

Chapter 18 – Adjustments in Preparation of Financial Statements

Question 1.

The following were the balances extracted from the books of Manish Gupta on 31st march, 2016:

	₹		₹
Capital	19,000	Cash at Bank	2600
Drawings	700	Salaries	800
Plant and machinery	12,000	Repairs	190
Delivery vehicle	2,600	Stock	1,600
Sundry debtors	3,600	Rent	450
Sundry creditors	2,600	Manufacturing Expenses	150
Purchase	2,000	Bills Payable	2,350
Sales	4,200	Bad Debts	500
Wages	800	Carriage	160

Prepare Trading and Profit and Loss Account and Balance Sheet as at 31st March. 2016 meeting the following adjustments:

- i. Closing Stock was ₹1,600.
- ii. Depreciate Plant and Machinery at 10% and Delivery Vehicle at 15%.
- iii. Unpaid rent amounted to ₹50.

Solution:

Trading Account
for the year ended March 31, 2016

Dr.	₹	Cr.
To Opening Stock	1,600	By Sales
To Purchases	2,000	By Closing Stock
To Wages	800	
To Manufacturing Expenses	150	
To Carriage	160	
To Gross profit c/d	1,090	
	5,800	5,800

Profit and Loss Account
for the year ended March 31, 2016

Dr.	₹	Cr.
To Salaries	800	By Gross Profit b/d
To Repairs	190	By Net Loss (balancing Fig.)
To Rent	450	
Add: Unpaid Rent	50	
To Bad Debts	500	
To Depreciation On:		
Plant and Machinery	1,200	
Delivery Vehicle	390	
	1,590	
	3,580	3,580

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	19,000		
Less: Drawings	(700)	Fixed Assets:	
Less: Net Loss	(2,490)	Plant and Machinery	12,000
	15,810	Less: 10% dep.	(1,200)
		Delivery Vehicle	2,600
		Less: 15% dep.	(390)
Current Liabilities			2,210
Sundry Creditors	2,600	Current Assets	
Bills Payable	2,350	Closing Stock	1,600
Unpaid Rent	50	Sundry Debtors	3,600
		Cash at Bank	2,600
	20,810		20,810

Question 2.

Trading and Profit and Loss Account and Balance Sheet from the following balances, relating to the year ended 31st March, 2016:

	₹		₹
Capital	10,000	Wages	5,000
Creditors	1,200	Bank	1,000
Returns Outward	500	Repairs	50
Sales	16,400	Stock (1 st April, 2015)	2,000
Bills Payable	500	Rent	400
Plant And Machinery	4,000	Manufacturing Expenses	800
Sundry Debtors	2,400	Trade Expenses	700
Drawings	1,000	Bad Debts	200
Purchases	10,500	Carriage	150
Returns Inward	300	Fuel And Power	100

Additional Information:

- i. Closing Stock was valued at ₹1,450.
- ii. Depreciate Plant and Machinery by ₹400.
- iii. Write off Bad Debts ₹500.
- iv. A sum of ₹40 is due for repairs.

Solution:

Trading Account
for the year ended March 31, 2016

Dr.		₹	Cr.
To Opening Stock		2,000	By Sales
To Purchases	10,500	10,000	Less: Return Inward
Less: Return Outward	(500)	5,000	(300)
To Wages		800	By Closing Stock
To Manufacturing Expenses		150	By Gross Loss c/d (Balancing Fig.)
To Carriage		100	
To Fuel And Power		18,050	
			18,050

Profit and Loss Account
for the year ended March 31, 2016

Dr.		₹	Cr.
To Gross Loss b/d		500	
To Repairs	50	90	By Net Loss c/d (balancing Fig.)
Add: Outstanding	40	400	2,790
To Rent		700	
To Trade Expenses		200	
To Bad Debts A/C	500	700	
Add: Additional Bad Debts		400	
To Depreciation On: To Plant And Machinery		2,790	2,790

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	10,000	Fixed Assets	
Less: Drawings	(1000)	Plant And Machinery	4,000
Less: Net Loss	(2,790)	Less: Depreciation	(400)
	6,210		3,600
Current Liabilities			
Creditors	1,200	Current Assets	
Bills Payable	500	Closing Stock	
Outstanding Repairs	40	Sundry Debtors	2,400
		Less: Further Bad Debts	(500)
		Bank	1,900
	7,950		1,000
			7,950

Question 3.

Prepare Trading and Profit and Loss Account and Balance Sheet for the 31st March, 2016 of Dev Morarji from the following information:

Debit Balances	₹	Debit Balances (Contd.)	₹
Opening Stock	21,000	Office Expenses	650
Purchases	21,650	Interest paid on Loan	200
Carriage Inwards	250	Bills Receivable	1,800
Carriage Outwards	600	Legal Charges	1,900
Wages	6,000	Plant and machinery	25,000
Motive Power, Heating and Lighting	1,600	Tools	5,000
Printing and Stationary	2,680		
Sundry debtors	28,100	Credit balances	
Furniture and Fixtures	2,000	Sales	48,950
Investments	4,000	Reserve	500
Freehold Premises	10,000	Loan	38,000
Travelling Expenses	400	Discount Received	580
		Sundry Creditors	2,430
		Capital	42,710

Depreciate Furniture and Fixtures @5%, Plant and Machinery @ 10%. Tools were valued on 31st March, 2016 at ₹4,500. Stock on 31st March, 2016 was ₹18,000.

Solution:

**Financial statement of Dev Morarji
Trading Account
for the year ended March 31, 2016**

Dr.	₹	Cr.
Particulars		
To Opening Stock	21,000	By Sales
To Purchases	21,650	
To Carriage Inwards	250	By Closing Stock
To Wages	6,000	
To Motive Power, Heating And Lighting	1,600	
To Gross Profit c/d (Balancing Fig.)	16,090	
	66,590	66,590

**Profit and Loss Account
for the year ended March 31, 2016**

Dr.

Cr.

Particulars	₹	Particulars	₹
To Carriage Outwards	600		
To Printing And Stationery	2,660	By Gross Profit b/d	16,090
To Travelling Expense	400	By Discount Received	580
To Office Expenses	650		
To Interest Paid On Loan	200		
To Legal Charges	1,900		
To Consumption Of Tools (5,000 - 4,500)	500		
To Depreciation on :			
Furniture and Fixtures	100		
Plant and Machinery	2,500	2,600	
To Net profit c/d(balancing Fig.)		7,160	
		16,670	
			16,670

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	42,710		
Add: Net Profit	7,160		
Reserve		Fixed Assets	
Loan		Plant And Machinery	25,000
	49,870	Less:10% Depreciation	(2,500)
	500		22,500
	38,000	Furniture and Fixtures	2,000
		Less:5% Depreciation	(100)
		Tools	1,900
		Less: Consumed	(500)
		Freehold Premises	4,500
		Investment	10,000
			4,000
Current Liabilities		Current Assets	
Sundry Creditors	2,430	Closing Stock	18,000
		Sundry Debtors	28,100
		Bills Receivable	1,800
	90,800		90,800

Question 4.

Following Trial Balance Sheet been extracted from the books of M/s. Ram Prasad and Sons 31st March, 2016:

Debit Balances	₹	Credit balances	₹
Machinery	4,000	Capital	9,000
Cash at Bank	1,000	Sales	16,000
Cash in Hand	500	Sundry Creditors	4,500
Wages	1,000	Interest Received	300
Purchases	8,000		
Stock on 1 st April, 2015	6,000		
Sundry Debtors	4,400		
Bills Receivable	2,900		
Rent	450		
Commissions	250		
General Expenses	800		
Salaries	500		
	29,800		29,800

Additional Information:

- i. Outstanding Salary ₹450.
- ii. Depreciate Machinery at 10%.
- iii. Wages outstanding amounted to ₹50.
- iv. Rent prepaid amounted to ₹100.
- v. Stock on 31st March, 2016 amounted to ₹8,000.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at the last date of the year.

Solution:

Financial statement of M/s. Ram Prasad and Sons
Trading Account
for the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock		6,000 By Sales	16,000
To Wages	1,000	1,050 By Closing stock	8,000
Add: Outstanding Wages	50		
To Purchases		8,000	
To Gross Profit c/d (Balancing Fig.)		8,950	
	24,000		24,000

Profit and Loss Account
for the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Commission		250	
To Rent	450	By Gross Profit b/d	8,950
Less: Prepaid Rent	(100)	350 By Interest Received	300
To General Expenses		800	
To Depreciation On: Machinery		400	
To Salaries	500		
Add: Outstanding Salaries	450	950	
To Net Profit c/d (Balancing Fig.)		6,500	
	9,250		9,250

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	9,000	Fixed Assets	
Add: Net profit	6,500	Machinery	4,000
		Less: 10% Depreciation	(400)
			3,600
Current Liabilities			
Sundry Creditors	4,500	Current Assets	
Outstanding Salary	450	Closing Stock	8,000
Outstanding Wages	50	Sundry Debtors	4,400
		Prepaid Rent	100
		Cash At Bank	1,000
		Bills Receivable	2,900
		Cash In Hand	500
	20,500		20,500

Question 5.

From the following Trial Balance of M/s. Shradha and Sons as on 31st March. 2016. prepare Trading and Profit and loss Account and Balance Sheet;

Heads of Accounts	Dr. Balances (₹)	Cr. Balances (₹)
Capital		80,000
Drawings	18,000	
Sales		1,55,000
Purchases	82,600	
Stock (1 st April, 2015)	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 Month.
- vi. Insurance premium is paid per annum, ended 31st May, 2016.
- vii. Loan from the bank was taken on 1st October. 2015.
- 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, 2016

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

Profit and Loss Account
for the year ended March 31, 2016

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

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	80,000	Fixed Assets	
Add: Net Profit	32,100	Machinery	50,000
Less: Drawings	(18,000)	Less: 10% Depreciation	(5,000)
8% Bank Loan	25,000		45,000
Add: Outstanding Interest	1,000	Furniture	14,000
Current Liabilities		Less: Depreciation	(700)
Creditors	18,900		13,300
Outstanding Wages	2,400	Current Assets	
Outstanding Rent	2,000	Closing Stock	
		Debtors	20,600
		Less: Bad Debts	(600)
		Less: 5% Provision For Doubtful Debts	(1,000)
		Prepaid Insurance	
		Cash In Hand	1,500
	1,43,400		1,43,400

Question 6.

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. 2016:

Head of accounts	₹	Heads of Accounts	₹
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	Insurance	1,500
Purchase Return	4,000	Sales Return	7,000
Rent	5,000	Trade Expenses	2,000
Salaries	24,000	Wages	40,000
Bad Debts	1,000	6% Investments	50,000
Debtors	40,000	Sundry Creditors	19,000
Bad Debts Reserve	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 ₹500 as Bad Debts and create 5% Provision for Bad Debts. Also create a Reserve for Discount on Debtors @ 2%.
- v. Investments were made on 1st July, 2015 and no interest has been received so far.

Solution:

Financial statement of Mr. Niranjan
Trading Account
for the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock A/c	45,000	By Sales	4,35,000
To purchase A/c	2,95,000	Less: Sales return	(7,000)
Less: purchase return	(4,000)		
	2,91,000	By Closing stock A/c	75,000
To wages	40,000		
Add: Outstanding wages	5,000		
	45,000		
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, 2016**

Dr.				Cr.
Particulars	₹	Particulars	₹	
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			
To Advertisement expenses A/c	6,000	By interest accrued on investment (50,000 × 6% × 9/12)		2,250
Too bad debts A/c	1,000			
Add: further bad debts	500	By Miscellaneous receipts A/c		1,200
Less: Bad Debts Reserve	(800)			
Add: Provision for doubtful debts	1,975			
To insurance A/c	1,500			
To Trade Expenses A/c	2,000			
To Reserve for discount on Debtors	751			
To Depreciation on:				
Machinery	2,400			
furniture	300			
	2,700			
To net profit c/d (balancing Amt.)	78,824			
	1,25,450			
	1,25,450			

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	1,20,000	Fixed Assets	
Add: Net Profit	78,824	Patents	4,800
Less: Drawings	(21,000)	Plant And Machinery	24,000
	1,77,824	Less:10%Depreciation	(2,400) 21,600
Current Liabilities		Furniture	1,500
Sundry Creditors	19,000	Less:20%Depreciation	(300) 1,200
Outstanding Wages	5,000	6% Investment	50,000
Outstanding Salary	2,000	Add: Accrued Interest	2,250 52,250
		Current Assets	
		Closing Stock	75,000
		Debtors	40,000
		Less: Bad Debts	(500)
		Less: Provision For Doubtful Debts	(1,975)
			37,525
		Less: Provision For Discount On Debtors	(751) 36,774
		Cash	12,200
	2,03,824		2,03,824

Question 7.

From the following Trial Balance of Shri O.P. Yadav, prepare his Final Accounts for the year ended 31st March, 2016

Heads of Accounts	Dr. balances (₹)	Cr. Balances (₹)
Purchase	2,50,000	
Sales		5,00,000
Return Inward	12,000	
Return 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 Stationary	6,000	
Advertising	15,000	
Bills Receivable	4,000	
Bills Payable		2,000
Opening Stock	30,000	
Cash In Hand	12,000	
Interest On Bank Loan	2,800	
Machinery	2,80,000	
Furniture	34,000	
Drawings	20,000	
Commission		1,000
Loan From Bank @12%		30,000
Capital		2,40,000
Rent Received		5,000
Cash At Bank	28,000	
	8,88,000	8,88,000

Additional information:

- Closing Stock on 31st March, 2016 was Rs.21,000.
- Rent of Rs.1,200 has been received in advance.
- Outstanding liability for trade expenses Rs.12,000.
- Commission earned during the year but not received was Rs.2,100.

Solution:

Financial statement of Shri O.P. Yadav
Trading Account
for the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	30,000	By Sales	5,00,000
To Purchase	2,50,000	Less: Return Inwards	(12,000)
Less: Return Outwards	(10,000)	By Closing Stock	
To Carriage	8,000		
To Wages	60,000		
To Gross Profit c/d (Balancing Fig.)	1,71,000		
	5,09,000		5,09,000

Profit and Loss Account
For the year ended March 31, 2016

Dr.

Cr.

Particulars	₹	Particulars	₹
To Insurance A/C	1,200		
To Trade Expenses A/C	2,000	By Gross Profit B/D	1,71,000
Add: Outstanding	12,000	By Commission A/C	1000
To Repairs		Add: Accrued Commission A/C	2,100
To Advertisement		By Rent Received A/C	5,000
To Printing And Stationary		Less: Advance Rent	(1,200)
To Interest On Bank Loan	2,800		3,800
Add: Outstanding	800		
To Net Profit c/d (Balancing Fig.)	1,30,100		
	1,77,900		1,77,900

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	2,40,000		
Add: Net Profit	1,30,100		
Less: Drawings	(20,000)		
12% Loan From Bank	30,000		
Add: Outstanding Interest	800		
Current Liabilities			
Creditors			
Bills Payable			
Advance Rent			
Outstanding Trade Expenses			
		Fixed Assets	
		Machinery	2,80,000
		Furniture	34,000
		Current Assets	
		Closing Stock	21,000
		Debtors	1,15,000
		Bills Receivable	4,000
		Cash At Bank	28,000
		Cash In Hand	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 8.

The following balances were extracted from the books of Vijay Kumar on 31st March, 2016:

	₹		₹	
Capital	24,500	Loan	7,880	
Drawings	2,000	Sales	65,360	
General expenses	4,740	Purchases	47,000	
Building	11,000	Motor Car	2,000	
Machinery	9,340	Doubtful Debts Provision	900	
Stock	16,200	Commission (Cr.)	1,320	
Taxes and insurance	1,315	Car Expenses	1,800	
Wages	7,200	Bills Payable	3,850	
Debtors	6,280	Cash	80	
Creditors	2,500	Bank Overdraft	3,300	
Bad debts	550	Charity	105	

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date after giving effect to the following adjustments:

- i. Stock on 31st March, 2016 was valued at ₹23,000.
- ii. Write off further ₹180 as Bad Debts and maintain the Provision for Doubtful Debts at 5% on Debtors.
- iii. Depreciate the Machinery at 10%.
- iv. Provide ₹700 as outstanding interest on loan.

Solution:

**Financial statement of Vijay Kumar
Trading Account
For the year ended March 31, 2016**

Dr.	₹	Cr.
Particulars		
To Opening Stock A/c	16,200	By Sales A/c
To purchase A/c	47,000	
To wages A/c	7,200	By Closing stock A/c
		23,000
To Gross profit A/c (balancing Fig.)	17,690	
	88,360	88,360

**Profit and Loss Account
for the year ended March 31, 2016**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Taxes And Insurance	1,315		
To Bad Debts	550	By Gross Profit b/d	17,960
Add: Further Bad Debts	180	By Commission	1,320
Add: Provision For Doubtful Debts	305		
	1,035		
Less: Provision (Old)	(900)	135	
To Car Expense	1,800		
To Charity	105		
To Depreciation On Machinery	934		
To Outstanding Interest On Loan	700		
To General Expenses	4,740		
To Net Profit c/d (Balancing Fig.)	9,551		
	19,280		19,280

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	24,500		
Add: Net profit	9,551		
Less: Drawings	(2,000)		
Loan	7,880		
Add: outstanding interest	700		
	32,051		
Current Liabilities			
Creditors	2,500		
Bills payable	3,850		
Bank Overdraft	3,300		
	8,650		
Fixed Assets			
Building		11,000	
Machinery		9,340	
Less: 10% Depreciation		934	
Motor car		8,406	
	2,000		
Current Assets			
Closing stock		23,000	
Debtors		6,280	
Less: bad debts		(180)	
Less: 5%provision for doubtful debts		(305)	
	5,795		80
Cash			
	50,281		50,281

Question 9.

On 31st March, 2016 following Trial Balance was extracted from the books of Mohan:

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Capital		30,000
Drawings	5,000	
Debtors	20,000	
Creditors		10,000
Loan		9,500
Interest On Loan	300	
Cash	2,000	
Provision For Doubtful Debts		700
Stock (1 st April, 2015)	6,800	
Motor Vehicles	10,000	
Bank	3,500	
Land and Building	12,000	
Bad Debts	500	
Purchases	66,000	
Sales		1,10,000
Returns		1,500
Carriage Outwards	8,000	
Carriage Inwards	2,500	
Salaries	3,000	
Rent And Insurance	9,000	
Advertisement	3,000	
Discount	3,500	
General Expenses		500
Bills Receivable	3,400	
Bills Payable	6,000	
Rent Received		2,000
Total	1,64,500	1,64,500

Adjustments:

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date after taking into account the following:

- Depreciate Land and Building at 2½% and Motor Vehicles at 20%.
- Salaries outstanding Rs.200.
- Prepaid Insurance Rs.200.
- Provision for Doubtful Debts is to be maintained at 5% on Debtors.
- Stock on 31st March, 2016 was valued at Rs.7,000.

Solution:

Financial statement of Vijay Kumar
Trading Account
for the year ended March 31, 2016

Dr.			Cr.
Particular	₹	Particulars	₹
To Opening Stock	6,800	By Sales	1,10,000
To Purchase	66,000	Less: Returns	(8,000)
Less Returns	(1,500)	By Closing Stock	1,02,000
To Carriage Inwards	3,000		7,000
To Gross Profit c/d (Balancing Fig.)	34,700		
	1,09,000		1,09,000

**Profit and Loss Account
for the year ended March 31, 2016**

Dr.	₹	Cr.	₹	
Particulars	₹	Particulars	₹	
To Salaries	9,000	9,200	By Gross Profit b/d	34,700
Add: Outstanding	200		By Discount	500
To Rent And Insurance	3,000		By Rent Received	300
Less: Prepaid Insurance	(200)			
To Depreciation On:				
Land And Building	300			
Motor Vehicles	2,000	2,300		
To Bad Debts	500			
Add: Provision For Doubtful Debts	1,000			
Less: Provision (Old)	(700)	800		
To Interest On Loan		300		
To Carriage Outwards		2,500		
To Advertisement		3,500		
To General Expenses		3,400		
To Net Profit C/d (Balancing Fig.)		10,700		
	35,500		35,500	

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	30,000		
Add: Net Profit	10,700	Land And Building	12,000
Less: Drawings	(5,000)	Less: 2.5% Depreciation	(300)
Loan		10,000	11,700
		Motor Vehicles	10,000
		Less: 20% Depreciation	(2,000)
Creditors		8,000	
Bills Payable		Closing Stock	7,000
Salaries Outstanding		Debtors	20,000
		Less: Bad Debts	(1,000)
		Bill Receivable	19,000
		Bank	6,000
		Cash	3,500
		Prepaid Insurance	2,000
	57,400		200
	57,400		57,400

Question 10.

On 31st March, 2016 following Trial Balance was extracted from the books of Mohan:

Heads of Accounts	Dr. (₹)	Cr. (₹)
Capital		90,000
Drawings	6,480	
Land and Building	25,000	
Plant and Machinery	14,270	
Furniture and Fixtures	1,250	
Carriage Inwards	4,370	
Wages	21,470	
Salaries	4,670	
Provision For Doubtful Debts		2,470
Sales		91,230
Sales Return	1,760	
Bank Charges	140	
Coal, Gas and Water	720	
Rates and Taxes	840	
Discount		120
Purchases	42,160	
Purchases Return		8,460
Bills Receivable	1,270	
Trade Expenses	1,990	
Sundry Debtors	37,800	
Sundry Creditors		12,170
Stock (1 st April, 2015)	26,420	
Apprentice Premium		600
Fire Insurance	490	
Cash At Bank	13,000	
Cash In Hand	850	
	2,04,950	2,04,950

Adjustments:

Charge depreciation on Land and Building at 2½%, Plant and Machinery Account at 10% and on furniture and fixture at 10%.

Make provision of 5% on debtors for doubtful debts, carry forward the following unexpired amounts:

- Fire insurance Rs.125.
- Rates and taxes Rs.240.
- Apprentice premium Rs.400.
- Closing stock Rs.29,390.

Solution:

**Financial statement of Vijay Kumar
Trading Account
for the year ended March 31, 2016**

Dr.			Cr.
Particular	₹	Particulars	₹
To Opening Stock	26,420	By Sales	91,230
To Purchase	42,160	Less: Returns	(1,760)
Less: Returns	(8,460)	By Closing Stock	89,470
To Carriage Inwards	33,700		29,390
To Wages	4,370		
To Coal, Gas And Water	21,470		
	720		
To Gross Profit c/d (Balancing Fig.)	32,180		
	1,18,860		1,18,860

**Profit and Loss Account
for the year ended March 31, 2016**

Dr.		₹	Cr.	
Particulars			Particulars	₹
To Salaries		4,670	By Gross Profit b/d	32,180
To Bank Charges		140	By Provision For Doubtful Debts	
To Rates and Taxes	840		Old Provision	2,470
Less: Unexpired	(240)	600	New Provision	(1,890)
To Trade Expenses		1,990		580
To Fire Insurance	490		By Apprentice Premium	500
Less: Unexpired	(125)	365	Less: Unexpired	100
To Depreciation On Land and Building	625		By Discount	120
Plant and Machinery	1,427			
Furniture and Fixtures	125			
		2,177		
To Net Profit c/d (Balancing Fig.)		23,038		
		32,980		32,980

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	90,000		
Add: Net Profit	23,038	Land and Building	25,000
Less: Drawings	(6,480)	Less: 2.5% Depreciation	(625)
Unexpired Apprentice Premium	400	Plant and Machinery	14,270
Sundry Creditors	12,170	Less: 10% Depreciation	(1,427)
		Closing Stock	12,843
		Sundry Debtors	37,800
		Less: Bad Debts	(1,890)
		Furniture and Fixture	35,910
		Less: 10% Depreciation	1250
		Unexpired Fire Insurance	1,125
		Unexpired Rates and Taxes	125
		Bills Receivable	240
		Cash at Bank	1,270
		Cash in Hand	13,000
			850
	1,19,128		1,19,128

Question 11.

Following Trial Balance has been extracted from the books of Sheri Sunder Ali on 31st March, 2016:

	Debit balances ₹	Credit Balances ₹
Cash in Hand and at Bank	7,740	
Capital		3,00,000
Drawings	12,600	
Bills Receivable	3,720	
Land and Building	65,160	
Furniture	10,240	
Wages	93,770	
Discount Allowed	7,920	
Discount Received		5,970
Loan A/C at 6%		30,000
Bank Charges	210	
Bad Debts	2,760	
Sundry Debtors	1,31,550	
Office Salaries	12,840	
Purchases	3,98,160	
Stock On 1 st April, 2015	1,20,450	
Sale Return	3,750	
Carriage Inwards	10,360	
General Expenses	15,360	
Plant and Machinery	43,280	
Rent and Rates	7,260	
Purchases Return		2,910
Sales		5,63,010
Insurance	1,410	
Provision For Doubtful Debts		9,300
Sundry Creditors		37,350
	9,48,540	9,48,540

Closing Stock on 31st March, 2016 was Rs.1,27,410.

You are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date.

Adjustments to be made are:

- i. Depreciate Plant and Machinery at 10% and Furniture at 5%.
- ii. Raise the Provision for Doubtful Debts to Rs.15,000.
- iii. Insurance includes annual premium of Rs.720 on a policy which will expire on 30th September, 2016.
- iv. Purchases included a computer costing Rs.6,000.

Solution:

**Financial statement of Shri Sunder Lal
Trading Account
for the year ended March 31, 2016**

Dr.				Cr.
Particulars	₹	Particulars	₹	
To Opening Stock	1,20,450	By Sales	5,63,010	
To Purchase	3,98,160	Less: Returns	(3,750)	5,59,260
Less: Return	(2,910)			
Less: Computer	(6,000)			
To Wages	3,89,250			
To Carriage Inwards	93,770	By Closing Stock		1,27,410
	10,360			
To Gross Profit c/d (Balancing Fig.)	72,840			
	6,86,670			
	6,86,670			

**Profit and Loss Account
for the year ended March 31, 2016**

Dr.				Cr.
Particulars	₹	Particulars	₹	
To Office Salaries	12,840			
To General Expenses	15,360	By Gross Profit b/d		72,840
To Bank Charges	210	By Discount Received		5,970
To Discount Allowed	7,920			
To Depreciation On:				
Plant And Machinery	4,328			
Furniture	512			
To Rent And Rates	4,840			
To Bad Debts	7,260			
Add: Provision For Doubtful Debts	15,000			
Less: Provision (Old)	(9,300)			
To Insurance	8,460			
Less: Prepaid Insurance($720 \times 6/12$)	(360)			
To Outstanding Interest On Loan	1,050			
	1,800			
To Net Profit c/d (Balancing Fig.)	19,070			
	78,810			
	78,810			

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Sundry Creditors	37,350	Cash in Hand and Bank	7,740
6% Loan	30,000	Bills Receivable	3,720
Add: Outstanding Interest ($30,000 \times 6\%$)	1,800	Sundry Debtors	1,31,550
Capital	3,00,000	Less: Provision For Doubtful Debts	(15,000)
Less: Drawings	(12,600)	Plant and Machinery	43,280
Add: Net Profit	19,070	Less: 10% Depreciation	4,328
	3,06,470	Furniture	10,240
		Less: 5% Depreciation	(512)
		Land and Building	65,160
		Computer	6,000
		Prepaid Insurance	360
		Closing Stock	1,27,410
	3,75,620		
			3,75,620

Question 12.

Sanjiv Sondhi started business on 1st April, 2015 with a capital of ₹3,00,000. Following Trial Balance was drawn up from his books at the end of the year:

Head of accounts	Debit Balances ₹	Head of Accounts	Credit Balances ₹
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, 2016 was Rs.2,60,000. You are required to prepare his Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date after taking the following facts into account.

- Plant and Fixtures are to be depreciated by 10%.
- Salaries outstanding on 31st March, 2016 amounted to Rs.35,000.
- Accrued interest on investment amounted to Rs.7,500.

iv. Rs.5,000 are Bad Debts and a Provision for Doubtful Debts is to be created at 5% of balance of debtors

Solution:

**Financial statement of Vijay Kumar
Trading Account
for the year ended March 31, 2016**

Dr.			Cr.
Particular	₹	Particulars	₹
To Purchase	11,60,000	By Sales	16,00,000
To Carriage Inwards	20,000	Less: Return Inwards	(40,000)
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, 2016**

Dr.			Cr.
Particulars	₹	Particulars	₹
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		
	3,62,250		
To Net Profit c/d (Balancing Fig.)	5,67,500		5,67,500

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
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	
Salaries Outstanding	35,000	Sundry Debtors	2,50,000
		Less: Bad Debts	(5,000)
			2,45,000
		Less: 5% Provision For Doubtful Debts	(12,250)
		Bills Receivable	
		Cash at Bank	50,000
		Cash in Hand	30,000
	9,62,250		9,62,250

Question 13.

Following Trial Balance was extracted from the books of Ram as on 31st March, 2016:

Debit Balances	₹		₹
Drawings	7,000	Cash at Bank	12,400
Purchases	82,210	Cash in Hand	2,210
Sales Return	1,820	Office Furniture	3,500
Stock On 1 st April, 2015	11,460	Bad Debts	1,000
Salaries	16,150	Carriage Outwards	3,240
Wages	8,560	Sundry Debtors	36,970
Leasehold Premises	25,000	Credit	
Rent, Rates and Insurance	6,940	Credit Balances	
Carriage Inwards	2,310	Capital	90,000
Office Expenses	9,520	Purchases Return	4,240
Plant and Machinery	24,000	Sales	1,49,840
Light and Water (Factory)	7,950	Provision For Doubtful Debts (1 st April, 2015)	4,240
Bills Receivable	1,240	Discount	180
		Sundry Creditors	16,980

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date after taking into account the following:

- a. Depreciation is to be written off as follows:
- b. Leasehold premises 5%, Plant and Machinery 10%.
- c. Write off ₹500 as further Bad Debts and make a Provision for Doubtful Debts equal to ₹5,000.
- d. Wages amounted to ₹570 have become due but have not been paid.
- e. The value of stock on 31st March, 2016 was ₹14,920.
- f. Unexpired premium amounted to ₹680 is to be carried forward to the next year.

Solution:

Financial statement of Ram
Trading Account
for the year ended March 31, 2016

Dr.			Cr.
Particular	₹	Particulars	₹
To Opening Stock	11,460	By Sales	1,49,840
To Purchase	82,210	Less: Sale Return	(1,820)
Less: Purchase Return	(4,240)	By Closing Stock	1,48,020
To Wages	8,560		14,920
Add: Outstanding Wages	570		
To Carriage Inwards	2,310		
To Light And Water	7,950		
To Gross Profit c/d (Balancing Fig.)	54,120		
	1,62,940		1,62,940

**Profit and Loss Account
for the year ended March 31, 2016**

Dr.			Cr.	
Particulars		₹	Particulars	₹
To Depreciation On:				
Leasehold Premises	1,250		By Gross Profit b/d	54,120
Plant And Machinery	2,400	3,650	By Discount	180
To Bad Debts	1,000			
Add: Further Bad Debts	500			
Add: Provision For Doubtful Debts	5,000			
	6,500			
Less: Provision (Old)	(4,240)	2,260		
To Rent, Rates And Insurance	6,940			
Less: Prepaid Insurance	(680)	6,260		
To Salaries		6,280		
To Traveler's Salaries		9,870		
To Office Expenses		9,520		
To Carriage Outwards		3,240		
		13,220		
To Net Profit (Balancing Fig.)		54,300		54,300

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	90,000		
Add: Net profit	13,220		
Less: Drawings	(7,000)	96,220	
		Fixed Assets	
		Office Furniture	3,500
		Leasehold Premises	25,000
		Less: 5% Depreciation	(1,250)
		Plant and Machinery	23,750
		Less: 10% Depreciation	(2,400)
			21,600
Current Liabilities			
Sundry Creditors	16,980		
Wages outstanding	570		
		Current Assets	
		Closing Stock	14,920
		Sundry Debtors	38,970
		Less: Bad Debts	(500)
		Less: Provision For Doubtful Debts	(5,000)
		Bills Receivable	33,470
		Cash at Bank	1,240
		Cash in Hand	12,400
		Prepaid Insurance	2,210
			680
	1,13,770		1,13,770

Note: To match with the answer given in the book, salary has been changed to ₹6,280 instead of ₹16,150.

Question 14.

From the following Trial Balance of M/s. Arjun and Sons as on 31st March, 2016, prepare Trading and Profit and Loss Account and Balance Sheet:

Heads of Accounts	Debit Balances (₹)	Credit Balances (₹)
Drawings	18,000	
Capital		80,000
Purchases	82,600	
Sales		1,55,000
Opening Stock	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	
	2,80,500	2,80,500

Adjustments:

- i. Closing Stock ₹64,000.
- ii. Wages Outstanding ₹2,400.
- iii. Bad Debts ₹600 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, 2015.
- 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 Vijay Kumar
Trading Account
for the year ended March 31, 2016

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

Profit and Loss Account for the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Depreciation On: Machinery	5,000		
To Rent Add: Outstanding Rent	22,000 2,000	By Gross Profit b/d 24,000	82,400
To Salary	15,000		
To Insurance	3,600		
To Interest On Bank Loan (For 6 Months)	1,000		
To Bad Debts Add: Provision For Doubtful Debts	600 1,000	1,600	
To Manager's Commission	—	2,927	
To Net Profit c/d (Balancing Fig.)	29,273		
	82,400		82,400

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	80,000		
Add: Net Profit	29,273		
Less: Drawings	(18,000)		
8% Bank Loan	25,000		
Add: Outstanding Interest	1,000		
Current Liabilities			
Creditors	18,900		
Wages Outstanding	2,400		
Rent Outstanding	2,000		
Manger's Commission Payable	2,927		
		Fixed Assets	
		Machinery	50,000
		Less: 10% Depreciation	(5,000)
			45,000
		Furniture	—
			14,000
		Current Assets	
		Closing Stock	64,000
		Debtors	20,600
		Less: Bad Debts	(600)
		Less: 5% Provision For Doubtful Debts	(1,000)
			19,000
		Cash In Hand	1,500
	1,43,500		1,43,500

Working Notes:

WN 1 calculation of interest on loan

Bank loan = Rs. 25,000

$$\text{Interest on loan (from Oct. 01 to Mar. 31)} = 25,000 \times \frac{8}{100} \times \frac{6}{12} = \text{Rs. } 1,000$$

WN 2 calculation of manager's commission

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

$$\text{Profit before charging commission} = 82,400 - 50,200 = \text{Rs. } 32,200$$

$$\therefore \text{Manager's commission} = 32,200 \times \frac{10}{110} = \text{Rs. } 2,927$$

Question 15.

From the following Trial Balance and other information prepare Trading and profit and loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date :

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Sundry Debtors	32,000	
Stock (1 st April, 2015)	22,000	
Cash in Hand	35	
Cash at Bank	1,545	
Plant and Machinery	17,500	
Sundry Creditors		10,650
Trade Expenses	1,075	
Sales		1,34,500
Salaries	2,225	
Carriage Outwards	400	
Rent	900	
Bills Payable		7,500
Purchases	1,18,870	
Discounts	1,100	
Premises	34,500	
Capital (1 st April, 2015)		79,500
	2,32,150	2,32,150

Stock on 31st March, 2016 was ₹12,450. Rent was unpaid to the extent of ₹85 and ₹150 were outstanding for Trade Expenses; ₹400 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, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	22,000	By Sales	1,34,500
To Purchase	1,18,870	By Closing Stock	12,450
To Gross Profit C/D (Balancing Fig.)	6,080		
	1,46,950		1,46,950

**Profit and Loss Account
for the year ended March 31, 2016**

Dr.	₹	Cr.	₹
To Salaries	2,225		
To Bad Debts	400	By Gross Profit b/d	6,080
Add: Provision For Doubtful Debts	1,580	1,980 By Net Loss c/d (Balancing Fig.)	4,275
To Rent	900		
Add: Outstanding Rent	85	985	
To Trade Expenses	1,075		
Add: Outstanding	150	1,225	
To Carriage Outwards	400		
To Depreciation On			
Plant And Machinery	1,750		
Business Premises	690	2,440	
To Discount	1,100		
	10,355		10,355

Balance sheet as on march 31, 2016

Liabilities	₹	Assets	₹
Capital	79,500		
Less: Net Loss	(4,275)		
	75,225	Fixed Assets	
		Plant And Machinery	17,500
		Less: 10% Depreciation	(1,750)
		Premises	34,500
		Less: 2%Depreciation	(690)
Current Liabilities			33,810
Sundry Creditors	10,650		
Bills Payable	7,500		
Rent Outstanding	85	Current Assets	
Trade Expenses Outstanding	150	Closing Stock	12,450
		Sundry Debtors	32,000
		Less: Bad Debts	(400)
		Less: 5%Provision For Doubtful Debts	(1,580)
			30,020
		Cash at Bank	1,545
		Cash in Hand	35
	93,610		93,610

Note: During the year firm has incurred a loss of ₹4,275. Therefore, manager commission given in the question as 5% on Net profit after charging commission is not payable.

Question 16.

From the following Trial Balance, prepare Trading Account, Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date:

Debit Balances	₹	Credit Balances	₹
Purchases	3,00,000	Sales	4,79,760
Drawings	3,500	Purchase 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	33,780
Sundry Debtors	80,000		
Stock in Trade (1 - 4 - 2015)	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 Stationary 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. Depreciation @ 10% p.a. is to be provided on all fixed assets except building.

Solution:

Financial statement of Vijay Kumar
Trading Account
for the year ended March 31, 2016

Dr.			Cr.
Particular	₹	Particulars	₹
To Opening Stock	8,400	By Sales	4,79,760
To Purchase	3,00,000	Less: Sales Return	(1,800)
Less: Purchases Return	(12,200)	By Closing Stock	
To Wages	2,800		15,270
To Carriage Inwards	890		
Gross Profit (Balancing Fig.)	1,93,340		
	4,93,230		4,93,230

Profit and Loss Account
For the year ended March 31, 2016

Dr.

Cr.

Particulars	₹	Particulars	₹
To Carriage Outwards	300		
To Depreciation On Plant and Machinery	12,300	By Gross Profit b/d	1,93,340
Motor Vehicles	17,600		
To Salaries	12,000		
Add: Outstanding	12,000	24,000	
To Telephone Charges		3,290	
To Printing and Stationary Expenses	1,350		
Add: Outstanding	58,650	60,000	
To Insurance and Taxes		31,200	
To Net Profit (Balancing Fig.)		44,650	
			1,93,340
			1,93,340

Balance sheet as on March 31, 2016

Dr.

Cr.

Liabilities	₹	Assets	₹
Capital	5,90,000		
Add: Net Profit	44,650		
Less: Drawings	(3,500)		
Bank Loan			
		Fixed Assets	
		Building	3,80,000
		Plant and Machinery	1,23,000
		Less: 10% Depreciation	(12,300)
		Motor Vehicles	1,76,000
		Less: 10% Depreciation	(17,600)
Current Liabilities			1,10,700
Sundry Creditors			
Outstanding Printing and Stationary	11,870		
Outstanding Salaries	58,650		
		Current Assets	
		Closing Stock	15,270
		Sundry Debtors	80,000
		Cash in Hand	3,000
	12,000		
			7,47,370
	7,47,370		

Question 17.

Following is the Trial Balance obtained from the books of Mr. G. Vishwanath on 31st March, 2016:

Head 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 (1 st April, 2015)	8,100	
Debtors	65,300	
Creditors		27,500
Purchases	2,74,685	
Sales		5,21,870
Returns Inwards	2,300	
Return Outward		2,100
Rent	6,700	
Salaries	35,000	
Bank Loan (Loan Taken On 1.4.2015 @10%P.A.)		2,00,000
Carriage Outwards	3,100	
Wages	54,755	
Interest On Loan	10,000	
Electricity Charges	4,200	
General Expenses	24,000	
Capital		2,10,000
	9,61,470	9,61,470

You are required to prepare Mr. Vishwanath's Trading and Profit and Loss Account for the year ended 31st March, 2016 and his Balance Sheet as at that date after taking into account the following adjustments:

- i. Stock on 31st March, 2016 is ₹15,600.
- ii. Depreciate Motor Van and Plant and Machinery by 10% p.a. and Computers @ 20% p.a.
- iii. Create a Provision for Doubtful Debts @ 5%.
- iv. General expenses include ₹2,000 paid for wages.

Solution:

Financial statement for Mr. G. Vishwanath
Trading Account
For the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	8,100	By Sales A/c	5,21,870
To Purchase	2,74,685	Less: return inwards	(2,300)
Less: Return Outwards	(2,100)		
To Wages	54,755	By Closing stock	15,600
Add: General Expenses	2,000		
To Gross Profit c/d (Balancing Fig.)	1,97,730		
	5,35,170		5,35,170

Profit and Loss Account
For the year ended March 31, 2016

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Rent	6,700		
To Depreciation Loan		By Gross Profit b/d	1,97,730
Motor Van	22,000		
Plant and Machinery	16,000		
Computer	7,400		
To Salaries		45,400	
To Carriage Outwards		35,000	
To Electricity Charges		3,100	
To Interest On Loan	10,000	4,200	
Add: Outstanding Interest	10,000	20,000	
To Provision For Doubtful Debts		3,265	
To General Expenses	24,000		
Less: Wages	(2,000)	22,000	
To Net Profit (Balancing Fig.)		58,065	
			1,97,730
			1,97,730

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	2,10,000		
Add: Net Profit	58,065		
	2,68,065	Fixed Assets	
Bank Loan	2,00,000	Plant Machinery	1,60,000
Add: Outstanding Interest	10,000	Less: 10% Depreciation	(16,000)
			1,44,000
Current Liabilities		Motor Van	2,20,000
Creditors		Less: 10% Depreciation	(22,000)
			1,98,000
		Computers	37,000
		Less: 20% Depreciation	(7,400)
			29,600
		Current Assets	
		Closing Stock	15,600
		Debtors	65,300
		Less: Provision For	
		Doubtful Debts	(3,265)
			62,035
		Cash at Bank	50,000
		Cash in Hand	6,330
	5,05,565		5,05,565

Working Note:

Calculation of interest outstanding on loan

Amount of bank loan = 2,00,000

Interest on loan ($2,00,000 \times 10\%$)	20,000
Less: interest paid	(10,000)
Outstanding Interest	10,000

Question 18.

Following is the Trial Balance of Mr. Prem Prakash as on 31st march, 2016:

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Plant and Machinery	55,000	
Fixtures and Fittings	1,720	
Prem Prakash's Capital		93,230
Factory Fuel and Power	542	
Office Salaries	3,745	
Sales		1,26,177
Creditors		22,680
Purchases Return		3,172
Bills Payable		6,422
Factory Lighting	392	
Travelling Expenses	925	
Carriage On Sales	960	
Cash at Bank	2,245	
Cash in Hand	68	
Sundry Debtors	47,800	
Purchases	83,290	
Wages	9,915	
Rent and Taxes	1,765	
Office Expenses	2,778	
Carriage Inwards	897	
Discount	422	
Drawings	6,820	
Stock On 1 st April, 2015	21,725	
Manufacturing Expenses	2,6880	
Sales Return	7,422	
Insurance	570	
	2,51,681	2,51,681

Taking into account the following adjustments, prepare Trading and Profit and Loss Account and Balance Sheet as at 31st March, 2016:

- Depreciation 5% on Plant and Machinery and 10% on Fixtures and Fittings.
- Provision for Doubtful Debts 2½ % on Sundry Debtors.
- Rent Outstanding for March, 2016 Rs.150.
- Insurance unexpired on 31st. March, 2016 Rs.70.
- Outstanding Wages and Salaries Rs.800 and Rs.350.
- Stock on 31st March, 2016 Rs.16,580.

Solution:

Financial statement of Mr. Prem Prakash
Trading Account
For the year ended March 31, 2016

Dr.

Cr.

Particulars	₹	Particulars	₹
To Opening Stock	21,725	By Sales	1,26,177
To purchase	83,290	Less: sales return	(7,422)
Less: purchase return	(3,172)	By Closing stock	
To wages	9,915		
Add: outstanding wages	800		
To factory fuel and power	542		
To factory lighting	392		
To carriage inwards	897		
To manufacturing expenses	2,680		
Gross Profit (balancing Fig.)	18,266		
	1,35,335		1,35,335

Profit and Loss Account
For the year ended march 31, 2016

Dr.

Cr.

Particulars	₹	Particulars	₹
To Travelling Expenses	925		
To Office Salaries	3,745	By Gross Profit	17,960
Add: Outstanding Salaries	350	By Commission	1,320
To Carriage On Sales	960		
To Rent And Taxes	1,765		
Add: Rent Outstanding	150		
To Provision For Doubtful Debts	1,195		
To Office Expenses	2,778		
To Discount	422		
To Insurance	570		
Less: Prepaid Insurance	(70)		
To Depreciation On	500		
Plant And Machinery	2,750		
Fixtures And Fittings	172		
To Net Profit c/d (Balancing Fig.)	2,554		18,266
	18,266		

Liabilities	₹	Assets	₹
Capital	93,230	Fixed Assets	
Add: Net Profit	2,554	Plant And Machinery	55,000
Less: Drawings	(6,820)	Less: 5% Depreciation	(2,750)
	88,964		52,250
Current Liabilities		Fixture And Fittings	1,720
Creditors	22,680	Less: 10% Depreciation	172
Bills Payable	6,422		1,548
Outstanding Wages	800	Current Assets	
Outstanding Salaries	350	Closing Stock	16,580
Rent Outstanding	150	Sundry Debtors	47,800
		Less: Provision For Doubtful Debts	(1,195)
		Prepaid Insurance	70
		Cash At Bank	2,245
		Cash In Hand	68
	1,19,366		1,19,366

Question 19.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date from the following Trial Balance:

	Debit Balance ₹	Credit Balance ₹
Capital		10,000
Cash	1,500	
Bank Overdraft		2,000
Purchases	12,000	
Sales		15,000
Sale Return	1,000	
Purchases Return		2,000
Establishment Expenses	2,200	
Taxes and Insurance	500	
Bad Debts	500	
Provision for Doubtful Debts		700
Debtors	5,000	
Creditors		2,000
Commission		500
Deposits	4,000	
Opening Stock	3,000	
Drawings	1,400	
Furniture	600	
Bills Receivable	3,000	
Bills Payable		2,500
	34,700	34,700

Adjustment:

- Salaries Rs.100 and Taxes Rs.200 are outstanding but Insurance Rs.50 is prepaid.
- Commission Rs.100 received in advance for the next year.
- Interest Rs.210 is to be received on Deposits and Interest on Bank Overdraft Rs.300 is to be paid.
- Provision for Doubtful Debts to be maintained at Rs.1,000.

- v. Depreciate Furniture by 10%.
 vi. Stock on 31st March, 2016 is Rs.4,500.
 vii. A fire occurred on 1st April, 2016 destroying goods costing Rs.1,000.

Solution:

**Financial statement
Trading Account
For the year ended March 31, 2016**

Dr.			Cr.
Particulars	₹		₹
To Opening Stock	3,000	By Sales	15,000
To purchase	12,000	Less: Sales Return	(1,000)
Less: Purchase Return	(2,000)	By Closing stock	14,000
	10,000		4,500
	5,500		
To Gross Profit c/d (Balancing Fig.)	18,500		18,500
	18,500		

**Profit and Loss Account
For the year ended March 31, 2016**

Dr.			Cr.
Particulars	₹		₹
To Interest outstanding on overdraft	300	By gross profit b/d	5,500
To Provision for doubtful debts	1,000	By commission	500
Add: Bad debts	500	Less: Advance commission	(100)
Add: exiting provision	(700)	By Accrued interest on deposits	400
To Depreciations on furniture	60		210
To taxes and insurance	500		
Less: Prepaid insurance	(50)		
Add: outstanding taxes	200		
To salaries outstanding	100		
To Establishment Expenses	2,200		
To net profit c/d (balancing Amt.)	2,000		
	6,110		6,110

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	10,000	Fixed Assets	
Add: Net Profit b/d	2,000	Furniture	600
Less: Drawings	(1,400)	Less: 10% Depreciation	(60)
Bank Overdraft	2,000	Debtors	5,000
Add: Outstanding Interest	300	Less: Provision For Doubtful Debts	(1,000)
			4,000
Creditors	2,000		
Bills Payable	2,500		
Outstanding Salaries	100	Closing Stock	4,500
Outstanding Taxes	200	Deposits	4,000
Advance Commission	100	Add: Accrued Interest	210
		Bills Receivable	3,000
		Prepaid Insurance	50
		Cash	1,500
	17,800		17,800

Notes: Fire occurred on 1st April, 2016 which means fire occurred in subsequent year to the period for which above final accounts is prepared. Therefore, goods lost due to fire was not been recorded.

Question 20.

The following balances were extracted from the books of Modern Traders on 31st March, 2016:

	₹		₹
Capital	85,000	Sundry creditors	9,000
Drawings	5,000	Sales	1,20,000
Plant and machinery	40,000	Postage and telegrams	800
Accumulated depreciation	9,000	Bad debts	400
Stock on 1 st April, 2015	15,000	Provision for doubtful debts	800
Purchases	82,000	Discount received	400
Sundry debtors	20,600	Rent revenue	1,200
Furniture	5,000	Insurance	700
Freight inwards	2,000	Salaries	20,000
Carriage outwards	500	Wages	1,300
Rent, rates and taxes	4,600	Cash in hand	6,200
Printing and stationary	800	Cash at bank	25,500
		Reserve fund	5,000

Prepare Final Accounts for the year ended 31st March, 2016 after taking into account the following:

- a. Stock on 31st March, 2016 was valued at ₹15,000.
- b. Outstanding Wages ₹500.
- c. Provision for Doubtful Debts is to be maintained at 5% of the Debtors.
- d. Prepaid Insurance was ₹100.
- e. 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, 2016

Dr.			Cr.
Particular	₹	Particulars	₹
To Opening Stock	15,000	By Sales	1,20,000
To Purchase	82,000		
To Wages	1,300	By Closing Stock	15,000
Add: Outstanding Wages	500		
To Freight Inwards	2,000		
To Gross Profit c/d (Balancing Fig.)	34,200		
	1,35,000		1,35,000

Profit and Loss Account
For the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Postage and Telegrams	800		
To Bad Debts	400	By Gross Profit b/d	34,200
Add: Provision For Doubtful Debts	1,030	By Discount Received	400
Less: Existing Provision	(800)	By Rent Revenue	1,200
To Insurance	700		
Less: Prepaid Insurance	(100)		
To Rent, Rates and Taxes	4,600		
To Carriage Outwards	500		
To Salaries	20,000		
To Printing and Stationary	800		
To Depreciation On:			
Machinery	4,000		
Furniture	250		
To Net Profit b/d (Balancing Fig.)	35,800		35,800

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	85,000	Fixed Assets	
Add: Net Profit	3,620	Plant and Machinery	40,000
Less: Drawings	(5,000)	Less: Accrued Depreciation (9,000 + 4,000)	(13,000)
Reserve Fund	5,000	Furniture	5,000
		Less: 5% depreciation	(250)
Sundry Creditors	9,000		4,750
outstanding Wages	500		
		Closing stock	15,000
		Sundry debtors	20,600
		Less: provision for doubtful debts	(1,030)
			19,570
		Prepaid insurance	100
		Cash at bank	25,500
		Cash in hand	6,200
	98,120		98,120

Question 21.

Following is the Trial Balance as on 31st March, 2014. Prepare Trading and Profit Loss Account and Balance Sheet:

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Stock (1 st April, 2013)	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 and Rates	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		15,000
Furniture	3,350	
General Expenses	2,600	
Cash in Hand	1,930	
Bad Debts	1,020	
Bank	6,580	
Total	4,00,600	4,00,600

Stock on 31st March, 2014 is Rs.20,600.

You are to make Provisions in respect of the following:

- a. Depreciate Machinery at 10% p.a.
- b. Make a Provision @ 5% for Doubtful Debts.

- c. Provide 2½% discount on debtors.
- d. Rent and Rates include rent deposit of Rs.400.
- e. Insurance Prepaid Rs.120.

Solution:

**Financial statement
Trading Account
For the year ended March 31, 2016**

Dr.		Cr.	
Particular	₹	Particulars	₹
To Opening Stock	8,000	By Sales	2,20,000
To Purchase	1,26,000		
To Productive Wages	56,500	By Closing Stock	20,600
To Stores Consumed	6,050		
To Carriage	3,050		
To Gross Profit c/d (Balancing Fig.)	41,000		
	2,40,600		2,40,600

**Profit and Loss Account
For the year ended March 31, 2016**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Salaries		16,000	
To Rent and rate	5,200		By Gross Profit b/d
Less: Rent deposits	(400)	4,800	41,000
To Insurance	1,320		
Less: Prepaid insurance	(120)	1,200	
To Depreciation on machinery		5,200	
To Bad debts	1,020		
Add: Provision for doubtful debts	2,200	3,220	
To provision for discount on debtors		1,045	
To general expenses		2,600	
To net profit c/d (balancing Amt.)		6,935	
	41,000		41,000

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	1,45,600		
Add: Net Profit b/d	6,935		
	1,52,535	Building	67,000
		Machinery	52,000
Secured Loan	15,000	Less: 10% Depreciation	(5,200)
		Furniture	46,800
Sundry Creditors	20,000		3,350
		Closing Stock	20,600
		Sundry Debtors	44,000
		Less: Provision For Doubtful Debts	(2,200)
		Less: Discount On Debtors	(1,045)
		Rent Deposit	400
		Prepaid Insurance	120
		Cash In Hand	1,930
		Cash At Bank	6,580
	1,87,535		1,87,535

Question 22.

Following is the Trial Balance of Krishan on 31st March. 2016. Prepare Trading and Loss A/c and Balance Sheet after making the following adjustments:

- Value of closing stock Rs.29,638.
- Depreciate plant and machinery 10%, furniture 5%, delivery van Rs.4,000.
- Provide 5% for doubtful debts on debtors.
- Prepaid expenses: Insurance Rs.300 and taxes Rs.190.
- 3/5 of insurance and taxes, rent and general expenses to be charged to factory balance to the office.
- Commission to Manager at 10% on net profit.

Heads of Accounts	₹	Heads of Accounts	₹
Plant And Machinery	19,720	Capital	80,000
Manufacturing Wages	34,965	Creditors	50,160
Salaries	10,135	Bank Loan	10,000
Furniture	9,480	Purchase Return	1,140
Freight On Purchases	1,980	Sales	2,46,850
Freight On Sales	2,150	Provision For Doubtful Debts	6,000
Building	28,000		
Manufacturing Expenses	9,455		
Fuel and Power	1,276		
Electricity (Factory)	986		
Electricity (Office)	1,500		
Insurance and Taxes	4,175		
Goodwill	30,000		
Rent	2,400		
Debtors	78,140		
Miscellaneous Expenses	2,473		
Opening Stock	34,170		
Delivery Van	5,165		
Purchases	97,165		
Sales Return	3,170		
General Expenses	8,000		
Bad Debts	1,485		
Interest and Bank Charges	475		
Bank Balance	7,540		
Cash	145		
	3,94,150		3,94,150

Solution:

Financial statement of Vijay Kumar
Trading Account
For the year ended March 31, 2016

Dr.			Cr.
Particular	₹	Particulars	₹
To Opening Stock		By Sales	2,46,850
To Purchase	97,165	Less: Sales Return	(3,170)
Less: Purchase Return	(1,140)	By Closing Stock	
To Manufacturing Wages	34,965		29,638
To Freight On Purchase	1,980		
To Fuel and Power	1,276		
To Electricity (Factory)	986		
To Insurance and Taxes (Factory)	2,211		
To Rent (Factory)	1,440		
To General Expenses	4,800		
To Manufacturing Expenses	9,455		
To Gross Profit c/d (Balancing Fig.)	86,010		
	2,73,318		2,73,318

Profit and Loss Account
For the year ended March 31, 2016

Dr.

Gr.

Particulars	₹	Particulars	₹
To Salaries	10,135		
To Rent	2,400	By gross profit b/d	86,010
Less: Factory ($2,400 \times 3/5$)	(1,440)	By provision for doubtful debts	6,000
To Insurance and Taxes	4,175	Less: bad debts	(1,485)
Less: Prepaid Insurance	(300)	Less: New provision	(3,907)
Less: Prepaid Taxes	(190)		608
Less: Factory ($3,685 \times 3/5$)	(2,211)		
To Freight on Sales	2,150		
To electricity (office)	1,500		
To Stable Expenses	2,473		
To GENERAL Expenses	8,000		
Less: Factory ($8,000 \times 3/5$)	(4,800)		
To Interest And Bank Charges	475		
To Depreciation On:			
Plant and Machinery	1,972		
Furniture	474		
Delivery Van	4,000		
To Manager's Commission	5,781		
To Net Profit c/d (Balancing Fig.)	52,024		
	86,618		86,618

Net profit before Manager's commission = ₹57,805

$$\text{manager's commission} = 57,805 \times \frac{10}{100} = \text{Rs.}5,781$$

Balance sheet
As on March 31, 2016

Liabilities	₹	Assets	₹
Capital	80,000	Fixed Assets	
Add: Net profit b/d	52,024	Building	28,000
	1,32,024	Plant and Machinery	19,720
Bank loan	10,000	Less: 10% Depreciation	(1,972)
Manager's commission payable	5,781	Furniture	9,480
		Less: 5% Depreciation	(474)
Creditors	50,160	Goodwill	30,000
		Delivery van	5,165
		Less: Depreciation	(4,000)
		Closing stock	29,638
		Debtors	78,140
		Less: provision for doubtful debts	(3,907)
		Prepaid insurance	300
		Prepaid insurance	190
		Bank insurance	7,540
		Cash	145
	1,97,695		1,97,965

Question 23.

From the following Trial Balance extracted from the books of A, prepare Trading and profit and Loss Account for the year ending 31st March, 2016 and Balance Sheet as at that date:

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Furniture	640	
Loose Tools	6,250	
Building	7,500	
Capital		12,500
Bad Debts	125	
Provision For Doubtful Debts		200
Sundry Debtors	3,800	
Sundry Creditors		2,500
Opening Stock	3,460	
Purchases	5,475	
Sales		15,450
Bank Overdraft		2,850
Sales Return	200	
Purchases Return		125
Stationary	450	
Interest	118	
Commission		375
Cash in Hand	650	
Taxes and Insurance	1,250	
General Expenses	782	
Salaries	3,300	
Total	34,000	34,000

Following adjustments are to be made:

- Stock in Hand on 31st March, 2016 was Rs.3,250.
- Depreciate Building at 5% and Furniture at 10%. Loose Tools are revalued at Rs.5,000 at the end of the year.
- Salaries Rs.300 and taxes Rs.120 are outstanding.
- Insurance amounting Rs.100 is prepaid.
- Write off a further Rs.100 as Bad Debts and Provision for Doubtful Debts is to be made equal to 5% on Sundry Debtors.
- Half of the stationery was used by A for his personal purposes.

Solution:

**Financial statement of Vijay Kumar
Trading Account
For the year ended March 31, 2016**

Dr.

Cr.

Particular	₹	Particulars	₹
To Opening Stock	3,460	By Sales	15,450
To Purchase	5,475	Less: Sales Return	(200)
Less: Purchases Return	(125)	By Closing Stock	
	5,350		3,250
To Gross Profit c/d (Balancing Fig.)	9,690		
	18,500		18,500

**Profit and Loss Account
For the year ended March 31, 2016**

Dr.

Cr.

Particulars	₹	Particulars	₹
To Interest	118		
To Depreciation On		By Gross Profit b/d	9,690
Furniture	64	By Commission	375
Building	375		
To Consumption Of Loose Tools (6,250 - 5,000)	1,250		
To Bad Debts	125		
Add: Further Bad Debts	100		
Add: Provision For Doubtful Debts	185		
Less: Existing Provision	(200)		
To Stationary	450		
Less: Drawings	(225)		
To Taxes and Insurance	1,250		
Less: Prepaid Insurance	(100)		
Add: Outstanding Taxes	120		
To General Expenses			
To Salaries	3,300		
Add: Outstanding Salaries	300		
	3,600		
To Net Profit c/d (Balancing Fig.)	2,171		
	10,065		10,065

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	12,500		
Add: Net profit b/d	2,171		
Less: Drawings (stationary)	(225)		
	14,446	Loose tools	5,000
		Building	7,500
		Less: 5% Depreciation	(375)
		Furniture	640
		Less: 10% Depreciation	64
			576
Sundry creditors	2,500		
Bank overdraft	2,850		
Salaries outstanding	300		
Taxes outstanding	120	Closing stock	3,250
		Sundry debtors	3,800
		Less: bad debts	(100)
		Less: provision for doubtful debts	(185)
			3,515
		Prepaid insurance	100
		Cash in hand	650
	20,216		20,216

Question 24.

Following is the Trial Balance of Shri Bansi Lal as on 31st March, 2016. You are required to prepare Final Accounts:

	Dr. ₹	Cr. ₹
Sundry creditors		63,000
Sundry debtors	1,45,000	
Capital		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 1.4.2015	57,600	
Carriage on purchases	20,400	
Carriage on sales	32,000	
Fuel and power	47,300	
Wages	1,04,800	
Returns outwards		5,000
Return inwards	6,800	
Sales		9,87,800
Purchases	4,06,750	
Cash at bank	26,300	
Cash in hand	5,400	
	17,65,800	17,65,800

Following adjustments are to be made:

- Stock on 31st March, 2016 was valued at ₹68,000.
- A Provision for Doubtful Debts is to be created to the extent of 5% on Debtors.
- Depreciate Machinery by 10%. Patents by 20%.
- Wages include a sum of ₹20,000 spent on the erection of a cycle shed for employees and customers.
- Salaries for the month of March 2016, amounted to ₹15,000 were unpaid.
- Insurance includes a premium of ₹1,700 on a policy expiring on 30th September, 2016.

Solution:

**Financial statement of Shri Bansi Lal
Trading Account
For the year ended March 31, 2016**

Dr.	₹	Particulars	₹	Cr.
To Opening Stock	57,600	By Sales	9,87,800	
To Purchase	4,06,750	Less: Return Inwards	(6,800)	9,81,000
Less: Return Outwards	(5,000)	By Closing Stock		68,000
To Carriage On Purchase	4,01,750			
To Fuel And Power	20,400			
To Wages	47,300			
Less: Building	1,04,800			
	(20,000)			
To Gross Profit c/d (Balancing Fig.)	84,800			
	4,37,150			
	10,49,000			
	10,49,000			

Profit and Loss Account
For the year ended march 31, 2016

Dr.

Cr.

Particulars	₹	Particulars	₹
To Carriage On Sales	32,000		
To Depreciation On Machinery	20,000	By Gross Profit b/d	4,37,150
Amortization Of Patents	15,000		
Insurance	6,000		
Less: Prepaid Insurance	(850)	5,150	
To General Expenses		30,000	
To Salaries	1,50,000		
Add: Outstanding Salaries	15,000	1,65,000	
To Provision For Doubtful Debts		7,250	
To Net Profit c/d (Balancing Fig.)	1,62,750		
	4,37,150		4,37,150

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	7,10,000		
Add: Net profit	1,62,750		
Less: Drawings	(52,450)		
	8,20,300		
Sundry creditors	63,000	Fixed Assets	
Salaries outstanding	15,000	Freehold land	1,00,000
		Machinery	2,00,000
		Less: 10% Depreciation	(20,000)
		Patents	75,000
		Less: 20% Amortization	(15,000)
			60,000
		Prepaid insurance	850
		Closing stock	68,000
		Sundry debtors	1,45,000
		Less: provision for doubtful debts	(7,250)
		Building	3,00,000
		Add: Wages	20,000
		Cash in hand	5,400
		Cash at bank	26,300
	8,98,300		8,98,300

Question 25.

Following was the trial balance of Mr. Bharat as on 31st March, 2016 and he desires to prepare his final accounts:

Heads of accounts	Dr. ₹	Cr. ₹
Capital		4,000
Plant and Machinery	5,000	
Office Furniture And Fittings	260	
Stock On 1 st April, 2015	4,800	
Accrued Commission	1,200	
Sundry Debtors	4,750	
Cash in Hand	40	
Cash at Bank	650	
Wages	15,000	
Salaries	1,400	
Purchases	21,350	
Sales		48,000
Bills Receivable	720	
Bills Payable		560
Sundry Creditors		5,200
Return Inward	930	
Provision For Doubtful Debts		250
Drawings	700	
Returns Outward		550
Rent	600	
Factory Lighting and Heating	80	
Insurance	630	
General Expenses	100	
Bad Debts	250	
Discount Allowed	650	
Discount Received		370
	58,930	58,930

Following adjustment are to be made:

- Stock on 31st March, 2016 ₹5,200.
- Three months factory lighting and heating due but not paid ₹30.
- 5% depreciation to be written off on furniture.
- Write off further bad debts ₹70.
- Provision for doubtful debts to be increased to ₹300 and provision of discount on debtors @ 2% to be made.
- During the year machinery was purchased for ₹2,000, but it was debited to the purchases account.

Solution:

**Financial Statements of Mr. Bharat
Trading Account
for the year ended March 31, 2016**

Dr.			Cr.	
Particulars		₹	Particulars	₹
To Opening stock		4,800	By sales	48,000
To purchases	21,350		Less: Return Inwards	(930)
Less: Return Outwards	(550)		By Closing Stock	47,070
Less: Machinery	(2,000)			5,200
To Wages		18,800		
To Factory Lighting and Heating	80			
Add: Outstanding	30			
To Gross Profit c/d (Balancing Fig.)		110		
		13,560		
		52,270		52,270

**Profit and Loss Account
for the year ended March 31, 2016**

Dr.	₹	Cr.	₹
To Depreciation On Furniture	13	By Gross Profit	13,560
To Bad Debts	250	By Discount Received	370
Add: Further Bad Debts	70		
Add: Provision Of Doubtful Debts	300		
Less: Provision (Old)	(250)		
To Provision For Discount On Debtors	84		
To Salaries	1,400		
To Insurance	630		
To General Expenses	100		
To Discount Allowed	650		
To Rent	600		
To Net Profit c/d (Balancing Fig.)	10,083		
	13,930		13,930

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	4,000	Accrued Commission	1,200
Less: Drawings	(700)	Plant And Machinery	5,000
Add: Net Profit	10,083	Add: Purchases	2,000
	13,383	Office Furniture and Fitting	260
Current Liabilities		Less: 5% Depreciation	(13)
Sundry Creditors	5,200		247
Bills Payable	560	Closing Stock	5,200
Outstanding Factory Lighting and Heating	30	Sundry Debtors	4,570
		Less: Further Bad Debts	(70)
		Less: Provision For Doubtful Debts	(300)
		Less: Provision For Discount On Debtor	(84)
		Cash at Bank	4,116
		Cash in Hand	650
		Bills Receivable	40
	19,173		19,173

Question 26.

Following is the Trial balance of Shri Paras on 31st March, 2016. You are required to prepare Final accounts after giving effect to the adjustments:

Heads of accounts	₹		₹
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
General Expenses	30,000	Sales	9,87,800
Salaries	1,50,000		
Patents	75,000		
Machinery	2,00,000		
Freehold Land	1,00,000		
Building	3,00,000		
Stock (1 st April, 2015)	57,600		
Cash At Bank	26,300		
Carriage On Purchases	20,400		
Carriage On Sales	32,000		
Fuel and Power	47,300		
Wages	1,04,800		
Return Inward	6,800		
Purchases	4,06,750		
Cash in Hand	5,400		
	17,65,800		17,65,800

Following adjustments:

- Stock on 31st March, 2016 was valued at ₹68,000.
- A Provision for Bad and Doubtful Debts is to be made to the extent of 5% on Sundry Debtors.
- Depreciate Machinery by 10%; Patents 20% and Building 5%.
- Wages include a sum of ₹20,000 spent on construction of a cycle shed.
- Salaries for the month of February and March, 2016 were not paid.
- Insurance includes a premium of ₹1,700 on a policy expiring on 30th September, 2016.
- General Manager is entitled to a commission of 10% on the net profit after charging his commission.

Solution:

**Financial Statement of Shri Paras
Trading Account
for the year ended March 31, 2016**

Dr.			
Particulars	₹	Particulars	₹
To Opening Stock	57,600	By Sales	9,87,800
To Purchases	4,06,750	Less: Return Inwards	(6,800)
Less: Return Outwards	(5,000)		
To Carriage On Purchases	4,01,750	Closing Stock	68,000
To Fuel And Power	20,400		
To Wages	47,300		
Less: Building	(20,000)		
To Gross Profit c/d (Balancing Fig.)	84,800		
	4,37,150		
	10,49,000		10,49,000

Profit and Loss Account
for the year ended march 31, 2016

Dr.		₹	Cr.
To Insurance	6,000	By Gross Profit	4,37,150
Less: Prepaid Insurance $(1,700 \times 6/12)$	(850)	5,150	
To General Expenses		30,000	
To Salaries	1,50,000		
Add: Salaries Outstanding $(1,50,000 \times 2/10)$	30,000	1,80,000	
To Depreciation On:			
Machinery	20,000		
Patents	15,000		
Building	16,000	51,000	
To Carriage on Sales		32,000	
To Provision for bad and doubtful debts		7,250	
To Manager's Commission		11,977	
To Net profit c/d (balancing Fig.)		1,19,773	
		4,37,150	4,37,150

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	7,10,000	Freehold Land	1,00,000
Less: Drawings	(52,450)	Building	3,00,000
Add: Net Profit	1,19,773	Add: Wages	20,000
	7,77,323		3,20,000
Sundry Creditors	63,000	Less: 5% Depreciation	(16,000)
Manager's Commission Payable	11,977	Patent	75,000
Salaries Outstanding	30,000	Less: 20% Depreciation	(15,000)
	88,2300	Closing Stock	60,000
	88,2300	Machinery	2,00,000
	88,2300	Less: 10% Depreciation	(20,000)
	88,2300	Sundry Debtors	1,45,000
	88,2300	Less: Provision For Doubtful Debts	(7,250)
	88,2300	Prepaid Insurance	1,37,750
	88,2300	Cash at Bank	850
	88,2300	Cash in Hand	26,300
	88,2300		5,400
	88,2300		88,2300

Working Note:

Calculation of manager's commission:

$$\begin{aligned}
 \text{manager's commission} &= \text{Profit before charging such commission} \times \frac{10}{110} \\
 &= 1,31,750 \times \frac{10}{110} = 11,977
 \end{aligned}$$

Question 27.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 2016 from the following particulars:

	Debit Balances ₹	Credit Balances ₹
Capital		10,000
Cash In Hand	1,500	
Bank Overdraft @5% (1 st April, 2015)		2,000
Purchases	1,000	
Sales		15,000
Return Inward	1,000	
Return Outward		2,000
Establishment Charges	2,500	
Taxes And Insurance	500	
Bad Debts Reserve		1,000
Bad Debts	500	
Sundry Debtors	5,000	
Sundry Creditors		1,850
Commission		500
Stock On 1 st April, 2015	4,000	
Investment	3,000	
Drawings	1,400	
Furniture	600	
Bills Receivable	3,000	
Bills Payable		2,500
Sales Tax Collected		150
Total	35,000	35,000

You are further required to take consideration the following information:

- a. Salary ₹100 and taxes ₹400 are outstanding but insurance ₹50 prepaid.
- b. Commission amounted to ₹100 has been received in advance for work to be done the next year.
- c. Interest accrued on investment ₹210.
- d. Bad debts reserve is to be maintained at ₹1,000.
- e. Depreciation on furniture is to be charged at 10%.
- f. Stock on 31st March, 2016 was valued at ₹4,500.
- g. A fire occurred on 25th March, 2016 in the godown and stock of the value of ₹1,000 was destroyed. It was fully insured and the insurance company admitted the claim in full.

Solution:

Financial statement
Trading Account
For the year ended March 31, 2016

Dr.	₹	Particulars	₹	Cr.
To Opening Stock	3,000	By Sales	15,000	
To Purchase	12,000	Less: Return	(1,000)	14,000
Less: Return	(2,000)	By Closing stock		4,500
Less: Insurance Co. (Goods Destroyed By Fire)	(1,000)			
	9,000			
	6,500			
To Gross Profit c/d (Balancing Fig.)	18,500			18,500

Profit and Loss Account
For the year ended March 31, 2016

Dr.			Cr.	
Particulars		₹	Particulars	₹
To Taxes And Insurance	500		By Gross Profit b/d	
Add: Outstanding Taxes	400		By Commission	500
Less: Prepaid Insurance	(50)		Less: Advance Commission	(100)
To Salary Outstanding		850	By Interest Accrued On Investment	
To Bad Debts	500			
Less: Reserve (Old)	(1,000)			
Add: Bad Debts Reserve	1,000			
To Depreciation On Furniture		500		
To Outstanding Interest On Overdraft		60		
To Establishment Charges		100		
		2,500		
		3,000		
To Net Profit c/d (Balancing Fig.)		7,110		7,110

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	10,000		
Add: Net Profit	3,000		
Less: Drawings	(1,400)		
Bank Overdraft	2,000	Investment	4,000
Add: Outstanding Interest	100	Add: Accrued Interest	210
		Furniture	600
		Less: 10% Depreciation	(60)
Sundry Creditors		Sundry Debtors	5,000
Advance Commission		Less: Provision For Doubtful Debts	(1,000)
			4,000
Bill Payable			
Sales Tax Collected	2,500		
Salary Outstanding	150		
Taxes Outstanding	100	Bill Receivable	3,000
		Closing Stock	4,500
		Prepaid Insurance	50
		Insurance Co. (Good Destroyed By Fire)	1,000
		Cash In Hand	1,500
	18,800		18,800

Question 28.

The trial balance of Mr. Shanmuganathan as on 31st, 2016 was as follows:

	Debit ₹		Credit ₹
Purchases	1,62,505	Sales	2,52,400
Sundry Debtors	50,200	Provision For Doubtful Debts	5,200
Opening Stock	26,725	Sundry Creditors	30,526
Wages	23,137	Bills Payable	3,950
Salaries	5,575	Outstanding Wages	2,000
Furniture	7,250	Trade Expenses Accrued But Not Paid	700
Postage	4,226	Capital A/C	10,000
Power and Fuel	1,350		
Trade Expenses	5,831		
Bad Debts	525		
Loan To Subbu At 15% P.A. (On 1 st December, 2015)	3,000		
Cash in Hand and at Bank	10,000		
Drawings	4,452		
	3,04,776		3,04,776

Prepare Trading and profit and loss account for the year ended 31st March, 2016 and balance sheet as at that date taking into account the following information:

- a. Depreciate furniture at 10% p.a.
- b. Sundry Debtors include an item of ₹500 due from a customer who has become insolvent and nothing is recoverable from his estate.
- c. Provision for doubtful debt is to be maintained at 5% on sundry debtors.
- d. Goods of the value of ₹1,500 have been destroyed by fire and the insurance company has admitted a claim for ₹1,000.
- e. Stock on 31st March, 2016 was ₹12,550.

Solution:

Financial statement of Mr. Shanmuganathan
Trading Account
For the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	26,725	By Sales	2,52,400
To Purchase	1,62,505		
Less: Goods Destroyed By Fire	(1,500)	1,61,005 By Closing stock	12,550
To Wages		23,137	
To Power And Fuel		1,350	
To Gross Profit c/d (Balancing Fig.)		52,733	
	2,64,950		2,64,950

Profit and Loss Account
For the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Goods Lost By Fire	1,500	By Gross Profit b/d	52,733
Less: Insurance Co.	(1,000)		
To Salaries	500	By Provision For Doubtful To Debts	5,200
To Depreciation On Furniture	5,575	Less: Bad Debts	(525)
To Postage	725	Less: Further Bad Debts	(500)
To Trade Expenses	4,226	Less: New Provision Doubtful Debts	(2,485)
	5,831		1,690
		By Accrued Interest On Loan To Subbu a/c	150
To Net Profit c/d (Balancing Fig.)	37,716		
	54,573		54,573

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	10,000		
Add: Net profit	37,716		
Less: Drawings	(4,452)		
	43,264	Furniture	7,250
		Less: 10% Depreciation	(725)
		Sundry Debtors	50,200
		Less: bad debts	(500)
Sundry creditors	30,526	Less: Provision for doubtful debts	(2,485)
Bills payable	3,950		47,215
Outstanding wages	2,000		
Outstanding trade expenses	700	Closing stock	
		Loan to Subbu	3,000
		Add: Accrued interest	(150)
			3,150
		Cash in hand and bank	10,000
		Insurance Co.	1,000
		(Goods destroyed by fire)	
	80,440		80,440

Note : Accrued interest on loan to Subbu = $3000 \times 15\% \times \frac{4}{12} = 150$

Question 29.

Following is the Trial balance of Atam Prakash as on 31st March, 2016:

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Capital		8,00,000
Drawings	60,000	
Stock On 1 st April, 2015	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	
Advertising 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:

- Stock on 31st March, 2016 was valued at Rs.5,30,000.
- Salaries have been paid so far for 11months only.
- Unexpired insurance included in the figure of Rs.4,000 appearing in the Trail Balance is Rs.1,000.
- Commission earned but not yet received amounted to Rs.1,220 is to be recorded in the books of account.
- Provision for doubtful debts is to be brought up to 3% of sundry debtors.

vi. Manager is to be allowed a commission of 10% of net profit after charging such commission.

vii. Furniture is depreciated @10% p.a.

Prepare Trading and Profit and loss account for the year ended 31st March, 2016 and balance Sheet as at that date.

Solution:

Financial statement of Atam Prakash
Trading Account
For the year ended March 31, 2016

Dr.	₹	Particulars	₹
To Opening Stock	4,50,000	By Sales	31,00,000
To Purchase	26,00,000		
To Freight and Octroi	46,000	By Closing Stock	5,30,000
To Gross Profit c/d (Balancing Fig.)	5,34,000		
	36,30,000		36,30,000

Profit and Loss Account
For the year ended March 31, 2016

Dr.		₹	Cr.	₹
To Trade Expenses		5,000		
To Salaries	55,000		By gross profit b/d	5,34,000
Add: Outstanding Salaries (55,000 × 1/11)	5,000	60,000	By commission	13,000
To Rent		24,000	Add: Accrued commission	1,220
To Advertising Expenses		50,000		14,220
To Insurance Premium	4,000			
Less: Prepaid Insurance	(1,000)	3,000		
To Discount		2,000		
To Bad Debts	16,000			
Add: Provision For Doubtful Debts	12,000			
Less: Provision (Old)	(9,000)	19,000		
To Depreciation On Furniture		10,000		
To Manager's Commission		34,111		
To Net Profit c/d (Balancing Amt.)		3,41,109		
		5,48,220		5,48,220

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	8,00,000		
Add: Net Profit	3,41,109		
Less: Drawings	(60,000)	10,81,109	
		Fixed Assets	
		Land And Building	2,00,000
		Furniture	1,00,000
		Less: 10% Depreciation	(10,000)
		Sundry Debtors	90,000
		Less: Provision For Doubtful Debts	4,00,000
Creditors			(12,000)
Manager's Commission Payable			3,88,000
Salaries Outstanding			
		2,00,000	
		34,111	
		5,000	
		Closing Stock	5,30,000
		Bank	58,000
		Cash in Hand	52,000
		Prepaid Insurance	1,000
		Accrued Commission	1,220
	13,20,220		13,20,220

Working Notes:

$$\text{Manager's Commission} = 3,75,220 \times \frac{10}{110} = 34,111.$$

Question 30.

Following Trial balance as on 31st march, 2016 extracted from the books of Mohan Kumar.

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Mohan's Capital A/C		3,00,000
Mohan's Drawing	12,500	
Furniture	50,000	
Plant And Machinery	70,000	
Stock (1. 4. 2015)	45,000	
Bills Receivable	10,000	
Bills Payable		15,000
Sundry Debtors	1,40,000	
Sundry Creditors		1,60,000
Purchases	2,00,000	
Sales		3,75,000
Carriage Inwards	2,500	
Carriage Outwards	1,250	
Freight	3,000	
Manufacturing Wages	55,000	
Fuel and Power	2,000	
Factory Expenses	13,500	
Salaries	45,000	
Rent	15,000	
Prepaid Rent	6,000	
Outstanding Salaries		5,000
Discount Allowed	1,000	
Discount Received		2,000
Printing and Stationary	1,500	
General Expenses	4,500	
Cash in Hand	10,750	
Cash at Bank	1,68,500	
Provision For Doubtful Debts		2,000
Provision For Discount On Debtors		1,000
Bad Debts	3,000	
Total	8,60,000	8,60,000

Additional Information :

Errors:

- Purchases include sales return of Rs.5,000 and sales include purchases return of Rs.4,000.
- Goods withdrawn by the proprietor for own consumption Rs.2,000 were included in purchases.
- Wages paid for installation of plant and machinery amounted to Rs.2,000 were included in wages account.
- Free samples distributed for publicity costing Rs.2,500, but not recorded in the books.
- An advance of Rs.5,000 to a supplier was wrongly included in the list of sundry debtors.
- A dishonoured bill receivable for Rs.2,000 returned by the bank with whom it had been discounted, had been credited to bank account and debited to bills receivable account.

Adjustment:

- Charge depreciation on plant and machinery at 15% and on furniture at 10%.
- Create a Provision for Doubtful Debts @5% and provision for discount on debtors at 2%.
- Closing stock is valued at Rs.80,000.

Solution:

**Financial statement of a Mohan Kumar
Trading Account
for the year ended March 31, 2016**

Dr.	Particular	₹	Particulars	₹	Cr.
To Opening Stock		45,000	By Sales	3,75,000	
To Purchase	2,00,000		Less: Sales Return	(5,000)	
Less: Sales Return	(5,000)		Less: Purchases Return	(4,000)	3,66,000
Less: Purchases Return	(4,000)				
Less: Drawings	(2,000)				
Less: Advertisement	(2,500)	1,86,500	By Closing Stock		80,000
To Carriage Inwards		2,500			
To Freight		3,000			
To Manufacturing Wages	55,000				
Less: Plant and Machinery	(2,000)	53,000			
To Fuel and Power		2,000			
To Factory Expenses		13,500			
To Gross Profit c/d (Balancing Fig.)		1,40,500			
		4,46,000			4,46,000

**Profit and Loss Account
For the year ended March 31, 2016**

Dr.	Particulars	₹	Particulars	₹	Cr.
To Salaries		45,000			
To Depreciation On:					
Plant And Machinery	10,800		By gross profit b/d	1,40,500	
Furniture	5,000	15,800	By discount Received	2,000	
Bad Debts	3,000				
Add: Provision For Discount					
Debtors	6,850				
Less: Provision (Old)	(2,000)	7,850			
To Carriage Outwards		1,250			
To Rent		15,000			
To Discount Allowed		1,000			
To Printing And Stationary		1,500			
To General Expenses		4,500			
To Advertisement (Free Samples)		2,500			
To Provision For Discount On Debtors	2,603				
Less: Provision (Old)	(1,000)	1,603			
To Net Profit c/d (Balancing Fig.)		46,497			
		1,42,500			1,42,500

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	3,00,000	Fixed Assets	
Add: Net Profit	46,497	Plant and Machinery	70,000
Less: Drawings	(12,500)	Add: Wages	2,000
Less: Drawings (Goods Drawn)	(2,000)		72,000
	3,31,997	Less: 15% Depreciation	(10,800)
		Furniture	50,000
		Less: 10% Depreciation	(5,000)
Sundry Creditors	1,60,000	Closing Stock	80,000
Bills Payable	15,000	Sundry Debtors	1,40,000
Outstanding Salaries	5,000	Add: Bills Receivable Dishonor	2,000
		Less: Advance Paid To Supplier	(5,000)
		Less: Provision For Doubtful Debts	(6,850)
		Less: Provision For Discount On Debtor	(2,603)
		Advance Paid to Supplier	5,000
		Bills Receivable	10,000
		Less: Bill Dishonour	(2,000)
		Prepaid Rent	6,000
		Cash in Hand	10,750
		Cash at Bank	1,68,500
	5,11,997		5,11,997