

CHAPTER 8

ACCOUNTS FROM INCOMPLETE RECORDS

IMPROTANT QUESTION

Question - 1.

Assets and Liabilities of Mr. X as on 31-12-2015 and 31-12-2016 are as follows:

	31-12-2015	31-12-2016
Assets		
Building	1,00,000	?
Furniture	50,000	?
Inventory	1,20,000	2,70,000
Sundry debtors	40,000	90,000
Cash at bank	70,000	85,000
Cash in hand	1,200	3,200
Liabilities		
Loans	1,00,000	80,000
Sundry creditors	40,000	70,000

Decided to depreciate building by 2.5% and furniture by 10%. One Life Insurance Policy of the Proprietor was matured during the period and the amount ₹ 40,000 is retained in the business. Proprietor took @ ₹ 2,000 p.m. for meeting family expenses. Prepare Statement of Affairs.

Solution:

Statement of Affairs as on 31-12-2015 & 31-12-2016

Liabilities	31-12-15	31-12-16	Assets	31-12-15	31-12-16
Capital (Bal. Fig.)	2,41,200	4,40,700	Building	1,00,000	97,500
Loans	1,00,000	80,000	Furniture	50,000	45,000
Sundry creditors	40,000	70,000	Inventory	1,20,000	2,70,000
			Sundry debtors	40,000	90,000
			Cash at bank	70,000	85,000
			Cash in hand	1,200	3,200
	3,81,200	5,90,700		3,81,200	5,90,700

Question - 2.

Take figures given in Illustration 1. Find out profit of Mr. X.

Solution:

Determination of Profit by applying the method of the capital comparison

	₹
Capital Balance as on 31-12-2016	4,40,700
Less: Fresh capital introduced	(40,000)
	4,00,700

Add: Drawings (₹ 2000 × 12)	24,000
	4,24,700
Less: Capital Balance as on 31-12-2015	(2,41,200)
Profit	1,83,500

Note:

- Closing capital is increased due to fresh capital introduction, so it is deducted.
- Closing capital was reduced due to withdrawal by proprietor; so it is added back.

Question – 3.

The following information relates to the business of Mr. Shiv Kumar, who requests you to prepare a Trading and Profit & Loss Account for the year ended 31st March, 2017 and a Balance Sheet as on that date:

a)

	Balance as on 31st March, 2016 ₹	Balance as on 31st March, 2017 ₹
Building	3,20,000	3,60,000
Furniture	60,000	68,000
Motorcar	80,000	80,000
Inventory's	?	40,000
Bills payable	28,000	16,000
Cash and bank balances	1,80,000	1,04,000
Sundry debtors	1,60,000	?
Bills receivable	32,000	28,000
Sundry creditors	1,20,000	?

b) Cash transactions during the year included the following besides certain other items:

	₹		₹
Sale of old papers and miscellaneous income	20,000	Cash purchases	48,000
Miscellaneous Trade expenses (including salaries etc.)	80,000	Payment to creditors	1,84,000
Collection from debtors	2,00,000	Cash sales	80,000

c) Other information:

- Bills receivable drawn during the year amount to ₹ 20,000 and Bills payable accepted ₹16,000.
- Some items of old furniture, whose written down value on 31st March, 2016 was ₹ 20,000 was sold on 30th September, 2016 for ₹ 8,000. Depreciation is to be provided on Building and Furniture @ 10% p.a. and on Motorcar @ 20% p.a. Depreciation on sale of furniture to be provided for 6 months and for additions to Building for whole year.
- Of the Debtors, a sum of ₹ 8,000 should be written off as Bad Debt and a reserve for doubtful debts is to be provided @ 2%.
- Mr. Shivkumar has been maintaining a steady gross profit rate of 30% on turnover.
- Outstanding salary on 31st March, 2016 was ₹ 8,000 and on 31st March, 2017 was ₹ 10,000. On 31st March, 2016, Profit and Loss Account had a credit balance of ₹ 40,000.
- 20% of total sales and total purchases are to be treated as for cash.

Additions in Furniture Account took place in the beginning of the year and there was

no opening provision for doubtful debts.

Solution:

**Trading and Profit and Loss Account of Mr. Shiv Kumar
for the year ended 31st March, 2017**

Particulars	Amount	Particulars	Amount
To Opening inventory (balancing figure)	80,000	By Sales (3,20,000 x 100/80)	4,00,000
To Purchases (1,92,000 x 100/80)	2,40,000	Closing inventory	40,000
To Gross profit c/d @ 30% on sales	1,20,000		
	4,40,000		4,40,000
To Miscellaneous expenses (₹ 80,000 – ₹ 8,000 + ₹ 10,000)	82,000	By Gross profit b/d	1,20,000
To Depreciation: Building ₹ 36,000 Furniture 7,800 (₹6,800 + ₹1,000) To Motor Car 16,000	59,800	By Miscellaneous receipts	20,000
To Loss on sale of furniture	11,000	By Net loss transferred to Capital A/c (b.f.)	25,840
To Bad debts	8,000		
To Provision for doubtful debts	5,040		
	1,65,840		1,65,840

Balance Sheet of Mr. Shivkumar as on 31st March, 2017

Liabilities	₹	₹	Assets	₹	₹
Capital as on 1 st April, 2016		7,16,000	Building Add: Addition during the year Less: Provision for depreciation	3,20,000 40,000 (36,000)	3,24,000
Profit and Loss A/c Opening balance Less: Loss for the year	40,000 (25,840)	14,160	Furniture Less: Sold during the year Add: Addition during the year Less: Depreciation	60,000 (20,000) 28,000 (6,800)	
Sundry creditors		1,12,000	Motor car (at cost) Less: Depreciation	80,000 (16,000)	64,000
Bills payable		16,000	Inventory in trade		40,000
Outstanding salary		10,000	Sundry debtors Less: Provision for doubtful debts @ 2%	2,52,000 (5,040)	2,46,960
			Bills receivable		28,000
			Cash in hand and at bank		1,04,000
		8,68,160			8,68,160

Working Notes:**i. Sundry Debtors Account**

		₹			₹
To	Balance b/d	1,60,000	By	Cash/Bank A/c	2,00,000
To	Sales A/c (credit) ¹	3,20,000	By	Bills Receivable A/c	20,000
			By	Bad debts A/c	8,000
			By	Balance c/d (bal. fig.)	2,52,000
		4,80,000			4,80,000

ii. Sundry Creditors Account

		₹			₹
To	Cash/Bank A/c	1,84,000	By	Balance b/d	1,20,000
To	Bills Payable A/c	16,000	By	Purchases A/c ²	1,92,000
To	Balance c/d				
	(bal. fig.)	1,12,000			
		3,12,000			3,12,000

¹ Total sales (80,000 x 100/ 20) – cash sales (80,000)

² Total purchases (48,000 x 100/ 20) – cash purchases (48,000)

iii. Bills Receivable Account

		₹			₹
To	Balance b/d	32,000	By	Cash/ Bank A/c(bal. fig.)	24,000
To	Sundry Debtors A/c	20,000	By	Balance c/d	28,000
		52,000			52,000

iv. Bills Payable Account

		₹			₹
To	Cash/Bank A/c (bal. fig.)	28,000	By	Balance b/d	28,000
To	Balance c/d	16,000	By	Sundry Creditors A/c	16,000
		44,000			44,000

v. Furniture Account

		₹			₹
To	Balance b/d	60,000	By	bank /cash A/c	8,000
Bank A/c (b.f.)	28,000		By	Depreciation furniture sold	1,000
			By	Profit and loss A/c (loss on sale) (20,000 – 1,000 – 8,000)	11,000
			By	Depreciation A/c (68,000 x 10%)	6,800
			By	Balance c/d (68,000 – 6,800)	61,200
	88,000				88,000

vi. Cash/Bank Account

		₹			₹
To	Balance b/d	1,80,000	By	Misc. trade expenses A/c	80,000
To	Miscellaneous receipts A/c	20,000	By	Purchases A/c	48,000
To	Sundry debtors A/c	2,00,000	By	Furniture A/c	28,000
To	Sales A/c	80,000	By	Sundry creditors A/c	1,84,000
To	Furniture A/c (sale)	8,000	By	Bills payable A/c	28,000
To	Bills receivable A/c	24,000	By	Building A/c (3,60,000 –	40,000

	3,20,000)	
	By Balance c/d	1,04,000
5,12,000		5,12,000

vii. Opening Balance Sheet of Mr. Shivkumar as on 31st March, 2016

Liabilities	₹	Assets	₹
Capital (balancing figure)	7,16,000	Building	3,20,000
Profit and loss A/c	40,000	Furniture	60,000
Sundry Creditors	1,20,000	Motor car	80,000
Bills Payable	28,000	Inventory in trade	80,000
Outstanding salary	8,000	Sundry Debtors	1,60,000
		Bills Receivable	32,000
		Cash in hand & at bank	1,80,000
	9,12,000		9,12,000

Question – 4.

From the following data, you are required to prepare a Trading and Profit and Loss Account for the year ended 31st March, 2017 and a Balance Sheet as at that date. All workings should form part of your answer.

Assets and Liabilities	As on 1st April 2016	As on 31st March 2017
	₹	₹
Creditors	15,770	12,400
Sundry expenses outstanding	600	330
Sundry Assets	11,610	12,040
Inventory in trade	8,040	11,120
Cash in hand and at bank	6,960	8,080
Trade debtors	?	17,870
Details relating to transactions in the year:		
Cash and discount credited to debtors		64,000
Sales return		1,450
Bad debts		420
Sales (cash and credit)		71,810
Discount allowed by trade creditors		700
Purchase returns		400
Additional capital-paid into Bank		8,500
Realisations from debtors-paid into Bank		62,500
Cash purchases		1,030
Cash expenses		9,570
Paid by cheque for machinery purchased		430
Household expenses drawn from Bank		3,180
Cash paid into Bank		5,000
Cash drawn from Bank		9,240
Cash in hand on 31-3-2017		1,200
Cheques issued to trade creditors		60,270

Solution:

Trading and Profit & Loss Account for the year ending 31st March, 2017

	₹	₹	₹	₹
To Opening Inventory		8,040	By Sales	4,600
				70,360

			Cash Credit	67,210	
			<i>Less: Returns</i>	71,810	
				(1,450)	
To Purchases (58,000 + 1,030) <i>Less: Returns</i>	59,030 (400)	58,630	By Closing inventory		11,120
To Gross profit c/d (b.f.)		14,810			
		81,480			81,480
To Sundry expenses (W.N.(v))		9,300	By Gross profit b/d		14,810
To Discount		1,500	By Discount		700
To Bad Debts		420			
To Net Profit transfer to Capital (b.f.)		4,290			
		15,510			15,510

**Balance Sheet of M/s
as on 31st March, 2017**

Liabilities		Assets		₹
<i>Capital</i>			Sundry assets	12,040
Opening balance	26,770		Inventory in trade	11,120
Add: Addition	8,500		Sundry debtors	17,870
<i>Net Profit</i>	4,290		Cash in hand & at bank	8,080
	39,560			
<i>Less: Drawings</i>	(3,180)	36,380		
<i>Sundry creditors</i>		12,400		
<i>Outstanding expenses</i>		330		
		49,110		49,110

Working Notes:

i. Cash sales

Combined Cash & Bank Account

	₹		₹
To Balance b/d	6,960	By Sundry creditors	60,270
To Sundries (Contra)	5,000	By Sundries (Contra)	5,000
To Sundries (Contra)	9,240	By Sundries (Contra)	9,240
To Sundry debtors	62,500	By Drawings	3,180
To Capital A/c	8,500	By Machinery	430
To Sales (Cash Sales-Balancing Figure)	4,600	By Sundry expenses	9,570
		By Purchases	1,030
		By Balance c/d	8,080
	96,800		96,800

ii. Total Debtors Account

	₹		₹
To Balance b/d	16,530	By Bank	62,500
(Balancing figure)		By Discount(64,000 - 62,500)	1,500
To Sales (71,810-4,600 ³)	67,210	By Return Inward	1,450
		By Bad Debts	420

		By Balance c/d	17,870
	83,740		83,740

iii. Total Creditors Account

	₹		₹
To Bank	60,270	By Balance b/d	15,770
To Discount	700	By Purchases	58,000
To Return Outward	400	(Balancing figure)	
To Balance c/d	12,400		
	73,770		73,770

iv. Balance Sheet as on 1st April, 2016

Liabilities	₹	Assets	₹
Capital (balancing figure)	26,770	Sundry Assets	11,610
Sundry Creditors	15,770	Inventory in Trade	8,040
Outstanding Expenses	600	Sundry Debtors (from total debtors A/c)	16,530
		Cash in hand & at bank	6,960
	43,140		43,140

v.

Expenses paid in Cash	9,570
Add : Outstanding on 31-3-2017	330
	9,900
Less : Outstanding on 1-4-2016	(600)
	9,300

vi. Due to lack of information, depreciation has not been provided on fixed assets.

Question – 5.

Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balances:

	31-12-2015	31-12-2016
Sundry debtors	70,000	92,000
Bills receivable	15,000	6,000
Bills payable	12,000	14,000
Sundry creditors	40,000	56,000
Inventory	1,10,000	1,90,000
Bank	90,000	87,000
Cash	5,200	5,300

Summary of cash transactions during the year 2016:

- (i) Deposited to bank after payment of shop expenses @ ₹ 600 p.m., salary @ ₹ 9,200 p.m. and personal expenses @ ₹ 1,400 p.m. ₹ 7,62,750.
- (ii) Withdrawals ₹ 1,21,000.
- (iii) Cash payment to suppliers ₹ 77,200 for supplies and ₹ 25,000 for furniture.
- (iv) Cheques collected from customers but dishonoured ₹ 5,700.
- (v) Bills accepted by customers ₹ 40,000.
- (vi) Bills endorsed ₹ 10,000.
- (vii) Bills discounted ₹ 20,000, discount ₹ 750.
- (viii) Bills matured and duly collected ₹ 16,000.
- (ix) Bills accepted ₹ 24,000.
- (x) Paid suppliers by cheque ₹ 3,20,000.

- (xi) Received ₹ 20,000 on maturity of one LIC policy of the proprietor by cheque.
 (xii) Rent received ₹ 14,000 by cheque for the premises owned by proprietor.
 (xiii) A building was purchased on 30-11-2016 for opening a branch for ₹ 3,50,000 and some expenses were incurred on this building, details of which are not maintained.
 (xiv) Electricity and telephone bills paid by cash ₹ 18,700, due ₹ 2,200.

Other transactions:

- (i) Claim against the firm for damage ₹ 1,55,000 is under legal dispute. Legal expenses ₹ 17,000. The firm anticipates defeat in the suit.
 (ii) Goods returned to suppliers ₹ 4,200.
 (iii) Goods returned by customers ₹ 1,200.
 (iv) Discount offered by suppliers ₹ 2,700.
 (v) Discount offered to the customers ₹ 2,400.
 (i) The business is carried on at the rented premises for an annual rent of ₹ 20,000 which is outstanding at the year end.

Prepare Trading and Profit & Loss Account of Mr. Anup for the year ended 31-12-2016 and Balance Sheet as on that date.

Solution:

Trading and Profit & Loss Account of Mr. Anup for the year ended 31-12-2016

	₹	₹		₹	₹
To Opening Inventory		1,10,000	By Sales	9,59,750	
To Purchases	4,54,100		Less: Sales Return	(1,200)	9,58,550
Less: Purchases Return	(4,200)	4,49,900	By Closing Inventory		1,90,000
To Gross Profit (b.f.)		5,88,650			
		11,48,550			11,48,550
To salary (9,200 x 12)		1,10,400	By Gross Profit		5,88,650
To Electricity & Tel. Charges (18,700 + 2,200)		20,900	By Discount		2,700
To Legal expenses		17,000			
To Discount (2,400 + 750)		3,150			
To Shop exp. (600 x 12)		7,200			
To Provision for claims for damages		1,55,000			
To Shop Rent		20,000			
To Net Profit (b.f.)		2,57,700			
		5,91,350			5,91,350

Balance-Sheet as on 31-12-2016

Liabilities	₹	Assets	₹
Capital A/c (W.N.vi)	2,38,200	Building (from Summary cash and bank A/c)	3,72,000
Add : Fresh capital introduced		Furniture	25,000

Maturity value from LIC	20,000		Inventory	1,90,000
Rent	14,000		Sundry debtors	92,000
Add : Net Profit	2,57,700		Bills receivable	6,000
	5,29,900		Cash at Bank	87,000
Less : Drawing(14,00 x12)	(16,800)	5,13,100	Cash in Hand	5,300
Rent outstanding		20,000		
Sundry creditors		56,000		
Bills Payable		14,000		
Outstanding expenses				
Legal Exp.	17,000			
Electricity & Telephone charges	2,200	19,200		
Provision for claims for damages		1,55,000		
		7,77,300		7,77,300

Working Notes:

(i) Sundry Debtors Account

	₹		₹
To Balance b/d	70,000	By Bill Receivable A/c	
To Bill receivable A/c- Bills dishonoured	3,000	Bills accepted by customers	40,000
To Bank A/c- Cheque dishonoured	5,700	By Bank A/c - Cheque received	5,700
To Credit sales (Balancing Figure)	9,59,750	By Cash (from summary cash and bank account)	8,97,150
		By Return inward A/c	1,200
		By Discount A/c	2,400
		By Balance c/d	92,000
	10,38,450		10,38,450

(ii) Bills Receivable Account

	₹		₹
To Balance b/d	15,000	By Sundry creditors A/c (Bills endorsed)	10,000
To Sundry Debtors A/c (Bills accepted)	40,000	By Bank A/c (20,000 - 750)	19,250
		By Discount A/c(Bills discounted)	750
		By Bank	
		Bills collected on maturity	16,000
		By Sundry debtors	
		Bills dishonoured (Bal. Fig)	3,000
		By Balance c/d	6,000
	55,000		55,000

(iii) Sundry Creditors Account

	₹		₹
To Bank	3,20,000	By Balance c/d	40,000
To Cash	77,200	By Credit purchase (Balancing figure)	4,54,100
To Bill Payable A/c	24,000		

To Bill Receivable A/c	10,000		
To Return Outward A/c	4,200		
To Discount Received A/c	2,700		
To Balance b/d	56,000		
	4,94,100		4,94,100

(iv) Bills Payable A/c

	₹		₹
To Bank A/c (Balance figure)	22,000	By Balance b/d	12,000
To Balance c/d	14,000	By Sundry creditors A/c Bills accepted	24,000
	36,000		36,000

(v) Summary Cash and Bank A/c

	Cash	Bank		Cash	Bank
	₹	₹		₹	₹
To Balance b/d	5,200	90,000	By Bank	7,62,750	
To Sundry debtors (Bal. Fig)	8,97,150		By Cash		1,21,000
To Cash		7,62,750	By Shop exp. (600 x 12)	7,200	
To Bank	1,21,000		By salary (9,200 x 12)	1,10,400	
To S. Debtors		5,700	By Drawing A/c (1,400 x 12)	16,800	
To Bills receivable		19,250	By Bills Payable		22,000
To Bills receivable		16,000	By Sundry creditors	77,200	3,20,000
To Capital (maturity value of LIC policy)		20,000	By Furniture	25,000	
To Capital (Rent received)		14,000	By Sundry Debtors		5,700
			By Electricity & Tel. Charges	18,700	
			By Building (Bal. fig)		3,72,000
			By Balance c/d	5,300	87,000
	10,23,350	9,27,700		10,23,350	9,27,700

(vi) Statement of Affairs as on 31-12-2015

Liabilities	₹	Assets	₹
Sundry Creditors	40,000	Inventory	1,10,000
Bills Payable	12,000	Debtors	70,000
Capital (Balancing figure)	2,38,200	Bills receivable	15,000
		Cash at Bank	90,000
		Cash in Hand	5,200
	2,90,200		2,90,200

Question – 6.

Ms. Rashmi furnishes you with the following information relating to her business:

(a) Assets and liabilities as on

	1.1.2016₹	31.12.2016₹
Furniture (w.d.v)	12,000	12,700
Inventory at cost	16,000	14,000
Sundry Debtors	32,000	?
Sundry Creditors	22,000	30,000
Prepaid expenses	1,200	1,400
Unpaid expenses	4,000	3,600
Cash in hand and at bank	2,400	1,250

(b) Receipts and payments during 2016:

Collections from debtors, after allowing discount of ₹3,000 amounted to ₹1,17,000.

Collections on discounting of bills of exchange, after deduction of discount of ₹ 250 by the bank, totalled to ₹ 12,250.

Creditors of ₹ 80,000 were paid ₹ 78,400 in full settlement of their dues.

Payment for freight inwards ₹ 6,000.

Amount withdrawn for personal use ₹ 14,000. Payment for office furniture ₹ 2,000.

Investment carrying annual interest of 4% were purchased at ₹ 192 (face value ₹ 200) on 1st July, 2016 and payment made there for. Expenses including salaries paid ₹ 29,000.

Miscellaneous receipts ₹ 1,000.

(c) Bills of exchange drawn on and accepted by customers during the year amounted to ₹ 20,000. Of these, bills of exchange of ₹ 4,000 were endorsed in favour of creditors. An endorsed bill of exchange of ₹ 800 was dishonoured.

(d) Goods costing ₹ 1,800 were used as advertising materials.

(e) Goods are invariably sold to show a gross profit of 33-1/3% on sales.

(f) Difference in cash book, if any, is to be treated as further drawing or introduction of capital by Ms. Rashmi.

(g) Provide at 2.5% for doubtful debts on closing debtors.

Rashmi asks you to prepare trading and profit and loss account for the year ended 31st December, 2016 and the balance sheet as on that date.

SOLUTION:

Trading and Profit and Loss Account of Ms. Rashmi for the year ended 31st December, 2016

		₹			₹
To Opening Inventory		16,000	By Sales (W.N.3)		1,46,100
To Purchases (W.N.2)	91,200		By Closing inventory		14,000
Less : For advertising	(1,800)	89,400			
To Freight inwards		6,000			
To Gross profit c/d @ 33-1/3%		48,700			
		1,60,100			1,60,100
To Sundry expenses (W.N.6)		28,400	By Gross profit b/d		48,700
To Advertisement		1,800	By Interest on		4
To Discount allowed			investment (200 x		
			4/100 x 1/2)		
Debtors	3,000		By Discount received		1,600
Bills Receivable	250	3,250	By Miscellaneous income		1,000
To Depreciation on furniture (12,000 + 2,000 – 12,700)		1,300			
To Provision for doubtful		972			

debts			
To Net Profit (b.f.)		15,582	
		51,304	51,304

Balance Sheet as on 31st December, 2016

Liabilities	Amount		Assets		Amount
	₹	₹		₹	₹
Capital as on 1.1.2016 (W.N.1)	37,600		Furniture (w.d.v.)	12,000	
Less: Drawings	(15,808)		Additions during the Year	2,000	
	21,792		Less: Depreciation (b.f.)	(1,300)	12,700
Add: Net Profit	15,582	37,374	Investment		192
Sundry creditors		30,000	Interest accrued (200 x 4% x 6/12)		4
Outstanding expenses		3,600	Closing Inventory Sundry debtors	38,900	14,000
			Less: Provision for doubtful debts @ 2.5%	972	37,928
			Bills receivable (W.N.7)		3,500
			Cash in hand and at bank		1,250
			Prepaid expenses		1,400
		70,974			70,974

Working Notes:

1. Capital on 1st January, 2016

Balance Sheet As On 1st January, 2016

Liabilities	₹	Assets	₹
Capital (Bal.fig.)	37,600	Furniture (w.d.v.)	12,000
Creditors	22,000	Inventory at cost	16,000
Outstanding expenses	4,000	Sundry debtors	32,000
		Cash in hand and at bank	2,400
		Prepaid expenses	1,200
	63,600		63,600

2. Purchases made during the year

Sundry Creditors Account

	₹		₹
To Cash and bank A/c	78,400	By Balance b/d	22,000
To Discount received A/c (80,000 - 78,400)	1,600	By Sundry debtors A/c	800
To Bills Receivable A/c	4,000	By Purchases A/c	91,200
To Balance c/d	30,000	(Balancing figure)	
	1,14,000		1,14,000

3. Sales made during the year

		₹
Opening inventory		16,000
Purchases	91,200	
Less: For advertising	(1,800)	89,400
Freight inwards		6,000
		1,11,400
Less: Closing inventory		(14,000)

Cost of goods sold		97,400
Add: Gross profit (@ 50% on cost)		48,700
		1,46,100

4. Debtors on 31st December, 2016

Sundry Debtors Account

	₹		₹
To Balance b/d	32,000	By Cash and bank A/c	1,17,000
To Sales A/c (W.N.3)	1,46,100	By Discount allowed A/c	3,000
To Sundry creditors A/c (bill dishonoured)	800	By Bills receivable A/c	20,000
	1,78,900	By Balance c/d (Bal. fig.)	38,900
			1,78,900

5. Additional drawings by Ms. Rashmi

Cash and Bank Account

	₹		₹
To Balance b/d	2,400	By Freight inwards A/c	6,000
To Sundry debtors A/c	1,17,000	By Furniture A/c	2,000
To Bills Receivable A/c	12,250	By Investment A/c	192
To Miscellaneous income A/c	1,000	By Expenses A/c	29,000
		By Creditors A/c	78,400
		By Drawings A/c [₹ 14,000 + ₹1,808 (b.f.) (Additional drawings)]	15,808
		By Balance c/d	1,250
	1,32,650		1,32,650

6. Amount of expenses debited to Profit and Loss A/c

Sundry Expenses Account

	₹		₹
To Prepaid expenses A/c (on 1.1.2016)	1,200	By Outstanding expenses A/c (on 1.1.2014)	4,000
To Bank A/c	29,000	By Profit and Loss A/c (Balancing figure)	28,400
To Outstanding expenses A/c (on 31.12.2016)	3,600	By Prepaid expenses A/c	1,400
	33,800		33,800

7. Bills Receivable on 31st December, 2016

Bills Receivable Account

	₹		₹
To Debtors A/c	20,000	By Creditors A/c	4,000
		By Bank A/c	12,250
		By Discount on bills receivable A/c	250
		By Balance c/d (Balancing figure)	3,500
	20,000		20,000

Question – 7. (RTP NOV 2019)

Following is the incomplete information of Jyotishikha Traders:

The following balances are available as on 31.03.2018 and 31.03.2019.

Balances	31.3.2018	31.3.2019
Land and Building	5,00,000	5,00,000
Plant and Machinery	2,20,000	3,30,000

Office equipment	1,05,000	85,000
Debtors (before charging for Bad debts)	?	2,25,000
Creditors for purchases	95,000	?
Creditors for office expenses	20,000	15,000
Stock	?	65,000
Long term loan from SBI @ 12%.	1,60,000	100,000
Bank	25,000	?

Other Information	In ₹
Collection from debtors	9,25,000
Payment to creditors for purchases	5,25,000
Payment of office expenses (excluding interest on loan)	42,000
Salary paid	32,000
Selling expenses	15,000
Cash sales	2,50,000
Credit sales (80% of total sales)	
Credit purchases	5,40,000
Cash purchases (40% of total purchases)	
GP Margin at cost plus 25%	
Discount Allowed	5,500
Discount Received	4,500
Bad debts (2% of closing debtors)	
Depreciation to be provided as follows:	
Land and Building	5%
Plant and Machinery	10%
Office Equipment	15%

Other adjustments:

- (i) On 01.10.18 they sold machine having Book Value ₹40,000 (as on 31.03.2018) at a loss of ₹15,000. New machine was purchased on 01.01.2019.
- (ii) Office equipment was sold at its book value on 01.04.2018.
- (iii) Loan was partly repaid on 31.03.19 together with interest for the year.
- You are required to prepare Trading, Profit & Loss Account and Balance Sheet as on 31.03.2019.

Solution:

**In the Books of Jyotishikha Traders
Trading Account for the year ended 31.03.2019**

Particulars	₹	Particulars	₹
To Opening Stock A/c (Bal. fig.)	1,65,000	By Sales (W.N.1)	12,50,000
To Purchases (W.N.2)	9,00,000	By Closing Stock	65,000
To Gross profit (12,50,000x25/125)	<u>2,50,000</u>		
	<u>13,15,000</u>		<u>13,15,000</u>

Profit and Loss Account for the year ended 31.03.2019

Particulars	₹	Particulars	₹
To Discount	5,500	By Gross profit	2,50,000
To Salaries Expenses	32,000	By Discount	4,500
To Office expenses (W.N.3)	37,000		
To Selling expenses	15,000		
To Interest on loan (12% on ₹1,60,000)	19,200		
To Bad debts (2% of ₹2,25,000)	4,500		
To Loss on sale of Machinery	15,000		

To Depreciation:				
Land & Building	25,000			
Plant & Machinery (W.N. 4b)	23,750			
Office Equipment (W.N. 5)	12,750	61,500		
To Net profit after tax		64,800		
		<u>2,54,500</u>		<u>2,54,500</u>

Balance sheet as on 31.3.2019

Liabilities	₹	₹	Assets	₹
Capital (W.N. 6)	8,95,500		Land and Building (5,00,000-25,000)	4,75,000
Add: Net Profit	64,800	9,60,300	Plant and Machinery (W.N.4a) (3,30,000-21,750)	3,08,250
Creditors for Purchases (W.N. 8)		1,05,500	Office Equipment (85,000-12,750)	72,250
Outstanding expenses		15,000	Debtors less Bad debts (W.N. 7)	2,20,500
Loan from SBI		1,00,000	Stock	65,000
			Bank Balance (W.N. 9)	39,800
		<u>11,80,800</u>		<u>11,80,800</u>

Working Notes:

1. Calculation of Total Sales

	₹
Cash Sales	2,50,000
Credit Sales (80% of total sales)	
Cash Sales (20% of total sales)	
T hus total Sales (250000 x 100/20)	12,50,000
Credit Sales (1250000 x 80/100)	10,00,000

2. Calculation of Total Purchases

	₹
Credit Purchases	5,40,000
Cash Purchases (40% of total purchases)	
Credit Purchases (60% of total purchases)	
T hus total Purchases (5,40,000 x 100/60)	9,00,000
Cash Purchases 9,00,000 x 40/100)	3,60,000

3. Office Expenses Account

	₹		₹
To Bank A/c	42,000	By Balance b/d	20,000
To Balance c/d	15,000	By Profit & loss A/c	37,000
	<u>57,000</u>		<u>57,000</u>

4. (a) Plant and Machinery Account

	₹		₹
To Opening balance	2,20,000	By sale	40,000
To Purchases	1,50,000	By Closing Balance	3,30,000
	3,70,000		3,70,000

(b) **Depreciation calculations on Plant & Machinery**

		₹
Depreciation on	1,80,000 x 10% (for full year)	18,000
	1,50,000 x 10% x 3/12 (for 3 months)	3,750
	40,000 x 10% x 6/12 (for 6 months)	2,000
		23,750

(c) **Sale of Machinery Account**

	Amount (₹)		Amount (₹)
To Plant & Machinery	40,000	By Depreciation	2,000
		By Profit and Loss A/c	15,000
		By Bank	23,000
	<u>40,000</u>		40,000

5. **Depreciation calculations on Office Equipments**

	₹
Opening Balance	1,05,000
Less: Closing Balance	85,000
Sale of Office Equipment	20,000
Balance of Office Equipment after sale	85,000
Depreciation @15%	12,750

6. **Opening Balance Sheet as on 31.03.2018**

	₹		₹
Creditors	95,000	Land & Building	5,00,000
Creditor for Exp.	20,000	Plant & Machinery	2,20,000
Loan	1,60,000	Office Equipment	1,05,000
Capital (Bal. fig.)	8,95,500	Debtors	1,55,500
		Stock	1,65,000
		Bank	25,000
	<u>11,70,500</u>		<u>11,70,500</u>

7. **Sundry Debtors A/c**

	₹		₹
To Balance b/d	1,55,500	By Bank	9,25,000
To Sales	10,00,000	By Discount	5,500
		By Bad debts	4,500

		By Bal. c/d	2,20,500
	11,55,500		11,55,500

8.

Sundry Creditors A/c

		₹			₹
To	Bank	5,25,000	By	Balance b/d	95,000
To	Discount	4,500	By	Purchases	5,40,000
To	Balance c/d	1,05,500			
		6,35,000			6,35,000

9.

Bank Account

		₹			₹
To	Balance b/d	25,000	By	Creditors	5,25,000
To	Debtors	9,25,000	By	Office Expenses	42,000
To	Cash Sales	2,50,000	By	Salary Expense	32,000
To	Sale of Machinery (W.N. 4c)	23,000	By	Selling Expenses	15,000
To	Sale of equipment	20,000	By	Purchases (cash)	3,60,000
			By	Purchase of Machinery	1,50,000
			By	Bank Loan & Interest	79,200
			By	Balance c/d	39,800
		12,43,000			12,43,000



Student Notes:-

COVID-19

