

Unit - II.

Final Account

Non-trading Concerns.

- Purpose: To serve the society.
- Objectives: To provide services to the members or beneficiaries.
- Forms: Clubs, Hospitals, Libraries, Education Institutions, Charitable Societies etc.
- Accounts:
 1. Receipts and Payments A/c.
 2. Income and Expenditure A/c.
 3. Balance sheet.
 - a) Opening Balance Sheet
 - b) Closing Balance Sheet

1. Receipts and Payments Account

- ✓ is a summary of cash book.
- ✓ is a real a/c
- ✓ recorded both revenue and capital transactions.
- ✓ starts with opening cash & bank balances and also ends with closing balances.
- ✓ includes all cash payment & receipts whether related to current, previous, and next years.

2. Income & Expenditure A/c

- ✓ is a revenue a/c to find out the surplus and deficit.
- ✓ is a nominal a/c.
- ✓ recorded only revenue receipts & payment of the current years.
- ✓ no opening balance but closing balance is either a Surplus ($\text{Income} > \text{Exp}$) or Deficit ($\text{Exp} > \text{Income}$)
- ✓ Surplus & Deficit is transferred to Capital fund.
- ✓ prepared with adjustment

Calculations:

- | | <u>Rs.</u> |
|--|------------|
| 1. Subscriptions: | |
| Total subscription received during the year | — |
| Add: Outstanding of the curr. yr. | — |
| Add: Advance during prev. yr. | — |
| Less: Outstanding of prev. yr.
if included in current yr. | — |
| Less: Advance during the curr. yr. | — |

Amt. of subscription to be credited
to Income & Exp. a/c

2. Expenses:	Rs.
Total Expenses paid during the yr.	—
(Add): Outstanding of cur. yr.	—
(Add): Advance during prev. yr.	—
(Less): Outstanding of prev. yr.	—
(Less): Advance during cur. yr.	—
Amt. of expenses to be debited to Income and Expenditure a/c.	—
	—

3. Consumed items:	Rs.
Opening stock of consumed item.	—
(Add): Purchase during current yr.	—
(Add): Outstanding of the current yr.	—
(Add): Advance during the prev. yr.	—
(Add): Closing creditors of current yr.	—
(Less): Outstanding of the prev. yr.	—
(Less): Advance during cur. yr.	—
(Less): Closing stock of consumed item.	—
(Less): Opening creditors of the cur. yr.	—
Amt. of consume to be debited to Income and Expenditure a/c	—
	—

4. Depreciation:	Rs.
Opening balance of asset	—
(Add): Additions during the yr	—
(Less): Book value of asset sold	—
(Less): closing balance of asset	—
Depreciation	—
	—

Final Account

Kuistma Dutty

Q1. The following Trail Balance extracted from the books of a Merchant Mr. Nageswara Rao on 31st March, 2012.

Particulars	Dr (Rs)	Cr(Rs)
Furniture and Fittings	640	
Motor Vehicles	6,250	
Buildings	7,500	
Capital		12,500
Bad Debts	125	
Provision for Doubtful Debts	3,800	200
Sundry Debtors and Creditors	3,460	2,500
Stock as on 1.4.2011	5,475	
Purchases and Sales		15,450
Bank Overdraft	200	2,850
Sales and Purchases Returns	450	125
Advertising	118	
Interest on Bank Overdraft		375
Commission	650	
Cash Rates and Insurance Premium	782	
General Expenses	1,250	
Salaries	3,300	
	34,000	34,000

Adjustments:

- (a). Stock on hand on 31st March 2012 was Rs 3,250.
- (b). Depreciation on Building @5% p.a; Furniture @10% p.a and Motor Vehicles @ 20% p.a.
- (c). Rs 85 is due for interest on Bank Overdraft.
- (d). Salaries Rs 300 and Taxes Rs 200 are outstanding.
- (e). Insurance premium amounting Rs 100 pre-paid.
- (f). One-third of the commission received is in respect of work to be done next year.
- (g). Write-off a further sum of Rs100 as bad debts from debtors and create provision for doubtful debts @5% on debtors.

Prepare a Trading and Profit and Loss account for the year ending 31st March, 2012 and the Balance Sheet as on 31st March, 2012.

Q2. The following is the Trial Balance of Mr. Wise as at 31st March, 2012.

Debit Balance	Rs	Credit	Rs
Plant and Machinery	2,00,000	Creditors	1,00,000
Furniture and Fixture	1,00,000	Bills payables	5,600
Stock as on 1.4.2011	75,000	Loan from ICICI Bank	4,000
Debtors	2,05,000	Capital account	5,00,000
Bills Receivables	10,000	Sales	6,30,000
12% Investments (purchased on 1.7.2011)	50,000	Purchases returns	5,000
	5,000	Discount earned	1,000
Cash-in-hand	10,000	Bad debts recovery	3,500

Cash-at-bank	10,000	Interest	3,000
Drawings	5,25,000		
Purchases	10,000		
Sales Returns	5,000		
Carriage Inwards	2,000		
Carriage Outwards	3,000		
Rent	3,600		
Insurance	13,200		
Office and Administrative Expenses	2,000		
Discount allowed	5,000		
Dad debts	2,500		
Interest	15,800		
Selling and Distribution expenses	12,52,100		12,52,100

Additional Information:

- (a). Closing stock as on 31st March, 2012 was Rs 42,000.
 - (b). Rent is payable at the rate of Rs 300 per month.
 - (c). Insurance Premium was paid for the year ending on 30th June 2012.
 - (d). Write off further Rs 5,000 as bad.
 - (e). Create a provision for doubtful debts @10%.
 - (f). Create provision for discount on debtors @2%.
 - (g). Create a reserve for discount on creditors @2%.
 - (h). Provide for depreciation on Plant & Machinery and Furniture & Fixture @10% p.a.
- Prepare Trading and Profit and Loss Account for the year ending on 31st March, 2012 and a Balance Sheet as at 31st March, 2012.

Q3. Following is the trial balance of Mr. Rajeev Kapur as on 31st December, 2011:

Debit Balance	Rs	Credit Balance	Rs
Rajeev's Drawing	6,480	Rajeev's Capital	90,000
Land and Building	25,000	Provision for Bad debts	2,470
Plant and Machinery	14,270	Sales	91,230
Furniture and Fixtures	1,250	Discount received	190
Carriage inwards	4,370	Purchase returns	8,460
Manufacturing wages	21,470	Sundry Creditors	12,100
Salaries	4,670	Apprentice premium(paid by an apprentice in factory)	500
Sales returns	1,760	Bills Payable	1,000
Bank charges	40	8% Loan	10,000
Coal, Gas and Water	720		
Rates and Taxes	440		
Sales Tax	400		
Purchases	52,160		
Bills Receivables	1,270		
Trade expenses	1,990		
Office expense	1,000		
Sundry Debtors	37,800		
Stock (1.1.2011)	26,420		
Fire Insurance	490		
Cash -at-Bank	13,000		
Cash-in-Hand	850		
Bad Debts	100		
	2,15,950		2,15,950

You are required to prepare the Trading and Profit & Loss A/c for the year ended 31st December, 2010 and the Balance Sheet as on that date after taken into consideration the following adjustments:
The value of stock as on 31st December, 2011 was Rs 29,390.

You are required to prepare the Trading and Profit & Loss a/c for the year ended 31st December, 2010 and the Balance Sheet as on that date after taken into consideration the following adjustments:

- ✓ 1. The value of stock as on 31st December, 2011 was Rs 29,390.
- ✓ 2. Wages outstanding amounting Rs 500 and carry forward the following unexpired amounts:
Rates and Taxes Rs 240; Fire Insurance Rs 125; and Apprentice Premium Rs 400.
- ✓ 3. Further Bad Debts Rs 800. Make a provision of 5% on the sundry debtors for bad debts.
- ✓ 4. Create a provision for discount on debtors and creditors at 5%.
- ✓ 5. Charge depreciation on land and building at 2.5%; on plant and machinery at 10% and on furniture and fixtures at

Q4. The following are the balances of Shri Ram Madan as on 31st March, 2012:

Debit Balance	Rs	Credit Balance	Rs
Cash in hand	540	Sales ✓	98,780
Cash at bank	2,630	Returns Outwards	500
Purchases ✓	40,675	Capital	71,000
Return inwards	680	Sundry creditors	6,300
Wages	10,480	Bills payables	10,500
Fuel and Power ✓	4,730	Commission	1,000
Carriage on Sales	3,200	Dividends	1,500
Carriage on Purchases ✓	2,040	Rent from tenants	650
Stock (1.4.2011) ✓	5,760	Interest on investment	600
Postage and Telegram	250	Bank Overdraft	10,000
Audit fees	400		
Legal expenses	500		
Buildings	30,000		
Freehold Property	10,000		
Machinery	20,000		
Patents	7,500		
Salaries	15,000		
General Expenses	3,000		
Insurance	1,200		
Drawings	5,245		
Sundry debtors	14,500		
Bills receivables	12,000		
Bad debts	500		
12% Investment	10,000		
	2,00,830		2,00,830

Taking into account the following adjustment, prepare the trading and profit and loss account and balance sheet as on 31st March, 2012:

- (a) Stock in hand on 31st March, 2012 is Rs 6,800.
- (b) Wages include a sum of Rs 2,000 spent on the erection of cycle-shed for employees and customers.
- (c) Salaries for the month of March 2012 amounting to Rs 1,500 were unpaid.
- (d) Insurance includes a premium of Rs 170 on a policy expiring on 30th September, 2012.
- (e) Sundry Debtors included a sum of Rs 4,000 in respect of one debtor who has become insolvent and 70 paise in a rupee was realizable from him. *fBD*
- (f) A provision for doubtful debts to be created to the extent of 5% on sundry debtors.
- (g) Machinery is to be depreciated at the rate of 10% and patents at the rate of 20%. *& need build 10%*
- (h) Goods worth Rs 500 are withdrawn by the proprietor for his personal use.
- (i) Provide manager's commission @10% on the net profit after charging such commission.

Q5. The following is the Trial Balance of Chandra Traders on 31st March, 2012.

Particulars	Debit (Rs)	Credit (Rs)
Stock (1.4.2011)	16,000	
Purchases / Sales	2,12,000	3,15,000
Returns	3,000	1,800
Debtors / Creditors	81,000	16,100
Goodwill	17,000	
Bills Receivables / Bills Payables	8,000	3,900
Plant and Machinery	70,000	
Drawings / Capital	48,000	2,95,000
Motor Car	2,30,000	
Reserve for Doubtful Debts		7,200
Bank overdraft		21,750
Interest on Bank Overdraft	1,200	
Freehold Property	2,13,000	
Fire Insurance Premium	2,400	
Bad Debts	1,200	
Carriage on Sales	1,350	
Carriage on Purchases	2,350	
Establishment Expenses	3,800	
Furniture and Fixtures	11,000	
Wages	10,000	
Custom Duty	1,100	
Donation (Charity)	3,100	
12.5% Loan from CBI		3,00,000
Interest on loan	18,750	
Cash in hand	5,500	
Income Tax	1,000	
	9,60,750	9,60,750

Prepare Trading and Profit & Loss Account and Balance Sheet as at 31st March, 2012 after considering the following adjustments:

- (i). Value of goods on hand at the end of the year was Rs 20,000.
- (ii). Wages outstanding at Rs 1,000 and prepaid insurance Rs 600.
- (iii). Goods costing Rs 5,000 were destroyed by fire and insurance claim was received for Rs 4,000.
- (iv). Write off Rs 1,400 as Bad Debts.
- (v). Reserve for Doubtful Debts to be maintained @ 2.5% on debtors.
- (vi). Create provision for discount on Debtors @5%.
- (vii). Depreciate Plant and Machinery @10% p.a and Motor Car @5% p.a.
- (viii). Interest on Bank Overdraft was outstanding Rs 300.
- (ix). Manager's commission to be provided @ 10 % p.a on Net Profits before charging his commission.

✓ + 10%
1/2