

# Accountancy and Financial Management

## Accounting:

Definition given by two organisations:

① American Institute of Certified Public Accountants (AICPA)

② American Accounting Association (AAA)

cont.

### AICPA Definition:

Accounting is a process of Recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are in part at least of financial character and interpreting the results thereof.

- Record → Classify → Summarize
- Recording of events/transactions
- Preparation of Results
- Interpret the Results
- Recording of events/transactions having financial character is to be done.
- Financial Character is detected by checking financial condition of an entity before and after an event. If change is there, financial character is present otherwise, there is no presence of financial character.

Any firm's

- Results of a Business can be Profit or Loss.
- Business → It is an organisation where certain activities are carried on to attain certain objectives, which is to earn profit.
- Financial evaluation is always needed to be performed in a business, in order to check whether the objectives are attained or not. If the objectives are attained, the process must be carried on further and if not the activities must be stopped at that point.
- Recording of each and every transaction is important as if any one is missed, it will cause hamper in the final result.
- Recording is necessary as:
  - I It is important.
  - II Will be required in future.
  - III Will not occur in future.
- Recording is done to avoid backlog. This can create a huge database which can be tedious to evaluate. So, classification is done in order to organize this database, but it will not reduce the size of the database.

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- As it is difficult to evaluate a huge database, summarization is done and then preparation of the results take place.

### AAA Definition:

Accounting is defined as a process of identification, measurement and accumulation of economic information to permit prudent judgement by the user of accounting information.

- Identify → Measure → Judgement

Facilitate Information.

- Stake Holders → Those who are interested in business. Can be Owners, Creditors, Customers, Government, Society etc.
- An accountant need to identify the type of informations needed by the stakeholders and to clarify it.

### Branches in Accounting:

- Financial Accounting
- Cost Accounting
- Management Accounting

- Financial Accounting is the oldest branch in accounting.

And from

- In a business, basic purpose is to create surplus and then to exchange in order to earn profit.

Cost →  
Resou  
object

## Cost Accounting:

- Over the years, production become more complicated and manufacturing type of business flourished.
- For perfect competition, we can either fix the price or quantity, but not both. For monopoly, we have full control over price, not quantity.
- Our main effort is on Cost Reduction.  
This is because,
  - We can't afford to waste resources.
  - To make sure that next generation has access to the resources.
  - Better standard of living + Reduced cost
    - Better and advanced technology is needed.
    - Better quality and quantity of goods and services.
  - In order to classify anything, basis is required, based on which the thing is going to be classified.

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Cost → Cost is the quantum of scarce resources sacrificed to achieve a specific objective.

In case of printing a book on Accounting and another on Financial Management.

Requirements → Papers, Book, Ink, Area for the work, Electricity, Operators, Helper etc.

#### • Classification of Costs:

→ According to types of inputs -

① Material Cost → Cost incurred to procure material inputs like papers, ink etc. These inputs are Tangible i.e., have physical existence.

② Wages → Compensation paid to a human being for the physical exhaustion, which is required for the purpose of production.

Eg: Wages given to the operators and helper.

③ Expenses → Costs on electricity and Rent of the area.

→ According to Traceability -

④ Direct Cost → If the item of cost is directly traceable to a specific product.

Eg: Cost of paper or Wages given to the operators.

had many

⑩ Indirect Cost → If the item of cost is not directly traceable to a specific product.

Eg: Cost of ink or wages given to helpers.

• Cost Allocation → Charge the cost to a particular product → Required to know the profit.

Cost Allocation is

→ Easy for Direct Cost.

→ Difficult for Indirect Cost.

→ Functional Classification:

① Production or Factory Cost.

② Office or Administrative Cost.

③ Selling or Distribution Cost.

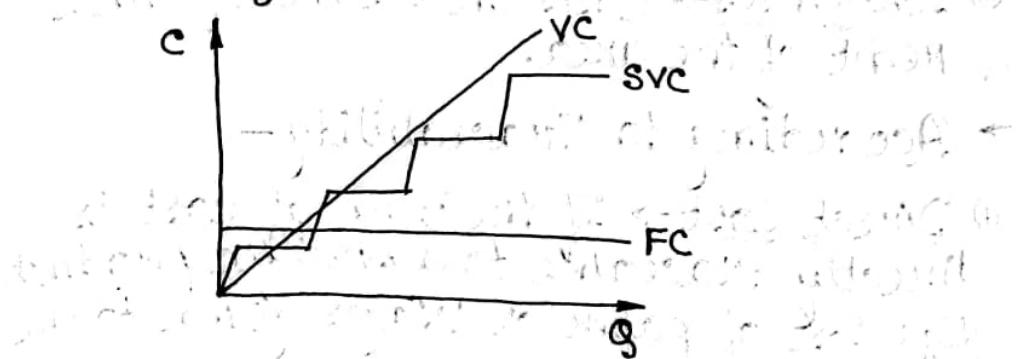
④ R & D Cost.

→ According to Variability:

① Fixed Cost.

② Variable Cost.

③ Semi-fixed or Semi-Variable Cost.



• Cost is type of variable cost w/

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- Cost should be variable.

Cost is not in our control. We observe the type of cost and assign a class to it. With variable inputs required for various output cost will vary.

- Fixed Cost → Some inputs are there, whose quantity cannot be changed.

- Short Run: There is some fixed cost.  
Long Run: All costs are variable.

- When we compute cost, it is expressed in certain units. Without suitable unit, computation is useless.

Eg: Cost of AC → 80,000 - seems large.

Cost of 5 ACs → 80,000 - seems meaningful.

So, unit is important.

- For manufacturing sector, the selection of cost unit and computation of cost is different from other industries.

- Cost Centre → A separate segment of business with respect to which computation of cost is necessary.

- Profit Centre → Same segment where cost and profit both are decided. The people are responsible for profit.

- Investment Centre → This is a classification used for business units within an enterprise.

- Centralized Organization → More and more decisions are taken at the top level and executed by the lower levels.
- Decentralized Organization → More and more decision are taken at lower level and even executed by them.
- Industry → Basically industries can be divided into:
  - ① Small Scale.
  - ② Medium Scale.
  - ③ Large Scale.
- On the basis of cost computation:
  - ① Manufacturing Sector.
  - ② Service Sector. (Hotels, power house, hospitals etc.)
- Manufacturing Sector →
  - ① Goods can be standardized.
    - Average cost can be easily calculated
    - Method is easier.
    - Accuracy is not up to mark and needed some approximation.
  - ② Goods produced according to requirements
    - Cost is calculated by observing each and every product
    - Method is not so easier.
    - Accuracy level is much higher.

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- When total cost or total number of the products is difficult to calculate, average cost can't be calculated.

- Standardized Sector →

- Single Stage.
- Distinct multiple stages.

- Unit/Output Costing.

- Process Costing.

- Non-Standardized Sector →

- Long Term.

→ All terms and conditions decided beforehand.

→ Contract account is maintained.

- Short Term.

Other important factors included in this section are:

- Architect Certification.

- Retention Percentage.

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## COST SHEET

Heading : Cost Sheet for the period ended .....

PARTICULARS	AMOUNT	AMOUNT	PARTIC
Direct Material Cost	xxx		Opening R
Direct Wages	xxx		Closing R
Direct Expenses	xxx	xxx	Direct P/W Exp
PRIME COST		xxx	PRIM
Factory Overheads	xxx	xxx	Open Close W
FACTORY COST		xxx	Factory Dept
+ Open Work in Progress	xxx		Indir
- Close Work in Progress	xxx		
ADJUSTED FACTORY COST		xxx	
Administrative overheads	xxx		ADJUSTED
COST OF PRODUCTION		xxx	Office R
+ Open Stock of Finished Goods	xxx		COST OF
- Close Stock of Finished Goods	xxx		Open Fi
COST OF Goods SOLD		xxx	Close Fi
Selling Overheads	xxx		Adver
COST OF GOODS		xxx	Traveller Comr
			Carriage

Direct Material Cost = Open stock of goods + purchase materials - closing stock

$$PC + F/OH = FC ; FC + OWIP - CWIP = AFC ;$$

$$AFC + A/OH = COP ; COP + OFG - CFG = COGS ;$$

$$COGS + Sales = Cost ; Cost + P/L = Sales.$$

## PROBLEMS

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PROBLEMS:

1. Cost Sheet of Comet Paints Ltd. as on September 2014.

ACCOUNT	PARTICULARS	AMOUNT(₹)	AMOUNT(₹)
	Opening Raw Materials	75,000	
	Closing Raw Materials	(→) 91,500	
	Direct Wages	52,500	
	Purchase Expenses	66,000	
		1,500	
	<b>PRIME COST</b>		<b>1,03,500</b>
x x	Open WIP (1st Sept.)	28,000	
	Close WIP (31st Sept.)	(→) 35,000	
	Factory Rent & Power	15,000	
	Depreciation	3,500	
x x	Indirect Wages	2,750	
x x x	<b>ADJUSTED FACTORY COST</b>		<b>1,17,750</b>
	Office Rent & Taxes	2,500	
	<b>COST OF PRODUCTION</b>		<b>1,20,250</b>
x x x	Open Finished Goods	54,000	
	Close Finished Goods	(→) 31,000	
	Advertising	3,500	
	Traveller Wages & Commission	6,500	
	Carriage Outwards	2,500	
	<b>COST OF GOODS SOLD</b>		<b>1,55,750</b>
	<b>SALES</b>		<b>2,11,000</b>
	<b>PROFIT</b>		<b>55,250</b>

ck of goods  
in stock

P = AFC ;  
= COGS ;  
SALES.

2. Cost Sheet as on 31<sup>st</sup> March 2013.

PARTICULARS	AMOUNT (£)	AMOUNT	PART
Opening Raw Materials	30,000		Opening F
Purchase Raw Materials	8,72,600		Closing F
Direct materials consumed	9,02,600		Purchase
Manufacturing Salary and wages	11,02,900		② Manuf
Inward carriage	39,100		Manufac
<b>PRIME COST</b>		<b>20,44,600</b>	F
Depreciation on plant and machineries	1,30,000		Deprecia
Repairs of machineries	25,000		Printing
Coal	57,900		Repairs
Factory Rents & Rates	2,27,100		Factory
<b>FACTORY COST</b>		<b>24,84,600</b>	Carriage
Open manufacturing goods Purchase	97,400		F
	1,27,400		Office
<b>ADJUSTED FACTORY COST</b>		<b>27,09,400</b>	Office R
Printing & Stationary	9,300		Gen
Office Salaries	94,000		
General Expenses	31,700		
Office Rents & Rates	65,000		
Travel	27,900		
<b>COST OF PRODUCTION</b>		<b>29,37,300</b>	
Outward carriage	23,300		
<b>COST OF GOODS SOLD</b>		<b>29,60,600</b>	
NET SALES		<b>29,56,800</b>	
<b>MARGIN</b>		<b>3,800</b>	

3. Cost Sh

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3. Cost Sheet of Rivatex Ltd. as on 31.12.2015

MOUNT(Rs)	PARTICULARS	AMOUNT(Rs)	AMOUNT(Rs)
	Opening Raw Materials	300	
	Closing Raw Materials	4100	
	Purchase : ① Raw Materials	8,726	
	② Manufacturing Goods	1,274	
20,44,600	Manufacturing wages & Salaries	11,029	
	PRIME COST	21,229	
	Depreciation of Plant	1,300	
	Printing & Stationaries	93	
	Repairs to Plants.	250	
	Coal	579	
	Factory Rents & Rates	2,271	
24,84,600	Carriage Inwards	391	
	FACTORY COST	26,113	
27,09,400	Office Salaries	940	
	Office Rents & Rates	650	
	General Expenses	317	
	COST OF PRODUCTION	28,020	
	Open Finished Goods	974	
	Close Finished Goods	200	
	Carriage Outwards	233	
	Travel Expenses	279	
29,37,300	Discount	374	
	COST OF GOODS SOLD		
29,60,600	SALES	29,680	
29,56,800	PROFIT	29,942	
3,800		262	

And profit

4. Cost Sheet as on 31<sup>st</sup> September 2014.

PARTICULARS	AMOUNT (₹)	AMOUNT	PART
Opening Raw Materials	1,40,000		Deprecia
Closing Raw Materials	(-) 1,80,000		Deprecia
Purchase	3,20,000		Heat
Return of Purchase	(-) 4,800		Rates
Freight incurred on Materials	16,000		Salaries
Direct Labour	1,60,000		Interest
Accrued expenses on Direct Labour.	8,000		Accrued
<b>PRIME COST</b>		4,59,200	% boro
Indirect Labour	18,000		COST OF
Accrued expenses on Indirect Labour	1,200		Open f
Factory Supervision	10,000		close
Factory Repair	14,000		COST O
Heat, Light & Power Rates & Taxes	52,000		Depreci
Miscellaneous	4,200		Heat, &
Depreciation on Plant & Machineries	18,700		Sales R
Depreciation on buildings	46,050		Sale
<b>FACTORY COST</b>		6,29,750	Sale
Open WIP	2,00,000		Distrib
Close WIP	(-) 1,92,000		salari
<b>ADJUSTED FACTORY COST</b>		6,37,750	7

Ans f

14.	PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
1,59,200	Depreciation of Office App. Depreciation of building Heat, Light &c. Rates & Taxes Salaries & Expenses Interest on borrowed funds Accured exp. on indirect & borrowed funds.	870 800 65,000 2100 8000 2000 2000	
	COST OF PRODUCTION		6,60,020
	Open finished goods Close finished goods	80,000 -1,15,000	
	COST OF GOODS SOLD		6,25,020
6,29,750	Depreciation on buildings Heat, Light & Power Travelling Sales Return & Rebate Sales Commission Sales Promotion Distribution dept. Salaries & expenses	800 6,500 11,000 14,000 33,600 22,500 18,000	
	TOTAL COST		7,31,420
6,37,750	SALES		7,68,000
	PROFIT		36,580
	Profit from Sale of Raw Materias		

## 5. Cost Sheet of M/s Aryan Enterprise

PARTICULARS	AMOUNT (₹)	AMOUNT (₹)	PAR.
Opening Raw Materials	1,88,000		Pape
Closing Raw Materials	(-) 2,00,000		Other
Purchase	8,32,000		80 Sk
Direct Wages	2,38,400		40 wr
		10,58,400	Spl. eq
			Spl.
<b>PRIME COST</b>			F
Repairs to plant & machineries	4,24,000		Variat
Rents, Rates & Taxes	12,000		Fixed
Freights inward	32,000		FF
Indirect Wages	16,000		Credit
Depreciation	28,400		of
Electricity	48,000		ADJUST
Fuel	64,800		
Manager's Salary	9,600		Admir
		13,11,600	
<b>FACTORY COST</b>			COST OF
Salaries to Admin. Staff	40,000		Selling
Office	6400		
Furniture	2400		
Director's fee	24,000		
Manager's Salary	38,400		
General charges	24,800		
		14,47,600	SP for
<b>COST OF PRODUCTION</b>			SP / tc
Freight Outwards	20,000		
Cash discount	14,000		
Travelling	12,400		
Salesman's salary	33,600		
		15,27,600	
<b>SALES</b>			Adm f.

6. Cost Sheet by paper mill on January 2014.

INT (₹)	PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
	Paper Pulp	25,000	
	other miscellaneous	3000	
	80 skilled men	6000	
	40 unskilled men	2000	
	Spl. equipments	3000	
58,400	Spl. dyes	1000	
	<u>PRIME COST.</u>		40,000
	Variable on DW	8,000	
	Fixed on DW	4800	
	<u>FACTORY COST</u>		52,800
	Credit on account of sales	800	
11,600	<u>ADJUSTED FACTORY COST</u>		52,000
	Administrative Overheads	4000	
	<u>COST OF PRODUCTION</u>		56,000
	Selling & Distribution Overheads	7800	
	<u>TOTAL COST</u>		63,800
	<u>PROFIT</u>		6380
4,47,600	SP for 400 tonnes		70,180
	SP/tonnes		175.45
15,27,600			

Sumit Roy

7. Cost Sheet for year ending 2012.

PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
Materials cost	2,64,000	
Wages	2,16,000	
<b>PRIME COST</b>		4,80,000
Plant maintenance	25,000	
Depreciation on plant	8,100	
Lighting	6,300	
Power	10,600	
Indirect Wages	37,100	
Rental for leasehold equipment	9,600	
Consumable Stores	17,600	
<b>FACTORY COST</b>		5,94,300
Management Salaries	22,000	
General Charges	15,600	
<b>COST OF PRODUCTION</b>		6,31,900
Selling Expenses	30,000	
Sales proceeds from scrap.	4,000	
<b>COST OF SALES</b>		6,57,700

$$\textcircled{1} \text{ SP in 2012} = 6.75 \times 1,20,000 = 8,10,000$$

$$\therefore \text{Profit} = (8,10,000 - 6,57,700) = ₹ 1,52,300$$

$$\textcircled{2} \text{ SP in 2013} = 6.4 \times (40,000 + 1,20,000) \\ = 10,24,000$$

$$\therefore \text{Prime Cost} = ₹ 6,40,000$$

$$\text{Factory Cost} = ₹ 7,54,300$$

$$\text{COP} = ₹ 7,91,900$$

$$\text{COS} = ₹ 8,17,700$$

$$\therefore \text{Profit} = (10,24,000 - 8,17,700) = ₹ 2,06,300$$

8a. Cost S/

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## 8a. Cost Sheet for year ending 2014.

PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
Opening Raw Materials	35,000	
Closing Raw Materials	(-) 4,900	
Purchase	52,500	
Direct Wages	95,000	
<b>PRIME COST</b>		<b>1,77,600</b>
Factory Expenses	17,500	
<b>FACTORY COST</b>		<b>1,95,100</b>
Establishment overheads	10,000	
<b>COST OF PRODUCTION</b>		<b>2,05,100</b>
Open Finished Goods	0	
close Finished Goods	(-) 35,000	
<b>COST OF GOODS SOLD</b>		<b>1,70,100</b>
SALES		1,89,000
<b>PROFIT</b>		<b>18,900</b>
<b>PROFIT %</b>		<b>11.11%</b>

## 8.b. Cost Sheet for year ending 2015

PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
Materials	23,748	69,800
Wages	26,125	42,542
PRIME COST	50,873	112,342
Factory Overheads	4375	11,610
FACTORY COST	54,248	123,952
Administrative Overheads	2500	12,800
COST OF PRODUCTION	56,748	136,752
PROFIT	6,350	14,152
SELLING PRICE	63,098	150,904
SP/unit	63.098	150.904
₹ 2,06,300		

John F. Burns

9. Cost Sheet for year ending 2014:

PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
Materials Cost	2,40,000	
Wages	2,00,000	
<b>PRIME COST</b>		<b>4,40,000</b>
Factory Overheads	1,20,000	
<b>FACTORY COST:</b>		<b>5,60,000</b>
Administrative expense	1,34,000	
<b>COST OF PRODUCTION:</b>		<b>6,94,000</b>
Distribution expenses	56,000	
Selling expenses	89,600	
<b>COST OF SALES</b>		<b>8,39,600</b>
<b>PROFIT %</b>		$\frac{1680}{8396} \times 100 = 20\%$

• Cost Sheet for year ending 2015

PARTICULARS	AMOUNT (₹)	AMOUNT (₹)
Materials Cost	32,000	
Wages	20,000	
<b>PRIME COST</b>		<b>52,000</b>
Factory Overheads	1,44,000	
<b>FACTORY COST:</b>		<b>1,96,000</b>
Administrative Expense	1,50,750	
<b>COST OF PRODUCTION:</b>		<b>3,46,750</b>
Selling Expenses	100,800	
Distribution Expenses	50,400	
<b>COST OF SALES</b>		<b>4,97,950</b>
<b>SALES</b>		<b>5,97,540</b>

10. Cost St

PARTI
Direct
Direct
PR
Fixed C
Variab
FAC
Selling C
COST
SELL
SP/u

10. Cost Sheet of a toy manufacturer.

AMOUNT (£)	PARTICULARS	AMOUNT (£)	AMOUNT (£)
10,000	Direct Materials	336,000	
	Direct Wages	96,000	
40,000	PRIME COST.		4,32,000.
50,000	Fixed Overheads	2,64,000	
	Variable Overheads	2,40,000	
94,000	FACTORY COST.		9,36,000.
39,600	Selling Overheads	80,000	
580 × 100 396 = 20%	COST OF SALES.		10,16,000.
	PROFIT		1,83,500.
52,000	SELLING PRICE. SP/unit		11,99,500.
1,96,000			19.99
3,46,750			
4,97,950			
5,97,540			

## Financial Accounting:

This accounting procedure starts with identifying if any transaction has a financial character.

### → Transaction -

- It is an exchange of benefit.
- Must have two sides for exchanging.
- Must have something to exchange i.e. Benefit.

### → Benefit -

- Change in financial condition.
- May be positive or negative.
- Must be expressable in terms of money.

### • Two entry systems in accounting →

- ① Single entry system.
- ② Double entry system.

- Single entry system - Simple system of recording in accountancy and does not follow double entry system.

### Characteristics →

- Does not require special training.
- Require less time.
- Unstructured system.
- Userfriendly.
- Can be designed by own to suit the purpose.
- Not so much accurate.

- Doubt each twice done

### Characteristics

- Req
- Det
- Req
- Str
- Acc

• Tow  
01/01

Mr  
Mr

Date  
2017  
Jan 1

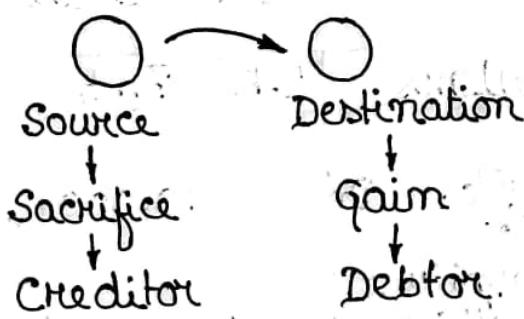
2

Ans

- Double entry system - In this system, each and every transactions are recorded twice. Recording of transactions are done by both the sides.

### Characteristics →

- Requires special training
- Detailed System
- Requires more time and is costly
- Structured System
- Accurate Results



### Journal Entry →

01/01/2017 - Mr. A Received Rs. 1000/- in cash from Mr. Y.

Mr. Y → Source → Creditor

Mr. A → Destination → Debtor

Journal (Folio No. - )

Date	Particulars	L.F.	Amount	Amount
2017 Jan 1	Mr. A Ac..... Dr. To Mr. Y Ac. [Being cash received from Mr. Y]		1000	1000
2				

for you

• In the Books of Mr. A.

Journal (Folio No.-J.5)

Date	Particulars	L.F.	Amt.	Amt.
<u>2017</u>				
Jan 1	Cash A/c ..... Dr To Mr. Y A/c [Being cash received from Mr. Y]	L-10 L-15	1000 1000	

- Relating To Example
- Rule

- On 2nd January, purchase furniture on credit from Mr. Z : Rs. 10,000.

Furniture → Debtor ; Mr. Z → Creditor.

Date	Particulars	L.F.	Amt.	Amt.
<u>2017</u>				
Jan 2	Furniture A/c ..... Dr To Mr. Z A/c [Being furniture purchased from Mr. Z.]		10,000	10,000

- On 3rd January, purchased plant and machineries : Rs. 25,000.

Plant & Machineries → Debtor ; Cash → Creditor.

Date	Particulars	L.F.	Amt.	Amt.
<u>2017</u>				
Jan 3	Plant & Machine-ries A/c ..... Dr To Cash A/c. [Being plant & machineries purchased]		25,000	25,000

- Assets or benefit in the fu
- Liabilities benefit in the futu
- Expenses vs consum
- ledger E

Date	Particul
<u>2017</u>	
Jan 1	To Mr. Y
	M

for you

## ACCOUNTS

Amt.	Personal	Real Assets	Nominal
1000	<ul style="list-style-type: none"> <li>• Relating To Individuals</li> </ul>	Cash, Bank Furniture, Plant etc.	Expenses or Losses → Dr.
10,000	<ul style="list-style-type: none"> <li>• Example Mr. Y A/c, ABCD A/c etc.</li> <li>• Rule Receiver → Dr. Giver → Cr.</li> </ul>	Comes In → Dr. Goes Out → Cr.	Incomes or Gains → Cr.
10,000			Sales, interest, commission etc.

• Assets are anything against which the benefit is received and to be continued in the future.

• Liabilities are anything against which benefit is received and continued in the future.

• Expenses are where we get benefits and is consumed within accounting period.

• ledger Entry →

Cash A/c (Folio No.: L-10)

Particulars	J.F.	Amt.	Particulars	J.F.	Amt.
2017 Jan 1 To Mr. Y A/c	J-5	1000			
300					
25,000					

Mr. Y A/c (Folio No.: L-15)

Particulars	J.F.	Amt.
2017 Jan 1 By Cash A/c	J-5	1000

Sums for Pay

PROBLEMS:

In the Book of Mr. X

Journal (Folio No.: )

Date	Particulars	L.F.	Amount	Amount	Date
2007 Jan. 01	Cash A/c ..... Dr. To Capital A/c [Being business started with a capital]		10,00,000	10,00,000	Feb 01
05	Machinery A/c ..... Dr. To Cash A/c [Being machinery purchased in cash]		1,00,000	1,00,000	05
10	Goods A/c ..... Dr. To Cash A/c [Being goods purchased]		20,000	20,000	10
15	Furniture A/c ..... Dr. To Mr. A. A/c [Being furnitures purchased from Mr. A.]		50,000	50,000	15
20	Goods A/c ..... Dr. To Mr. B. A/c [Being goods purchased from Mr. B.]		10,000	10,000	20
25	Wages A/c ..... Dr. To Cash A/c [Being wages paid in cash]		50,000	50,000	25

Date	PARTICULARS	L.F.	Amount	Amount
2007 Jan 30	Bank A/c ..... Dr. To Cash A/c. [Being a bank account opened]		5,00,000	5,00,000
Feb 01	Rent A/c ..... Dr. To bank A/c [Being Rent paid by cheque].		5,000	5,000
05	Cash A/c ..... Dr. To Goods A/c [Being goods sold].		30,000	30,000
10	Mr. M A/c ..... Dr. To Goods A/c [Being goods sold to Mr. M].		25,000	25,000
15	Cash A/c ..... Dr. To Mr. M A/c [Being cash and a cheque received from Mr. M].		17,000	17,000
20	Discount A/c ..... Dr. To Mr. M A/c [Being discount allowed to Mr. M].		1,000	1,000
25	Bank A/c ..... Dr. To Cash A/c. [Being cheque received sent to bank]		5,000	5,000

Bank Book

Date	PARTICULARS	L.F.	Amount	Date	LOC
2007 Feb 28	Mr. A A/c ..... Dr. To Bank A/c [Being amount paid to Mr. A by cheque].	45,000	45,000	2007 Mar 30	To [B fr]
Mar 01	Depreciation A/c ... Dr To Furniture A/c [Being depreciation in furniture].	500	500	Apr 01	BC To [Bi in]
05	Mr. B A/c ..... Dr To Cash A/c [Being cash paid to Mr. B].	10,000	10,000	05	[B au] Ca To
10	Mr. M A/c ..... Dr To Bank A/c [Being cheque received from Mr. M dishonoured].	5,000	5,000	10	[B fr] Go To
15	Bad debt A/c ..... Dr To Mr. M A/c [Being declared insolvent].	12,000	12,000	15	[B ct] Ca To [A]
20	Investment A/c ... Dr To Cash A/c [Being invested in RBI bond].	50,000	50,000		
25	Bank A/c ..... Dr To interest A/c [Being interest received by cheque].	100	100		

Ans 8

Amount	Date	PARTICULARS	L.F.	Amount	Amount
45,000	2007 Mar 30	Loan A/c ..... Dr. To Mr. Q A/c [Being loan taken from Mr. Q].		50,000	50,000
500	Apr 01	Bank A/c ..... Dr. To Cash A/c [Being interest paid in cash].	500		500
10,000	05	Cash A/c ..... Dr. To Bank A/c [Being cash withdraw- n from bank].	5,000		5,000
5,000	10	Goods A/c ..... Dr. To Cash A/c [Being goods drawn from proprietor].	1,000		1,000
12,000	15	Cash A/c ..... Dr. To Account charges A/c [Being account charges paid].	30,000		30,000
50,000					
100					

## TRIAL BALANCE

Trial Balance is defined as the statement prepared on a particular date with the help of all open ledgers account balances by dividing them into credits and debits to ascertain the arithmetical accuracy of the accounts maintained.

- Trial Balance as on dd/mm/yyyy

PARTICULARS	Amount Dr.	Amount Cr.
Capital A/c	—	xxx
Plant A/c,	xxx	—
Sales A/c	—	xxx
⋮	⋮	⋮
	$\Sigma$ xxx	$\Sigma$ xxx

- If  $\sum \text{Dr} = \sum \text{Cr}$ , the Trial Balance is agreed and the account is arithmetically correct.

- Assets / Expenses → Debtor.  
Liabilities / Incomes → Creditor.

- Assets → Get benefits.  
Liabilities → Provide benefits.

- Assets → Wages, Travels etc.  
Liabilities → Capital, Bank Loans etc.

- Rectification Entry → Corrections that are made or entered, if any mistakes are made in a trial balance entry.

- If  $\sum \text{Dr} \neq \sum \text{Cr}$ , the Trial Balance is disagreed and the account is arithmetically incorrect.

• Amount released by source = Amount received by destination.

⇒ Amount of debit = Amount of credit.

• If  $\sum Dr \neq \sum Cr$ , all mistakes are entered in the Trial Balance in the name of Suspense Account.

When all mistakes are corrected, suspense account automatically vanishes.

• Errors that cannot be detected by Trial Balance are:

- ① Error of omission.
- ② Error of commission.
- ③ Error of misposting.
- ④ Error of principle.

• Financial Year → Two parts -

- ① Previous year → Year in which income is made.
- ② Assessment year → Year in which the income is assessed.

• For computation of results, all data from journal and ledger are transferred to.

- ① Trading Account → Direct income and expenditure.
- ② Profit and Loss Account → Indirect profit and loss.

Sumit Ray

## TRADING A/c

To all Direct Revenues  
and Expenses

By all Direct Revenue  
and Incomes  
x x x

To Profit and Loss  
Account x x x

## PROFIT AND LOSS A/c

To all Indirect  
Revenues Expenses

By all Indirect  
Revenue Incomes  
x x x

To Capital A/c x x  
Net Profit x x x

## BALANCE SHEET as on .....

Liabilities	Amount	Assets	Amount
Capital A/c + Nominal	x x x x x x x x x	Real A/c (Assets, plants etc.)	x x x
Personal A/c (Cr)	x x x x	Personal A/c (Dr)	x x x x x x

- Assets
  - Tangible
  - Intangible
  - Fictitious
  - Real
  - Fixed
  - Current

- Liabilities
  - Internal
  - External
  - Long term
  - Current

- Current Assets → Assets which will be converted into cash within 12 months of time. Eg - Bank, Stock, Bill etc.
- Fixed Assets → Long term assets whose identity is fixed. Eg - Building, Car etc.
- Intangible Assets → Goodwill of business, Patent, Copyright etc.
- Fictitious Assets → Things which are assets but is not an actual asset.
- Internal Liabilities → These are liabilities towards owner. Eg → Capital, Profit etc.

### Financial Decision Making:

- ① Investment Decision.
- ② Financing Decision.
- ③ Dividend Decision.

- Long Term Liabilities (LTL) →

- Equity Share Capital, K<sub>e</sub>.
- Retained Earnings, K<sub>r</sub>
- Preference Share, K<sub>p</sub>.
- Debt Capital, K<sub>d</sub>.

'K' is known as Cost of Capital.

$K_e$   
 $K_r$   
 $K_p$   
 $K_d$ 
} → Capital Structure

$K_o \rightarrow$  weighted average of cost of capital  
= average of capital structure.

If 'r' is defined as Return, then,  
 $K_o >= r$ .

- Objective of Financial Management is to maximize the value of the firm.

So,  $r > K_o$  is more preferable.

- Computation of Working Capital:

Working Capital = Current Assets - Current Liabilities.

PARTICULARS	Amount	Amount
Current Assets		
	x	
	x	
	x	
	x	
Gross Current Assets	x	xx x
Current Liabilities		
	x	
	x	
	x	
	x	
Gross Current Liabilities	x	(-) x x x
Working Capital		x x x

## PROBLE

### 1. Trial

PAI

Cash

Capita

Purch

Openis

Debto

Bills

Plants

Cred

Furni

Bills +

Rents

Wag

Salari

### 2. Trial

#### PARTICUL

Plants & Ma

Building

Receivable

Purchase

Discounts

Wages

Salaries

Travelling

Freight

Insuranc

Commission

Cash in ha

Bank

Repairs

Interest on

Open Stock

## PROBLEMS ON TRIAL BALANCE:

1. Trial Balance as on .....

PARTICULARS	AMOUNT	AMOUNT
Cash in hand	2,400	2,00,000
Capital	2,40,000	
Purchase	70,000	
Opening Stock	1,00,000	
Debtors	44,000	
Bills payable	1,20,000	
Plants & Machineries	4,00,000	
Creditors		
Furnitures	30,000	
Bills Receivable	40,000	
Rents and Taxes	20,000	
Wages	32,000	
Salaries	37,600	
	6,93,000	6,93,000

2. Trial Balance as on .....

Amount	PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
xx x	Plants & Machine	13,000	Capital	25,000
(-) x x x	Buildings	17,000	Debts	5,000
x x x	Receivable	9,650	Sales	38,000
	Purchases	18,000	Accounts payable	4,000
	Discounts	1,200	Bills payable	5,000
	Wages	7,000	Purchase Return	2,000
	Salaries	3,000	Dividend Recd.	3,000
	Travelling exp.	750		
	Freight	200		
	Insurance	300		
	Commission	100		
	Cash in hand	100		
	Bank	1,600		
	Repairs	500		
	Interest on loan	600		
	Open Stock	6,000		
		79,000		79,000

### 3. Trial Balance as on .....

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Plant & Machine	1,20,000	Sales	3,00,000
Rents & Taxes	20,000	Purchase Return	10,000
Sales Return	30,000	Bills payable	26,000
Freight	4,000	Accounts payable	40,000
Accounts and Receivables	70,000	Bank Loan	1,50,000
Open inventory	1,20,000	Capital	1,81,500
Purchases	2,30,000		
Discount paid	5,000		
Interest on loan	5,000		
Salaries	70,000		
Cash in hand	5,000		
Legal charges	500		
General expense	8,000		
Cash at bank	20,000		
	7,07,500		7,07,500

### 4. Trial Balance as on .....

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Cash in hand	1,500	Sales	2,50,000
Return inward	1,500	Return outward	2,000
Cash at bank	3,000	A/c payable	30,000
Purchables	1,10,000	Capital	56,000
Wages	20,000		
Power & fuel	8,000		
Carriage out	6,000		
Carriage in	5,000		
Open inventory	6,000		
Land	10,000		
Buildings	80,000		
Machines	30,000		
Patents	15,000		
A/c receivable	15,000		
Salaries	12,000		
Sundry exp.	6,000		
Insurance	1,000		
Drawings	8,000		
	3,38,000		3,38,000

### 5. Trial Ba

PARTICULARS
Cash at Bank
Office furniture
A/c Receivable
Commission
Bills Receivable
Power & Fuel
Office expenses
Purchase
Carriage in
Carriage out
Rent & Taxe
Cash in hand
Leashold prem
Wages
Salaries
Open invent
Drawing
Sales Return
Plants & Mach

### 6. Trial Ba

PARTICULARS
Open invent
Furnitures
Purchaser
Motor Cars
Building
Kishore (Dr)
Sanjay (Dr)
Raghav (Dr)
Advertisement
Repair & Mai
General expe
Insurance
Cash in hand
Salaries
Cash at bank

## 5. Trial Balance as on .....

AMOUNT	PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
00,000	Cash at Bank	1,200	Sales	1,50,300
0,000	Office furniture	6,000	Capital	27,000
6,000	A/c Receivable	15,000	Rent Received	3,500
0,000	Commission	1,200	Discount Recd.	1,000
0,000	Bills Receivable	3,500	Dividend Recd.	2,000
50,000	Power & Fuel	6,000	A/c Payable	12,000
81,500	Office expenses	2,000	Bills Payable	8,000
	Purchase	60,000	Purchase Return	5,000
	Carriage in	1,200		
	Carriage out	3,500		
	Rent & Taxes	1,700		
	Cash in hand	500		
	Leashold premise	25,000		
	Wages	30,000		
	Salaries	7,000		
07,500	Open inventory	13,000		
	Drawings	7,000		
	Sales Return.	2,000		
	Plants & Machine	24,000		
		2,08,800		2,08,800

## 6. Trial Balance as on .....

AMOUNT	PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
2,50,000	Open inventory	72,000	Shyam (Dr)	24,000
2,000	Furnitures	15,000	Ram (Dr)	32,000
30,000	Purchases	2,25,000	Purchase Return	1,800
56,000	Motor Cars	30,000	Sales	3,50,000
	Buildings	4,25,800	Capital	5,00,000
	Kishore (Dr)	20,000	Commission	7500
	Sanjay (Dr)	12,000		
	Raghav (Dr)	18,000		
	Advertisement	22,000		
	Repair & Maint.	13,000		
	General expense	16,000		
	Insurance	7,000		
	Cash in hand	3,500		
	Salaries	30,000		
	Cash at bank	6,000		
3,38,000		9,15,300		9,15,300

7. Trial Balance as on .....

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Plants and Machinery	5,000	Return outward	550
Office form & fitting	260	Sales	18,000
Opening stock	4,800	Reserves	250
Motor Van	1,200	Sundry creditors	5,200
Sundry debtor	4,570	Bills payable	560
Cash on hand	40	Capital	4,000
Cash at bank	650	Discount	370
Wages	15,000		
Rents	600		
Salaries	1,400		
Drawing	700		
Purchases	21,350		
Bills Receivable	720		
Return inward	880		
General expense	373		
Bad debt	27		
Discount	650		
Insurance	630		
Factory Rent	80		
	58,930		58,930

8. Trial 1

PARTICUL
Open Stock
Purchase
Wages
Salaries
Sales Retur
Carriage C
Carriage I
Advertisement
expe
Debtors
Bills Receiv
Furniture
Bad debt
office equip
Land & buil
Rates & tax
Office elect
exp
Telephone
char
Cash at Ba
Planting a
station
Postage Sta
Reserve for
count on c
Duty cast
Prepaid pri
in
Bank loa
Insurance
premia

for you

### 8. Trial Balance as on .....

AMOUNT	PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
550	Open Stock	46,000	12% Bank Loan	1,50,000
18,000	Purchases	4,42,000	Creditors	40,000
250	Wages	43,500	Sales	8,20,000
5,200	Salaries	66,000	Capital	4,76,400
560	Sales Return	8,000	Bills payable	10,000
4,000	Carriage Out	12,000	Discount	2,200
370	Carriage In	34,100	Receivable	
	Advertising expenses	10,200	Purchase Return	12,000
	Debtors	45,000	Reserve	3,200
	Bills Receivables	9000		
	Furnitures	2,00,000		
	Bad debt	800		
	Office equipment	1,99,700		
	Land & building	3,36,000		
	Rates & taxes	5,300		
	Office electricity expenses	9,400		
	Telephone charges	4,400		
	Cash at Bank	18,000		
	Printing and Stationary	11,100		
	Postage Stamp.	1090		
	Reserve for discount on Cr.	3,700		
	Duty cash	200		
	Prepaid printing	1,200		
	Bank loan.	1,500		
58,930	Insurance premium.	3,000		
		15,14,300		15,14,300

Sum of R.s

9. Trial Balance as on .....

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Drawings	13,200	Capital	2,28,00
Plant & Machine	99,000	Return out	1,100
Freehold prop.	66,000	Bills payable	5,500
Purchases	1,10,000	Sales	2,31,440
Salaries	13,200	Creditor	44,000
Office expense	2,750	Reserve	880
Office furniture	5,500	Interest on	1,100
Discount A/c	1,320	loan	
Debtors	24,260	Surplus	800
Loan given	44,000		
Cash at bank	29,200		
Open Stock	38,500		
Wages	35,200		
Postage & Tele.	1,520		
Insurance	1,700		
Gas & fuel	2,970		
Bad debt	660		
Office Rent	2,860		
Freight	9,900		
Loose Tools	2,200		
Factory light	1,100		
Cash in hand	2,640		
	5,12,020		5,12,020

10. Trial Balance as on .....

PARTICULARS	AMOUNT	PARTICULARS	AMOUNT
Furniture	20,000	Capital	1,00,000
Purchase	1,50,000	Interest	4,000
Debtors	2,00,000	Reserves	8,000
Salaries	30,000	Creditors	1,20,000
wages	20,000	Sales	3,21,000
Rents	15,000	Purchase Return	5,000
Sales Return	10,000		
Bad debt	7,000		
Drawing	24,000		
Printing & Stat.	8,000		
Insurance	12,000		
Open Stock	50,000		
Office expense	12,000		
	5,58,000		5,58,000

PROBLEM

1. Dr T

PARTICULAR

To Purcha

To Open Stoc

To Wages

Outstandi

Gross profi  
(Transferre  
to P/L Ad)

PRO

Dr.

PARTICULAR

To Deprecia-  
tion

Plant &

Machine

Furniture

To Rent &  
Taxes

To salaries

To Net  
profit

Surf Run

## PROBLEMS ON BALANCE SHEET:

AMOUNT
2,28,000
1,100
5,500
2,31,440
44,000
880
1,100
800

## 1. Dr. Trading A/c for the year . . . .

Dr PARTICULARS	AMT	AMT	Cr. PARTICULARS	AMT	AMT
To Purchase		2,40,000	By Sales		4,00,000
To Open Stock		70,000	By closing stock		50,000
To Wages	32,000				
Outstanding	5,000				
		37,000			
Gross profit (Transferred to P/L A/c)		1,03,000			
		4,50,000			4,50,000

## Profit & Loss A/c for the year.....

5,12,020

<u>ARS</u>	<u>AMOUNT</u>
	1,00,000
	4,000
RS	8,000
Mrs	1,20,000
	3,21,000
Return	5,000

5,58,000

boy prunes

# Balance Sheet as on

1.  
contd.

Dr. P

LIABILITIES PARTICULARS	AMT	AMT	ASSETS PARTICULARS	AMT	AMT	PARTICULARS
Capital	2,00,000		Cash in hand		2,400	To interest on loans
Net profit	31,900		Plant and Machine	1,20,000		To depreciat Plant & Mac Buildings
		2,31,900	for Depreciation	12,000		
Creditors		48,000	Furniture	30,000		To repairs
Outstanding wages		5,000	Depreciation	1,500		To discount allowed
Bills payable		44,000	Debtors		28,500	To salaries
			Bills Receivable		1,00,000	To travel exp
			Closing Stock		40,000	To insurance
					50,000	Less prepa
		3,28,900				
					3,28,900	To commiss
						To net prof

# 2. Trading A/c for the year

Dr.

on

Bc

PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT	LIABILITIES PARTICULARS
To open stock		6,000	By wages		35,000	Capital
To purchase	18,000		By closing stock		8,000	Net profit
Less Returns	2,000					
		16,000				
To wages		7,000				
To freight		200				
To Gross profit		13,800				
		43,000				
					43,000	

Ans 77

# Profit & Loss A/c for the year.....

Dr.	PARTICULARS	AMT	AMT	PARTICULARS	AMT	Cr.
	To interest on loans		600	Gross profit		13,800
AMT		2,400		By dividend received		3,000.
	To depreciation					
	Plant & Mach.	1,950				
	Building	1,700				
			3,650			
	To Repairs		500			
	To discount allowed		1,200			
28,500						
	To Salaries		3,000			
1,00,000						
	To travel exp.		750			
40,000						
	To insurance	300				
	Less prepaid	100				
		250				
50,000						
	To commission		100			
3,28,900						
	To net profit		6,750			
			16,800			
						16,800

# Balance Sheet as on .....

LIABILITIES	PARTICULARS	AMT	AMT	ASSETS	PARTICULARS	AMT	AMT
35,000							
8,000							
	Capital.	25,000		Plant & Machi	13,000		
	Net profit	6,750		Less Dep @ 15%	1950		
	Loans		31,750				
	Account payable		5,000	Building	17,000		
	Bills payable		4,000	Less Dep @ 10%	1700		
43,000				Closing Stock			
				Receivables			
				Banks			
				Cash in hand			
				Prepaid			
			45,750				

Sum of R.s

3. Dr. Trading A/c for the year.....

PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT	Cm	TH
To open stock		1,20,000	By Sales Less Return	3,00,000			
To purchase	2,30,000			40,000			
Less Return	(- 10,000)						
		2,20,000	By closing Stock				
To freight		4,000					
To Gross profit		40,000					
		3,90,000				3,90,000	

Profit & Loss A/c for the year.....

PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT	Cm	Ph
To Rents, Tax & Rates		20,000	By gross profit		46,000		
To discount paid		5,000	By net loss		69,000		
To interest on bank loan	5,000						
Outstanding	7,000						
To legal charges		12,000					
To salaries		500					
To genel. exp.		70,000					
		8,000					
		1,15,000				1,15,000	

Balance Sheet as on.....

PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT	
Capital			Plant & Machi			
Less Net Loss	1,81,500		A/c Receivables			
	(- 69,500)		Closing Stock			
Bank Loan		1,12,000	Cash in hand			
Outstanding		1,50,000	Cash at bank			
Int. on bank loan		7,000				
Bills payable		26,000				
A/c payable		40,000				
		3,35,000				
						3,35,000

4. Dr. PARTICULARS  
To open stock  
To purchase  
Less Return  
To wages outstanding  
To Gross profit

Dr. PARTICULARS  
To power & fuel  
To carriage out  
To carriage in  
To dep (@ 10%  
Land  
Building  
Machinery  
Patent

To salaries outstanding  
To sundry exp.  
To insurance  
To net prof

Cr. 4. Dr. Trading A/c for the year.....

AMT.	PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT.
2,70,000	To open stock		6,000	By sales	2,50,000	
	To purchases	1,10,000		Less Return	(- 1,500)	
1,20,000	Less Return	2,000				2,48,500
	To wages outstanding	20,000	1,08,000	By closing stock		20,000
		3,000				
			23,000			
3,90,000	To Gross profit		1,31,500			
			268,500			2,68,500

Cr. Dr. Profit & Loss A/c for the year.....

AMT.	PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT.
46,000	To power & fuel		8,000	By gross profit		1,31,500
69,000	To carriage out		6,000			
	To carriage in		5,000			
	To dep (@ 10%)					
	Land	1,000				
	Building	8,000				
	Machinery	3,000				
	Patent	1,500				
1,15,000			13,500			
	To Salaries Outstanding	12,000				
		5,000				
	To Sundry exp.		17,000			
	To Insurance		6,000			
	To net profit		1,000			
			75,000			
			1,31,500			1,31,500
3,35,000						

2... minx

4.  
cont'd.

## Balance Sheet as on 31-3-2018

LIABILITIES	AMT	AMT	ASSETS	AMT	AMT	DR. PARTICULARS
Capital	56,000		Land	10,000		To commiss iot
Net Profit	75,000		Less Dept@10%	(1000)		
Less Drawings	8,000				9,000	Dues
		1,23,000	Building	80,000		To power & fuel
A/c payables		30,000	Less Dept@40%	8,000		outstanding
Outstanding Salaries		5,000	Machinery	30,000		
Outstanding wages		3,000	Less Dept@10%	3,000		To dep. on machinery
					27,000	To office exp.
			Patent	15,000		To carriage in
			Less Dept@ 10%	1,500		To carriage out
			Cash in hand		13,500	To Rent & Ta
			Close Stock		1,500	To net prof
			Cash at bank		20,000	
			A/c Receivables		3,000	
					15,000	
		1,61,000			1,61,000	

5.

Trading A/c for the year.....

Profit & Loss A/c for the year.....

AMT.	Dr. PARTICULARS	AMT	AMT	Gr. PARTICULARS	AMT	AMT
0 0)	To commission Dues	1,200 200		By gross profit		60,300
9,000			1,400	By Rent Received		3,500
72,000	To power & fuel outstanding	6,000 2,000		By dividend Received		2,000
			8,000	By discount Received		1,000
27,000	To dep. on machinery		2,400			
00 00	To office exp.		2,000			
13,500	To carriage in		1,200			
1,500	To carriage out		3,500			
20,000	To Rent & Tax		1,700			
3,000	To net profit		52,100			
15,000						
1,61,000			72,800			

## Balance Sheet as on . . . .

MT	AMT	LIABILITIES	AMT	AMT	ASSETS	AMT	AMT
5,300 0,00		Capital	27,000		Plant & Machi.	24,000	
1,48,300		Gross profit	52,100		Wages.	5,000	
		Less drawings	(+ 7000)				
	18,000			72,100			29,000
		Commission due		200			
		Power & fuel		2,000	Bills Receivable		26,100
		Salaries		1,000	A/C Receivable		3,500
		A/C payable		12,000	Office furniture		15,000
		Bills payable		8,000	Cash at Bank		6,000
					Cash in hand		1,200
					Less hold premises		500
					closing inventory		25,000
							18,000
	1,66,300			95,300			95,300

and Roy

6. Dr. Trading A/c for the year.....

PARTICULARS	AMT.	AMT.	PARTICULARS	AMT.	AMT.	Cr. LIABILIT.
To open Stock		72,000	By sales		3,50,00	Capital
To purchase	2,25,000		By closing stock		80,00	Net prof
Less Return	1,850					Less draw
Less Drawing	1,800					
		2,22,400				
To Gross Profit		1,36,600				
		4,30,000			4,30,00	

Salaries  
Creditors  
Stock  
Ramm

Profit & Loss A/c for the year.....

PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT	Cr. PARTICULARS LIABILITIES
To depreciation			By gross profit		1,36,600	
Buildings	21,290				7,50	
Furniture	750		By commission			
Motor Car	3,000					
		25,040				
To Repairs & maintain		13,000				
To genl. exp.		16,000				
To insurance		7,000				
To Salaries	30,000					
Outstanding	3,000					
		33,000				
To advertisement	22,000					
Less prepaid	2,000					
		20,000				
To net profit.				30,060		
		1,44,100				
					1,44,100	

7. Dr.  
PARTICULARS  
LIABILITIES

To open S.  
To purcha  
Less Machi  
Less Retur  
  
To wage  
To freight  
To light  
To gross  
pHof

Balance Sheet as on .....

IT	AMT.	LIABILITIES	AMT.	AMT.	ASSETS	AMT.	AMT.
	3,50,000	Capital	5,00,000		Closing stock		80,000
	80,000	Net profit	30,000		Furniture	15,000	
		Less drawings	1,800		Less depr.	750	
				5,28,200			14,250
		Salaries		3,000	Buildings	2,25,800	
		Creditors:			Less depr.	21,290	
		Shyam	24,000				2,04,510
		Ram	32,000		Sundry debtors		
				56,000	Kishore	20,000	
	4,30,000				Samay	12,000	
					Raghav	18,000	
					Cash in hand	50,000	
					Cash at bank	3,500	
					Prepaid	6,000	
						2,000	
							5,87,200
		Cr.					
AMT.	AMT.						
	1,36,600						
	7,500						
				5,87,200			

## 7. Dr. Trading A/c for the year... PARTICULARS

PARTICULARS LIABILITIES		AMT	AMT	PARTICULARS ASSETS		AMT	AMT.
To open Stock			4,800	By Sales		48,000	
To purchase	21,350			Less Return		880	
Less Machi.	2,000						47,120
Less Returns	550			By closing stock			5,200
			18,800				
To wages			15,000				
To freight			80				
To light			30				
To gross profit			13,610				
							52,320
			52,320				

sun & day

Profit & Loss A/c for the year..

Profit & Loss A/C for the year				Dr.	
PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT
To discount		650	By gross profit		13,610
To genl. exp.		373	By discount		370
To Rent		600			
To Salaries		1,400			
To insurance		630			
To furniture		13			
To Bad debt	27				
Bad debt	70				
To net profit		97			
		10,217			
		13,980			13,980

Balance Sheet as on.....

LIABILITIES	AMT	AMT	ASSETS	AMT	AMT
Capital	4,000		Plant & Mach.	5,000	To depre. furnit.
Net profit	10,217		Purchases	2,000	Office eqp.
Less drawing	(-) 700	13,517	Office furn. & fitting	260	
Reserves		250	Less Depri.	(-) 13	To plant & stabi
Bills payable		560	Motor Van		To salary
Op. light.		30	Sundry Dr.	247	To carriage
Sundry		5,200	Less Bad debt	1,200	own
Creditors			Stock	4,570	To bad debt
			Cash in hand	(-) 70	To Rent & tax
			Cash at bank		To office de
			Bills Receiv- ables	4,500	To telephone
				5,200	To postage
				40	Stamp
				650	To int. on bc
				720	Loans
		19,557			Outstand
					To insurance
					To fees ear
					To bat man

## Trading A/c for the year....

Cr.	Dr.	AMT	PARTICULARS	AMT	AMT	PARTICULARS	AMT	Cr.	AMT
13,610			To open stock	40,000		By sales	8,20,000		
3,70			To purchase	4,42,000		Less sales return	8,000		
			Less Return	12,000					
			Less Free Sample	2,500					
					4,27,500	By closing stock			
			To wages	43,500					
			To carriage in.	34,100					
			To gross profit	29,3900					
					8,50,000				
13,980									

## Profit & Loss A/c for the year....

Dr.	Cr.	AMT	PARTICULARS	AMT	PARTICULARS	AMT	AMT
			To depri. furri. office equip	15,000		By gross profit	
00				19,970		By discount received	
00					34,970		
7,000			To profit & statio.		11,200		
30					66,000		
3			To salary		12,000		
			To carriage out.				
24							
1,200			To bad debt		800		
570			To Rent & tax		5,300		
70			To office debt		9,400		
			To telephone		4,400		
4,500			To postage stamp		1,090		
5,200			To int. on bank loan	1500			
40			Outstanding	16,500			
650					18,000		
720					3,000		
					2,500		
19,557			To insurance		1,17,240		
			To fuel Samp.				
			To net profit				
							2,96,100

8.  
contd.

## Balance Sheet as on

LIABILITIES	AMT	AMT	ASSETS	AMT	AMT
Capital	1,76,900		Office equip	1,99,700	
Net profit	1,17,240		Less. deprt	199,70	
Reserve		5,94,140	Furnitures	2,00,000	
Bank loan		3,200	Less. deprt	15,000	
Creditors	40,000	1,50,000	Close Stock		1,85,000
Less. Rpon cr.	(1,700)		Sundry Dr		38,000
Bills payable		38,300	Bills Receivable		45,000
Interest		10,000	Prepoids pr.		9,000
		16,500	Cash at bank		1,200
			Petty cash		18,000
		8,12,140			200
					8,12,140

PRO

Dr. PARTICULARS

To Salaries  
 To office exp.  
 To discount allowed  
 To insurance  
 To Bad debt  
 To office Rent  
 To deprt.  
 - Plant 3  
 Furniture  
 Free Props.  
 Loose tools

9.  
Dr.

## Trading A/c for the year

PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT
To open stock		38,500	By Sales		2,31,440
To purchase	1,10,000		By closing stock		72,600
Less Return	(1,100)				
To wages		1,08,900			
Less: Plant & Machine	35,200				
	(1,100)				
To gas & fuel		34,100			
To freight		2,910			
To light.		9,900			
To gross profit		1,100			
		1,08,570			
		3,04,040			3,04,040

On  
To net profit

Liabilities A  
 Capital 2,  
 Net profit 4,  
 Less Drawing (1,7

Reserve.  
 Bills payable.  
 Creditors.  
 Suspense.  
 Postage &  
 Telegram

Profit & Loss A/c for the year.....

## Balance Sheet as on . . . .

LIABILITIES	AMT	AMT	ASSETS	AMT	AMT.
Capitals	2,28,600		Plant & Mach	11,5500	
Net profit.	45,430		Less Dep	38,500	
Less Drawing	(-13,200)	3,73,430	Freehold Prop.	66,000	77,000
Reserve		2,60,230	Less Dep.	(-3300)	
Bills payable		880			
Creditors		5,500	Furniture	5,500	62,700
Suspense		44,000	Less Dep.	(-550)	
Postage &		800	Loose Tools	2200	4,950
Telegram		1,540	Less Dep.	(-440)	
			Loan taken	44,000	1760
			Int. Recd.	3300	
			Debtors	29,260	47,300
			- Bad debt	(-660)	
			Cash Bank	28,600	Full March
			Cash hand	29,260	
			C/S	2640	
				72,600	
		3,26,510		3,26,510	

Young boy

B

## 10. Dr. Trading A/c for the year

PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT	LIABILITIES
To open stock		50,000	By sales.	3,21,000		Capital
Purchase	1,50,000		Less Return	(- 10,000)		Net profit
Less Returns	(- 5,000)				3,11,000	Less drawing
Less Drawing	(- 6,000)		By close stock.		60,000	Less goods
To wages		20,000				Reserve
To Gross profit		1,62,000				Creditors
		3,71,000				Salaries
						Office exp.

## Dr. Profit &amp; Loss A/c for the year

PARTICULARS	AMT	AMT	PARTICULARS	AMT	AMT	
To Salary	30,000		By Gross profit		1,62,000	
Outstanding	3,000		By interest		4,000	<u>PROBLEM</u>
Less prepaid	(- 2,000)					1.
To Rent		31,000				<u>PARTIC</u>
To bad debt		15,000				Current A
To Plants & St.		7,000				CC
To Insurance	12,000					Bi
Less prepaid	(- 2,000)					C
To office exp.	12,000					
Outstanding	8,000					
To depri. on furniture		20,000				
To net profit		2,000				
		73,000				
		1,66,000				
					1,66,000	

PROBLEM

1.

PARTICCurrent A  
CC

Bi

C

Current A

Outs  
Bi

Wc

# Balance Sheet as on....

LIABILITIES	AMT	AMT	ASSETS	AMT	AMT
Capital	1,00,000		Furniture	20,000	
Net profit	73,000		Less Depri.	3,000	
11,000					
Less drawings	(-) 24,000		Close Stock	17,000	
50,000			Debtors	60,000	
Less goods	(-) 6,000		Prepaid	2,00,000	
		1,43,000	Salaries	1,000	
Reserve		8,000	Prepaid		
Creditors		1,20,000	Insurance	3,000	
Salaries		3,000			
Office exp.		8,000			
		2,82,000		2,82,000	
AMT					

,62,000

## PROBLEMS ON WORKING CAPITAL:

1.

PARTICULARS	AMOUNT	AMOUNT
Current Assets:		
Cash in hand	2,400	
Debtors	1,00,000	
Bills Receivable	40,000	
Closing Stock	50,000	
		1,92,400
Current Liabilities:		
Creditors	48,000	
Outstanding Wages	5,000	
Bills payable	44,000	
		97,000
Working Capital		95,400

2.

PARTICULARSAMOUNTAMOUNT

4.

PART

Current

## Current Assets:

Closing Stock  
Reservables  
Banks

8,000

9,650

1,600

100

50

Cash in hand  
Prepaid insurance

19,400. Current

## Current Liabilities:

Loan  
A/C payable  
Bills payable

5,000

4,000

5,000

→ 14,000

Working Capital

5,400.

5.

PART

Current

3.

PARTICULARSAMOUNTAMOUNT

## Current Assets:

A/c Receivables  
Closing Stock  
Cash in hand  
Cash at bank

70,000

1,20,000

5,000

20,000

2,15,000

Current

## Current Liabilities:

Interest on bank  
Bills payable  
A/c payable

7,000

26,000

40,000

→ 73,000

1,42,000

Working Capital

W

4.

<u>AMOUNT</u>	<u>PARTICULARS</u>	<u>AMOUNT</u>	<u>AMOUNT</u>
	Current Assets:		
	Cash in hand	1,500	
	Closing Stock	20,000	
	Cash at bank	3,000	
	A/c Receivables	15,000	
19,400			39,500
	Current Liabilities:		
	A/c Payables	30,000	
	Salaries	5,000	
	Wages	3,000	
14,000			38,000
5,400	Working Capital		1,500

5.

<u>AMOUNT</u>	<u>PARTICULARS</u>	<u>AMOUNT</u>	<u>AMOUNT</u>
	Current Assets:		
	Bills Receivables	3,500	
	A/c Receivables	15,000	
	Cash at Bank	1,200	
	Cash in hand	500	
	Closing inventory	18,000	
2,15,000			38,200
	Current Liabilities:		
	Commission due	200	
	Power & Fuel	2,000	
	Salaries	1,000	
	A/c Payables	12,000	
	Bills Payables	8,000	
6,73,000			23,200
1,42,000	Working Capital		15,000

Sundar Kalyan

6.

PARTICULARS	AMOUNT	AMOUNT	PARTI
Current Assets:			Current A
Closing Stock	80,000		
Debtors	50,000		
Cash in hand	3,500		
Cash at bank	6,000		
Prepoids	2,000		
		1,41,500	
Current Liabilities:			
Salaries	3,000		
Creditors	56,000		
		59,000	
Working Capital		82,500	

7.

PARTICULARS	AMOUNT	AMOUNT	W.C.
Current Assets:			
Debtors	4,500		
Stock	5,200		
Cash in hand	40		
Cash at bank	650		
Bills Receivables	720		
		11,170	
Current Liabilities:			
Reserve	250		
Bills pay	560		
Light	30		
Creditors	5200		
		6,040	
Working Capital		5,070	

Work

how much

8.

AMOUNT	PARTICULARS	AMOUNT	AMOUNT
	Current Assets:		
	Closing Stock	35,000	
	Debtors	45,000	
	Bills Receivables	9,000	
	Prepaids	1,200	
41,500	Cash at bank	18,000	
	Petty cash	210	
			1,11,410
	Current Liabilities:		
	Interest	16,500	
59,000	Creditors	38,300	
82,500	Bills payable	10,000	
			46,800
	Working Capital.		46,610
AMOUNT			

9.

AMOUNT	PARTICULARS	AMOUNT	AMOUNT
	Current Assets:		
11,170	Debtors	28,600	
	Cash at bank	29,260	
	Cash in hand	2,640	
	Closing Stock	72,600	
			1,33,100
	Current Liabilities:		
6,040	Reserve	880	
5,070	Bills payable	5,500	
	Creditors	44,000	
	Suspense	800	
	Error	15,400	
			66,580
	Working Capital.		66,520
	Surplus		

110.

PARTICULARS	AMOUNT	AMOUNT
Current Assets:		
Closing Stock	60,000	
Debtors	2,00,000	
Prepaid Salaries	2,000	
Prepaid insurance	2,000	
		2,64,000
Current Liabilities:		
Reserve	80,000	
Creditors	1,20,000	
Salaries	3,000	
Office expenses	8,000	
		12,11,000
Working Capital		53,000