



Chapter 9, Financial Statements - I

Question 1

What are the objective of preparing financial statements?

Answer:

The objectives of preparing financial statements are as follows:

1. Recording – To record and summarize the routine transactions of the business in the routine manner is one of the primary objectives of accounting. This process is known as book keeping and it is important to ensure that an entity keeps track of its financial information which can thus be used by the users of the financial statements.
2. Planning – The preparation of the financial statements allows the business to make the plans to direct their resources and take necessary actions in order to ensure the growth objectives of the business.
3. Decision-making – The financial statements allows the business and the managers to take necessary decisions and exercise control over the activities of the business as the financial statements allows the business to take relevant decisions and strategies.
4. Accountability – The financial statements is helpful for the business in terms of analyzing their performance over the period of time which thus creates a sense of accountability in the organization.

Question 2

What is the purpose of preparing trading and profit and loss account?

Answer:

The preparation of the trading account is done in order to record the gross profit or loss of the concerned business organization for a particular accounting period. The profit and loss account on the other hand helps the business to calculate the net profit or net loss incurred by the business for a particular accounting period. This thus helps the business to compare their business performance and the necessary actions in this regard.

Question 3

Explain the concept of cost of goods sold?

Answer:

The cost of goods is considered to be the direct cost that the company incurs in order to produce the goods. This cost encompass of the cost of the material required and the labor cost to produce the goods and the service of the organization. This cost further deducts all kinds of indirect costs and hence the formula to determine the cost of goods sold is as follows:
$$\text{COGS (cost of goods sold)} = \text{Beginning inventory} + \text{purchases during the period} - \text{ending inventory}$$

Question 4

What is a balance sheet? What are its characteristics?

Answer:

Balance sheet is referred to as the statement which tells about the position of the assets and the liabilities and the owner's equity on the given particular date.

Following are the characteristics of the balance sheet:

1. Balance sheet is not prepared for an entire period and thus it depicts the situation of the business of a particular date.
2. Balance sheet is prepared only after the completion of the profit and loss statement for the accounting period in order to tell about the financial position of the business.
3. Balance comprises of two sides – Assets & Liabilities. The figure of both the sides should tally with each other in the balance sheet.
4. Balance sheets establish the value of the position of the business on a particular date by discussing the position of the assets and liabilities of the business.

Question 5

Distinguish between capital and revenue expenditure and state whether the following statements are items of capital or revenue expenditure:

- a) **Expenditure incurred on repairs and whitewashing at the time of purchase of an old building in order to make it usable.**
- b) **Expenditure incurred to provide one more exit in a cinema hall in compliance with a government order.**
- c) **Registration fees paid at the time of the purchase of the building.**
- d) **Expenditure incurred in the maintenance of a tea garden which will produce tea after four years.**
- e) **Depreciation charged on a plant.**
- f) **The expenditure incurred in erecting a platform on which a machine will be fixed.**
- g) **Advertising expenditure, the benefits of which will last for four years.**

Answer:

The following are the differences between capital and revenue expenditures:

Capital Expenditure	Revenue Expenditure
These are considered to be the expenses which occurs a long period of time. which Expenses, which occur over a long period of time, are charged gradually to capital expenditure via depreciation.	These are considered to be the expenses which take place during the current duration of the business. Expenses that take place in the current time period are charged to revenue expenditure
Such expenses are consumed over the life of the usefulness of the fixed asset.	Such expenses are consumed by the business in a very short span of time
The expenses made as capital expenditure are incurred in acquiring the fixed assets of the business. are incurred for acquiring fixed assets for use in business	The expenses mad as revenue expenditure is required to run the daily routine operations of the business.
It enhances the earning capacity of any business	It is useful and helpful in achieving the profits by business.
These expenses are recorded in balance sheet.	These expenses are shown in the trading and the profit or loss account of the business.

Following is the answer to the question of the categories of the expenditure for the aforementioned expenses.

- (a) Capital expenditure
- (b) Capital expenditure
- (a) Capital expenditure
- (b) Revenue expenditure
- (c) Capital expenditure
- (d) Capital expenditure
- (e) Revenue expenditure

Question 6

What is an operating profit?

Answer:

The operating profit are considered to be the profit which is earned by the business from its core business operations. The calculation of the operating profit thus excludes interest and the taxes. The operating profit is thus determined by the following formula:

Operating profit = Gross profit – operating expenses – depreciation – amortization

Question 7

What are financial statements? What information do they provide?

Answer:

1. The financial statements are considered to be the records which reflect the financial position and the condition of ay business activity.

2. The financial statements are thus helpful in determining the financial standing of the company and the outcomes of the business process and the cash flows of the company.
3. The information of the financial statements is used by the financial users of the business who determine the profitability of the business and determine their approach and the policies towards the business.
4. It comprises of the Income Statements and the Statement of Financial Position
 - a. Income Statements or the Trading Profit and Loss Account – It represents the direct and the indirect expenses made by the entity in order to generate the revenues it made in the any accounting period. The trading account is prepared in order to determine the gross profit or the gross loss of the business and the Profit and Loss Account helps the business to determine the net profit or the loss incurred by the business for the given accounting period.
 - b. Statement of financial position or the Balance Sheet is helpful in determining the true financial position of the business by disclosing the book value of the assets and the liabilities of the business. This thus is helpful in determining the profitability of the business at any given particular date.

Question 8

What are closing entries? Give four examples of closing entries.

Answer:

The closing entries are referred to the journal entries which are done in the end of the accounting period in order to zero the temporary accounts of the accounting period in order to move into the permanent accounts in the balance sheet. The

temporary account records the balances of any specific period while on the other hand the permanent account records the balances of over a the long period of the time. Here are the four examples of the closing entries.

1. Service revenue a/c dr
 Income summary a/c cr
2. Income summary a/c dr
 Expense accounts a/c cr
3. Income summary a/c dr
 Retained earnings a/c cr
4. Retained earnings a/c dr
 Dividends account a/c cr

Question 9

Discuss the need of preparing a balance sheet.

Answer:

Balance sheet reflects the financial situation of the business by telling about the assets and the liabilities of the business at any given particular date. It is necessary to prepare a balance sheet as it helps in determining the understanding of the financial situation of the business which is used by the users of the financial information to take the relevant course of actions.

The needs of preparing a Balance Sheet are as follows:

1. The balance sheet helps in determining the book value and the nature of the various assets at the end of each accounting period.

2. The balance sheet helps the business to determine the liabilities of the organization which includes both long term and the current liabilities.
3. The balance sheet is helpful for any business as it allows it to determine the solvency of it.
4. The balance sheet is helpful in disclosing the important information such as drawings made, capital invested, loans deducted, investments made etc.
5. The balance sheet thus depicts the true financial position of the business at any particular part of time.
6. The balance sheet thus lays down the basis for maintaining the books of accounts for the further accounting period .

Question 10

What is meant by Grouping and Marshalling of assets and liabilities? Explain the ways in which a balance sheet may be marshaled.

Answer:

Grouping is referred to as the combining of the similar items of the financial statement as a single item.

Marshalling on the other hand implies the presentation of the items in any particular order. There are two ways of marshalling the balance sheet:

1. Marshalling by liquidity, in which the assets and liabilities are listed on the basis of the liquidity in the descending order.

2. Marshalling by permanence, in which the assets and the liabilities are listed on the basis of the permanence in the descending order. Thus the asset which last long will be listed first.

Question 11

From the following balances taken from the books of Simmi and Vimmi Ltd. for the year ending March 31, 2017, calculate the gross profit.

	(Rs.)
Closing Stock	2,50,000
Net sales during the year	40,00,000
Net purchases during the year	15,00,000
Opening Stock	15,00,000
Direct Expenses	80,000

Answer:

Trading Account as on March 31, 2017

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	15,00,000	Net Sales	40,00,000
Net Purchases	15,00,000	Closing Stock	2,50,000
Direct Expenses	80,000		
Gross Profit	11,70,000		
	42,50,000		42,50,000

Question 12

From the following balances extracted from the books of M/s Ahuja and Nanda. Calculate the amount of:

- (a) Cost of goods available for sale**
- (b) Cost of goods sold during the year**
- (c) Gross Profit**

	Rs.
Opening stock	25,000
Credit purchases	7,50,000
Cash purchases	3,00,000
Credit sales	12,00,000
Cash sales	4,00,000
Wages	1,00,000
Salaries	1,40,000
Closing stock	30, 000
Sales return	50,000
Purchases return	10,000

Answer:

- (a) Cost of goods available for sale = opening stock + net purchases + wages

$$= 25,000 + 10,4000 + 1,00,000 = 11,65000$$

(Net purchases = credit purchases + cash purchases – purchase returns)

$$= 7,50,000 + 3,00,000 - 10,000 = 10,40,000$$

- (b) Cost of goods sold = opening stock + net purchases + wages – closing stock

$$= 25,000 + 10,40,000 + 1,00,000 - 30,000$$

$$= 11,65,000 - 30,000$$

$$= 11,35,000$$

Trading Account

Dr.

Cr.

Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	25,000	Sales	
Purchases		<i>Add:</i>	
<i>Add: Credit</i>	7,50,00	Credit Sales	12,00,00
<i>Add: Cash</i>	3,00,00	<i>Add: Cash</i>	4,00,00
<i>Add: Purchases</i>	00	<i>Add: Sales</i>	00
			16,00,00
	10,50,00	<i>Less:</i>	
<i>Less: Purchases</i>	(10,000)	Sales Return	(50,000)
	10,40,00		
	1,00,00	Closing Stock	30,000
Wages	00		
Gross Profit	4,15,00		
	15,80,00		15,80,00

Gross Profit Rs 4,15,000

Question 13

Calculate the amount of gross profit and operating profit on the basis of

the following balances extracted from the books of M/s Rajiv & Sons for the year ended March 31, 2017.

	Rs.
Opening stock	50,000
Net sales	11,00,000
Net purchases	6,00,000
Direct expenses	60,000
Administration expenses	45,000
Selling and distribution expenses	65,000
Loss due to fire	20,000
Closing stock	70,000

Answer:

Trading Account as on March 31, 2017

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	50,000	Net Sales	11,00,000
Net Purchases	6,00,000	Closing Stock	70,000
Direct Expenses	60,000		
Gross Profit	4,60,000		
	11,70,000		11,70,000

Operating Profit = Sales – (Opening Stock + Net Purchases + Direct Expenses + Administration Expenses + Selling and Distribution Expenses) + Closing Stock

$$= 11,00,000 - \left(\frac{50,000 + 6,00,000}{+60,000 + 45,000 + 65,000} \right) + 70,000$$

Question 14

Operating profit earned by M/s Arora & Sachdeva in 2016-17 was Rs. 17,00,000. Its non-operating incomes were Rs. 1,50,000 and non-operating expenses were Rs. 3,75,000. Calculate the amount of net profit earned by the firm.

Answer:

$$\begin{aligned} \text{Net profit} &= \text{operating profit} + \text{non-operating income} - \text{non} \\ &\text{operating expenses} \\ &= 17,00,000 + 1,50,000 - 3,75,000 \\ &= 18,50,000 - 3,75,000 \\ &= 14,75,000 \end{aligned}$$

Question 15

The following are the extracts from the trial balance of M/s Bhola & Sons as on March 31, 2017

<i>Account title</i>	<i>Debit Rs.</i>	<i>Credit Rs.</i>
Opening stock	2.00.000	10.10.000
Purchases	8.10.000	

Sales		
10.10.000	10.10.000	

(only relevant Items)

Closing as on date *was* valued at Rs.3,00.000.

You are required to record the necessary journal entries and show how the above items will appear in the trading and profit and loss account and balance sheet of M/s Bhola & Sons Stock.

Answer:

Books of M/s Bhola and Sons
Journal

Date	Particulars	L. F.	Debit Amount Rs	Credit Amount Rs
2017 Mar. 31	Trading A/c	Dr	10,10,000	
	To Opening Stock A/c			2,00,000
	To Purchases A/c			8,10,000

	(Balances from Purchases Account and Stock Account transferred to Trading Account)			
Mar. 31	Dr Sales A/c Closing Stock A/c To Trading A/c (Balance from sales and closing stock transferred to Trading Account)	.	10,10,000 3,00,000	13,10,000
Mar. 31	Dr Trading A/c To Profit and Loss (Gross Profit) A/c (Balance of Trading Account (gross profit) transferred to Profit and Loss Account)	.	3,00,000	3,00,000

Trading Account as on March 31, 2017

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	2,00,000	Sales	10,10,000
Purchases	8,10,000	Closing Stock	3,00,000
Profit and Loss A/c – Gross Profit	3,00,000		
	0		

	13,10,000		13,10,000

Balance Sheet as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
		Closing Stock	3,00,000

Question 16

Prepare trading and profit and loss account and balance sheet as on March 31, 2017:

Account Title	Amount Rs.	Account Title	Amount Rs.
Machinery	27.000	Capital	60.000
Sundry debtors	21.600	Bills payable	2.800
Drawings	2.700	Sundry creditors	1.400
Purchases	58.500	Sales	73,500
Wages	15,000		
Sundry expenses	600		

Rent & taxes	1.350		
Carriage Inwards	450		
Bank	4.500		
Openings stock	6.000		

Closing stock as on March 31. 2017 Rs.22,400

Answer:

Trading Account as on March 31, 2017

Dr.

Cr.

Particulars	Amount Rs	Particulars	Amount Rs
Opening Stock	6,000	Sales	73,500
Purchases	58,500	Closing Stock	22,400
Wages	15,000		
Carriage Inwards	450		
Profit and Loss (Gross Profit)	15,950		
	95,900		95,900

Profit and Loss Account as on March 31, 2017

Dr.		Cr.	
Particulars	Amount Rs	Particulars	Amount Rs
Sundry Expenses	600	Trading (Gross Profit)	15,950
Rent and Taxes	1,350		
Net Profit	14,000		
	15,950		15,950

Balance Sheet as on March 31, 2017

Liabilities	Amount Rs	Assets	Amount Rs
Capital	60,000	<u>Fixed Assets</u>	
Add: Net Profit	14,000	Machinery	27,000
	74,000		
Less: Drawings	2,700	<u>Current Assets</u>	
	71,300	Bank	4,500
Sundry Creditors	1,400	Closing Stock	22,400
Bills Payable	2,800	Sundry Debtors	21,600
	75,500		75,500

Question 17

The following trial balance is extracted from the books of M/s Ram on March 31, 2017. You are required to prepare trading and profit and loss account and the balance sheet as on date:

Account title	Amount Rs	Account title	Amount Rs
Debtors	12,000	Apprenticeship premium	5,000
Purchases	50,000	Loan	10,000
Coal, gas and water	6,000	Bank overdraft	1,000
Factory wages	11,000	Sales	80,000
Salaries	9,000	Creditors	13,000
Rent	4,000	Capital	20,000
Discount	3,000		
Advertisement	500		
Drawings	1,000		
Loan	6,000		
Petty cash	500		
Sales return	1,000		
Machinery	5,000		
Land and building	10,000		
Income tax	100		
Furniture	9,900		

Answer:

Trading Account for the year ended 31 March, 2017

Particulars	Debit	Particulars	Credit
Purchases	50, 000	Sales	
		80, 000	
		(Less) sales return	
		1, 000	79,000
Coal, gas and water	6, 000		

Factory wages	11, 000		
Gross Profit	12, 000		
Total	79, 000	Total	79, 000

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
Salaries	9, 000	Gross profit	12, 000
Rent	4, 000	Apprenticeship premium	5, 000
Discount	3, 000		
Advertisement	500		
Net profit	500		
Total	17, 000	Total	17, 000

Balance sheet as on 31 March, 2017

Liabilities	Dr	Assets	Cr
Capital 20, 000 (add) Net profit 500 (less) drawings 1, 000 (less) income tax 100	19, 400	Machinery	5, 000
Sundry creditors	13, 000	Land and building	10, 000
Loan	10,	Furniture	9, 900

	000		
Bank overdraft	1, 000	Sundry debtors	12, 000
		Petty cash	500
		Loan	6, 000
	43, 400		43, 400

Question 18

The following is the trial balance of Manju Chawla on March 31,2017. You are required to prepare the trading and profit loss account and a balance sheet as on date:

Account title	Amount Rs.	Account title
Opening stock	10,000	
Purchases and sales	40,000	
Returns	200	
Productive wages	6,000	
Dock and Clearing charges	4,000	
	600	
Donation and charity	6,000	
Delivery van expenses	500	
Lighting		1,000
Sales tax collected	600	
Bad debts		6,000
Misc. Incomes		2,000
Rent from tenants	4,000	
		40,000
Royalty	2,000	
Capital	60000	7,000
Drawings	3000	
	6,000	
Debtors and Creditors	4000	
	43,000	
Cash		
Investment		
Patents		
Land and Machinery		

Closing stock is Rs. 2, 000

Answer:

Trading Account for the year ended 31 March, 2017

Particulars	Dr	Particulars	Cr
Opening stock	10,000	Sales 80,000 (Less) return 200	79,800
Purchases 40,000 (less) return 600	39,400	Closing stock	2,000
Productive wages	6,000		
Dock and clearing charges	4,000		
Royalty	4,000		
Gross Profit	18,400		
Total	81,800	Total	81,800

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
Donation and charity	600	Gross profit	18,400
Delivery van expenses	6,000	Misc income	6,000
Bad debts	600	Rent from tenants	2,000
Lighting	500		
Net profit	18,700		
Total	26,400	Total	26,400

Balance sheet as on 31 March, 2017

Liabilities	Dr	Assets	Cr
Capital 40,000 (add) Net profit 18,700 (less) drawings 2,000	56,700	Land & Machinery	43,000
Sundry creditors	7,000	Cash	3,000
Sales tax collected	1,000	Investment	6,000
		Sundry debtors	6,700
		Patents	4,000
		Closing stock	2,000
Total	64,700	Total	64,700

Note: There is a misprint in the trial balance given in the question. In order to match the trial balance, debtors have been taken as Rs.6,700. However, the debtors given in the trial balance is Rs.60,000.

Question 19

The following is the trail balance of Mr. Deepak as on March 31,2017. You are required to prepare trading account, profit and loss account and a balance sheet as on date:

<i>Account title</i>	<i>Debit Amount Rs.</i>	<i>Account title</i>	<i>Credit Amount Rs.</i>
Drawings	36,000	Capital	2,50000

Insurance	3,000	Bills payable	3,600
General expenses	29,000	Creditors	50,000
Rent and taxes	14,400	Discount received	10,400
Lighting (factory)	2,800	Purchases return	8,000
Travelling expenses	7,400	Sales	4,40,000
Cash in hand	12,600		
Bills receivable	5,000		
Sundry debtors	1,04,000		
Furniture	16,000		
Plant and Machinery	1,80,000		
Opening stock	40,000		
Purchases	1,60,000		
Sales return	6,000		
Carriage Inwards	7,200		
Carriage	1,600		

outwards			
Wages	84, 000		
Salaries	53, 000		

Closing stock Rs. 35,000

Answer:

Trading Account for the year ended 31 March, 2017

Particulars	Dr	Particulars	Cr
Opening stock	40, 000	Sales 4, 40, 000 (Less) return 6, 000	4, 34,000
Purchases 1, 60, 000 (less) return 8, 000	1, 52,000	closing stock	35, 000
Factory Lighting	2, 800		
Carriage inwards	7, 200		
Wages	84, 000		
Gross Profit	1, 83,000		
Total	4, 69,000	Total	4, 69,000

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
Insurance	3000	Gross profit	1, 83,000
General expenses	29, 000	Discount received	10, 400
Rent & taxes	14, 400		
Travelling expenses	7, 400		
Carriage outwards	1, 600		
Salaries	53, 000		
Net profit	85, 000		
Total	1, 93,400	Total	1, 93,400

Balance sheet as on 31 March, 2017

Liabilities	Dr	Assets	Cr
Capital 2, 50,000 (add) Net profit 85, 000 (less) drawings 36, 000	2, 99,000	Plant & Machinery	1, 80,000
Sundry creditors	50,	Cash in hand	12, 600

	000		
Bills payable	3, 600	Bills receivable	5, 000
		Sundry debtors	1, 04,000
		Furniture	16, 000
		Closing stock	35, 000
	3, 52,600	Total	3, 52,600

Question 20

Prepare trading and profit and loss account and balance sheet from the following particulars as on March 31, 2017.

Account Title	Debit Amount Rs.	Credit Amount Rs.
Purchases and Sales		
	3,52,000	5,60,000
Return Inwards and Return outwards	9,600	12,000
Carriage inwards	7000	
Carriage outwards	3,360	
Fuel and power	24,800	
Opening stock	57,600	
Bad debts	9,950	

Debtors and Creditors	1,31,200	48000
Capital		3,48,000
Investment	32000	
Interest on Investment		3200
Loan		16000
Repairs	2400	
General expenses	17000	
Wages and salaries	28800	
Land and buildings	288000	
Cash In hand	32000	
Miscellaneous receipts		160
Sales tax collected		8350

Closing stock Rs. 30,000

Answer:

Trading Account for the year ended 31 March, 2017

Particulars	Dr	Particulars	Cr
Opening stock	57,600	Sales 5,60,000 (Less) return 9,600	5,50,400
Purchases 3,52,000 (less) return 12,000	3,40,000	closing stock	30,000
Carriage inwards	7,000		
Fuel and power	24,800		
Wages and salaries	28,800		
Gross Profit	1,22,200		
Total	5,80,400	Total	5,80,400

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
Carriage outwards	3,360	Gross profit	1,22,200
Bad debts	9,950	Misc receipts	160
Repairs	2,400	Interest on	3,200

		investment	
General expenses	17, 000		
Net profit	92, 850		
Total	1, 25,560	Total	1, 25,560

Balance sheet as on 31 march 2017

Liabilities	Dr	Assets	Cr
Capital 3, 48,000 (add) Net profit 92, 850	4, 40,850	Debtors	1, 31,200
Sundry creditors	48, 000	Investment	32, 000
Loan	16, 000	Land & building	2, 88,000
Sales tax collected	8, 350	Closing stock	30, 000
		Cash in hand	32, 000
Total	5, 13,200	Total	5, 13,200

Question 21

From the following trial balance of Mr. A. Lal, prepare trading, profit and loss account and balance sheet as on March 31, 2017.

Account Title	Debit Amount Rs	Credit Amount Rs
Stock as on April 01, 2016	16,000	
Purchases and Sales	67,600	1,12,000
Returns inwards and outwards	4,600	3,200
Carriage inwards	1,400	
General expenses	2,400	
Bad debts	600	
Discount received		1,400
Bank over draft		10,000
Interest on bank overdraft	600	
Commission received		1,800
Insurance and taxes	4,000	
Scooter expenses	200	
Salaries	8,800	
Cash in hand	4,000	
Scooter	8,000	
Furniture	5,200	
Building	65,000	
Debtors and Creditors	6,000	16,000
Capital		50,000

Closing stock Rs 15,000.

Answer:

Trading Account for the year ended 31 March, 2017

Particulars	Dr	Particulars	Cr
Opening stock	16,000	Sales 1, 12, 000 (Less) return 4, 600	1,07,400
Purchases 67, 600 (less) return 1, 400	64,400	closing stock	15,000
Carriage inwards	1, 400		
Gross Profit	40,600		
Total	1,22,400	Total	1,22,400

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
General expenses	2, 400	Gross profit	40, 600
Bad debts	600	Discount received	1, 400
Salaries	8, 800	Commission received	1, 800
Interest on	600		

bank overdraft			
Scooter expenses	200		
Net profit	27, 200		
Total	43, 800	Total	43, 800

Balance sheet as on 31 March, 2017

Liabilities	Dr	Assets	Cr
Capital 50,000 (add) Net profit 27, 200	77, 200	Cash in hand	4, 000
Sundry creditors	16, 000	Scooter 8, 000	8, 000
Bank overdraft	10, 000	Furniture	5, 200
		Building	65, 000
		Debtors	6, 000
		Closing stock	15, 000
Total	1, 03,200	Total	1, 03,200

Question 22

Prepare trading and profit and loss account and balance sheet of M/s Royal Traders from the following balances as on March 31, 2017.

Debit balances	Amount Rs	Credit balances	Amount Rs
Stock	20,000	Sales	2.45.000
Cash	5,000	Creditors	10,000
Bank	10,000	Bills payable	4,000
Carriage on purchases	1,500	Capital	2,00,000
Purchases	1,90,000		
Drawings	9,000		
Wages	55,000		
Machinery	1,00,000		
Debtors	27,000		
Postage	300		
Sundry expenses	1,700		
Rent	4,500		
Furniture	35,000		

Closing stock Rs 8,000

Answer:

Trading Account for the year ended 31 March, 2017

Particulars	Dr	Particulars	Cr
Opening stock	20,000	Sales	2,45,000
Purchases	1,90,000	closing stock	8,000
Carriage on purchases	1,500	Gross loss	13,500
Wages	55,000		
Total	2,66,500	Total	2,66,500

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
Gross loss	13,500	Net loss	20,000
Postage	300		
Sundry expenses	1,700		
Rent	4,500		
Total	20,000	Total	20,000

Balance sheet as on 31 March, 2017

Liabilities	Dr	Assets	Cr
Capital 2, 00,000 (less) Net loss 20, 000 (less) drawings 9, 000	1, 71,000	Cash	5, 000
Sundry creditors	10, 000	Bank	10, 000
Bills payable	4, 000	Machinery	1, 00,000
		Debtors	27, 000
		Furniture	35, 000
		Closing stock	8, 000
Total	1, 85,000	Total	1, 85,000

Question 23

Prepare trading and profit and loss account from the following particulars of Ms Neema Traders as on March 31. 2017.

Stock on March 31. 2017 Rs 16.000.

Account Title	Debit Amount Rs	Account Title	Credit Amount Rs
Buildings	23,000	Sales	1,80,000
Plant	16,930	Loan	8,000
Carriage inwards	1,000	Bills payable	2,520
Wages	3,300	Bank overdraft	4,720
Purchases	1,64,000	Creditors	8,000
Sales return	1,820	Capital	2,36,000
Opening stock	9,000	Purchases return	1,910
Machinery	2,10,940		
Insurance	1,610		
Interest	1,100		
Bad debts	250		
Postage	300		
Discount	1,000		
Salaries	3,000		
Debtors	3,900		

Answer:

Trading Account for the year ended 31 March, 2017

Particulars	Dr	Particulars	Cr
Opening stock	9, 000	Sales 1, 80,000 (less) sales returns 1, 820	1, 78,180
Purchases 1, 64,000 (less) purchase Returns 1, 910	1, 62,090	closing stock	16, 000
Carriage inwards	1, 000		
Wages	3, 300		
Gross profit	18, 790		
Total	1, 94,180	Total	1, 94,180

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
Insurance	1, 610	Gross profit	18, 790
Interest	1, 100		
Bad debts	250		
Postage	300		
Discount	1, 000		
Salaries	3, 000		
Net profit	11, 530		

Total	18, 790	Total	18, 790
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Balance sheet as on 31 march 2017

Liabilities	Dr	Assets	Cr
Capital 2, 36,000 (add) Net profit 11, 530	2, 47,530	Buildings	23, 000
Loan	8, 000	Plant	16, 930
Bills payable	2, 520	Machinery	2, 10,940
Bank overdraft	4, 720	Debtors	3, 900
Creditors	8, 000	Closing stock	16, 000
Total	2, 70,770	Total	2, 70,770

Question 24

From the following balances of M/s Nilu Sarees as on March 31, 2017. Prepare trading and profit and loss account and balance sheet as on date:

Account Title	Debit Amount Rs.	Account Title	Credit Amount Rs.
Opening stock	10,000	Sales	2,28,000
Purchases	78,000	Capital	70,000
Carriage			

inwards	2,500	Interest	7,000
Salaries	30,000	Commission	8,000
Commission	10,000	Creditors	28,000
Wages	11,000	Bills	2,370
Rent and taxes	2,800	Payable	
Repairs	5,000		
Telephone expenses	1,400		
Legal charges	1,500		
Sundry expenses	2,500		
cash in hand	12,000		
Debtors	30,000		
Machine	60,000		
Investments	90,000		
Drawings	18,000		

Closing stock, as on March 31, 2017 Rs 22,000.

Answer:

Trading Account for the year ended 31 March, 2017

Particulars	Dr	Particulars	Cr
Opening stock	10,000	Sales	2,28,000
Purchases	78,000	closing stock	22,000
Carriage inwards	2,500		
Wages	11,000		
Gross profit	1,48,500		
Total	2,50,000	Total	2,50,000

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
Salaries	30,000	Gross profit	1,48,500
Commission	10,000	Interest	7,000
Rent and taxes	2,800	Commission	8,000
Repairs	5,000		
Telephone expenses	1,400		
Legal charges	1,500		
Sundry expenses	2,500		
Net profit	1,10,300		
Total	1,63,500	Total	1,63,500

Balance sheet as on 31 March, 2017

Liabilities	Dr	Assets	Cr
Capital 70, 000 (add) Net profit 1, 10,300 (less) drawings 18, 000	1, 62,300	Cash in hand	12, 000
Sundry creditors	28, 000	Debtors	30, 000
Bills payable	2, 370	Machinery	60, 000
Suspense a/c	21, 330	Investments	90, 000
		Closing stock	22, 000
Total	2, 14,000	Total	2, 14,000

Question 25

Prepare trading and profit and loss account of M/s Sports Equipments for the year ended March 31, 2017 and balance sheet as on that date:

Account Title	Debit Amount Rs	Credit Amount Rs
Opening stock	50,000	
Purchases and sales	3,50,000	4,21,000
Sales returns	5,000	

Capital		3,00,000
Commission		4,000
Creditors		1,00,000
Bank overdraft		28,000
Cash in hand	32,000	
Furniture	1,28,000	
Debtors	1,40,000	
Plants	60,000	
Carriage on purchases	12,000	
Wages	8,000	
Rent	15,000	
Bad debts	7,000	
Drawings	24,000	
Stationery	6,000	
Travelling expenses	2,000	
Insurance	7,000	
Discount	5,000	
Office expenses	2,000	

Closing stock as on March 31, 2017 Rs 2,500

Trading Account for the year ended 31 March, 2017

Particulars	Dr	Particulars	Cr
Opening stock	50,000	Sales	4,16,000
		4,21,000	
		(less) sales returns	
		5,000	
Purchases	3,	closing stock	2,500

	50,000		
Carriage on purchases	12, 000	Gross loss	1, 500
Wages	8, 000		
Total	4, 20,000	Total	4, 20,000

Profit and loss as on March 31, 2017

Particulars	Dr	Particulars	Cr
Gross loss	1, 500	Commission	4, 000
Rent	15, 000	Net loss	41, 500
Bad debts	7, 000		
Stationery	6, 000		
Travelling expenses	2, 000		
Insurance	7, 000		
Discount	5, 000		
Office expenses	2, 000		
Total	45, 500	Total	45, 500

Balance sheet as on 31 March, 2017

Liabilities	Dr	Assets	Cr
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Capital 3, 00,000 (less) Net loss 41, 500 (less) drawings 24, 000	2, 34,500	Cash in hand	32, 000
Sundry creditors	1, 00,000	Furniture	1, 28,000
Bank overdraft	28, 000	Debtors	1, 40,000
		Plants	60, 000
		Closing stock	2, 500
Total	3, 62,500	Total	3, 62,500