

Final Accounts (Financial Statements) of Partnership Firm

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1. Introduction

Similar to the sole proprietor, the partnership firms also prepare its final accounts from the trial balance with the consideration of the adjustments at the end of the year to know the earned profit or incurred losses as well as the financial status of the business.

In the final accounts of a partnership firm, trading account, profit and loss account, profit and loss appropriation account, partners' capital accounts/current accounts and balance sheets are prepared.

2. Objectives of Final Accounts of Partnership Firm

(1) **To ascertain gross profit or loss** : A partnership firm can ascertain gross profit or loss through the preparation of trading account.

(2) **To ascertain net profit or loss** : A partnership firm can ascertain net profit or loss through the preparation of profit and loss account. The profitability of the firm can be seen from the profit and loss account.

(3) **To ascertain divisible profit or loss** : All personal transactions and provisions of the partners with the firm can be ascertained through the preparation of profit and loss appropriation account.

(4) **To know financial status of the firm** : To know the financial status of the firm balance sheet is prepared. It provides information about assets, receivables, payables and capital of the firm.

(5) **For taxation purpose** : To know the taxable income of the firm final accounts are prepared.

3. Final Accounts of Partnership Firm :

Annual financial statements of the firm are prepared as follows with the consideration of balances recorded in the trial balance at the end of the accounting year and adjustments.

(1) **Trading Account** : Transactions pertaining to receipt and issue of goods, purchase of goods and production related expenses are recorded in the trading account. To ascertain gross profit or loss on the basis of these transactions account which is prepared is known as the trading account.

At the debit side of the trading account opening stock, purchase minus purchase return, as well as outward of goods due to other reason like withdrawal of goods, goods destroyed by fire, goods distributed as sample, goods given for donation are recorded. Purchase expenses like wages, carriage inward, freight and production expenses like factory expenses, rent, taxes, electricity, fuel, coal, gas, royalty, depreciation on plant etc are also disclosed.

At the credit side of trading account sales minus sales return, sale of scrap and closing stock of goods are disclosed.

When trading account is closed and if total of credit side of trading account is more than debit side, difference is shown at debit side which is considered as gross profit. This gross profit is transferred to the credit side of profit and loss account. If total of debit side is more than credit side, difference is shown at credit side which is considered as gross loss. This gross loss is transferred to debit side of profit and loss account.

Specimen of Trading Account

Trading for the period ending on of

Dr				Cr
Particular	Amt. (₹)	Particular	Amt. (₹)	
To Opening stock	✓	By Sales	✓	
To Purchase	✓	Less : Sales return	✓	✓
Less : Purchase return	✓	By Sale of scrap A/c		✓
Less : Outward of goods	✓	By Closing stock		✓
To Purchase expenses :		By Profit and loss A/c (Gross loss)		✓
Wages	✓			
Carriage inward	✓			
Railway Freight	✓			
Transportation cartage	✓			
Port charge	✓			
Demurrage	✓			
Wharfage	✓			
To Production expenses :				
Production wages	✓			
Royalty	✓			
Factory expense (rent, taxes, electricity, fuel, coal, gas)	✓			
Consumable stores (oil, grease)	✓			
To Factory depreciation A/c	✓			
To Plant-machinery depreciation A/c	✓			
To Profit and loss (gross profit)	✓			
	✓			✓

(2) Profit and Loss Account : To ascertain net profit or loss, profit and loss account is prepared. At the debit of profit and loss account, gross loss transferred from trading account, administrative, expenses, sales-distribution expenses, financial expenses, depreciation on assets, sundry expenses and other losses of the firm are shown. While at the credit side, gross profit transferred from the trading account, incomes of business like interest received, rent received, commission received, dividend, brokerage, bad debts return, profit on sale of asset and other incomes are shown.

When profit and loss account is closed and if the total of credit side is more than the debit side, difference is shown at the debit side which is considered as the net profit. This net profit is transferred at the credit side of the profit and loss appropriation account. When the total of debit side is more than the credit side, difference is shown at the credit side, which is considered as the net loss. This net loss is transferred to the debit side of the profit and loss appropriation account.

Specimen of Profit and Loss Account
Profit and Loss Account for the Period Ending on of

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Trading A/c (Gross loss)	✓	By Trading A/c (Gross profit)	✓
To Administrative expenses :		By Incomes :	
Trading expenses	✓	Discount received	✓
Salary, allowances, bonus	✓	Rent received	✓
Rent	✓	Commission received	✓
Insurance Premium	✓	Brokerage received	✓
Taxes	✓	Consignment commission received	✓
Postage	✓	Interest on investment	✓
Printing and Stationery	✓	Interest on loan lent	✓
Legal charges	✓	Bad debts return	✓
Audit fees	✓	Profit on sale of asset	✓
Electricity expense	✓	Sale of old newspapers	✓
Contribution to provident fund		Income from scrap	✓
To Sales-Distribution Expense :	✓	Sundry income	✓
Carriage outward	✓	By Profit and loss appropriation A/c	✓
Salesman salary - commission	✓	(Net loss)	
Advertisement expenses	✓		
Discount allowed	✓		
Discount reserve	✓		
Expenses of show-room	✓		
Godown expense	✓		
Packing expense			
To Financial Expenses :	✓		
Interest on partners' loan	✓		
Interest on bank overdraft	✓		
Interest on borrowed loan	✓		
Bank charges commission	✓		
Manager commission			
To Other Expenses-Loss :	✓		
Donation expense	✓		
office-Assets depreciation			
Bad debts (TB)	✓		
+ Bad debts (Adj.)	✓		
+ Bad debts reserve (Adj.)	✓		
	✓		
Less : Bad debts reserve (TB)	✓		
Loss due to fire	✓		
Loss due to theft	✓		
Loss on sale of asset	✓		
Provision for expense/loss	✓		
To Profit and loss appropriation A/c			
(Net profit)	✓		✓

(3) Profit and Loss Appropriation Account : To disclose the distribution of profit & Loss between the partners, profit and loss appropriation account is prepared in a partnership firm. Profit and loss appropriation account is a part of profit and loss account only. The separate preparation of it is not mandatory.

At the debit side of the profit and loss appropriation account, net loss transferred from profit and loss account, interest on partners' capital, interest on credit balance of current accounts, bonus, commission, salary and remuneration to partners' amount transferred to general reserve account are shown.

At the credit of profit and loss appropriation account, net profit transferred from profit and loss account, interest on drawings of partners, interest on debit balance of current accounts etc. are shown.

When profit and loss appropriation account is closed and if the total of credit side of it is more than the debit side, the difference is recorded at the debit side and it is considered as the divisible profit. This divisible profit is credited to partners' capital accounts or to partners current accounts when fixed capital account is maintained, in their profit-loss sharing ratio.

While total of debit side is more than difference is recorded at the credit side, which is considered as the divisible loss. This divisible loss is debited to partners' capital accounts or current account in their profit-loss sharing ratio.

Note : When separate profit and loss appropriation account is not prepared, to ascertain divisible profit or loss, all items of profit and loss appropriation account are shown in profit and loss account. This divisible profit or loss is transferred to partners' capital accounts. This is explained as a optional treatment. Not to be asked in examination.

Specimen of Profit and Loss Appropriation Account

Profit and Loss Appropriation Account for the year ending on of

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Net loss (From profit and loss A/c)	✓	By Net profit (From profit and loss A/c)	✓
To Interest on partners' capital A/c		To Interest on partners' drawings A/c	
A	✓	A	✓
B	✓	B	✓
To Interest on credit balance of current account of partner A/c	✓	By Interest on debit balance of current account of partner A/c	✓
To Salary, bonus, commission, remuneration to partner A/c	✓	By Partners' capital or current A/c (Divisible loss)	
To General reserve A/c	✓	A	✓
To Partners' capital or current A/c (Divisible profit)		B	✓
A	✓		
B	✓		
	✓		✓

(4) Partners' Capital Accounts : Partners of a partnership firm undertake personal transactions with the firm. To record such transactions capital account of each partner is prepared in the books of the firm. Transactions which increase the capital of partner are recorded at the credit side and transactions which reduce the capital of partner are recorded at the debit side of the capital account.

First of all the opening capital of a partner is written at the credit side of the capital account and subsequently if additional capital introduced it also credited.. At debit side, capital returned to the partner is recorded. When partners capital accounts are closed the total of credit side generally remains more, thus difference is written at the debit side. This is known as the closing balance. This balance is shown at the capital-liability side as a permanent capital.

Specimen of Partners' Capital Accounts :

Partners' Capital Accounts

Dr

Cr

Date	Particular	A Amt. (₹)	B Amt. (₹)	Date	Particular	A Amt. (₹)	B Amt. (₹)
—	To Cash/bank/other asset A/c (With- drawal of capital)	✓	✓	1-4	By Balance b/d (Opening capital)	✓	✓
31-3	To Balance c/d (Closing credit balance)	✓	✓	—	By Cash/bank/other asset A/c (Additional capital)	✓	✓
		✓	✓			✓	✓

(5) Partners' Current Accounts : There are personal transactions between partners and partnership firm other than the permanent capital. To record these transactions, accounts which are prepared are known as partners' current accounts.

At the credit side of partners' current accounts, opening credit balance of current account, interest on capital, interest on credit balance of current accounts, salary, bonus, commission and bonus to partners', share in divisible profit etc are recorded. On the debit side of the current account, opening debit balance of current account (if any), drawings, interest on drawings, interest on debit balance of current accounts, share in divisible loss etc are recorded.

When current account is closed and if the total of credit side is more than the debit side, difference is shown at the debit side. This is known as the closing balance. This balance is shown at the Capital-liability side of the balance sheet. If the total of debit side is more, difference is shown at credit side. This is also known as the closing balance. But this balance is shown at Asset side of the balance sheet.

Specimen of Partners' Current Accounts :

Partners' Current Accounts

Dr

Cr

Date	Particular	A Amt. (₹)	B Amt. (₹)	Date	Particular	A Amt. (₹)	B Amt. (₹)
1-4	To Balance b/d (Opening debit balance of current A/c)	✓	✓	1-4	By Balance b/d (Opening credit balance)	✓	✓
—	To Drawings A/c	✓	✓	31-3	By Interest on capital A/c	✓	✓
31-3	To Interest on drawings A/c	✓	✓	31-3	By Interest on credit balance of current A/c	—	✓
31-3	To Interest on debit balance of current A/c	✓	—	31-3	By Salary, bonus, commission, remuneration A/c	✓	✓
31-3	To Divisible loss	✓	✓	31-3	By Divisible profit	✓	✓
31-3	To Balance c/d (Closing credit balance)	✓	✓	31-3	By Balance c/d (Closing debit balance)	✓	✓
		✓	✓			✓	✓

Note : All items of the current accounts will be shown in the capital accounts when current accounts are not given in a question.

(6) Balance Sheet : To know the financial status of the firm balance sheet is prepared at the end of an accounting year. Balance sheet is a statement. Where on one side of it, amount of capital and liabilities and on another side amount of assets are disclosed.

At capital and liability side of balance sheet of the partnership firm the balance of permanent capital accounts, credit balances of current accounts, creditors, bills payable, bank overdraft, expenses outstanding, incomes received in advance, loan borrowed, partners' loan, interest outstanding on partners' loan are disclosed. Besides, general reserve and other reserves etc are also disclosed.

At the asset side of the balance sheet fixed assets, investments, current and liquid assets like closing stock, debtors, cash balance, bank balance, bills receivables, incomes due but not received, prepaid expenses, loan lent, deffered revenue expenses, debit balance of current accounts etc are disclosed.

Specimen Balance Sheet :

Balance Sheet as at of

Capital-Liabilities	Amt. (₹)	Assets	Amt. (₹)
Fixed Capital Accounts :		Non-Current Assets :	
A	✓	Fixed Assets :	
B	✓	Tangible Assets :	
Current Accounts (Credit Balance) :		Land	✓
A	✓	Building	✓
B	✓	Leasehold properties	✓
Reserves :		Vehicles	✓
General reserve	✓	Machines	✓
Capital reserve	✓	Furniture and Fittings	✓
Other reserve	✓	Intangible Assets :	
Non-Current Liabilities :		Patent	✓
Loan from bank	✓	Trademark	✓
Loan from financial institutions	✓	Copyright	✓
Loan from friends	✓	Goodwill	✓
Partners' loan	✓	Investments :	
Current Liabilities :		Investments in government securities	✓
Bank overdraft	✓	Investments of providend fund	✓
Sundry creditors	✓	Other Non-Current Assets :	
Bills payable	✓	Deffered revenue expense	✓
Expenses outstanding	✓	Current Assets :	
Income received in advance	✓	Closing stock	✓
Taxation provision	✓	Sundry debtors	✓
Provident fund	✓	Cash balance	✓
Interes outstanding on		Bank balance	✓
on partners' loan	✓	Incomes due	✓
		Loan lent	✓
		Bills receivable	✓
		Prepaid expenses	✓
		Current Accounts :	
		(In case of debit balance)	
		A	✓
		B	✓
	✓		✓

4. Adjustments of Final Accounts of Partnership Firm

At the end of an accounting year, to give complete shape to accounts, adjustments and adjustment entries are recorded. Adjustment entries and their accounting effect in an annual account of a firm is as under :

Adjustments, Adjustment Entries and their Effect in Annual Accounts

No.	Adjustment	Adjustment Entry	Effect in Annual Accounts
(1)	Closing stock	Closing stock A/c ...Dr To trading A/c	(1) Asset side of balance sheet (2) Credit side of trading A/c
(2)	Outstanding expense	Respective expense A/c ...Dr To outstanding expense A/c	(1) Debit side of trading / P & L A/c add it to respective expense (2) Capital & liability side of balance sheet
(3)	Prepaid expense	Prepaid expense A/c ...Dr To respective expense A/c	(1) Asset side of balance sheet (2) Debit side of trading/P & L A/c deduct it from respective expense
(4)	Receivable income	Receivable income A/c ...Dr To respective income A/c	(1) Credit side of P & L A/c add it to respective income (2) Assets side of balance sheet
(5)	Income received in advance	Respective income A/c ...Dr To income received in advance A/c	(1) Liability side of balance sheet (2) Credit side of P & L A/c deduct from respective income
(6)	Depreciation on assets	Depreciation A/c ...Dr To respective asset A/c	(1) Debit side of P & L A/c (2) Asset side of balance sheet, deduct from respective asset
(7)	Bad debts written off (new/additional)	Bad debts A/c ...Dr To debtors A/c	(1) Debit side of P & L A/c, add it old bad debts (2) Asset side of balance sheet, deduct from debtors
(8)	Bad debts reserve	Profit and loss A/c ...Dr To bad debts reserve A/c	(1) Debit side of P & L A/c (2) Asset side of balance sheet deduct from debtors
(9)	Discount reserve on debtors	Profit and loss A/c ...Dr To discount reserve on debtors A/c	(1) Debit side of P & L A/c (2) Asset side of balance sheet deduct from debtors

No.	Adjustment	Adjustment Entry	Effect in Annual Accounts
(10)	For unrecorded credit purchase	Purchase A/c ...Dr To creditors A/c	(1) Debit side of trading A/c add it to purchase (2) Liability side of balance sheet add it to creditors
(11)	For unrecorded credit sales	Debtors A/c ...Dr To sales A/c	(1) Asset side of balance sheet add it to debtors (2) Credit side of trading A/c add it to sales
(12)	For unrecorded credit purchase return	To creditors A/c ...Dr To purchase return A/c	(1) Liability side of balance sheet, deduct it from creditors (2) Debit side of trading A/c, deduct it from purchase
(13)	For unrecorded credit sales return	Sales return A/c ...Dr To debtors A/c	(1) Credit side of trading A/c, deduct it from sales (2) Asset side of balance sheet, deduct it from debtors
(14)	Purchase return recorded to sales book	(1) Sales A/c ...Dr To debtors A/c (2) Creditors A/c ...Dr To purchase return A/c	(1) Credit side of trading A/c, deduct it from sales (2) Asset side of balance sheet deduct it from debtors (3) Liability side of balance sheet deduct it from creditors (4) Debit side of trading A/c deduct it from purchase A/c
(15)	Sales return recorded to purchase book	(1) Creditors A/c ...Dr To purchase A/c (2) Sales return A/c ...Dr To debtors A/c	(1) Liability side of balance sheet deduct it from creditors (2) Debit side of trading A/c, deduct it from purchase (3) Credit side of trading A/c, deduct it from sales (4) Asset side of balance sheet, deduct it from debtors

No.	Adjustment	Adjustment Entry	Effect in Annual Accounts
(16)	Credit purchase recorded to sales book	(1) Sales A/c ...Dr To debtors A/c (2) Purchase A/c ...Dr To creditors A/c	(1) Debit side of trading A/c, deduct from sales (2) Asset side of balance sheet, deduct from debtors (3) Debit side of trading A/c, add it to purchase (4) Liability side of balance sheet add it to creditors
(17)	Credit sales recorded to purchase book	(1) Creditors A/c ...Dr To purchase A/c (2) Debtors A/c ...Dr To sales A/c	(1) Liability side of balance sheet, deduct it from creditors (2) Debit side of trading A/c, deduct it from purchase (3) Asset side of balance sheet, add it to debtors (4) Credit side of trading A/c, add it to sales
(18)	Interest on capital	Interest on capital A/c ...Dr To capital A/c	(1) Debit side of profit and loss appropriation A/c (2) Liability side of balance sheet, add it to capital A/c
(19)	Interest on drawings	Drawings A/c ...Dr To interest on drawings A/c	(1) Liability side of balance sheet, add it to drawings (2) Credit side of profit and loss appropriation A/c
(20)	Salary to partners	Partners' salary A/c ...Dr To partners capital A/c	(1) Debit side of profit and loss appropriation A/c (2) Credit side of partners current/ capital A/c
(21)	Interest on credit balance of current a/c of partners	Interest on partners current A/c ...Dr To partners current A/c	(1) Debit side of profit and loss appropriation A/c (2) Credit side of partners current A/c
(22)	Interest on debit balance of current a/c of partners	Partners current A/c ...Dr To interest on partners current A/c	(1) Debit side of partners current A/c (2) Credit side of profit and loss appropriation A/c
(23)	Outstanding interest on partners' loan	Interest on loan A/c ...Dr To outstanding interest on partners' loan A/c	(1) Debit side of P & L A/c (2) Liability side of balance sheet,

No.	Adjustment	Adjustment Entry	Effect in Annual Accounts
(24)	Transfer to general reserve	P & L Appropriation A/c ...Dr To general reserve A/c	(1) Debit side of profit and loss appropriation A/c (2) Liability side of balance sheet, add it to general reserve
(25)	Commission payable to partners	Partners commission A/c ...Dr To partners capital A/c	(1) Debit side of profit and loss appropriation A/c (2) Credit side of current or capital A/c of partners
(26)	Interest on advanced loan	Outstanding interest on loan A/c...Dr To interest on loan A/c	(1) Asset side of balance sheet, A/c (2) Credit side of P & L A/c
(27)	Amortization of intangible assets like goodwill, patent, trademark, copy-right	Profit and loss A/c ...Dr To intangible asset A/c	(1) Debit side of P & L A/c (2) Asset side of balance sheet deduct it from intangible asset
(28)	Unrecorded goods withdrawn for personal use	Drawings A/c ...Dr To purchase A/c	(1) Liability side of balance sheet, add it to drawings (2) Debit side of trading A/c deduct it from purchase
(29)	Goods issued for free sample	Advertisement A/c ...Dr To purchase A/c	(1) Debit side of P & L A/c (2) Debit side of trading A/c deduct it from purchase
(30)	Stationery stock	Stationery stock A/c ...Dr To stationery expense A/c	(1) Asset side of balance sheet (2) Debit side of P & L A/c, deduct it from stationery expense
(31)	Writing off leasehold property	Profit and loss A/c ...Dr To leasehold property A/c	(1) Debit side of P & L A/c (2) Asset side, deduct it from leasehold property
(32)	Receivable Interest/ dividend on shares and other investments	Receivable interest/dividend A/c ...Dr To interest / dividend A/c	(1) Asset side of balance sheet (2) Credit side of profit and loss A/c
(33)	Personal asset introduced by partner	Assets A/c ...Dr To partners capital A/c	(1) Asset side of balance sheet (2) Liability side of balance sheet, add it to capital of partner

Note : With an objective to maintain equal distribution of marks to each chapter and also to make it convenient for the students to understand each topic, it is mandatory to provide 24 to 30 items in a trial balance for the question of final accounts in the examination. Total adjustments should be limited to 5. Not more than two effects of adjustments should be introduced in an adjustment. To explain all types of transactions with minimum questions in illustration and exercise, more transactions are covered in illustrations and exercise.

Illustration 1 : Ram and Shyam are partners of a firm sharing profit - loss in the ratio 6:4. From the following trial balance dated 31-3-2017 and adjustments, prepare annual accounts of the firm.

Trial Balance of Partnership Firm of Ram and Shyam as on 31-3-17

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹)
Drawings :		Capital :	
Ram	18,000	Ram	80,000
Shyam	16,000	Shyam	70,000
Debtors	45,000	Creditors	35,000
Stock (1-4-2016)	25,000	Purchase return	1500
Sales return	1000	Bank overdraft	8000
Cash balance	10,000	Sales	78,150
Purchase	60,000	Bad debts reserve	700
Discount allowed	500	Outstanding wages	1000
Bad debts	400	8 % Geeta's loan (1-10-2016)	15,000
Machines (office)	18,250	Bills payable	200
Depreciation on machines	1750		
Furniture	8000		
Sundry expenses	1500		
Leasehold building (For four years)	7000		
Goodwill	40,000		
Trading expense	1250		
Rent and taxes	5000		
Carriage inward	400		
Bank interest	500		
Insurance premium	800		
Salary	15,000		
Wages	14,000		
Prepaid insurance	200		
	2,89,550		2,89,550

Adjustments : (1) Closing stock value ₹ 45,000, it's market value is 10 % more. (2) 5 % interest on partners capital is chargeable and on drawings 10 % interest is recoverable. (3) Provide 10 % depreciation on machine and 5 % on furniture. (4) Provide 5 % Bad debts reserve on debtors. (5) Outstanding expenses : salary ₹ 500, Sundry expense ₹ 150 and rent ₹ 150. (6) As per partnership agreement interest on capital is payable even in loss.

Ans. : Trading account of partnership firm of Ram and Shyam for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Opening stock	25,000	By Sales	78,150
To Purchase	60,000	— Sales return	1000
— Purchase return	1500	By Closing stock	45,000
To Wages A/c	14,000		
To Carriage inward A/c	400		
To Profit and loss A/c (gross profit)	24,250		
	1,22,150		1,22,150

P & L account of partnership firm of Ram and Shyam for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
Administration Expense :		By Trading A/c (Gross profit)	24,250
To Salary	15,000	By Profit and loss appropriation A/c	7800
+ Outstanding	500	(Net loss)	
To Sundry expense	1500		
+ Outstanding	150		
To Trading expense A/c	1250		
To Rent & taxes	5000		
+ Outstanding	150		
To Insurance premium	800		
Selling-Distribution Expense :			
To Discount allowed	500		
Financial Charges :			
To Bank interest	500		
To Interest on Geeta's loan	600		
Other Expense-Loss :			
To Bad debts (old)	400		
+ To Bad debts reserve (new)	2250		
	2650		
— By Bad debts reserve (old)	700		
To Depreciation :			
Machinery (office)	2000		
+ Furniture	400		
To Leasehold building (written off)	1750		
	32,050		32,050

P & L appropriation a/c of partnership firm of Ram and Shyam for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Profit and loss A/c (Gross loss)	7800	By Interest on drawings A/c :	
To Interest on capital :		Ram	1800
Ram	4000	Shyam	1600
Shyam	3500	By Partners capital A/c (loss) :	
	7500	Ram	7140
		Shyam	4760
	15,300		15,300

Dr

Partners Capital A/c

Cr

Date	Particular	Ram (₹)	Shyam(₹)	Date	Particular	Ram (₹)	Shyam(₹)
31-3-17	To Drawings A/c	18,000	16,000	1-4-16	By Balance b/d	80,000	70,000
31-3-17	To Interest on drawings A/c	1800	1600	31-3-17	By Interest on capital A/c	4000	3500
31-3-17	To P & L appro. A/c (Divisible loss)	7140	4760				
31-3-17	To Balance c/d	57,060	51,140				
		84,000	73,500			84,000	73,500
				1-4-17	By Balance b/f	57,060	51,140

Balance Sheet of partnership firm of Ram and Shyam as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital :		Non-Current Assets :	
Ram	57,060	Fixed Assets :	
Shyam	51,140	Tangible Assets :	
Non-Current Liabilities :		Machines	20,000
8 % Geeta's loan	15,000	— Depreciation	2000
Current Liabilities :		Furniture	8000
Bank overdraft	8000	— Depreciation	400
Interest on Geeta's loan	600	Leasehold property	7000
Creditors	35,000	— Written off	1750
Outstanding expenses :		Non-tangible assets : Goodwill	40,000
Salary	500	Current Assets :	
Sundry expense	150	Closing stock	45,000
Rent-taxes	150	Debtors	45,000
Outstanding wages	1000	— Bad debts reserve	2250
Bills payable	200	Cash balance	10,000
	1,68,800	Prepaid insurance	200
			1,68,800

Note : (1) Interest for 6 months will be calculated at the rate of 8 % on Gita's loan

$$= 15,000 \times \frac{8}{100} \times \frac{6}{12} = ₹ 600$$

(2) Leasehold property is acquired for 4 years for ₹ 7000, therefore during current year $7000 \div 4 = ₹ 1750$ will be amortised.

(3) Depreciated price ₹ 18,250 + depreciation ₹ 1750 = ₹ 20,000 pre depreciation price.

$$\text{Calculated depreciation} = \frac{1750}{20,000} \times 100 = 8.75 \%$$

Now, ₹ 2000 depreciation will be calculated at the rate of 10 % on ₹ 20,000.

Illustration 2 : The following is the trial balance as at 31-3-2017 of Jay and Vijay. Prepare revised Trading account, Profit and loss account, Current accounts and Balance sheet with consideration of necessary adjustments :

Trial Balance of Partnership Firm of Jay and Vijay as on 31-3-17

Particular	Debit (₹)	Credit (₹)
Capital A/c :		
Jay		80,000
Vijay		60,000
Current A/c :		
Jay		20,000
Vijay	5000	
Closing stock	27,300	
Trading A/c		30,900
Cash on hand	280	
Current A/c with bank	7000	
Fixed deposit with bank	40,000	
Debtors	18,400	
Salary	18,500	
Freehold land	60,000	
Machines (office)	20,000	
Furniture and fixtures	5000	
Factory on lease (Lease will be ended on 31-3-2021)	30,000	
Loan of partner Vijay (On 1-10-2016)		30,000
Discount reserve on debtors		380
Bad debt reserve		1000
Insurance premium	1000	
Printing and stationery	600	
Creditors / Suppliers		12,000
Bad debts	200	
Advertisement expense	600	
Travelling expense	400	
	2,34,280	2,34,280

Adjustments : (1) Prepaid insurance ₹ 200. (2) Jay withdrawn goods of ₹ 2000 from business for his personal use. (3) Goods of ₹ 4000 purchased on credit on 28-3-2017, which is not recorded in the books. (4) Write off ₹ 400 as bad debts and provide 5 % bad debts reserve. (5) There is no need of discount reserve on debtors. (6) Provide 20 % depreciation on plant and machines and 5 % on furniture and fittings.

Note : Credit balance of trading A/c is given in the trial balance. To incorporate the effect of adjustments and to ascertain revised gross profit, revised trading account will be prepared.

Ans. : Revised Trading Account of partnership firm of Jay and Vijay as on 31-3-17

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Unrecorded purchase 4000		By Trading A/c (as per trail balance)	
— Drawings of goods 2000	2000	(Gross profit)	30,900
To leasehold property written off	6000		
To P & L A/c (Revised gross profit)	22,900		
	30,900		30,900

Profit and Loss Account of partnership firm of Jay and Vijay as on 31-3-17

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
Administrative Expense :		By Trading A/c (Revised gross profit)	22,900
To Salary	18,500	By Discount reserve on debtors	380
To Insurance premium 1000		By Partners current A/c (Divisible loss)	
— Prepaid 200	800	Jay 1635	
To Bad debts (old) 200		Vijay 1635	3270
+ To Bad debts (new) 400			
+ To Bad debts reserve (new) 900			
	1500		
— To Bad debts reserve (old) 1000	500		
To Printing and stationery	600		
To Travelling expense	400		
To Advertisement expense	600		
Depreciation :			
To Machinery (office) 4000			
+ To Furniture 250	4250		
To Interest on Vijay's loan	900		
	26,550		26,550

Dr

Partners' Current Accounts

Cr

Date	Particular	Jay (₹)	Vijay (₹)	Date	Particular	Jay (₹)	Vijay (₹)
1-4-16	To Balance b/d	—	5000	1-4-16	By Balance b/d	20,000	—
31-3-17	To Drawings A/c	2000	—	31-3-17	By Balance c/d	—	6635
31-3-17	To P & L A/c (Divisible loss)	1635	1635				
31-3-17	To Balance c/d	16,365	—				
		20,000	6635			20,000	6635

Balance Sheet of Partnership firm of Jay and Vijay as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital A/c :		Non-Current Assets :	
Jay	80,000	Fixed Assets :	
Vijay	60,000	Tangible Assets :	
Current A/c : Jay	16,365	Freehold land	60,000
Non-Current Liabilities :		Machines (office)	20,000
Vijay's loan	30,000	— Depreciation	4000
Creditors	12,000	Furniture	5000
+ Unrecorded purchase	4000	— Depreciation	250
Outstanding interest on loan of Vijay	900	Lease hold factory	30,000
		— written off	6000
		Non-Tangible Assets :	—
		Investments :	—
		Current Assets :	
		Closing stock	27,300
		Cash on hand	280
		Current A/c with bank	7000
		Fixed deposit with bank	40,000
		Debtors	18,400
		— Bad debts (Adj.)	400
			18,000
		— Bad debts reserve (Adj.)	900
		Prepaid insurance premium	200
		Current A/c : Vijay	6635
	2,03,265		2,03,265

Note : (1) No profit-loss sharing is given. Thus loss is distributed in equal proportion.
 (2) Rate of interest on loan of partner Vijay is not given. Thus as per the provision of partnership act 1932 interest will be paid at 6 % for 6 months.

$$= 30,000 \times \frac{6}{100} \times \frac{6}{12} = ₹ 900$$

Vijay's loan ₹ 30,000 will be disclosed as non-current liabilities in the balance sheet and outstanding interest of loan ₹ 900 as a current liability in the balance sheet.

Illustration 3 : Trial balance of partnership firm of Yash and Jash as on 31-3-2017 is as follows :

Trial Balance of partnership firm of Yash and Jash as on 31-3-17

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹)
Drawings :		Capital A/c :	
Yash	8000	Yash	50,000
Jash	4000	Jash	40,000
Stock (1-4-2016)	24,000	Suppliers	16,400
Customers	29,000	Sales	2,04,000
Purchase	1,30,800	Bills payable	8000
Wages	2000	Interest on investment	300
Bills receivables	6000	Bank overdraft	24,260
6 % Investments (1-4-16)	10,000	Goods returned	2800
Salary	12,000	Rent received	600
Cash balance	3500	Discount received	400
Discount allowed	1400	Bad debts reserve	2000
Goods returned	2400	Goods withdrawn for personal use	740
Bad debts	400	Outstanding wages	500
Stationery expense	800		
Office expense	2300		
Motor car	52,000		
Building	60,200		
Prepaid office expense	1200		
	3,50,000		3,50,000

Adjustments : (1) Interest at 5 % on capital and at 10 % on drawings for 6 months. (2) Closing stock ₹ 15,000, having market value ₹ 12,000. (3) Outstanding stationery expense ₹ 500. (4) Prepaid wages ₹ 400. (5) Rent received in advance ₹ 200 and discount is receivable ₹ 40. (6) From debtors written off ₹ 1000 as bad debts, provide 5 % bad debts reserve and 2 % discount on reserve on debtors. (7) Provide 10 % depreciation on motor car. (8) Goods worth ₹ 2000 destroyed by fire, insurance company has admitted claim of 80 % (9) 10 % commission is payable to Jash from profit after deduction of commission from profit.

Prepare annual accounts of partnership firm.

Trading Account of Partnership firm of Yash and Jash as on 31-3-17

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Opening stock	24,000	By Sales	2,04,000
To Purchase	1,30,800	— Sales return	2400
— Purchase return	2800	By Closing stock	12,000
	1,28,000		
— Goods withdrawn for personal use	740		
	1,27,260		
— Goods destroyed by fire	2000		
To wages	2000		
— Prepaid	400		
To profit and loss A/c (Gross profit)	62,740		
	2,13,600		2,13,600

Profit and Loss Account of Partnership firm of Yash and Jash as on 31-3-17

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
Administrative expenses :		By Trading A/c (Gross profit)	62,740
To Salary	12,000	By Interest on investment	300
To Stationery expense	800	+ Outstanding	300
+ outstanding	500		600
To Office expense	2300	By Rent	600
Selling & distribution expense :		— Received in advance	200
To Discount allowed	1400	By Discount received	400
+ To Discount reserve on debtors (Adj.)	532	+ Outstanding	40
	1932		440
Other expenses-loss :			
To Bad debts (old)	400		
+ To Bad debts (new)	1000		
+ To Bad debts reserve (new)	1400		
	2800		
— To Bad debts reserve (old)	2000		
Depreciation : Motor car	5200		
To Loss on goods destroyed by fire	400		
To P & L App. A/c (Net profit)	40,248		
	64,180		64,180

Dr P & L Appropriation A/c of Partnership firm of Yash and Jash as year ending on 31-3-17 Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Interest on capital A/c :		By Profit and loss A/c (Net profit)	40,248
Yash 2500		Interest on drawings :	
Jash 2000	4500	Yash 400	
To Jash's commission A/c	3304	Jash 200	600
To Partners' capital A/c (Divisible profit)			
Yash 16,522			
Jash 16,522	33,044		
	40,848		40,848

Note : (1) Profit-loss sharing ratio is in equal proportion.

(2) Jash's commission = $36,348 \times \frac{10}{110} = ₹ 3304.36 = ₹ 3304$

Dr Partners Capital Accounts Cr

Date	Particular	Yash (₹)	Jash (₹)	Date	Particular	Yash (₹)	Jash (₹)
31-3-17	To Drawings A/c	8000	4000	1-4-16	By Balance b/d	50,000	40,000
31-3-17	To Interest on drawings A/c	400	200	31-3-17	By Interest on capital A/c	2500	2000
31-3-17	To Balance c/d	60,622	57,626	31-3-17	By Commission A/c	—	3304
				31-3-17	By P & L App. A/c (Divisible profit)	16,522	16,522
		69,022	61,826			69,022	61,826

Balance Sheet of partnership firm of Yash and Jash as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital A/c :		Non-Current Assets :	
Yash 60,622		Fixed Assets : Building	60,200
Jash 57,626	1,18,248	Motar car 52,000	
Non-Current Liabilities :		— Depreciation 5200	46,800
Current Liabilities :		6 % investments	10,000
Bank overdraft 24,260		Current Assets : Closing stock	12,000
Bills payables 8000		Customers 29,000	
Suppliers 16,400		— Bad debts (Adj.) 1000	
Outstanding wages 500			28,000
Outstanding stationery expense 500		— Bad debts reserve(Adj.) 1400	
Rent received in advance 200			26,600
		— Discount reserve 532	26,068
		Cash balance	3500
		Discount receivable	40
		Bills receivable	6000
		Prepaid office expense	1200
		Prepaid wages	400
		Receivable interest on investments	300
		Insurance Co. (Claim amount)	1600
	1,68,108		1,68,108

Illustration 4 : Following is the trial balance of partnership firm of Ganga and Jamna as on 31-3-2017.

Trial Balance of partnership firm of Ganga and Jamna as on 31-3-2017

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹)
Drawings :		Capital :	
Ganga	12,000	Ganga	30,000
Jamna	12,000	Jamna	36,000
Purchase	1,04,000	Current Accounts :	
Goods return	1600	Ganga	3000
Stock of goods (1-4-16)	16,000	Jamna	2400
Salary	18,000	Sales	1,84,000
Office expense	9000	Goods returned	1200
Carriage inward	3000	Bad debts reserve	6000
Carriage outward	4500	Bank loan	13,500
Bad debts	1400	Creditors	36,000
Debtors	67,000	Bills payable	1800
Bills receivable	2000	Loan borrowed	4000
Cash on hand	3400	General reserve	9600
Bank balance	5600		
Investments	14,000		
Machinery (office)	30,000		
Building	24,000		
	3,27,500		3,27,500

Adjustments : (1) Value of closing stock ₹ 28,600, but market value of 20 % goods is 10 % more than book value. (2) 5 % interest is payable on capital to partners and annual bonus of ₹ 2000 payable to each partner. (3) Bad debts reserve is to be maintained of ₹ 3000 and provide 5 % discount reserve on debtors. (4) Provide 10 % depreciation on building and machines. (5) Purchase of ₹ 4000 is not recorded but included in the closing stock. (6) Receivable commission is of ₹ 2000 and outstanding office expense is ₹ 200. (7) The value of investment is determined at ₹ 12,000 and adjustment of difference is to be transferred to general reserve. (8) Loan of ₹ 600 was given to an employee, but debited to salary account. (9) Profit-loss sharing of partners is 3:7. Prepare annual accounts of partnership firm.

Trading Account of partnership firm of Ganga and Jamna for the year ending on 31-3-17

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Opening stock	16,000	By Sales	1,84,000
To Purchase	1,04,000	— Sales return	1600
+ Unrecorded	4000	By Closing stock	28,600
	1,08,000		
— Purchase returned	1200		
	1,06,800		
To Carriage inward A/c	3000		
To profit and loss A/c (Gross profit)	85,200		
	2,11,000		2,11,000

**Profit and Loss Account of partnership firm of Ganga and Jamna for
the year ending on 31-3-17**

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
Administrative Expenses :		By Trading A/c (Gross profit)	85,200
To Salary 18,000		Outstanding commission	2000
— Loan to employee 600	17,400	By Bad debts reserve	1600
To Office expense 9000		(Transferred from debit side)	
+ Outstanding 200	9200		
Selling-Distribution Expenses :			
To Carriage outward	4500		
Other Expenses-Loss :			
To Bad debts (old) 1400			
+ To Bad debts reserve (adj.) 3000			
	4400		
— To Bad debts reserve (old) 6000			
Transferred at credit side —1600			
Discount reserve to debtors	3200		
Depreciation :			
Mechines 3000			
Building 2400	5400		
To Profit and loss appropriation A/c	49,100		
(Net profit)			
	88,800		88,800

**Profit and Loss Appropriation Account of partnership firm of Ganga and Jamna for
the year ending on 31-3-17**

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Interest on capital :		By Profit and loss A/c (Net profit)	49,100
Ganga 1500			
Jamna 1800	3300		
To Bonus to partners :			
Ganga 2000			
Jamna 2000	4000		
To Partners' current A/c(Divisible profit)			
Ganga 12,540			
Jamna 29,260	41,800		
	49,100		49,100

Partners Capital Accounts

Dr

Cr

Date	Particular	Ganga (₹)	Jamna(₹)	Date	Particular	Ganga (₹)	Jamna(₹)
31-3-17	To Drawings A/c	12,000	12,000	1-4-16	By Balance b/d	3000	2400
31-3-17	To Balance c/d	7040	23,460	31-3-17	By Interest on capital A/c	1500	1800
				31-3-17	By Bonus A/c	2000	2000
				31-3-17	By P & L App.A/c (Divisible profit)	12,540	29,260
		19,040	35,460			19,040	35,460

Note : (1) Book value of investment is ₹ 14,000, but its value is determined at ₹ 12,000. Adjustment is to be recorded to general reserve. So ₹ 2000 will be deducted from general reserve A/c.

(2) Distributed profit : Ganga : $41,800 \times \frac{3}{10} = ₹ 12,540$

Jamna : $41,800 \times \frac{7}{10} = ₹ 29,260$

Balance Sheet of partnership firm of Ganga and Jamna as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital A/c :		Non-Current Assets :	
Ganga	30,000	Fixed Assets :	
Jamna	36,000	Building	24,000
Current A/c :		— Depreciation	2400
Ganga	7040	Machines	30,000
Jamna	23,460	— Depreciation	3000
Reserves :		Investments :	
General reserve	9600	Investments	14,000
— Investments written off	2000	— Written off	2000
Non-Current Liabilities :		Current Assets :	
Bank loan	13,500	Closing stock	28,600
Loan borrowed	4000	Debtors	67,000
Current liabilities :		— Bad debts reserve (Adj.)	3000
Bills payable	1800		64,000
Creditors	36,000	— Discount reserve (Adj.)	3200
+ Unrecorded purchase	4000	Cash on hand	3400
Outstanding office expense	200	Bank balance	5600
		Outstanding commission	2000
		Bills receivable	2000
		Loan to employee	600
	1,63,600		1,63,600

Illustration 5 : Shiv and Shankar are partners of a firm sharing profit-loss in the equal proportion. From the following trial balance as on dated 31-3-2017 and adjustments prepare final accounts of the firm.

Trial Balance of partnership firm of Shiv and Shankar as on 31-3-17

Particular	Debit (₹)	Credit (₹)
Capital and Drawings :		
Shiv	10,000	1,00,000
Shankar	20,000	1,20,000
Opening stock	60,000	
Purchase and sales	61,000	80,000
Carriage inward	20,000	
Weighing machine charges / Tolai	1000	
Providend fund and contribution to providend fund	1000	4000
Dead stock	22,000	
Salary-wages	12,000	
Loan of Shiv (From 1-7-2016)		20,000
Mahajan Lago	2000	
Factory building	1,00,000	
Depreciation on factory building	10,000	
Insurance premium	1200	
Prepaid insurance	600	
Demurrage	200	
Cash and bank	6000	18,000
Bills	30,000	14,000
Customers and traders	20,000	16,000
Professional tax	1000	
Outstanding salary		1400
Bad debts and bad debts reserve	1400	6000
Total	3,79,400	3,79,400

Adjustments : (1) The value of closing is ₹ 40,000, but market value is 20 % less than book value. (2) Goods was received of ₹ 1000, but invoice is not recorded in the purchase book. (3) 10 % interest is payable on capital and 5 % interest is chargeable on drawings. (4) Provide bad debts reserve of ₹ 3000 and keep 10 % discount reserve on debtors. (5) Shiv has withdrawn goods of ₹ 1000 and Shankar has withdrawn goods of ₹ 2000 for personal use recorded in sales book as credit sales. (6) As per partnership deed, interest on capital is payable, even if there is loss.

Trading Account of partnership firm of Shiv and Shankar for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Opening stock	60,000	By Sales	80,000
To Purchase	61,000	– Wrongly recorded	3000
+ Unrecorded	1000	withdrawal	
	62,000	Closing stock	32,000
– Withdrawal of goods	3000	By Profit and loss A/c (Gross loss)	43,200
(1000 + 2000)			
To Depreciation on factory building	10,000		
To Carriage inward	20,000		
To Weighing charges	1000		
To Mahajan Lago	2000		
To Demurrage	200		
	1,52,200		1,52,200

Profit and Loss Account of partnership firm of Shiv and Shankar for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Trading A/c (Gross loss)	43,200	By Bad debts reserve A/c	1600
Administrative Expenses :		(Transferred from debit side)	
To Salary-wages	12,000	By Profit and loss Appropriation A/c	
To Professional tax	1000	(Net loss)	59,100
To Insurance premium	1200		
To Contribution in PF	1000		
Selling and Distribution Expenses :			
Discount reserve on debts	1400		
Other Expenses - Loss :			
To Bad debts (trial balance)	1400		
+ Bad debts reserve (Adj.)	3000		
	4400		
– To Bad debts reserve	6000		
(trial balance)			
Transferred to credit side	–1600		
To Interest on Shiv's loan	900		
(At 6 % for 9 months)			
	60,700		60,700

Dr **P & L App. A/c of partnership firm of Shiv and Shankar for the year ending on 31-3-2017** Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Profit and Loss A/c (Net loss)	59,100	By Interest on partners' drawings :	
To Interest on partners' capital :		Shiv	500
Shiv	10,000	Shankar	1000
Shankar	12,000		1500
	22,000	By Partners' capital A/c (Divisible loss)	
		Shiv	39,800
		Shankar	39,800
			79,600
	81,100		81,100

Balance Sheet as on 31-3-17 of Partnership Firm of Shiv and Shankar

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Shiv	1,00,000	Non-Current Assets :	
+ Interest on capital	10,000	Fixed Assets :	
	1,10,000	Factory building	1,00,000
– Loss	39,800	Current Assets :	
	70,200	Customers	20,000
– Drawings	10,000	– Wrong recorded	3000
+ Goods withdrawal	1000		17,000
+ Int. on drawings	500	– Bad debts reserve (Adj.)	3000
	11,500		14,000
Shankar :	1,20,000	– Discount reserve	1400
+ Interest on capital	12,000		12,600
	1,32,000	Bill receivable	30,000
– Loss	39,800	Cash balance	6000
	92,200	Dead stock	22,000
– Drawings	20,000	Closing stock	32,000
+ Goods withdrawal	2000	Prepaid insurance	600
+ Int. on drawings	1000		
	23,000		
Non-Current Liabilities :			
Shiv's loan	20,000		
Current Liabilities :			
Provident fund	4000		
Outstanding salary	1400		
Outstanding interest on Shiv's loan	900		
Bank overdraft	18,000		
Traders	16,000		
+ Unrecorded purchase	1000		
Bills payable			
	14,000		
	2,03,200		2,03,200

Illustration 6 : Govind and Gopal had started partnership firm on 1-4-2016. Partners are entitled for 5 % interest on capital. 10 % commission is payable to Gopal on profit, after deduction of commission from the profit. Partners sharing profit-loss in the proportion of 3:2. There are several mistakes in the Trading Account and Profit-Loss Account prepared by an unexperienced accountant. You are asked to prepare revised annual accounts from the given trading account, profit-loss account and list of assets and liabilities and other information.

Trading Account and Profit and Loss Account as on 31-3-17			
Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Purchase	2,48,600	By Sales	3,32,400
+ Goods returned credit	2400	— Goods returned debit	600
	2,51,000	By Interest	600
+ Closing stock	50,000	+ Discount received	800
	3,01,000	By Net loss	27,200
To Wages	11,200		
To Carriage inward	8000		
— To carriage outward	4000		
	4000		
To Salary	18,000		
To Rent	12,000		
To Postage expense	600		
To Sundry expense	1200		
To Telephone expense	1600		
To Govind's drawing	6000		
To Gopal's drawing	4800		
	3,60,400		3,60,400

The position of assets and liabilities as on 31-3-2017 was as follows :

Assets : Stock ₹ 50,000, debtors ₹ 1,00,000, furniture ₹ 20,000, building ₹ 50,000, cash on hand ₹ 6000, bank balance ₹ 24,000

Liabilities : Creditors ₹ 40,000, bills payable ₹ 14,000, capital of Govind ₹ 1,00,000, capital of Gopal ₹ 30,000

Adjustments : (1) Write off bad debts of ₹ 2800. (2) Provide 2 % discount reserve on debtors. (3) Maintain bad debts reserve of ₹ 7200. (4) Provide 5 % depreciation on furniture and building.

Ans. : **Revised Trading Account of Govind and Gopal's Partnership Firm**
for the year ending on 31-3-2017

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Purchase	2,48,600	By Sales	3,32,400
— Goods returned	600	— Goods returned	2400
	2,48,000	By Closing stock	50,000
To Wages	11,200		
To Carriage inward	8000		
To Profit and loss A/c (Gross profit)	1,12,800		
	3,80,000		3,80,000

Profit and Loss Account of Govind and Gopal's Partnership Firm
for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
Administrative expenses :		By Trading A/c (Gross profit)	1,12,800
To Salary	18,000	By Interest received	600
To Rent	12,000	By Discount received	800
To Postage expense	600		
To Sundry expense	1200		
To Telephone expense	1600		
Sales-distribution expenses :			
To Carriage outward	4000		
To Discount reserve - debtors	1800		
Other expense-loss :			
To Bad debts (Adj.)	2800		
+ Bad debts reserve (Adj.)	7200		
	10,000		
Depreciation :			
To Furniture	1000		
+ To Building	2500		
	3500		
Profit and Loss App. A/c (Net profit)	61,500		
	1,14,200		1,14,200

Profit and Loss Appropriation Account of Govind and Gopal's Partnership Firm
for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Interest on partners' capital :		By Profit and loss A/c (Net profit)	61,500
Govind	5000		
Gopal	1500		
	6500		
To Gopal's commission 10 %	5000		
To Partners capital A/c (Divisible profit)			
Govind	30,000		
Gopal	20,000		
	50,000		
	61,500		61,500

Partners' Capital Accounts

Dr

Cr

Date	Particular	Govind(₹)	Gopal (₹)	Date	Particular	Govind(₹)	Gopal (₹)
31-3-17	To Drawings A/c	6000	4800	1-4-16	By Balance b/d	1,00,000	30,000
31-3-17	To Balance c/d	1,29,000	51,700	31-3-17	By Int. on capital A/c	5000	1500
				31-3-17	By Commission A/c	—	5000
				31-3-17	By P & L App. A/c	30,000	20,000
		1,35,000	56,500			1,35,000	56,500

Balance Sheet as on 31-3-17 of Partnership Firm of Govind and Gopal

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital :		Non-Current Assets :	
Govind 1,29,000		Fixed Assets :	
Gopal 51,700	1,80,700	Furniture 20,000	
Non-current liabilities :	—	— Depreciation 1000	19,000
Current liabilities :		Building 50,000	
Creditors 40,000	40,000	— Depreciation 2500	47,500
Bills payable 14,000	14,000	Current Assets :	
		Debtors 1,00,000	
		— Bad debts (Adj.) 2800	
		97,200	
		— Bad debts reserve (Adj.) 7200	
		90,000	
		— Discount reserve (Adj.) 1800	88,200
		Cash on hand 6000	
		Bank balance 24,000	
		Closing stock 50,000	
	2,34,700		2,34,700

Illustration 7 : From the following Trial Balance dated 31-3-2017 and adjustments prepare final account of partnership firm of Parekh and Mehta.

Trial Balance as on 31-3-2017 of Partnership Firm of Parekh and Mehta

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹)
Opening stock 30,000	30,000	Capital :	
Purchase 4,00,000	4,00,000	Parekh 50,000	50,000
Debtors 1,50,000	1,50,000	Mehta 50,000	50,000
Cash and Bank 12,000	12,000	Creditors 50,000	50,000
Rent-taxes 3000	3000	Sales 6,00,000	6,00,000
Insurance premium 9000	9000		
Salary 42,000	42,000		
Carriage inward 18,000	18,000		
Carriage outward 21,000	21,000		
Recoverable claims 5000	5000		
Advertisement suspense A/c 9000	9000		
Furniture and fittings (C.P. ₹ 30,000) 23,000	23,000		
Office equipments (C.P. ₹ 15,000) 10,000	10,000		
Tender deposit (From 1-10-16) 6000	6000		
Bills receivables 6000	6000		
Bad debts 4000	4000		
Electricity expense 2000	2000		
	7,50,000		7,50,000

Adjustments : (1) Closing stock was ₹ 1,05,000. (2) A purchase bill of ₹ 15,000 is received from creditors, but not recorded. (3) Recoverable claims from insurance co. settled for ₹ 2000. (4) From the advertisement suspense account, written off 50 % as a advertisement expense of current year. (5) Provide depreciation at 5 % on furniture and fittings and office equipments as per straight line method. (6) ₹ 1000 paid in advance for insurance premium. (7) 12 % interest is receivable on tender deposit. (8) A discounted bill of ₹ 2000 was dishonored on 30-3-2017, which was earlier discounted in the bank. (9) Provide 2 % bad debts reserve on debtors.

Ans. : Trading Account of Partnership of Parekh and Mehta for Year Ending on 31-3-2017

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Opening stock	30,000	By Sales	6,00,000
To Purchase 4,00,000		By Closing stock	1,05,000
+ Unrecorded 15,000	4,15,000		
To Carriage inward	18,000		
To Profit and loss A/c (Gross profit)	2,42,000		
	7,05,000		7,05,000

Profit and Loss Account of Partnership of Parekh and Mehta for year ending on 31-3-2017

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
Administrative expense :		By Trading A/c (Gross profit)	2,42,000
To Insurance premium 9000		By Outstanding interest on	
– Prepaid 1000	8000	tender deposit	360
To Salary	42,000		
To Electricity expense	2000		
To Rent and taxes	3000		
Sales-distribution expense :			
To Carriage outward	21,000		
To Advertisement suspense - 50 %	4500		
Other expense-loss :			
To Loss on recoverable claim	3000		
Depreciation :			
Furniture and fittings 1500			
+ Office equipments 750	2250		
To Bad debts (Trial balance) 4000			
+ To Bad debts reserve (Adj.) 3040	7040		
To Capital A/c (Divisible profit) :			
Parekh 74,785			
Mehta 74,785	1,49,570		
	2,42,360		2,42,360

Note : No transactions pertaining to partners capital are given, like interest on capital, interest on drawings and other personal transactions of partners. Thus profit and loss appropriation account is not opened.

Balance Sheet of partnership firm of Parekh and Mehta as on 31-3-17

Capital-Liabilities		Amt. (₹)	Assets-Debts		Amt. (₹)
Parekh	50,000	1,24,785	Fixed Assets :		
+ Divisible profit	74,785		Furniture and fittings	23,000	
Mehta	50,000	1,24,785	— Depreciation	1500	21,500
+ Divisible profit	74,785		Office equipments	10,000	9250
Liabilities :			— Depreciation	750	
Creditors	50,000	65,000	Current Assets :		
+ Unrecorded purchase	15,000		Debtors	1,50,000	
			+ Dishonored bill	2000	
				1,52,000	
			— Bad debts reserve 2 %	3040	1,48,960
			Tender deposit		6000
			Advertisement suspense A/c	9000	
			— 50 % written off	4500	4500
			Bills receivables		6000
			Closing stock		1,05,000
			Cash-bank	12,000	
			+ Insurance Co.'s settlement	2000	
				14,000	
			— Dishonored bill	2000	12,000
			Prepaid insurance		1000
			Outstanding interest on tender deposit		360
		3,14,570			3,14,570

Note : (1) Under straight line method of depreciation, depreciation is calculated on the cost price of furniture and fittings and office equipments. (2) On tender deposit 6 months interest at 12 % is calculated.

Illustration 8 : Radha and Mira are partners sharing profit-loss in proportion of 3:2. Their Trial Balance as on 31-3-2017 was as shown on page number 65 :

Trial Balance of partnership firm of Radha and Mira as on 31-3-17

Particular	Debit (₹)	Credit (₹)
Capital Account :		
Radha	—	20,000
Mira	—	10,000
Current Account :		
Radha	5000	—
Mira	—	1000
Purchase and sales	15,000	32,000
Receivables and Payables	16,000	9800
Motor car	12,000	—
Goods returned	1000	500
Sundry expense	800	—
Provident fund and contribution to provident fund	200	4000
Bank and cash	2500	19,847
Opening stock	9000	—
Bank interest	142	—
Building	12,950	—
Stationery stock (1-4-16)	200	—
Stationery purchase	1000	—
Bad debts return	—	700
Sale of old newspapers	—	1000
Professional tax	800	—
Patent	4000	—
Trademark	5000	—
Carriage inward	200	—
Discount	125	325
Machines (office)	8325	—
Depreciation on machines	675	—
Depreciation on motor car	2000	—
Freight	350	—
Discount reserve	—	250
Bad debt reserve	—	1000
Investments of provident fund	4000	—
Interest on provident fund investments	—	240
9 % Kanaiya's loan (1-6-16)	—	7000
Interest on loan	315	—
Insurance premium (Out of which premium of ₹ 400 is for the year ending on 30-6-2017)	600	—
Salary and wages	3730	—
Furniture	1500	—
Dead stock	150	—
Demurrage	100	—
Total	1,07,662	1,07,662

Adjustments : (1) Value of closing stock is ₹ 15,000, out of which 10 % and 15 % goods have market value less than book value by 12 % and 20 % respectively. (2) Stationery stock as on 31-3-17 ₹ 500. (3) A furniture of ₹ 600, sold to Kishan for ₹ 400 on 1-10-2016, which is recorded in the sales book. (4) Increase in the rate of depreciation to 10 % on Machines. (5) Provide 5 % depreciation on furniture. (6) Write off ₹ 600 from debtors as bad debts and provide bad debts reserve 5 %. (7) Provide 2 % discount reserve on debtors. (8) Goods of ₹ 3000 withdrawn by Mira for personal use on 1-1-17, it is recorded in the sales book. (9) Calculate 10 % p.a. interest on capital of partners. (10) ₹ 2000 annual salary will be given to Radha for her active participation in business.

Ans. : Trading Account of partnership firm of Radha and Mira for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Opening stock	9000	By Sales	32,000
To Purchase	15,000	— Sales returned	1000
— Purchase returned	500		31,000
	14,500	— Sales of furniture (Kishan)	400
— Goods withdrawn (Mira)	3000		30,600
To Demurrage	100	— Wrongly recorded drawings	3000
To Carriage inward A/c	200	By Closing stock	14,370
To Freight	350		
To Profit and loss A/c (Gross profit)	20,820		
	41,970		41,970

Profit and Loss Account of partnership firm of Radha and Mira for the year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
Administrative Expense :		By Trading A/c (Gross profit)	20,820
To Insurance premium	600	By Discount received	325
— Prepaid	100	By Bad debts returned	700
To Stationery expense :		By Sale of old newspapers	1000
Opening stock	200		
+ Purchase	1000		
	1200		
— Closing stock	500		
To Professional tax	800		
To Salary-wages	3730		
To Sundry expense	800		
To Contribution to PF	200		

Financial Expense :			
Interest on Loan (Kanaiya) :			
Interest paid 315			
+ Outstanding 210	525		
To Bank interest	142		
Sales-Distribution Expense :			
To Discount (Trial balance) 125			
+ Discount reserve (Adj.) 228			
353			
— Discount reserve (Trial bal.) 250	103		
Other Expenses-Loss :			
Depreciation :			
Motor car 2000			
+ Machinery 675			
+ Addition 225 900	2900		
To Furniture :			
Furniture sold 15			
Remaining 45	60		
To Loss on sale of furniture	185		
To Bad debts (Adj.) 600			
+ Bad debts reserve (Adj.) 600			
1200			
— Bad debts reserve (Trial bal.) 1000	200		
To Profit and loss Appropriation A/c (Net profit)	12,000		
	22,845		22,845

Profit and Loss Appropriation Account of partnership firm of Radha and Mira

Dr Cr
for the year ending on 31-3-2017

Particular	Amt. (₹)	Particular	Amt. (₹)
To Interest on Capital :		By Profit and loss A/c (Net profit)	12,000
Radha 2000			
Mira 1000	3000		
To Radha's salary A/c	2000		
To Partners' capital A/c			
(Divisible profit 3:2) :			
Radha 4200			
Mira 2800	7000		
	12,000		12,000

Dr

Partners Capital Accounts

Cr

Date	Particular	Radha (₹)	Mira (₹)	Date	Particular	Radha (₹)	Mira (₹)
1-4-16	To Balance b/d	5000	—	1-4-16	By Balance b/d	—	1000
31-3-17	To Drawings A/c	—	3000	31-3-17	Int. on capital A/c	2000	1000
31-3-17	To Balance c/d	3200	1800	31-3-17	By Salary A/c	2000	—
				31-3-17	By P&L App. A/c (Divisible profit)	4200	2800
		8200	4800			8200	4800

Balance Sheet of partnership firm of Radha and Mira as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital Accounts :		Non-Current Assets :	
Radha 20,000		Fixed Assets : Tangible Assets :	
Mira 10,000	30,000	Furniture 1500	
Current Accounts :		— Sale 600	
Radha 3200			900
Mira 1800	5000	— Depreciation 45	855
Non-Current Liabilities :		Motor car	12,000
Loan of Kanaiya	7000	Building	12,950
Provident fund 4000		Machines 8325	
+ Interest 240	4240	+ Depreciation (Trial bal.) 675	
Current Liabilities :			9000
Bank overdraft 19,847		— Depreciation 10 % (Adj.) 900	8100
Creditors 9800		Intangible Assets :	
Outstanding interest of loan 210		Patent	4000
		Trademark	5000
		PF investment	4000
		Current Assets :	
		Dead stock	150
		Closing stock of goods	14,370
		Stationery stock	500
		Debtors 16,000	
		— Sale of furniture 400	
			15,600
		— Wrongly recorded drawings of Mira	3000
			12,600
		— Bad debts (Adj.) 600	
			12,000
		— Bad debts reserve (Adj.) 600	
			11,400
		— Discount reserve 2 % 228	11,172
		Kishan's A/c (debtors)(furniture's sale)	400
		Prepaid insurance	100
		Cash balance	2500
	76,097		76,097

Explanation of adjustments :**(1) Closing stock :**

₹ 15,000		
↓	↓	↓
10 %	15 %	75 %
₹ 1500	₹ 2250	₹ 11,250
- 12 % 180	- 20 % 450	-
₹ 1320	₹ 1800	₹ 11,250 = ₹ 14,370

(2) Depreciation and sale of furniture :

Balance as per trial balance	₹ 1500
- Sale of furniture	₹ 600
Balance of furniture	₹ 900

Depreciation and loss on sale of furniture :

Opening balance of sale of furniture	₹ 600
- Depreciation : 6 months, 5 %	₹ 15
	₹ 585
- Selling price	₹ 400
Loss on sale of furniture	₹ 185

(To be shown debit side of profit and loss account)

Balance of furniture ₹ 900 × $\frac{5}{100}$ =	₹ 45	Depreciation
+ Depreciation on sale of furniture	₹ 15	
To be shown debit side of P & L A/c	₹ 60	

Deduct ₹ 45 from the balance of furniture of balance sheet.

(3) Calculation of interest on Kanaiya's loan :

$7000 \times \frac{9}{100} \times \frac{10}{12} =$	₹ 525	Total interest
- Interest paid	₹ 315	
	₹ 210	Outstanding interest

(4) Depreciation on Machinery :

Balance as per trial balance	₹ 8325
+ Depreciation charged	₹ 675
Value before depreciation	₹ 9000
- Depreciation 10 %	900
Value after depreciation	8100
Depreciation charged	₹ 675
Outstanding	₹ 225
Total depreciation	₹ 900

Rate of depreciation = $\frac{675}{9000} \times 100 = 7.5 \%$
New depreciation rate = 10 % ∴ $9000 \times 10 \%$
New depreciation = 900 10 %
- Old depreciation = 675 7.5 %
Yet to be recovered = 225

(To be shown debit side of profit and loss A/c)

(5) Furniture sold to Kishan on credit, thus it would appear in balance sheet at assets side.

Illustration 9 : Mahi and Rahi are partners sharing profit-loss in the proportion of 6:4. From the given trial balance dated 31-3-2017 and adjustments, prepare final accounts of partnership firm.

Trial Balance of partnership firm of Mahi and Rahi as on 31-3-2017

Debit Balances		Amt. (₹)	Credit Balances		Amt. (₹)
Drawings :			Capital Accounts :		
Mahi	3000		Mahi		20,000
Rahi	2000	5000	Rahi		12,500
Opening stock		1750	Sales		2,00,000
Purchase		1,38,750	Purchase return		1250
Travelling expense :			Discount and allowance		1250
Rahi		3000	Dividend on share of SBI		50
Salesman		5250	Bank A/c		3000
Salary : Accountant		2500	Creditors		1250
Collection clerk		1250	Loan borrowed from friend		2500
Shop rent		900			
Debtors		5000			
Carriage (goods)		7500			
Advertisement expense		10,000			
Prepaid rent of shop (1-4-16)		75			
Discount and allowance		4250			
Donation expense		10,000			
Income tax		12,500			
Professional tax		125			
Bank overdraft interest		6000			
Bank commission		250			
Share of SBI		500			
Fixed assets		1250			
Fixed assets maintenance		500			
Cash balance		450			
Goodwill		25,000			
		2,41,800			2,41,800

Adjustments : (1) Provide 12 % interest on capital of partners and 5 % on drawings. (2) 3 % commission on sales is payable to Mahi. (3) Every month ₹ 300 is payable to Rahi for travelling expense done for business. (4) ₹ 50 interest is outstanding on loan of friend. (5) Shop rent is paid for 12 months for the year ending on 30-4-2017. (6) Provide 20 % depreciation on fixed assets. (7) There is doubtful recovery of ₹ 250. (8) Closing stock ₹ 19,025.

Ans. : Trading Account of partnership firm of Mahi and Rahi for year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Opening stock	1750	By Sales	2,00,000
To Purchase 1,38,750		By Closing stock	19,025
— Purchase return 1250	1,37,500		
To Carriage (Goods)	7500		
To Profit and loss A/c (Gross profit)	72,275		
	2,19,025		2,19,025

Profit and Loss Account of partnership firm of Mahi and Rahi for year ending on 31-3-2017

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
Administrative Expense :		By Trading A/c (Gross profit)	72,275
To Salary of accountant	2500	By Discount allowance A/c	1250
To Professional tax	125	By Dividend on share of SBI	50
To Shop rent 900			
+ Prepaid of 2017 (1-4-16) 75	975		
— Prepaid of 2018 (1-4-17) 75	900		
Sales-Distribution Expense :			
To Salary of collection clerk	1250		
Advertisement expense A/c	10,000		
To Salesman travelling expense	5250		
To Discount - allowance A/c	4250		
To Other Expenses-Loss A/c :			
To Bank overdraft interest A/c	6000		
To Bank commission A/c	250		
To Fixed assets maintenance A/c	500		
To Outstanding int. on loan of friend	50		
To Donation expense A/c	10,000		
To Depreciation on fixed assets A/c	250		
To Bad debts reserve A/c	250		
To Income tax A/c	12,500		
P & L Appropriation A/c (Net profit)	19,500		
	73,575		73,575

Dr	Profit and Loss Appropriation Account of partnership firm of Mahi and Rahi	Cr
	for year ending on 31-3-2017	

Particular	Amt. (₹)	Particular	Amt. (₹)
Interest on capital :		By Profit and loss A/c (Net profit)	19,500
Mahi 2400		Interest on drawings :	
Rahi 1500	3900	Mahi 150	
To Travelling expense A/c		Rahi 100	250
Rahi 3000			
+ Outstanding 600	3600		
To Mahi's commission A/c 3 %	6000		
To Partners' capital A/c(Divisible profit)			
Mahi 3750			
Rahi 2500	6250		
	19,750		19,750

Dr	Partners' Capital Accounts	Cr
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Date	Particular	Mahi (₹)	Rahi (₹)	Date	Particular	Mahi (₹)	Rahi (₹)
31-3-17	To Drawings A/c	3000	2000	1-4-16	By Balance b/d	20,000	12,500
31-3-17	To Interest on			31-3-17	By Int. on capital	2400	1500
	drawing A/c	150	100	31-3-17	By Travelling exp.	—	600
31-3-17	To Balance c/d	29,000	15,000	31-3-17	By Commission A/c	6000	—
				31-3-17	By P&L App. A/c (Divisible profit)	3750	2500
		32,150	17,100			32,150	17,100

Balance Sheet of partnership firm of Mahi and Rahi as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital Account :		Non-Current Assets :	
Mahi	29,000	Fixed Assets :	
Rahi	15,000	Tangible Assets :	
Non-Current Liabilities :		Fixed assets	1250
Loan borrowed from friend	2500	— Depreciation	250
Current Liabilities :		Intangible Assets : Goodwill	1000
Bank A/c	3000		25,000
Creditors	1250	Investments :	
Interest outstanding of friend's loan	50	Shares of SBI	500
		Current Assets :	
		Closing stock	19,025
		Debtors	5000
		— Bad debts reserve (Adj.)	250
		Cash balance	4750
		Prepaid rent	450
			75
	50,800		50,800

Note : (1) Outstanding shop rent as per trial balance	₹ 900
+ Paid in previous year of current year (1-4-16)	₹ 75
	₹ 975
— Paid in current year of Next year (30-4-17)	₹ 75
[900 ÷ 12 = 75]	₹ 900

(2) Income tax is expense of partnership firm. Thus disclosed the at debit side of P & L A/c.

Illustration 10 : Following are the annual accounts of partnership firm of Labh and Subh.

Profit and Loss Account of partnership firm of Labh and Shubh as on 31-3-17

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Cost of goods sold A/c	1,16,000	By Sales A/c	1,96,000
To Office expenses A/c	20,000	By Sundry income A/c	2000
To Sales expenses A/c	16,000		
To Financial expenses A/c	4000		
To Sundry expenses A/c	4000		
To Partners' capital A/c (Net profit)			
Labh	22,800		
Subh	15,200		
	38,000		
	1,98,000		1,98,000

Balance Sheet of partnership firm of Labh and Shubh as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital :		Non-Current Assets :	
Labh	40,000	Tangible Assets :	
+ Net profit	22,800	Fixed assets	60,000
	62,800	Investments	12,000
— Drawings	12,000	Current assets (with debtors)	28,000
Shubh	30,000		
+ Net profit	15,200		
	45,200		
— Drawings	6000		
Liabilities			
Suspense A/c			
	8000		
	2000		
	1,00,000		1,00,000

After preparation of annual accounts the following adjustments are reported : (1) 5 % interest on capital is not calculated. (2) 10 % depreciation on fixed assets is to be provided. (3) Prepaid rent is ₹ 200. (4) Interest on investment is not received ₹ 400. (5) Maintain Bad debts reserve of ₹ 600. (6) Total of sales book is under cast by ₹ 2000. (7) Purchase of ₹ 800 is not recorded in the books. Write adjustment entries and prepare revised final accounts from the above information.

Adjustments

Date	Particular	LF No.	Debit (₹)	Credit (₹)
(1)	Interest on capital A/c Dr To Labh's capital A/c To Shubh's capital A/c (Being 5 % interest on capital is charged to partners.)		3500	2000 1500
(2)	Depreciation A/c Dr To fixed assets A/c (Being depreciation is charged at 10 % on fixed assets.)		6000	6000
(3)	Prepaid rent A/c Dr To rent A/c (Being prepaid rent is adjusted.)		200	200
(4)	Outstanding interest on investment A/c Dr To interest on investment A/c (Being interest on investment is not received.)		400	400
(5)	Profit and Loss A/c Dr To Bad debts reserve A/c (Being provided bad debts reserve.)		600	600
(6)	Suspense A/c Dr To sales A/c (Being total of sales book was under cost.)		2000	2000
(7)	Purchase A/c Dr To creditors A/c (Being entry passed for unrecorded purchase.)		800	800

Trading Account of partnership firm of Labh and Shubh for year ending of 31-3-17

Dr

Cr

Particular	Amt. (₹)	Particular	Amt. (₹)
To Cost of goods sold A/c 1,16,000		By Sales 1,96,000	
+ Unrecorded purchase 800	1,16,800	+ From suspense A/c 2000	1,98,000
To Profit and loss A/c (Gross profit)	81,200		
	1,98,000		1,98,000

**Revised Profit and Loss Account of partnership firm of Labh and Shubh
for year ending on 31-3-17**

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Office expense 20,000		By Trading A/c (Gross profit)	81,200
— Prepaid rent 200	19,800	By Sundry income A/c	2000
To Sales expense	16,000	By Interest on investment A/c	400
To Financial expenses A/c	4000		
To Sundry expenses A/c	4000		
To Depreciation on fixed assets	6000		
To Bad debts reserve	600		
To P & L App. A/c (Net profit)	33,200		
	83,600		83,600

**Revised Profit and Loss Appropriation Account of partnership firm of Labh and Shubh
for year ending of 31-3-17**

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To Interest on partners' capital :		By Profit and loss A/c (Net profit)	33,200
Labh 2000			
Shubh 1500	3500		
To partners' capital A/c (Divisible profit):			
Labh 17,820			
Shubh 11,880	29,700		
	33,200		33,200

Partners' Capital Accounts

Dr				Cr			
Date	Particular	Labh (₹)	Shubh (₹)	Date	Particular	Labh (₹)	Shubh (₹)
31-3-17	To Drawings A/c	12,000	6000	1-4-16	By Balance b/d	40,000	30,000
31-3-17	To Balance c/d	47,820	37,380	31-3-17	By Interest on capital A/c	2000	1500
				31-3-17	By P&L App. A/c (Divisible profit)	17,820	11,880
		59,820	43,380			59,820	43,380

Balance Sheet of partnership firm of Labh and Shubh as on 31-3-17

Capital-Liabilities	Amt. (₹)	Assets-Debts	Amt. (₹)
Capital Accounts :		Non-Current Assets :	
Labh	47,820	Fixed assets	60,000
Shubh	37,380	— Depreciation 10 %	6000
Liabilities	8000	Investments	12,000
Unrecorded purchase	800	Current Assets :	
		Debtors	28,000
		— Bad debts reserve	600
		Interest outstanding on investments	400
		Prepaid rent	200
	94,000		94,000

Note : (1) Total of sales book is under cast by ₹ 2000. Thus it is added to sales and debited to suspense account. Consequently sales would increase by ₹ 2000 and suspense account will be closed.
 (2) Old profit shared by partner Labh and Shubh is ₹ 22,800 and ₹ 15,200 respectively. So total profit is ₹ 38,000. Proportion will be determined as follows :

$$\frac{22800}{38000} \times 100 = 60 \% : 3$$

$$\frac{15200}{38000} \times 100 = 40 \% : 2$$

∴ Labh and Subh would get in the proportion of 3:2. Divisible profit is calculated as per this proportion.

Revised divisible profit ₹ 29,700 will be shared as follows :

$$\begin{aligned} \text{Labh} &= 29,700 \times \frac{3}{5} \\ &= 17,820 \end{aligned}$$

$$\begin{aligned} \text{Shubh} &= 29,700 \times \frac{2}{5} \\ &= 11,880 \end{aligned}$$

= 11,880 are shown in the profit and loss appropriation account.

Exercise

1. Select appropriate option for each question :

- (1) In which year partnership act was implemented in India ?

(a) 1923	(b) 1932
(c) 1947	(d) 1956
- (2) In which proportion profit-loss will be shared between the partners if no provision is made in the partnership deed ?

(a) Capital proportion	(b) Gaining ratio
(c) Sacrificing ratio	(d) Equal proportion
- (3) Credit balance of trading account represents

(a) gross profit	(b) net profit
(c) gross loss	(d) net loss

- (4) Goods returned debit means
- (a) purchase (b) purchase return
(c) sales (d) sales return
- (5) Goods returned credit means
- (a) purchase return (b) sales return
(c) purchase (d) sales
- (6) Which balance is represented by bank overdraft ?
- (a) Debit balance (b) Credit balance
(c) Debit and Credit (d) None of the above
- (7) Where will you disclose the credit balance of profit and loss account which is shown in the trial balance ?
- (a) Trading A/c (b) Profit and loss A/c
(c) Profit and loss appropriation A/c (d) Capital/current A/c
- (8) Which transaction is shown at the debit side of the profit and loss appropriation account ?
- (a) Interest on drawings (b) Interest on debit balance of current A/c
(c) Net profit (d) Amount to be transferred to general reserve
- (9) Generally, which balance is maintained by current account ?
- (a) debit (b) credit
(c) debit or credit (d) None of the above
- (10) The financial position of business is disclosed by
- (a) Trial balance (b) Trading A/c
(c) Balance sheet (d) Profit and loss A/c

2. Describe the objectives of the preparation of final accounts of a partnership firm.
3. Explain in brief, the method of the preparation of final accounts of a partnership firm.
4. State list of tangible and intangible assets.
5. Where will you disclose the following items given in a trial balance during the preparation of a final account of a partnership firm : (1) Bad debts returned (2) Depreciation : factory's building (3) Wages and salary (4) Provident fund investments (5) Bills payable (6) Goods withdrawn as drawings (7) Goods return credit (8) Goods return debit (9) Loan given to firm by a partner (10) Interest on investments of provident fund.
6. Where will you disclose the effects of the following adjustments during the preparation of final accounts of a partnership firm :
(1) Closing stock of stationery (2) Unrecorded credit sales (3) Commission payable to partner on net profit (4) Goods withdrawn by partner for personal use. (5) Interest on debit balance of Partners' current account (6) Certain amount is written off from leasehold property (7) Receivable income (outstanding income) (8) Prepaid expenses (9) Discount reserve on debtors.

7. Write adjustment entries for the following adjustments :

- (1) Book value of stock is ₹ 40,000, but its market value is 20 % less than the book value.
- (2) Salary outstanding ₹ 1000.
- (3) Mahendra lended loan of ₹ 25,000 to the firm, but 10 % for 6 months is outstanding on it.
- (4) Interest received in advance ₹ 500.
- (5) Provide depreciation at 8 % for 8 months on a building of ₹ 5,00,000.
- (6) Closing stock of stationery at the end of the accounting period is ₹ 250.
- (7) Closing balance at the end of accounting period, of debtors of business is ₹ 50,000, out which written off ₹ 4500 as bad debts. Provide 10 % bad debts reserve on debtors.
- (8) One partner has withdrawn goods of ₹ 5000 for personal use, this transaction is not recorded.
- (9) Goods of ₹ 3000 destroyed by fire. Insurance company has admitted the the claim of 80 %.

8. Brahma and Vishnu are partners of a firm sharing profit-loss in the proportion 3:2. From the trial balance dated 31-3-2017 and adjustments, prepare annual accounts of the firm :

Trial Balance of Partnership Firm of Brahma and Vishnu as on 31-3-2017

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹)
Drawings : Brahma	5000	Capital Accounts : Brahma	55,000
Vishnu	5000	Vishnu	45,000
Leasehold building		Loan of Brahma (from 1-7-2016)	50,000
(from 1-4-16 for 10 years)	60,000	Discount received	400
Machinery (Office)	50,000	Creditors	25,000
Discount allowed	350	Commission	2500
Debtors	40,000	Bills payable	5000
Carriage outward	1200	Trading A/c	97,250
Furniture-fixtures	5000		
Salary	7500		
Bad debts	1200		
Bills receivable	20,000		
Trading expense	5900		
Cash balance	6000		
Stock (31-3-17)	73,000		
	2,80,150		2,80,150

Adjustments : (1) Provide depreciation 6 % on machinery and 20 % on furniture fixtures. (2) Written off ₹ 500 from debtors as bad debts. (3) Annual salary of ₹ 5000 and ₹ 4000 payable to Brahma and Vishnu respectively. (4) Commission ₹ 500 is receivable. (5) Outstanding salary ₹ 3000.

9. Parthiv and Priya are the partners of a partnership firm. From the Trial balance dated 31-3-2017 and adjustments, prepare final accounts of a partnership firm.

Trial Balance of Partnership Firm of Parthiv and Priya as on 31-3-2017

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹)
Drawings : Parthiv	4800	Capital Accounts : Parthiv	24,000
Priya	3200	Priya	16,000
*Net cost of purchase	1,06,000	Sales	2,00,000
Stock of goods (31-3-17)	28,000	Payables	30,000
Receivables	48,000	Goods distribute as sample	2000
Wages-salary	10,000	Bank overdraft	14,000
Trading expense	16,000		
Building	50,000		
Furniture-fittings	10,000		
Office equipments	4000		
Packing material stock	4000		
Cash balance	2000		
	2,86,000		2,86,000

***Note :** Net cost of purchase means adjusted purchase.

Adjustments :

- (1) Provide interest 8 % on capital and 12 % on drawings. Parthiv had withdrawn ₹ 400 at the end of each month and Priya had withdrawn on 1-10-16.
 - (2) Credit sales of ₹ 10,000 is not recorded and total of sales book of March is overcast by ₹ 2000.
 - (3) Write off additional bad debts of ₹ 2000 and provide 5 % bad debts reserve on debtors.
 - (4) Furniture of ₹ 4000 became obsolete, which is not recorded in the books.
 - (5) A court has finalised claim of ₹ 4000, for not meeting agreement to provide goods to a customer.
 - (6) Outstanding wages of ₹ 2000 is recorded to wages account but outstanding wages account is not recorded in the trial balance.
10. Luv and Kush are partners of a partnership firm. They distribute 60 % profit in the ratio of 3:2 and remaining in the proportion of 2:1. From the trial balance of the firm dated 31-3-17 and adjustments prepare profit and loss appropriation account, current accounts of partners and balance sheet of the firm.

Trial Balance of Partnership Firm of Luv and Kush as on 31-3-2017

Particular	Debit balance (₹)	Credit balance (₹)
Luv's capital - drawings	40,000	1,20,000
Kush's capital - drawings	12,000	80,000
Current accounts : Luv	—	8000
Kush	12,000	—
Profit and loss A/c	—	80,000
Stock (31-3-2017)	72,000	—
Prepaid insurance premium	3200	—
Building	1,60,000	—
Debtors and creditors	80,000	28,000
Cash and bank balance	4800	20,000
Bills payable	—	14,000
Mortgage loan	—	1,00,000
Goodwill	40,000	—
Outstanding wages	—	2800
Receivable rent	1600	—
Commission received in advance	—	800
Bad debts reserve	—	8000
Patents	12,000	—
Furniture	24,000	—
	4,61,600	4,61,600

Adjustments : (1) Provide interest on capital at 6 % and on drawings at 10 %. (2) Provide 10 % interest on opening balance of current accounts. (3) Monthly salary of ₹ 1800 is outstanding, payable to Kush. (4) After information of above mentioned adjustments, on remaining profit 10 % commission is payable to Kush.

11. From the Trial Balance and adjustments of partnership firm of Salim and Shabana, prepare final accounts of partnership firm.

Trial Balance of Partnership Firm of Salim and Shabana as on 31-3-2017

Particular	Debit balance (₹)	Credit balance (₹)
Capital Account : Salim	—	1,60,000
Shabana	—	1,20,000
Current Account : Shabana	10,000	—
Salim	—	40,000
Stock of goods (31-3-17)	54,600	—
Cash balance	560	—
Current account with bank	14,000	—
Fixed deposit of SBI	80,000	—
Debtors - creditors	36,800	24,000
Salary	37,000	—

Land-building	1,20,000	—
machinery (office)	40,000	—
Furniture	10,000	—
Insurance premium	2000	—
Leasehold machinery (from 1-4-16 for 5 years)	60,000	—
Stationery and printing	1200	—
Bad debts - bad debts reserve	400	2000
Advertisement expense	1200	—
Travelling expense	800	—
Trading A/c	—	61,800
Loan of Shabana (from 1-10-16)	—	60,000
Discount reserve	—	760
	4,68,560	4,68,560

Adjustments :

- (1) Salim withdrew goods of ₹ 4000 for personal use. It is not recorded in the books.
 - (2) Goods of ₹ 8000 purchased at the end of the accounting year, which is not recorded.
 - (3) Prepaid insurance is ₹ 400.
 - (4) From debtors ₹ 800 is not recoverable. Provide 5 % bad debts reserve on debtors.
 - (5) Discount reserve on debtors is not required.
 - (6) Provide depreciation on machinery at 20 % and on furniture at 5 %.
12. Dhara and Mira are partners sharing profit-loss in the proportion of 3:2. Final accounts of their partnership firm are as follows :

**Trading Account and Profit and Loss Account of partnership firm of Dhara and Mira
for year ending on 31-3-2017**

Dr		Cr	
Particular	Amt. (₹)	Particular	Amt. (₹)
To cost of goods sold	4,64,000	By sales	7,84,000
To office expense	80,000	By sundry income	7000
To show-room rent	10,000	By bad debts returned	1000
To packing expense	12,000		
To bad debts	8000		
To advertisement expense	14,000		
To selling-distribution expense	20,000		
To financial expense	6000		
To sundry expense	16,000		
To salary	8000		
To tax-insurance	2000		
Net profit : Dhara	91,200		
Mira	60,800		
	7,92,000		7,92,000

Balance Sheet of Partnership Firm of Dhara and Mira as on 31-3-17

Capital-Liabilities		Amt. (₹)	Assets-Debts		Amt. (₹)
Dhara :			Non-current assets :		
Capital	1,60,000		Fixed assets :		
+ Net profit	91,200		Building		2,40,000
	2,51,200		Machinery		20,000
— Drawings	48,000	2,03,200	Furniture		20,000
Mira :			Investments		24,000
Capital	1,20,000		Current assets :		
+ Net profit	60,800		Cash balance		10,000
	1,80,800		Bank balance		25,000
— Drawings	24,000	1,56,800	Bills receivable		5000
Creditors		32,000	Debtors		56,000
Bills payable		8000			
		4,00,000			4,00,000

After preparation of annual accounts, it is found that :

- (1) 5 % interest on capital is not calculated. (2) 10 % depreciation on building is to be provided. (3) Prepaid salary is of ₹ 400. (4) Interest on investments not received ₹ 800. (5) Bad debts reserve of ₹ 1200 is to be maintained. (6) Credit purchase of ₹ 1600 is not recorded.

Prepare revised Trading account, Profit and loss a/c, Profit and loss appropriation a/c and Balance sheet.

13. Harsha and Chhaya are partners of a partnership firm. From the following information prepare final accounts :

Trial Balance of Partnership Firm of Harsha and Chhaya as on 31-3-2017

Debit Balances		Amt. (₹)	Credit Balances		Amt. (₹)
Drawings : Harsha (1-10-16)		5000	Capital accounts : Harsha		20,000
Chhaya (1-1-17)		10,000	Chhaya		30,000
Current account : Harsha		6000	Current account : Chhaya		4000
Interest on capital : Harsha		700	Interest on drawings : Harsha		100
Chhaya		1000	Chhaya		50
Machinery (office)		40,000	Loan of Harsha (from 1-10-2016)		10,000
Interest on loan		200	Rent		12,000
Salary (Monthly ₹ 1000)		13,000	Creditors		5000
Salary of Chhaya		5500	Trading account		24,700
Debtors		15,000	Bank balance		5450
Receivable rent		2000	Interest on current account : Harsha		100
Bad debts		1300	Suspense account		300
Stock of goods (31-3-17)		10,000			
Insurance pre. (Out of which ₹ 1200 is for the year ending on 30-6-17)		2000			
		1,11,700			1,11,700

Adjustments :

- (1) Provide interest 5 % on capital, 6 % on drawings and 10 % on opening balance of current a/c.
- (2) Provide 10 % depreciation on machines.
- (3) Monthly salary of Chhaya is ₹ 500.
- (4) Total of sales book is under cast by ₹ 300.
- (5) ₹ 1700 are to be transferred to general reserve.

14. Dharma and Karma are partners sharing profit-loss in their capital ratio. From the following information prepare their final accounts.

Trial Balance of Partnership Firm of Dharma and Karma as on 31-3-2017

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹))
Drawings : Dharma	7500	Capital accounts : Dharma	1,40,000
Karma	5000	Karma	1,20,000
Opening stock	15,000	Sales	1,20,000
Purchase	80,000	Goods return debit	2000
Goods return credit	3000	Payables	79,000
Receivables	27,400	Salary outstanding	700
Salary (upto 28-2-17)	13,200	Loan of Dharma	30,000
Machinery (office)	71,760	Discount received	6600
Depreciation on machine	6240	Bank overdraft	2800
Building	80,000	Current account : Karma	14,000
Wages	1600		
Insurance premium	1800		
Discount allowed	3200		
Interest on loan	1200		
Furniture	87,000		
Stationery expense	7000		
Advertisement expense	36,000		
Cash balance	51,200		
Current account : Dharma	17,000		
	5,15,100		5,15,100

Adjustments :

- (1) Closing stock is of ₹ 21,000, in which stock of stationery of ₹ 2000 is included.
- (2) On machinery, depreciation rate is to be increased upto 10 %.
- (3) Credit sales of ₹ 1000, is recorded in the purchase return book by mistake.
- (4) $\frac{1}{4}$ share of advertisement expense is to be carry forwarded to the next year.

15. With consideration of following trial balance and adjustments of Harsh and Yesha, prepare final accounts for the year ending on 31-3-17 of their firm.

Trial Balance of Partnership Firm of Harsh and Yesha as on 31-3-2017

Name of Accounts	Debit balance (₹)	Credit balance (₹)
Capital and drawings :		
Harsh	5000	35,000
Yesha	2500	15,000
Goodwill	5000	—
Patent and Trade-mark	2700	—
Receivables and payables	31,000	25,000
Accounts of goods	40,000	89,250
Machines (office)	15,000	—
Opening stock	6000	—
Furniture	3000	—
Goods return accounts	7500	5000
Wages	4000	—
Depreciation on furniture	300	—
Stationery and printing	1550	—
Building	46,000	—
Legal charges	6500	—
Cash balance	300	—
Railway frieght	600	—
Insurance premium	1150	—
Bills	4000	2500
Postage expense	2000	—
Bad debts and bad debts reserve	1500	2000
Discounts	750	1500
Stamps on hand and bad debts return	150	1250
12 % HDFC loan (1-7-16)	—	10,000
	1,86,500	1,86,500

Adjustments :

- (1) Closing stock ₹ 10,000 out of which 50 % has no market value.
- (2) Legal charges included of legal charges of building purchase ₹ 4000.
- (3) Provide 5 % bad debts reserve on debtors.
- (4) Provide depreciation 10 % on furniture and 5 % on building.
- (5) $\frac{1}{3}$ share of patent and trade mark is to be written off.

16. Neela and Sheela are partners of partnership firm sharing profit-loss in capital proportion. From the following trial balance and adjustments prepare final accounts of the firm.

Trial balance of Partnership Firm of Neela and Sheela as on 31-3-17

Name of Accounts	Debit balances (₹)	Credit balances (₹)
Neela's capital and drawings	20,000	1,00,000
Sheela's capital and drawings	14,000	50,000
Suppliers and customers	90,000	60,000
Goods returned	2000	3000
Bills	15,000	20,800
Cash and Bank	1000	14,000
Bad debts and bad debts reserve	400	1300
Purchase and sales	1,40,000	2,60,500
Wages and outstanding wages	35,000	2000
Machinery (office)	36,500	—
Depreciation on machinery	3500	—
Furniture	12,000	—
Opening stock	46,100	—
Prepaid insurance	200	—
Salary	23,000	—
Insurance premium	2000	—
Rent-taxes	12,000	—
Advertisement expenses	2900	—
Goodwill	72,000	—
Leasehold building (from 1-10-14 for 5 years)	14,000	—
8 % Leela's loan (1-11-16)	—	30,000
Total	5,41,600	5,41,600

Adjustments :

- (1) Closing stock ₹ 1,10,000 and having market value 20 % more than book value.
- (2) Per annum 6 % interest is payable on Partners' capital.
- (3) Interest on drawings recoverable from partners : Neela ₹ 900, Sheela ₹ 600.
- (4) Provide 5 % bad debt reserve on debtors.
- (5) Outstanding expenses at the end of accounting year : rent ₹ 300 and salary ₹ 950.
- (6) Provide depreciation : 10 % on machinery and 5 % on furniture.

17. Man and Mohan are partners of a firm sharing profit and loss in the proportion of 1:1. From the given below trial balance and adjustments prepare final accounts for the year ending on 31-3-2017.

Trial Balance of Partnership Firm of Man and Mohan as on 31-3-17

Name of Accounts	Debit balance (₹)	Credit balance (₹)
Capital and drawings :		
Man	3000	2,80,000
Mohan	4500	2,20,000
Purchase-sales	80,000	1,20,000
Advertisement expense	7000	—
Carriage outward	850	—
Machines (office)	1,50,000	—
Purchase of office machine (1-4-16)	40,000	—
Building	2,50,000	—
Office salary	15,000	—
Customers - Suppliers	25,000	35,000
Goods returned	16,000	14,000
Weight charges	450	—
Loan of Man	—	10,000
Carriage inward	1300	—
Goods stock (1-4-16)	42,000	—
Trading expense	1300	—
Wages and outstanding wages	750	2600
Commission paid in advance	350	—
Bank account and cash account	20,700	3000
Interest on loan	400	—
Investment in 8 % govt. security	30,000	—
Current accounts :		
Man	8000	—
Mohan	—	12,000
Total	6,96,600	6,96,600

Adjustments :

- (1) The value of closing stock is ₹ 80,000. It's market value is 10 % more.
- (2) Provide depreciation at 10 % on machines and building.
- (3) Debtor of ₹ 10,000 became insolvent. 50 % amount will be received as per instructions of his receiver. Provide 5 % bad debt reserve.
- (4) 10 % interest is outstanding on bank overdraft.
- (5) Goods of ₹ 2000 is missed out to record in sales return book.

18. Sant and Mahant are partners of a firm sharing profit and loss in the proportion of 3:2. From the trial balance of 31-3-2017 and adjustments prepare final accounts of the partnership firm.

Trial Balance of Partnership Firm of Sant and Mahant as on 31-3-17

Debit Balances	Amt. (₹)	Credit Balances	Amt. (₹)
Drawings :		Capital accounts :	
Sant	7000	Sant	80,000
Mahant	3000	Mahant	40,000
Plant and Machines	33,300	Creditors	48,000
Addition in plant and machines (from 1-7-2016)	24,000	Sale of plants and machines (on 1-4-16, book value ₹ 6900)	4800
Furniture-fittings	2560	Sales	2,68,000
Debtors	64,940	5 % loan from Gyani (from 1-10-16)	10,000
Advertisement expense	13,248	Commission	800
Cash-bank balance	8496		
Purchases	1,81,168		
Productive wages	45,272		
Electricity expense (Factory)	4296		
Rent-taxes (Office)	872		
Rent-taxes (Factory)	9384		
Technical expense	400		
Opening stock	33,696		
Factory expense	1780		
Office salary	8780		
Discount allowed	4800		
Carriage inward	1700		
Bad debts	836		
Office expenses	2072		
	4,51,600		4,51,600

Adjustments :

- (1) There was stock of ₹ 85,500.
 - (2) Provide 15 % depreciation on plant and machines and 7.5 % on furniture and fittings.
 - (3) Provide bad debts reserve of ₹ 2000 on debtors.
 - (4) 6 % interest is payable on capital of partners.
 - (5) Outstanding expenses : Productive wages ₹ 784, advertisement expense ₹ 312, office salary ₹ 400, technical expense ₹ 320.
19. Jay and Prafulla are partners of a partnership firm sharing profit and loss in equal proportion. From the trial balance dated 31-3-17 and additional information, prepare financial accounts of the firm.

Trial Balance of Partnership Firm of Jay and Prafulla as on 31-3-17

Name of Accounts	Debit balance (₹)	Credit balance (₹)
Capital and drawings : Jay	12,000	1,00,000
Prafulla	16,000	1,40,000
Current accounts : Jay	12,000	—
Prafulla	—	4000
Good stock (1-4-16)	60,000	—
Purchase and sales	2,00,000	3,80,000
Goods returned	7000	12,000
Cash and bank	3700	15,750
Bills	18,000	14,000
Rent (upto February 2017)	22,000	—
Building	1,20,000	—
Currents year's depreciation on building	12,000	—
Freight	5300	—
Furniture	84,600	—
Sale of furniture (1.4.16)	—	14,600
Debtors and creditors	48,000	16,800
Salary	20,000	—
Insurance premium (Including ₹ 3600 for the year ending on 30-6-17)	5700	—
Bad debts and bad debt reserve	1000	2000
Loan of Prafulla (from 1-10-16)	—	20,000
Waves	11,000	—
Discount	650	850
Trading expenses	1050	—
Advertisement expenses	8000	—
(Office) Machines (Addition of ₹ 12,000 on 31-12-16)	52,000	—
	7,20,000	7,20,000

Adjustments : (1) The value of closing stock is ₹ 60,000. Out of which the market value of 10 % goods is 20 % less and the market value of 20 % goods is 10 % less. The remaining goods of ₹ 42,000 is valued at 25 % less than book value. (2) Provide 10 % interest on capital, 9 % on balance of current accounts and 12 % on drawings. (3) Monthly salary of ₹ 700 is payable to Jay. He has withdrawn salary of 4 months which is included in salary. (4) Prafulla has introduced additional capital of ₹ 20,000 on 1-1-17. (5) Jay has withdrawn ₹ 1000 per month on the last date of each month. Prafulla has withdrawn on 1-10-2016. (6) Calculate depreciation at 9 % on machines and 5 % on furniture. (7) Prafulla has withdrawn goods of ₹ 2000 on 1-12-2016, which is recorded in the sales book at ₹ 2400. (8) One debtor of ₹ 2400 became insolvent and 40 paise per rupee dividend is receivable.

