

## Accounting

\* **Accounting:-** Accounting has been defined as the art of summarising, classifying and recording in significant manner, and in terms of money. It makes possible to determine profit and loss of the business of a life.

\* **Debit:-** The process by which a firm or person receives benefit from another person or firm is called debit and the receiver of benefit is called debtor.

**Creditors:-** The process by which a person or firm gives benefit to another person or firm is called credit, and the given of the benefit is known as creditor.

\* **Transaction:-** The events which alter the financial position is called transaction.

Brought a computer TK- 50000/-

**Characteristics of transaction:-**

- (i) Event must be measurable in terms of money.
- (ii) Financial change must be brought by the event.
- (iii) There must have two accounts or parties in each.

transaction.

- (iv) Three elements must be involved such as asset, capital, Liability.
- (v) Transaction must be independent.
- (vi) It has also some invisible event.
- (vii) It have historical events.

\* Accounting cycle :- The order or sequences process by which accounting procedures are performed is known as accounting cycle.

There are five steps:-

- (i) Recording :- Recording the transaction in the journal of book of original entry.
- (ii) Classifying :- Transferring the entries from the journals to the ledger.
- (iii) Summarising :- preparing a trial balance from the debit and credit balance of ledger accounts.
- (iv) Preparing financial statements :- By three accounts such as (a) preparing the trading account (b) profit and loss account (c) the balance sheet also taking into account all adjustments affecting the periodic concerned.

(v) Analysis and interpreting: Giving requisite information to the interested group by calculating accounting ratios by interpreting the performance of the company concerned.

The accounting cycle is a continuous process and its continuity is maintained by an opening entry at the beginning of a year.

\* Accounting equation: The debit and credit sides of an account the increases and decreases are shown in accounting equation.

$$\therefore \text{Asset} = \text{Liability} + \text{owner's equity}$$

Account: The record of each individual classification is called an account.

Classification of account:

(i) personal account: Accounts related to persons of firm are known as personal accounts. For example, Rahim's accounts, debitor, creditor.

(ii) Real or asset account: Accounts related to property or possessions are known as real or asset accounts. For example cash account, building, furniture.

goodwill, investments etc are real accounts.

(iii) Nominal account: Accounts related to gains and incomes or expenses and losses of business are known as nominal accounts. For example purchase account, sell account, interest account, depreciation, rent, advertisements etc are nominal accounts.

### Principles of accounting:-

- (i) Historical cost principle
- (ii) Revenue - recognition principle
- (iii) Matching principle
- (iv) Full disclosure principle.

### Assumptions of accounting:-

- (i) Economic entity assumption
- (ii) Going concern assumption
- (iii) Monetary value assumption
- (iv) Periodicity assumption.

### Limitations of accounting:-

- (i) Cost - benefit relationship
- (ii) Materiality
- (iii) Industrial practice
- (iv) Conservatism

## Rules of making journal:

(i) personal account:- Receiver of benefit — debit  
given of benefit — credit

(ii) Asset / real account: Asset increase — debit  
Asset decrease — credit

(iii) Nominal account: Expanse increase — debit  
Expanse decrease — credit

Revenue increase — credit

Revenue decrease — debit

(iv) Liability account: Liability increase — credit  
Liability decrease — debit

Journal:- A journal means a daily register containing a complete record of every day transactions.

It is a place where transaction chronologically enter.

\* Preparing a journal from the following transactions:

- Jan 1: Mr. X started business with cash Tk. 75000/-  
" 2: purchased office furniture for cash Tk 15000/-  
" 4: " goods for cash Tk 10000/- from Mr. Y  
" 5: " goods from Mr. Roney Tk 5000/-  
" 7: sold goods to Mr. Hanif Tk 5000/-  
" 8: " " for cash Tk 500/-  
" 10: paid for stationery Tk 500/-  
" 14: Rent paid Tk 1200/- by cheque.  
" 15: Interest received Tk 700/-  
" 16: Received from Ali Tk 4500/- on account.  
" 17: paid salaries Tk 27500/-  
" 18: sold goods on credit to Ali Tk 2555/-  
" 19: Received interest on investment Tk 2000/-  
" 20: Bought office furniture from bills credit for Tk 12000/-

\* Journal:

Date	particulars	Ref	Dr	Credit
01.01.2006	Cash A/c To Mr. X Capital A/c (Mr. X bought capital)		75000/-	75000/-

Date	Particulars	Ref	Dr	Credit
02.01.06	Furniture A/c to Cash A/c (Purchase furniture)	-	15000/-	15000/-
04.01.06	Purchase A/c to Cash A/c (Goods purchase for cash)	-	10000/-	10000/-
07.01.06	Mu. Hanif A/c to Sales A/c	-	5000/-	5000/-
08.01.06	Cash A/c Dr to Sales A/c	-	500/-	500/-
13.01.06	Stationery A/c Dr to Cash A/c	-	5000/-	5000/-
14.01.06	Rent A/c Dr to Bank A/c (Rent paid by cheque)	-	1200/-	1200/-
15.01.06	Cash A/c Dr to Interest A/c	-	200/-	200/-
16.01.06	Cash A/c Dr to Ali'n A/c	-	4500/-	4500/-

Date	particulars	Ref	Dr	Credit
17.01.06	salary A/c Dr to cash A/c	-	87500t	87500t
18.01.06	ALi's A/c Dr to sales A/c	-	2555t	2555t
19.01.06	cash A/c Dr to interest on investment A/c	-	2000t	2000t
20.01.06	office furniture A/c Dr to Bills A/c	-	12000t	12000t
05.01.06	purchase A/c Dr to Mr. Rony's A/c	-	5000t	5000t

\* Journalise the following transactions:-

on 1st june Mr. X started business with a capital of tk 15000t, During this month he performed the following transactions:-

June 2: purchased furniture tk 4000t

" 3: opened a bank account with tk 5000t

" 4: purchased goods for cash tk 2500t

" 13: sales for cash tk 3000t

- June 19: withdrawn from bank tk 1300t  
 " 24: purchased goods from Abedin and co tk 1800t  
 " 28: Received cheque from Zonayed tk 1600t  
 " 30: paid house rent by cheque tk 2200t  
 " 26: paid for conveyence tk 200t.

Journal:

Date	particulars	Ref	Dr	Credit
01.06.06	Cash A/c Dr to capital A/c (cash brought in as Capital)	-	15000t	
02.06.06	Furniture A/c Dr to cash A/c (purchase furn. by cash)	-	4000t	4000t
03.06.06	Bank A/c Dr to cash A/c (opening a bank a/c with cash)	-	5000t	5000t
04.06.06	Purchase A/c Dr to cash A/c (cash purchase)	-	2500t	2500t
13.06.06	Cash A/c Dr to Sales A/c (for cash sales)	-	3000t	3000t
19.06.06	Cash A/c Dr to Bank A/c (withdrawn cash from Bank)	-	1300t	1300t

Date	particulars	Ref	Dr	Credit
24.06.06	Purchase A/c Dr to abedin & co. A/c (For credit purchase)	-	1800t	1800t
26.06.06	Conveyance A/c Dr to cash A/c (Conveyance paid as cash)	-	200t	200t
28.06.06	Cash A/c Dr to Zoonayed A/c (Receive cheque from Zoonay)	-	1600t	1600t
30.06.06	House rent A/c Dr to Bank A/c (paid rent by cheque)	-	2200t	2200t

### \* Transactions:

Feb -01:- Mr. X started business with cash TK 100000t  
 (credit) (Debit)

Feb -02:- purchased furniture for cash TK 20000t  
 (debit) (credit)

" 03: " 10000 Computer for cash TK 30000t  
 (debit) (credit)

" 04:- purchased goods TK 10000 on credit from Mr. X  
 (debit) (credit)

- Feb 05: sold goods to Mr. Ali tk 8000 on credit  
(credit)                                  (debit)
- " 06: sold " for cash tk 15000  
(credit)                                  (debit)
- " 07: paid salary for cash tk 5000  
(debit)                                  (credit)
- " 08: cash received from Mr. Y tk 5000  
(debit)                                  (credit)
- " 09: paid Mr. X tk 10000 for cash  
(debit)                                  (credit)
- " 10: opened a current account on bank tk 50000  
cash    (debit)  
(credit)    (debit)
- " 11: purchased goods from Mr. Roy tk 15000  
(debit)                                  (credit)
- " 12: sold goods to Mr. Y for cash tk 30000  
(credit)                                  (debit)
- " 13: sold goods to Mr. Habib tk 15000  
(credit)                                  (debit)  
(debit)    (debit)

- Feb 14:- Goods return to Mr. Roy tk 500  
(credit)      (debit)
- " 16: salary paid by cheque tk 10000  
(debit)      (credit)
- " 17: Rent paid by tk 5000 cash  
(debit)      (credit)
- " 18: commission received tk 500 cash  
(credit)      (debit)
- " 19: discount allowed to Mr. X cash tk 500  
(debit)      (credit)
- " 20: Bought goods work for cash tk 10000  
(debit)      (credit)
- " 21: paid X tk 12000 on account cash  
(debit)      (credit)
- " 22: Received interest from Y tk 1200  
(credit)      (debit)
- " 23: paid tk 5000 into bank from office cash  
(debit)      (credit)
- " 24: paid for office stationary tk 1000 cash  
(debit)      (credit)
- " 25: Received interest on investments tk 2000 cash  
(debit)      (credit)

## Ledger account

Ledger: ledger is the destination of all entries made in subsidiary or journal.

Ledger has two sides: 1. Debit sides  
2. Credit sides

Balance: Balance is the difference between debit and credit in ledger account.

Difference between ledger and journal:

Journal	Ledger
(i) Transactions are entered first in the journal for the systematic analysis of their two fold aspect.	(i) Transactions are analysed chronologically in journal and classified and transferred for permanent record in ledger.
(ii) It is a subsidiary book.	(ii) It is a personal book.
(iii) Journal is called book of original entry.	(iii) Ledger is called King of all books.
(iv) In journal transactions are recorded chronologically immediately after their occurrence.	(iv) In ledger a condensed and classified records of transactions are maintained.

## \* structure of ledger account:

Date	particulars	Ref	Dr. Amount	Date	particulars	Ref	Credit Amount

Total debit > total credit = debit balance

Total debit < total credit = credit balance

Total debit = total credit = nil balance

\* Mr. Habib started business with a capital of Tk 9000/- on June 3, 2006. He had the following transactions:

June 1: deposit into bank Tk 4000/-

" 4: purchased goods for cash Tk 2500/-

" 5: sold goods for cash Tk 3500/-

" 7: purchased from Abdin & Co Tk 2000/-

" 9: paid salary Tk 800/-

" 12: purchased furniture Tk 5000/-

" 15: sold goods to Mr. Habib Hafiz 1300/-

" 19: Received cheque from Mr. Habib Hafiz 1100/-

Transfer above transactions to Mr. Habib's ledger book.

Soln:-

journal book

Amount	Date	particulars	Ref	Dr	C/C
	00.06.06	Cash A/c Dr to Mr. Habib's capital A/c	-	9000/-	9000/-
	01.06.06	Bank A/c Dr to Cash A/c	-	4000/-	4000/-
	04.06.06	Purchase A/c Dr to Cash A/c	-	2500/-	2500/-
	05.06.06	Cash sales A/c Dr to Sales A/c	-	3500/-	3500/-
	07.06.06	Purchase A/c Dr to Z.Abedin A/c	-	2000/-	2000/-
	09.06.06	Salary A/c Dr to Cash A/c	-	700/-	700/-
	12.06.06	Purchase furniture A/c Dr to cash A/c	-	5000/-	5000/-
	15.06.06	Mr. Hafiz A/c Dr to sales A/c	-	1300/-	1300/-
	19.06.06	Cash A/c Dr to Mr. Hafiz A/c	-	1100/-	1100/-

ledgers book

MII. Habib's capital ledgers:

Date	Explanation	Ref	Dr(Tk)	Crc(Tk)	Balance(Tk)
00.06.06	by cash Acc	-	9000t	9000t	9000t

Cash Account ledgers:

Date	Explanation	Ref	Dr(Tk)	Crc(Tk)	Balance
00.06.06	To Capital Acc	-	9000t	-	9000t
01.06.06	by Bank Acc	-	-	4000t	5000t
04.06.06	by purchase Acc	-	-	2500t	2500t
05.06.06	To sales Acc	-	3500	-	6000t
09.06.06	by salary Acc	-	-	700t	5300t
12.06.06	By furniture Acc	-	-	5000t	300t
19.06.06	To MII Hafiz Acc	-	1100	-	1400t

Bank Account ledgers:

Date	Explanation	Ref	Dr(Tk)	Crc(Tk)	Balance
01.06.06	By To Cash Acc	-	4000t	-	4000t

### Purchase Account ledger:-

Date	Explanation	Ref	Dr	Credit	Balance
07.06.06	To abedin & co Acc	-	2000t	-	2000t
12.06.06	To Cash Acc	-	2500t	-	4500t

### Sales Account ledger:-

Date	Explanation	Ref	Dr	Credit	Balance
05.06.06	by Cash Acc	-	-	3500t	3500t
15.06.06	by Mr Hafiz Acc	-	-	1300t	2200t

### Abedin and co. Acc. ledger:-

Date	Explanation	Ref	Dr	Credit	Balance
07.06.06	By purchase Acc	-	-	2000t	2000t

### salary Account ledger:-

Date	Explanation	Ref	Dr	Credit	Balance
09.06.06	To cash Acc.	-	700t	-	700t

### Furniture Account ledger:-

Date	Explanation	Ref	Dr	Credit	Balance
12.06.06	To Cash Acc.	-	5000t	-	5000t

M. Hafiz account ledger:-

Date	Explanation	Ref	Dr	Credit	Balance
15.06.06	To sales acc	13001	—	1300	1300
19.06.06	By cash Acc	12002	—	1100	200

### Trial balance

balance	Accounts	L.F	Dr	Credit
300t	Cash		x	
.00t	Furniture		x	
	Land		x	
	salary			x
	sales			x

~~X~~ creating a trial balance:

Accounts	L.F	Dr	Credit
opening stock	-	41500t	-
purchase	-	110000t	-
Drawings	-	2000t	-
sales return	-	600t	-
wages	-	5400t	-
salaries	-	9000t	-
Travelling	-	1050t	-
Rent, rates and taxes	-	2400t	-
purchase return	-		15000t
interest paid	-	1200t	-
discount allowed	-	800t	-
insurance charge	-	600t	-

Accounts	L.F	DR	CR
Bad debts	-	600f	-
Sales	-	-	18000f
Sundry debtors	-	14000f	-
Fixed asset	-	35,000f	-
Creditors	-	-	6250f
Cash	-	6200f	-
General expenses	-	1200f	-
Advertisement	-	1000f	-
Capital	-	1000f	8750f <i>Total balance</i>
Investment	-	1000f	100f <i>Excess</i>
Bank overdraft	-	1000f	5000f <i>Deficit</i>
Commission received	-	1000f	100f <i>Excess</i>
		= 272350f	= 272350f

\* From the following balances of account prepare a trial balance as at 31st July 2014

Accounts	Amount
Capital	8950f
Drawings	1000f
Stock (1.07.2013)	3700f
Purchases	23125f

Sales		39400/-
Motor vehicles		1450/-
Cash in hand		135/-
sundry creditors		4976/-
sundry debtors	10000/-	13980/-
Bank overdraft		900/-
wages and salaries	10000/-	6200/-
lighting and heating	1000/-	315/-
equipment	10000/-	3500/-
Carriage outwards	1000/-	23/-
return inwards	1000/-	205/-
provision for bad debts	-	425/-
return outwards	-	316/-
discount allowed	1000/-	280/-
discount received	1000/-	315/-
rent, rates,	1000/-	112/-

AOI :-

Accounts	L.F	Dr	Cr
capital	-		8950/-
Drawings	-	1000/-	
stock (01.07.2013)	-	3700/-	
purchases	-	23125/-	-

Sales	2180	-	39400/-
Motor vehicles	1021	1450/-	-
Cash in hand	4281	-	135/-
Sundry creditors	1071	-	4976/-
Sundry debtors	107201	13970/-	-
Bank overdraft	1502	-	900/-
Wages and salaries	1020	6200/-	-
Lighting and heating	1012	315/-	-
Equipment	1000	3500/-	-
Carriage outwards	102	231/-	-
return inwards	1002	205/-	205/-
provision for bad debts	1021	-	425/-
return outwards	1010	-	316/-
Discount allowed	1080	280/-	-
" receive	1010	-	315/-
Rent, rates, insur	1031	1121	-
		= 55232/-	= 55232/-

a)  $\frac{1}{10} \times 55232 = 5523.2$   
 b)  $(10.5\% \times 10) \times 55232 = 55232$

\* From the following balances prepare a trial balance.

Accounts	Amount
Building	80000/-
Salaries	9000/-
Purchases	160000/-
Carriage	900/-
Discount received	300/-
Apprenticeship premium	1200/-
Bill receivable	300/-
Capital	150000/-
Sales return	1700/-
Cash at bank	7000/-

Accounts	Amount
Plant and machinery	60000/-
Bad debts	1240/-
Sales	295000/-
Discount on purchase	1500/-
Opening stock	35000/-
Sundry debtors	35000/-
Sundry creditors	22000/-
Purchase return	1400/-
Closing stock	21700/-
Cash in hand	4760/-

Dr. side debit from standard total A Cr. side credit total X

501<sup>no</sup>:

Account	L.F	D.R	C.R
Building	-	80000/-	-
Salaries	-	9000/-	-
Purchases	-	160000/-	-
Carriage	-	900/-	-
Discount received	-	-	300/-
Apprenticeship premium	-	-	1200/-

Bills receivable	-	300ft	-
Capital	-	-	15000ft
Sales return	-	1800ft	-
Cash at bank	-	8000ft	-
Plant & machinery	-	6000ft	-
Bad debts	-	1240ft	-
Sales	-	-	29500ft
Discount on purchase	-	-	1500ft
Opening stock	-	35000ft	-
Trade debtors	-	30000ft	-
Trade creditors	-	10081	22000ft
Purchase return	-	1008	1400ft
Cash in hand	-	4760ft	4760ft

\* Trial balance:- A trial balance may thus be defined as a statement of a debit and credit balances extracted from the ledger with a view to testing the arithmetical accuracy of the books.

Explanation:- Under double entry system every debit entry there is a corresponding credit entry of the same amount. Consequently the total amount of all debit entries should be equal to the total of all credit entries. In order to verify whether the two total

are equal, a statement is prepared, periodically showing the debit items in one column and the credit items in another column. This statement is called the trial balance.

trial balance

## Financial statements

\* Financial statements:- To determine the final result of a business after a particular time, some accounts are made, which are called financial statements.

Requirement:- To make financial statements we need three accounts such as,

- (i) Trading account/nominal account.
- (ii) Profit and loss account.
- (iii) Balance sheet.

Trading account:- Trading account includes direct expense/cost and direct income.

Name

Trading account

For the year ended 31st dec, 2013

particulars	amount	particulars	amount
opening stock	**	sales — **	
purchase — **		(-) return - **	**
(-) return — **	**	closing stock	**
wages	**		
carriage in	**		
import duty	**		
factory rent	**		
gross profit	**		**

Profit and loss account: It includes indirect cost/expenses and indirect income/periodic expenses/periodic income.

### Profit and loss account

Particulars	amount	particulars	amount
Carriage outwards	**	Gross profit	**
salary - **		Discount received	**
Advance - **		Interest received	**
<u>                </u>	<u>**</u>	Commission received	**
(+) unpaid - **	**		***
Rent	**		
insurance premium	**		
Discount allowed	**		
Commission allowed	**		
Interest	**		
Depreciation cost	**		
Machinery - **			
Furniture - **			
building - **	**		
Bad debts - **			
(+) provision for bad debts - **	**		
<u>                </u>	<u>**</u>		
Net profit	***		
Legal charges	***		

Balance sheet: - Balance sheet includes asset, capital and liability.

Capital & Liabilities	Amount	Assets	amount
Capital - **		Cash	**
(+) net profit - **		Bank	**
	**	Investment	**
(-) with draw - **		Sundry debtors	**
	**	Closing stock	**
(-) income tax - **	***	Bill receivable	**
Bank Loan	**	Furniture	**
Creditors	**	Machinery	**
Unpaid Loan	**	Motor, car, bus	**
Sundry creditors	**	Land, building	**
Loans	**	Good will	**
Bank overdraft	***	Prepaid expenses	**
Outstanding liabilities	***		***
	***		

\* prepare trading and profit and loss account and balance sheet of Raju and son's at 31st Dec. 2013 from the following trial balance and addition information.

Trial balance

particulars	L.F	DN	CR
opening stock	10000/-	50000/-	
purchases		125000/-	
Bills receivable		132000/-	10000/-
Sales	10000/-		260000/-
Sales return	10000/-	2000/-	1200/-
Purchase "		3000/- (allow)	250/- (receive)
Discount received	1000/-	500/-	
Carriage outwards		10000/-	
Salaries		12000/-	
Insurance		3000/-	
Rent		45000/-	
Sundry debtors			30000/-
Sundry creditors		900/-	
Income tax		5000/-	
Cash and bank			

particulars	LF	Dr	Credit
Furniture and fittings		5000/-	
Bad debts		2000/-	
Plant and machinery		80000/-	
Freight and duty		1500/-	
wages		15000/-	
provision for bad debts			1750/-
Capital			81400/-
Drawings		5000/-	
	364600/-		364600/-

additional information: 1. Stock on 31st dec 2013 as valued tk 60000/-.

2. The provision for bad debts is to be maintained at 5% on sandy debtors.
3. The total bad debts to be written off during the year will be tk 3200/-.
4. Outstanding liabilities: (a) salaries - 2000/-  
 (b) wages - 3000/-

5. Rent and insurance paid during the year were  
for 15 and 18 months respectively.
6. Depreciate (a) Furniture and fittings 5%.  
(b) plant and machinery 10%.

Sol<sup>n</sup>:

Raju and son's  
Trading Account  
For the year ended 31st Dec, 2013

particulars	amount	particulars	amount
opening stock	50000/-	sales - 260000/-	
purchases - 125000/-		(-) return - 2000/-	258000/-
(+) return - 1200/-	123800/-	closing stock	60000/-
Freight and duty	1500/-		
wages - 15000/-			
(+) outstanding - 3000/-	18000/-		
Gross profit -	124700/-		
	318000/-		318000/-

profit and loss account			
particulars	amount	particulars	amount
Carriage outwards	500/-	Gross profit b/d	12480/-
Discount allowed	300/-	Discount received	250/-
Salaries - 10000/-			
(+) outstanding - 2000/-	12000/-		
Rent - 3000/-			
(-) advance - 600/-	2400/-		
Insurance - 1200/-			
(-) advance - 400/-	800/-		
Furniture & fittings - 250/-			
Plant & machinery - 8000/-	8250/-		
Bad debts - 3200/-			
(+) PBD New - 2190/-	5390/-		
(+3800/- at 5%)			
(-) existing - 1750	3640		
NET profit -	97060/-		
			124950/-

Balance sheet

L+E	amount	Asset	amount
capital - 71400/-		Furniture & fitting - 5000/-	
(+) Net profit - 97060/-		(-) Depreciation - 250/-	4750/-
	168460/-		
(-) withdraw - 5000/-		Plant and mach - 8000/-	
	163460/-	(-) Dep - 800/-	7200/-
(-) Income tax - 900/-	162560/-	Bills receivable	13200/-
Sundry creditors - 3000/-		Sundry debtors - 4500/-	
unpaid:-		(-) Bad debts - 1200/-	
salary - 3000/-			43800/-
wages - 2000/-	5000/-	(-) PBD - 2190/-	41160/-
		Closing stock -	60000/-
		Cash and bank -	5000/-
		Advances:-	
		Rent - 600/-	
		Insurance - 400/-	1000/-
	197560/-		

\* From the following trial balance prepare a trading account, profit and loss account and a balance sheet for the year ended 31st Dec 2005.

Soln:-

### Trial balance

particulars	amount	particulars	amount
Drawings	3000/-	Sundry creditors	17000/-
Buildings	50000/-	Loan	10000/-
Furniture	1000/-	Discount received	500/-
Stock (1.01.2005)	15000/-	Interest	500/-
Sundry debtors	18000/-	Return outwards	500/-
Cash at bank	5000/-	Sales	80500/-
Purchases	55,500/-	Capital	88000/-
Wages	5500/-		
Carriage inwards	1500/-		
Rent	2000/-		
Salaries	3500/-		
Insurance	1000/-		
Return inwards	1000/-		
Bad debt	500/-		
Commission allowed	500/-		
Good will	15,000/-		
Investment	10000/-		
	<hr/>		<hr/>
	197000/-		197000/-

- Adjustment:- (i) closing stock was valued at 30,500t  
 (ii) salaries outstanding tk 1500t and insurance prepaid 500tK.  
 (iii) Make a reserve for bad debts 5% on s/ debtors.  
 (iv) Depreciate furniture by 10% and building by 5%.

Trading account

particulars	amount	particulars	amount
opening stock -	15000t	sales - 80500t	
purchases - 55500t		(-) return inwards - 1000	79500t
return outwards - 500t	55000t	closing stock -	30500t
wages -	5500t		
carriage inwards	1500t		
Gross profit	33000t		
	110000t		110000t

### Profit and loss account

Particulars	amount	particulars	amount
Rent	2000/-	Gross profit b/d	33000/-
Salaries - 3500/-		Discount received	500/-
(+) outstanding - 1500/-	5000/-	Interest "	500/-
Insurance - 1000/-			
(-) Prepaid - 500/-	500/-		
Commission allowed	500/-		
Bad debts - 500/-			
(+) Reserve - 900/-	1400/-		
Depreciation:-			
Furniture - 1000/-			
Building - 2500/-	3500/-		
Net profit -	21100/-		
	<hr/>		<hr/>
10000/-	34000/-	10000/-	34000/-

## Balance sheet

Particulars	amount	Assets	amount
Capital - 88000/-		Sundry debtors - 18000/-	
(+) Net profit - 21000/-		(-) Bad debts - 900/-	<u>17100/-</u>
<u>1,09100/-</u>		Cash at bank -	5000/-
(-) Drawings - 3000/-	106100/-	Closing stock -	30500/-
Sundry creditors -	17000/-	Investment	10000/-
Loan	10000/-	Prepaid	500/-
Outstanding -	1500/-	Furniture -	10000/-
		(-) Depreciation - 1000/-	<u>9000/-</u>
		Building -	50000/-
		(-) Depreciation - 2500/-	<u>47500/-</u>
		Good will -	15000/-
	<u>134600/-</u>		<u>134600/-</u>

\* From the following trial balance of M/S Robin & Sons prepare the trading account and profit and loss account for the year ended 31st Dec 2013 and a balance sheet as at that date:

Trial balance

particulars	amount	particulars	amount
Drawings	2000/-	Capital	25000/-
Machinery	10000/-	S/ Creditors	12000/-
Furniture & fittings	2400/-	Bank overdraft	5000/-
Stock (01.01.2013)	10500/-	Bill payable	1000/-
10% investments	5000/-	Sales	59000/-
S/ debtors	30000/-	Discount received	1000/-
Bills receivable	1500/-	Commission "	750
Purchases	36500/-	Reserve for bad debt	800/-
General expenses	2200/-	Return outwards	700/-
Rent	750/-		
Legal charges	500/-		
Printing & stationary	450/-		
Interest on overdraft	300/-		
Return inwards	500/-		
Carriage in	800/-		
Carriage out	300/-		
Cash in hand	50		
Wages	1500/-		
			105250/-

- Adjustments:
- (i) closing stock was valued at 15000/-
  - (ii) Rent 200/- paid in advance.
  - (iii) The bad debts reserve is to be increased at 5% on sandy debtors.
  - (iv) Depreciation: Furniture and fittings by 20%, and machinery at 10%.

Soln:-

M/s Robin & Son's

Trading Account

For the year ended 31st dec, 2013

particulars	amount	particulars	amount
opening stock	10500/-	Sales - 59000/-	
purchases - 36500/-		(+) return in - 500/-	58500/-
(-) return out - 800/-	35800/-	closing stock -	15000/-
carriage inwards	800/-		
wages	1500/-		
Gross profit -	24900/-		
	73500/-		73500/-

## Profit and loss account

particulars	amount	particulars	amount
Carriage outwards -	300/-	Gross profit b/d	24900/-
Rent - 750/-		Discount	1000/-
↪ advance - 200/-	550/-	Commission	750/-
Interest on overdraft	300/-		
General expenses -	2200/-		
Legal charges -	500/-		
Printing and stationery.	450/-		
Reserve for bad debts	700/-		
(1500 - 800) t			
Depreciation:			
Furniture & fittings - 480/-			
Machinery - 1000/-	1480/-		
Net profit -	20180/-		
	26650/-		26650/-

Balance sheet

particulars (L+E)	amount	particulars (Asset)	amount
Capital - 25000/-		Machinery - 10000/-	
(+) Net profit - 20170/-		(-) Dep - 1000/-	9000/-
<u>45170/-</u>			
Drawings - 2000/-	43170/-	Furniture & fittings - 2400/-	
Bank overdraft	5000/-	(-) DRP - 480/-	1920/-
Bill payable -	1000/-	10% investment	5000/-
S/creditors -	12000/-	Bills receivable -	1500/-
		Cash in hand -	50/-
		S/ debtors - 30000/-	
		(-) R. for bad debts - 1500/-	28500/-
	<u>61170/-</u>	Closing stock -	15000/-
		Advance -	200/-
			<u>61170/-</u>