

### Accounts from Incomplete Records Assignment

| Q. No.                                 | Questions and Answers   |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
|--|---|-------------------|------------------|--------|--------|------------------|----------|--------------|----------|-----------|----------|-------|----------|---------------|----------|---------|----------|----------------------|--------|------------------|--------|--|--|-------------------|-------|--|--|-------------------|----------|--|------------------|--|------------------|------------|-------------|--------------------------|-----------|-----------------------|-------------|------------------------|-----------|----------------------|----------|----------|----------|--|----------|---------------|----------|---------|----------|------------------|----------|---------------|----------|----------------------|-------|
| 1.                                     | <p>Mr. Y keeps his books on single entry basis. On 31.3.20X1 his balance sheet was as follow:</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <thead> <tr> <th style="width: 35%;">Liabilities</th> <th style="width: 15%;">Amount</th> <th style="width: 35%;">Assets</th> <th style="width: 15%;">Amount</th> </tr> </thead> <tbody> <tr> <td>Capital of Mr. Y</td> <td style="text-align: right;">4,50,000</td> <td>Fixed assets</td> <td style="text-align: right;">2,25,000</td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">8,70,000</td> <td>Stock</td> <td style="text-align: right;">9,15,000</td> </tr> <tr> <td>Bills payable</td> <td style="text-align: right;">1,87,500</td> <td>Debtors</td> <td style="text-align: right;">2,22,000</td> </tr> <tr> <td>Expenses outstanding</td> <td style="text-align: right;">67,500</td> <td>Bills receivable</td> <td style="text-align: right;">90,000</td> </tr> <tr> <td></td> <td></td> <td>Prepaid insurance</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td></td> <td></td> <td>Cash/bank balance</td> <td style="text-align: right;">1,20,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>15,75,000</b></td> <td></td> <td style="text-align: right;"><b>15,75,000</b></td> </tr> </tbody> </table> <p>1) Following are the summary of cash and bank transactions for the year ended 31, March, 20X2</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tbody> <tr> <td>Cash sales</td> <td style="text-align: right;">1,10,70,000</td> </tr> <tr> <td>Collections from debtors</td> <td style="text-align: right;">22,65,000</td> </tr> <tr> <td>Payments to creditors</td> <td style="text-align: right;">1,12,60,500</td> </tr> <tr> <td>Paid for bills payable</td> <td style="text-align: right;">12,22,500</td> </tr> <tr> <td>Sundry expenses paid</td> <td style="text-align: right;">9,31,050</td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">3,60,000</td> </tr> <tr> <td>Cash and bank balance as on 31.12.20X2</td> <td style="text-align: right;">1,90,950</td> </tr> </tbody> </table> <p>2) Following further details are furnished</p> <ul style="list-style-type: none"> <li>Gross profit on sales @ 10%</li> <li>Bills receivables during the year <span style="float: right;">6,52,500</span></li> <li>Discount allowed to debtors <span style="float: right;">54,000</span></li> <li>Discount received from creditors <span style="float: right;">42,000</span></li> <li>Bills receivables endorsed to creditors <span style="float: right;">22,500</span></li> <li>Annual fire insurance premium paid <span style="float: right;">63,800</span></li> </ul> <p>(This amount is to be paid on 1 august every year)</p> <ul style="list-style-type: none"> <li>Depreciate fixed assets @ 10%</li> </ul> <p>3) Balance as on 31.3.20X2 are as follow</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tbody> <tr> <td>Stock in hand</td> <td style="text-align: right;">9,75,000</td> </tr> <tr> <td>Debtors</td> <td style="text-align: right;">2,28,000</td> </tr> <tr> <td>Bills receivable</td> <td style="text-align: right;">2,10,000</td> </tr> <tr> <td>Bills payable</td> <td style="text-align: right;">2,10,000</td> </tr> <tr> <td>Outstanding expenses</td> <td style="text-align: right;">7,500</td> </tr> </tbody> </table> <p>Prepare trading, profit and loss account or the year ended 31.3.20X2 and the balance sheet on that date.</p> <p><b>Major points:</b></p> <ol style="list-style-type: none"> <li>1) Sundry expenses include payment for fire insurance premium.</li> <li>2) Compute prepaid insurance from annual fire insurance paid.</li> </ol> <p style="text-align: center;">(May 2007/ICAI SM/ May 2013/November 2019/April 2021 MTP/January 2021)</p> | Liabilities       | Amount           | Assets | Amount | Capital of Mr. Y | 4,50,000 | Fixed assets | 2,25,000 | Creditors | 8,70,000 | Stock | 9,15,000 | Bills payable | 1,87,500 | Debtors | 2,22,000 | Expenses outstanding | 67,500 | Bills receivable | 90,000 |  |  | Prepaid insurance | 3,000 |  |  | Cash/bank balance | 1,20,000 |  | <b>15,75,000</b> |  | <b>15,75,000</b> | Cash sales | 1,10,70,000 | Collections from debtors | 22,65,000 | Payments to creditors | 1,12,60,500 | Paid for bills payable | 12,22,500 | Sundry expenses paid | 9,31,050 | Drawings | 3,60,000 | Cash and bank balance as on 31.12.20X2 | 1,90,950 | Stock in hand | 9,75,000 | Debtors | 2,28,000 | Bills receivable | 2,10,000 | Bills payable | 2,10,000 | Outstanding expenses | 7,500 |
| Liabilities                            | Amount  | Assets            | Amount           |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Capital of Mr. Y                       | 4,50,000  | Fixed assets      | 2,25,000         |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Creditors                              | 8,70,000  | Stock             | 9,15,000         |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Bills payable                          | 1,87,500  | Debtors           | 2,22,000         |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Expenses outstanding                   | 67,500  | Bills receivable  | 90,000           |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
|  |   | Prepaid insurance | 3,000            |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
|  |   | Cash/bank balance | 1,20,000         |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
|  | <b>15,75,000</b>  |                   | <b>15,75,000</b> |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Cash sales                             | 1,10,70,000   |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Collections from debtors               | 22,65,000   |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Payments to creditors                  | 1,12,60,500   |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Paid for bills payable                 | 12,22,500   |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Sundry expenses paid                   | 9,31,050  |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Drawings                               | 3,60,000  |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Cash and bank balance as on 31.12.20X2 | 1,90,950  |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Stock in hand                          | 9,75,000  |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Debtors                                | 2,28,000  |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Bills receivable                       | 2,10,000  |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Bills payable                          | 2,10,000  |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |
| Outstanding expenses                   | 7,500   |                   |                  |        |        |                  |          |              |          |           |          |       |          |               |          |         |          |                      |        |                  |        |  |  |                   |       |  |  |                   |          |  |                  |  |                  |            |             |                          |           |                       |             |                        |           |                      |          |          |          |  |          |               |          |         |          |                  |          |               |          |                      |       |

| Sol. Trading and Profit and Loss Account of Mr. Y for the year 31.3.20X1 |  |                  |                   |             |                  |
|--|--|------------------|-------------------|-------------|------------------|
|  |  | ₹                |                   |             | ₹                |
| Opening stock  |  | 9,15,000         | Sales: Cash       | 1,10,70,000 |                  |
| Purchases (W.N.5)  |  | 1,27,02,750      | Credit (W.N.2)    |             | 1,40,47,500      |
|  |  |                  |                   | 29,77,500   |                  |
| Gross profit   |  | 14,04,750        | Closing stock     |             | 9,75,000         |
|  |  | 1,50,22,500      |                   |             | 1,50,22,500      |
| Expenses (W.N.6)   |  | 8,71,050         | Gross profit      |             | 14,04,750        |
| Discount allowed   |  | 54,000           | Discount received |             | 42,000           |
| Depreciation   |  | 22,500           |                   |             |                  |
| Net profit   |  | 4,99,200         |                   |             |                  |
|  |  | <b>14,46,750</b> |                   |             | <b>14,46,750</b> |

  

| Balance Sheet of Mr. Y as on 31st March, 20X1 |          |                    |                    |        |                    |
|---|----------|--------------------|--------------------|--------|--------------------|
| Liabilities                                   |          | ₹                  | Assets             |        | ₹                  |
| Capital                                       | 4,50,000 |                    | Fixed assets       |        | 2,25,000           |
| Add: Net profit                               | 4,99,200 |                    | Less: Depreciation | 22,500 | 2,02,500           |
| Less: Drawings                                | 3,60,000 | 58,920             | Bills receivable   |        | 2,10,000           |
|   |          |                    | Debtors            |        | 2,28,000           |
| Bills payable                                 |          | 2,10,000           | Prepaid insurance  |        | 3,000              |
| Creditors                                     |          | 1,00,27,500        | Cash on hand/bank  |        | 1,90,950           |
| Outstanding expenses                          |          | 7,500              | Stock              |        | 9,75,000           |
|   |          | <b>1,80,94,500</b> |                    |        | <b>1,80,94,500</b> |

  

| Bills Receivable Account |                 |                            |                 |
|--------------------------|-----------------|----------------------------|-----------------|
| Particulars              | ₹               | Particulars                | ₹               |
| Balance b/f              | 90,000          | Cash (Balancing figure)    | 5,10,000        |
| Debtors                  | 6,52,500        | Creditors (Bills endorsed) | 22,500          |
|                          |                 | Balance c/f                | 2,10,000        |
|                          | <b>7,42,500</b> |                            | <b>7,42,500</b> |

  

| Debtors Account                 |                  |                  |                  |
|---------------------------------|------------------|------------------|------------------|
| Particulars                     | ₹                | Particulars      | ₹                |
| Balance b/f                     | 2,22,000         | Cash/Bank        | 22,65,000        |
| Credit Sales (Balancing figure) | 29,77,500        | Discount allowed | 54,000           |
|                                 |                  | Bills receivable | 6,52,500         |
|                                 |                  | Balance c/f      | 2,28,000         |
|                                 | <b>31,99,500</b> |                  | <b>31,99,500</b> |

  

| Bills Payable Account |                  |                             |                  |
|-----------------------|------------------|-----------------------------|------------------|
| Particulars           | ₹                | Particulars                 | ₹                |
| Bank                  | 12,22,500        | Balance b/f                 | 1,87,500         |
| Balance c/f           | 2,10,000         | Creditor (Balancing figure) | 12,45,000        |
|                       | <b>14,32,500</b> |                             | <b>14,32,500</b> |

| <b>Creditors Account</b>       |                    |             |                    |
|--------------------------------|--------------------|-------------|--------------------|
| Particulars                    | ₹                  | Particulars | ₹                  |
| Cash/Bank                      | 1,12,60,500        | Balance b/f | 8,70,000           |
| Discount                       | 42,000             | Purchases   | 1,27,02,750        |
| B/R endorsed                   | 22,500             |             |                    |
| B/P                            | 12,45,000          |             |                    |
| Balance c/f (Balancing figure) | 10,02,750          |             |                    |
|                                | <b>1,35,72,750</b> |             | <b>1,35,72,750</b> |

  

| <b>Stock Account</b>         |                    |  |                    |
|------------------------------|--------------------|--|--------------------|
| Particulars                  | ₹                  | Particulars                                | ₹                  |
| Balance b/f                  | 9,15,000           | Cost of goods sold<br>(₹1,40,47,500 x 90%) | 1,26,42,750        |
| Purchases (Balancing figure) | 1,27,02,750        | Balance c/d                                | 9,75,000           |
|                              | <b>1,36,17,750</b> |  | <b>1,36,17,750</b> |

  

**Expenses for the year ended 31st March, 2007**

|  | ₹               |
|--|-----------------|
| Expenses paid during the year  | 9,31,050        |
| Add: Outstanding expenses as on 31.3.20X1                                  | 7500            |
|  | <b>9,38,550</b> |
| Less: Outstanding expenses as on 1.4.20X0                                  | 67,500          |
|  | <b>8,71,050</b> |
| Add: Prepaid Insurance as on 1.4.20X0                                      | 3,000           |
|  | <b>8,74,050</b> |
| Less: Prepaid Insurance as on 31.3.20X1 (9,000 x 4/12)                     | 3,000           |
| Expenses shown in the profit and loss account for the year ended 31.3.20X1 | <b>8,71,050</b> |

  

2. From the following information furnished by shri Ramji, prepare trading and profit and loss account for the year ended 31.3.20X2. also draft his balance sheet as at 31.3.2011

| Particulars                        | 1.4.20X1 | 1.4.20X1 |
|------------------------------------|----------|----------|
| Creditors                          | 3,15,400 | 2,48,000 |
| Expenses outstanding               | 12,000   | 6,600    |
| Fixed assets (including machinery) | 2,32,200 | 2,40,800 |
| Stock in hand                      | 1,60,800 | 2,22,400 |
| Cash in hand                       | 59,200   | 24,000   |
| Cash at bank                       | 80,000   | 1,37,600 |
| Sundry debtors                     | 3,30,600 | ?        |

**Details for years transactions are as follow-**

|  |           |
|--|-----------|
| Cash and discount credited to debtors                              | 12,80,000 |
| Returns from debtors   | 29,000    |
| Bad debts  | 8,400     |
| Sales (both cash and credit)                                       | 14,36,200 |
| Discount allowed by creditors                                      | 14,000    |
| Returns to creditors   | 8,000     |
| Capital introduced by cheques                                      | 1,70,000  |
| Collection from debtors (deposited into bank after receiving cash) | 12,50,000 |
| Cash purchases   | 20,600    |
| Expenses paid by cheque  | 1,91,400  |
| Drawings by cheque   | 8,600     |
| Machinery acquired by cheque                                       | 63,600    |
| Cash deposited into bank   | 1,00,000  |
| Cash withdrawn from bank   | 1,84,800  |
| Cash sales   | 92,000    |
| Payment to creditors by cheque                                     | 12,05,400 |

**Note-** Ram ji has not sold any assets during the year.

Major points in this question

1) **Balancing figure in cash and bank account are same, therefore it will be adjusted by passing the contra entry.**

2) **Cash and discount credited to debtors is 1280000 and cash collected from debtors are 12,50,000. Therefore, 30,000 is discount allowed to debtors.**

(November 2005/ICAI SM /May 2014(M)/November 2019 RTP/Nov. 2020, RTP)

**Sol. In the books of Shri Ramji Trading and Profit and Loss Account for the year ended 31st March, 2011**

|                              | ₹         | ₹         |                     | ₹         | ₹         |
|------------------------------|-----------|-----------|---------------------|-----------|-----------|
| To Opening stock             |           | 1,60,800  | By Sales:           |           |           |
| To Purchases:                | 20,600    |           |                     |           |           |
| Cash                         | 11,60,000 |           | Cash                | 92,000    |           |
| Credit (W.N. 3)              |           |           | Credit              | 13,44,200 |           |
|                              | 11,80,600 |           |                     | 14,36,200 |           |
| Less: Returns                | 8,000     | 11,72,600 | Less: Returns       | 29,000    | 14,07,200 |
| To Gross Profit c/d          |           | 2,96,200  | By Closing stock    |           | 2,22,400  |
|                              |           | 16,29,600 |                     |           | 16,29,600 |
| To Discount allowed          |           | 30,000    | By Gross profit b/d |           | 2,96,200  |
| To Bad debts                 |           | 8,400     | By Discount         |           | 14,000    |
| To General expenses (W.N. 5) |           | 1,86,000  |                     |           |           |
| To Depreciation (W.N. 4)     |           | 55,000    |                     |           |           |
| To Net profit                |           | 30,800    |                     |           |           |
|                              |           | 3,10,200  |                     |           | 3,10,200  |

**Balance Sheet as at 31st March, 2011**

| Liabilities             |                 | ₹        | Assets                  |          | ₹        |
|-------------------------|-----------------|----------|-------------------------|----------|----------|
| Capital (W.N. 1)        | 5,35,400        |          | Sundry Assets           | 2,32,200 |          |
| Add: Additional capital | 1,70,000        |          | Add: New machinery      | 63,600   |          |
| Net profit              | 30,800          |          |                         | 2,95,800 |          |
|                         | <b>7,36,200</b> |          | Less: Depreciation      | 55,000   | 2,40,800 |
| Less: Drawings          | 8,600           | 7,27,600 | Stock in trade          |          | 2,22,400 |
| Sundry creditors        |                 | 2,48,000 | Sundry debtors (W.N. 2) |          | 3,57,400 |
| Expenses outstanding    |                 | 6,600    | Cash in hand            |          | 24,000   |
|                         |                 |          | Cash in Bank            |          | 1,37,600 |
|                         |                 | 9,82,200 |                         |          | 9,82,200 |

**Working Notes:****1) Statement of Affairs as at 31st March, 2010**

| Liabilities          | ₹               | Assets        | ₹               |
|----------------------|-----------------|---------------|-----------------|
| Sundry creditors     | 3,15,400        | Sundry Assets | 2,32,200        |
| Outstanding expenses | 12,000          | Stock         | 1,60,800        |
| Ramji's Capital      |                 | Debtors       | 3,30,600        |
| (Balancing figure)   | 5,35,400        | Cash in hand  | 59,200          |
|                      |                 | Cash at Bank  | 80,000          |
|                      | <b>8,62,800</b> |               | <b>8,62,800</b> |

**2) Sundry Debtors Account**

|                               | ₹         |                            | ₹         |
|-------------------------------|-----------|----------------------------|-----------|
| To Balance b/d                | 3,30,600  | By Cash                    | 12,50,000 |
| To Sales (14,36,200 - 92,000) | 13,44,200 | By Discount                | 30,000    |
|                               |           | By Returns (sales)         |           |
|                               |           | By Bad debts               | 29,000    |
|                               |           | By Balance c/d (Bal. fig.) | 8,400     |
|                               | 16,74,800 |                            | 16,74,800 |

**3) Sundry Creditors Account**

|                                  | ₹                |  | ₹                |
|----------------------------------|------------------|--|------------------|
| To Bank - Payments               | 12,05,400        | By Balance b/d                         | 3,15,400         |
| To Discount                      | 14,000           | By Purchases credit (Balancing figure) | 11,60,000        |
| To Returns                       | 8,000            |  |                  |
| To Balance c/d (closing balance) | 2,48,000         |  |                  |
|                                  | <b>14,75,400</b> |  | <b>14,75,400</b> |

**4) Depreciation on Fixed Assets:**

|                 | ₹ | ₹        |
|-----------------|---|----------|
| Opening balance |   | 2,32,200 |
| Add: Additions  |   | 63,600   |

|   |   |  |   |                  |
|---|---|--|---|------------------|
|   |   |  |   | 2,95,800         |
| Less: Closing balance                                     |   |  |   | 2,40,800         |
| Depreciation  |   |  |   | 55,000           |
| <b>5) Expenses to be shown in profit and loss account</b> |   |  |   |                  |
|   |   | ₹                                      |   | ₹                |
| Expenses (in cash)  |   | 1,91,400                               |   |                  |
| Add: Outstanding of 2011                                  |   | 6,600                                  |   |                  |
|   |   | <b>1,97,800</b>                        |   |                  |
| Less: Outstanding of 2010                                 |   | 12,000                                 |   |                  |
|   |   |  |   | <b>1,86,000</b>  |
| <b>6) Cash and Bank Account</b>                           |   |  |   |                  |
|   | <b>Cash</b>   | <b>Bank</b>                            | <b>Cash</b>                             | <b>Bank</b>      |
| To Balance b/d  | 59,200  | 80,000                                 |   | 20,600           |
| To Capital  |   | 1,70,000                               | 1,91,400                                |                  |
| To Debtors  |   | 12,50,000                              |   | 63,600           |
| To Bank   | 1,84,800  |  |   | 8,600            |
| To Cash   |   | 1,00,000                               |   | 12,05,400        |
| To Sales  | 92,000  |  |   | 1,84,800         |
|   |   |  | 1,00,000                                |                  |
|   |   |  | 24,000                                  | 1,37,600         |
|   | <b>3,36,000</b>   | <b>16,00,000</b>                       | <b>3,36,000</b>                         | <b>16,00,000</b> |
| 3.  | From the following data furnished by manoj, you are required to prepare a trading and profit and loss account for the year ended 31 <sup>st</sup> March, 20X2 and a balance sheet as at that date. All working should from part of your answer. |  |   |                  |
|   | <b>Assets and liabilities</b>   | <b>As on 1<sup>st</sup> April 20X1</b> | <b>As on 31<sup>st</sup> March 20X2</b> |                  |
|   | Creditors   | 15,770                                 | 12,400                                  |                  |
|   | Sundry expenses outstanding   | 600                                    | 330                                     |                  |
|   | Sundry assets   | 11,610                                 | 12,040                                  |                  |
|   | Stock in trade  | 8,040                                  | 11,120                                  |                  |
|   | Cash in hand and at bank  | 6,960                                  | 8,080                                   |                  |
|   | Trade debtors   | -                                      | 17,870                                  |                  |
|   | <b>Details relating to transaction in the year:</b>   |  |   |                  |
|   | 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                                     |                  |
|   | Purchases return  |  | 400                                     |                  |
|   | Additional capital-paid into bank   |  | 8,500                                   |                  |
|   | Realizations 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 31-3-20X0          |  | 1,200  |
| Cheques issued to trade creditors  |  | 60,270 |

(ICAI SM /May 2012(M)/December 2014/May 2019(M)/November 2021 RTP)

Sol.

**Trading and profit & loss account  
For the year ending 31<sup>st</sup> March, 20X2**

|                               | ₹.     | ₹.     |                  | ₹.      | ₹.     |
|-------------------------------|--------|--------|------------------|---------|--------|
| To opening stock              |        | 8,040  | By sales         |         |        |
| To purchases                  | 59,030 |        | Cash             | 4,600   |        |
| Less: returns                 | 400    | 58,630 | Credit           | 67,210  |        |
|                               |        | 14,810 |                  | 71,810  |        |
| To gross profit c/d           |        | 81,480 | Less: returns    | (1,450) | 70,360 |
| To sundry expenses<br>(w.n.5) |        | 9,300  | By closing stock |         | 11,120 |
| To discount                   |        | 1,500  | By gross profit  |         | 14,810 |
| To debts                      |        | 420    | By discount      |         | 700    |
| To net profit to capital      |        | 4,290  |                  |         |        |
|                               |        | 15,510 |                  |         | 15,150 |

**Balance sheet of M/s....  
As on 31<sup>st</sup> March, 20X2**

| Liabilities               | ₹.     | ₹.     | Assets                 | ₹.     |
|---------------------------|--------|--------|------------------------|--------|
| Capital                   |        |        | Sundry assets          | 12,040 |
| Opening balance           | 26,770 |        | Stock in trade         | 11,120 |
| Add addition "net profit" | 8,500  |        | Sundry debtors         | 17,870 |
|                           | 4,290  |        | Cash in hand & at bank | 8,080  |
| Less: drawings            | 39,560 |        |                        |        |
| Sundry creditors          | 3,180  | 36,380 |                        |        |
| Outstanding expenses      |        | 12,400 |                        |        |
|                           |        | 330    |                        |        |
|                           |        | 49,110 |                        | 49,110 |

**Working notes:****1) 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<br>balancing figure) | 4,600  | By sundry expenses   | 9,570  |
|   |        | By purchases         | 1,030  |
|   |        | By balance c/d       | 8,080  |
|   | 96,800 |                      | 96,800 |

2)

**Total Debtors account**

| 2) Total Debtors account             |        |                  |        |
|--------------------------------------|--------|------------------|--------|
|                                      | ₹.     |                  | ₹.     |
| To balance b/d<br>(Balancing figure) | 16,530 | By bank          | 62,500 |
| To sales (71,810-4,600)              | 67,210 | By discount      | 1,500  |
|                                      |        | By return inward | 1,450  |
|                                      |        | By bad debts     | 420    |
|                                      |        | By balance c/d   | 17,870 |
|                                      | 83,740 |                  | 83,740 |

  

| 3) 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 |

  

| 4) Balance sheet as on 1 <sup>st</sup> April, 20X1 |        |                |        |
|--|--------|----------------|--------|
| Liabilities  | ₹.     | Assets         | ₹.     |
| Capital (balancing figure)                         | 26,770 | Sundry assets  | 11,610 |
| Sundry creditors                                   | 15,770 | Stock in trade | 8,040  |
| Outstanding expenses                               | 600    | Sundry debtors | 16,530 |
| Cash in hand & at bank                             | 6,960  |                |        |
|  | 43,140 |                | 43,140 |

  

| 5) Expenses during the year.  |  |            |
|-------------------------------|--|------------|
| Expenses paid in cash         |  | 9,570      |
| Add: outstanding on 31-3-20X2 |  | <u>330</u> |
|                               |  | 9,900      |
| Less: outstanding on 1-4-20X1 |  | <u>600</u> |
|                               |  | 9,300      |

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

4. The following is the balance sheet of the retail business of Shri Srinivas as at 31<sup>st</sup> March, 20X1:

| Liabilities            | ₹         | Assets       | ₹         |
|------------------------|-----------|--------------|-----------|
| Sri Srinivas's capital | 1,00,000  | Furniture    | 10,000    |
| Liabilities for goods  | 20,500    | Stock        | 70,000    |
| Rent                   | 1,000     | Debtors      | 25,000    |
|                        |           | Cash at bank | 14,500    |
|                        |           | Cash in hand | 2,000     |
|                        | 1, 21,500 |              | 1, 21,500 |

You are furnished with the following information:

- 1) Shri Srinivas's sells his goods at a profit of 20% on sales.
- 2) Goods are sold for cash and credit. Credit customers pay by cheques only.
- 3) Payments for purchases are always made by cheques.
- 4) It is the practice of Sri Srinivas's to send to the bank every weekend the collections of the week after paying every week, salary of ₹ 300 to the clerk, sundry expenses of ₹ 50 and personal expenses ₹ 100.

Analysis of the bank pass-book for the 13 weeks period ending 31<sup>st</sup> March 20X1 disclosed the following:

|   | ₹ | ₹         |
|---|---|-----------|
| Payment of creditors  |   | 75,000    |
| Payment of rent upto 31.3.X1  |   | 4,000     |
| Amounts deposits into the bank<br>(Include ₹. 30,000 received from debtors by cheque) |   | 1, 25,000 |

The following are the balances on 31<sup>st</sup> march, 20X1:

|                     | ₹ | ₹      |
|---------------------|---|--------|
| Stock               |   | 40,000 |
| Debtors             |   | 30,000 |
| Creditors for goods |   | 36,500 |

On the evening of 31<sup>st</sup> march, 20X1 the cashier absconded with the available cash in the cash box. There is no cash deposits in the week ended on that date.

You are required to prepare a statement showing the amount of cash deflected by the cashier and also a profit and loss account for the period ended 31<sup>st</sup> march, 20X1 and a balance sheet as on that date

(May 1999/May 2006(M)/ICAI SM/July 2021)

Sol.

**Trading and Profit and Loss Account of Sri Srinivas  
for the 13 week period ended 31st March, 20X1**

|                            | ₹             |                     | ₹        | ₹             |
|----------------------------|---------------|---------------------|----------|---------------|
| To Opening stock           | 70,000        | By Sales:           |          |               |
| To Purchases               | 91,000        | Cash                | 1,16,250 |               |
| To Gross Profit c/d        | 30,250        | Credit              | 35,000   | 1,51,250      |
|                            |               | By Closing stock    |          | 40,000        |
|                            | 191,250       |                     |          | 1,91,250      |
| To Salaries                | 3,900         | By Gross profit b/d |          | 30,250        |
| To Rent (₹4,000 - ₹ 1,000) | 3,000         |                     |          |               |
| To Sundry Expenses         | 650           |                     |          |               |
| To Loss of cash by theft   | 17,400        |                     |          |               |
| To Net Profit              | 5,300         |                     |          |               |
|                            | <b>30,250</b> |                     |          | <b>30,250</b> |

**Balance Sheet of Sri Srinivas as on 31st March, 20X1**

| Liabilities            | ₹               | Assets       | ₹               |
|------------------------|-----------------|--------------|-----------------|
| Capital as on 1.1.20x1 | 1,00,000        | Furniture    | 10000           |
| Add : Profit           | 5300            | Stock        | 40000           |
|                        | 1,05,300        | Debtors      | 30000           |
| Less : Drawings        | 1300            | Cash at bank | 60500           |
| Liabilities for goods  |                 |              |                 |
|                        |                 |              |                 |
|                        | <b>1,40,500</b> |              | <b>1,40,500</b> |

**Working Notes:****1) Purchases****Creditors Account**

|                | ₹               |                              | ₹               |
|----------------|-----------------|------------------------------|-----------------|
| To Bank A/c    | 75000           | By Balance b/d               | 20500           |
| To Balance c/d | 36500           | By Purchases A/c (Bal. fig.) | 91000           |
|                | <b>1,11,500</b> |                              | <b>1,11,500</b> |

**2) Total sales**

|                                 | ₹        |
|---------------------------------|----------|
| Opening stock                   | 70,000   |
| Add: Purchases                  | 91,000   |
| 1,61,000                        |          |
| Less: Closing stock             | 40,000   |
| Cost of goods sold              | 1,21,000 |
| Add: Gross profit @ 25% on cost | 30,250   |
| Total Sales                     | 1,51,250 |

**Debtors Account**

|                          |               |                |               |
|--------------------------|---------------|----------------|---------------|
| To Balance b/d           | 25,000        | By Bank A/c    | 30,000        |
| To Sales A/c (Bal. fig.) | 35,000        | By Balance c/d | 30,000        |
|                          | <b>60,000</b> |                | <b>60,000</b> |

**4) Cash Sales**

|                     | ₹        |
|---------------------|----------|
| Total sales         | 1,51,250 |
| Less : Credit Sales | 35,000   |
| Cash sales          | 1,16,250 |

**Notes**

- All purchases are taken on credit basis
- In the absence of information about the rate of depreciation, no depreciation has been charged on furniture. Alternatively, students may assume any appropriate rate of depreciation and account for the charge
- The amount defalcated by the cashier may be treated as recoverable from him. In that case, ₹ 17,400 may be shown as sundry advances on assets side in the Balance Sheet and net profit for the 13 week period ending 31st March, 20X1 would amount ₹ 22,700.

5. Mr. Anil, a trader keeps his books of account under single entry system. On 31st March, 20X1 his statement of affairs stood as follows:

| Liabilities          | ₹                | Assets                           | ₹                |
|----------------------|------------------|----------------------------------|------------------|
| Trade Creditors      | 5,80,000         | Furniture, Fixtures and Fittings | 1,00,000         |
| Bills Payable        | 1,25,000         | Stock                            | 6,10,000         |
| Outstanding Expenses | 45,000           | Trade Debtors                    | 1,48,000         |
| Capital Account      | 2,50,000         | Bills Receivable                 | 60,000           |
|                      |                  | Unexpired Insurance              | 2,000            |
|                      |                  | Cash in Hand and at Bank         | 80,000           |
|                      | <b>10,00,000</b> |                                  | <b>10,00,000</b> |

The following was the summary of Cash-book for the year ended 31st March, 20X2:

| Receipts                                    | ₹                | Payments                                     | ₹                |
|---|------------------|--|------------------|
| Cash in Hand and at Bank on 1st April, 20X1 | 80,000           | Payments to Trade Creditors                  | 75,07,000        |
| Cash Sales                                  | 73,80,000        | Payments for Bills payable                   | 8,15,000         |
| Receipts from Trade Debtors                 | 15,10,000        | Sundry Expenses paid                         | 6,20,700         |
| Receipts for Bills Receivable               | 3,40,000         | Drawings                                     | 2,40,000         |
|   |                  | Cash in Hand and at Bank on 31st March, 20X2 | 1,27,300         |
|   | <b>93,10,000</b> |  | <b>93,10,000</b> |

Discount allowed to trade debtors and received from trade creditors amounted to ₹ 36,000 and ₹ 28,000 respectively. Bills endorsed amounted to ₹ 15,000. Annual Fire Insurance premium of ₹ 6,000 was paid every year on 1st August for the renewal of the policy. Furniture, fixtures and fittings were subject to depreciation @ 15% per annum on diminishing balance method.

You are also informed about the following balances as on 31st March, 20X2:

| Particulars          | ₹        |
|----------------------|----------|
| Stock                | 6,50,000 |
| Trade Debtors        | 1,52,000 |
| Bills Receivable     | 75,000   |
| Bills Payable        | 1,40,000 |
| Outstanding Expenses | 5,000    |

The trader maintains a steady gross profit ratio of 10% on sales.

Prepare Trading and Profit and Loss Account for the year ended 31st March, 20X2 and Balance Sheet as at that date.

(ICAI SM/May 2001/March 2021 MTP)

**Sol.** In the books of Mr. Anil Trading and Profit and Loss Account for the year ended 31st March, 20X2

| Particulars                               | ₹         | Particulars         | ₹         |
|---|-----------|---------------------|-----------|
| To Opening Stock                          | 6,10,000  | By Sales            |           |
| To Purchases (W.N. 3)                     | 84,10,000 | Cash                | 73,80,000 |
| To Gross profit c/d<br>(10% of 93,00,000) | 9,30,000  | Credit (W.N. 2)     | 19,20,000 |
|   | 99,50,000 | By Closing stock    | 6,50,000  |
| To Sundry expenses<br>(W.N. 6)            | 5,80,700  | By Gross profit b/d | 9,30,000  |
| To Discount allowed                       | 36,000    | By Discount         | 28,000    |

|                                     |                 |          |                 |
|-------------------------------------|-----------------|----------|-----------------|
| To Depreciation<br>(15% ₹ 1,00,000) | 15,000          | received |                 |
| To Net Profit (b.f.)                | 3,26,300        |          |                 |
|                                     | <b>9,58,000</b> |          | <b>9,58,000</b> |

**Balance Sheet as at 31st March, 20X2**

| Liabilities                   |                 | Amount<br>₹      | Assets                 |          | Amount<br>₹      |
|-------------------------------|-----------------|------------------|------------------------|----------|------------------|
| <b>Capital</b>                |                 |                  | Furniture & Fittings   | 1,00,000 |                  |
| Opening balance               | 2,50,000        |                  | Less : Dep.            | (15,000) | 85,000           |
| Less: Drawing                 | (2,40,000)      |                  | Stock                  |          | 6,50,000         |
|                               | 10,000          |                  | Trade Debtors          |          | 1,52,000         |
| Add: Net profit for the years | <u>3,26,300</u> | 3,36,300         | Bills receivable       |          | 75,000           |
| Bills payable                 |                 | 1,40,000         | Unexpired insurance    |          | 2,000            |
| Trade creditors               |                 | 6,10,000         | Cash in hand & at bank |          | 1,27,300         |
| Outstanding expenses          |                 | 5,000            |                        |          |                  |
|                               |                 | <b>10,91,300</b> |                        |          | <b>10,91,300</b> |

**Working Notes:****1) Bills Receivable Account**

| Particulars             | ₹               | Particulars                         | ₹               |
|-------------------------|-----------------|-------------------------------------|-----------------|
| To Balance b/d          | 60,000          | By Cash                             | 3,40,000        |
| To Trade debtors (b.f.) | 3,70,000        | By Trade creditors (Bills endorsed) | 15,000          |
|                         |                 | By Balance c/d                      | 75,000          |
|                         | <b>4,30,000</b> |                                     | <b>4,30,000</b> |

**2) Trade Debtors Account**

| Particulars                 | ₹                | Particulars         | ₹                |
|-----------------------------|------------------|---------------------|------------------|
| To Balance b/d              | 1,48,000         | By Cash/Bank        | 15,10,000        |
| To Credit sales (Bal. fig.) | 19,20,000        | By Discount allowed | 36,000           |
|                             |                  | By Bills receivable | 3,70,000         |
|                             |                  | By Balance c/d      | 1,52,000         |
|                             | <b>20,68,000</b> |                     | <b>20,68,000</b> |

**3) Memorandum Trading Account**

| Particulars                     | ₹         | Particulars      | ₹         |
|---------------------------------|-----------|------------------|-----------|
| To Opening stock                | 6,10,000  | By Sales         | 93,00,000 |
| To Purchases (Balancing figure) | 84,10,000 | By Closing stock | 6,50,000  |

|   |   |  |                  |
|---|---|--|------------------|
| To Gross Profit (10% on sales)  | 9,30,000  |  |                  |
|   | <b>99,50,000</b>  |  | <b>99,50,000</b> |
| <b>4) Bills Payable Account</b>   |   |  |                  |
| <b>Particulars</b>  | <b>₹</b>  | <b>Particulars</b>                     | <b>₹</b>         |
| To Cash/Bank  | 8,15,000  | By Balance b/d                         | 1,25,000         |
| To Balance c/d  | 1,40,000  | By Creditors (balancing figure)        | 8,30,000         |
|   | <b>9,55,000</b>   |  | <b>9,55,000</b>  |
| <b>5) Trade Creditors Account</b>   |   |  |                  |
| <b>Particulars</b>  | <b>₹</b>  | <b>Particulars</b>                     | <b>₹</b>         |
| To Cash/Bank  | 75,07,000   | By Balance b/d                         | 5,80,000         |
| To Discount received  | 28,000  | By Purchases (as calculated in W.N. 3) | 84,10,000        |
| To Bills receivable   | 15,000  |  |                  |
| To Bills payable  | 8,30,000  |  |                  |
| To Balance c/d (balancing figure)   | 6,10,000  |  |                  |
|   | <b>89,90,000</b>  |  | <b>89,90,000</b> |
| <b>6) Computation of sundry expenses to be charged to Profit &amp; Loss A/c</b>         |   |  |                  |
| <b>Particulars</b>  | <b>₹</b>  |  |                  |
| Sundry expenses paid (as per cash book)   | 6,20,700  |  |                  |
| Add : Prepaid expenses as on 31-3-20X1  | 2,000   |  |                  |
|   | 6,22,700  |  |                  |
| Less: Outstanding expenses as on 31-3-20X1  | (45,000)  |  |                  |
|   | 5,77,700  |  |                  |
| Add : Outstanding expenses as on 31-3-20X2  | 5,000   |  |                  |
|   | 5,82,700  |  |                  |
| Less : Prepaid expenses as on 31-3-20X2 (Insurance paid till July, 20X2) (6,000 x 4/12) | (2,000)   |  |                  |
|   | <b>5,80,700</b>   |  |                  |
| <b>6.</b>   | A company sold 20% of the goods on cash basis and the balance on credit basis. Debtors are allowed 1½ month's credit and their balance as on 31.03.20X1 is ₹ 1,25,000. Assume that the sale is uniform throughout the year. Calculate the credit sales and total sales of the company for the year ended 31.03.20X2.<br><b>(ICAI SM/May 2008/November 2015/RTP)</b> |  |                  |
| <b>Sol.</b>   | Calculation of Credit Sales and Total sales<br>Credit sales for the year ended 20X1 - X2 = Debtors x 12 months/1.5 months<br>= ₹ 1,25,000 x 12 months/1.5 months<br>= ₹ 10,00,000<br>Total sales for the year ended 20X1 - X2 = Credit sales x 100%/80%<br>= ₹ 10,00,000 x 100%/80%<br>= ₹ 12,50,000  |  |                  |

7. The books of account of Ruk Ruk Maan of Mumbai showed the following figures:

|                        | 31.3.20X1<br>₹ | 31.3.20X2<br>₹ |
|------------------------|----------------|----------------|
| Furniture's & fixtures | 2,60,000       | 2,34,000       |
| Stock                  | 2,45,000       | 3,20,000       |
| Debtors                | 1,25,000       | ?              |
| Cash in hand & bank    | 1,10,000       | ?              |
| Creditors              | 1,35,000       | 1,90,000       |
| Bills payable          | 70,000         | 80,000         |
| Outstanding salaries   | 19,000         | 20,000         |

An analysis of the cash book revealed the following:

|                                  | ₹         |
|----------------------------------|-----------|
| Cash sales                       | 16,20,000 |
| Collection from debtors          | 10,58,000 |
| Discount on debtors              | 20,000    |
| Cash purchases                   | 6,15,000  |
| Payment to creditors             | 9,73,000  |
| Discount received from creditors | 32,000    |
| Payments for bill payable        | 4,30,000  |
| Drawings from domestic expenses  | 1,20,000  |
| Salaries paid                    | 2,36,000  |
| Rent paid                        | 2,32,000  |
| Sundry trade expenses            | 81,000    |

Depreciation is provided on furniture & fixtures @ 10% p.a. on diminishing balance method.

Ruk Ruk Maan maintains a steady gross profit rate 25% on sales.

You are required to prepare trading and profit and loss account for the year ended 31<sup>st</sup> March 20X2 and balance sheet as on that date.

(May 2010/May 2019(M)/May 2020 RTP)

Sol.

**In the books of Ruk Ruk Maan Trading & Profit & Loss Account  
for the year ended 31st March, 20X2**

| Particulars                             | ₹               | Particulars          | ₹               |
|---|-----------------|----------------------|-----------------|
| To Opening stock                        | 2,45,000        | By Sales:            |                 |
| To Purchases:                           |                 | Cash                 | 16,20,000       |
| Cash                                    | 6,15,000        | Credit (W.N.3)       | 11,00,000       |
| Credit (W.N. 2)                         | 15,00,000       | By Closing stock     | 3,20,000        |
| To Gross profit c/d                     | 6,80,000        |                      |                 |
|   | 30,40,000       |                      | 30,40,000       |
| To Salaries (W.N.5)                     | 2,37,000        | By Gross profit b/d  | 6,80,000        |
| To Rent                                 | 1,32,000        | By Discount received | 32,000          |
| To Sundry trade expenses                | 81,000          |                      |                 |
| To Discount allowed                     | 20,000          |                      |                 |
| To Depreciation on furniture & fixtures | 26,000          |                      |                 |
| To Net profit                           | 2,16,000        |                      |                 |
|   | <b>7,12,000</b> |                      | <b>7,12,000</b> |

**Balance Sheet**  
as at 31st March, 20X2

| Liabilities                       |          | ₹               | Assets               |          | ₹               |
|-----------------------------------|----------|-----------------|----------------------|----------|-----------------|
| Capital                           |          |                 | Fixed assets         |          |                 |
| Opening balance (W.N.7)           | 5,16,000 |                 | Furniture & fixtures | 2,34,000 |                 |
| Add: Net profit                   | 2,16,000 |                 | Current assets:      |          |                 |
|                                   | 7,32,000 |                 | Stock                | 3,20,000 |                 |
| Less: Drawings                    | 1,20,000 | 6,12,000        | Debtors (W.N.4)      | 1,47,000 |                 |
| Current liabilities & provisions: |          |                 | Cash & bank (W.N.6)  | 2,01,000 |                 |
| Creditors                         |          | 1,90,000        |                      |          |                 |
| Bills payable                     |          | 80,000          |                      |          |                 |
| Outstanding salaries              |          | 20,000          |                      |          |                 |
|                                   |          | <b>9,02,000</b> |                      |          | <b>9,02,000</b> |

**Working Notes:****1) Bills Payable Account**

|                | ₹               |                                | ₹               |
|----------------|-----------------|--------------------------------|-----------------|
| To Cash/Bank   | 4,30,000        | By Balance b/d                 | 70,000          |
| To Balance c/d | 80,000          | By Trade creditors (Bal. fig.) | 4,40,000        |
|                | <b>5,10,000</b> |                                | <b>5,10,000</b> |

**2) Creditors Account**

|                              | ₹                |                                 | ₹                |
|------------------------------|------------------|---------------------------------|------------------|
| To Cash/Bank                 | 9,73,000         | By Balance b/d                  | 1,35,000         |
| To Bills payable A/c (W.N.1) | 4,40,000         | By Credit purchases (Bal. fig.) | 15,00,000        |
| To Discount received         | 32,000           |                                 |                  |
| To Balance c/d               | 1,90,000         |                                 |                  |
|                              | <b>16,35,000</b> |                                 | <b>16,35,000</b> |

**3) Calculation of credit sales**

|  | ₹         | ₹         |
|--|-----------|-----------|
| Opening stock                              |           | 2,45,000  |
| Add: Purchases                             |           |           |
| Cash purchases                             | 6,15,000  |           |
| Credit purchases                           | 15,00,000 | 21,15,000 |
|  |           | 23,60,000 |
| Less: Closing Stock                        |           | 3,20,000  |
| Cost of goods sold                         |           | 20,40,000 |
| Gross profit ratio on sales                |           | 25%       |
| Total sales [ $₹20,40,000 \times 100/75$ ] |           | 27,20,000 |
| Less: Cash sales                           |           | 16,20,000 |
| Credit sales                               |           | 11,00,000 |

**4) Debtors Account**

|  | ₹ | ₹ |
|--|---|---|
|  |   |   |

**4) Debtors Account**

|                         | ₹                |                            | ₹                |
|-------------------------|------------------|----------------------------|------------------|
| To Balance b/d          | 1,25,000         | By Cash/Bank               | 10,58,000        |
| To Credit sales (W.N.3) | 11,00,000        | By Discount allowed        | 20,000           |
|                         |                  | By Balance c/d (Bal. fig.) | 1,47,000         |
|                         | <b>12,25,000</b> |                            | <b>12,25,000</b> |

**5) Salaries**

|   | ₹               |
|---|-----------------|
| Salaries paid during the year               | 2,36,000        |
| Add: Outstanding salaries as on 31.3.2009   | 20,000          |
|   | <b>2,56,000</b> |
| Less: Outstanding salaries as on 31.03.2008 | 19,000          |
|   | <b>2,37,000</b> |

**6) Cash / Bank Account**

|                | ₹                |                          | ₹                |
|----------------|------------------|--------------------------|------------------|
| To Balance b/d | 1,10,000         | By Cash purchases        | 6,15,000         |
| To Cash sales  | 16,20,000        | By Creditors             | 9,73,000         |
| To Debtors     | 10,58,000        | By Bills payable         | 4,30,000         |
|                |                  | By Drawings              | 1,20,000         |
|                |                  | By Salaries              | 2,36,000         |
|                |                  | By Rent                  | 1,32,000         |
|                |                  | By Sundry trade expenses | 81,000           |
|                |                  | By Balance c/d           | 2,01,000         |
|                | <b>27,88,000</b> |                          | <b>27,88,000</b> |

Grooming Education Academy  
Pioneer in Developing Concepts

**7)**

**Balance Sheet  
as at 31st March, 20X1**

|                      | ₹               |                      | ₹               |
|----------------------|-----------------|----------------------|-----------------|
| Creditors            | 1,35,000        | Furniture & fixtures | 2,60,000        |
| Bills payable        | 70,000          | Stock                | 2,45,000        |
| Outstanding salaries | 19,000          | Debtors              | 1,25,000        |
| Capital (Bal. fig.)  | 5,16,000        | Cash & bank          | 1,10,000        |
|                      | <b>7,40,000</b> |                      | <b>7,40,000</b> |

- 8.** Mr. Aman keeps his book on single entry basis system. From the following information, prepare trading and profit and loss account for the year ended 31 march 20X1 and the balance sheet on that date

| Assets and liabilities   | 31.3.20X0 | 31.3.20X1 |
|--------------------------|-----------|-----------|
| Sundry creditors         | 30,000    | 25,000    |
| Outstanding expenses     | 1,000     | 500       |
| Fixed assets             | 23,000    | 22,000    |
| Stock                    | 16,000    | 22,500    |
| Cash in hand and at bank | 14,000    | 16,000    |
| Sundry debtors           | ?         | 36,000    |

Following further details are available for the current year:

| Particulars                         | ₹        | Particulars                             | ₹        |
|-------------------------------------|----------|---|----------|
| Total receipts from debtors         | 1,30,000 | Cash purchases                          | 2,000    |
| Return inward                       | 3,000    | Fixed assets purchased and paid by bank | 1,000    |
| Bad debts                           | 1,000    | Drawings by cheques                     | 6,500    |
| Total sales                         | 1,50,000 | Deposited into bank                     | 10,000   |
| Discount received                   | 1,500    | Withdrawn from bank                     | 18,500   |
| Return outwards                     | 1,000    | Cash in hand at the end                 | 2,500    |
| Capital introduced (paid into bank) | 15,000   | Paid to creditors by cheque             | 1,20,000 |
| Cheques received from debtors       | 1,25,000 | Expenses paid                           | 20,000   |

**Major points:**

- 1) Cash and bank balances are given in aggregate but we need to make double column cash book.
- 2) Balancing figure from cash book is cash sales because total sales are given.

(November 2006/ICAI SM)

**Sol. Trading and Profit and Loss Account for the year ended on 31st March, 20X1**

|                            |          | ₹       |                   |         | ₹       |
|----------------------------|----------|---------|-------------------|---------|---------|
| Opening Stock              |          | 16,000  | Sales:            |         |         |
| Purchases:                 |          |         | Cash              | 6,500   |         |
| Cash                       | 2,000    |         | Credit            | 143,500 |         |
| Credit (W.N.3)             | 1,17,500 |         | Less: Returns     | 3,000   | 147,000 |
| Less: Returns              | 1,000    | 118,500 | Closing Stock     |         | 22,500  |
| Gross Profit               |          | 51,000  |                   |         |         |
|                            |          | 169,500 |                   |         | 169,500 |
| Expenses                   | 20,000   |         | Gross profit b/d  |         | 35,000  |
| Add: O/s at the end        | 500      |         | Discount received |         | 1,500   |
|                            | 20,500   |         |                   |         |         |
| Less: O/s at the beginning | 1,000    | 19,500  |                   |         |         |
| Bad debts                  |          | 1,000   |                   |         |         |
| Depreciation               |          | 2,000   |                   |         |         |
| Net Profit                 |          | 14,000  |                   |         |         |
|                            |          | 36,500  |                   |         | 36,500  |

**Balance Sheet as on 31/03/20x1**

| Liabilities             |        | ₹      | Assets                         |        | ₹      |
|-------------------------|--------|--------|--------------------------------|--------|--------|
| Capital (W.N.5)         | 48,500 |        | Fixed Assets                   | 23,000 |        |
| Add: Additional Capital | 15,000 |        | Add: Purchased during the year | 1,000  |        |
| Add: Net Profit         | 14,000 |        | Less: Depreciation             | 2,000  | 22,000 |
| Less: Drawings          | 6,500  | 71,000 | Stock                          |        | 22,500 |
| Creditors               |        | 25,000 | Cash                           |        | 2,500  |

|                  |  |               |         |  |               |
|------------------|--|---------------|---------|--|---------------|
| Outstanding Exp. |  | 500           | Bank    |  | 13,500        |
|                  |  |               | Debtors |  | 36,000        |
|                  |  | <b>96,500</b> |         |  | <b>96,500</b> |

**Bank Account**

| Particulars             | ₹               | Particulars   | ₹               |
|-------------------------|-----------------|---------------|-----------------|
| Balance b/d (Bal. Fig.) | 9,500           | Fixed Assets  | 1,000           |
| Capital                 | 15,000          | Drawings      | 6,500           |
| Cash (contra)           | 10,000          | Cash (contra) | 18,500          |
| Debtors                 | 1,25,000        | Creditors     | 1,20,000        |
|                         |                 | Balance c/d   | 13,500          |
|                         | <b>1,59,500</b> |               | <b>1,59,500</b> |

**Creditors Account**

| Particulars       | ₹               | Particulars          | ₹               |
|-------------------|-----------------|----------------------|-----------------|
| Bank              | 1,20,000        | Balance b/d          | 30,000          |
| Returns           | 1,000           | Purchase (Bal. Fig.) | 1,17,500        |
| Discount received | 1,500           |                      |                 |
| Balance c/d       | 25,000          |                      |                 |
|                   | <b>1,47,500</b> |                      | <b>1,47,500</b> |

**Debtors Account**

|                         |                 |             |                 |
|-------------------------|-----------------|-------------|-----------------|
| Balance b/d (Bal. Fig.) | 26,500          | Cash        | 5,000           |
| Sales                   | 1,43,500        | Bank        | 1,25,000        |
|                         |                 | Bad Debts   | 1,000           |
|                         |                 | Returns     | 3,000           |
|                         |                 | Balance c/d | 36,000          |
|                         | <b>1,70,000</b> |             | <b>1,70,000</b> |

**Opening Balance Sheet as on 31.3.20X0**

| Liabilities         | Amount (₹)    | Assets          | Amount (₹)    |
|---------------------|---------------|-----------------|---------------|
| Creditors           | 30,000        | Fixed Assets    | 23,000        |
| O/s Expenses        | 1,000         | Stock           | 16,000        |
| Capital (Bal. Fig.) | 48,500        | Cash            | 4,500         |
|                     |               | Bank (W.N.2)    | 9,500         |
|                     |               | Debtors (W.N.4) | 26,500        |
|                     | <b>79,500</b> |                 | <b>79,500</b> |

- 9 'A' and 'B' are partnership sharing profit and losses equity. They keep their books by single entry system. The following balances are available from their books as on 31.3.20X1 and 31.3.20X2

| Particulars | 31.3.20X1 | 31.3.20X2 |
|-------------|-----------|-----------|
| Building    | 1,50,000  | 1,50,000  |
| Equipment's | 2,40,000  | 2,72,000  |
| Furniture   | 25,000    | 25,000    |
| Debtors     | ?         | 1,00,000  |

|           |        |        |
|-----------|--------|--------|
| Creditors | 65,000 | ?      |
| Stock     | ?      | 70,000 |
| Bank loan | 45,000 | 35,000 |
| Cash      | 60,000 | ?      |

The transaction during the year ended 31.3.20X2 were the following:

| Particulars             | ₹        |
|-------------------------|----------|
| Collection from debtors | 3,80,000 |
| Payments to creditors   | 2,50,000 |
| Cash purchases          | 65,000   |
| Expenses paid           | 40,000   |
| Drawings by 'A'         | 30,000   |

On 1.4.20X1 an equipment of book value 20,000 was sold for 15,000. On 1.10.20X1. Some equipment's were purchased.

Cash sales amounted to 10% of sales. Credit sales amounted to 4,50,000

Credit purchases were 80% of total purchases. The firm sells goods at cost plus 25%

Discount allowed 5,500 during the year. Discount earned 4,800 during the year.

Outstanding expenses 3,000. A's capital were 15,000 more than the capital of 'B'. Equipment's and furniture to be depreciated at 10% p.a. and building @ 2% p.a.

You are required to prepare:

- 1) Trading and profit and loss account for the year ended 31.3.20X2 and
- 2) The balance sheet as on that date. (RTP)

Sol.

**Trading and profit and loss a/c for the year ended 31.3.20X2**

| Particulars                                     | Amount   | Amount          | Particulars          | Amount   | Amount          |
|---|----------|-----------------|----------------------|----------|-----------------|
| To opening stock                                |          | 1,45,000        | By sales - cash      | 50,000   |                 |
| To purchases-cash                               | 65,000   |                 | By sales - credit    | 4,50,000 | 5,00,000        |
| To purchase - credit                            | 2,60,000 | 3,25,000        | By closing stock     |          | 70,000          |
| Gross profit c/d                                |          | 1,00,000        |                      |          |                 |
|   |          | 5,70,000        |                      |          | 5,70,000        |
| To loss on sale of equipment<br>(20,000-15,000) |          | 5,000           | By gross profit      |          | 1,00,000        |
| To depreciation-                                |          |                 | By discount received |          | 4,800           |
| Building  | 3,000    |                 |                      |          |                 |
| Furniture                                       | 2,500    |                 |                      |          |                 |
| Equipment                                       | 24,600   | 30,100          |                      |          |                 |
| To expenses paid                                | 40,000   |                 |                      |          |                 |
| Add: outstanding                                |          |                 |                      |          |                 |
| Expense   | 3,000    | 43,000          |                      |          |                 |
| To discount allowed                             |          | 5,500           |                      |          |                 |
| To profit                                       |          |                 |                      |          |                 |
| Transferred to:                                 | 10,600   |                 |                      |          |                 |
| A's capital a/c                                 |          |                 |                      |          |                 |
| B's capital a/c                                 | 10,600   | 21,200          |                      |          |                 |
|   |          | <b>1,04,800</b> |                      |          | <b>1,04,800</b> |

## Balance sheet as on 31-3-20X2

| Liabilities              |          | ₹               | Assets               |          | ₹               |
|--------------------------|----------|-----------------|----------------------|----------|-----------------|
| A's capital (W.N.7)      | 2,80,250 |                 | Building             | 1,50,000 |                 |
| Less: drawings           | (30,000) |                 | Less: depreciation   | (3,000)  | 1,47,000        |
|                          | 2,50,250 |                 | Equipment's          | 2,72,000 |                 |
| Add; Net profit          | 10,600   | 2,60,850        | Less: depreciation   | (24,600) | 2,47,400        |
| B's capital (W.N.7)      | 2,65,250 |                 | Furniture            | 25,000   |                 |
| Add: net profit          | 10,600   | 2,75,850        | Less: depreciation   | (2,500)  | 22,500          |
| Sundry creditors (W.N.7) |          | 70,200          | Debtors              |          | 1,00,000        |
| Bank loan                |          | 35,000          | Stock                |          | 70,000          |
| Outstanding expenses     |          | 3,000           | Cash balance (W.N.8) |          | 58,000          |
|                          |          | <b>6,44,900</b> |                      |          | <b>6,44,900</b> |

## Working Notes:

## 1) Calculation of total sales and cost of goods sold

Cash sales= 10% of total sales

Credit sales= 90% of total sales= 4,50,000 Total sales= 4,50,000/90 \*100= 5,00,000

Cash sales= 10% of 5,00,000= 50,000

## 2) Calculation of total purchases and credit purchases

Cash purchases= 65,000

Credit purchases= 80% of total purchases Cash purchases= 20% of total purchases Total purchases= 65,000/20 \*100 = 3,25,000

Credit purchases= 3,25,000-65,000= 2,60,000

## 3) Calculation of opening stock

## Stock Account

|                            |                 |                                       |                 |
|----------------------------|-----------------|---------------------------------------|-----------------|
| To Balance b/d (bal.fig.)  | 1,45,000        | By cost of goods sold <u>5,00,000</u> | 4,00,000        |
|                            |                 | *1000 125                             |                 |
| To total purchases (W.N.2) | <u>3,25,000</u> | By Balance c/d                        | <u>70,000</u>   |
|                            | <u>4,70,000</u> |                                       | <u>4,70,000</u> |

## 4) Purchases of equipment &amp; depreciation on equipment's

## Equipment Account

| Particulars                    | ₹               | Particulars                               | ₹               |
|--------------------------------|-----------------|---|-----------------|
| To balance b/d                 | 2,40,000        | By cash- equipment sold                   | 15,000          |
| To cash- purchases (bal. fig.) | 52,000          | By profit and loss account (loss on sale) | 5,000           |
|                                |                 | By balance c/d                            | <u>2,72,000</u> |
|                                | <b>2,92,000</b> |   | <b>2,92,000</b> |

## Depreciation on equipment:

|   |               |
|---|---------------|
| @ 10% p.a. on 2,20,000 (i.e. 2,40,000-20,000)                   | 22,000        |
| @ 10% p.a. 52,000 for 52,000 for 6 month (i.e. during the year) | <u>2,600</u>  |
|   | <u>24,600</u> |

**5) Calculation of closing balance of creditors****Creditors Account**

| Particulars               | ₹               | Particulars         | ₹               |
|---------------------------|-----------------|---------------------|-----------------|
| To cash                   | 2,50,000        | By balance b/d      | 65,000          |
| To discount receive       | 4,800           | By credit purchases | 2,60,000        |
| To balance c/d (bal.fig.) | <u>70,200</u>   | (W.N.2)             |                 |
|                           | <b>3,25,000</b> |                     | <b>3,25,000</b> |

**6) Calculated of opening balance of debtors****Debtors Account**

| Particulars                  | ₹               | Particulars            | ₹               |
|------------------------------|-----------------|------------------------|-----------------|
| To balance b/d<br>(Bal.fig.) | 35,500          | By cash                | 3,80,000        |
| To sale (credit)             | 4,50,000        | By discount<br>allowed | 5,500           |
|                              | <b>4,85,500</b> | By balance c/d         | <u>1,00,000</u> |
|                              |                 |                        | <b>4,85,500</b> |

**7) Calculation of capital accounts of A & B as on 31.3.20X1****Balance sheet as on 31.3.20X1**

| Liabilities                                       | ₹               | Assets          | ₹               |
|---|-----------------|-----------------|-----------------|
| Combined capital accounts<br>of A & B (bal. fig.) | 5,45,500        | Building        | 1,50,000        |
| Creditors   | 65,000          | Equipment's     | 2,40,000        |
| Bank loan   | 45,000          | Furniture       | 25,000          |
|   |                 | Debtors (W.N.6) | 35,500          |
|   |                 | Stock (W.N.3)   | 1,45,000        |
|   |                 | Cash balance    | 60,000          |
|   | <b>6,55,500</b> |                 | <b>6,55,500</b> |

|  | ₹               |
|--|-----------------|
| Combined capitals of A & B             | 5,45,500        |
| Less: difference in capital of A and B | 15,000          |
|  | <b>5,30,500</b> |

A's capital as on 31.3.2013 =  $530500/2 = 2,65,250 + 15,000 = 2,80,250$

B's capital as on 31.3.2013 =  $530500/2 = 2,65,250$

**1) Cash Account**

|                      | ₹               |  | ₹               |
|----------------------|-----------------|--|-----------------|
| To balance b/d       | 60,000          | By creditors                           | 2,50,000        |
| To debtors           | 3,80,000        | by purchases                           | 65,000          |
| To equipment (sales) | 15,000          | by expenses                            | 40,000          |
| To cash sales        | 50,000          | by A's drawings                        | 30,000          |
|                      |                 | by bank loan paid<br>(45,000 - 35,000) | 10,000          |
|                      |                 | by equipment purchases<br>(W.N.4)      | 52,000          |
|                      |                 | By balance /d (bal.fig.)               | 58,000          |
|                      | <b>5,05,000</b> |  | <b>5,05,000</b> |

10. The income tax officer, assuming the income of Shri Moti for the financial year 20X2-20X3 and 20X3-20X4 feel that Shri Moti has not disclosed the full income. He gives you the following Particulars of assets and liabilities of Shri Moti on 1<sup>st</sup> April, 20X4.

|          |             |                         | ₹.       |
|----------|-------------|-------------------------|----------|
| 1-4-20X2 | Assets      | Cash in hand            | 25,500   |
|          |             | Stock                   | 56,000   |
|          |             | Sundry debtors          | 41,500   |
|          |             | Land and building       | 1,90,000 |
|          |             | Wife's Jewelry          | 75,000   |
| 1-4-20X4 | Liabilities | Owing to Moti's brother | 40,000   |
|          |             | Sundry creditors        | 35,000   |
| 1-4-20X4 | Assets      | Cash in hand            | 16,000   |
|          |             | Stock                   | 91,500   |
|          |             | Sundry debtors          | 52,500   |
|          |             | Land and building       | 1,90,000 |
|          |             | Motor car               | 1,25,000 |
|          |             | Wife's jewelry          | 1,25,000 |
|          |             | Loan to Moti's brother  | 20,000   |
|          |             | Sundry creditors        | 55,000   |

During the two year the domestic expenditure was 4,000 p.m. the declared income of the financial year were 1,05,000 for 20X2-20X3 and 1,23,000 for 20X3-20X4 respectively.

State whether the income-tax officer's contention is correct. Explain by giving your working.

(ICAI SM)

Sol.

## Capital a/c of Shri Moti

| Assets   | ₹      | 1-4-20X2 | ₹      | 1-4-20X4 | ₹ |
|--|--------|----------|--------|----------|---|
| Cash in hand   |        | 25,500   |        | 16,000   |   |
| Stock  |        | 56,000   |        | 91,500   |   |
| Sundry debtors   |        | 41,500   |        | 52,500   |   |
| Land & building  |        | 1,90,000 |        | 1,90,000 |   |
| Wife's jewelry   |        | 75,000   |        | 1,25,000 |   |
| Motor car  |        | -        |        | 1,25,000 |   |
| Loan to Moti's brother                                       |        | -        |        | 20,000   |   |
|  |        | 3,88,000 |        | 6,20,000 |   |
| <b>Liabilities:</b>  |        |          |        |          |   |
| Owing to Moti's brother                                      | 40,000 |          |        | -        |   |
| Sundry creditors   | 35,000 | 75,000   | 55,000 | 55,000   |   |
| Capital  |        | 3,13,000 |        | 5,65,000 |   |
| Income during the two year:                                  |        |          |        |          |   |
| Capital as on 1-4-2011                                       |        |          |        | 5,65,000 |   |
| Add: drawings- domestic expenses for the two year (4,000*24) |        |          |        | 96,000   |   |
| Less: capital as on 1-4-20X0                                 |        |          |        | 6,61,000 |   |
| Income earned in 20X0-20X1 & 20X1-20X2                       |        |          |        | 3,13,000 |   |
| Income declared (1,05,000+1,23,000)                          |        |          |        | 3,48,000 |   |
| Suppressed income  |        |          |        | 2,28,000 |   |
|  |        |          |        | 1,20,000 |   |

The income-tax officer's contention that Shri Moti has not declared his true income is correct. Shri Moti income is in excess of the disclosed income by 1, 20,000.

11. A. Adamjee keeps his books on single entry basis. The analysis of the cash book for the year ended on 31<sup>st</sup> March, 20X2 is given below:

| Receipts                                     | ₹      | Payments   | ₹      |
|--|--------|--|--------|
| Bank balance as on 1 <sup>st</sup> Jan, 20X1 | 2,800  | Payments to sundry creditors                     | 35,000 |
| Received from sundry debtors                 | 48,000 | Salaries   | 6,500  |
| Cash sales                                   | 11,000 | General expenses                                 | 2,500  |
| Capital brought during the year              | 6,000  | Rent and taxes                                   | 1,500  |
| Interest on investments                      | 200    | Drawings   | 3,600  |
|  |        | Cash purchases                                   | 12,000 |
|  |        | Balance at bank on 31 <sup>st</sup> March...20X2 | 6,400  |
|  |        | Cash in hand on 31 <sup>st</sup> March..., 20X2  | 500    |
|  | 68,000 |  | 68,000 |

Particular of other assets and liabilities are as follows:

|                  | 31 <sup>st</sup> March, 20X1 | 31 <sup>st</sup> March, 20X2 |
|------------------|------------------------------|------------------------------|
| Sundry debtors   | 14,500                       | 17,600                       |
| Sundry creditors | 5,800                        | 7,900                        |
| Machinery        | 7,500                        | 7,500                        |
| Furniture        | 1,200                        | 1,200                        |
| Stock            | 3,900                        | 5,700                        |
| Investments      | 5,000                        | 5,000                        |

Prepare final accounts for the year ending 31<sup>st</sup> March 20X2 after providing depreciation at 10% on machinery and furniture's and 800 against doubtful debts.

(ICAI SM)

Sol.

A. Adamjee  
Grooming Education Academy  
Trading and profit & loss account for the year  
ended 31-03-20X2

| Particulars                     | ₹             | Particulars               | ₹             |
|---------------------------------|---------------|---------------------------|---------------|
| To opening stock                | 3,900         | By sales                  | 62,100        |
| To purchases                    | 49,100        | By closing                | 5,700         |
| To gross profit c/d             | 14,800        |                           |               |
|                                 | <b>67,800</b> |                           | <b>67,800</b> |
| To salaries                     | 6,500         | By gross profit b/d       | 14,800        |
| To rent and taxes               | 1,500         | By interest on investment | 200           |
| To general expenses             | 2,500         |                           |               |
| To depreciation                 |               |                           |               |
| Machinery                       | 750           |                           |               |
| Furniture                       | 120           |                           |               |
| To provision for doubtful debts | 870           |                           |               |
| To balance being profit         | 800           |                           |               |
| Carried to capital a/c          | 2,830         |                           |               |
|                                 | <b>15,000</b> |                           | <b>15,000</b> |

Balance sheet as on 31<sup>st</sup> March, 20X2

| Liabilities                  | ₹            | ₹             | Assets              | ₹            | ₹             |
|------------------------------|--------------|---------------|---------------------|--------------|---------------|
| A. Adamjee's capital         |              |               | Machinery           | 7,500        |               |
| On 1 <sup>st</sup> Jan, 20X1 | 29,100       |               | Less: depreciation  | <u>750</u>   | 6,750         |
| Add: fresh capital           | 6,000        |               | Furniture           | 1,200        |               |
| Add: profit for the year     | 2,830        |               | Less: depreciation  | <u>120</u>   | 1,080         |
| Less: drawings               | <u>3,600</u> |               | Stock-in-trade      |              | 5,700         |
|                              |              | 34,330        | Sundry debtors      | 17,600       |               |
| Sundry creditors             |              | 7,900         | Less: provision for |              |               |
|                              |              |               | Double debts        | <u>(800)</u> | 16,800        |
|                              |              |               | Investment          |              | 5,000         |
|                              |              |               | Cash at bank        |              | 6,400         |
|                              |              |               | Cash in hand        |              | <u>500</u>    |
|                              |              | <b>42,230</b> |                     |              | <b>42,230</b> |

## Statement of affairs of A. Adamjee as on 31-3-20X1

| Particulars          | ₹             | Particulars             | ₹             |
|----------------------|---------------|-------------------------|---------------|
| Sundry creditors     | 5,800         | Machinery               | 7,500         |
| A. Adamjee's capital | 29,100        | Furniture               | 1,200         |
| (balancing figure)   |               | Stock                   | 3,900         |
|                      |               | Sundry debtors          | 14,500        |
|                      |               | Investments             | 5,000         |
|                      |               | Bank balance (from cash | 2,800         |
|                      |               | statement)              |               |
|                      | <b>34,900</b> |                         | <b>34,900</b> |

## Grooming Education Academy

## Ledger accounts

## A. Adamjee's capital account

Dr.

Cr.

| Date | Particulars    | ₹             | Date    | Particulars   | ₹             |
|------|----------------|---------------|---------|---------------|---------------|
|      | To drawings    | 3,600         | Jan. 1  | By balance    | 29,100        |
|      | To balance c/d | 34,530        | Dec. 31 | By cash       | 6,000         |
|      |                |               |         | By Net Profit | 2,830         |
|      |                | <b>37,930</b> |         |               | <b>37,930</b> |

## Sales account

| Date     | Particulars    | ₹             | Date     | Particulars      | ₹             |
|----------|----------------|---------------|----------|------------------|---------------|
| March 31 | To trading a/c | 62,100        | March 31 | By cash          | 11,000        |
|          |                |               | March 31 | By total debtors | 51,100        |
|          |                | <b>62,100</b> |          | account          |               |
|          |                |               |          |                  | <b>62,100</b> |

## Total debtors account

| Date      | Particulars        | ₹      | Date      | Particulars    | ₹      |
|-----------|--------------------|--------|-----------|----------------|--------|
| Apr. 1    | To balance b/d     | 14,500 | March. 31 | By cash        | 48,000 |
| March. 31 | To credit sales    | 51,100 | March. 31 | By balance c/d | 17,600 |
|           | (Balancing figure) |        |           |                |        |

|                                |                    |               |             |   |               |
|--------------------------------|--------------------|---------------|-------------|---|---------------|
| Apr.1                          | To Balance C/d     | 65,600        |             |   | 65,600        |
|                                |                    | 17,600        |             |   |               |
| <b>Total creditors account</b> |                    |               |             |   |               |
| <b>Date</b>                    | <b>Particulars</b> | <b>₹</b>      | <b>Date</b> | <b>Particulars</b>                        | <b>₹</b>      |
| March 31                       | To cash            | 35,000        | Apr. 1      | By balance b/d                            | 5,800         |
| March 31                       | To balance b/d     | 7,900         | March. 31   | By credit purchases<br>(Balancing figure) | 37,100        |
|                                |                    | <b>42,900</b> |             |   | <b>42,900</b> |

**12. The books of Mr. Ram showed the following information;**

| Particulars  | 1.1.20X1 | 31.12.20X1 |
|--------------|----------|------------|
| Bank balance | ?        | 50,000     |
| Debtors      | ?        | 87,500     |
| Creditors    | ?        | 46,000     |
| Stock        | 50,000   | 62,500     |
| Fixed assets | 7,500    | 9,000      |

The following are the details of bank transactions;

|                          |          |
|--------------------------|----------|
| Receipts from customers  | 3,40,000 |
| Payments to creditors    | 2,80,000 |
| Capital brought in       | 5,000    |
| Sale of fixed assets     | 1,750    |
| Expenses paid            | 49,250   |
| Drawings                 | 25,000   |
| Purchase of fixed assets | 5,000    |

**Other information:**

a) Cost of goods sold 2,60,000

b) Gross profit 25% on cost of goods sold ?

c) Book value of assets sold 2,500

Prepare trading, profit and loss account for the year ended 31.12.20X1 and balance sheet on the same date.

**(November 2008)**

**Sol. Trading and Profit & Loss Account for the year ended 31.12.20X1**

|                              | ₹               |               | ₹               |
|------------------------------|-----------------|---------------|-----------------|
| Opening stock                | 50,000          | Sales (W.N.8) | 3,25,000        |
| Purchases (W.N.7)            | 2,72,500        | Closing stock | 62,500          |
| Gross profit (W.N.6)         | 65,000          |               |                 |
|                              | <b>3,87,500</b> |               | <b>3,87,500</b> |
| Expenses                     | 49,250          | Gross profit  | 65,000          |
| Loss on sale of fixed asset  | 750             |               |                 |
| Depreciation on fixed assets | 1,000           |               |                 |
| Net Profit                   | 14,000          |               |                 |
|                              | <b>65,000</b>   |               | <b>65,000</b>   |

**Balance Sheet as at 31.12.20X1**

| Liabilities            | ₹        | ₹               | Assets       | ₹               |
|------------------------|----------|-----------------|--------------|-----------------|
| Capital as on 1.1.2007 | 1,69,000 |                 | Fixed Assets | 9,000           |
| Add: Net profit        | 14,000   |                 | Debtors      | 87,500          |
| Additional capital     | 5,000    |                 | Stock        | 62,500          |
|                        | 1,88,000 |                 | Bank         | 50,000          |
| Less: Drawings         | 25,000   | 1,63,000        |              |                 |
| Creditors              |          | 46,000          |              |                 |
|                        |          | <b>2,09,000</b> |              | <b>2,09,000</b> |

**Working Notes:**

1)

**Balance Sheet as at 1.1.20X1**

| Liabilities         | ₹               | Assets       | ₹               |
|---------------------|-----------------|--------------|-----------------|
| Capital (Bal. Fig.) | 1,69,000        | Fixed Assets | 7,500           |
| Creditors           | 53,500          | Debtors      | 1,02,500        |
|                     |                 | Stock        | 50,000          |
|                     |                 | Bank Balance | 62,500          |
|                     | <b>2,22,500</b> |              | <b>2,22,500</b> |

**Debtors account**

|                         |                 |             |                 |
|-------------------------|-----------------|-------------|-----------------|
| Balance b/d (Bal. Fig.) | 1,02,500        | Bank        | 3,40,000        |
| Sales (W.N.8)           | 3,25,000        | Balance c/d | 87,500          |
|                         | <b>4,27,500</b> |             | <b>4,27,500</b> |

**Creditors account**

|             |                 |                            |                 |
|-------------|-----------------|----------------------------|-----------------|
| Bank        | 2,80,000        | By Balance b/d (Bal. Fig.) | 53,500          |
| Balance c/d | 46,000          | By Purchases (W.N.7)       | 2,72,500        |
|             | <b>3,26,000</b> |                            | <b>3,26,000</b> |

**Fixed Assets account**

|             | ₹             |                                    | ₹             |
|-------------|---------------|------------------------------------|---------------|
| Balance b/d | 7,500         | Bank (Sale)                        | 1,750         |
| Bank        | 5,000         | Profit and Loss A/c (loss on sale) | 750           |
|             |               | Depreciation (Bal. Fig.)           | 1,000         |
|             |               | Balance c/d                        | 9,000         |
|             | <b>12,500</b> |                                    | <b>12,500</b> |

6) Gross Profit = ₹2,60,000 x 25% = ₹ 65,000.

7) Cost of goods sold = Opening stock + Purchases - Closing stock ₹2,60,000 = ₹50,000 +  
Purchases - ₹62,500  
Purchases = ₹ 2,72,500.8) Sales = Cost of goods sold + gross profit  
= ₹2,60,000 + ₹65,000  
= ₹3,25,000.

|   |  |            |                    |            |          |
|---|--|------------|--------------------|------------|----------|
| 13.   | <b>Mr. Anup runs a wholesale business where in all purchases and sales are made on credit. He furnishes the following closing balance:</b> |            |                    |            |          |
|   |  | 31-03-20X1 |                    | 31-03-20X2 |          |
|   | Sundry debtors   |            | 70,000             |            | 92,000   |
|   | Bills receivable   |            | 15,000             |            | 6,000    |
|   | Bills payable  |            | 12,000             |            | 14,000   |
|   | Sundry creditors   |            | 40,000             |            | 56,000   |
|   | Stock  |            | 1,10,000           |            | 1,90,000 |
|   | Bank   |            | 90,000             |            | 87,000   |
| Cash  |  | 5,200      |                    | 5,300      |          |
| Summary of cash transactions during 20X1-20X2   |  |            |                    |            |          |
| 1) Deposited to bank after payment of shop expenses @ 600 p.m. wages @9,200 p.m. and personal expenses @ 1,400 p.m. 7,62,750.   |  |            |                    |            |          |
| 2) Withdrawals from bank 1,21,000.  |  |            |                    |            |          |
| 3) Cash payment to suppliers 77,200 for supplies and 25,000 for furniture.  |  |            |                    |            |          |
| 4) Cheques collected from customers but dishonored INR 5,700.   |  |            |                    |            |          |
| 5) Bill accepted by customers 40,000.   |  |            |                    |            |          |
| 6) Bills endorsed 10,000.   |  |            |                    |            |          |
| 7) Bill discounted 20,000, discount 750   |  |            |                    |            |          |
| 8) Bills matured and duly collected 16,000.   |  |            |                    |            |          |
| 9) Bills accepted 24,000  |  |            |                    |            |          |
| 10) Paid suppliers by cheque 3,20,000.  |  |            |                    |            |          |
| 11) Received 20,000 on maturity of one LIC policy of the proprietor by cheque.  |  |            |                    |            |          |
| 12) A building was purchased on 30-11-20X1 for opening a branch for 3,50,000 and some expenses were incurred details of which are not maintained.                                     |  |            |                    |            |          |
| 13) Rent received 14,000 by cheque.   |  |            |                    |            |          |
| 14) Electricity and telephone bills paid by cash 18,700, due 2,200:   |  |            |                    |            |          |
| <b>Other transaction:</b>   |  |            |                    |            |          |
| 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.   |  |            |                    |            |          |
| vi) The business is carried on at the premises owned by the proprietor. 50% of the ground floor space is used for business and remaining 50% is let out for an annual rent of 20,000. |  |            |                    |            |          |
| Prepare trading and profit & loss a/c of Mr. Anup for the year ended 31-03-20X2 and balance sheet as on that date.  |  |            |                    |            |          |
| <b>(ICAI SM)</b>  |  |            |                    |            |          |
| Sol.  | <b>Trading and profit &amp; loss a/c of Mr. Anup For the year ended 31-03-20X2</b>   |            |                    |            |          |
|   |  | ₹.         | ₹.                 |            | ₹.       |
|   | To opening stock   |            | 1,10,000           | By sales   | 9,59,750 |
| To purchases  | 4,54,100   |            | Less: sales return | (1,200)    |          |
|   |  |            |                    | 9,58,550   |          |



|   |             |   |                           |             |             |
|---|-------------|---|---------------------------|-------------|-------------|
|   |             | By discount a/c                             | 2,400                     |             |             |
|   |             | By balance c/d                              | 92,000                    |             |             |
|   | 10,38,450   |   | 10,38,450                 |             |             |
| <b>Bills receivable A/c</b>             |             |   |                           |             |             |
| <b>Particulars</b>                      | <b>₹</b>    | <b>Particulars</b>                          | <b>₹</b>                  |             |             |
| To balance b/d                          | 15,000      | By Sundry creditors a/c<br>(Bills endorsed) | 10,000                    |             |             |
| To Sundry Debtors a/c<br>bills accepted | 40,000      | By bank a/c                                 | 19,250                    |             |             |
|   |             | By discount a/c (bills<br>discounted)       | 750                       |             |             |
|   |             | By bank (Bills collected on<br>maturity)    | 16,000                    |             |             |
|   |             | By Sundry debtors                           | 3,000                     |             |             |
|   |             | Bills dishonoured (bal.fig)                 | 6,000                     |             |             |
|   | 55,000      | By balance c/d                              | 6,000                     |             |             |
|   |             |   | 55,000                    |             |             |
| <b>Dr. Sundry creditor's A/c Cr.</b>    |             |   |                           |             |             |
| <b>Particulars</b>                      | <b>₹</b>    | <b>Particulars</b>                          | <b>₹</b>                  |             |             |
| To bank                                 | 3,20,000    | By balance c/d                              | 40,000                    |             |             |
| To cash                                 | 77,200      | By credit purchases<br>(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                | 56,000      |   |                           |             |             |
| To balance b/d                          | 2,700       |   |                           |             |             |
|   | 4,94,100    |   | 4,94,100                  |             |             |
| <b>Dr. Bills payable A/c Cr.</b>        |             |   |                           |             |             |
| <b>Particulars</b>                      | <b>₹</b>    | <b>Particulars</b>                          | <b>₹</b>                  |             |             |
| To bank a/c<br>balance figure           | 22,000      | By balance c/d                              | 12,000                    |             |             |
| To balance c/d                          | 14,000      | S. creditors bill accepted                  | 24,000                    |             |             |
|   | 36,000      |   | 36,000                    |             |             |
| <b>Summary cash and bank A/c</b>        |             |   |                           |             |             |
| <b>Particulars</b>                      | <b>Cash</b> | <b>Bank</b>                                 | <b>Particulars</b>        | <b>Cash</b> | <b>Bank</b> |
| Balance c/d                             | 5,200       | 90,000                                      | Bank                      | 7,62,750    |             |
| Sundry debtors                          | 8,97,150    |   | Cash                      |             | 1,21,000    |
| Cash                                    |             | 7,62,750                                    | Shop expenses<br>(600*12) | 7,200       |             |
| Bank                                    | 1,21,000    |   | Salary (9,200*12)         | 1,10,400    |             |
| Sundry debtor                           |             | 5,700                                       | Drawing<br>(1,400*12)     | 16,800      |             |
| B/R                                     |             | 19,250                                      | B/P                       |             | 22,000      |
| B/R                                     |             | 16,000                                      | Sundry creditors          | 77,200      | 3,20,000    |

|  |                  |                 |                                 |                  |                 |
|--|------------------|-----------------|---------------------------------|------------------|-----------------|
| Capital (maturity value of LIC policy) |                  | 20,000          | Furniture                       | 25,000           |                 |
| Capital (rent received)                |                  | 14,000          | Sundry debtors                  |                  | 5,700           |
|  |                  |                 | Electricity & telephone charges | 18,700           |                 |
|  |                  |                 | Building (b/f)                  |                  | 3,72,000        |
|  |                  |                 | Balance c/d                     | 5,300            | 87,000          |
|  | <b>10,23,350</b> | <b>9,27,700</b> |                                 | <b>10,23,350</b> | <b>9,27,700</b> |

**Statement of affairs as on 31<sup>st</sup> march 20X1**

| Liabilities      | Amount          | Assets           | Amount          |
|------------------|-----------------|------------------|-----------------|
| Sundry creditors | 40,000          | Inventory        | 1,10,000        |
| Bills payable    | 12,000          | Debtors          | 70,000          |
| Capital (b/f)    | 2,38,200        | Bills receivable | 15,000          |
|                  |                 | Cash at bank     | 90,000          |
|                  |                 | Cash in hand     | 5,200           |
|                  | <b>2,90,200</b> |                  | <b>2,90,200</b> |

14. A and B are in partnership having profit sharing ratio 2:1 The following information is available about their assets and liabilities:

|              | 31-3-20X1<br>₹ | 31-3-20X2<br>₹ |
|--------------|----------------|----------------|
| Furniture    | 1, 20,000      | --             |
| Advances     | 70,000         | 50,000         |
| Creditors    | 32,000         | 30,000         |
| Debtors      | 40,000         | 45,000         |
| Stock        | 60,000         | 74,750         |
| Loan         | 80,000         | -              |
| Cash at bank | 50,000         | 1,40,000       |

The partners are entitled to salary @ ₹.2,000 P.m. They contributed proportionate capital. Interest is paid @ 6% of capital and charged @ 10% on drawings.

**Drawing of A and B**

|          | A     | B     |
|----------|-------|-------|
|          | ₹.    | ₹.    |
| April 30 | 2,000 | -     |
| May 31   | -     | 2000  |
| June 30  | 4,000 | -     |
| Sept 30  | -     | 6000  |
| Dec 31   | 2,000 | -     |
| Feb 28   | -     | 8,000 |

On 30<sup>th</sup> June they took C as 1/3<sup>rd</sup> partner who contributed ₹. 75,000. C is entitled to share of 9 months profit. The new profit ratio becomes 1:1:1. A withdrew his proportionate share. Depreciate furniture @ 10% p.a. new purchase ₹.10,000 may be depreciated for 1/4<sup>th</sup> of a year.

Current account as on 31-3-2007: a ₹. 5,000 (cr.) B ₹. 2,000 (Dr.)

Prepare statement of profit current accounts of partners and statement of affairs as on 31-3-20X1.

(ICAI SM)

Sol.

**Statement of Affairs**  
As on 31-3-20X1 and 31-3-20X2

| Liabilities   | 31-3-20x1 | 31-3-20X2 | Assets  | 31-3-20X1 | 31-3-20X2 |
|---------------|-----------|-----------|---|-----------|-----------|
| Capital A/c's |           |           | Furniture Advances<br>Stock Debtors Cash at<br>bank Current A/c | 1,20,000  | 1,17,750  |
| A             | 1,50,000  | 75,000    | B   | 70,000    | 50,000    |
| B             | 75,000    | 75,000    |   | 60,000    | 74,750    |
| C             | —         | 75,000    |   | 40,000    | 45,000    |
| Loan          | 80,000    | —         |   | 50,000    | 1,40,000  |
| Creditors     | 32,000    | 30,000    |   |           |           |
|               |           |           |   | 2,000     | —         |
| Current A/c's |           |           |   |           |           |
| A             | 5,000     | 74,036*   |   |           |           |
| B             | —         | 48,322*   |   |           |           |
| C             |           | 50,142*   |   |           |           |
|               | 3,42,000  | 4,27,500  |   | 3,42,000  | 4,27,500  |

**Notes**

|             |  |            |
|-------------|--|------------|
| <b>i)</b>   | <b>Depreciation on Furniture</b>                 |            |
|             | 10% on ₹ 1,20,000                                | 12,000     |
|             | 10% on ₹ 10,000 for 1/4 year                     | 250        |
|             |  | 12,250     |
| <b>ii)</b>  | <b>Furniture as on 31-3-2013</b>                 |            |
|             | Balance as on 31-3-2012                          | 1,20,000   |
|             | <b>Add:</b> new purchase                         | 10,000     |
|             |  | 1,30,000   |
|             | <b>Less:</b> Depreciation                        | (12,250)   |
|             |  | 1,17,750   |
| <b>iii)</b> | <b>Total of Current Accounts as on 31-3-2013</b> |            |
|             | Total of Assets                                  | 4,27,500   |
|             | <b>Less :</b> Fixed Capital + Liabilities        | (2,55,000) |
|             |  | 1,72,500   |

This is after adding salary, interest on capital and deducting drawings and interest on drawings.

| iv) | Interest on Capital : |          | ₹                 |       |
|-----|-----------------------|----------|-------------------|-------|
| A : | on                    | 1,50,000 | @ 6% for 3 months | 2,250 |
|     | on                    | 75,000   | @ 6% for 9 months | 3,375 |
|     |                       |          |                   | 5,625 |
| B : | on                    | 75,000   | @ 6% for 1 year   | 4,500 |

|           |                               |    |        |                     |       |
|-----------|-------------------------------|----|--------|---------------------|-------|
|           | C :                           | on | 75,000 | @ 6% for 9 months   | 3,375 |
|           |                               |    |        |                     | 7,875 |
| <b>v)</b> | <b>Interest on Drawings :</b> |    |        |                     |       |
|           | A :                           | on | 2,000  | @ 10% for 11 months | 183   |
|           |                               | on | 4,000  | @ 10% for 9 months  | 300   |
|           |                               | on | 2,000  | @ 10% for 3 months  | 50    |
|           |                               |    |        |                     | 533   |
|           | B :                           | on | 2,000  | @ 10% for 10 months | 167   |
|           |                               | on | 6,000  | @ 10% for 6 months  | 300   |
|           |                               | on | 8,000  | @ 10% for 1 month   | 67    |
|           |                               |    |        |                     | 534   |

|                      |            |
|----------------------|------------|
| Allocation of Profit | ₹ 1,15,067 |
| 3 months Profit      | ₹ 28,767   |
| 9 months Profit      | ₹ 86,300   |

|                            |  |            |
|----------------------------|--|------------|
| A : $\frac{2}{3} \times ₹$ | $28,767 + \frac{1}{3} \times ₹ 86,300$ | = ₹ 47,944 |
| B : $\frac{1}{3} \times ₹$ | 1,15,067                               | = ₹ 38,356 |
| C : $\frac{1}{3} \times ₹$ | 86,300                                 | = ₹ 28,767 |
|                            |  | ₹ 1,15,067 |

**Current Accounts**

|                        | A      | B      | C      |                        | A      | B      | C      |
|------------------------|--------|--------|--------|------------------------|--------|--------|--------|
| To Balance b/d         | —      | 2,000  | —      | By Balance b/d         | 5,000  | -      | -      |
| To Drawings            | 8,000  | 16,000 | —      | By Salary              | 24,000 | 24,000 | 18,000 |
| To Interest on Drawing | 533    | 534    | —      | By interest on Capital | 5,625  | 4,500  | 3,375  |
| To Balance c/d         | 74,036 | 48,322 | 50,142 | By Share of Profit     | 47,944 | 38,356 | 28,767 |
|                        | 82,569 | 66,856 | 50,142 |                        | 82,569 | 66,856 | 50,142 |

**Statement of Profit**

|  | ₹               |
|--|-----------------|
| Current Account Balances as on 31-3-20X2                       | 1,72,500        |
| Less: Salary   |                 |
| A ₹ 2,000 × 12 =   | 24,000          |
| B ₹ 2,000 × 12 =   | 24,000          |
| C ₹ 2,000 × 9 =  | 18,000          |
|  | (66,000)        |
| Less: Interest on Capital                                      |                 |
| A  | 5,625           |
| B  | 4,500           |
| C  | 3,375           |
|  | (13,500)        |
| Add: Drawings  |                 |
| A  | 8,000           |
| B  | 16,000          |
|  | 24,000          |
| Add: Interest on Drawings                                      |                 |
| A  | 533             |
| B  | 534             |
|  | 1,067           |
|  | 1,18,067        |
| Less: Current A/c Balances as on 31-3-20X1 (₹ 5,000 - ₹ 2,000) | (3,000)         |
|  | <b>1,15,067</b> |

15. Ram carried on business as retail merchant. He has not maintained regular account books. However, he always maintained ₹ 10,000 in cash and deposited the balance into the bank account. He informs you that he has sold goods at profit of 25% on sales.

Following information is given to you:

| Assets and Liabilities | As on 1.4.20X0 | As on 31.3.20X1 |
|------------------------|----------------|-----------------|
| Cash in Hand           | 10,000         | 10,000          |
| Sundry Creditors       | 40,000         | 90,000          |
| Cash at Bank           | 50,000 (Cr.)   | 80,000 (Dr.)    |
| Sundry Debtors         | 1,00,000       | 3,50,000        |
| Stock in Trade         | 2,80,000       | ?               |
| Ram's capital          | 3,00,000       | ?               |

Analysis of his bank pass book reveals the following information:

- 1) Payment to creditors ₹ 7,00,000
- 2) Payment for business expenses ₹ 1,20,000
- 3) Receipts from debtors ₹ 7,50,000
- 4) Loan ₹ 1,00,000 taken on 1.10.2020 at 10% per annum
- 5) Cash deposited in the bank ₹ 1,00,000

He informs you that he paid creditors for goods ₹ 20,000 in cash and salaries ₹ 40,000 in cash. He has drawn ₹ 80,000 in cash for personal expenses. During the year Ram had not introduced any additional capital. Surplus cash if any, to be taken as cash sales. All purchases are on credit basis.

You are required to prepare: Trading and Profit and Loss Account for the year ended 31.3.20X1 and Balance Sheet as at 31st March, 20X1.

Grooming Education Academy

(May 2021 RTP)

Sol. Trading and Profit and Loss Account of Ram for the year ended 31st March,

| Particulars                                     | ₹         | Particulars      | ₹         |
|---|-----------|------------------|-----------|
| To Opening Stock                                | 2,80,000  | By Sales         |           |
| To Purchases                                    | 7,70,000  | Cash             | 2,40,000  |
| To Gross Profit @25%                            | 3,10,000  | Credit           | 10,00,000 |
|   |           | By Closing Stock | 1,20,000  |
|   | 13,60,000 |                  | 13,60,000 |
| To Salaries                                     | 40,000    | By Gross Profit  | 3,10,000  |
| To Business expenses                            | 1,20,000  |                  |           |
| To Interest on loan<br>(10% of 1,00,000 x 6/12) | 5,000     |                  |           |
| To Net Profit                                   | 1,45,000  |                  |           |
|   | 3,10,000  |                  | 3,10,000  |

## Balance Sheet of Ram as at 31st March, 20X1

| Liabilities                   | ₹        | ₹               | Assets         | ₹               |
|-------------------------------|----------|-----------------|----------------|-----------------|
| Ram's capital:                |          |                 | Cash in hand   | 10,000          |
| Opening                       | 3,00,000 |                 | Cash at Bank   | 80,000          |
| Add: Net Profit               | 1,45,000 |                 | Sundry Debtors | 3,50,000        |
|                               | 4,45,000 |                 | Stock in trade | 1,20,000        |
| Less: Drawings                | (80,000) | 3,65,000        |                |                 |
| Loan (including interest due) |          | 1,05,000        |                |                 |
| Sundry Creditors              |          | 90,000          |                |                 |
|                               |          | <b>5,60,000</b> |                | <b>5,60,000</b> |

## Working Notes:

## 1) Sundry Debtors Account

| Particulars                | ₹                | Particulars    | ₹                |
|----------------------------|------------------|----------------|------------------|
| To Balance b/d             | 1,00,000         | By Bank A/c    | 7,50,000         |
| To Credit sales (Bal. fig) | 10,00,000        | By Balance c/d | 3,50,000         |
|                            | <b>11,00,000</b> |                | <b>11,00,000</b> |

## 2) Sundry Creditors Account

| Particulars    | ₹               | Particulars              | ₹               |
|----------------|-----------------|--------------------------|-----------------|
| To Bank A/c    | 7,00,000        | By Balance b/d           | 40,000          |
| To Cash A/c    | 20,000          | By Purchases (Bal. fig.) | 7,70,000        |
| To Balance c/d | 90,000          |                          |                 |
|                | <b>8,10,000</b> |                          | <b>8,10,000</b> |

## 3) Cash and Bank Account

| Particulars         | Cash<br>₹       | Bank<br>₹       | Particulars          | Cash<br>₹       | Bank<br>₹       |
|---------------------|-----------------|-----------------|----------------------|-----------------|-----------------|
| To Balance b/d      | 10,000          |                 | By Balance b/d       |                 | 50,000          |
| To Sales (bal. fig) | 2,40,000        |                 | By Bank A/c (C)      | 1,00,000        |                 |
| To Cash (C)         |                 | 1,00,000        | By Salaries          | 40,000          |                 |
| To Debtors          |                 | 7,50,000        | By Creditors         | 20,000          | 7,00,000        |
| To Loan             |                 | 1,00,000        | By Drawings          | 80,000          |                 |
|                     |                 |                 | By Business expenses |                 | 1,20,000        |
|                     |                 |                 | By Balance c/d       | 10,000          | 80,000          |
|                     | <b>2,50,000</b> | <b>9,50,000</b> |                      | <b>2,50,000</b> | <b>9,50,000</b> |

16. Lucky does not prepare proper books of accounts. However, he maintains a record of his bank transactions and also is able to give the following information from which you are requested to prepared his final accounts for the year 20X1:

| Particulars  | 1.1.20X1 | 31.12.20X1 |
|--------------|----------|------------|
| Debtors      | 1,02,500 | ?          |
| Creditors    | ?        | 46,000     |
| Stock        | 50,000   | 62,500     |
| Bank balance | ?        | 50,000     |
| Fixed assets | 7,500    | 9,000      |

Details of his bank transaction were as follow:

| Particulars                               | Amount   |
|---|----------|
| Received from debtors                     | 3,40,000 |
| Additional capital brought in             | 5,000    |
| Sale of fixed assets (book value ₹ 2,500) | 1,750    |
| Paid to creditors                         | 2,80,000 |
| Expenses paid                             | 49,250   |
| Drawings                                  | 25,000   |
| Purchase of fixed assets                  | 5,000    |

No cash transaction held during the year. Goods are sold at cost plus 25%. Cost of goods sold was ₹ 2,60,000.

(November 2004)

**Sol. Trading and Profit and Loss Account for the year ended 31st December, 20X1**

|   | Amount<br>₹ |   | Amount<br>₹ |
|---|-------------|---|-------------|
| To Opening stock                                      | 50,000      | By Sales ( $₹2,60,000 \times 125/100$ ) | 3,25,000    |
| To Purchases (balancing figure)                       | 2,72,500    | By Closing stock                        | 62,500      |
| To Gross profit c/d<br>( $₹ 2,60,000 \times 25/100$ ) | 65,000      |   |             |
|   | 3,87,500    |   | 3,87,500    |
| To Expenses   | 49,250      | By Gross profit b/d                     | 65,000      |
| To Loss on sale of fixed assets                       | 750         |   |             |
| To Depreciation on fixed assets (W.N.1)               | 1,000       |   |             |
| To Net profit   | 14,000      |   |             |
|   | 65,000      |   | 65,000      |

**Balance Sheet as on 31st December, 20X1**

|                         | Amount<br>₹ | Amount<br>₹ | Amount<br>₹      |          |
|-------------------------|-------------|-------------|------------------|----------|
| <b>Liabilities</b>      |             |             | <b>Assets</b>    |          |
| Capital (W.N. 5)        | 1,69,000    |             | Fixed assets     | 9,000    |
| Add: Additional capital | 5,000       |             | Debtors (W.N. 3) | 87,500   |
| Net profit              | 14,000      |             | Stock            | 62,500   |
|                         | 1,88,000    |             | Bank balance     | 50,000   |
| Less: Drawings          | 25,000      | 1,63,000    |                  |          |
| Creditors               |             | 46,000      |                  |          |
|                         |             | 2,09,000    |                  | 2,09,000 |

**Working Notes:**

**Fixed assets account**

|                | ₹     |                                | ₹     |
|----------------|-------|--------------------------------|-------|
| To Balance b/d | 7,500 | By Bank (sale)                 | 1,750 |
| To Bank        | 5,000 | By Loss on sale of fixed asset | 750   |

**Working Notes:****Fixed assets account**

|                | ₹     |                                | ₹     |
|----------------|-------|--------------------------------|-------|
| To Balance b/d | 7,500 | By Bank (sale)                 | 1,750 |
| To Bank        | 5,000 | By Loss on sale of fixed asset | 750   |

388 888 0402

support@escholars.in

35

www.escholars.in

|  |               |                                    |               |
|--|---------------|------------------------------------|---------------|
|  |               | By Depreciation (balancing figure) | 1,000         |
|  |               | By Balance c/d                     | 9,000         |
|  | <b>12,500</b> |                                    | <b>12,500</b> |

**Bank account**

|                                | ₹               |              | ₹               |
|--------------------------------|-----------------|--------------|-----------------|
| Balance b/d (balancing figure) | 62,500          | Creditors    | 2,80,000        |
| Debtors                        | 3,40,000        | Expenses     | 49,250          |
| Capital                        | 5,000           | Drawings     | 25,000          |
| Sale of fixed assets           | 1,750           | Fixed assets | 5,000           |
|                                |                 | Balance c/d  | 50,000          |
|                                | <b>4,09,250</b> |              | <b>4,09,250</b> |

**Debtors Accounts**

|                          | ₹               |                    | ₹               |
|--------------------------|-----------------|--------------------|-----------------|
| Balance b/d              | 1,02,500        | By Bank            | 3,40,000        |
| Sales                    | 3,25,000        | By Balance c/d     | 87,500          |
| (₹ 2,60,000 × ₹ 125/100) |                 | (balancing figure) |                 |
|                          | <b>4,27,500</b> |                    | <b>4,27,500</b> |

**Balance Sheet as on 1st January, 20X1**

| Liabilities                | ₹               | Assets                | ₹               |
|----------------------------|-----------------|-----------------------|-----------------|
| Creditors (W.N. 4)         | 53,500          | Fixed assets          | 7,500           |
| Capital (balancing figure) | 1,69,000        | Debtors               | 1,02,500        |
|                            |                 | Stock                 | 50,000          |
|                            |                 | Bank balance (W.N. 2) | 62,500          |
|                            | <b>2,22,500</b> |                       | <b>2,22,500</b> |

**Creditors Account**

|             | ₹               |                                  | ₹               |
|-------------|-----------------|----------------------------------|-----------------|
| Bank        | 2,80,000        | Balance b/d (balancing figure)   | 53,500          |
| Balance c/d | 46,000          | Purchases (from trading account) | 2,72,500        |
|             | <b>3,26,000</b> |                                  | <b>3,26,000</b> |

17. Raju does not maintain proper records of his business. However, he provides the following information:

|                               | ₹      |
|-------------------------------|--------|
| Opening capital               | 10,000 |
| Closing capital               | 12,500 |
| Drawings during the year      | 3,000  |
| Capital added during the year | 3,750  |

You are required to calculate the profit or loss for the year.

(ICAI SM)

| Sol. |   | ₹      |
|------|---|--------|
|      | Computation of Profit or Loss during the year |        |
|      | Closing Capital                               | 12,500 |

Save and Continue →

|             |  |          |  |          |
|-------------|--|----------|--|----------|
|             |  | 3,26,000 |  | 3,26,000 |
| <b>17.</b>  | Raju does not maintain proper records of his business. However, he provides the following information: |          |  |          |
|             |  |          |  | ₹        |
|             | Opening capital  |          |  | 10,000   |
|             | Closing capital  |          |  | 12,500   |
|             | Drawings during the year   |          |  | 3,000    |
|             | Capital added during the year  |          |  | 3,750    |
|             | You are required to calculate the profit or loss for the year.   |          |  |          |
|             | <b>(ICAI SM)</b>   |          |  |          |
| <b>Sol.</b> | Computation of Profit or Loss during the year  |          |  | ₹        |
|             | Closing Capital  |          |  | 12,500   |
|             | Add: Drawings during the year  |          |  | 3,000    |

888 888 0402

support@escholars.in

36

www.escholars.in

|  |          |
|--|----------|
|  | 15,500   |
| Less: Additional capital during the year | (3,750)  |
| Less: opening capital                    | (10,000) |
| Net Profit for the year                  | 1,750    |

**ALTERNATIVELY**

Profit/Loss can also be ascertained as balancing figure by preparing capital account as follows:

| Particulars    | ₹             | Particulars             | ₹             |
|----------------|---------------|-------------------------|---------------|
| To drawings    | 3,000         | By Balance b/d          | 10,000        |
| To Balance c/d | 12,500        | By additional capital   | 3,750         |
|                |               | By Net Profit (Bal Fig) | 1,750         |
|                | <b>15,500</b> |                         | <b>15,500</b> |

It is clear from the above discussion that to follow the capital comparison method, one should know the opening capital and closing capital. This should be determined by preparing statement of affairs at the two respective points of time.

Capital = Assets (-) liabilities.

Thus, the preparation of statement of affairs will require listing of assets and liabilities and their amount. The accountant utilizes the following sources for the purpose of finding out the assets and liabilities of a business enterprise:

- Cash book for cash balance
- Bank pass book for bank balance
- Personal ledger for debtors and creditors
- Inventory by actual counting and valuation.
- As regards fixed assets, he prepares a list of them. The proprietor would help him by disclosing the original cost and date of purchase. After deducting reasonable amount of depreciation, the written down value would be included in the Statement of Affairs.

After obtaining all necessary information about assets and liabilities, the next task of the accountant is to prepare statement of affairs at two different points in time.

The design of the statement of affairs is just like balance sheet as given below:

Statement of affairs as on.....

| Liabilities           | ₹  | Assets         | ₹  |
|-----------------------|----|----------------|----|
| Capital (Bal. Fig.)   | xx | Building       | xx |
| Loans, Bank overdraft | xx | Machinery      | xx |
| Sundry creditors      | xx | Furniture      | xx |
| Bills payable         | xx | Inventory      | xx |
| Outstanding expenses  |    | Sundry debtors | xx |

Save and Continue →

accountant is to prepare statement of affairs at two different points in time.

The design of the statement of affairs is just like balance sheet as given below:

Statement of affairs as on.....

| Liabilities           | ₹  | Assets             | ₹  |
|-----------------------|----|--------------------|----|
| Capital (Bal. Fig.)   | xx | Building           | xx |
| Loans, Bank overdraft | xx | Machinery          | xx |
| Sundry creditors      | xx | Furniture          | xx |
| Bills payable         | xx | Inventory          | xx |
| Outstanding expenses  |    | Sundry debtors     | xx |
|                       |    | Bills receivable   | xx |
|                       |    | Loans and advances | xx |
|                       |    | Cash and bank      | xx |
|                       |    | Prepaid expenses   | xx |
|                       | xx |                    | xx |

Now from the statement of affairs prepared at two different dates, the opening and closing capital balances can be obtained.

388 888 0402

support@escholars.in

37

www.escholars.in

18. Rakesh started his business on 1<sup>st</sup> of April 20X1. He invested a capital of ₹1,00,000. On 31<sup>st</sup> March 20X2, he has the following information available as per the Single-entry system maintained by him.

|   | ₹      |
|---|--------|
| Cash balance (counted)                    | 3,200  |
| Inventory (physically verified)           | 34,800 |
| Receivable from Ajay against credit sales | 31,000 |
| Machine                                   | 85,000 |
| Payable to Vinod towards credit purchase  | 12,000 |
| Loan taken from Bank                      | 10,000 |
| Drawings made during the year             | 24,000 |

You are required to calculate the profit or loss earned by Rakesh for the year ended 31<sup>st</sup> March 20X2.

(ICAI SM)

Sol. Statement of Affairs as on 31<sup>st</sup> March, 2022

| Liabilities       | Amount          | Assets         | Amount          |
|-------------------|-----------------|----------------|-----------------|
| Sundry Creditors  | 12,000          | Cash balance   | 3,200           |
| Loan from bank    | 10,000          | Inventory      | 34,800          |
| Capital (Bal fig) | 1,32,000        | Sundry Debtors | 31,000          |
|                   |                 | Machine        | 85,000          |
|                   | <b>1,54,000</b> |                | <b>1,54,000</b> |

Statement of profit or loss for the year ended 31<sup>st</sup> March, 2022

|  |            |
|--|------------|
| Capital as at 31 <sup>st</sup> March 2022              | 1,32,000   |
| Add: Drawings made during the year                     | 24,000     |
| Total  | 1,56,000   |
| Less: Opening Capital as at 1 <sup>st</sup> April 2021 | (1,00,000) |
| Profit for the year ended 31 <sup>st</sup> March 2022  | 56,000     |

19. Assets and Liabilities of Mr. X as on 31-03-20X1 and 31-03-20X2 are as follows:

|          | 31-03-20X1 | 31-03-20X2 |
|----------|------------|------------|
|          | ₹          | ₹          |
| Assets   |            |            |
| Building | 1,00,000   | ?          |

Save and Continue →

Profit for the year ended 31st March 2022

56,000

19. Assets and Liabilities of Mr. X as on 31-03-20X1 and 31-03-20X2 are as follows:

|                    | 31-03-20X1 | 31-03-20X2 |
|--------------------|------------|------------|
|                    | ₹          | ₹          |
| <b>Assets</b>      |            |            |
| 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      |
| <b>Liabilities</b> |            |            |
| Loans              | 1,00,000   | 80,000     |
| Sundry creditors   | 40,000     | 70,000     |

Decided to depreciate building by 2.5%p.a. and furniture by 10% p.a. 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 as on 31-03-20X1 and 31-03-20X2.

(ICAI SM)

388 888 0402

support@escholars.in

38

www.escholars.in

Sol.

**Mr. X**  
**Statement of Affairs as on 31-03-2021 & 31-03-2022**

| Liabilities      | 31-03-2021 ₹    | 31-03-2022 ₹    | Assets         | 31-03-2021 ₹    | 31-03-2022 ₹    |
|------------------|-----------------|-----------------|----------------|-----------------|-----------------|
| Capital          | 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           |
|                  | <b>3,81,200</b> | <b>5,90,700</b> |                | <b>3,81,200</b> | <b>5,90,700</b> |

20.

Calculate the bad debts from the below information:

|                            |            |
|----------------------------|------------|
| Opening balance of Debtors | ₹5,00,000  |
| Closing balance of Debtors | ₹7,00,000  |
| Amount received in Cash    | ₹6,00,000  |
| Discount allowed           | ₹10,000    |
| Credit Sales               | ₹11,40,000 |
| Bills Receivable           | ₹3,00,000  |
| Bad Debts                  | ???        |

(ICAI SM)

Sol.

**Debtors Account**

| Particulars              | Amount           | Particulars                     | Amount           |
|--------------------------|------------------|---------------------------------|------------------|
| Balance b/f Credit Sales | 5,00,000         | Cash A/c Discount allowed Bills | 6,00,000         |
|                          | 11,40,000        | Receivable                      | 10,000           |
|                          |                  |                                 | 3,00,000         |
|                          |                  | Bad Debts (Bal fig)             | 30,000           |
|                          |                  | Balance c/f                     | 7,00,000         |
|                          | <b>16,40,000</b> |                                 | <b>16,40,000</b> |

**Purchases Ledger:** Generally speaking, a Purchases Ledger is not as commonly maintained as the Debtors Ledger for it being convenient to make entries in respect of outstanding liabilities at the time they are paid rather than when they are incurred. The information is

Save and Continue →

|                            |            |
|----------------------------|------------|
| Opening balance of Debtors | ₹5,00,000  |
| Closing balance of Debtors | ₹7,00,000  |
| Amount received in Cash    | ₹6,00,000  |
| Discount allowed           | ₹10,000    |
| Credit Sales               | ₹11,40,000 |
| Bills Receivable           | ₹3,00,000  |
| Bad Debts                  | ???        |

(ICAI SM)

Sol.

## Debtors Account

| Particulars              | Amount           | Particulars                     | Amount           |
|--------------------------|------------------|---------------------------------|------------------|
| Balance b/f Credit Sales | 5,00,000         | Cash A/c Discount allowed Bills | 6,00,000         |
|                          | 11,40,000        | Receivable                      | 10,000           |
|                          |                  | Bad Debts (Bal fig)             | 3,00,000         |
|                          |                  | Balance c/f                     | 7,00,000         |
|                          | <b>16,40,000</b> |                                 | <b>16,40,000</b> |

**Purchases Ledger:** Generally speaking, a Purchases Ledger is not as commonly maintained as the Debtors Ledger for it being convenient to make entries in respect of outstanding liabilities at the time they are paid rather than when they are incurred. The information is available in respect of opening balance of the creditors, goods purchased on credit, bills payable accepted, bills payable dishonored; cash paid to the creditors during the year, discount and other concessions obtained, returns outwards and transfers. Here also, journal entries must be made by debiting or crediting the respective impersonal accounts. Contra credit or debit being given to total creditor's account.

From the available information total creditors account can be prepared as follows

## Proforma of Total Creditors Account (assumed figures)

|                      | ₹      |                             | ₹      |
|----------------------|--------|-----------------------------|--------|
| To Cash/bank         | 25,000 | By Opening Balance          | 10,000 |
| To Purchase Returns  | 400    | By Purchases                | 30,400 |
| To Bills Payable     | 8,700  | By Bill payable dishonoured | 450    |
| To discount received | 100    |                             |        |

388 888 0402

support@escholars.in

39

www.escholars.in

|                    |               |  |               |
|--------------------|---------------|--|---------------|
| To Closing Balance | 6,650         |  |               |
|                    | <b>40,850</b> |  | <b>40,850</b> |

If a proper record of return to creditors, discount allowed by them etc., has not been kept, it may not be possible to write up the Total Creditors A/c. In such a case, net credit purchase can be ascertained as follows:

|  |     |
|--|-----|
| Cash paid to Creditors including on account of bills payable during the period | XXX |
| Closing balance of Creditors and Bills Payable                                 | XXX |
| Total  | XXX |
| Less: Opening balance of Creditors and Bills Payable                           | XXX |
| Net credit purchase during the period  | XXX |
| Alternatively  |     |
| Cash paid to creditors during the period                                       | XXX |
| Add: Bills Payable issued to them  | XXX |
| Closing balance of Creditors   | XXX |
| Less: Opening balance of creditors   | XXX |
| Credit Purchases during the period   | XXX |

21. Calculate the credit purchases from the below information:

Opening balance of creditors ₹ 4,00,000

Save and Continue →

21. Calculate the credit purchases from the below information:

|                              |            |
|------------------------------|------------|
| Opening balance of creditors | ₹ 4,00,000 |
| Closing balance of creditors | ₹ 5,00,000 |
| Payments made in Cash        | ₹ 8,50,000 |
| Discount received            | ₹ 20,000   |

(ICAI SM)

Sol.

**Total Creditors Account**

| Particulars       | Amount           | Particulars                 | Amount           |
|-------------------|------------------|-----------------------------|------------------|
| Cash paid         | 8,50,000         | Balance b/d                 | 4,00,000         |
| Discount received | 20,000           | Credit Purchases (Bal. fig) |                  |
| Balance c/d       | 5,00,000         |                             | 9,70,000         |
|                   | <b>13,70,000</b> |                             | <b>13,70,000</b> |

**Nominal Accounts:** It is quite likely that the total expenditure shown by balance of nominal account may contain items of expenditure which do not relate to the year for which accounts are being prepared and, also, there may exist certain items of expenditure incurred but not paid, which have not been included therein. On that account, each and every account should be adjusted in the manner shown below (figures assumed):

|              | Cash and Particulars | Amount Bank Payment | Paid out of Accrued | Total Private Fund | Pre Payment | Expenses for the period |
|--------------|----------------------|---------------------|---------------------|--------------------|-------------|-------------------------|
| 1            | 2 ₹                  | 3 ₹                 | 4 ₹                 | 5 (2+3+4) ₹        | 6 ₹         | 7 (5-6) ₹               |
| Rent & Rates | 2,200                | 300                 | 100                 | 2,600              | 150         | 2,450                   |
| Salaries     | 4,500                | 500                 | 1,000               | 6,000              | 250         | 5,750                   |

Only the amount entered as "expenses for the period" should be posted to the respective nominal accounts. A similar adjustment of nominal accounts in respect of revenue receipt should be made.

Let us continue with the example given in para 4.2. Given some other information, how to compute credit purchase and credit sale is discussed below:

|                                   |        |
|-----------------------------------|--------|
| Opening balance (1-4-2021)        | ₹      |
| Inventory                         | 20,000 |
| Sundry creditors                  | 12,300 |
| Sundry debtors                    | 15,000 |
| Closing Balance (31-03-2022)      |        |
| Inventory                         | 15,000 |
| Sundry creditors                  | 13,800 |
| Sundry debtors                    | 25,600 |
| Cash paid to creditors            | 26,370 |
| Cash received from debtors        | 45,600 |
| Cash sales                        | 8,340  |
| Cash purchases                    | 3,000  |
| Discount received during the year | 1,130  |
| Discount allowed                  | 1,870  |

What are the purchases for 2021-2022? Let us prepare the Sundry Creditors Account.

**Sundry Creditors Account**

|                          | ₹      |                                 | ₹      |
|--------------------------|--------|---------------------------------|--------|
| To Cash                  | 26,370 | By Balance b/d                  | 12,300 |
| To Discount (received)   | 1,130  | (opening)                       |        |
| To Balance c/d (closing) | 13,800 | By Purchases (balancing figure) | 29,000 |

|                                   |        |
|-----------------------------------|--------|
| Sundry debtors                    | 15,000 |
| Closing Balance (31-03-2022)      |        |
| Inventory                         | 15,000 |
| Sundry creditors                  | 13,800 |
| Sundry debtors                    | 25,600 |
| Cash paid to creditors            | 26,370 |
| Cash received from debtors        | 45,600 |
| Cash sales                        | 8,340  |
| Cash purchases                    | 3,000  |
| Discount received during the year | 1,130  |
| Discount allowed                  | 1,870  |

What are the purchases for 2021-2022? Let us prepare the Sundry Creditors Account.

#### Sundry Creditors Account

|                          | ₹      |                                 | ₹      |
|--------------------------|--------|---------------------------------|--------|
| To Cash                  | 26,370 | By Balance b/d                  | 12,300 |
| To Discount (received)   | 1,130  | (opening)                       |        |
| To Balance c/d (closing) | 13,800 | By Purchases (balancing figure) | 29,000 |
|                          | 41,300 |                                 | 41,300 |

The credit purchases are ₹29,000; cash purchases are ₹3,000; hence total purchases are ₹32,000.

Likewise prepare the Sundry Debtors Account:

#### Sundry Debtors Account

|                                    | ₹      |                       | ₹      |
|------------------------------------|--------|-----------------------|--------|
| To Balance b/d                     | 15,000 | By Cash               | 45,600 |
| To Credit sales (balancing figure) | 58,070 | By Discount (allowed) | 1,870  |
|                                    |        | By Balance c/d        | 25,600 |
|                                    | 73,070 |                       | 73,070 |

So total sales = credit sales + cash sales  
= ₹58,070 + ₹8,340 = ₹66,410

22. Mr. A runs a business of readymade garments. He closes the books of accounts on 31st March. The Balance Sheet as on 31st March, 20X1 was as follows:

| Liabilities     | ₹        | Assets       | ₹        |
|-----------------|----------|--------------|----------|
| A's capital a/c | 4,04,000 | Furniture    | 40,000   |
| Creditors       | 82,000   | Stock        | 2,80,000 |
|                 |          | Debtors      | 1,00,000 |
|                 |          | Cash in hand | 28,000   |
|                 |          | Cash at bank | 38,000   |
|                 | 4,86,000 |              | 4,86,000 |

You are furnished with the following information:

- 1) His sales, for the year ended 31st March, 20X2 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.

Total sales during the year 20X0-X1 were ₹5,00,000.

- 2) Payments for all the purchases were made by cheques only.
- 3) Goods were sold for cash and credit both. Credit customers pay by cheques only.
- 4) Depreciation on furniture is to be charged 10% p.a.
- 5) Mr. A sent to the bank the collection of the month at the last date of the each month after paying salary of ₹2,000 to the clerk, office expenses ₹1,200 and personal expenses ₹500.

You are furnished with the following information:

1) His sales, for the year ended 31st March, 20X2 were 20% higher than the sales of previous year, out of which 20% sales was cash sales.

Total sales during the year 20X0-X1 were ₹5,00,000.

2) Payments for all the purchases were made by cheques only.

3) Goods were sold for cash and credit both. Credit customers pay by cheques only.

4) Depreciation on furniture is to be charged 10% p.a.

5) Mr. A sent to the bank the collection of the month at the last date of the each month after paying salary of ₹2,000 to the clerk, office expenses ₹1,200 and personal expenses ₹500.

Analysis of bank pass book for the year ending 31st March 20X2 disclosed the following:

|  | ₹        |
|--|----------|
| Payment to creditors                               | 3,00,000 |
| Payment of rent up to 31 <sup>st</sup> March, 20X2 | 16,000   |
| Cash deposited into the bank during the year       | 80,000   |

The following are the balances on 31st March, 20X2:

|                     | ₹        |
|---------------------|----------|
| Stock               | 1,60,000 |
| Debtors             | 1,20,000 |
| Creditors for goods | 1,46,000 |

On the evening of 31st March 20X2, the cashier absconded with the available cash in the cash book.

You are required to prepare Trading and Profit and Loss A/c for the year ended 31st March, 20X2 and Balance Sheet as on that date. All the workings should form part of the answer.

(ICAI SM)

Sol.

Grooming In the books of Mr. A

Trading Account for the year ending 31st March, 2022

| Particulars            | ₹        | Particulars       | ₹        |
|------------------------|----------|-------------------|----------|
| To Opening stock       | 2,80,000 | By Sales (W.N. 3) |          |
| To Purchases (W.N. 1)  | 3,64,000 | Credit            | 4,80,000 |
| To Gross profit (b.f.) | 1,16,000 | Cash              | 1,20,000 |
|                        |          | By Closing stock  | 1,60,000 |
|                        | 7,60,000 |                   | 7,60,000 |

Profit and Loss Account for the year ending 31st March, 2022

| Particulars                     | ₹        | Particulars     | ₹        |
|---------------------------------|----------|-----------------|----------|
| To Salary (2,000 x 12)          | 24,000   | By Gross profit | 1,16,000 |
| To Rent                         | 16,000   |                 |          |
| To Office expenses (1,200 x 12) | 14,400   |                 |          |
| To Loss of cash (W.N. 6)        | 23,600   |                 |          |
| To Depreciation on furniture    | 4,000    |                 |          |
| To Net Profit (b.f.)            | 34,000   |                 |          |
|                                 | 1,16,000 |                 | 1,16,000 |

Balance Sheet as on 31st March, 2022

| Liabilities     | ₹        | Assets             | ₹       |
|-----------------|----------|--------------------|---------|
| A's Capital     | 4,04,000 | Furniture          | 40,000  |
| Add: Net Profit | 34,000   | Less: Depreciation | (4,000) |
|                 |          |                    | 36,000  |

|                              |         |          |         |          |
|------------------------------|---------|----------|---------|----------|
| Less: Drawings<br>(500 x 12) | (6,000) | 4,32,000 | Stock   | 1,60,000 |
|                              |         |          | Debtors | 1,20,000 |

1,16,000

1,16,000

## Balance Sheet as on 31st March, 2022

| Liabilities     |          | ₹ | Assets             |         | ₹      |
|-----------------|----------|---|--------------------|---------|--------|
| A's Capital     | 4,04,000 |   | Furniture          | 40,000  |        |
| Add: Net Profit | 34,000   |   | Less: Depreciation | (4,000) | 36,000 |

388 888 0402

support@escholars.in

42

www.escholars.in

|                              |         |                 |              |                 |
|------------------------------|---------|-----------------|--------------|-----------------|
| Less: Drawings<br>(500 x 12) | (6,000) | 4,32,000        | Stock        | 1,60,000        |
| Creditors                    |         | 1,46,000        | Debtors      | 1,20,000        |
|                              |         | <b>5,78,000</b> | Cash at bank | 2,62,000        |
|                              |         |                 |              | <b>5,78,000</b> |

## Working Notes:

## 1) Calculation of purchases

## Creditors Account

| Particulars                   | ₹                    | Particulars                                | ₹                  |
|-------------------------------|----------------------|--|--------------------|
| To Bank A/c To Balance<br>c/d | 3,00,000<br>1,46,000 | By Balance b/d<br>By Purchases (Bal. fig.) | 82,000<br>3,64,000 |
|                               | <b>4,46,000</b>      |  | <b>4,46,000</b>    |

## 2) Calculation of total sales

|                                  | ₹        |
|----------------------------------|----------|
| Sales for the year 2020-21       | 5,00,000 |
| Add: 20% increase                | 1,00,000 |
| Total sales for the year 2021-22 | 6,00,000 |

## 3) Calculation of credit sales

|                                       | ₹          |
|---------------------------------------|------------|
| Total sales                           | 6,00,000   |
| Less: Cash sales (20% of total sales) | (1,20,000) |
|                                       | 4,80,000   |

## 4) Calculation of cash collected from debtors

## Debtors Account

| Particulars                    | ₹                    | Particulars                               | ₹                    |
|--------------------------------|----------------------|---|----------------------|
| To Balance b/d<br>To Sales A/c | 1,00,000<br>4,80,000 | By Bank A/c (Bal. fig.)<br>By Balance c/d | 4,60,000<br>1,20,000 |
|                                | <b>5,80,000</b>      |   | <b>5,80,000</b>      |

## 5) Calculation of closing balance of cash at bank

## Bank Account

| Particulars                                     | ₹                            | Particulars  | ₹                              |
|---|------------------------------|--|--------------------------------|
| To Balance b/d<br>To Debtors A/c<br>To Cash A/c | 38,000<br>4,60,000<br>80,000 | By Creditors A/c<br>By Rent A/c<br>By Balance c/d (b.f.) | 3,00,000<br>16,000<br>2,62,000 |
|   | <b>5,78,000</b>              |  | <b>5,78,000</b>                |

## 6) Calculation of the amount of cash defalcated by the cashier

|                                   | ₹        |
|-----------------------------------|----------|
| Cash balance as on 1st April 2021 | 28,000   |
| Add: Cash sales during the year   | 1,20,000 |
|                                   | 1,48,000 |

Save and Continue →

## 5) Calculation of credit sales

|                                       | ₹          |
|---------------------------------------|------------|
| Total sales                           | 6,00,000   |
| Less: Cash sales (20% of total sales) | (1,20,000) |
|                                       | 4,80,000   |

## 4) Calculation of cash collected from debtors

## Debtors Account

| Particulars    | ₹               | Particulars             | ₹               |
|----------------|-----------------|-------------------------|-----------------|
| To Balance b/d | 1,00,000        | By Bank A/c (Bal. fig.) | 4,60,000        |
| To Sales A/c   | 4,80,000        | Balance c/d             | 1,20,000        |
|                | <b>5,80,000</b> |                         | <b>5,80,000</b> |

## 5) Calculation of closing balance of cash at bank

## Bank Account

| Particulars    | ₹               | Particulars           | ₹               |
|----------------|-----------------|-----------------------|-----------------|
| To Balance b/d | 38,000          | By Creditors A/c      | 3,00,000        |
| To Debtors A/c | 4,60,000        | By Rent A/c           | 16,000          |
| To Cash A/c    | 80,000          | By Balance c/d (b.f.) | 2,62,000        |
|                | <b>5,78,000</b> |                       | <b>5,78,000</b> |

## 6) Calculation of the amount of cash defalcated by the cashier

|                                   | ₹        |
|-----------------------------------|----------|
| Cash balance as on 1st April 2021 | 28,000   |
| Add: Cash sales during the year   | 1,20,000 |
|                                   | 1,48,000 |

|  |        |            |
|--|--------|------------|
| Less: Salary (₹2,000x12)                                       | 24,000 |            |
| Office expenses (₹1,200 x 12)                                  | 14,400 |            |
| Drawings of A (₹500x12)  | 6,000  |            |
| Cash deposited into bank during the year                       | 80,000 | (1,24,400) |
| Cash balance as on 31st March 2022 (defalcated by the cashier) |        | 23,600     |