

## **Chapter 2: Partnership Final Accounts**

### **Question: 1**

Answer in one sentence only.  
What is the Balance Sheet?

### **Solution**

A Balance Sheet is a statement that contains all the assets and liabilities of the business enterprise. It helps in knowing the exact financial position of the business. Liabilities are shown on the left-hand side of the Balance Sheet whereas Assets are shown on the right-hand side.

### **Question: 2**

Answer in one sentence only.  
State the meaning of debit balance of Trading Account.

### **Solution**

Debit balance of Trading Account implies the gross loss suffered as a result of the trading activities of a business. If the amount of sales falls short in comparison to the amount of purchases and expenses directly connected with such purchases, the difference figure is termed as gross loss, i.e. showing debit balance of Trading Account.

### **Question: 3**

Answer in one sentence only.  
When is partner's current account opened?

### **Solution**

A current account is opened when the capital of partners is fixed. In such a case, all transactions relating to (except introduction and withdrawal of capital) interest on capital, interest on drawings, salary to partners, etc. are recorded in current account.

### **Question: 4**

Answer in one sentence only.  
To which account Gross Profit transferred?

### **Solution**

Gross Profit, which is calculated by preparing Trading Account, is transferred on the credit side of Profit & Loss Account.

### **Question: 5**

Answer in one sentence only.  
What is closing stock?

### **Solution**

The goods which remain unsold at the end of the financial year are known as closing stock. It is valued at cost price or market price, whichever is less. It includes closing stock of raw-material, semi-finished goods and that of finished goods.

**Question: 6**

Answer in one sentence only.  
How is closing stock valued?

**Solution**

Closing stock is valued at cost price or market price, whichever is less.

**Question: 7**

Answer in one sentence only.  
What is Final Accounts?

**Solution**

Final accounts are those accounts which are prepared at the end of the accounting period in order to give a report on the profitability and financial position of the business. These include two statements, i.e. Income statement (Trading and Profit & Loss Account) and Statement of Financial Position (Balance Sheet).

**Question: 8**

Answer in one sentence only.  
What do you mean by direct expenses?

**Solution**

These are the expenses that are incurred in connection with production or manufacturing of goods and services. It also includes the expenses incurred to bring the purchased goods at its place of business for the purpose of sale. For example, wages, carriage/freight inward etc. All the direct expenses are debited to the Trading Account.

**Question: 9**

Answer in one sentence only.  
What do you mean by indirect expenses?

**Solution**

Those expenses which are not directly related with the manufacturing of goods but are incurred by the firm in the course of its normal business activities, such as administrative expenses, selling expenses, distribution expenses, etc., are known as indirect expenses. Such expenses are debited to the Profit & Loss Account.

**Question: 10**

Answer in one sentence only.  
What do you mean by accrued Income?

**Solution**

Income of the current year which is yet to be received by a business is known as accrued income. This is the income that a business earns during the current year but is not received in the same year. In short, this income is earned in the current year but is received in the next accounting year. This income is also known as Outstanding Income or Income Receivable or Earned Income.

**Question: 11**

Answer the following question in one sentence.  
What is Trial Balance?

**Solution**

According to William Pickles, "The statement prepared with the help of ledger balances, at the end of financial year to find out whether the debit total agrees with the credit total is called Trial Balance."

**Question: 12**

Answer in one sentence only.  
What is bad debts?

**Solution**

The amount that becomes irrecoverable from the debtors is known as bad debt. Bad debts are losses for a business and, therefore, are shown on the debit side of the Profit and Loss Account.

**Question: 13**

Answer in one sentence only.  
In the absence of partnership deed, what is profit sharing ratio of the partners?

**Solution**

According to Indian Partnership Act, 1932, in the absence of partnership deed, the profits or losses of a firm are to be shared equally among the partners.

**Question: 14**

Answer in one sentence only.  
What do you mean by carriage inward?

**Solution**

These are the expenses that are incurred to transport the goods from the supplier's place to the firm's place. These are direct expenses and recorded on the debit side of the Trading Account.

**Question: 15**

Answer in one sentence only.  
What do you mean by freight?

**Solution**

Freight is the fee charged for carrying goods by a vessel or vehicle from one place to another. It is an expense which is paid by a firm for bringing the goods to the place of business.

**Question: 16**

Give the word / term or phrase which can substitute the following statement.  
A statement showing financial position of the business on a particular date.

**Solution**

Balance Sheet

**Explanation:** A Balance Sheet is a statement showing the financial position of a business on a particular date. The balances of all the personal and real accounts are grouped as assets and liabilities and shown in the Balance Sheet.

**Question: 17**

Give the word / term or phrase which can substitute the following statement.  
The amount which is not recoverable from debtors.

**Solution**

Bad debts

**Explanation:** The amount which is not recoverable from debtors due to their dishonesty, insolvency or death is regarded as bad debts for the firm. It is a loss to the firm and must be written on the debit side of the Profit & Loss Account.

**Question: 18**

Give the word / term or phrase which can substitute the following statement.  
Stock in hand at the end of the accounting year.

**Solution**

Closing Stock

**Explanation:** Stock in hand at the end of the accounting year is termed as closing stock. It includes closing stock of raw material, semi-finished goods and finished goods.

**Question: 19**

Give the word / term or phrase which can substitute the following statement.  
The transport expenses incurred to carry the goods purchased by the firm.

**Solution**

Carriage inward

**Explanation:** The transport expenses incurred to carry the goods purchased by a firm are known as carriage inward and are shown on the debit side of the Trading Account (being direct expenses).

**Question: 20**

Give the word / term or phrase which can substitute the following statement.  
Income which is received before its due date.

**Solution**

Pre-received or Unearned Income

**Explanation:** Income which is received before its due date is known as pre-received or unearned income. It represents the income that is received in the current year but it is not related to the current year. Such amount is shown on the Liabilities side of the Balance Sheet.

**Question: 21**

Give the word / term or phrase which can substitute the following statement.  
The debit balance of Trading Account.

**Solution**

Gross Loss

**Explanation:** The debit balance of the Trading Account is termed as gross loss because the amount of purchases and the expenses directly related with purchases is more than the amount of sales.

**Question: 22**

Give the word / term or phrase which can substitute the following statement.  
The credit balance of Trading Account.

**Solution**

Gross Profits

**Explanation:** Credit balance of Trading Account implies gross profit earned as a result of the trading activities of the business. If the amount of sales exceeds the amount of purchases and expenses directly connected with such purchases, the difference is termed as gross profit, i.e. it shows credit balance of Trading Account.

**Question: 23**

Give the word / term or phrase which can substitute the following statement.  
A provision which is created on sundry debtors.

**Solution**

Provision for Doubtful Debts

**Explanation:** A provision which is created on sundry debtors is called provision for doubtful debts. Even after deducting the amount of bad debts, debtors still include some debts which remain doubtful. But the amount of actual loss would be known only in the subsequent year. So, a provision is created to cover the possible losses which are likely to occur in future.

**Question: 24**

Give the word / term or phrase which can substitute the following statement.  
The amount withdrawn by the partners from the business for their personal use.

**Solution**

Drawings

**Explanation:** Drawings are the amount withdrawn (in cash or in kind) by the partners from the business for their personal use. In case of fixed capital method, it is recorded in the Partners' Current Account, while in case of fluctuating capital method, it is shown in the Partners' Capital Account.

**Question: 25**

Give the word / term or phrase which can substitute the following statement.  
The accounts which are prepared at the end of each financial year.

**Solution**

Final Accounts

**Explanation:** Final accounts are the accounts which are prepared at the end of each financial year in order to present a true and fair view of the financial performance (i.e. profit/loss) and financial position (i.e. assets/liabilities) of the business.

**Question: 26**

Give the word / term or phrase which can substitute the following statement.  
Expenses which are paid before due.

**Solution**

Prepaid expenses

**Explanation:** Expenses which are paid before the due date are called prepaid expenses. These expenses are paid in advance as they are related to the next year but are paid during the current year itself. According to the matching concept, such expenses must be shown on the Assets side of the Balance Sheet.

**Question: 27**

Give the word / term or phrase which can substitute the following statement.  
The statement showing list of all ledger balances.

**Solution**

Trial Balance

**Explanation:** The statement showing list of all ledger balances is termed as Trial Balance. It is prepared to find out whether the debit total agrees with the credit total or not.

**Question: 28**

Give the word / term or phrase which can substitute the following statement.  
The credit balance of Profit and Loss Account.

**Solution**

Net Profit

**Explanation:** The credit balance of Profit and Loss Account is regarded as net profit. When the credit side of Profit & Loss Account exceeds its debit side, the resultant balance is net profit. It is added to the amount of capital.

**Question: 29**

Give the word / term or phrase which can substitute the following statement.  
Expenses which are due but not paid at the end of the year.

**Solution**

Outstanding Expenses

**Explanation:** Expenses which are due but not paid at the end of the year are outstanding expenses. The benefit of such expenses has been derived in the current year but the payment of these has not been made yet. Outstanding expenses are classified under personal accounts because they represent those persons to whom the payment is to be made. Such expenses are shown on the Liabilities side of the Balance Sheet.

**Question: 30**

Give the word / term or phrase which can substitute the following statement.  
Assets which are held in the business for a long period.

**Solution**

Fixed Assets

**Explanation:** Fixed Assets are the assets which are held in the business for a long period. These assets are not meant for resale; rather, these are used for the production or rendering of goods and services. These assets help the business to earn income. For example, land and building, plant and machinery, furniture, etc.

**Question: 31**

Select the most appropriate alternative from those given below and rewrite the statement.

The gross profit is transferred to \_\_\_\_\_ account.

**Options**

- trading
- Profit and loss
- capital
- current

**Solution**

The gross profit is transferred to **Profit & Loss** Account.

**Explanation:** The gross profit ascertained from the Trading Account is transferred to the Profit & Loss Account. This is because the figure of net profit is determined by deducting indirect expenses from the sum of gross profit and indirect incomes. Net profit of the firm is calculated by preparing Profit and Loss Account.

**Question: 32**

Select the most appropriate alternative from those given below and rewrite the statement.

Wages paid for installation of machinery should be debited to \_\_\_\_\_ account.

**Options**

- machinery
- wages
- trading
- profit and loss

**Solution**

Wages paid for installation of machinery should be debited to **Machinery** account.

**Explanation:** Wages paid for the installation of Machinery should be debited to the Machinery Account. Such wages should not be debited to the Trading Account because these wages represent capital expenditure. So, it must be added to the cost of machine.

**Question: 33**

Select the most appropriate alternative from those given below and rewrite the statement.

All indirect expenses are debited to \_\_\_\_\_ account.

**Options**

- trading
- capital
- profit and loss
- current

**Solution**

All indirect expenses are debited to **Profit & Loss** Account.

**Explanation:** These expenses are not directly related with the production of goods.



But they must be accounted for in order to calculate the true net profit earned or net loss incurred during the year. So, all the indirect expenses are debited to Profit & Loss Account.

**Question: 34**

Select the most appropriate alternative from those given below and rewrite the statement.

A statement showing financial position of the business is called as \_\_\_\_\_.

**Options**

- balance sheet
- trial balance
- capital
- trading A/c

**Solution**

A statement showing financial position of the business is called as **Balance Sheet**.

**Explanation:** A Balance Sheet is a statement containing balances of ledger accounts that are still open after the transfer of all nominal accounts to the Trading and Profit & Loss Account. The balances of all the personal and real accounts are grouped as assets and liabilities and transferred to the Balance Sheet.

**Question: 35**

Select the most appropriate alternative from those given below and rewrite the statement.

To find out net profit or net loss of the business \_\_\_\_\_ account is prepared.

**Options**

- trading
- capital
- current
- profit and loss

**Solution**

To find out net profit or net loss of the business, **Profit & Loss** Account is prepared.

**Explanation:** Trading account only discloses the gross profit earned/loss incurred. But a businessman is more interested in knowing the overall profit or loss of the

business. So, a Profit & Loss Account is prepared to ascertain the net profit earned or net loss incurred at the end of the accounting period.

**Question: 36**

Select the most appropriate alternative from those given below and rewrite the statement.

A \_\_\_\_\_ is an intangible asset.

**Options**

- goodwill
- stock
- building
- cash

**Solution**

A **goodwill** is an intangible asset.

Explanation: Goodwill is an intangible asset as it has no physical existence. It cannot be seen or felt. On the other hand, stock and cash are current assets of the business, whereas, building is a fixed asset.

**Question: 37**

Select the most appropriate alternative from those given below and rewrite the statement.

Trading account is prepared on the basis of \_\_\_\_\_ expenses.

**Options**

- indirect
- direct
- revenue
- other

**Solution**

Trading account is prepared on the basis of **direct** expenses.

**Explanation:** Trading Account records only direct expenses of the business that are incurred in purchasing goods, bringing them to godowns and manufacturing goods. So, they are directly connected with production and manufacturing of goods and services.

**Question: 38**

Select the most appropriate alternative from those given below and rewrite the statement.

The interest on drawings is transferred to \_\_\_\_\_ side of the profit and loss account.

**Options**

- debit
- credit
- asset
- liability

**Solution**

The interest on drawings is transferred to **credit** side of the profit and loss account.

**Explanation:** Interest on drawings is a gain for the business and an expense for the proprietor. Since accounting records are maintained from business point of view, it is credited to the Profit and Loss Account.

**Question: 39**

Select the most appropriate alternative from those given below and rewrite the statement.

Final accounts are prepared on the basis of \_\_\_\_\_ and adjustments.

**Options**

- trial balance
- capital A/c
- trading A/c
- profit and loss A/c

**Solution**

Final accounts are prepared on the basis of **trial balance** and adjustments.

**Explanation:** Final accounts are prepared on the basis of Trial Balance and adjustments. A Trial Balance contains all the items recorded in the books prepared before, i.e. Journal or Subsidiary books. Certain adjustments related to bad debts, managers' commissions etc are also considered while preparing final accounts.

**Question: 40**

Select the most appropriate alternative from those given below and rewrite the statement.

\_\_\_\_\_ is the list of all ledger balances.

**Options**

- balance sheet
- trial balance
- trading A/c
- profit and loss A/c

**Solution**

**Trial Balance** is the list of all ledger balances.

**Explanation:** A Trial Balance is the list of all ledger balances, as it is prepared to ensure whether the total of the debit column of the Trial Balance is equal to its credit column.

**Question: 41**

Select the most appropriate alternative from those given below and rewrite the statement.

Return outward are deducted from \_\_\_\_\_.

**Options**

- purchases
- sales
- capital
- debtors

**Solution**

Return outward are deducted from **purchases**.

**Explanation:** Returns outward means purchases return. It is deducted from purchases because these are the goods which are returned to the suppliers; therefore, these are not to be included in the amount of purchases. To find the accurate amount of gross profit, net purchases (i.e. purchases less purchases return) are debited to the Trading Account.

**Question: 42**

Select the most appropriate alternative from those given below and rewrite the statement.

The withdrawals of partner from the business for their personal use is called as.....

**Options**

- capital
- profit
- drawings
- cash

### **Solution**

The withdrawals of partners from the business for their personal use are called **drawings**.

**Explanation:** Drawings refer to the amount withdrawn in cash or kind by any or all of the partners for their personal use. In case of fixed capital method, it is recorded in the Partners' Current Account, while in case of fluctuating capital method, it is recorded in the Partners' Capital Accounts.

### **Question: 43**

Select the most appropriate alternative from those given below and rewrite the statement.

Income received in advance is shown on the \_\_\_\_\_.

#### **Options**

- debit
- credit
- asset
- liability

### **Solution**

Income received in advance is shown on the **liability side**.

**Explanation:** Income received in advance is an example of Representative Personal Account and always shows a credit balance (being a liability). This income is received in the current year but belongs to the next year. So, it represents a liability; therefore, it is recorded on the Liabilities side of the Balance Sheet.

### **Question: 44**

Select the most appropriate alternative from those given below and rewrite the statement.

Prepaid expenses are shown on the \_\_\_\_\_ side of the balance sheet.

#### **Options**

- assets
- liability

- debit
- credit

**Solution**

Prepaid expenses are shown on the **assets** side of the balance sheet.

**Explanation:** Prepaid expenses are those expenses that have been paid in advance for the next year in the current year itself. The benefit of such payments will be availed in the next accounting year. Thus, they become an asset of the business and, therefore, are shown on the Assets side of the Balance Sheet.

**Question: 45**

State whether the following statement is True or False.

All direct expenses are debited to Trading account.

**Options**

- True
- False

**Solution**

True

**Explanation:** All the expenses that are directly related to the production, transportation and manufacture of goods are known as direct expenses. All direct expenses are debited to the Trading Account.

**Question: 46**

State whether the following statement is True or False.

The Balance Sheet is a nominal account.

**Options**

- True
- False

**Solution**

False

**Explanation:** A Balance Sheet is a statement and not an account containing the summary of personal and real accounts. On the other hand, Trading and Profit & Loss Account is a nominal account.

**Question: 47**

State whether the following statement is True or False.

Discount allowed to debtors is called as bad debts.

**Options**

- True
- False

**Solution**

False

**Explanation:** The amount that is not recoverable from the debtors is termed as bad debts. It is a loss for the firm. On the other hand, discount may be allowed to debtors in case of early payment.

**Question: 48**

State whether the following statement is True or False.

Profit and loss account is a nominal account.

**Options**

- True
- False

**Solution**

True

**Explanation:** Profit and Loss Account is a nominal account. Therefore, all the expenses and losses are shown on its debit side and all the income and gains are shown on the credit side of this account.

**Question: 49**

State whether the following statement is True or False.

The interest on drawings is an income of the firm.

**Options**

- True
- False

**Solution**

True

**Explanation:** While interest on drawings is an income of the firm, it is an expense for the proprietor. As all the transactions are recorded from the business perspective, interest on drawings is recorded on the credit side of the Profit and Loss Account.

**Question: 50**

State whether the following statement is True or False.

The interest on capital is an income of the firm.

**Options**

- True
- False

**Solution**

False

**Explanation:** Interest on capital is an expense for the firm. It is the amount paid to the proprietor for the amount of capital invested by him in the business. According to the principle of separate legal entity, capital invested by the proprietor is treated as a liability of the firm. Hence, interest is provided to the proprietor.

**Question: 51**

State whether the following statement is True or False.

Trading account is a nominal account.

**Options**

- True
- False

**Solution**

True

**Explanation:** All the direct expenses related to production are debited, while the incomes (i.e. sales) are credited in the Trading Account. As per the rule of nominal account, all the expenses/losses must be debited and all the incomes/gains must be credited. This rule is also followed while preparing a Trading Account. Therefore, it is regarded as a nominal account.

**Question: 52**

State whether the following statement is True or False.

Prepaid expenses are shown on the asset side of the Balance Sheet.

**Options**

- True
- False

**Solution**



True

**Explanation:** Those expenses that have been paid in advance for the next year in the current year itself are known as prepaid expenses. The benefit of such payments will be availed in the next accounting year. So, these expenses are a kind of asset for the firm; therefore, they are shown on the Assets side of the Balance Sheet.

**Question: 53**

State whether the following statement is True or False.

Closing stock is always valued at market price.

**Options**

- True
- False

**Solution**

False

**Explanation:** Closing stock is valued at cost price or market price or whichever is less. So, the given statement is incorrect/false.

**Question: 54**

State whether the following statement is True or False.

Outstanding expenses are shown on the liability side of the Balance Sheet.

**Options**

- True
- False

**Solution**

True

**Explanation:** The expenses that have been incurred during the current year but have been left unpaid until the date of preparation of final accounts are called outstanding expenses. These are shown on the Liabilities side of the Balance Sheet. So, outstanding expenses represent a firm's obligations.

**Question: 55**

State whether the following statement is True or False.

Partners must share profits and losses equally.

**Options**

- True

- False

**Solution**

False

**Explanation:** It is not mandatory for partners to share profits and losses equally. They can share the profit/loss in any ratio as decided between them. The profits or losses will be distributed equally only when there is an agreement to such effect or when the partnership deed is silent in this regard.

**Question: 56**

State whether the following statement is True or False.

Trial Balance is the base of Final account.

**Options**

- True
- False

**Solution**

True

**Explanation:** A Trial Balance contains the list of all the ledger accounts. It provides a basis for further processing of accounting data, i.e. preparation of final accounts.

**Question: 57**

State whether the following statement is True or False.

Debit balance of Trading account shows gross profit.

**Options**

- True
- False

**Solution**

False

**Explanation:** Debit balance of Trading Account shows gross loss, i.e. when the debit side of the Trading account exceeds its credit side.

**Question: 58**

State whether the following statement is True or False.

Credit balance of profit and loss account shows net profit of the business.

**Options**

- True
- False

**Solution**

True

**Explanation:** The balance of the Profit & Loss Account is the net profit when the credit side of this account exceeds its debit side. This net profit is added to the capital of the proprietor appearing in the Balance Sheet.

**Question: 59**

State whether the following statement is True or False.

Return Inward is deducted from purchases.

**Options**

- True
- False

**Solution**

False

**Explanation:** Returns inward represent sales return. So, these must be deducted from the amount of total sales. Sales return (i.e. returns inward) are the goods that are returned to the firm by the customers. Hence, the figure of net sales, i.e. sales less sales return, is credited to the Trading Account.

**Question: 60**

From the following Trading Balance of M/s Ajay and Vijay you are required to prepared Trading and Profit and Loss Account for the year ended 31st March, 2009 and Balance Sheet as on that date

**Trial Balance as on 31st March , 2009**

Particulars	Debit Amount Rs.	Credit Amount Rs.
Capital A/c's            Ajay		60000
Vijay		35000
Purchases and Sales	46,700	85,000
Sundry Debtors and Creditors	28000	25000
Bills Receivable and payable	5000	6000
Commission	4600	1800
Opening stock	18000	

Wages	9900	
Investment	13500	
Postage and Telegrams	3600	
Insurance	1200	
Plant and Machinery	40700	
Furniture	18000	
Cash in hand	2500	
Carriage	3200	
Bad debts	400	
Prepaid Rent	7000	
Salaries	10500	

### Adjustments:

- 1) The closing stock is valued at Rs 31,000.
- 2) Outstanding expenses were wages Rs. 1,400, salaries Rs 800.
- 3) Depreciate Plant and Machinery by 10%.
- 4) Insurance at Rs 500 is paid in advance.
- 5) Provide for further bad debts of Rs 1,500.
- 6) Commission due but not received Rs 1,200.

### Solution

#### Trading Account

For the year ended Mar. 31 2009

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Opening Stock	18000	Sales	85000
Purchases	46700	Closing Stock	31000
Carriage	3200		
Wages	9900		
Add: Outstanding wages	1400		
	11300		
Gross Profit (Balancing Figure)	36800		
	<b>116000</b>		<b>116000</b>

#### Profit and loss Account

for the year ended March 31, 2009

Dr.

Cr.

Particulars		Amount (Rs)	Particulars		Amount (Rs)
Commission		4,600	Gross Profit		36800
Salaries	10,500	11,300	Commission received	1,800	3,000
Add: Outstanding Salaries	800		Add: Accrued Commission	1,200	
Postage and telegram		3,600			
Insurance	1,200	700			
Less: Prepaid Insurance	(500)				
Depreciation on Plant and Machinery		4,070			
Bad-Debts	400	1,900			
Add: Further Bad-Debts	1,500				
Net Profit (Balancing Figure)					
Ajay	6,815	13,630			
Vijay	6,815				
		<b>39800</b>			<b>39800</b>

### Balance Sheet

as on March 31, 2009

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital of Ajay	60000	66815	<b>Fixed Assets</b>		
Add: Net Profit	6815		Investment		13500
Capital of Vijay	35000	41815	Furniture		18000
Add: Net Profit	6815		Plant and Machinery	40700	36630
<b>Current Liabilities</b>			Less : Depreciation	(4070)	
Creditors	25000		<b>Current Assets</b>		
Bills payable	6000		Closing Stock		31000
Outstanding Wages	1400		Debtors	28000	26500
Outstanding Salaries	800		Less: Further Bad-Debts	(1500)	
			Bills Receivable		5000
			Prepaid Rent		7000

		Accrued Commission	1200
		Prepaid Insurance	500
		Cash in Hand	2500
	<b>141830</b>		<b>141830</b>

**Question: 61**

Sanjay and Sudhir are partners sharing profit and losses in the ratio 3:2. The Trial Balance of the firm on 31st March, 2010 was follows:

**Trial Balance**  
as on 31st March, 2010

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Opening stock	20000	Capital A/c's Sanjay Sudhir	40000 30000
Purchases	30000	Sales	70000
Debtors	12000	Sundry Creditors	21000
Wages	5000	Bills Payable	20000
Salaries	10000	Discount	5000
Land and building	30000	Outstanding Rent	1500
Plant and machinery	25000		
Furniture	16000		
Advertisement (for 2 years)	6000		
Bills Receivable	8000		
Insurance	2000		
Drawings Sanjay Sudhir	2000 3000		
Cash in hand	5500		
Rent	10000		
Power and Fuel	3000		
	187500		187500

**Adjustments:**

- 1) Stock on hand on 31st March, 2010 was at Rs 35,000.
- 2) Write off Rs 2,000, for further Bad debts and maintain R.D.D. at 5% on debtors.
- 3) Depreciate Land and Building at 5% and Machinery at 10%.
- 4) Outstanding expenses were wages Rs 2,000 and salary Rs 1,000.

5) Credit purchases amounted to Rs 4,000 were not recorded in the books of accounts.

6) Provide interest on Partners Capital at 5% p.a.

From the above Trial Balance and adjustments prepare Trading and Profit and Loss Account for the year ended 31st March, 2010 and Balance Sheet as on that data.

### Solution

#### Trading Account

for the year ended Mar.31,2010 Dr. Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Opening Stock	20000	Sales	70000
Purchases	30000	Closing Stock	35000
Add: Further Purchases	4000		
Wages	5000		
Add: Outstanding Wages	2000		
Powe and fuel	3000		
Gross Profit (Balancing Figure)	41000		
	<b>105000</b>		<b>105000</b>

#### Profit and Loss Account

for the year ended March 31, 2010

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Interest on Capital:		Gross Profit	41000
Sanjay	2000	Discount Received	5000
Sudhir	1500		
Salaries	10000		
Add: Outstanding Salaries	1000		
Advertisement	6000		
Less: Prepaid Advertisement	(3000)		
Insurance	2000		
Rent	10000		
Bad-Debts	2000		
Add: R.D.D	500		
Depreciation on:			
Land and Building	1500		

Plant and Machinery	2500		
Net Profit (Balancing Figure)			
Sanjay	6000	10000	
Sudhir	4000		
		<b>49000</b>	<b>49000</b>

**Balance Sheet**  
as on March 31,2010

<b>Liabilities</b>		Amount (Rs.)	<b>Assets</b>		Amount (Rs.)
Capital of Sanjay	40000	46000	Fixed Assets		
Less: Drawings	(2000)		Land and building	30000	28500
Add: Interest on capital	2000		Less: 5% Depreciation	(1500)	
Add: Net Profit	<u>6000</u>		Plant and machinery	25000	22500
Capital of Sudhir	30000	32500	Less : 10% Depreciation	(2500)	
Less: Drawings	(3000)		<b>Current Assets</b>		
Add: Interest on capital	1500		Prepaid Advertisement		3000
Add : Net Profit	<u>4000</u>		Bills Receivable		8000
<b>Current Liabilities</b>			Closing Stock		35000
Creditors	21000	25000	Cash in Hand		5500
Add: New Creditors	<u>4000</u>				



(purchase on credit)			Debtors	12000	
			Less : Bad-Debts	(2000)	
			Less : Reserve for doubtful Debts	(500)	9500
Bills Payable		20000			
Outstanding Expenses:					
Wages	2000				
Salaries	1000				
Rent	<u>1500</u>	4500			
		<b>128000</b>			<b>128000</b>

### Question: 62

Rohan and Roshan are partners in 'Shan Traders' sharing profits and losses in the ratio of 2:1. From the following Trial Balance and adjustments prepare Trading and Profit and Loss Account for the year ended 31st March, 2011 and Balance Sheet as on that date

#### Trial Balance as on 31<sup>st</sup> March, 2011

Particulars	Amount Rs	Particulars	Amount Rs
Opening stock	32000	Sales	193500
Purchases	64,000	Sundry Creditors	15000
Plant and Machinery	30,000	Unpaid Wages	1500
Furniture	18,500	Return outward	2500
Carriage	1,500	<b>Capital A/c-</b>	
Wages and Salaries	35,000	Rohan	90000
Bills Receivable	5,000	Roshan	50000

Sundry Debtors	32,000		
Conveyance	4,000		
Rent, Rates and Taxes	2,000		
Return Inward	3,500		
Cash in hand	14,750		
Land and Building	83,500		
Bad debts	1,750		
Patents	25,000		
	<b>3,52,500</b>		<b>3,52,500</b>

### Adjustments:

- 1) Closing stock: Cost price Rs 25,000 and market price Rs 30,000.
- 2) An amount of Rs 3,500 spent for repairs to Building is debited to Building account.
- 3) Depreciate plant and Machinery and Building at 5% p.a.
- 4) Goods of Rs 750 taken by Roshan for this personal use.
- 5) Included in wages advances given to workers Rs 3,000.
- 6) Provide Rs 1,500 for bad and doubtful debts on Debtors.

### Solution

#### Trading Account for the year ended March 31,2011

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Opening Stock	32000	Sales	193500
Purchases	64000	Less : Return Inward	(3500)
Less : Drawings	(750)	Closing Stock	25000
Less : Return Outward	(2500)		
Wages and Salaries	35000		
Less : Prepaid Wages	(3000)		
Carriage	1500		
Gross Profit (Balancing Figure)	88750		

	<b>215000</b>		<b>215000</b>
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### Profit and Loss Account

for the year ended March 31, 2011

Dr.			Cr.	
Particulars		Amount (Rs)	Particulars	Amount (Rs)
Depreciation on:			Gross Profit	88750
Plant and Machinery	1500	5500		
Building	4000			
Repair of Building		3500		
Conveyance		4000		
Rent, Rates and Taxes		2000		
Bad-Debts	1750	3250		
Add: Provision for Doubtful Debts	1500			
Net Profit (Balancing Figure)				
Rohan	47000	70500		
Roshan	23500			
		<b>88750</b>		<b>88750</b>

### Balance Sheet

as on March 31, 2011

Dr.			Cr.	
Liabilities		Amount (Rs)	Assets	Amount (Rs)
Capital of Rohan	90000	137000	<b>Fixed Assets</b>	
Add : Net Profit	47000		Land and building	83500
Capital of Roshan	50000	72750	Less : Repairs	(3500)
Less : Drawings	(750)		Less : 5 % Depreciation	(4000)
Add : Net Profit	00		Plant and Machinery	30000
<b>Current Liabilities</b>			Less : 5% Depreciation	(1500)
Creditors	15000		Furniture	18500
Unpaid Wages	1500		Patent	25000
			<b>Current Assets</b>	
			Debtors	32000
			Less : Provision for Doubtful-Debts	(1500)
			Bills Receivable	5000

		Cash in Hand	14750
		Closing Stock	25000
		Advance paid to workers	3000
	<b>226250</b>		<b>226250</b>

### Question: 63

Given below is the Trial Balance of M/s Roma and Mona partnership firm. Prepare Trading and Profit and Loss Account for the year ended 31st March, 2012 and Balance Sheet as on that date

#### Trial Balance as on 31<sup>st</sup> March, 2012

Debit Balance	Amount Rs	Credit Balance	Amount Rs
Stock on 1 <sup>st</sup> April, 2011	52000	Provident fund	50000
Sundry Debtors	84000	Interest on P.F. Investment	2800
Bad debts	3000	Sundry Creditors	84000
Premises	78000	Rent received	9600
Salaries	28000	Reserve for Doubtful Debts	2000
Motor Vehicles	50000	Discount received	3600
Purchases	176000	Sales	320000
Provident Fund Investment	50,000	Capital A/c-	
Provident Fund contribution	5500	Roma	50000
Wages	22000	Mona	50000
Rent (for 10 months)	16,000		
Office Expenses	5,000		
Discount allowed	2,500		
	<b>572000</b>		<b>572000</b>

### Adjustments:

- 1) Stock on 31st March, 2012 was valued at Rs 80,000.
- 2) Goods of Rs 6,000 were sold and despatched on 27th March, 2012, but no entry was made in the books of accounts.
- 3) Write off Bad debts of Rs 4,000 and provide for R.D.D. at 5% on sundry debtors.
- 4) Provide reserve for discount on debtors at 2% and on creditors at 3%.
- 5) Outstanding wages Rs 4,000 and outstanding salaries Rs 3,066.
- 6) Depreciate Motor Vehicle at 5% p.a.

## Solution

### Trading Account for the year ended Mar.31,2012

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Opening Stock	52000	Sales	320000
Purchases	1,76,000	Add : Additional Sales	6000
Wages	22000	Closing Stock	80000
Add : Outstanding Wages	4000		
Gross Profit (Balancing Figure)	152000		
	<b>406000</b>		<b>406000</b>

### Profit and Loss Account for the year ended March 31, 2012

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Bad-Debts	3,000	Gross Profit	152000
Add : Further Bad-Debts	4000	Rent Received	9600
Add : New Reserve for Doubtful Debts	4300	Discount Received	3600
Less : Old Reserve for Doubtful Debts	(2000)	Reserve for Discount on Creditors	2520

Reserve for Discount on Debtors		1634		
Salaries	28000	31066		
Add : Outstanding Salaries	3066			
Depreciation on Motor Vehicle		2500		
Rent	16000	19200		
Add : Outstanding Rent  (16000 × 2/10 = Rs 3200)	3200			
Office Expenses		5000		
Discount Allowed		2500		
Provident Fund Contribution		5500		

Net Profit (Balancing Figure)				
Roma	45510	91020		
Mona	45510			
		<b>167720</b>		<b>1677</b>

**Balance Sheet**  
as on March 31, 2012

Dr.			Cr.		
Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital of Roma	50000	95510	<b>Fixed Assets</b>		
Add : Net Profit	45510		Motor Vehicles	50000	
Capital of Mona	50000	95510	Less : 5% depreciation	(2500)	47500
Add : Net Profit	45510		Premises		78000
<b>Current Liabilities</b>			<b>Current Assets</b>		
Creditors	84000	81480	Closing Stock		80000
Less : Reserve for Discount on Creditors	(2520)		Debtors	84000	80066
Outstanding Salaries		3066	Add : Additional	6000	
Outstanding Wages		4000	Less : Further Bad-Debts	(4000)	
Outstanding Rent		3200	Less : Reserve for Doubtful Debts	(4300)	
Interest on Provident Fund Investment		2800	Less : Reserve for Discount on Debtors	(1634)	
Provident Fund		50000	Provident Fund Investment		50000
		<b>335566</b>			<b>335566</b>

**Question: 64**

Keshav and Madhav were partners sharing the profits and losses in the ratio of 2:3. Their Balance Sheet is as follows:

**Balance Sheet as on 31<sup>st</sup> March, 2011**

Liabilities	Amount (Rs)	Assets	Amount (Rs)
Capital Accounts :		Live stock	20000
Keshav	250000	Building	138000
Madhav	260000	Investment	45000
Creditors	8500	Loose Tools	38000
		Debtors	90000
		(-) R.D.D	18000
		Profit and Loss A/c	15000
		Closing Stock	104500
		Cash in Hand	86000
	<b>518500</b>		<b>518500</b>

On 1<sup>st</sup> April, 2011 they admitted Uddhav on the following terms:

- 1) The new profit sharing ratio is equal.
- 2) Uddhav brings Rs 2,00,000 as his capital and Rs 80,000 as share of goodwill in cash.
- 3) Prepaid insurance of Rs 7,500 was not recorded in the books.
- 4) Loose tools were found undervalued by 5% and Building was found overvalued by 15% in the books.
- 5) All debtors are considered as good and out of creditors Rs 500 is no longer payable.
- 6) The market Value of Investment is 50% more than its book value.

Prepare, Profit and Loss Adjustment in A/c, Capital Accounts of partners and Balance Sheet of the new firm.

**Solution**

**Profit and Loss Adjustment Account**

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Building	18000	Prepaid Insurance	7500
Profit transferred to:		Loose Tools	2000
Keshav's Capital	13000	Reserve for Debtors	18000
Madhav's Capital	19500	Investments	22500



		Creditors	500
	<b>50500</b>		<b>50500</b>

### Partners' Capital Accounts

Dr.

Cr.

Particulars	Keshav	Mashav	Uddhav	Particulars	Keshav	Mashav	Uddhav
Profit and Loss A/c (Dr.)	6000	9000		Balance b/d	250000	260000	
Balance c/d	273000	334500	200000	Profit and Loss Adjustment (Profit)	13000	19500	
				Cash			200000
				Premium for Goodwill	16000	64000	
	<b>279000</b>	<b>343500</b>	<b>200000</b>		<b>279000</b>	<b>343500</b>	<b>200000</b>

### Balance Sheet

as on April 01, 2011 after Uddhav's admission

Liabilities		Amount (Rs)	Assets	Amount (Rs)
Creditors		8000	Live Stock	20000
Capital:			Building	1,20,000
Keshav	273000	807500	Investments	67,500
Madhav	334500		Loose Tools	40,000
Uddhav	200000		Debtors	90,000
			Prepaid Insurance	7500
			Closing Stock	104500
			Cash	366000
		<b>815500</b>		<b>815500</b>

### Working Notes:

New profit sharing ratio of keshav , Madhav and Uddhav = 1:1:1

Old ratio of Keshav and Madhav = 2 : 3

Sacrificing Ratio = Old Ratio - New Ratio

$$\text{Keshav's Sacrifice} = \frac{2}{5} - \frac{1}{3} = \frac{1}{15}$$

$$\text{Madhav's Sacrifice} = \frac{3}{5} - \frac{1}{3} = \frac{4}{15}$$

Sacrificing Ratio = 1 : 4

**WN 1:** Distribution of Profit and Loss A/c (Dr.)

$$\text{Keshav will get} = 15000 \times \frac{2}{5} = \text{Rs.6000}$$

$$\text{Madhav's will get} = 15000 \times \frac{3}{5} = \text{Rs.9000}$$

**WN 2:** Distribution of Uddhav's Share of Goodwill

$$\text{Keshav will get} = 80000 \times \frac{1}{5} = \text{Rs.16000}$$

$$\text{Madhav will get} = 80000 \times \frac{4}{5} = \text{Rs.64000}$$

### Cash Account

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Balance b/d	86000	Balance c/d	366000
Premium for Goodwill	80000		
Uddhav's Capital A/c	200000		
	<b>366000</b>		<b>366000</b>

### Question: 65

Given below is the Trial Balance of M/s Seeta and Geeta as on 31<sup>st</sup> March, 2010. You are required to prepare Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2010 and Balance Sheet on that date.

### Trial Balance as on 31<sup>st</sup> March, 2010

Debit Balance	Amount (Rs)	Credit Balance	Amount (Rs)
Current A/c-		Capital A/c-	
Geeta	4000	Seeta	120000
Opening stock	88,000	Geeta	120000
Purchases	1,76,000	Current A/c- Seeta	5000
Wages	23,500	Sundry Creditors	103000
Salaries	15,000	Bank overdraft	60000
Office Expenses	8000	Sales	308000
Bank Charges	2600		
Legal Charges	3000		
Machinery	90000		

Land and building	130000		
Interest	3600		
Export Duty	3800		
Bad -Debts	4000		
Sundry Debtors	82000		
Travelling Expenses	3200		
Electricity charges	2300		
Furniture	37000		
8% Debentures (Purchased on 1.10.2009)	40000		
	<b>716000</b>		<b>716000</b>

### Adjustments:

- 1) Stock on hand on 31st March, 2010 was valued at Rs 80,000.
- 2) Goods costing Rs 16,000 destroyed by fire and Insurance Company admitted a claim of Rs 13,000.
- 3) Provide for outstanding expenses: Salaries Rs 3,000, Wages Rs 2,400.
- 4) Depreciate Machinery at 10% p.a. Land and Building at 5% p.a.
- 5) Create Reserve for Bad and doubtful debts at 5% on Sundry Debtors.
- 6) Legal charges paid in advance Rs 1,200.
- 7) Provide interest on capital at 8% p.a.

### Solution

#### Trading Account for the year ended March 31,2010

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Opening Stock	88000	Sales	308000
Purchases	176000	Closing Stock	80000
Wages	23500	Goods Destroyed by fire	16000
Add : Outstanding Wages	2400		
	25900		
Gross Profit (Balancing Figure)	114100		
	<b>404000</b>		<b>404000</b>

#### Profit and Loss Account for the year ended March 31, 2010

Dr.

Cr.

Particulars		Amount (Rs)	Particulars	Amount (Rs)
Salaries	15000	18000	Gross Profit	114100
Add : Outstanding Salaries	3000		Accrued Interest (40000 × 81/00 × 6/12)	1600
Office Expenses		8000		
Bank Charges		2600		
Legal Charges	3000	1800		
Less : Prepaid	(1200)			
Interest		3600		
Export Duty		3800		
Bad-Debts	4000	8100		
Add : Reserve for Bad and doubtful Debts	4100			
Travelling Expenses		3200		
Electricity Charges		2300		
Goods destroyed by fire (not received from Insurance company)		3000		
Depreciation on:				
Land and Building	6500	15500		
Machinery	9000			
Interest on Capital:				
Seeta	9600			
Geeta	9600			
Net Profit (Balancing Figure)				
Seeta's Current A/c	13300	26600		
Geeta's Current A/c	13300			
		<b>115700</b>		<b>115700</b>

**Balance Sheet**

as on March 31, 2010

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital		240000	<b>Fixed Assets</b>		
Seeta	120000		Land and Building	130000	123500

Geeta	120000		Less : 5% Depreciation	(6500)	
Current A/c:			Machinery	90000	81000
Seeta	27900	46800	Less : 10% Depreciation	(9000)	
Geeta	18900		Furniture		37000
<b>Current Liabilities</b>			<b>Current Assets</b>		
Creditors		103000	Closing Stock		80000
Bank Overdraft		60000	Debtors	82000	77900
Outstanding Expenses:			Less : Reserve for Bad and Doubtful Debts	(4100)	
Salaries	3000	5400	Prepaid Legal Charges		1200
Wages	2400		Cash		13000
			8% Debentures	40000	41600
			Add : Accrued Interest	1600	
		<b>455200</b>			<b>455200</b>

#### Working Note :

#### Partners' Current Accounts

Particulars	Seeta	Geeta	Particulars	Seeta	Geeta
Balance b/d		4000	Balance b/d	5000	
Balance c/d	27900	18900	Interest on Capital A/c	9600	9600
			Profit and loss A/c - Profit	13300	13300
	<b>27900</b>	<b>22900</b>		<b>27900</b>	<b>22900</b>

#### Question: 66

Madhuri and Minakshi are in partnership sharing profits and losses in the ratio 3:2. From the following Trial Balance and adjustments given below, you are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2012 and Balance Sheet on that date.

#### Trial Balance as on 31<sup>st</sup> March, 2012

Debit Balance	Amount Rs	Credit Balance	Amount Rs
Building	400000	Capital A/cs-	
Plant and Machinery	120000	Madhuri	300000
Purchases	650000	Minakshi	200000
Carriage	7000	Sales	810000
Opening stock	90000	Sundry	100000

		Creditors	
Wages	35000	Outstanding salaries	4200
Sundry Debtors	150000	8% Bank loan (Taken on 1.10.2011 )	100000
Salaries	28000		
Postage and Telegram	4000		
Insurance	5000		
Bad debts	3000		
Rent	4000		
Discount	3200		
Drawing A/c-			
Madhuri	10000		
Minakshi	5000		
	<b>1514200</b>		<b>1514200</b>

### Adjustments:

- 1) Stock on hand on 31st March, 2010 was valued at Rs 1,10,000.
- 2) Depreciate Plant and Machinery at 10% p.a. and Building at 5% p.a.
- 3) Prepaid Insurance Rs 1,500.
- 4) Create R.D.D at 5% on Sundry Debtors.
- 5) Partners are allowed interest at 5% p.a. on their capitals.
- 6) Salaries include Rs 2,500 as advance to workers.

### Solution

#### Trading Account for the year ended March 31,2012

Dr.

Cr.

Particulars	Amount (Rs)	Particulars	Amount (Rs)
Opening Stock	90000	Sales	810000
Purchases	650000	Closing Stock	110000
Carriage	7000		
Wages	35000		
Gross Profit (Balancing Figure)	138000		
	<b>920000</b>		<b>920000</b>

**Profit and Loss Account**  
for the year ended March 31, 2012

Dr.

Cr.

Particulars		Amount (Rs)	Particulars	Amount (Rs)
Salaries	28000	25500	Gross Profit	138000
Add : Prepaid	2500			
Postage and Telegram		4000		
Insurance	5000	3500		
Less : Prepaid	(1500)			
Bad-Debts	3000	10500		
Add : Reserve for Doubtful Debts	7500			
Rent		4000		
Discount		3200		
Interest on Loan Outstanding		4000		
Depreciation on:				
Plant and Machinery	12000	32000		
Building	20000			
Interest on Capital:				
Madhuri	15000	25000		
Minakshi	10000			
Net Profit (Balancing Figure)				
Madhuri	15780	26300		
Minakshi	10520			
		<b>138000</b>		<b>138000</b>

**Balance Sheet**  
as on March 31, 2012

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital of Madhuri	300000	320780	<b>Fixed Assets</b>		
Less : Drawings	(10000)		Building	400000	380000
Add : Interest on Capital	15000		Less : 5% Depreciation	(20000)	
Add : Net Profit	15780		Plant and	120000	108000

			machinery		
Capital of Minakshi	200000	215520	Less : 10% Depreciation	(12000)	
Less : Drawings	(5000)		<b>Current Assets</b>		
Add : Interest on Capital	10000		Closing Stock		110000
Add : Net profit	10520		Debtors	150000	142500
8% Bank loan	100000	104000	Less : Reserve for Doubtful Debts	(7500)	
Add : Outstanding Interest on Loan	4000		Prepaid Insurance		1500
<b>Current Liabilities</b>			Prepaid Salary		2500
Creditors		100000			
Outstanding Salaries		4200			
		<b>744500</b>			<b>744500</b>

### Question: 67

From the following Trial Balance of M/s Mahesh and Umesh, you are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2013 and Balance Sheet as on that date. Profit sharing ratio of Mahesh and Umesh was 3/5th and 2/5th respectively.

### Trial Balance as on 31<sup>st</sup> March, 2013

Debit Balance	Amount Rs	Credit Balance	Amount Rs
Investments	56,000	Capital A/c-	
Carriage	7,000	Mahesh	162000
Loose Tools	17,000	Umesh	108000
Building	1,50,000	Current A/c-	
Salary	13,000	Mahesh	16200
Audit fees	8,500	Umesh	10800
Opening stock	83,000	Sundry Creditors	99000
Wages	7,500	Sales	420000
Purchases	1,97,000	Bank Overdraft	56400
Motive Power	15000		
Bad-Debts	6,400		
Printing and Stationery	4000		
Debtors	96,000		
Cash at Bank	52,000		



Machinery	72000		
Motor Van	88000		
	<b>872400</b>		<b>872400</b>

### Adjustments:

- 1) Stock on hand on 31st March, 2013 was valued at Rs 76,000.
- 2) Interest on partner's capital at 5% p.a. was allowed.
- 3) Goods worth Rs 2,000 and Rs 1,500 withdrawn by Mahesh and Umesh respectively for their personal use.
- 4) Mahesh is entitled to get salary of Rs 6,500 and Umesh is to be given 20% commission on sales.
- 5) Rs 2,500 due from customer is not recoverable.
- 6) Depreciate Motor Van at 8% p.a. and Building at 7% p.a.

### Solution

#### Trading Account

for the year ended March 31, 2013

Dr.

Cr.

Particulars		Amount (Rs)	Particulars	Amount (Rs)
Opening Stock		83000	Sales	420000
Purchases	197000	193500	Closing Stock	76000
Less : Drawings by Mahesh	(2000)			
Less : Drawings by Umesh	(1500)			
Carriage		7000		
Wages		7500		
Motive Power		15000		
Gross Profit (Balancing Figure)		190000		
		<b>496000</b>		<b>496000</b>

#### Profit and Loss Account

for the year ended March 31, 2013

Dr.

Cr.

Particulars		Amount (Rs)	Particulars	Amount (Rs)
Interest on Capital:			Gross Profit	190000

Mahesh	8100	13500		
Umesh	5400			
Depreciation on:				
Motor Van	7040	17540		
Building	10500			
Bad-Debts	6400	8900		
Add : Further Bad-Debts	2500			
Salary to Mahesh		6500		
Commission to Umesh		8400		
Salary		13000		
Audit fees		8500		
Printing and Stationery		4000		
Net Profit (Balancing Figure)				
Umesh	65796	109660		
Mahesh	43864			
		<b>190000</b>		<b>190000</b>

### Balance Sheet

as on March 31, 2013

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital			<b>Fixed Assets</b>		
Umesh	162000	270000	Building	150000	139500
Mahesh	108000		Less : 7% Depreciation	(10500)	
Current A/c			Motor Van	88000	80960
Umesh	94596	161560	Less : 8% Depreciation	(7040)	
Mahesh	66964		Investment		56000
<b>Current Liabilities</b>			Machinery		72000
Creditors		99000	<b>Current Assets</b>		
Bank Overdraft		56400	Closing Stock		76000
			Debtors	96000	93500
			Less : Further Bad-Debts	(2500)	
			Loose Tools		17000
			Cash at Bank		52000
		<b>586960</b>			<b>586960</b>

### Working Notes:

Dr.

Partners' Current Accounts

Cr.

Particulars	Umesh	Mahesh	Particulars	Umesh	Mahesh
Drawings	2000	1500	Balance b/d	16200	10800
Balance c/d	94596	66964	Salary to Umesh	6500	
			Commission to Mahesh		8400
			Interest on Capital A/c	8100	5400
			Profit and Loss A/c-Profit	65796	43864
	<b>96596</b>	<b>68464</b>		<b>96596</b>	<b>68464</b>

### Question: 68

Mohini and Rohini are in partnership firm sharing profits and losses equally. From the following Trial Balance and adjustments given below, you are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2010 and Balance Sheet as on that date.

#### Trial Balance as on 31<sup>st</sup> March, 2010

Particulars	Debit Amount Rs.	Credit Amount Rs
Partner's Capital A/c-		
Mohini		120000
Rohini		90000
Purchases and Sales	220000	430000
Sundry Debtors and Creditors	45000	35000
Bills Receivable and Bills Payable	45000	50000
Discount	4000	3500
Opening stock	25000	
Wages and Salaries	23000	
Manufacturing Expenses	9,000	
Factory Insurances	5,000	
Factory Building	1,40,000	
Plant and Machinery	75,000	
Advertisement (for 2years w.e.f. 1 <sup>st</sup> Jan. 2010)	10,000	
Salaries and Wages	45,000	
Warehouse rent	6,000	

Import duty	11,500	
Cash in hand	5,000	
10% Government Bond (Purchased on 1st July 2009)	60000	
	<b>728500</b>	<b>728500</b>

### Adjustments:

- 1) Closing stock was valued at market price Rs 92,000 which is 15% above its cost price.
- 2) Goods costing Rs 3,000 purchased and received on 31st March, 2010 were not recorded in purchase book.
- 3) Depreciate Machinery at 10% p.a.
- 4) Outstanding Wages were Rs 2,500.
- 5) Goods of Rs 2,000 were taken by Mohini for personal use but no entry was made in the books of account.
- 6) Maintain R.D.D at 5% on Sundry Debtors.

### Solution

### Financial Statement of....

### Trading Account

for the year ended March 31,2010

Dr.

Cr.

Particulars		Amount (Rs)	Particulars	Amount (Rs)
Opening Stock		25000	Sales	4,30,000
Purchases	2,20,000	232500	Closing Stock	80,000
Add : Additions	3000			
Add : Import duty	11500			
Less : Drawings by Mohini	(2000)			
Factory Insurance		5000		
Manufacturing Expenses		9000		
Wages and Salaries	23000	25500		
Add : Outstanding wages	2500			
Gross Profit (Balancing Figure)		213000		
		<b>510000</b>		<b>510000</b>

### Profit and Loss Account

for the year ended March 31, 2010  
Dr.

Cr.

Particulars		Amount (Rs)	Particulars	Amount (Rs)
Discount		4000	Gross Profit	213000
Advertisement	10000	1250	Discount	3500
Less : Prepaid (10000×21/24)	(8750)		Accrued Interest on Government Bonds (60000×10/100×9/2)	4500
Salaries and Wages		45000		
Warehouse Rent		6000		
Depreciation on Machinery		7,500		
Reserve on Doubtful Debts		2250		
Net Profit (Balancing Figure)				
Mohini	77500	155000		
Rohini	77500			
		<b>221000</b>		<b>221000</b>

### Balance Sheet

as on March 31, 2010

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital			<b>Fixed Assets</b>		
Mohini	195500	363000	Building		140000
Rohini	167500		Plant and Machinery	75000	67500
<b>Current Liabilities</b>			Less : 10% Depreciation	(7500)	
Creditors	35000	38000	<b>Current Assets</b>		
Add : Additions	3000		Closing Stock		80000
Bills Payable		50000	Debtors	45000	42750
Outstanding Wages		2500	Less : Reserve for Doubtful Debts (Rs.45000×5/100)	2250	
			Bills Receivable		45000
			Cash in Hand		5000
			10% Government Bond	60000	64500
			Add : Accrued Interest	4500	
			Prepaid Advertisement		8750
		453500			453500

### Working Notes:

### Partners' Capital Accounts

**Dr.****Cr.**

Particulars	Mohini	Rohini	Particulars	Mohini	Rohini
Drawings	2000		Balance b/d	120000	90000
Balance c/d	195500	167500	Profit and Loss A/c -Profit	77500	77500
	<b>197500</b>	<b>167500</b>		<b>197500</b>	<b>167500</b>

**Note :** As per the textbook the Total of Balance sheet is Rs 4,48,500 but as per our solution it should be Rs 4,53,500.

\*There is difference of Rs 10,000 in the Debit and Credit side of Trial Balance, therefore, Factory Building has been increased by Rs 10,000.

### Question: 69

From the following Trial Balance of M/s Sanjay and Vijay, you are required to prepare Trading and Profit and Loss Account for the year ended 31st March, 2013 and Balance Sheet as on that date after taking into consideration the adjustments given below.

#### Trial Balance as on 31<sup>st</sup> March, 2013

Debit Balance	Amount Rs	Credit Balance	Amount Rs
Salaries and wages	12000	Sales	110000
Postage and Telegram	1,750	Sundry Creditors	72700
Opening Stock	23,500	Bills Payable	40000
Plant and Machinery	70,000	10% Bank loan (Taken on 1st Oct 2012)	60000
Advertisement	5,000	Outstanding Audit fees	5900
Import duty	2,100	Capital A/c-	
Bad debts	1000	Sanjay	45000
Purchases	98500	Vijay	45000
Sundry Debtors	45800		
Bills Receivable	16700		
Carriage outward	1800		
Wages and stationery (Note 2)	14000		
Printing and stationery	4600		
Cash in hand	1850		
Leasehold Premises	80000		
	<b>378600</b>		<b>378600</b>

### Adjustments:

- 1) Closing stock was valued at Rs 30,000.

- 2) Postage stamps of Rs 250 and stationery of Rs 400 are unused.
- 3) Goods of Rs 2,500 distributed as free samples.
- 4) Leasehold property is to be run for 10 years w.e.f. 1st October, 2012.
- 5) Depreciate Plant and Machinery at 10% p.a.
- 6) Mr. Rajan, our customer become insolvent and could not pay his debts of Rs 1,500.

### Solution

#### Trading Account for the year ended March 31, 2013

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Opening Stock	23500	Sales	110000
Purchases	98500	Closing Stock	30000
Import Duty	2100	Goods distributed as Free Sample	2500
Wages and Salaries	14000		
Gross Profit (Balancing Figure)	4400		
	<b>142500</b>		<b>142500</b>

#### Profit and Loss Account for the year ended March 31, 2013

Dr.		Cr.	
Particulars	Amount (Rs)	Particulars	Amount (Rs)
Salaries and Wages	12000	Gross Profit	4400
Postage and Telegram	1750	Net Loss (Balancing Figure)	39100
Less : Unused	250		
Advertisement	5000		
Add : Free Sample	2500		
Bad debts	1000		
Add : Further Bad-Debts	1500		
Carriage outward	1800		
Printing and stationery	4600		
Less : Unused	400		
Depreciation on:			
Leasehold Premises	4000		

Plant and Machinery	7000		
Outstanding Interest on Loan	3000		
	<b>43500</b>		<b>43500</b>

### Balance Sheet

as on March 31, 2013

Liabilities		Amount (Rs)	Assets		Amount (Rs)
Capital			<b>Fixed Assets</b>		
Sanjay	45000	50900	Plant and Machinery	70000	63000
Vijay	45000		Less : Depreciation	7000	
Less : Net loss	(39100)		Leasehold Premises	80000	76000
<b>Current Liabilities</b>			Less: Depreciation	4000	
Creditors		72700	<b>Current Assets</b>		
Bills Payable		40000	Closing Stock		30000
10% Bank Loan	60000	63000	Debtors	45800	44300
Add : Outstanding Interest	3000		Less : Further Bad-Debts	1500	
Outstanding Audit fees		5900	Bills Receivable		16700
			Unused stock of Printing and Stationery		400
			Unused Stock of Postage and Telegram		250
			Cash in Hand		1850
		<b>232500</b>			<b>232500</b>

**Note 1:** As per the textbook, the Gross Profit, the Net Loss and the total of Balance Sheet are Rs 15,900, Rs 27,600 and Rs 2,44,000, respectively, however, as per the above solution these should be Rs 4,400, Rs 39,100 and Rs 2,32,500 respectively.

**Note 2:** It should be Wages and Salaries instead of Wages and stationery