

# Chapter 17 – Financial Statements of Sole Proprietorship

## Question 1.

From the following figures ascertain the gross profit for the year ended 31<sup>st</sup> March, 2014:

	₹		₹
Opening stock (1 <sup>st</sup> April 2013)	25,000	Goods purchased during the year	1,40,000
Freight and Packing	10,000	Closing Stock (31 <sup>st</sup> March, 2014)	30,000
Sales	1,90,000	Packing Expenses on sales	6,000

### Solution:

$$\begin{aligned}
 \text{Gross Profit} &= \text{Sales} + \text{Closing Stock} - (\text{Opening Stock} + \text{Freight and Packing} + \text{Goods Purchased}) \\
 &= 1,90,000 + 30,000 - (25,000 + 10,000 + 1,40,000) \\
 &= 2,20,000 - 1,75,000 = ₹45,000
 \end{aligned}$$

Alternatively,

### Trading Account For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock	25,000	By Sales	1,90,000
To Purchases	1,40,000	By Closing Stock	30,000
To Freight and Packing	10,000		
To Gross Profit c/d (Balancing Fig.)	45,000		
	2,20,000		2,20,000

**Note:** Packing Expenses on sales (₹6,000) is not a Direct Expense. Thus, it not considered while computing the amount of Gross Profit.

## Question 2.

Calculate Closing Stock from the following:

	₹		₹
Sales	20,000	Purchase	12,300
Returns inward	500	Carriage Inward	400
Return Outward	1,000	Gross Profit	8,000

### Solution:

$$\begin{aligned}
 \text{Gross Profit} &= \text{Purchases} + \text{Carriage Inwards} + \text{Return Inwards} + \text{Gross Profit} - (\text{Sales} + \text{Return Outwards}) \\
 &= ₹12,300 + ₹400 + ₹500 + ₹8,000 - (₹20,000 + ₹1,000) \\
 &= ₹21,200 - ₹21,000 = ₹200
 \end{aligned}$$

Alternatively

### Trading Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Purchase	12,300	By Sales	20,000
Less : Return Outwards	1,000	Less: Return Inwards	500
To Carriage Inwards	400	By Closing Stock (Balancing Fig.)	200
To Gross Profit c/d	8,000		
	19,700		19,700

### Question 3.

Prepare Trading Account from the transactions given below:

	₹		₹
Opening Stock	2,300	Purchase Return	240
Purchase	2,900	Closing Stock	4,770
Sales Return	50	Carriage Inwards	10
Sales	2,540	Depreciation	200

### Solution:

#### Trading Account

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock	2,300	By Sales	2,540
To Purchases	2,900	Less : Sales Return	(50)
Less : Purchases Return	(240)	By Closing Stock	4,770
To Carriage Inwards	10		
To Gross Profit c/d (Balancing Fig.)	2,290		
	7,260		7,260

Note: Depreciation is not a Direct Expense. Thus, it not shown in the Trading Account.

### Question 4.

Ascertain Gross Profit from the following:

	₹		₹
Opening Stock	20,000	Carriage on Sales	3,000
Closing Stock	18,000	Office Rent	5,800
Purchases	85,000	Sales	1,40,700
Carriage on Purchases	2,300		

**Solution:****Trading Account**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock		By Sales	1,40,700
To Purchases	85,000	By Closing Stock	18,000
To Carriage on Purchases	2,300		
To Gross Profit c/d (Balancing Fig.)	51,400		
	<b>1,58,700</b>		<b>1,58,700</b>

**Note:** Carriage on Sales and Office Rent are not a Direct Expense. Thus, it is not considered while computing the amount of Gross Profit.

**Question 5.**

From the following information, prepare Trading Account for the year ended 31<sup>st</sup> March, 2014

	₹		₹
Stock (As on 1.4.2013)	40,000	Returns Outward	80,000
Purchases	4,00,000	Wages and Salaries	50,000
Sales	3,80,000	Returns Inward	20,000
Carriage Inwards	20,000	Stock (31.3.2014)	1,30,000

The Net Realisable Value (Market Value) of stock as on 31.3.2014 was ₹1,20,000.

**Solution:**

**Trading Account**  
For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock	40,000	By Sales	3,80,000
To Purchases	4,00,000	Less: Return Inwards	(20,000)
Less: Return Outwards	(80,000)	By Closing Stock	1,20,000
To Carriage Inwards	20,000		
To Wages and Salaries	50,000		
To Gross Profit c/d (Balancing Fig.)	50,000		
	<b>4,80,000</b>		<b>4,80,000</b>

**Note:** According to the Principle of Conservatism, closing stock is valued at Cost or Market Price, whichever is less. Hence, closing stock is valued at Market Price (i.e., ₹1,20,000)

**Question 6.**

From the following information, prepare Trading Account for the year ended 31<sup>st</sup> March, 2014:

Adjusted Purchases Rs.6,60,000; Sales Rs.7,44,000; Closing Stock Rs.50,400; Freight and Carriage Inwards Rs.3,600; Wages Rs.6,000; Freight and Cartage Outwards Rs.2,000

**Solution:**

**Trading Account**  
For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Purchases (Adjusted)	6,60,000	By Sales	7,44,000
To Freight and Carriage Inwards	3,600		
To Wages	6,000		
To Gross Profit c/d (Balancing Fig.)	74,400		
	7,44,000		7,44,000

**Note :**

1. Freight and Carriage Outwards are not a Direct Expense. Thus, it is not recorded in the trading Account.
2. Adjusted Purchases = Opening Stock + Net Purchases - Closing Stock

Therefore, Closing Stock (₹50,400) is not considered while preparing Trading Account.

**Question 7.**

From the following figures, prepare Profit and Loss Account of Sohan Lal as it would appear in the 1<sup>st</sup> year that ended 31<sup>st</sup> March, 2014:

₹		₹	
Salaries and Wages	3,000	Advertising	1,000
Commission Paid	200	Discount Allowed	1,800
Postage and Telegrams	150	Rent Received	1,700
Insurance	300	Interest on Investment	1,500
Interest Paid	400	Bad debts	900
Carriage Outwards	500	Brokerage Paid	95

The Gross Profit was 45% of sales, which amounted to ₹65,000.

**Solution:**

**Profit and Loss Account**  
For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Salaries and Wages	3,000	By Gross Profit b/d (65,000 × 45%)	29,250
To Commission Paid	200	By Rent Received	1,700
To Postage and Telegram	150	By Interest on Investments	1,500
To Insurance	300		
To Interest Paid	400		
To Carriage Outwards	500		
To Advertising	1,000		
To Discount allowed	1,800		
To Bad debts	900		
To Brokerage Paid	95		
To Net Profit (Balancing Fig.)	24,105		
	32,450		32,450

**Question 8.**

From the following information, prepare Profit and Loss Account for the year ended 31<sup>st</sup> March, 2014:

	₹		₹
Gross Profit	1,20,000	Discount Received	6,000
Rent	5,000	Printing and Stationery	4,000
Salary	35,000	Legal Charges	10,000
Commission Paid	19,000	Bad debts	2,000
Interest on Loan	5,000	Loss by fire	6,000
Advertisement	8,000	Depreciation	4,000
Interest Received	8,000		

**Solution:**

**Profit and Loss Account**  
For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Rent	5,000	By Gross Profit b/d	1,20,000
To Salary	35,000	By Interest Received	8,000
To Commission Paid	19,000	By Discount Received	6,000
To Interest on Loan	5,000		
To Advertisement	8,000		
To Printing and Stationery	4,000		
To Legal Charges	10,000		
To Bad Debts	2,000		
To Loss by Fire	6,000		
To Depreciation	4,000		
To Net Profit c/d (Balancing Fig.)	36,000		
	<u>1,34,000</u>		<u>1,34,000</u>

**Question 9.**

From the following particulars, prepare Balance Sheet as at 31<sup>st</sup> March, 2014:

	Dr.(₹)	Cr.(₹)
Capital	....	40,000
Drawings	4,400	....
Debtors and Creditors	6,400	4,200
Cash in Hand	360	....
Cash at Bank	7,200	....
Plant	10,000	....
Furniture	3,700	....
Net Profit	...	1,660
General Reserve	...	1,000
Closing Stock	14,800	...
	<u>46,800</u>	<u>46,860</u>

**Solution:**

**Balance Sheet**  
as on March 31, 2014

Liabilities	₹	Assets	₹
Capital	40,000	Plant	10,000
Less : Drawings	(4,400)	Furniture	3,700
Add : Net Profit	1,660	Closing Stock	14,800
General Reserve	1,000	Debtors	6,400
Creditors	4,200	Cash at Bank	7,200
		Cash in Hand	360
	<u>42,460</u>		<u>42,460</u>

**Question 10.**

From the following information, prepare Balance sheet of a trader as at 31<sup>st</sup> March,2014 arranging the assets and liabilities - (i) in order of permanence and (ii) in order of liquidity:

	₹		₹
Goodwill	20,000	Bank	20,000
Capital	1,80,000	Sundry Creditors	63,000
Liabilities for Expenses	1,200	Bills Receivable	13,000
Cash in Hand	1,000	Plant and Machinery	40,000
Investment	20,000	Provision for Doubtful Debts	2,500
Bills Payable	10,700	Closing Stock	80,000
Net Profit	92,600	Furniture	16,000
Sundry Debtors	50,000	Drawing	30,000
Land and Building	60,000		

**Solution:**

(I) Balance sheet in Order of permanence

**Balance Sheet**  
as on March 31,2014

Liabilities	₹	Assets	₹
Capital	1,80,000	Goodwill	20,000
Less: Drawings	(30,000)	Land and Building	60,000
Add: Net Profit	92,600	Plant and Machinery	40,000
Sundry Creditors	63,000	Furniture	16,000
Bills Payable	10,700	Investment	20,000
Liabilities for Expenses	1,200	Closing Stock	80,000
		Sundry Debtors	50,000
		Less: Provision for Doubtful Debts	(2,500)
		Bills Receivable	13,000
		Bank	20,000
		Cash in Hand	1,000
	<b>3,17,500</b>		<b>3,17,500</b>

(II) Balance Sheet in Order of Liquidity

**Balance Sheet**  
as on March 31,2014

Liabilities	₹	Assets	₹
Liabilities for Expenses	1,200	Cash in Hand	1,000
Bills Payable	10,700	Bank	20,000
Sundry Creditors	63,000	Bills Receivable	13,000
Capital	1,80,000	Sundry Debtors	50,000
Less: Drawings	(30,000)	Less: Provision for Doubtful Debts	(2,500)
Add: Net Profit	92,600	Closing Stock	80,000
		Investment	20,000
		Furniture	16,000
		Plant and Machinery	40,000
		Land and Building	60,000
		Goodwill	20,000
	<b>3,17,500</b>		<b>3,17,500</b>

**Question 11.**

Prepare Trading and Profit and Loss Account and Balance Sheet of Jagat Shah as at 31<sup>st</sup> March, 2014 from the following balances:

	₹		₹
Capital (Cr.)	3,600	Salaries	600
Machinery	700	General Expenses	200
Sales	8,200	Rent	500
Purchases	4,000	Purchases Return	50
Sales Return	100	Debtors	3,000
Stock on 1 <sup>st</sup> April, 2013	1,000	Cash	400
Drawing	400	Carriage Outwards	200
Wages	1,000	Advertising	200
Carriage Inwards	50	Creditors	500

The closing Stock was valued at ₹2,000

**Solution:****Financial Statements of Jagat Shah****Trading Account**

For the year ended March 31, 2014

Dr.				Cr.
Particulars	₹	Particulars	₹	
To Opening Stock	1,000	By Sales	8,200	
To Purchases	4,000	Less : Sales Return	(100)	8,100
Less : Purchases Return	(50)	By Closing Stock		2,000
To Wages	1,000			
To Carriage Inwards	50			
To Gross Profit c/d (Balancing Fig.)	4,100			
	10,100			10,100

**Profit and Loss Account**  
For the year ended March 31, 2014

Dr.				Cr.
Particulars	₹	Particulars	₹	
To Salaries	600	By Gross Profit b/d		4,100
To General Expenses	200			
To Rent	500			
To Carriage outwards	200			
To Advertising	200			
To Net Profit c/d (Balancing Fig.)	2,400			
	4,100			4,100

**Balance sheet**  
as on March 31, 2014

Liabilities	₹	Assets	₹
Capital	3,600	Fixed Assets	
Less : Drawings	(400)	Machinery	700
Add : Net Profit	2,400	Current Assets	
Current Liabilities		Closing Stock	2,000
Creditors	500	Debtors	3,000
		Cash	400
	6,100		6,100

**Question 12.**

From the following balances, prepare Trading and Profit and Loss Account and Balance Sheet:

Debit Balances:	₹	Debit Balances (Contd.)	₹
Machinery	3,500	Rent	450
Debtors	2,700	Sundry Expenses	200
Drawings	900	Carriage	150
Purchases	9,500	Credit Balances:	
Wages	5,000	Capital A/c	10,000
Bank	1,500	Creditors	1,400
Opening Stock	2,000	Sales	14,500

Closing Stock was ₹300.

**Solution:****Trading Account**

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	2,000	By Sales	14,500
To Purchases	9,500	By Closing Stock	300
To Wages	5,000	By Gross Loss c/d (Balancing Fig.)	1,850
To Carriage	150		
	16,650		16,650

**Profit and Loss Account**

Dr.			Cr.
Particulars	₹	Particulars	₹
To Gross Loss b/d	1,850	By Net Loss c/d (Balancing Fig.)	2,500
To Rent	450		
To Sundry Expenses	200		
	2,500		2,500

**Balance Sheet**

Liabilities	₹	Assets	₹
Capital	10,000	Fixed Assets	
Less : Drawings	(900)	Machinery	3,500
Less :Net Loss b/d	(2,500)	Current Assets	
Current Liabilities		Closing Stock	300
Creditors	1,400	Debtors	2,700
		Bank	1,500
	8,000		8,000



**Question 13.**

The following are the balances as on 31<sup>st</sup> March, 2014 extracted from the books of Bhagwan Dass:

	₹		₹
Sales	92,000	Postage and Telegrams	620
Purchases	68,300	Miscellaneous Expenses	900
Returns Inward	1,300	Bad debts	400
Returns Outward	2,200	Debtors	22,000
Stock	17,600	Creditors	12,800
Carriage Inwards	2,400	Loan - Mata Din (Cr.)	5,000
Rent, Rates and Taxes	2,200	Capital	52,500
Discount	3,750	Drawings	1,910
Printing	720	Business premises	39,000
Insurance	500	Office Furniture	1,500
Travelling Expenses	1,400		

The Stock on 31<sup>st</sup> March, 2014 Was ₹24,000.

You are required to prepare Trading Account, Profit and Loss Account and Balance Sheet as at 31<sup>st</sup> March, 2014.

**Solution:**

Financial Statement of Bhagwan Dass:

**Trading Account**  
For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Stock	17,600	By Sales	92,000
To Purchase	68,300	Less: Return Inwards	(1,300)
Less : Return Outwards	(2,200)	By Closing Stock	24,000
To Carriage Inwards	2,400		
To Gross Profit c/d (Balancing Fig.)	28,600		
	1,14,700		1,14,700

**Profit and Loss Account**  
For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Rent, Rates and Taxes	2,200	By Gross Profit b/d	28,600
To Discount	3,750		
To Printing	720		
To Insurance	500		
To Travelling Expenses	1,400		
To Postage and telegram	620		
To Miscellaneous Expenses	900		
To Bad Debts	400		
To Net Profit c/d (Balancing Fig.)	18,110		
	28,600		28,600

**Balance Sheet**  
as on March 31,2014

Liabilities	₹	Assets	₹
Capital	52,500	<b>Fixed Assets</b>	
Less : Drawings	(1,910)	Business Premises	39,000
Add : Net Profit	18,110	Office Furniture	1,500
Mata Din Loan		<b>Current Assets</b>	
<b>Current Liabilities</b>		Closing Stock	24,000
Creditors		Debtors	22,000
	12,800		
	<b>86,500</b>		<b>86,500</b>

**Question 14.**

From the following balances of Anand, prepare Trading Account, Profit and Loss Account and Balance Sheet as at 31<sup>st</sup> March,2014:

<b>Credit Balances:</b>	₹	<b>Debit Balances(Contd.):</b>	₹
Capital	36,000	Postage	273
Creditors	8,720	Bad debts	287
Bills Payable	2,527	Interest	1,295
Sales	78,182	Insurance	417
Loan	12,000	Machinery	10,000
<b>Debit Balances:</b>		Stock(Opening)	9,945
Debtors	3,885	Purchases	62,092
Salaries	4,000	Wages	4,300
Discount	1,000	Building	23,780
		Fixtures and Fittings	16,155

Value of goods on hand was ₹14,300.

**Solution:**

**Financial Statement of Anand**  
**Trading Account**  
**For the year ended March 31,2014**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock	9,945	By Sales	78,182
To Purchases	62,092	By Closing Stock	14,300
To Wages	4,300		
To Gross Profit c/d (Balancing Fig.)	16,145		
	92,482		92,482

**Profit and Loss Account**  
**For the year ended March 31,2014**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Salaries	4,000	By Gross Profit b/d	16,145
To Discount	1,000		
To Postage	273		
To Bad Debts	287		
To Interest	1,295		
To Insurance	417		
To Net Profit c/d (Balancing Fig.)	8,873		
	16,145		16,145

**Balance Sheet**  
**As on March 31,2014**

Liabilities	₹	Assets	₹
Capital	36,000	Fixed Assets	
Add :Net Profit	8,873	Building	23,780
Loan	12,000	Machinery	10,000
Current Liabilities		Fixtures and fittings	16,155
Creditors	8,720	Current Assets	
Bills payable	2,527	Closing Stock	14,300
		Debtors	3,885
	68,120		68,120

**Question 15.**

Trial Balance of M/s. Gupta and Sons, Kolkata, shows the following balances on 31<sup>st</sup> March 2014. Prepare Trading Account, Profit and Loss Account and Balance Sheet.

	₹		₹
Capital	18,000	Cash at Bank	1,900
Stock	2,720	Machinery	6,710
Bills Payable	4,827	Building	5,290
Creditors	7,581	Commission (Cr.)	390
Debtors	8,100	Insurance	119
Bills Receivable	3,291	Postage	132
Sales	12,349	Discount (Cr.)	627
Purchases	10,492	Salaries	1,400
Returns Inward	1,000	Carriage	400
Returns Outward	1,200	Wages	1,510
Cash In Hand	1,400	Depreciation	600

Closing Stock is ₹7,929.

**Solution:****Financial Statement of M/s. Gupta and Sons****Trading Account**

For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock	2,720	By Sales	12,439
To Purchases	10,492	Less : Return Inwards	(1,000)
Less : Return Outwards	(1,200)	By Closing Stock	7,929
To Carriage	400		
To Wages	1,510		
To Gross Profit c/d (Balancing Fig.)	5,446		
	19,368		19,368

**Profit and Loss Account**

For the year ended March 31, 2014

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Insurance	119	By Gross Profit b/d	5,446
To Postage	132	By Commission	390
To Salaries	1,400	By Discount	627
To Depreciation	600		
Net Profit c/d (Balancing Fig.)	4,212		
	6,463		6,463

**Balance Sheet**

as on March 31, 2014

Liabilities	₹	Assets	₹
<b>Capital</b>	18,000	<b>Fixed Assets</b>	
Add: Net Profit	4,212	Building	5,290
		Machinery	6,710
<b>Current Liabilities</b>		<b>Current Assets</b>	
Creditors	7,581	Closing Stock	7,929
Bills Payable	4,827	Debtors	8,100
		Bills Receivable	3,291
		Cash at Bank	1,900
		Cash in Hand	1,400
	34,620		34,620

**Question 16.**

From The following balances, prepare Final Accounts of M/s Raja and Sons for the year ended 31st March,2014:

Salary Rs.5,400; Insurance Rs.2,500; Cash Rs.400; Purchases Rs.84,170; Rent Received Rs.3,150; Drawings Rs.2,100; Bills Payable Rs.3,900; Debtors Rs.38,080; Stock (1st April, 2013) Rs.29,500; Bank Overdraft Rs.9,700; Carriage Rs.2,200; Creditors Rs.4,200; Trade Expenses Rs.4,900; Sales Return Rs.4,700; Machinery Rs.12,000; Wages Rs.45,000; Sales Rs.1,47,200; Purchases Return Rs.3,900; Capital Rs.58,900; Closing Stock (31st March, 2014) Rs.36,200.

**Solution:**

**Financial Statements of M/s Raja and Sons**

**Trading Account  
For the year ended March 31, 2014**

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	29,500	By Sales	1,47,200
To Purchases	84,170	Less : Sales Return	(4,700)
Less : Purchases Return	(3,900)	By Closing Stock	36,200
To Carriage	2,200		
To Wages	45,000		
To Gross Profit c/d (Balancing Fig.)	21,730		
	<b>1,78,700</b>		<b>1,78,700</b>

**Profit and Loss Account  
For the year ended March 31, 2014**

Dr.			Cr.
Particulars	₹	Particulars	₹
To Salary	5,400	By Gross Profit b/d	21,730
To Insurance	2,500	By Rent Received	3,150
To Trade Expenses	4,900		
To Net Profit (Balancing Fig.)	12,080		
	<b>24,880</b>		<b>24,880</b>

**Balance Sheet  
as on March 31, 2014**

Liabilities	₹	Assets	₹
<b>Capital</b>	58,900	<b>Fixed Assets</b>	
Add : Net Profit	12,080	Machinery	12,000
Less : Drawings	(2,100)	<b>Current Assets</b>	
<b>Current Liabilities</b>		Closing Stock	36,200
Creditors	4,200	Debtors	38,080
Bank Overdraft	9,700	Cash	400
Bills Payable	3,900		
	<b>86,680</b>		<b>86,680</b>

**Question 17.**

From the following balances, prepare Final Accounts of M/s. Mangal and Sons for the year ended 31st March, 2014:

Opening Stock Rs.12,500; Bills Receivable Rs.2,000; Sales Rs.70,000; Purchases Rs.37,500; Creditors Rs.20,000; Salaries Rs.3,850; Insurance Rs.200; Debtors Rs.32,500; Carriage Rs.1,450; Commission Rs.750; Interest Rs.900; Printing Rs.250; Bills Payable Rs.3,150; Returns In Rs.1,300; Returns Out Rs.500; Bank Rs.5,250; Rent and Taxes Rs.1,300; Furniture Rs.1,000; Capital Rs.7,100; Stock on 31st March, 2014 Rs.15,000.

**Solution:**

**Balance Sheet**  
as on March 31,2014

Liabilities	₹	Assets	₹
Capital	7,100	Fixed Assets	
Add : Net Profit	25,500	Furniture	1,000
Current Liabilities		Current Assets	
Creditors	20,000	Closing Stock	15,000
Bills Payable	3,150	Debtors	32,500
		Bills Receivable	2,000
		Bank	5,250
	55,750		55,750

**Financial Statements of M/s Mangal and Sons**

**Trading Account**  
For the year ended March 31,2014

Dr.				Cr.
Particulars	₹	Particulars	₹	
To Opening Stock	12,500	By Sales	70,000	
To Purchases	37,500	Less : Return Inwards	(1,300)	68,700
Less : Return Outwards	(500)	By Closing Stock		15,000
To Carriage	1,450			
To Gross Profit c/d	32,750			
(Balancing Fig.)				
	83,700			83,700

**Profit and Loss Account**  
for the year ended March 31,2014

Dr.				Cr.
Particulars	₹	Particulars	₹	
To Salary	3,850	By Gross Profit b/d	32,750	
To Insurance	200			
To Commission	750			
To Interest	900			
To Printing	250			
To Rent and Taxes	1,300			
To Net Profit c/d	25,500			
(Balancing Fig.)				
	32,750			32,750

**Question 18.**

From the following balances, prepare Trading and Profit and Loss Account and the Balance Sheet

Debit Balances:	₹	Debit Balances (Contd.):	₹
Machinery	35,000	Rent	4,500
Debtors	27,000	Sundry Expenses	2,000
Drawings	9,000	Carriage	1,500
Purchases	95,000	Credit Balances:	
Wages	50,000	Capital A/c	1,00,000
Bank	15,000	Creditors	14,000
Stock	20,000	Sales	1,45,000

Closing Stock was ₹6,000

**Solution:****Trading Account**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Opening Stock	20,000	By Sales	1,45,000
To Purchases	95,000	By Closing Stock	6,000
To Wages	50,000	By Gross Loss c/d (Balancing Fig.)	15,500
To Carriage	1,500		
	1,66,500		1,66,500

**Profit and Loss Account**

Dr.		Cr.	
Particulars	₹	Particulars	₹
To Gross Loss b/d	15,500	By Net Loss c/d (Balancing Fig.)	
To Rent	4,500		22,000
To Sundry Expenses	2,000		
	22,000		22,000

**Balance Sheet**

Liabilities		₹	Assets		₹
Capital	1,00,000	69,000	<b>Fixed Assets</b>		
Less : Net Loss b/d	(22,000)		Machinery		35,000
Less : Drawings	(9,000)		<b>Current Assets</b>		
<b>Current Liabilities</b>			Closing Stock		6,000
Creditors		14,000	Debtors		27,000
		83,000	Bank		15,000
					83,000

**Question 19.**

From the following balances taken from the books of Hari and Co. Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2014 and Balance Sheet as at that date:

	₹		₹
Capital	3,50,000	Salaries	11,100
Building	1,87,500	Discount Allowed	2,000
Machinery	92,500	Stock (1 <sup>st</sup> April, 2013)	1,65,000
Debtors	70,000	Bills Payable	50,000
General Expenses	8,000	Sales	6,35,000
Rent Paid	37,100	Purchases	4,68,500
Proprietor Drawings	6,500	Wages	25,000
Electricity Charges	1,900	Cash in Hand	18,000
Carriage Inwards	8,500	Sundry Creditors	1,00,000
Cash at Bank	30,000	Returns Inward	4,500
Returns Outward	1,100		

Closing Stock was ₹1,82,100.

**Solution:**

**Financial Statements of Hari and Co.**  
**Trading Account**  
**For the year ended March 31,2014**

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	1,65,000	By Sales	6,35,000
To Purchases	4,68,500	Less: Return Inwards	(4,500)
Less : Return outwards	(1,100)		6,30,500
To Wages	25,000	By Closing Stock	1,82,100
To Carriage Inwards	8,500		
To Gross Profit c/d (Balancing Fig.)	1,46,700		
	8,12,600		8,12,600

**Profit and Loss Account**  
**For the year ended March 31, 2014**

Dr.			Cr.
Particulars	₹	Particulars	₹
To General Expenses	8,000	By Gross Profit b/d	1,46,700
To Rent Paid	37,100		
To Electricity Charges	1,900		
To Salaries	11,100		
To Discount Allowed	2,000		
To Net Profit c/d (Balancing Fig.)	86,600		
	1,46,700		1,46,700

**Balance Sheet**  
**as on March 31,2014**

Liabilities	₹	Assets	₹
Capital	3,50,000	Fixed Assets	
Add : Net Profit	86,600	Building	1,87,500
Less : Drawings	(6,500)	Machinery	92,500
Current Liabilities		Current Assets	
Sundry Creditors	1,00,000	Closing Stock	1,82,100
Bills Payable	50,000	Debtors	70,000
		Cash at bank	30,000
		Cash in Hand	18,000
	5,80,100		5,80,100



**Question 20.**

From the following balances, as on 31<sup>st</sup> March, 2014, Prepare Trading and Profit and Loss Account and Balance Sheet:

	₹		₹
Capital Account	10,000	Returns Outward	500
Plant and Machinery	4,000	Rent	400
Sundry Debtors	2,400	Sales	16,400
Sundry Creditors	1,200	Manufacturing Expenses	800
Drawings	1,200	Trade Expenses	700
Purchases	10,500	Bad debts	200
Wages	5,000	Carriage	150
Bank	1,000	Bills Payable	700
Repairs	50	Returns Inward	400
Stock (1 <sup>st</sup> April, 2013)	2,000		

Closing Stock (31<sup>st</sup> March, 2014) Was valued at ₹1,450.

**Solution:**

**Trading Account**  
for the year ended March 31, 2014

Dr.				Cr.
Particulars	₹	Particulars	₹	
To Opening Stock	2,000	By Sales	16,400	
To Purchases	10,500	Less : Return Inwards	(400)	16,000
Less : Return Outwards	(500)	By Closing Stock		1,450
To Wages	5,000	By Gross Loss c/d		500
To Manufacturing Expenses	800	(Balancing Fig.)		
To Carriage	150			
	17,950			17,950

**Profit and Loss Account**  
for the year ended March 31, 2014

Dr.				Cr.
Particulars	₹	Particulars	₹	
To Gross Loss b/d	500	By Net Loss c/d		1,850
To Repairs	50	(Balancing Fig.)		
To Rent	400			
To Trade Expenses	700			
To Bad debts	200			
	1,850			1,850

**Balance Sheet**  
as on March 31, 2014

Liabilities	₹	Assets	₹
Capital	10,000	Fixed Assets	
Less : Drawings	(1,200)	Plant and Machinery	4,000
Less : Net Loss b/d	(1,850)	Current Assets	
Current Liabilities		Closing Stock	1,450
Sundry Creditors	1,200	Sundry Debtors	2,400
Bills Payable	700	Bank	1,000
	8,850		8,850

**Question 21.**

Trial Balance of Chatter sen on 31<sup>st</sup> March, 2014 revealed the following balances:

Debit Balances:	₹	Debit Balances: (Contd.)	₹
Plant and Machinery	90,000	Freight Out	1,200
Purchases	58,000	Rent, Rates and Taxes	2,000
Sales Return	1,000	Advertisement	2,000
Opening Stock	40,000	Cash at Bank	6,900
Discount Allowed	350	Credit Balances:	
Bank Charges	75	Capital A/c	1,10,000
Sundry Debtors	45,000	Sales	1,27,000
Salaries	6,800	Purchase Return	1,275
Wages	10,000	Discount Received	800
Freight In	750	Sundry Creditors	25,000

Stock on 31<sup>st</sup> March, 2014 was valued at ₹35,000.

Prepare Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2014 and Balance Sheet as at that date.

**Solution:**

**Financial Statement of Chatter Sen**

**Trading Account**

For the year ended March 31, 2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	40,000	By Sales	1,27,000
To Purchases	58,000	Less : Sales Return	(1,000)
Less : Purchases Return	(1,275)	By Closing Stock	35,000
To Wages	10,000		
To Freight Inwards	750		
To Gross Profit c/d (Balancing Fig.)	53,525		
	1,61,000		1,61,000

**Profit and Loss Account**

For the year ended March 31, 2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Discount Allowed	350	By Gross Profit b/d	53,525
To Bank Charges	75	By Discount Received	800
To Salaries	6,800		
To Freight Outwards	1,200		
To Rent Rates and Taxes	2,000		
To Advertisement	2,000		
To Net Profit c/d (Balancing Fig.)	41,900		
	54,325		54,325

**Balance Sheet**  
as on March 31,2014

Liabilities	₹	Assets	₹
Capital 1,10,000		<b>Fixed Assets</b>	
Add : Net Profit 41,900	1,51,900	Plant and Machinery	90,000
<b>Current Liabilities</b>		<b>Current Assets</b>	
Sundry Creditors	25,000	Closing Stock	35,000
		Sundry Debtors	45,000
		Cash at Bank	6,900
	<b>1,76,900</b>		<b>1,76,900</b>

**Question 22.**

Following Trial Balance is extracted from the books of a Merchant on 31<sup>st</sup> March,2014:

Debit Balances:	₹	Debit Balances (Contd.):	₹
Furniture and Fittings	640	Taxes and Insurance	1,250
Motor Vehicles	6,250	General Charges	782
Building	7,590	Salaries	3,300
Bad debts	125	<b>Credit Balances:</b>	
Sundry Debtors	3,800	Capital	12,890
Stock on 1 <sup>st</sup> April,2013	3,460	Bills Payable	200
Purchases	5,575	Sundry Creditors	2,500
Sales Return	200	Sales	15,450
Advertising	450	Bank overdraft	2,850
Interest	118	Purchases Return	125
Cash in Hand	650	Commission	175

Stock in Hand on 31<sup>st</sup> March, 2014 was ₹3,250.

From the above prepare Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March, 2014 and Balance Sheet as at that date.

**Solution:**

**Trading Account**  
For the year ended March 31,2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	3,460	By Sales 15,450	
To Purchases 5,575		Less : Sales Return (200)	15,250
Less : Purchases Return (125)	5,450	By Closing Stock	3,250
To Gross Profit c/d (Balancing Fig.)	9,590		
	<b>18,500</b>		<b>18,500</b>

**Profit and Loss Account**  
For the year ended March 31,2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Taxes and Insurance	1,250	By Gross Profit b/d	9,590
To General Charges	782	By Commission	175
To Salaries	3,300		
To Bad debts	125		
To Advertising	450		
To Interest	118		
To Net Profit c/d (Balancing Fig.)	3,740		
	<b>9,765</b>		<b>9,765</b>

**Balance Sheet**  
as on March 31,2014

Liabilities	₹	Assets	₹
Capital	12,890	Fixed Assets	
Add : Net Profit	3,740	Building	7,590
<b>Current Liabilities</b>		Furniture and Fittings	640
Sundry Creditors	2,500	Motor Vehicle	6,250
Bank Overdraft	2,850	<b>Current Assets</b>	
Bills Payable	200	Closing Stock	3,250
		Sundry Debtors	3,800
		Cash in Hand	650
	<b>22,180</b>		<b>22,180</b>

**Question 23.**

Johan Smith Carries on business as a copy manufacturer. Prepare his Profit and Loss Account and Balance Sheet from the following balances as at 31<sup>st</sup> March,2014:

Capital	₹ 6,000	Boxes, Labels, etc.	₹ 500
Withdrawals(Drawings)	1,000	Rates and Taxes	40
Sales	10,000	Bills Receivable	300
Paper(Bought)	2,000	Insurance	150
Loan or Mortgage(Cr.)	1,000	Carriage	10
Machinery and Plant	1,500	Incidental Expenses	200
Land and Building	2,000	Stock on 1 <sup>st</sup> April,2013	2,000
Creditors	500	Cash at Bank	1,250
Wages	5,000	Cash In Hand	50
Debtors	1,500		

Stock on 31<sup>st</sup> March, 2014 was ₹1,500.

**Solution:**

**Financial Statements of John Smith**  
**Trading Account**  
For the year ended March 31,2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	2,000	By Sales	10,000
To Purchases		By Closing Stock	1,500
Paper (Bought)	2,000		
Boxes, Labels etc	500		
To Wages	5,000		
To Carriage	10		
To Gross Profit c/d (Balancing Fig.)	1,990		
	<b>11,500</b>		<b>11,500</b>

**Profit and Loss Account**  
For the year ended March 31,2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Rates and Taxes	40	By Gross Profit b/d	1,990
To Insurance	150		
To Incidental Expenses	200		
To Net Profit c/d (Balancing Fig.)	1,600		
	<b>1,990</b>		<b>1,990</b>

**Balance Sheet  
as on March 31,2014**

Liabilities	₹	Assets	₹
Capital	6,000	Fixed Assets	
Less : Drawings	(1,000)	Land and Building	2,000
Add : Net Profit	1,600	Machinery Plant	1,500
Loan on Mortgage		Current Assets	
Current Liabilities		Closing Stock	1,500
Creditors	500	Debtors	1,500
		Bills Receivable	300
		Cash at Bank	1,250
		Cash in hand	50
	8,100		8,100

**Question 24.**

The Following Balances were extracted from the books of Harish Chandra on 31<sup>st</sup> March,2014:

₹		₹	
Capital	24,500	Loan	7,880
Drawings	2,000	Sales	65,360
General Expenses	2,500	Purchases	47,000
Building	11,000	Motor Car	2,000
Machinery	9,340	Reserve Fund (Cr.)	900
Stock	16,200	Commission (Cr.)	1,320
Power	2,240	Car Expenses	1,800
Taxes and Insurance	1,315	Bills Payable	3,850
Wages	7,200	Cash	80
Debtors	6,280	Bank Overdraft	3,300
Creditors	2,500	Charity	105
Bad Debts	550		

Stock on 31<sup>st</sup> March,2014 was valued at ₹23,500

Prepare final accounts for the year ended 31<sup>st</sup> March,2014

**Solution:**

**Financial Statement of Harish Chandra  
Trading Account  
For the year ended March 31,2014**

Dr.			Cr.
Particulars	₹	Particulars	₹
To Opening Stock	16,200	By Sales	65,360
To Purchases	47,000	By Closing Stock	23,500
To Power	2,240		
To Wages	7,200		
To Gross Profit c/d (Balancing Fig.)	16,220		
	88,860		88,860

**Profit and Loss Account  
For the year ended March 31,2014**

Dr.			Cr.
Particulars	₹	Particulars	₹
To General Expenses	2,500	By Gross Profit b/d	16,220
To Taxes and Insurance	1,315	By Commission	1,320
To Bad Debts	550		
To Car Expenses	1,800		
To Charity	105		
To Net Profit c/d (Balancing Fig.)	11,270		
	17,540		17,540

**Balance Sheet**  
as on March 31,2014

Liabilities	₹	Assets	₹
Capital 24,500		Fixed Assets	
Add : Net Profit 11,270		Building 11,000	
Less : Drawings (2,000)	33,770	Machinery 9,340	
Reserve Fund 900		Motor car 2,000	
Loan 7,880		Current Assets	
Current Liabilities		Closing Stock 23,500	
Bank Overdraft 3,300		Debtors 6,280	
Bills Payable 3,850		Cash 80	
Creditors 2,500			
	52,200		52,200

**Question 25.**

From the following Trail Balance and additional information of Mr. Gaurav, a proprietor prepare Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March,2014 and Balance Sheet as at that date :

Particulars	Dr. Balance ₹	Cr. Balance ₹
Building .....	1,60,000	.....
Wages .....	26,000	.....
Machinery .....	16,000	.....
Salaries and Wages .....	41,600	.....
Debtors .....	33,700	.....
Capital .....		2,23,100
Purchases /Sales.....	56,500	1,00,700
Creditors .....		12,500
Income Tax .....	2,000	
Drawings .....	500	
Total	3,36,300	3,36,300

Closing Stock at Cost ₹1,00,00 but at Market Price ₹88,500

**Solution:**

**Financial Statement of Mr. Gaurav**  
**Trading Account**  
for the year ended March 31,2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Purchases 56,500		By Sales 1,00,700	
To Wages 26,000		By Closing Stock 88,500	
To Gross Profit c/d (Balancing Fig.) 1,06,700			
	1,89,200		1,89,200

**Profit and Loss Account**  
For the year ended March 31,2014

Dr.			Cr.
Particulars	₹	Particulars	₹
To Salaries and Wages 41,600		By Gross Profit b/d 1,06,700	
To Net Profit c/d (Balancing Fig.) 65,100			
	1,06,700		1,06,700

**Balance Sheet**  
as on March 31,2014

Liabilities		₹	Assets		₹
Capital	2,23,100	2,85,700	Fixed Assets		
Add : Net Profit	65,100		Building		1,60,000
Less : Drawings	(500)		Machinery		16,000
Less : Income Tax	(2,000)		Current Assets		
Current Liabilities			Closing Stock		88,500
Creditors		12,500	Debtors		33,700
		2,98,200			2,98,200

**Note:** According to the Principle of Conservatism, closing stock is valued at Cost or Market Price, whichever is less. Hence, closing stock is valued at Market Price (i.e., ₹88,500)