



Chapter 10

Financial Statements II

Question 1

Why is it necessary to record the adjusting entries in the preparation of final accounts?

Adjusting entries are necessary in preparation of final accounts because:

- It gives the true and fair view of the performance of the business in that current year
- It eliminates prior year or coming year's entries thereby giving the financial result of the current year.
- If any entries are omitted or left without recording they are passed as adjusting entries in the year end
- After going through all the accounts, provision is created in the year end wherever necessary.

Question 2

What is meant by closing stock? Show its treatment in final accounts.

The closing stock is referred to as the goods which remains unsold at the end of an accounting year. It is evaluated at the price of its cost or its realizable value whichever is lower. For example: if cost of goods unsold is Rs.5000 and net realizable value is Rs.4500, then the closing stock is valued at Rs.4500.

The treatment of the closing stock is done in the final accounts in the following manner:

- In the case when the closing stock appears in the Trial Balance then it is shown as asset in the Balance Sheet.
- In the case when the closing stock appears as an adjustment then it is shown on the credit side of the Trading account and at the side of the asset in the balance sheet.

Question 3

State the meaning of:

(a) Outstanding expenses

(b) Prepaid expenses

(c) Income received in advance

(d) Accrued income

- (a) **Outstanding expenses:** The outstanding expenses are referred to as the payments which are due on behalf of organization for the accrued expenses or for the services which have been already received. They pertain to the present year of the organization but remain unpaid till the end of the year. These are shown in the liability side of the balance sheet.
- (b) **Prepaid expenses:** These are the types of payment which is made by the business even before when they are due. The example of such payment can be the payments of the Insurance whose policies are paid in the middle of the year and whose services can be availed for the entire year. These are shown as asset in the balance sheet.

- (c) **Income received in advance:** These are incomes which are received prior before when they are realized. For example when the organization receives the payment in advance for the sales of goods by the purchaser. Hence they can be called as the receipts which are received before the period of their realization. These are considered to be the liability for the business as the business is liable to pay its services.
- (d) **Accrued income:** These are the incomes which are not realized yet accrued. These are considered to be the asset for any business organization. The example of the same can be the promise of the payment to the business by the purchaser for the payment of the services made by the organization to benefit the purchaser.

Question 4

Give the Performa of Income statement and balance in the vertical form.

Performa Income Statement

Income statement for the year ending

Particulars	Amount	Amount
Sales (Gross)	xx	xx
Less: Return inwards	xx	
Net Sales	xx	
<u>Cost of Goods Sold</u>		
Opening Stock	xx	
Purchases	xx	

Less:Return outwards	XX	
Carriage inwards	XX	
Wages	XX	
Cost of Goods Available for Sale		XX
Less: Closing Stock		XX
Gross Profit		XX
<u>Operating expenses</u>		
(a) General and administration expenses		
Salaries	XX	
Rents and rates	XX	
General expenses	XX	
Insurance	XX	
Repairs	XX	
Postage	XX	
Telephone & Telegram	XX	
Depreciation	XX	
(b) Selling expenses		
Advertising	XX	
Discount allowed	XX	
Carriage outwards	XX	
Bad debts and provisions	XX	
Total Operating expenses		XX
Net Income from Operations(Operating Profit)		XX
Other Income		
Rent received	XX	
Commission earned	XX	
Interest received	XX	

Profit on sale of fixed assets	xx	xx
Less: Non operating expenses		
Interest Paid	xx	
Loss on sale of asset	xx	
Loss by fire	xx	xx
Net Non operating Gains		xx
Net Profit		xx

Balance sheet as on.....

Particulars	Amount	Amount
<u>1.Sources of Funds</u>		
a) Shareholders funds		
i) Capital	xx	
ii) Reserves & Surplus	xx	xx
b)Loan Funds		
i) Secured Loans	xx	
ii) Unsecured loans	xx	xx
Total		xx
<u>2.Application of Funds</u>		
a) Fixed assets		
i) Gross Block	xx	
Less: Depreciation	xx	
Net block		xx
b) Investments		xx
c) Current assets, Loans and advances		

i) Inventories	xx	
ii) Sundry Debtors	xx	
iii) Cash and bank balances	xx	
iv) Loan and advances	xx	xx
Less: Current Liabilities		
i) Liabilities	xx	
ii) Provisions	xx	xx
Net Current Assets		xx
d) Miscellaneous Expenditure to extent not written off or adjusted		xx
e) Profit or Loss A/c (Debit)		xx
Total		xx

Question 5

Why is it necessary to create a provision for doubtful debts at the time of preparation of final accounts?

The creation of the provision of doubtful debt is made in order to make the prediction of the bad or doubtful debt by the business when the accurate position for the same can be made or determine in the next year only. It is considered to be the prudent practice for any business organization as it reduces the scope of actual loss by the business.

Question 6

What adjusting entries would you record for the following:

- Depreciation
- Discount on debtors
- Interest on capital
- Manager's commission

Answer

a) Depreciation :

- Shown in debit of profit and loss account
- Shown as deduction from asset in Balance sheet.

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Depreciation on Building					

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
			Building Less: Depreciation		

b) Discount on debtors :

- Shown in debit of profit and loss account
- Shown as deduction from debtors in Balance sheet.

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Discount on Debtors A/c					

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
			Debtors Less: Discount on debtors		

C Interest on Capital

- Shown in debit of profit and loss account
- Shown as addition to Capital in Balance sheet.

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Interest on Capital A/c					

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital A/c Add: Interest on Capital					

D) Manager's commission :

- Shown in debit of profit and loss account
- Shown as Outstanding liability in Balance sheet.

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Manager's Commission					

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Manager's commission Outstanding					

Question 7

What is meant by provision for discount on debtors?

Answer

The maintenance of the provision for discount on debtors is done in order to encourage the payment from the debtors of the business before the date which is due. The discount is hence made to encourage the timely payment by the debtors especially the ones who have a bad record for doing so. This provision is maintained in the side of the debit of the profit and the loss account and is shown as the deduction from the debtors on the side of the assets in the balance sheet.

Question 8

Give the journal entries for the following adjustments:

(a) Outstanding salary at Rs 3,500.

(b) Rent unpaid for one month at Rs 6,000 per annum.

(c) Insurance prepaid for a quarter at Rs 16,000 per annum.

(d) Purchase of furniture costing Rs 7,000 entered in the purchases book.

S. No	Particulars	LF	Debit	Credit
a	Salary A/c Dr To Outstanding Salary A/c (Being Salary of Rs.3500 outstanding)		3500	3500
b	Rent A/c Dr To Outstanding Rent A/c (Being rent unpaid for one month i.e. 6000/12)		500	500

c	Prepaid Insurance A/c	Dr	4000	
	To Insurance A/c			4000
	(Being Insurance prepaid for 3 months i.e. $(16000/12)*3$)			
d	Furniture A/c	Dr	7000	
	To Purchases A/c			7000
	(Being purchase of furniture wrongly recorded in Purchases book now rectified)			

Question 9

What are the adjusting entries? Why are they necessary for preparing final accounts?

Answer

The adjusting entries are considered to be the entries which are made in the end of the accounting period to determine the true

and the fair position of the business. These are called as the adjusting entries as they are made out of the items in the trial balance. The adjustments are made in the two places as per the adherence o the double entry system if book keeping.

It is necessary to make the adjusting entries while preparing the final accounts as:

- It depicts the true and fair position and the performance of the business of the current year.
- It eliminates the entries which were already made in the prior year or which have to be made in the forthcoming years.
- In case of the omission of any entries while the process of recording, the adjusting entries for the same are passed in the end of the accounting period.
- After going through all the accounts, provision is created in the year end wherever necessary.

Question 10

What is meant by provision for doubtful debts? How are the relevant accounts prepared and what journal entries are recorded in final accounts? How is the amount for the provision for doubtful debts calculated?

Answer

The maintenance of the provision for discount on debtors is done in order to encourage the payment from the debtors of the business before the date which is due. The discount is hence made to encourage the timely payment by the debtors especially the ones who have a bad record for doing so. It is considered to

be the prudent practice for any business organization as it reduces the scope of actual loss by the business.

Whenever the provision for bad debts is made, the bad debts which arise after the provision is made shall be adjusted firstly against the provision so made and not the debtors.

For example:

The trial Balance of a company is extracted as follows-

Particulars	Debit	Credit
Sundry Debtors	12000	
Bad debts	1000	
Provision for doubtful debts	800	

Adjustment:

- (i) Further Bad debt amounting to Rs.400
- (ii) Create a provision for doubtful debts @ 8% on debtors.

In the above example the Bad debts is Rs.1000 and further Bad debts Rs.400 is known at the year end. Provision for doubtful debts is created after deducting the further bad debts from the debtors. It is shown as addition to Bad debts in Profit & Loss account and as a deduction from debtors. It is illustrated below:

Profit & Loss Account for the year ended 31.03.2017

Dr			Cr		
Particulars	Amount	Amount	Particulars	Amount	Amount

Bad Debts	1000				
Add: Further Bad debts	400				
Add: New Provision for doubtful debts (12000- 400)*8%	928				
Less: Old Provision for doubtful debts (as per trail balance)	800	1528			

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
			Sundry Debtors	12000	
			Less: Further bad debts	400	
			Less: New Provisio	928	10672

			n for doubtful debts		
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Question 11

Show the treatment of prepaid expenses, depreciation and closing stock at the time of preparation of final accounts when:

(a) When given inside the Trial Balance?

(b) When given outside the Trial Balance?

Prepaid expense:

(a) When given in Trial Balance: Will be shown in asset side of balance sheet.

Liabilities	Amount	Amount	Assets	Amount	Amount
			Prepaid Insurance		

(b) When given Outside trail balance :

- Will be shown as deduction from particular expense in Profit and loss account and
- Will be shown in asset side of Balance sheet

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Insurance					
Less: Prepaid Insurance					

Balance sheet as on 31.03.2017

Liabilities	Amount	Amount	Assets	Amount	Amount
			Prepaid Insurance		800

Depreciation:

(a) **If already in Trail Balance:** Then depreciation is shown in Debit side of Profit and loss account. The asset figure in Trail balance will be after depreciation.

(b) **If outside the trial balance :**

- Shown in debit of profit and loss account
- Shown as deduction from asset in Balance sheet.

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Depreciation on Building					

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
			Building Less: Depreciation		

Closing stock:

(a) **If given in Trial Balance:** It will be shown only in asset side of balance sheet. The Purchases would be already adjusted for closing stock in Profit & loss account. Hence closing stock will not be shown in Trading and Profit and loss account.

(b) **If given outside Trial Balance:**

- It will be shown in credit side of Trading Account
- And shown in asset side of the Balance sheet.

Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
			Closing stock		

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
			Closing Stock		

Question 12

Prepare a trading and profit and loss account for the year ending December 31, 2017. from the balances extracted of M/s Rahul Sons. Also prepare a balance sheet at the end of the year.

<i>Account Title</i>	<i>Amount</i> <i>Rs</i>	<i>Account Title</i>	<i>Amount</i> <i>Rs</i>
Stock	50,000	Sales	1,80,000
Wages	3,000	Purchases return	2,000
Salary	8,000	Discount received	500
Purchases	1,75,000	Provision for doubtful debts	2,500
Sales return	3,000	Capital	3,00,000
Sundry Debtors	82,000	Bills payable	22,000

Discount allowed	1,000	Commission received	4,000
Insurance	3,200	Rent	6,000
Rent Rates and Taxes	4,300	Loan	34,800
Fixtures and fittings	20,000		
Trade expenses	1,500		
Bad debts	2,000		
Drawings	32,000		
Repair and renewals	1,600		
Travelling expenses	4,200		
Postage	300		
Telegram expenses	200		
Legal fees	500		
Bills receivable	50,000		
Building	1,10,000		
	5,51,800		5,51,800

Adjustments

- 1. Commission received in advance Rs 1,000.**
- 2. Rent receivable Rs 2,000.**
- 3. Salary outstanding Rs 1,000 and insurance prepaid Rs 800.**
- 4. Further bad debts Rs 1,000 and provision for doubtful debts @ 5% on debtors and discount on debtors @ 2%.**
- 5. Closing stock Rs 32,000.**
- 6. Depreciation on building @ 6% p.a.**

Books of M/s. Rahul & Sons
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		5000 0	Sales	1800 00	1770
Purchases	1750 00		Less: Sales returns	3000	00
Less: Purchase returns	2000	1730 00	Closing stock		3200 0
Wages A/c		3000	Gross Loss c/d		1700

				0
		2260		2260
		00		00

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Gross Loss b/d		1700	Discount received		500
Salary A/c	8000		Commission received	4000	
Add: Salary Outstanding	1000	9000	Less: Commission received in advance	1000	3000
Discount allowed A/c		1000	Rent	6000	
Insurance	3200		Add: Rent receivable	2000	8000
Less: Prepaid Insurance	800	2400			
Rates & Taxes		4300			
Trade expenses		1500			
Bad Debts	2000				
Add: Further Bad debts	1000				
Add: New Provision for Doubtful debts	4050				

Less: Old Provision for Doubtful debts	2500	4550		
Repairs & renewals		1600		
Travelling expenses		4200		
Postage		300		
Telegram expenses		200		
Legal fees		500	Net Loss	4318
Discount on debtors		1539		9
Depreciation on Building		6600		
		5468		5468
		9		9

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	3000		Building	1100	
Less: Drawings	3200		Less: Depreciation	6600	1034

	0			00
	4318	2248		2000
Less: Net Loss	9	11	Fixtures & Fittings	0
				8200
			Sundry Debtors	0
Bills Payable		2200	Less: Further bad debts	1000
		3480	Less: Provision for doubtful debts	4050
Loan		0	Less: Discount on debtors	7541
Salary Outstanding		1000		1
				3200
Advances		1000	Closing Stock	0
			Billsreceivable	5000
			Rent receivable	0
			Prepaid Insurance	2000
				800
		2836		2836
		11		11

Question 13

Prepare a trading and profit and loss account of M/s Green Club Ltd. for the year ending March 31, 2017. from the following figures taken from his trial balance :

<i>Account Title</i>	<i>Amount Rs</i>	<i>Account Title</i>	<i>Amount Rs</i>
Opening stock	35,000	Sales	2,50,000
Purchases	1,25,000	Purchase return	6,000
Return inwards	25,000	Creditors	10,000
Postage and Telegram	600	Bills payable	20,000
Salary	12,300	Discount	1,000
Wages	3,000	Provision for bad debts	4,500
Rent and Rates	1,000	Interest received	5,400
Packing and Transport	500	Capital	75,000

General expense	400	
Insurance	4,000	
Debtors	50,000	
Cash in hand	20,000	
Cash at bank	40,000	
Machinery	20,000	
Lighting and Heating	5,000	
Discount	3,500	
Bad debts	3,500	
Investment	23,100	
	3,71,900	3,71,900

Adjustments

- 1. Depreciation charged on machinery @ 5% p.a.**
- 2. Further bad debts Rs 1,500, discount on debtors @ 5% and make a provision on debtors @ 6%.**
- 3. Wages prepaid Rs 1,000.**
- 4. Interest on investment @ 5% p.a.**
- 5. Closing stock 10,000.**

Books of M/s. Green Club Ltd
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		3500 0	Sales	2500 00	
Purchases	1250 00		Less: Sales returns	2500 0	2250 00
Less: Purchase returns	6000	1190 00	Closing stock		1000 0
Wages	3000				
Less: Prepaid wages	1000	2000			
Gross Profit c/d		7900 0			
		2350 00			2350 00

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
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		1230		7900
Salary		0	Gross Profit b/d	0
			Discount	
Rents & Rates		1000	received	1000
Postage &			Interest	
Telegram		600	received	5400
			Interest	
Packing &			receivable on	
Transport		500	investment	1155
General expense		400		
Insurance		4000		
Lighting &				
Heating		5000		
Discount allowed		3500		
Bad debts	3500			
Add: Further Bad				
debts	1500			
Add: New				
Provision for bad				
debts	2910			
Less: Old				
provision for bad				
debts	4500	3410		
Discount on				
debtors		2280		
Depreciation on				
Machinery		1000		
		5256		
Net Profit		6		
		8655		8655

		5		5

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	75000		Machinery	20000	
Add: Net Profit	52566	127566	Less: Depreciation	10000	19000
		10000		23100	
Creditors		0	Investment	0	
Bills Payable		20000	Add: Interest receivable	1155	24255
				50000	
			Debtors	0	
			Less: Further Bad debts	1500	
			Less: New Provision for bad debts	2910	
			Less: Discount on debtors	2280	43311
					20000
			Cash in hand		0

			Cash at Bank	4000 0
			Closing Stock	1000 0
			Prepaid Wages	1000
		1575 66		1575 66

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The following balances has been extracted from the trial of M/s Runway Shine Ltd. Prepare a trading and profit and loss account and a balance sheet as on March 31, 2017.

<i>Account Title</i>	<i>Amount Rs</i>	<i>Account Title</i>	<i>Amount Rs</i>
Purchases	1,50,000	Sales	2,50,000
Opening stock	50,000	Return outwards	4,500
Return inwards	2,000	Interest received	3,500
Carriage inwards	4,500	Discount received	400
Cash in hand	77,800	Creditors	1,25,000

Cash at bank	60,800	Bill payable	6,040
Wages	2,400	Capital	1,00,000
Printing and Stationery	4,500		
Discount	400		
Bad debts	1,500		
Insurance	2,500		
Investment	32,000		
Debtors	53,000		
Bills receivable	20,000		
Postage and Telegraph	400		
Commission	200		
Interest	1,000		
Repair	440		
Lighting Charges	500		
Telephone charges	100		
Carriage outward	400		

Motor car	25,000		
	4,89,440		4,89,440

Adjustments

- 1. Further bad debts Rs 1,000. Discount on debtors Rs 500 and make a provision on debtors @ 5%.**
- 2. Interest received on investment @ 5%.**
- 3. Wages and interest outstanding Rs 100 and Rs 200 respectively.**
- 4. Depreciation charged on motor car @ 5% p.a.**
- 5. Closing Stock Rs 32,500.**

Books of M/s. Runway Shine Ltd
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		50000	Sales	250000	
Purchases	150000		Less: Sales Returns	2000	248000
Less: Purchase returns	4500	145500	Closing Stock		32500
Wages	2400				
Add: Outstanding	100	2500			

Wages				
Carriage Inward		4500		
Gross Profit C/d		78000		
		280500		280500

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
			Gross Profit b/d		78000
Carriage Outward		400	Interest Received		3500
Printing & Stationery		4500	Interest Received on investment		1600
Discount allowed		400	Discount received		400
Discount allowed on debtors		500			
Insurance expense		2500			
Bad debts	1500				
Add: Further Bad debts	1000				
Add: provision for bad debts	2600	5100			
Postage & Telegraph Commission		400			
Interest Paid	1000	200			
Add: Outstanding Interest	200	1200			
Repairs		440			

Lighting Charges		500		
Telephone Charges		100		
Depreciation expense		1250		
Net Profit		66010		
		83500		83500

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	100000		Motor Car	25000	
Add: Net Profit	66010	166010	Less: Depreciation	1250	23750
Creditors		125000	Investment	32000	
Bills Payable		6040	Add: Interest receivable	1600	33600
Wages Outstanding		100			
Interest outstanding		200	Bills receivable		20000
			Debtors	53000	
			Less: Bad debts	1000	
			Less: Provision	2600	

		on debtors		
		Less:		
		Discount on		
		debtors	500	48900
		Closing		
		Stock		32500
		Cash in		
		Hand		77800
		Cash at		
		Bank		60800
		297350		297350

The following balances have been extracted from the trial of M/s Haryana Chemical Ltd. You are required to prepare a trading

and profit and loss account and balance sheet as on March 31, 20170 from the given information.

<i>Account Title</i>	<i>Amount Rs</i>	<i>Account Title</i>	<i>Amount Rs</i>
Opening stock	50,000	Sales	3,50,000
Purchases	1,25,500	Purchases return	2,500
Sales return	2,000	Creditors	25,000
Cash in hand	21,200	Rent	5,000
Cash at bank	12,000	Interest	2,000
Carriage	100	Bills payable	1,71,700
Free hold land	3,20,000	Capital	3,00,000
Patents	1,20,000		
General Expenses	2,000		
Sundry Debtors	32,500		
Building	86,000		
Machinery	34,500		
Insurance	12,400		
Drawings	10,000		

Motor vehicle	10,500		
Bad debts	2,000		
Light and Water	1,200		
Trade expenses	2,000		
Power	3,900		
Salary and Wages	5,400		
Loan a 15% (01.09.2010)	3,000		
	8,56,200		8,56,200

Adjustments

1. Closing stock was valued at the end of the year Rs 40,000.
2. Salary amounting Rs 500 and trade expense Rs 300 are due.
3. Depreciation charged on building and machinery are @ 4% and @ 5% respectively.
4. Make a provision of @ 5% on sundry debtors.

ANSWER:

Trading Account

Dr.

Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	50,000	Sales	3,50,000
Purchases	1,25,500	Less: Return	2,000
Less: Return Outwards	2,500	Closing Stock	
	1,23,000		
Carriage	100		
Power	3,900		
Gross Profit	2,11,000		
	3,88,000		

Profit and Loss Account

Dr.

Particulars	Amount Rs	Particulars	Amount Rs
General Expenses	2,000	Gross Profit	
Insurance	12,400	Rent	

Bad Debts	2,000		Interest
<i>Add: Provision for Bad Debts</i>	1,625	3,625	Accrued Interest on
Light and Water		1,200	
Trade Expenses	2,000		
<i>Add: Outstanding Trade Expenses</i>	300	2,300	
Salary and Wages	5,400		
<i>Add: Outstanding Salary</i>	500	5,900	
Depreciation on Building		3,440	
Depreciation on Machinery		1,725	
Net Profit		1,85,560	
		2,18,150	

Balance Sheet

Liabilities		Amount Rs	Assets
Capital	3,00,000		Cash in Hand
<i>Add: Net Profit</i>	1,85,560		Cash at Bank

<i>Less: Drawings</i>	10,000	4,75,560	Freehold Land
Creditors		25,000	Patents
Bills Payable		1,71,700	Sundry Debtors
Outstanding Trade Expenses		300	<i>Less: Provision for Bad Debts</i>
Outstanding Salary		500	
			Building
			<i>Less: Depreciation</i>
			Machinery
			<i>Less: Depreciation</i>
			Motor Vehicle
			Loan
			<i>Add: Interest on Loan</i>
			Closing Stock
		6,73,060	

Working Note

In the question, the loan given by us bears an interest of 15% p.a. and interest is unpaid from 01-9-2017 to 31-12-2017. Thus, interest for loan is outstanding for four months and is calculated as follows:

$$\text{Interest on loan} = 3000 \times \frac{15}{100} \times \frac{4}{12} = \text{Rs } 150$$



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From the following information prepare trading and profit and loss account of M/s Indian sports house for the year ending March 31, 2017.

<i>Account Title</i>	<i>Amount</i>	<i>Account Title</i>	<i>Amount</i>
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	<i>Rs</i>		<i>Rs</i>
Drawings	20,000	Capital	2,00,000
Sundry debtors	80,000	Return outwards	2,000
Bad debts	1,000	Bank overdraft	12,000
Trade Expenses	2,400	Provision for bad debts	4,000
Printing and Stationery	2,000	Sundry creditors	60,000
Rent Rates and Taxes	5,000	Bills payable	15,400
Freight	4,000	Sales	2,76,000
Return inwards	7,000		
Opening stock	25,000		
Purchases	1,80,000		
Furniture and Fixture	20,000		
Plant and Machinery	1,00,000		
Bills receivable	14,000		

Wages	10,000		
Cash in hand	6,000		
Discount allowed	2,000		
Investments	40,000		
Motor car	51,000		
	5,69,400		5,69,400

Adjustments

- 1. Closing stock was Rs 45,000.**
- 2. Provision for doubtful debts is to be maintained @ 2% on debtors.**
- 3. Depreciation charged on : furniture and fixture @ 5%, plant and Machinery @ 6% and motor car @ 10%.**
- 4. A Machine of Rs 30,000 was purchased on October 01, 2016.**
- 5. The manager is entitle to a commission of @ 10% of the net profit after charging such commission.**

Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		25000	Sales	700000	
Purchases	555300		Less: Sales returns	15000	685000
Less: Purchase returns	20000		Closing stock		36000
Add: Private purchases	5000	540300			
Wages		52000			
Carriage Inwards		4700			
Gross Profit c/d		99000			
		721000			721000

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Bad debts	1800		Gross Profit b/d		99000
Add: Provision for doubtful debts	4000		Discount Received		
Less: Old Provision for doubtful debts	2100	3700			
Rent		24000			
Misc. Expenses		3400			
Salaries		68000			
Advertising	10000				

Less: Sign Board	4000	6000			
Interest on Bank					
OD		7000			
Depreciation on					
furniture		1600	Net Loss		14
		113700			113

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Am
Capital	200000		Building		160
Less: Net Loss	14200		Furniture	16000	
Less: Drawings	14000		Less: Depreciation	1600	14
Less: Private					
Purchases	5000	166800			
Creditors		72500	Sign Board		4
Bank Overdraft		50000	Debtors	80000	
			Less: Provision for		
			Bad debts	4000	76
			Closing Stock		36
			Cash		8
		289300			299

11:24:435:nm:5

From the following information prepare trading and profit and loss account of M/s Indian sports house for the year ending March 31, 2017.

<i>Account Title</i>	<i>Amount</i> <i>Rs</i>	<i>Account Title</i>	<i>Amount</i> <i>Rs</i>
Drawings	20,000	Capital	2,00,000
Sundry debtors	80,000	Return outwards	2,000
Bad debts	1,000	Bank overdraft	12,000
Trade Expenses	2,400	Provision for bad debts	4,000
Printing and Stationery	2,000	Sundry creditors	60,000
Rent Rates and Taxes	5,000	Bills payable	15,400
Freight	4,000	Sales	2,76,000
Return inwards	7,000		
Opening stock	25,000		
Purchases	1,80,000		

Furniture and Fixture	20,000		
Plant and Machinery	1,00,000		
Bills receivable	14,000		
Wages	10,000		
Cash in hand	6,000		
Discount allowed	2,000		
Investments	40,000		
Motor car	51,000		
	5,69,400		5,69,400

Adjustments

- 1. Closing stock was Rs 45,000.**
- 2. Provision for doubtful debts is to be maintained @ 2% on debtors.**
- 3. Depreciation charged on : furniture and fixture @ 5%, plant and Machinery @ 6% and motor car @ 10%.**
- 4. A Machine of Rs 30,000 was purchased on October 01, 2016.**

5. The manager is entitle to a commission of @ 10% of the net profit after charging such commission.

Books of M/s .Indian Sports House
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Am
Opening Stock		25000	Sales	276000	
Purchases	180000		Less: Sales returns	7000	269
Less: Purchase returns	2000	178000	Closing stock		45
Freight		4000			
Wages		10000			
Gross Profit c/d		97000			
		314000			314

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Am
Trade expense		2400	Gross Profit b/d		97
Printing & Stationery		2000	Old Provision for Bad debts	4000	
Rent Rates& taxes		5000	Less: Bad debts	1000	
Discount allowed		2000	Less: New Provision	1600	
Depreciation:					

On furniture & Fixture	1000				
On Plant & Machinery	5100				
On Motor Car	5100	11200			
Net Profit before Manager's Commission		75800			
		98400			98
Manager's commission		6891	Balance b/d		75
Net Profit after commission		68909			
		75800			75

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Am
Capital	200000		Plant & Machinery	100000	
Add: Net Profit	68909		Furniture & Fixture	20000	
Less: Drawings	20000	248909	Motor Car	51000	
			Less: Depreciation	11200	159
Bank Overdraft		12000			

Sundry Creditors	60000	Investments	40000
Bills Payable	15400	Bills receivable	14000
Manager Commission Outstanding	6891	Sundry Debtors	80000
		Less: New Provision for doubtful debts	1600
		Cash in Hand	60000
		Closing Stock	45000
	343200		343200

11:24:435:nm:6

Prepare the trading and profit and loss account and a balance sheet of M/s Shine Ltd. from the following particulars.

<i>Account Title</i>	<i>Amount Rs</i>	<i>Account Title</i>	<i>Amount Rs</i>
Sundry debtors	1,00,000	Bills payable	85,550
Bad debts	3,000	Sundry creditors	25,000

Trade expenses	2,500	Provision for bad debts	1,500
Printing and Stationary	5,000	Return outwards	4,500
Rent, Rates and Taxes	3,450	Capital	2,50,000
Freight	2,250	Discount received	3,500
Sales return	6,000	Interest received	11,260
Motor car	25,000	Sales	1,00,000
Opening stock	75,550		
Furniture and Fixture	15,500		
Purchases	75,000		
Drawings	13,560		
Investments	65,500		
Cash in hand	36,000		
Cash in bank	53,000		
	4,81,310		4,81,310

Adjustments

1. Closing stock was valued Rs 35,000.

2. Depreciation charged on furniture and fixture @ 5%.
3. Further bad debts Rs 1,000. Make a provision for bad debts @ 5% on sundry debtors.
4. Depreciation charged on motor car @ 10%.
5. Interest on drawing @ 6%.
6. Rent, rates and taxes was outstanding Rs 200.
7. Discount on debtors 2%.

Books of M/s .Shine Ltd
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		75550	Sales	100000	
Purchases	75000		Less: Sales returns	6000	
Less: Purchase returns	4500	70500	Closing stock		
Freight		2250	Gross Loss c/d		
		148300			148300

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Gross Loss b/d		19300	Discount received		
Trade expense		2500	Interest received		
Printing & Stationery		5000	Interest on drawing		
Rent, rates & taxes	3450				
Add: Outstanding	200	3650			
Bad debts	3000				
Add: Further Bad debts	1000				
Add: New Provision for bad debts	4950				
less: Old provision for bad debts	1500	7450			
Discount on debtors		1881			
Depreciation on:					
Furniture & Fixture	775				
Motor Car	2500	3275	Net Loss		
		43056			

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	250000		Motor Car	25000	

Less: Net Loss	27482		Less: Depreciation	2500	
Less: Drawings	13560		Furniture & Fixture	15500	
Less: Interest on drawings	814	208144	Less: Depreciation	775	
Sundry Creditors		25000	Sundry debtors	100000	
Bills Payable		85550	Less: Bad debts	1000	
			Less: Provision for bad debts	4950	
Outstanding expenses		200	Less: Discount on debtors	1881	
			Closing Stock		
			Investments		
			Cash in Hand		
			Cash in Bank		
		318894			3

11:24:435:nm:7

Following balances have been extracted from the trial balance of M/s Keshav Electronics Ltd. You are required to prepare the trading and profit and loss account and a balance sheet as on March 31, 2017.

<i>Account Title</i>	<i>Amount</i> <i>Rs</i>	<i>Account Title</i>	<i>Amount</i> <i>Rs</i>
Opening stock	2,26,000	Sales	6,80,000
Purchases	4,40,000	Return outwards	15,000
Drawings	75,000	Creditors	50,000
Buildings	1,00,000	Bills payable	63,700
Motor van	30,000	Interest received	20,000
Freight inwards	3,400	Capital	3,50,000
Sales return	10,000		
Trade expense	3,300		
Heat and Power	8,000		
Salary and Wages	5,000		
Legal expense	3,000		
Postage and Telegram	1,000		
Bad debts	6,500		
Cash in hand	79,000		
Cash at bank	98,000		

Sundry debtors	25,000		
Investments	40,000		
Insurance	3,500		
Machinery	22,000		
	11,78,700		11,78,700

The following additional information is available :

1. Stock on December 31, 2017 was Rs 30,000.
2. Depreciation is to be charged on building at 5% and motor van at 10%.
3. Provision for doubtful debts is to be maintained at 5% on Sundry Debtors.
4. Unexpired insurance was Rs 600.
5. The Manager is entitled to a commission @ 5% on net profit before charging such commission.

Books of M/s Keshav Electronics Ltd
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount

Opening Stock		226000	Sales	680000	
Purchases	440000		Less: Sales returns	10000	670000
Less: Purchase returns	15000	425000	Closing stock		300000
Freight Inwards		3400			
Heat & Power		8000			
Gross Profit		37600			
		700000			700000

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Trade expense		3300	Gross Profit		376000
Salary & Wages		5000	Interest received		20000
Legal Expense		3000			
Postage & Telegram		1000			
Bad debts	6500				
Add: Provision for bad debts	1250	7750			
Insurance	3500				
Less: Prepaid expense	600	2900			
Depreciation on Building	5000				
Motor Van	3000	8000			
Net Profit before		26650			

commission					
		57600			57600
Manager's commission		1269	Balance b/d		26650
Net Profit after commission		25381			
		26650			26650

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	350000		Motor Car	30000	
Add: Net Profit	25381		Less:		
Less: Drawings	75000	300381	Depreciation	3000	27000
			Buildings	100000	
			Less:		
Creditors		50000	Depreciation	5000	95000
Bills Payable		63700	Machinery		22000
			Investments		40000
Outstanding Manager Commission		1269	Sundry Debtors	25000	
			Less: Provision for bad debts	1250	23750
			Cash in hand		79000

			Cash in bank	980
			Prepaid insurance	6
			Stock	300
		415350		4153

11:24:435:nm:8

From the following balances extracted from the books of Raga Ltd. Prepare a trading and profit and loss account for the year ended March 31, 2017 and a balance sheet as on that date.

<i>Account Title</i>	<i>Amount</i>	<i>Account Title</i>	<i>Amount</i>
	<i>Rs</i>		<i>Rs</i>
Drawings	20,000	Sales	2,20,000
Land and Buildings	12,000	Capital	1,01,110

Plant and Machinery	40,000	Discount	1,260
Carriage inwards	100	Apprentice premium	5,230
Wages	500	Bills payable	1,28,870
Salary	2,000	Purchases return	10,000
Sales return	200		
Bank charges	200		
Coal, Gas and Water	1,200		
Purchases	1,50,000		
Trade Expenses	3,800		
Stock (Opening)	76,800		
Cash at bank	50,000		
Rates and Taxes	870		
Bills receivable	24,500		
Sundry debtors	54,300		
Cash in hand	30,000		

	4,66,470		4,66,470
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The additional information is as under:

- 1. Closing stock was valued at the end of the year Rs, 20,000.**
- 2. Depreciation on plant and machinery charged at 5% and land and building at 10%.**
- 3. Discount on debtors at 3%.**
- 4. Make a provision at 5% on debtors for doubtful debts.**
- 5. Salary outstanding was Rs 100 and Wages prepaid was Rs 40.**
- 6. The manager is entitled a commission of 5% on net profit after charging such commission.**

Books of M/s .Raga Ltd
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		76800	Sales	220000	
Purchases	150000		Less: Sales returns	200	21
Less: Purchase returns	10000	140000	Closing stock		2
Carriage inwards		100			

Wages	500			
Less:Prepaid wages	40	460		
Coal , Gas & Water		1200		
Gross Profit c/d		21240		
		239800		23

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Am
Trade expense		3800	Gross Profit		2
Salary	2000		Discount received		
Add: Outstanding			Apprentice		
Salary	100	2100	premium		
Bank Charges		200			
Rates & Taxes		870			
Depreciation on					
Plant &					
Machinery	2000				
Land & Buildings	1200	3200			
Provision for bad					
debts		2715			
Discount on debtors		1548			
Net profit before					
commission		13297			
		27730			2
Manager's		633	Balance b/d		1

commission					
Net Profit after					
commission		12664			
		13297			1

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	101110		Plant & Machinery	40000	
Add: Net Profit	12664		Less: Depreciation	2000	3
Less: Drawings	20000	93774			
			Land & Buildings	12000	
Bills Payable		128870	Less: Depreciation	1200	1
Outstanding Salary		100			
Outstanding					
Manager's salary		633	Bills receivable		2
			Sundry debtors	54300	
			Less: Provision for bad debts	2715	
			Less: Discount on debtors	1548	5
			Closing Stock		2
			Cash at bank		5
			Cash in Hand		3
			Prepaid expense		

		223377			22

11:24:435:nm:9

From the following balances of M/s Jyoti Exports, prepare trading and profit and loss account for the year ended March 31, 2017 and balance sheet as on this date.

<i>Account Title</i>	<i>Debit Amount Rs</i>	<i>Account Title</i>	<i>Credit Amount Rs</i>
Sundry debtors	9,600	Sundry creditors	2,500
Opening stock	22,800	Sales	72,670
Purchases	34,800	Purchases returns	2,430
Carriage inwards	450	Bills payable	15,600

Wages	1,770	Capital	42,000
Office rent	820		
Insurance	1,440		
Factory rent	390		
Cleaning charges	940		
Salary	1,590		
Building	24,000		
Plant and Machinery	3,600		
Cash in hand	2,160		
Gas and Water	240		
Octroi	60		
Furniture	20,540		
Patents	10,000		
	1,35,200		1,35,200

Closing stock Rs 10,000.

1. To provision for doubtful debts is to be maintained at 5 per cent on sundry debtors.

2. Wages amounting to Rs 500 and salary amounting to Rs 350 are outstanding.

3. Factory rent prepaid Rs 100.

4. Depreciation charged on Plant and Machinery @ 5% and Building @ 10%.

5. Outstanding insurance Rs 100.

Books of M/s Jyoti Exports
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		22800	Sales	72670	
Purchases	34800		Less: Sales returns	0	72670
Less: Purchase returns	2430	32370	Closing stock		10000
Carriage Inwards		450			
Octroi		60			
Gas & Water		240			
Factory rent	390				
Less: Prepaid rent	100	290			
Wages	1770				
Add: Outstanding wages	500	2270			
Cleaning Charges		940			
Gross Profit c/d		23250			

		82670		8

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Office Rent		820	Gross Profit c/d		2
Insurance	1440				
Add: Outstanding Insurance	100	1540			
Salary	1590				
Add: Outstanding Salary	350	1940			
Provision for bad debts		480			
Depreciation on Plant & Machinery	180				
Building	2400	2580			
Net profit		15890			
		23250			2

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	42000		Plant & Machinery	3600	
Add: Net Profit	15890	57890	Less: Depreciation	180	
			Buildings	24000	

Sundry creditors		2500	Less: Depreciation	2400	2
Bills payable		15600	Furniture		2
			Patents		1
<u>Outstanding expenses</u>					
Wages	500		Closing Stock		1
Salary	350		Sundry debtors	9600	
			Less: Provision for		
Insurance	100	950	bad debts	480	9
			Cash in hand		2
			Prepaid rent		
		76940			7

11:24:435:nm:10

Prepare a trading and profit and loss account of M/s Green Club Ltd. for the year ending March 31, 2017. from the following figures taken from his trial balance :

<i>Account Title</i>	<i>Amount</i>	<i>Account Title</i>	<i>Amount</i>
	<i>Rs</i>		<i>Rs</i>
Opening stock	35,000	Sales	2,50,000

Purchases	1,25,000	Purchase return	6,000
Return inwards	25,000	Creditors	10,000
Postage and Telegram	600	Bills payable	20,000
Salary	12,300	Discount	1,000
Wages	3,000	Provision for bad debts	4,500
Rent and Rates	1,000	Interest received	5,400
Packing and Transport	500	Capital	75,000
General expense	400		
Insurance	4,000		
Debtors	50,000		
Cash in hand	20,000		
Cash at bank	40,000		
Machinery	20,000		
Lighting and Heating	5,000		
Discount	3,500		
Bad debts	3,500		

Investment	23,100		
	3,71,900		3,71,900

Adjustments

- 1. Depreciation charged on machinery @ 5% p.a.**
- 2. Further bad debts Rs 1,500, discount on debtors @ 5% and make a provision on debtors @ 6%.**
- 3. Wages prepaid Rs 1,000.**
- 4. Interest on investment @ 5% p.a.**
- 5. Closing stock 10,000.**

Books of M/s Green House Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		45000	Sales	200000	
Purchases	80000		Less: Sales returns	0	200000
Less: Purchase returns	4000	76000	Closing stock		50000
Wages	34000				
Add: Outstanding wages	50	34050			
Gas & Fuel		2700			

Freight & Carriage		3500			
Factory lighting		5000			
Gross Profit c/d		83750			
		250000			250000

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Office expenses		3000	Gross Profit c/d		83750
Legal expenses		4000			
Interest on Capital		8400			
Depreciation					
On Machinery	12000				
On Buildings	3600	15600			
Net Profit		52750			
		83750			83750

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	210000		Plant & Machinery	120000	
Add: Net Profit	52750		Less: Depreciation	12000	108000

Add: Interest on Capital	8400	271150	Buildings	60000	
			Less:		
			Depreciation	3600	56400
Sundry creditors		50000	Furniture		5000
Bills payable		6500	Patents		18800
<u>Outstanding</u>					
<u>expenses</u>					
Wages		50	Closing Stock		50000
			Sundry debtors		70300
			Bills receivable		7000
			Cash in hand		1200
			Bank		11000
		327700			327700

11:24:435:nm:11

From the following balances extracted from the book of M/s Manju Chawla on March 31, 2017. You are requested to prepare the trading and profit and loss account and a balance sheet as on this date.

<i>Account Title</i>	<i>Amount</i>	<i>Amount</i>
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	<i>Rs</i>	<i>Rs</i>
Opening stock	10,000	
Purchases and Sales	40,000	80,000
Returns	200	600
Wages	6,000	
Dock and cleaning charges	4,000	
Lighting	500	
Misc. Income		6,000
Rent		2,000
Capital		40,000
Drawings	2,000	
Debtors and Creditors	6,000	7,000
Cash	3,000	
Investment	6,000	
Patent	4,000	
Land and Machinery	43,000	
Donations and Charity	600	

Sales tax collected		1,000
Furniture	11,300	
	1,36,600	1,36,600

Closing stock was Rs 2,000.

(a) Interest on drawings @ 7% and interest on capital @ 5%.

(b) Land and Machinery is depreciated at 5%.

(c) Interest on investment @ 6%.

(d) Unexpired rent Rs 100.

(e) Charge 5% depreciation on furniture.

Books of M/s Manju Chawla
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		10000	Sales	80000	
Purchases	40000		Less: Sales returns	200	79800
Less: Purchase	600	39400	Closing stock		2000

returns				
Wages		6000		
Dock & Cleaning charges		4000		
Gross Profit		22400		
		81800		81

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Donations & Charity		600	Gross Profit b/d		22400
Lighting		500	Rent	2000	
Interest on capital		2000	Less: Unexpired rent	100	1900
Depreciation on Land and Machinery	2150		Misc. income		600
Furniture	565	2715	Interest on Drawings		
Net Profit		24985	Interest on Investment		
		30800			30800

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount
Capital	40000		Land and Machinery	43000	
Add: Net Profit	24985		Less: Depreciation	2150	40850
Add: Interest on Capital	2000		Furniture	11300	
Less: Drawings	2000		Less: Depreciation	565	10735
Less: Interest on drawings	140	64845	Patent		4000
Creditors		7000	Debtors		6000
Sales Tax collected		1000	Investment	6000	
Unexpired rent		100	Add: Interest on investment	360	6360
		72945	Closing Stock		2000
			Cash		3000
					72945

11:24:435:nm:12

The following balances were extracted from the books of M/s Panchsheel Garments on March 31, 2017.

<i>Account Title</i>	<i>Debit Amount</i>	<i>Account Title</i>	<i>Credit Amount</i>

	<i>Rs</i>		<i>Rs</i>
Opening stock	16,000	Sales	1,12,000
Purchases	67,600	Return outwards	3,200
Return Inwards	4,600	Discount	1,400
Carriage inwards	1,400	Bank overdraft	10,000
General expenses	2,400	Commission	1,800
Insurance	4,000	Creditors	16,000
Scooter expenses	200	Capital	50,000
Salary	8,800		
Cash in hand	4,000		
Scooter	8,000		
Furniture	5,200		
Buildings	65,000		
Debtors	6,000		
Wages	1,200		
	1,94,400		1,94,400

Prepare the trading and profit and loss account for the year ended March 31, 2017 and a balance sheet as on that date.

(a) Unexpired insurance Rs 1,000.

(b) Salary due but not paid Rs 1,800.

(c) Wages outstanding Rs 200.

(d) Interest on capital 5%.

(e) Scooter is depreciated @ 5%.

(f) Furniture is depreciated Rs @ 10%.

Books of M/s Panchsheel Garments
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		16000	Sales	112000	
Purchases	67600		Less: Sales returns	4600	107400
Less: Purchase returns	3200	64400	Closing stock		15000
Wages	1200				
Add: Outstanding wages	200	1400			
Carriage inwards		1400			

Gross profit c/d		39200			
		122400			122400

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
General expenses		2400	Gross Profit b/d		39200
Insurance	4000		Discount received		1400
Less: Unexpired insurance	1000	3000	Commission		1800
Scooter expenses		200			
Salary	8800				
Add: Outstanding Interest on Capital	1800	10600			
Depreciation on : Scooter	400	2500			
Furniture	520	920			
Net profit		22780			
		42400			42400

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount

Capital	50000		Buildings		65000
Add: Interest on Capital	2500		Furniture	5200	
			Less:		
Add: Net Profit	22780	75280	Depreciation	520	4680
			Scooter	8000	
			Less:		
Creditors		16000	Depreciation	400	7600
Bank OD		10000			
Outstanding expense			Debtors		6000
Salary	1800		Cash in hand		4000
Wages	200	2000	Closing stock		15000
			Prepaid insurance		1000
		103280			103280

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Prepare the trading and profit and loss account and balance sheet of M/s Control Device India on March 31, 2017 from the following balance as on that date.

<i>Account Title</i>	<i>Debit Amount Rs</i>	<i>Credit Amount Rs</i>

Drawings and Capital	19,530	67,500
Purchase and Sales	45,000	1,12,500
Salary and Commission	25,470	1,575
Carriage	2,700	
Plant and Machinery	27,000	
Furniture	6,750	
Opening stock	42,300	
Insurance premium	2,700	
Interest		7,425
Bank overdraft		24,660
Rent and Taxes	2,160	
Wages	11,215	
Returns	2,385	1,440
Carriage outwards	1,485	
Debtors and Creditors	36,000	58,500
General expenses	6,975	
Octroi	530	
Investment	41,400	

	2,73,600	2,73,600
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Closing stock was valued Rs 20,000.

(a) Interest on capital @ 10%.

(b) Interest on drawings @ 5%.

(c) Wages outstanding Rs 50.

(d) Outstanding salary Rs 20.

(e) Provide a depreciation @ 5% on plant and machinery.

(f) Make a 5% provision on debtors.

Books of M/s Control Device India
Trading Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Opening Stock		42300	Sales	112500	
Purchases	45000		Less: Sales returns	2385	110115
Less: Purchase returns	1440	43560	Closing stock		20000
Wages	11215				
Add: Outstanding	50	11265			
Carriage		2700			
Octroi		530			

Gross Profit c/d		29760		
		130115		130

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Am
General expenses		6975	Gross Profit b/d		29
Salary	25470		Commission		1
Add: Outstanding	20	25490	Interest		7
			Interest on		
Insurance expense		2700	drawings		
Rent & taxes		2160			
Carriage outwards		1485			
Interest on capital		6750			
Provision for bad					
debts		1800			
Depreciation on					
Plant &		1350	Net Loss		8
Machinery					
		48710			48

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Am
Capital	67500		Plant & Machinery	27000	

Add: Interest on Capital	6750		Less: Depreciation Furniture	1350	25
Less: Net Loss	8974				6
Less: Drawings	19530				
Less: Interest on drawings	977	44770	Debtors	36000	
			Less: Provision for bad debts	1800	34
Creditors		58500			41
Bank OD		24660	Investment		20
Outstanding expenses			Closing stock		
Wages	50				
Salary	20	70			
		128000			128

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The following balances appeared in the trial balance of M/s Kapil Traders as on March 31, 2017

	<i>Rs</i>
Sundry debtors	30,500
Bad debts	500
Provision for doubtful debts	2,000

The partners of the firm agreed to records the following adjustments in the books of the Firm: Further bad debts Rs.300. Maintain provision for bad debts 10%. Show the following adjustments in the bad debts account, provision account, debtors account, profit and loss account and balance sheet.

Books of M/s Kapil Traders
Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Bad debts	500				
Add: Further Bad debts	300				
Add: New Provision for doubtful debts	3020				
Less: Old Provision for doubtful debts	2000	1820			

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount

			Sundry debtors	30500	
			Less: Further Bad debts	300	
			Less: Provision for doubtful debts	3020	27180

Dr				Debtors A/c		Cr	
Date	Particulars	L F	Amount	Date	Particulars	L F	Amount
31.03.17	Balance b/d		30500	31.03.17	Further bad debts		300
					Provision for doubtful debts		3020
					Balance c/d		27180
			30500				30500

Dr				Bad debts A/c		Cr	
Date	Particulars	L F	Amount	Date	Particulars	L F	Amount
31.03.17	Balance b/d		500				
	Sundry debtors		300				
				31.03.	To		800

			17	provision for doubtful debts	
		800			800

Dr				Provision for doubtful debts				Cr	
Date	Particulars	L F	Amount	Date	Particulars	L F	Amount		
31.03.17	Profit & Loss A/c		3020	31.03.17	Balance b/d		2000		
31.03.17	Bad debts		800						
				31.03.17	To balance c/d		1820		
			3820				3820		

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Prepare the bad debts account, provision for account, profit and loss account and balance sheet from the following information as on March 31, 2017

	<i>Rs</i>
Debtors	80,000
Bad debts	2,000
Provision for doubtful debts	5,000

Adjustments:

Bad Debts Rs 500 Provision on Debtors @ 3%.

Profit & Loss Account for the year ended 31.03.2017

Particulars	Amount	Amount	Particulars	Amount	Amount
Bad debts	2000		Old provision for doubtful debts		5000
Add: Further Bad debts	500				
Add: New Provision for doubtful debts	2385	4885			
Balancing figure		115			
		5000			5000

Balance Sheet as on 31.03.17

Liabilities	Amount	Amount	Assets	Amount	Amount

				Sundry debtors	80000	
				Less:		
				Further		
				Bad debts	500	
				Less:		
				Provision		
				for		
				doubtful		
				debts	2385	77115

Dr Debtors A/c				Cr			
Date	Particulars	L F	Amount	Date	Particulars	L F	Amount
31.03.17	Balance b/d		80000	31.03.17	Further bad debts		500
					Provision for doubtful debts		2385
					Balance c/d		77115
			80000				80000

Dr Bad debts A/c				Cr			
Date	Particulars	L	Amount	Date	Particulars	L	Amount

	rs	F	nt			F	nt
31.03. 17	Balance b/d		2000				
	Debtors A/c		500	31.03. 17	Provision for doubtful debts		2500
			2500				2500

Dr				Provision for doubtful debts				Cr	
Date	Particulars	L F	Amount	Date	Particulars	L F	Amount		
31.03. 17	New Provision		2385	31.03. 17	Balance b/d		5000		
31.03. 17	Bad debts A/c To P &L A/c		2500						
			115				0		
			5000				5000		