b>
<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Salaries	60,000	By Gross Profit b/d	4,10,000
To General Expenses	20,000		
To Rent	50,000		
To Carriage outwards	20,000		
To Advertising	20,000		
To Net Profit c/d (Balancing Fig.)	2,40,000		
	<b>4,10,000</b>		<b>4,10,000</b>

**Balance sheet**

**as on 31<sup>st</sup> March 2018**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Capital	3,60,000	<b>Fixed Assets</b>	
Less : Drawings	(40,000)	Machinery	70,000
Add : Net Profit	2,40,000	<b>Current Assets</b>	
<b>Current Liabilities</b>		Closing Stock	2,00,000
Creditors	50,000	Debtors	3,00,000
		Cash	40,000
	<b>6,10,000</b>		<b>6,10,000</b>

Question 18.

From the following balances, prepare Trading and Profit and Loss Account and Balance Sheet:

	₹		₹
<b>Debit Balances:</b>		<b>Debit Balances (Contd.):</b>	
Machinery	3,50,000	Rent	45,000
Debtors	2,70,000	Sundry Expenses	20,000
Drawings	90,000	Carriage	15,000
Purchases	9,50,000	<b>Credit Balances:</b>	
Wages	5,00,000	Capital A/c	10,00,000
Bank	1,50,000	Creditors	1,40,000
Opening Stock	2,00,000	Sales	14,50,000

Closing Stock was valued at ₹ 30,000.

Solution:

#### Trading Account

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,00,000	By Sales	14,50,000
To Purchases	9,50,000	By Closing Stock	30,000
To Wages	5,00,000	By Gross Loss c/d (Balancing Fig.)	1,85,000
To Carriage	15,000		
	<b>16,65,000</b>		<b>16,65,000</b>

#### Profit and Loss Account

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Gross Loss b/d	1,85,000	By Net Loss c/d (Balancing Fig.)	2,50,000
To Rent	45,000		
To Sundry Expenses	20,000		
	<b>2,50,000</b>		<b>2,50,000</b>

#### Balance Sheet

Liabilities		Rs.	Assets		Rs.
Capital	10,00,000	6,60,000	<b>Fixed Assets</b>		
Less : Drawings	(90,000)		Machinery	3,50,000	
Less : Net Loss	<u>(2,50,000)</u>		<b>Current Assets</b>		
<b>Current Liabilities</b>			Closing Stock	30,000	
Creditors		1,40,000	Debtors	2,70,000	
		<b>8,00,000</b>	Bank	1,50,000	
				<b>8,00,000</b>	

Question 19.

The following are the balances as on 31st March, 2018 extracted from the books of Dass:

	₹		₹
Sales	9,20,000	Postage and Courier	6,200
Purchases	6,83,000	Miscellaneous Expenses	9,000
Returns Inward	13,000	Bad Debts	4,000
Returns Outward	22,000	Debtors	2,20,000
Stock on 1st April, 2017	1,76,000	Creditors	1,28,000
Carriage Inwards	24,000	Loan from Sahil	50,000
Rent	22,000	Capital	5,25,000
Discount	37,500	Drawings	19,100
Printing	7,200	Business Premises	3,90,000
Insurance	5,000	Office Furniture	15,000
Travelling Expenses	14,000		

The stock on 31st March, 2018 was valued at ₹ 2,40,000.

You are required to prepare Trading Account, Profit and Loss Account and Balance Sheet as at 31st March, 2018.

Solution:

**Financial Statement of Dass**  
**Trading Account**  
**For the year ended March 31,2018**

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Stock	1,76,000	By Sales	9,20,000
To Purchase	6,83,000	Less: Return Inwards	(13,000)
Less : Return Outwards	(22,000)	By Closing Stock	2,40,000
To Carriage Inwards	24,000		
To Gross Profit c/d	2,86,000		
(Balancing Fig.)	11,47,000		11,47,000

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Rent, Rates and Taxes	22,000	By Gross Profit b/d	2,86,000
To Discount	37,500		
To Printing	7,200		
To Insurance	5,000		
To Travelling Expenses	14,000		
To Postage and telegram	6,200		
To Miscellaneous Expenses	9,000		
To Bad Debts	4,000		
To Net Profit c/d			
(Balancing Fig.)	1,81,100		
	2,86,000		2,86,000

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

Liabilities	Rs.	Assets	Rs.
Capital	5,25,000	<b>Fixed Assets</b>	
Less : Drawings	(19,100)	Business Premises	3,90,000
Add : Net Profit	1,81,100	Office Furniture	15,000
Loan from Sahil	50,000	<b>Current Assets</b>	
<b>Current Liabilities</b>		Closing Stock	2,40,000
Creditors	1,28,000	Debtors	2,20,000
	8,65,000		8,65,000

Question 20.

From the following balances of Anand, prepare Trading Account, Profit and Loss Account and Balance Sheet as at 31st March, 2018:

	₹		₹
<b>Credit Balances:</b>		<b>Debit Balances (Contd.):</b>	
Capital	3,60,000	Postage	2,730
Creditors	87,200	Bad Debts	2,870
Bills Payable	25,270	Interest	12,950
Sales	7,81,820	Insurance	4,170
Bad Debts Recovered	1,750	Machinery	1,00,000
Loan	1,20,000	Stock (Opening)	99,450
<b>Debit Balances:</b>		Purchases	6,20,920
Debtors	38,850	Wages	43,000
Salaries	40,000	Building	2,37,800
Discount	10,000	Selling Expenses	1,750
		Fixtures and Fittings	1,61,550

Value of goods on hand (31st March, 2018) was ₹ 1,43,000.

Solution:



**Financial Statement of Anand  
Trading Account  
For the year ended March 31,2018**

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock	99,450	By Sales	7,81,820
To Purchases	6,20,920	By Closing Stock	1,43,000
To Wages	43,000		
To Gross Profit c/d (Balancing Fig.)	1,61,450		
	<b>9,24,820</b>		<b>9,24,820</b>

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Salaries	40,000	By Gross Profit b/d	1,61,450
To Discount	10,000	By Bad Debts Recovered	1,750
To Postage	2,730		
To Selling Expenses	1,750		
To Bad Debts	2,870		
To Interest	12,950		
To Insurance	4,170		
To Net Profit c/d (Balancing Fig.)	88,730		
	<b>1,63,200</b>		<b>1,63,200</b>

**Balance Sheet  
As on March 31,2018**

Liabilities	Rs.	Assets	Rs.
<b>Capital</b> 3,60,000		<b>Fixed Assets</b>	
Add :Net Profit 88,730	4,48,730	Building	2,37,800
Loan	1,20,000	Machinery	1,00,000
<b>Current Liabilities</b>		Fixtures and fittings	1,61,550
Creditors	87,200	<b>Current Assets</b>	
Bills payable	25,270	Closing Stock	1,43,000
	<b>6,81,200</b>	Debtors	38,850
			<b>6,81,200</b>

Question 21.

From the following balances, prepare Final Accounts of M./s. Raja & Sons for the year ended 31st March, 2018:

Salary ₹ 5,400; Insurance ₹ 2,500; Cash ₹ 400; Purchases ₹ 84,170; Rent Received ₹ 3,150; Drawings ₹ 2,100; Bills Payable ₹ 3,900; Debtors ₹ 38,080; Stock (1st April, 2017) ₹ 29,500; Bank Overdraft ₹ 9,700; Carriage ₹ 2,200; Creditors ₹ 4,200; Trade Expenses ₹ 4,900; Sales Return ₹ 4,700; Machinery ₹ 12,000; Wages ₹ 45,000; Sales ₹ 1,47,200; Purchases Return ₹ 3,900; Capital ₹ 58,900; Closing

Stock (31st March, 2018) ₹ 36,200.

Solution:

**Financial Statements of M/s Raja and Sons**  
**Trading Account**  
**For the year ended March 31, 2018**

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock	29,500	By Sales	1,47,200
To Purchases	84,170	Less : Sales Return	(4,700)
Less : Purchases Return	(3,900)	By Closing Stock	36,200
To Carriage	2,200		
To Wages	45,000		
To Gross Profit c/d (Balancing Fig.)	21,730		
	<b>1,78,700</b>		<b>1,78,700</b>

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Salary	5,400	By Gross Profit b/d	21,730
To Insurance	2,500	By Rent Received	3,150
To Trade Expenses	4,900		
To Net Profit c/d (Balancing Fig.)	12,080		
	<b>24,880</b>		<b>24,880</b>

**Balance Sheet**  
**as on March 31, 2017**

Liabilities	Rs.	Assets	Rs.
<b>Capital</b>	58,900	<b>Fixed Assets</b>	
Add : Net Profit	12,080	Machinery	12,000
Less : Drawings	(2,100)	<b>Current Assets</b>	
<b>Current Liabilities</b>		Closing Stock	36,200
Creditors	4,200	Debtors	38,080
Bank Overdraft	9,700	Cash	400
Bills Payable	3,900		
	<b>86,680</b>		<b>86,680</b>

Question 22.

From the following balances, prepare Final Accounts of M./s. Mangal & Sons for the year ended 31st March, 2018:

Opening Stock ₹ 12,500; Bills Receivable ₹ 2,000; Sales ₹ 70,000; Purchases ₹ 37,500; Creditors ₹ 20,000; Salaries ₹ 3,850; Insurance ₹ 200; Debtors ₹ 32,500; Carriage ₹ 1,450; Commission ₹ 750; Interest ₹ 900; Printing ₹ 250; Bills Payable ₹ 3,150; Returns In ₹ 1,300; Returns Out ₹ 500; Bank ₹ 5,250; Rent and Taxes ₹ 1,300; Furniture ₹ 1,000; Capital ₹ 7,100; Stock on 31st March, 2018 ₹ 15,000.

Solution:

**Financial Statements of M/s Mangal and Sons**  
**Trading Account**  
**For the year ended March 31,2018**

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock	12,500	By Sales	70,000
To Purchases	37,500	Less : Return Inwards	(1,300)
Less : Return Outwards	(500)	By Closing Stock	15,000
To Carriage	1,450		
To Gross Profit c/d	32,750		
(Balancing Fig.)	83,700		83,700

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Salary	3,850	By Gross Profit b/d	32,750
To Insurance	200		
To Commission	750		
To Interest	900		
To Printing	250		
To Rent and Taxes	1,300		
To Net Profit c/d	25,500		
(Balancing Fig.)	32,750		32,750

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

Liabilities	Rs.	Assets	Rs.
<b>Capital</b>	7,100	<b>Fixed Assets</b>	
Add : Net Profit	25,500	Furniture	1,000
<b>Current Liabilities</b>		<b>Current Assets</b>	
Creditors	20,000	Closing Stock	15,000
Bills Payable	3,150	Debtors	32,500
		Bills Receivable	2,000
		Bank	5,250
	55,750		55,750

Question 23.

From the following balances, prepare Trading and Profit and Loss Account and the Balance Sheet:

	₹		₹
<b>Debit Balances:</b>		<b>Debit Balances (Contd.):</b>	
Machinery	2,00,000	Opening Stock	2,00,000
Building	1,50,000	Rent	45,000
Debtors	2,70,000	Sundry Expenses	20,000
Drawings	90,000	Carriage	15,000
Purchases	9,50,000	<b>Credit Balances:</b>	
Wages	5,00,000	Capital A/c	10,00,000
Bad Debts	10,000	Creditors	1,40,000
Bank	1,50,000	Sales	14,50,000
		Commission	10,000

Closing Stock was of ₹ 70,000 but its net realisable value was estimated at ₹ 60,000.

Solution:

#### Trading Account

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock	2,00,000	By Sales	14,50,000
To Purchases	9,50,000	By Closing Stock	60,000
To Wages	5,00,000	By Gross Loss c/d (Balancing Fig.)	1,55,000
To Carriage	15,000		
	<b>16,65,000</b>		<b>16,65,000</b>

#### Profit and Loss Account

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Gross Loss b/d	1,55,000	By Commission	10,000
To Rent	45,000	By Net Loss c/d (Balancing Fig.)	2,20,000
To Bad Debts	10,000		
To Sundry Expenses	20,000		
	<b>2,30,000</b>		<b>2,30,000</b>

#### Balance Sheet

Liabilities		Rs.	Assets		Rs.
Capital	10,00,000	6,90,000	<b>Fixed Assets</b>		
Less : Net Loss	(2,20,000)		Machinery	2,00,000	
Less : Drawings	(90,000)		Building	1,50,000	
<b>Current Liabilities</b>			<b>Current Assets</b>		
Creditors		1,40,000	Closing Stock	60,000	
			Debtors	2,70,000	
			Bank	1,50,000	
		<b>8,30,000</b>		<b>8,30,000</b>	

Note: According to the Principle of Conservatism, closing stock is valued as whichever is less. Hence, closing stock is valued at (i.e., Rs.60,000)

Question 24.

From the following balances taken from the books of Hari & Co., prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at that date:

	₹		₹
Capital	3,50,000	Salaries	11,100
Building	1,87,500	Discount Allowed	3,000
Machinery	92,500	Interest on Investments	1,000
Debtors	35,000	Stock (1st April, 2017)	1,65,000
Investment	35,000	Bills Payable	50,000
General Expenses	8,000	Sales	6,35,000
Rent Paid	37,100	Purchases	4,68,500
Proprietor's Drawings	6,500	Wages	25,000
Electricity Charges	1,900	Cash in Hand	18,000
Carriage Inwards	8,500	Sundry Creditors	1,00,000
Cash at Bank	30,000	Returns Inward	4,500
Returns Outward	1,100		

Closing Stock was valued at ₹ 1,82,100.

Solution:

**Financial Statements of Hari and Co.**  
**Trading Account**  
**For the year ended March 31,2018**

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Opening Stock	1,65,000	By Sales	6,35,000
To Purchases	4,68,500	Less: Return Inwards	(4,500)
Less : Return outwards	(1,100)	By Closing Stock	1,82,100
To Wages	25,000		
To Carriage Inwards	8,500		
To Gross Profit c/d (Balancing Fig.)	1,46,700		
	<b>8,12,600</b>		<b>8,12,600</b>

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To General Expenses	8,000	By Gross Profit b/d	1,46,700
To Rent Paid	37,100	By interest on Investments	1,000
To Electricity Charges	1,900		
To Salaries	11,100		
To Discount Allowed	3,000		
To Net Profit c/d (Balancing Fig.)	86,600		
	<b>1,47,700</b>		<b>1,47,700</b>

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

Liabilities	Rs.	Assets	Rs.
<b>Capital</b>	3,50,000	<b>Fixed Assets</b>	
Add : Net Profit	86,600	Building	1,87,500
Less : Drawings	(6,500)	Machinery	92,500
<b>Current Liabilities</b>		Investment	35,000
Sundry Creditors	1,00,000	<b>Current Assets</b>	
Bills Payable	50,000	Closing Stock	1,82,100
		Debtors	35,000
		Cash at bank	30,000
		Cash in Hand	18,000
	<b>5,80,100</b>		<b>5,80,100</b>

Question 25.

From the following balances, as on 31st March, 2018, prepare Trading and Profit and Loss Account and Balance Sheet:

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

Closing Stock on 31st March, 2018 was valued at ₹ 14,500.

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 Inwards	(4,000)
Less : Return Outwards	(5,000)	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		
	<b>1,79,500</b>		<b>1,79,500</b>

**Profit and Loss Accounts**  
**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.)	18,500
To Repairs	500		
To Rent	4,000		
To Trade Expenses	7,000		
To Bad debts	2,000		
	18,500		18,500

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

Liabilities	Rs.	Assets	Rs.
Capital	1,00,000	<b>Fixed Assets</b>	
Less : Life Insurance Premium	(12,000)	Plant and Machinery	40,000
Less : Net Loss	(18,500)	<b>Current Assets</b>	
<b>Current Liabilities</b>		Closing Stock	14,500
Sundry Creditors	12,000	Sundry Debtors	24,000
Bills Payable	7,000	Bank	10,000
	<b>88,500</b>		<b>88,500</b>

Question 26.

Trial Balance of Chatter Sen on 31st March, 2018 revealed the following balances:



	₹		₹
<b>Debit Balances:</b>		<b>Debit Balances (Contd.):</b>	
Plant and Machinery	90,000	Rent	2,000
Purchases	58,000	Advertisement	2,000
Sales Return	1,000	Cash at Bank	6,900
Opening Stock	40,000	<b>Credit Balances:</b>	
Discount Allowed	350	Capital A/c	1,10,000
Bank Charges	75	Sales	1,27,000
Sundry Debtors	45,000	Purchases Return	1,275
Salaries	6,800	Discount Received	800
Wages	10,000	Loan	5,000
Freight In	750	Sundry Creditors	20,000
Freight Out	1,200		

Stock on 31st March, 2018 was valued at ₹ 35,000. Prepare Trading and Profit and Loss Account for the year ended 31st March, 2018 and Balance Sheet as at the date.

Solution:

**Financial Statement of Chatter Sen**  
**Trading Account**  
**For the year ended March 31,2018**

<b>Dr.</b>		<b>Cr.</b>	
<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Opening Stock	40,000	By Sales	1,27,000
To Purchases	58,000	Less : Sales Return	(1,000)
Less : Purchases Return	(1,275)	By Closing Stock	35,000
To Wages	10,000		
To Freight Inwards	750		
To Gross Profit c/d (Balancing Fig.)	53,525		
	<b>1,61,000</b>		<b>1,61,000</b>

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

<b>Dr.</b>		<b>Cr.</b>	
<b>Particulars</b>	<b>Rs.</b>	<b>Particulars</b>	<b>Rs.</b>
To Discount Allowed	350	By Gross Profit b/d	53,525
To Bank Charges	75	By Discount Received	800
To Salaries	6,800		
To Freight Outwards	1,200		
To Rent Rates and Taxes	2,000		
To Advertisement	2,000		
To Net Profit c/d (Balancing Fig.)	41,900		
	<b>54,325</b>		<b>54,325</b>

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

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
Capital	1,10,000	<b>Fixed Assets</b>	
Add : Net Profit	41,900	Plant and Machinery	90,000
		<b>Current Assets</b>	
Sundry Creditors	20,000	Closing Stock	35,000
Loan	5,000	Sundry Debtors	45,000
		Cash at Bank	6,900
	<b>1,76,900</b>		<b>1,76,900</b>

Question 27.

Following Trial Balance is extracted from the books of a merchant on 31st March, 2018:

	₹		₹
<b>Debit Balances:</b>		<b>Debit Balances (Contd.):</b>	
Furniture and Fittings	6,400	Insurance	12,500
Motor Vehicles	62,500	General Charges	7,820
Building	75,900	Salaries	33,000
Bad Debts	1,250	<b>Credit Balances:</b>	
Sundry Debtors	38,000	Capital	1,28,900
Stock on 1st April, 2017	34,600	Bills Payable	2,000
Purchases	55,750	Sundry Creditors	25,000
Sales Return	2,000	Sales	1,54,500
Advertising	4,500	Bank Overdraft	28,500
Interest	1,180	Purchases Return	1,250
Cash in Hand	6,500	Commission	1,750

Stock in Hand on 31st March, 2018 was valued at ₹ 32,500.

From the above, 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	Rs.	Particulars	Rs.
To Opening Stock	34,600	By Sales	1,54,500
To Purchases	55,750	Less : Sales Return	(2,000)
Less : Purchases Return	(1,250)	By Closing Stock	32,500
To Gross Profit c/d (Balancing Fig.)	95,900		
	<b>1,85,000</b>		<b>1,85,000</b>

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

Dr.			Cr.
Particulars	Rs.	Particulars	Rs.
To Taxes and Insurance	12,500	By Gross Profit b/d	95,900
To General Charges	7,820	By Commission	1,750
To Salaries	33,000		
To Bad debts	1,250		
To Advertising	4,500		
To Interest	1,180		
To Net Profit c/d (Balancing Fig.)	37,400		
	<b>97,650</b>		<b>97,650</b>

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

Liabilities	Rs.	Assets	Rs.
<b>Capital</b>	1,28,900	<b>Fixed Assets</b>	
Add : Net Profit	37,400	Building	75,900
		Furniture and Fittings	6,400
<b>Current Liabilities</b>		Motor Vehicle	62,500
Sundry Creditors	25,000	<b>Current Assets</b>	
Bank Overdraft	28,500	Closing Stock	32,500
Bills Payable	2,000	Sundry Debtors	38,000
		Cash in Hand	6,500
	<b>2,21,800</b>		<b>2,21,800</b>

Question 28.

The following balances were extracted from the books of Harish Chandra on 31st March, 2018:

	₹		₹
Drawings	15,000	Capital	2,45,000
Life Insurance Premium	5,000	Loan	78,800
General Expenses	25,000	Sales	6,53,600
Building	1,10,000	Purchases	4,70,000
Machinery	93,400	Motor Car	20,000
Stock on 1st April, 2017	1,62,000	Reserve Fund (Cr.)	9,000
Power	22,400	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
Input CGST A/c	15,000	Charity	1,050
Input SGST A/c	15,000	Bad Debts	5,500
Output IGST A/c	30,000		

Stock on 31st March, 2018 was valued at ₹ 2,35,000.

Prepare final accounts for the year ended 31st March, 2018.

Solution:

**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 Purchases	4,70,000	By Closing Stock	2,35,000
To Power	22,400		
To Wages	72,000		
To Gross Profit c/d (Balancing Fig.)	1,62,200		
	<b>8,88,600</b>		<b>8,88,600</b>

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To General Expenses	25,000	By Gross Profit b/d	1,62,200
To Insurance	13,150	By Commission	13,200
To Car Expenses	18,000		
To Charity	1,050		
To Bad Debts	5,500		
To Net Profit c/d (Balancing Fig.)	1,12,700		
	1,75,400		1,75,400

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

Liabilities	Rs.	Assets	Rs.
Capital	2,45,000	Building	1,10,000
Add : Net Profit	1,12,700	Machinery	93,400
Less: Life Insurance Premium	(5,000)	Motor Car	20,000
Less: Drawing	(15,000)	Closing Stock	2,35,000
Reserve Fund	9,000	Debtors	62,800
Loan	78,800	Cash	800
Bank Overdraft	33,000		
Creditors	25,000		
Bills Payable	38,500		
	<b>5,22,000</b>		<b>5,22,000</b>

Setting-off GST:

Input CGST + Input SGST – Output IGST = 15,000 + 15,000 – 30,000 = NIL

Question 29.

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

Particular	Dr. Balance (₹)	Cr. Balance (₹)
Building	1,60,000	...
Wages	26,000	...
Machinery	16,000	...
Salaries and Wages	41,600	...
Debtors	38,700	...
Capital	...	2,23,100
Purchases	56,500	...
Sales	...	1,00,700
Creditors	...	12,500
Income Tax	2,000	...
Drawings	500	...
Input CGST A/c	10,000	...
Input SGST A/c	10,000	...
Output CGST A/c	...	12,500
Output SGST A/c	...	12,500
<b>Total</b>	<b>3,61,300</b>	<b>3,61,300</b>

Closing Stock at cost ₹ 1,00,000 but its market value is ₹ 88,500.

Solution:

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Purchases	56,500	By Sales	1,00,700
To Wages	26,000	By Closing Stock	88,500
To Gross Profit c/d (Balancing Fig.)	1,06,700		
	<b>1,89,200</b>		<b>1,89,200</b>

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

Dr.		Cr.	
Particulars	Rs.	Particulars	Rs.
To Salaries and Wages	41,600	By Gross Profit b/d	1,06,700
To Net Profit c/d (Balancing Fig.)	65,100		
	1,06,700		1,06,700

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

Liabilities	Rs.	Assets	Rs.
Capital	2,23,100	Building	1,60,000
Add : Net Profit	65,100	Machinery	16,000
Less: Income Tax	(2,000)	Closing Stock	88,500
Less: Drawing	(500)	Debtors	38,700
Creditors	12,500		
Output CGST	2,500		
Output SGST	2,500		
	<b>3,03,200</b>		<b>3,03,200</b>

**Setting-off GST:**

GST	Input	Output	Total (Input - Output)
CGST	10,000	12,500	(2,500)
SGST	10,000	12,500	(2,500)