

Chapter 18 – Adjustments in Preparation of Financial Statements

Question 1.

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

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

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

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

Solution:

Trading Account
for the year ended March 31, 2016

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	1,600	By Sales	4,200
To Purchases	2,000	By Closing Stock	1,600
To Wages	800		
To Manufacturing Expenses	150		
To Carriage	160		
To Gross profit c/d	1,090		
	5,800		5,800

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

Dr.			Cr.
Particulars	₹	Particulars	₹
To Salaries	800	By Gross Profit b/d	1,090
To Repairs	190	By Net Loss (balancing Fig.)	2,490
To Rent	450		
Add: Unpaid Rent	50		
	500		
To Bad Debts	500		
To Depreciation On:			
Plant and Machinery	1,200		
Delivery Vehicle	390		
	1,590		
	3,580		3,580

Balance sheet as on March 31, 2016

Liabilities		₹	Assets		₹
Capital	19,000	15,810	Fixed Assets:		10,800
Less: Drawings	(700)		Plant and Machinery	12,000	
Less: Net Loss	(2,490)		Less:10% dep.	(1,200)	
			Delivery Vehicle	2,600	
			Less:15% dep.	(390)	
Current Liabilities					2,210
Sundry Creditors		2,600			
Bills Payable		2,350	Current Assets		
Unpaid Rent		50	Closing Stock		1,600
			Sundry Debtors		3,600
			Cash at Bank		2,600
		20,810			20,810

Question 2.

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

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

Additional Information:

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

Solution:

Trading Account
for the year ended March 31, 2016

Dr.			Cr.	
Particulars		₹	Particulars	₹
To Opening Stock		2,000	By Sales	16,400
To Purchases	10,500		Less: Return Inward	(300)
Less: Return Outward	(500)	10,000	By Closing Stock	1,450
To Wages		5,000	By Gross Loss c/d (Balancing Fig.)	500
To Manufacturing Expenses		800		
To Carriage		150		
To Fuel And Power		100		
		18,050		18,050

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

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

Balance Sheet as on March 31, 2016

Liabilities		₹	Assets	₹
Capital	10,000		Fixed Assets	
Less: Drawings	(1000)		Plant And Machinery	4,000
Less: Net Loss	(2,790)	6,210	Less: Depreciation	(400)
Current Liabilities				3,600
Creditors		1,200	Current Assets	
Bills Payable		500	Closing Stock	1,450
Outstanding Repairs		40	Sundry Debtors	2,400
			Less: Further Bad Debts	(500)
			Bank	1,000
		7,950		7,950

Question 3.

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

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

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

Solution:

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock	21,000	By Sales	48,950
To Purchases	21,650		
To Carriage Inwards	250	By Closing Stock	18,000
To Wages	6,000		
To Motive Power, Heating And Lighting	1,600		
To Gross Profit c/d (Balancing Fig.)	16,090		
	66,590		66,590

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Carriage Outwards	600		
To Printing And Stationery	2,660	By Gross Profit b/d	16,090
To Travelling Expense	400	By Discount Received	580
To Office Expenses	650		
To Interest Paid On Loan	200		
To Legal Charges	1,900		
To Consumption Of Tools (5,000 - 4,500)	500		
To Depreciation on :			
Furniture and Fixtures	100		
Plant and Machinery	2500		
To Net profit c/d(balancing Fig.)	7,160		
	16,670		16,670

Balance sheet as on March 31, 2016

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

Question 4.

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

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

Additional Information:

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

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

Solution:

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

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

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

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

Balance sheet as on March 31, 2016

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

Question 5.

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

Heads of Accounts	Dr. Balances (₹)	Cr. Balances (₹)
Capital		80,000
Drawings	18,000	
Sales		1,55,000
Purchases	82,600	
Stock (1 st April, 2015)	42,000	
Returns Outward		1,600
Carriage Inwards	1,200	
Wages	4,000	
Power	6,000	
Machinery	50,000	
Furniture	14,000	
Rent	22,000	
Salary	15,000	
Insurance	3,600	
8% Bank Loan		25,000
Debtors	20,600	
Creditors		18,900
Cash In Hand	1,500	
Total	2,80,500	2,80,500

Adjustments:

- Closing Stock ₹64,000.
- Wages outstanding ₹2,400.
- Bad Debts ₹600.
- Provision for Doubtful Debts to be 5%.
- Rent is paid for 11 Month.
- Insurance premium is paid per annum, ended 31st May, 2016.
- Loan from the bank was taken on 1st October, 2015.
- Provide Depreciation on machinery @ 10% and on Furniture @ 5%.

Solution:

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

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

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

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

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital 80,000		Fixed Assets	
Add: Net Profit 32,100		Machinery 50,000	
Less: Drawings (18,000)	94,100	Less: 10% Depreciation (5,000)	45,000
8% Bank Loan 25,000		Furniture 14,000	
Add: Outstanding Interest 1,000	26,000	Less: Depreciation (700)	13,300
Current Liabilities		Current Assets	
Creditors 18,900		Closing Stock	64,000
Outstanding Wages 2,400		Debtors 20,600	
Outstanding Rent 2,000		Less: Bad Debts (600)	
		Less: 5% Provision For Doubtful Debts (1,000)	19,000
		Prepaid Insurance	600
		Cash In Hand	1,500
	1,43,400		1,43,400

Question 6.

Following balances are taken from the books of Mr. Niranjana. You are required to prepare Trading and Profit and Loss Account and Balance Sheet for the year ended 31st March. 2016:

Head of accounts	₹	Heads of Accounts	₹
Capital	1,20,000	Drawings	21,000
Opening Stock	45,000	Plant and Machinery	24,000
Furniture	1,500	Purchases	2,95,000
Sales	4,35,000	Insurance	1,500
Purchase Return	4,000	Sales Return	7,000
Rent	5,000	Trade Expenses	2,000
Salaries	24,000	Wages	40,000
Bad Debts	1,000	6% Investments	50,000
Debtors	40,000	Sundry Creditors	19,000
Bad Debts Reserve	800	Cash	12,200
Advertisement Expenses	6,000	Miscellaneous Receipts	1,200
Patents	4,800		

Adjustments:

- Closing Stock ₹75,000.
- Depreciate Machinery by 10% and Furniture by 20%.
- Wages ₹5,000 and Salaries ₹2,000 are outstanding.
- Write off ₹500 as Bad Debts and create 5% Provision for Bad Debts. Also create a Reserve for Discount on Debtors @ 2%.
- Investments were made on 1st July, 2015 and no interest has been received so far.

Solution:

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock A/c	45,000	By Sales	4,35,000
To purchase A/c	2,95,000	Less: Sales return	(7,000)
Less: purchase return	(4,000)	By Closing stock A/c	75,000
	2,91,000		
To wages	40,000		
Add: Outstanding wages	5,000		
	45,000		
To Gross profit c/d (balancing amt.)	1,22,000		
	5,03,000		5,03,000

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

Dr.			Cr.	
Particulars		₹	Particulars	₹
To rent A/c		5,000		
To salaries A/c	24,000		By gross profit b/d	1,22,000
Add: Outstanding salaries	2,000	26,000		
To Advertisement expenses A/c		6,000	By interest accrued on investment (50,000 × 6% × 9/12)	2,250
To bad debts A/c	1,000			
Add: further bad debts	500		By Miscellaneous receipts A/c	1,200
Less: Bad Debts Reserve	(800)			
Add: Provision for doubtful debts	1,975	2,675		
To insurance A/c		1,500		
To Trade Expenses A/c		2,000		
To Reserve for discount on Debtors		751		
To Depreciation on:				
Machinery	2,400			
furniture	300	2,700		
To net profit c/d (balancing Amt.)		78,824		
		1,25,450		1,25,450

Balance sheet as on March 31, 2016

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

Question 7.

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

Heads of Accounts	Dr. balances (₹)	Cr. Balances (₹)
Purchase	2,50,000	
Sales		5,00,000
Return Inward	12,000	
Return Outward		10,000
Carriage	8,000	
Wages	60,000	
Trade Expenses	2,000	
Insurance	1,200	
Repairs	8,000	
Debtors	1,15,000	
Creditors		1,00,000
Printing and Stationary	6,000	
Advertising	15,000	
Bills Receivable	4,000	
Bills Payable		2,000
Opening Stock	30,000	
Cash In Hand	12,000	
Interest On Bank Loan	2,800	
Machinery	2,80,000	
Furniture	34,000	
Drawings	20,000	
Commission		1,000
Loan From Bank @12%		30,000
Capital		2,40,000
Rent Received		5,000
Cash At Bank	28,000	
	8,88,000	8,88,000

Additional information:

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

Solution:

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock	30,000	By Sales	5,00,000
To Purchase	2,50,000	Less: Return Inwards	(12,000)
Less: Return Outwards	(10,000)	By Closing Stock	21,000
	2,40,000		
To Carriage	8,000		
To Wages	60,000		
To Gross Profit c/d (Balancing Fig.)	1,71,000		
	5,09,000		5,09,000

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

Dr.			Cr.	
Particulars		₹	Particulars	₹
To Insurance A/C		1,200		
To Trade Expenses A/C	2,000		By Gross Profit B/D	1,71,000
Add: Outstanding	12,000	14,000	By Commission A/C	1000
To Repairs		8,000	Add: Accrued Commission A/C	2,100
To Advertisement		15,000	By Rent Received A/C	5,000
To Printing And Stationary		6,000	Less: Advance Rent	(1,200)
To Interest On Bank Loan	2,800			
Add: Outstanding	800	3,600		
To Net Profit c/d (Balancing Fig.)		1,30,100		
		1,77,900		1,77,900

Balance sheet as on March 31, 2016

Liabilities		₹	Assets	₹
Capital	2,40,000		Fixed Assets	
Add: Net Profit	1,30,100		Machinery	2,80,000
Less: Drawings	(20,000)	3,50,100	Furniture	34,000
12% Loan From Bank	30,000			
Add: Outstanding Interest	800	30,800		
Current Liabilities			Current Assets	
Creditors		1,00,000	Closing Stock	21,000
Bills Payable		2,000	Debtors	1,15,000
Advance Rent		1,200	Bills Receivable	4,000
Outstanding Trade Expenses		12,000	Cash At Bank	28,000
			Cash In Hand	12,000
			Commission Accrued	2,100
		4,96,100		4,96,100

Working Notes:

Calculation of outstanding interest on loan :

Interest on loan (30,000 × 12%)	3,600
Less: Interest paid	(2,800)
Interest outstanding on loan	800

Question 8.

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

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

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

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

Solution:

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock A/c	16,200	By Sales A/c	65,360
To purchase A/c	47,000		
To wages A/c	7,200	By Closing stock A/c	23,000
To Gross profit A/c (balancing Fig.)	17,690		
	88,360		88,360

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

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

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	24,500	Fixed Assets	
Add: Net profit	9,551	Building	11,000
Less: Drawings	(2,000)	Machinery	9,340
	<u>32,051</u>	Less: 10% Depreciation	934
Loan	7,880		8,406
Add: outstanding interest	700	Motor car	2,000
	<u>8,580</u>		
Current Liabilities		Current Assets	
Creditors	2,500	Closing stock	23,000
Bills payable	3,850	Debtors	6,280
Bank Overdraft	3,300	Less: bad debts	(180)
		Less: 5% provision for doubtful debts	(305)
			<u>5,795</u>
		Cash	80
	<u>50,281</u>		<u>50,281</u>

Question 9.

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

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

Adjustments:

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

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

Solution:

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

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

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

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

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	30,000	Land And Building	12,000
Add: Net Profit	10,700	Less: 2.5% Depreciation	(300)
Less: Drawings	(5,000)	Motor Vehicles	10,000
Loan	9,500	Less: 20% Depreciation	(2,000)
Creditors	10,000	Closing Stock	7,000
Bills Payable	2,000	Debtors	20,000
Salaries Outstanding	200	Less: Bad Debts	(1,000)
		Bill Receivable	6,000
		Bank	3,500
		Cash	2,000
		Prepaid Insurance	200
	57,400		57,400

Question 10.

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

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

Adjustments:

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

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

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

Solution:

Financial statement of Vijay Kumar
Trading Account
for the year ended March31, 2016

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

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

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

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	90,000	Land and Building	25,000
Add: Net Profit	23,038	Less: 2.5% Depreciation	(625)
Less: Drawings	(6,480)		24,375
Unexpired Apprentice Premium	400	Plant and Machinery	14,270
Sundry Creditors	12,170	Less: 10% Depreciation	(1,427)
			12,843
		Closing Stock	29,390
		Sundry Debtors	37,800
		Less: Bad Debts	(1,890)
			35,910
		Furniture and Fixture	1250
		Less: 10% Depreciation	125
			1,125
		Unexpired Fire Insurance	125
		Unexpired Rates and Taxes	240
		Bills Receivable	1,270
		Cash at Bank	13,000
		Cash in Hand	850
	1,19,128		1,19,128

Question 11.

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

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

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

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

Adjustments to be made are:

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

Solution:

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

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

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Office Salaries	12,840	By Gross Profit b/d	72,840
To General Expenses	15,360	By Discount Received	5,970
To Bank Charges	210		
To Discount Allowed	7,920		
To Depreciation On:			
Plant And Machinery	4,328		
Furniture	512		
	4,840		
To Rent And Rates	7,260		
To Bad Debts	2,760		
Add: Provision For Doubtful Debts	15,000		
Less: Provision (Old)	(9,300)		
	8,460		
To Insurance	1,410		
Less: Prepaid Insurance (720 × 6/12)	(360)		
	1,050		
To Outstanding Interest On Loan	1,800		
To Net Profit c/d (Balancing Fig.)	19,070		
	78,810		78,810

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Sundry Creditors	37,350	Cash in Hand and Bank	7,740
6% Loan	30,000	Bills Receivable	3,720
Add: Outstanding Interest (30,000 × 6%)	1,800	Sundry Debtors	1,31,550
Capital	3,00,000	Less: Provision For Doubtful Debts	(15,000)
			1,16,550
Less: Drawings	(12,600)	Plant and Machinery	43,280
Add: Net Profit	19,070	Less: 10% Depreciation	4,328
	3,06,470		38,952
		Furniture	10,240
		Less: 5% Depreciation	(512)
			9,728
		Land and Building	65,160
		Computer	6,000
		Prepaid Insurance	360
		Closing Stock	1,27,410
	3,75,620		3,75,620

Question 12.

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

Head of accounts	Debit Balances ₹	Head of Accounts	Credit Balances ₹
Drawings	45,000	Capital	4,00,000
Plant and fixtures	80,000	Sales	16,00,000
Purchases	11,60,000	Sundry creditors	1,20,000
Carriage inwards	20,000	Bills payable	90,000
Returns inward	40,000		
Wages	80,000		
Salaries	1,00,000		
Printing and stationery	8,000		
Advertisement	12,000		
Trade charges	6,000		
Rent and taxes	14,000		
Sundry debtors	2,50,000		
Bills receivable	50,000		
Investments	1,50,000		
Discount	5,000		
Cash at bank	1,60,000		
Cash in hand	30,000		
	22,10,000		22,10,000

Value of Stock as on 31st March, 2016 was Rs.2,60,000. You are required to prepare his Trading and Profit and Loss Account for the year ended 31st March, 2016 and Balance Sheet as at that date after taking the following facts into account.

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

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

Solution:

**Financial statement of Vijay Kumar
Trading Account
for the year ended March31, 2016**

Dr.			Cr.
Particular	₹	Particulars	₹
To Purchase	11,60,000	By Sales	16,00,000
To Carriage Inwards	20,000	Less: Return Inwards	(40,000)
To Wages	80,000	By Closing Stock	2,60,000
To Gross Profit c/d (Balancing Fig.)	5,60,000		
	18,20,000		18,20,000

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

Dr.			Cr.
Particulars	₹	Particulars	₹
To Depreciation On: Plant And Fixture	8,000		
To Salaries	1,00,000	By Gross Profit b/d	5,60,000
Add: Outstanding	35,000	By Accrued Interest On Investment	7,500
	1,35,000		
To Printing And Stationary	8,000		
To Advertisement	12,000		
To Trade Charges	6,000		
To Rent and Taxes	14,000		
To Bad Debts	5,000		
Add: Provision For Doubtful Debts	12,250		
	17,250		
To Discount	5,000		
To Net Profit c/d (Balancing Fig.)	3,62,250		
	5,67,500		5,67,500

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	4,00,000	Plant and Fixtures	80,000
Add: Net Profit	3,62,000	Less: 10% Depreciation	(8,000)
Less: Drawings	(45,000)		72,000
	7,17,250	Investment	1,50,000
Sundry Creditors	1,20,000	Add: Accrued Interest	7,500
Bills Payable	90,000		1,57,500
Salaries Outstanding	35,000	Closing Stock	2,60,000
		Sundry Debtors	2,50,000
		Less: Bad Debts	(5,000)
			2,45,000
		Less: 5% Provision For Doubtful Debts	(12,250)
			2,32,750
		Bills Receivable	50,000
		Cash at Bank	1,60,000
		Cash in Hand	30,000
	9,62,250		9,62,250

Question 13.

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

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

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

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

Solution:

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

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

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

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

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	90,000	Fixed Assets	
Add: Net profit	13,220	Office Furniture	3,500
Less: Drawings	(7,000)	Leasehold Premises	25,000
	96,220	Less: 5% Depreciation	(1,250)
		Plant and Machinery	24,000
		Less: 10% Depreciation	(2,400)
Current Liabilities			21,600
Sundry Creditors	16,980	Current Assets	
Wages outstanding	570	Closing Stock	14,920
		Sundry Debtors	38,970
		Less: Bad Debts	(500)
		Less: Provision For Doubtful Debts	(5,000)
			33,470
		Bills Receivable	1,240
		Cash at Bank	12,400
		Cash in Hand	2,210
		Prepaid Insurance	680
	1,13,770		1,13,770

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

Question 14.

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

Heads of Accounts	Debit Balances (₹)	Credit Balances (₹)
Drawings	18,000	
Capital		80,000
Purchases	82,600	
Sales		1,55,000
Opening Stock	42,000	
Returns Outward		1,600
Carriage Inwards	1,200	
Wages	4,000	
Power	6,000	
Machinery	50,000	
Furniture	14,000	
Rent	22,000	
Salary	15,000	
Insurance	3,600	
8% Bank Loan		25,000
Debtors	20,600	
Creditors		18,900
Cash In Hand	1,500	
	2,80,500	2,80,500

Adjustments:

- Closing Stock ₹64,000.
- Wages Outstanding ₹2,400.
- Bad Debts ₹600 and Provision for Bad and Doubtful Debts to 5% on Debtors.
- Rent is paid for 11 months.
- Loan from bank was taken on 1st October, 2015.
- Provide Depreciation on Machinery @10% p.a.
- Provide Manager's Commission at 10% on net profit after charging such commission.

Solution:

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

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

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Depreciation On: Machinery	5,000	By Gross Profit b/d	82,400
To Rent22,000			
Add: Outstanding Rent2,000	24,000		
To Salary	15,000		
To Insurance	3,600		
To Interest On Bank Loan (For 6 Months)	1,000		
To Bad Debts600			
Add: Provision For Doubtful Debts1,000	1,600		
To Manager's Commission	2,927		
To Net Profit c/d (Balancing Fig.)	29,273		
	82,400		82,400

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	80,000	Fixed Assets	
Add: Net Profit	29,273		
Less: Drawings	(18,000)	Machinery	50,000
8% Bank Loan	25,000	Less: 10% Depreciation	(5,000)
	91,273		45,000
Add: Outstanding Interest	1,000	Furniture	14,000
	26,000		
Current Liabilities		Current Assets	
Creditors	18,900	Closing Stock	64,000
Wages Outstanding	2,400	Debtors	20,600
Rent Outstanding	2,000	Less: Bad Debts	(600)
Manager's Commission Payable	2,927	Less: 5% Provision For Doubtful Debts	(1,000)
			19,000
		Cash In Hand	1,500
	1,43,500		1,43,500

Working Notes:

WN 1 calculation of interest on loan

Bank loan = Rs. 25,000

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

WN 2 calculation of manager's commission

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

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

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

Question 15.

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

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

Stock on 31st March, 2016 was ₹12,450. Rent was unpaid to the extent of ₹85 and ₹150 were outstanding for Trade Expenses; ₹400 are to be written off as bad debts out of the above debtors; and 5% is to be provided for doubtful debts. Depreciate Plant and Machinery by 10% and Business Premises by 2%.

Manager is entitled to a commission of 5% on net profit after charging his commission.

Solution:

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

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

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

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

Balance sheet as on march 31, 2016

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

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

Question 16.

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

Debit Balances	₹	Credit Balances	₹
Purchases	3,00,000	Sales	4,79,760
Drawings	3,500	Purchase return	12,200
Plant And Machinery	1,23,000	Capital	5,90,000
Motor Vehicles	1,76,000	Creditors	11,870
Building	3,80,000	Bank loan	33,780
Sundry Debtors	80,000		
Stock in Trade (1 -4 - 2015)	8,400		
Sales Return	1,800		
Wages	2,800		
Carriage Inwards	890		
Carriage Outwards	300		
Telephone Charges	3,290		
Salaries	12,000		
Insurance and Taxes	31,200		
Printing and Stationary Expenses	1,350		
Cash in Hand	3,000		
	11,27,530		11,27,530

Following adjustments are to be considered:

- Closing Stock ₹15,270.
- Printing and Stationery expenses due ₹58,650.
- Outstanding liabilities for salaries ₹12,000.
- Depreciation @ 10% p.a. is to be provided on all fixed assets except building.

Solution:

Financial statement of Vijay Kumar
Trading Account
for the year ended March31, 2016

Dr.				Cr.
Particular	₹	Particulars	₹	
To Opening Stock	8,400	By Sales	4,79,760	
To Purchase	3,00,000	Less: Sales Return	(1,800)	4,77,960
Less: Purchases Return	(12,200)	By Closing Stock		15,270
	2,87,800			
To Wages	2,800			
To Carriage Inwards	890			
Gross Profit (Balancing Fig.)	1,93,340			
	4,93,230			4,93,230

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

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

Balance sheet as on March 31, 2016

Dr.		Cr.	
Liabilities	₹	Assets	₹
Capital	5,90,000	Fixed Assets	
Add: Net Profit	44,650	Building	3,80,000
Less: Drawings	(3,500)	Plant and Machinery	1,23,000
Bank Loan	33,700	Less: 10% Depreciation	(12,300)
Current Liabilities		Motor Vehicles	1,76,000
Sundry Creditors	11,870	Less: 10% Depreciation	(17,600)
Outstanding Printing and Stationary	58,650	Current Assets	
Outstanding Salaries	12,000	Closing Stock	15,270
		Sundry Debtors	80,000
		Cash in Hand	3,000
	7,47,370		7,47,370

Question 17.

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

Head of accounts	Dr. (₹)	Cr. (₹)
Computers	37,000	
Plant and Machinery	1,60,000	
Motor Van	2,20,000	
Cash in Hand	6,330	
Cash at Bank	50,000	
Stock (1 st April, 2015)	8,100	
Debtors	65,300	
Creditors		27,500
Purchases	2,74,685	
Sales		5,21,870
Returns Inwards	2,300	
Return Outward		2,100
Rent	6,700	
Salaries	35,000	
Bank Loan (Loan Taken On 1.4.2015 @10%P.A.)		2,00,000
Carriage Outwards	3,100	
Wages	54,755	
Interest On Loan	10,000	
Electricity Charges	4,200	
General Expenses	24,000	
Capital		2,10,000
	9,61,470	9,61,470

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

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

Solution:

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

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

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

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

Balance sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	2,10,000	Fixed Assets	
Add: Net Profit	58,065	Plant Machinery	1,60,000
	2,68,065	Less: 10% Depreciation	(16,000)
Bank Loan	2,00,000		1,44,000
Add: Outstanding Interest	10,000	Motor Van	2,20,000
	2,10,000	Less: 10% Depreciation	(22,000)
Current Liabilities			1,98,000
Creditors	27,500	Computers	37,000
		Less: 20% Depreciation	(7,400)
			29,600
		Current Assets	
		Closing Stock	15,600
		Debtors	65,300
		Less: Provision For Doubtful Debts	(3,265)
			62,035
		Cash at Bank	50,000
		Cash in Hand	6,330
	5,05,565		5,05,565

Working Note:

Calculation of interest outstanding on loan

Amount of bank loan = 2,00,000

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

Question 18.

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

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

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

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

Solution:

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

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	21,725	By Sales	1,26,177
To purchase	83,290	Less: sales return	(7,422)
Less: purchase return	(3,172)	By Closing stock	16,580
To wages	9,915		
Add: outstanding wages	800		
To factory fuel and power	542		
To factory lighting	392		
To carriage inwards	897		
To manufacturing expenses	2,680		
Gross Profit (balancing Fig.)	18,266		
	1,35,335		1,35,335

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

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

Balance sheet as on march 31, 2016

Liabilities	₹	Assets	₹
Capital	93,230	Fixed Assets	
Add: Net Profit	2,554	Plant And Machinery	55,000
Less: Drawings	(6,820)	Less: 5% Depreciation	(2,750)
	88,964	Fixture And Fittings	1,720
		Less: 10% Depreciation	172
Current Liabilities			1,548
Creditors	22,680	Current Assets	
Bills Payable	6,422	Closing Stock	16,580
Outstanding Wages	800	Sundry Debtors	47,800
Outstanding Salaries	350	Less: Provision For Doubtful Debts	(1,195)
Rent Outstanding	150		46,605
		Prepaid Insurance	70
		Cash At Bank	2,245
		Cash In Hand	68
	1,19,366		1,19,366

Question 19.

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

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

Adjustment:

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

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

Solution:

**Financial statement
Trading Account
For the year ended March31, 2016**

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

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Interest outstanding on overdraft	300	By gross profit b/d	5,500
To Provision for doubtful debts 1,000		By commission 500	
Add: Bad debts 500		Less: Advance commission (100)	400
Add: exiting provision (700)	800	By Accrued interest on deposits	210
To Depreciations on furniture	60		
To taxes and insurance 500			
Less: Prepaid insurance (50)			
Add: outstanding taxes 200	650		
To salaries outstanding	100		
To Establishment Expenses	2,200		
To net profit c/d (balancing Amt.)	2,000		
	6,110		6,110

Balance Sheet as on March 31, 2016

Liabilities		₹	Assets		₹
Capital	10,000		Fixed Assets		
Add: Net Profit b/d	2,000				
Less: Drawings	(1,400)	10,600	Furniture	600	
Bank Overdraft	2,000		Less: 10% Depreciation	(60)	540
Add: Outstanding Interest	300	2,300	Debtors	5,000	
			Less: Provision For Doubtful Debts	(1,000)	4,000
Creditors		2,000			
Bills Payable		2,500			
Outstanding Salaries		100			
Outstanding Taxes		200	Closing Stock		4,500
Advance Commission		100	Deposits	4,000	
			Add: Accrued Interest	210	4,210
			Bills Receivable		3,000
			Prepaid Insurance		50
			Cash		1,500
		17,800			17,800

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

Question 20.

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

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

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

- Stock on 31st March, 2016 was valued at ₹15,000.
- Outstanding Wages ₹500.
- Provision for Doubtful Debts is to be maintained at 5% of the Debtors.
- Prepaid Insurance was ₹100.
- Provide Depreciation on Plant and Machinery @ 10% on cost and on Furniture @ 5%

Solution:

Financial statement of Modern Trader
Trading Account
For the year ended March31, 2016

Dr.			Cr.
Particular	₹	Particulars	₹
To Opening Stock	15,000	By Sales	1,20,000
To Purchase	82,000		
To Wages 1,300		By Closing Stock	15,000
Add: Outstanding Wages 500	1,800		
To Freight Inwards	2,000		
To Gross Profit c/d (Balancing Fig.)	34,200		
	1,35,000		1,35,000

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

Dr.			Cr.
Particulars	₹	Particulars	₹
To Postage and Telegrams	800		
To Bad Debts 400		By Gross Profit b/d	34,200
Add: Provision For Doubtful Debts 1,030		By Discount Received	400
Less: Exiting Provision (800)	630	By Rent Revenue	1,200
To Insurance 700			
Less: Prepaid Insurance (100)	600		
To Rent, Rates and Taxes	4,600		
To Carriage Outwards	500		
To Salaries	20,000		
To Printing and Stationary	800		
To Depreciation On:			
Machinery 4,000			
Furniture 250	4,250		
To Net Profit b/d (Balancing Fig.)	3,620		
	35,800		35,800

Balance sheet as on March 31, 2016

Liabilities		₹	Assets		₹
Capital	85,000		Fixed Assets		
Add: Net Profit	3,620				
Less: Drawings	(5,000)	83,620	Plant and Machinery	40,000	
Reserve Fund		5,000	Less: Accrued Depreciation (9,000 + 4,000)	(13,000)	27,000
			Furniture	5,000	
			Less: 5% depreciation	(250)	4,750
Sundry Creditors		9,000			
outstanding Wages		500			
			Closing stock		15,000
			Sundry debtors	20,600	
			Less: provision for doubtful debts	(1,030)	19,570
			Prepaid insurance		100
			Cash at bank		25,500
			Cash in hand		6,200
		98,120			98,120

Question 21.

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

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Stock (1 st April, 2013)	8,000	
Sales		2,20,000
Purchases	1,26,000	
Productive Wages	56,500	
Salaries	16,000	
Stores Consumed	6,050	
Carriage	3,050	
Rent and Rates	5,200	
Insurance	1,320	
Machinery	52,000	
Building	67,000	
Capital Less Drawings		1,45,600
Sundry Debtors	44,000	
Sundry Creditors		20,000
Secured Loan		15,000
Furniture	3,350	
General Expenses	2,600	
Cash in Hand	1,930	
Bad Debts	1,020	
Bank	6,580	
Total	4,00,600	4,00,600

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

You are to make Provisions in respect of the following:

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

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

Solution:

**Financial statement
Trading Account
For the year ended March31, 2016**

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

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

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

Balance sheet as on March 31, 2016

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

Question 22.

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

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

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

Dr.			Cr.
Particulars	₹	Particulars	₹
To Salaries	10,135	By gross profit b/d	86,010
To Rent	2,400	By provision for doubtful debts	6,000
Less: Factory (2,400 × 3/5)	(1,440)	Less: bad debts	(1,485)
	960	Less: New provision	(3,907)
To Insurance and Taxes	4,175		608
Less: Prepaid Insurance	(300)		
Less: Prepaid Taxes	(190)		
Less: Factory (3,685 × 3/5)	(2,211)		
	1,474		
To Freight on Sales	2,150		
To electricity (office)	1,500		
To Stable Expenses	2,473		
To GENERAL Expenses	8,000		
Less: Factory (8,000 × 3/5)	(4,800)		
	3,200		
To Interest And Bank Charges	475		
To Depreciation On:			
Plant and Machinery	1,972		
Furniture	474		
Delivery Van	4,000		
	6,446		
To Manager's Commission	5,781		
To Net Profit c/d (Balancing Fig.)	52,024		
	86,618		86,618

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

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

Balance sheet
As on March 31, 2016

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

Question 23.

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

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

Following adjustments are to be made:

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

Solution:

Financial statement of Vijay Kumar
Trading Account
For the year ended March31, 2016

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

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Interest	118	By Gross Profit b/d	9,690
To Depreciation On		By Commission	375
Furniture	64		
Building	375		
To Consumption Of Loose Tools (6,250 - 5,000)	1,250		
To Bad Debts	125		
Add: Further Bad Debts	100		
Add: Provision For Doubtful Debts	185		
Less: Exiting Provision	(200)		
To Stationary	450		
Less: Drawings	(225)		
To Taxes and Insurance	1,250		
Less: Prepaid Insurance	(100)		
Add: Outstanding Taxes	120		
To General Expenses	782		
To Salaries	3,300		
Add: Outstanding Salaries	300		
To Net Profit c/d (Balancing Fig.)	2,171		
	10,065		10,065

Balance sheet as on March 31, 2016

Liabilities		₹	Assets		₹
Capital	12,500		Loose tools		5,000
Add: Net profit b/d	2,171		Building	7,500	
Less: Drawings (stationary)	(225)	14,446	Less: 5% Depreciation	(375)	7,125
			Furniture	640	
			Less: 10% Depreciation	64	576
Sundry creditors		2,500			
Bank overdraft		2,850			
Salaries outstanding		300			
Taxes outstanding		120	Closing stock		3,250
			Sundry debtors	3,800	
			Less: bad debts	(100)	
			Less: provision for doubtful debts	(185)	3,515
			Prepaid insurance		100
			Cash in hand		650
		20,216			20,216

Question 24.

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

	Dr. ₹	Cr. ₹
Sundry creditors		63,000
Sundry debtors	1,45,000	
Capital		7,10,000
Drawings	52,450	
Insurance	6,000	
General expenses	30,000	
Salaries	1,50,000	
Patents	75,000	
Machinery	2,00,000	
Freehold land	1,00,000	
Building	3,00,000	
Stock on 1.4.2015	57,600	
Carriage on purchases	20,400	
Carriage on sales	32,000	
Fuel and power	47,300	
Wages	1,04,800	
Returns outwards		5,000
Return inwards	6,800	
Sales		9,87,800
Purchases	4,06,750	
Cash at bank	26,300	
Cash in hand	5,400	
	<u>17,65,800</u>	<u>17,65,800</u>

Following adjustments are to be made:

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

Solution:

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

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

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

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

Balance Sheet as on March 31, 2016

Liabilities		₹	Assets		₹
Capital	7,10,000	8,20,300	Fixed Assets		
Add: Net profit	1,62,750		Freehold land		1,00,000
Less: Drawings	(52,450)		Machinery	2,00,000	
			Less: 10% Depreciation	(20,000)	1,80,000
			Patents	75,000	
			Less: 20% Amortization	(15,000)	60,000
Sundry creditors	63,000		Prepaid insurance		850
Salaries outstanding	15,000		Closing stock		68,000
			Sundry debtors	1,45,000	
			Less: provision for doubtful debts	(7,250)	1,37,750
			Building	3,00,000	
			Add: Wages	20,000	3,20,000
			Cash in hand		5,400
			Cash at bank		26,300
		8,98,300			8,98,300

Question 25.

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

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

Following adjustment are to be made:

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

Solution:

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

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening stock	4,800	By sales	48,000
To purchases	21,350	Less: Return Inwards	(930)
Less: Return Outwards	(550)	By Closing Stock	5,200
Less: Machinery	(2,000)		
To Wages	15,000		
To Factory Lighting and Heating	80		
Add: Outstanding	30		
To Gross Profit c/d (Balancing Fig.)	13,560		
	52,270		52,270

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

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

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	4,000	Accrued Commission	1,200
Less:	(700)	Plant And Machinery	5,000
Drawings			
Add: Net Profit	10,083	Add: Purchases	2,000
	13,383	Office Furniture and Fitting	260
		Less: 5% Depreciation	(13)
Current Liabilities			247
Sundry Creditors	5,200		
Bills Payable	560		
Outstanding Factory Lighting and Heating	30	Closing Stock	5,200
		Sundry Debtors	4,570
		Less: Further Bad Debts	(70)
		Less: Provision For Doubtful Debts	(300)
		Less: Provision For Discount On Debtor	(84)
			4,116
		Cash at Bank	650
		Cash in Hand	40
		Bills Receivable	720
	19,173		19,173

Question 26.

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

Heads of accounts	₹		₹
Sundry Debtors	1,45,000	Sundry Creditors	63,000
Drawings	52,450	Capital A/C	7,10,000
Insurance	6,000	Returns Outward	5,000
General Expenses	30,000	Sales	9,87,800
Salaries	1,50,000		
Patents	75,000		
Machinery	2,00,000		
Freehold Land	1,00,000		
Building	3,00,000		
Stock (1 st April, 2015)	57,600		
Cash At Bank	26,300		
Carriage On Purchases	20,400		
Carriage On Sales	32,000		
Fuel and Power	47,300		
Wages	1,04,800		
Return Inward	6,800		
Purchases	4,06,750		
Cash in Hand	5,400		
	17,65,800		17,65,800

Following adjustments:

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

Solution:

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

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

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

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

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	7,10,000	Freehold Land	1,00,000
Less: Drawings	(52,450)	Building	3,00,000
Add: Net Profit	1,19,773	Add: Wages	20,000
			3,20,000
		Less: 5% Depreciation	(16,000)
			3,04,000
Sundry Creditors	63,000	Patent	75,000
Manager's Commission Payable	11,977	Less: 20% Depreciation	(15,000)
Salaries Outstanding	30,000		60,000
		Closing Stock	68,000
		Machinery	2,00,000
		Less: 10% Depreciation	(20,000)
			1,80,000
		Sundry Debtors	1,45,000
		Less: Provision For Doubtful Debts	(7,250)
			1,37,750
		Prepaid Insurance	850
		Cash at Bank	26,300
		Cash in Hand	5,400
	8,82,300		8,82,300

Working Note:

Calculation of manager's commission:

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

Question 27.

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

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

You are further required to take consideration the following information:

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

Solution:

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

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

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

Dr.			Cr.
Particulars	₹	Particulars	₹
To Taxes And Insurance	500	By Gross Profit b/d	6,500
Add: Outstanding Taxes	400	By Commission	500
Less: Prepaid Insurance	(50)	Less: Advance Commission	(100)
To Salary Outstanding	100	By Interest Accrued On Investment	210
To Bad Debts	500		
Less: Reserve (Old)	(1,000)		
Add: Bad Debts Reserve	1,000		
To Depreciation On Furniture	60		
To Outstanding Interest On Overdraft	100		
To Establishment Charges	2,500		
To Net Profit c/d (Balancing Fig.)	3,000		
	7,110		7,110

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	10,000	Investment	4,000
Add: Net Profit	3,000	Add: Accrued Interest	210
Less: Drawings	(1,400)	Furniture	600
Bank Overdraft	2,000	Less: 10% Depreciation	(60)
Add: Outstanding Interest	100	Sundry Debtors	5,000
Sundry Creditors	1,850	Less: Provision For Doubtful Debts	(1,000)
Advance Commission	100		
Bill Payable	2,500	Bill Receivable	3,000
Sales Tax Collected	150	Closing Stock	4,500
Salary Outstanding	100	Prepaid Insurance	50
Taxes Outstanding	400	Insurance Co. (Good Destroyed By Fire)	1,000
		Cash In Hand	1,500
	18,800		18,800

Question 28.

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

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

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

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

Solution:

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

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

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

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

Balance Sheet as on March 31, 2016

Liabilities	₹	Assets	₹
Capital	10,000		
Add: Net profit	37,716		
Less: Drawings	(4,452)		
	43,264	Furniture	7,250
		Less: 10% Depreciation	(725)
		Sundry Debtors	50,200
		Less: bad debts	(500)
Sundry creditors	30,526	Less: Provision for doubtful debts	(2,485)
Bills payable	3,950		
Outstanding wages	2,000		
Outstanding trade expenses	700	Closing stock	12,550
		Loan to Subbu	3,000
		Add: Accrued interest	(150)
		Cash in hand and bank	10,000
		Insurance Co. (Goods destroyed by fire)	1,000
	80,440		80,440

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

Question 29.

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

Heads of Accounts	Debit Balances ₹	Credit Balances ₹
Capital		8,00,000
Drawings	60,000	
Stock On 1 st April, 2015	4,50,000	
Purchases	26,00,000	
Sales		31,00,000
Furniture	1,00,000	
Sundry Debtors	4,00,000	
Freight And Octroi	46,000	
Trade Expenses	5,000	
Salaries	55,000	
Rent	24,000	
Advertising Expenses	50,000	
Insurance Premium	4,000	
Commission		13,000
Discount	2,000	
Bad Debts	16,000	
Provision For Doubtful Debts		9,000
Creditors		2,00,000
Cash in Hand	52,000	
Bank	58,000	
Land and Building	2,00,000	
Total	41,22,000	41,22,000

Adjustments:

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

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

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

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

Solution:

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

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

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

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

Balance sheet as on March 31, 2016

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

Working Notes:

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

Question 30.

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

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

Additional Information :

Errors:

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

Adjustment:

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

Solution:

**Financial statement of a Mohan Kumar
Trading Account
for the year ended March31, 2016**

Dr.			Cr.	
Particular		₹	Particulars	₹
To Opening Stock		45,000	By Sales	3,75,000
To Purchase	2,00,000		Less: Sales Return	(5,000)
Less: Sales Return	(5,000)		Less: Purchases Return	(4,000)
Less: Purchases Return	(4,000)			3,66,000
Less: Drawings	(2,000)		By Closing Stock	80,000
Less: Advertisement	(2,500)	1,86,500		
To Carriage Inwards		2,500		
To Freight		3,000		
To Manufacturing Wages	55,000			
Less: Plant and Machinery	(2000)	53,000		
To Fuel and Power		2,000		
To Factory Expenses		13,500		
To Gross Profit c/d (Balancing Fig.)		1,40,500		
		4,46,000		4,46,000

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

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

Balance sheet as on March 31, 2016

Liabilities		₹	Assets		₹
Capital	3,00,000	3,31,997	Fixed Assets		
Add: Net Profit	46,497		Plant and Machinery	70,000	
Less: Drawings	(12,500)		Add: Wages	2,000	
Less: Drawings (Goods Drawn)	(2,000)			72,000	
			Less: 15% Depreciation	(10,800)	61,200
			Furniture	50,000	
			Less: 10% Depreciation	(5,000)	45,000
Sundry Creditors	1,60,000				
Bills Payable	15,000		Closing Stock		80,000
Outstanding Salaries	5,000		Sundry Debtors	1,40,000	
			Add: Bills Receivable Dishonor	2,000	
			Less: Advance Paid To Supplier	(5,000)	
			Less: Provision For Doubtful Debts	(6,850)	
			Less: Provision For Discount On Debtor	(2,603)	1,27,547
			Advance Paid to Supplier		5,000
			Bills Receivable	10,000	
			Less: Bill Dishonour	(2,000)	8,000
			Prepaid Rent		6,000
			Cash in Hand		10,750
			Cash at Bank		1,68,500
		5,11,997			5,11,997